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This Annual Report may be accessed on the Market Observation Post System (<http://newmops.tse.com.tw>) and on the Bank's Website (<https://www.ubot.com.tw>)

The English version of annual report is a brief translation and is not part of official document of the shareholder's meeting.

The Chinese version shall prevail if there is any difference between these two.

2019 Annual Report



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

Please refer to page 179 ~183.

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Homepage: <http://www.masterlink.com.tw>

Address: B1, No.35, Ln. 11, Guangfu N. Rd., Taipei City

Tel: (02) 2768-6688

IV. Credit Ratings Institution

Name: Taiwan Ratings Corp.

Homepage: <http://www.taiwanratings.com.tw>

Address: 49F, No.7, Hsin-Yi Rd., Sec. 5, Taipei, Taiwan

Tel.: (02) 8722-5800

V. CPA for Financial Statement Auditing

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Company: Deloitte & Touche

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VI. Offshore marketable securities exchange company and transaction information: None

VII. Homepage: <http://www.ubot.com.tw>

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1. Results of Operation for 2019

(1) Domestic and International Financial Environment

In 2019, the continuous easing of market funds supported the investment market and corporate operations. Funds flowed back from Taiwanese companies, and more market share was acquired by Taiwanese companies benefitting from the US-China trade war which have both contributed to the positive growth of loan and wealth management business in the banking industry. However, due to the continuous impact by negative geopolitical factors such as the US-China trade war, the anti-extradition law amendment bill movement in Hong Kong and Brexit, the operating exposure and investment risk for domestic banks have spiked. The economy has remained steady for the banking industry in 2019.

(2) Changes in Bank Organization

The number of domestic branches reached 90 in 2019.

(3) Business Plan, Results of Operations and Budget Execution Status

Through the concerted effort of all employees, we made excellent performance in all key performance indicators (KPIs) in 2019. With regard to profitability, the Bank reported an after-tax net income of NT\$ 3.359 billion for the year ended Dec. 31, 2019, earnings per share (EPS) was NT\$ 1, return on assets (ROA) was 0.51%, and return on equity (ROE) was 6.69%. In terms of asset quality, the Bank was able to maintain sound asset quality, reporting an NPL ratio of 0.15% and bad debt coverage ratio of 749.68%.

Over the years, we have been promoting different types of business upon an operational strategy featuring steady growth and local cultivation. On January 17, 2020, Taiwan Ratings Corporation awarded our Bank its long- and short-term issuer credit rating for “twA” and “twA-1” respectively, and the outlook on the long-term rating is stable. According to the rating report of Taiwan Ratings Corporation, we have a prudent capital policy and appropriate risk controls, which will enable us to maintain a stable credit structure over the next one to two years. Taiwan Ratings Corporation expects that we can maintain a similar standard in market position, asset quality, capital sources and liquidity structure..

(4) Revenue/Expenditure and Profitability

In 2019, the net interest income was NT\$6.564 billion, the non-interest income was NT\$5.096 billion, and the net revenue was NT\$11.660 billion. After deducting net bad debt expenses totaling NT\$236 million and operating expenses totaling NT\$7.450 billion, the net income before and after tax was NT\$3.974 billion and NT\$3.359 billion respectively.

Letter to Shareholders

2. Credit Rating

Rating Agency	Date of Rating	Rating Results		Outlook
Taiwan Ratings Corporation	January. 17, 2020	Long-Term: twA	Short-Term: twA-1	Stable

3. 2019 Business Plan

(1) Operating plan and important operating policy:

Actively expand the scale of various businesses with innovative and competitive services. In terms of business objectives, the Group adheres to the spirit of localized service to establish long-term relationship with customers and create win-win value:

1. Deposit business:

- (1) Establish digital service procedures, provide online account opening reservation fill-in page to save customers' time in filling out forms at physical counters, and improve overall account opening efficiency.
- (2) In response to the trend of digital payment, the Bank plans to strengthen the functions of VISA debit cards and accounts (Apple Pay Debit Card) to provide depositors with multi-dimensional payment tools.
- (3) We will also expand the functions of ATMs ("iPASS deposit function") to provide customers with diversified services. The Bank continues to hold VISA debit card marketing events to enhance customer loyalty and increase demand deposits.
- (4) Plan a small and medium enterprise deposit expansion project to increase the growth of the Bank's corporate deposits and increase the number of new customers.

2. Corporate banking and foreign exchange business:

- (1) Continuously expansion in corporate loans, we will prioritize self-liquidating loans and loans for manufacturing industries and increase obligation protection through the SME credit guarantee fund and the request for collateral.
- (2) We will also constantly strengthen business cultivation to industries emphasizing MIT by increasing visits on existing loan clients to cultivate potential customers both upstream and downstream through their recommendation to increase the opportunity for business cultivation. We will further visit industrial zones and office buildings near a branch or the industrial zone administration to cultivate new customers. (2) Strengthening undertaking quality stock collateral loans.
- (3) Actively expand corporate loans to personal loan borrowers who operate their own businesses to bring in various business opportunities.

Letter to Shareholders

- (4) Strengthen the undertaking of quality stock collateral loans.
 - (5) Constantly monitor various credit risk limits and concentration risks, such as industry concentration, real estate collateral concentration, business conglomerate concentration, and related party credit control.
 - (6) Evaluate future changes in domestic real estate market conditions and responding conservatively by selecting high-performance customers, building projects in good regions and locations, and building projects with low loan-to-value rate and high returns.
 - (7) Actively expand commercial paper guarantee business with high-quality companies such as listed and OTC companies and well-known conglomerates, and continue to strictly implement post-lending management mechanism to promptly review and adjust credit risk.
 - (8) Develop foreign exchange business customer source, expand imports, exports and foreign exchange business to increase the Bank's niche in foreign exchange business and market share.
3. Consumer banking: Select target customer groups through cross function business marketing; deliver related activity information via DM, eDM, and SMS; develop new house loan customers and maintain existing customers; constantly focus on further developing quality customers, grasp customers' demands, and maintain existing customers; provide customized programs for different customer groups in order to develop new customers; recruit or train auto financing AOs to boost business; stabilize new auto loans business, increase used car purchase loans and personal car loans, and continue to expand business scale.
4. Credit card business:
- (1) Channel: Use branches as the main credit card marketing channel; actively promote new customer groups and explore potential customer demand; strengthen co-branded card issuance and marketing campaigns for major groups; cultivate existing customer groups and actively develop new ones. In response to the trend of the digital era, enhance online application platform utilization rate and simplify application process to increase the proportion of virtual channels.
 - (2) Product: Promote credit cards with electronic card ticket function to enhance customer convenience and increase loyalty with the Bank; plan diversified and differentiated mobile payment preferential activities in line with the mobile payment market; increase credit card binding with mobile handsets and attract new generation mobile users.
 - (3) Campaign: Increase brand day campaigns to cultivate the habit of using Union Bank credit cards for consumption; accelerate growth momentum in credit card transaction and strengthen channels; plan project promotion activities to go with market topics to increase overall credit card transaction amount.

Letter to Shareholders

- (4) Credit card loans: Expand small amount credit loans and slow down decrease of existing loan to increase the loan balance; increase the proportion of high-quality customers to control risks; increase online loan ratio to increase loan revenue and returns.
 - (5) Card acquiring business: Continue to promote mobile payment binding, expand merchants and promote diversified new payment methods such as UnionPay EC, self-built gate way, LINE PAY and so on to enhance the competitiveness of the acquiring business.
5. Wealth management, insurance agencies, and trusts:
 - (1) Provide more comprehensive asset allocation to customers with different risk attributes as a current business development focus due to the clear classification of customer risk attributes. The Bank will continue to launch domestic and overseas investment financial products, strengthen the diversification of original product lines, and increase the market share of the Bank's wealth management business by assisting the development and management of active bank-wide customers.
 - (2) In addition to the promotion of wealth management business, and in order to enhance the channel service and customer service quality, the Company will continue to strengthen the certificate and sales qualification acquisition by wealth management business personnel, strengthen the depth and breadth of education and training courses, and carry out professional knowledge and skills training.
 - (3) Continue to introduce insurance products covering critical illness, disability, medical and life insurance, so as to protect the two engines of wealth and health, meet the needs in retirement planning and wealth transfer, and increase bank commission income.
 - (4) In response to population aging, low birth-rate, and increasing number of people living alone, the Bank will continue to strengthen the promotion of family trusts - Lohas living trust, and actively cooperate with associations and public welfare organizations to promote asset security that trust can provide to the public, so as to provide the Bank's customers with more extensive trust services to meet customer needs in personal wealth transfer and family business inheritance.
6. Digital banking service:
 - (1) Personal e-banking service – In order to enhance the competitiveness of e-banking service with user experience as the core, the system structure and user interface update of personal online banking and mobile banking (Lohas app) are continued to improve system efficiency, optimize various transaction processes and establish various online financial application services.

Letter to Shareholders

- (2) Corporate e-banking service – Increase corporate e-banking service functions, provide a more convenient online trading platform for corporate clients to effectively obtain the latest information on their internal fund movement and transactions, and actively promote the automation of online financial transaction management for corporate clients to improve operational efficiency and create competitive advantages.
 - (3) Digital banking service – Continue to expand and enhance online service functions, optimize and adjust online account opening process with the opening up of video, new ID card and digital account opening authority; implement digital banking to increase the efficiency of O2O services; strengthen the cooperation between non-traditional financial service locations such as Hi-Life convenience store, LINE PAY iPASS CARD and link with online and offline cash flow services. Through various marketing channels such as business discounts, cross-industry cooperation and cross-marketing, the Bank actively develops new clients in digital banking service.
 - (4) Social media application--Customer relations is managed through diversified interactive functions such as LINE and other social media platforms. Personalized messages are sent through LINE Business Connect to optimize customer communications and message notification.
 - (5) Integration and application of new types of digital financial services - Establish big data models such as “Credit Card Customers and Consumption Segment, Bank-wide Personal Finance Customer Segment, Bank-wide Personal Financial Product Preferences, Potential Corporate Customers Exploration and Personal Credit Case Assessment Model”, so as to effectively use and analyse the data of the Bank’s various businesses and obtain accurate insights on customer behavior and needs; integrate with the Bank's customer service system to introduce smart core customer services; introduce the application and integration of facial recognition technology and related financial services; plan locations for digital financial services and automation equipment such as ATMs and VTMs.
7. Securities: Further develop and manage legal person customers to boost performance, promote the business of electronic trading to increase the ratio of electronic trading.
 8. Others: In investment business, cultivate financial trading talents, choose investment targets carefully and execute disciplinary financial operations in order to control the risk and increase the Bank's income, do our best to improve the profitability of all assets, strengthen risk management, and maintain good asset quality, plan the loan business guaranteed by USD time deposits to maintain

Letter to Shareholders

self-insurance operation volume, and increase USD deposits in the Bank, and meanwhile, review the appropriateness of the bill and bond ratio to maintain better capital movement flexibility.

(2) Channel development:

1. Apart from 90 business locations in Taiwan, we will continue to proactively expand overseas presence and operation basis to provide customers with international financial services. The Hanoi Office has been approved by the Central Bank of Vietnam and is actively preparing for opening operations to provide clients with international financial services.
2. The Bank has expanded our ATM service network to offer customers more convenient services and through which we hope to enhance our corporate image and reputation. As of December 31, 2019, the Bank has installed a total 865 ATMs to service our clients.

(3) The Bank's 2020 business goals

1.

Business	Business Goals of 2020
Deposits	NT\$ 576.5 billion by year end
Loans(excluding credit cards)	NT\$ 413.5 billion by year end
Foreign exchange turnover	US\$ 7.017 billion
2. Improvement in business performance targets: including a suppressed NPL ratio or one that is lower than the industry average, improvement in capital level to meet the requirement of 2020 in accordance with IFRS and Basel III, and the maintenance of stable fund source and high-quality liquid assets in order to meet the standards of Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR).

4. External Factors and Future Development Strategies

Looking forward to 2020, the IMF and OECD have again revised 2020 growth forecast in global economic and world trade volume downward, indicating that international institutions remain cautious about the global economic outlook. Despite the temporary agreement between U.S. and China, intellectual property rights, technology competition, and other structural trade issues will not be easily resolved in the short term. In addition, the COVID-19 pandemic impacted global trade and economic activities, which requires close follow-up attention.


To meet with the challenges of different variations in the future, the Bank will continue to adopt the strategy of growing in stability: to enhance market share and the scale of core

Letter to Shareholders



profit-making business by exerting branch network and marketing strategies to improve business performance under the premise that risk is controllable; at the same time, stick to the spirit of servicing locally and establishing brand value for Union Bank of Taiwan, moving toward the goal of being an excellent bank and sustainable operation.

We are very grateful to you for your long-term patronage and strong support in the past. We will endeavor to present a marvelous feat of performance under the Bank's operating mottoes of "Enthusiasm, Soundness, Efficiency and Innovation" through improving the quality of service and strengthening customer-bank relationships. Your continued support and encouragement in the future would be much appreciated.

Yours sincerely,

董事長  

Chairman Shiang-Chang Lee

總經理  

President Jeff Lin

BANK PROFILE

1. Date of Establishment and History

Union Bank of Taiwan was the third private bank approved for establishment by the government in the awakening of banking liberalization and globalization. Based on a common interest in sustainable development and a business philosophy featuring “enthusiasm,” “reliability,” efficiency” and “innovation,” founders of this Bank set up the preparatory office of the Bank on March 29, 1989, leading to the official operations starting on January 21, 1992. On September 19, 1995, this Bank was listed on what is today’s Taipei Exchange and then on Taiwan Stock Exchange on June 29, 1998, becoming a publicly offered company recognized and identified by the public.

In order to achieve the goal of internationalization, the Bank set up its Ho Chi Minh City Representative Office on Feb. 25, 1998 in Vietnam and Hong Kong Representative Office on Aug. 24, 1999 in Hong Kong respectively. The Bank also got permission from the Financial Supervisory Commission in Mar., 2019 to set up a branch in Da Nang, Vietnam and permission from Sate Bank of Vietnam to set up Hanoi Representative Office at the end of 2019. As a result, the Bank has more branches and can provide a greater variety of convenient services for our customers.

To expand business channels and the scale of operations, we acquired Chung Shing Bank collectively on March 19, 2005 and completed merging it with Union Bills Finance Co., Ltd. On August 16, 2000.

To integrate overall resources, strengthen management, and demonstrate operating synergy, we merged with Union Insurance Broker Co., Ltd. on August 26, 2015 with BOD resolution and obtained the FSC’s approval on March 21, 2016. The merger was completed on August 1, 2016, in which Union Bank of Taiwan served as the surviving bank, which continue to provide service for the insured customers of the Union Insurance Broker.

By the end of March 2020, we have 90 domestic business locations, including 49 in Greater Taipei, 18 in Taoyuan and Hsinchu, 10 in Taichung and Changhua, 9 in Chiayi and Tainan, and 6 in Kaohsiung and Pingtung; 9 securities branches; and one overseas banking branch.

2. Merger, Acquisition, Reinvestment in Affiliated Enterprises and Corporate Restructure During 2019 and Current Year Up to the Printing Date of the Annual Report :

No mergers, acquisitions, or restructuring occurred during 2019 and the current year up to the publication date of the annual report. The number of new investment affiliated enterprises is 2 in total. One is "Union Venture Capital Co., Ltd.", the Bank has 100% shareholding. The other is "LINE BANK". The Bank has a 5% shareholding.

3. Is the Bank a Member Firm of a Specific Financial Holding Company?

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

4. Significant Transfers or Changes in Shareholding of Directors, Supervisors and Parties Required to Declare Ownership of Shares Under Paragraph 3, Article 25 of the Banking Act.

Refer to “Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity in accordance with Paragraph 3, Article 25 of the Banking Act” of the “Corporate Governance Report”.

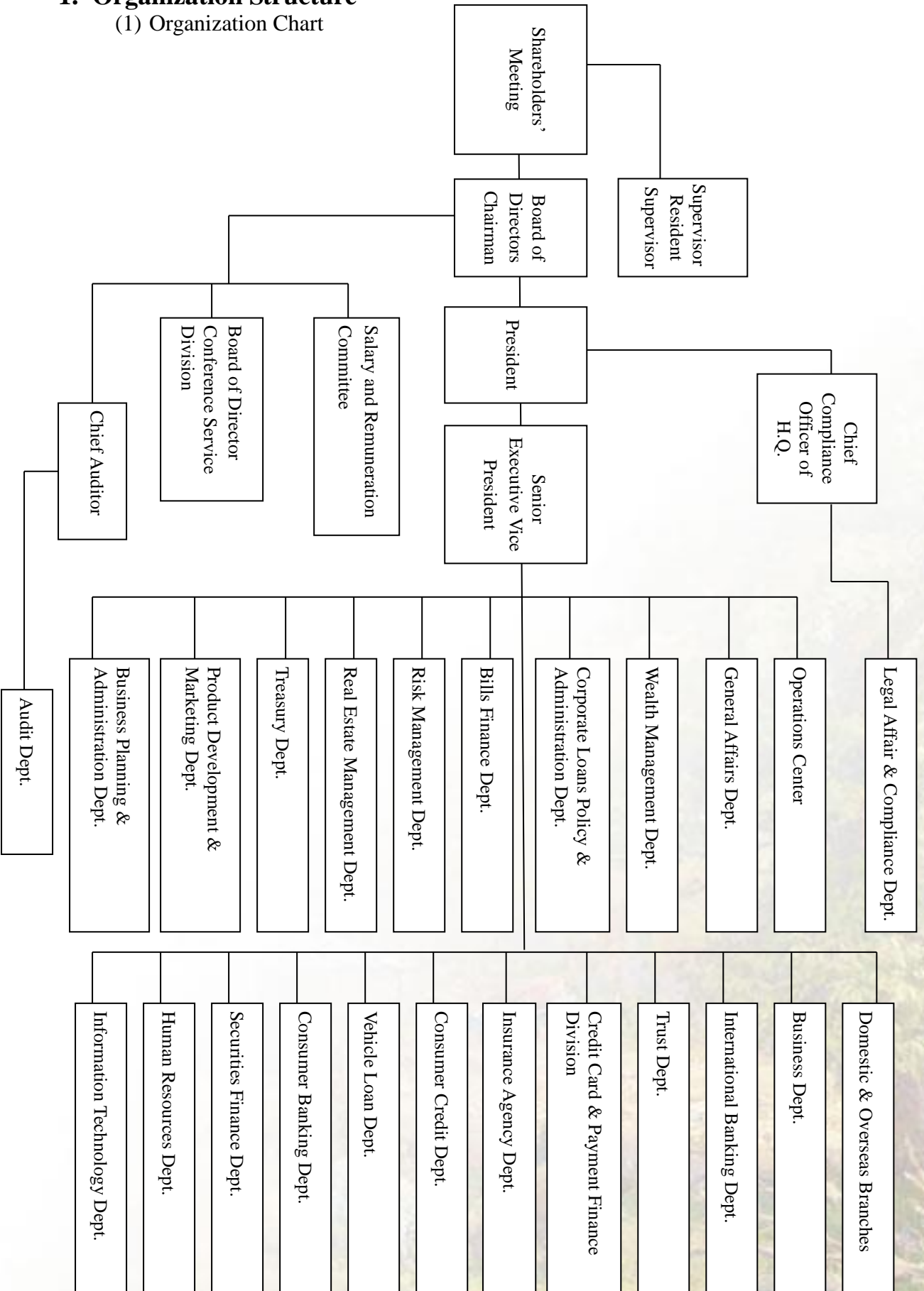
BANK PROFILE

- 5. Changes in Management Rights, Management Mode or Other Significant Business Changes During 2019 and Current Year Up to the Printing Date of the Annual Report:** None.
- 6. Other matters of material significance that could affect shareholders' equity and how such matters will affect the Bank:** None

Corporate Governance

1. Organization Structure

(1) Organization Chart



Corporate Governance

(2) Responsibilities of each department:

Audit Department:

Responsible for performing internal audit, planning internal controls systems and reviewing credit applications.

Business Planning & Administration Department:

Responsible for the Bank's organizational system, execution of budgets, risk management and deposit-taking and remittance businesses.

Product Development & Marketing Department:

Responsible for the planning and promotion of e-Commerce businesses.

Treasury Department:

Responsible for the Bank's fund appropriation and assets and liabilities management.

Real Estate Management Department:

Responsible for the appraisal of real estate collaterals and management of collateral received for loans.

Risk Management Department:

Responsible for managing the Bank's credit risks, market risks and operational risks.

Bills Finance Department:

Responsible for planning pursuing and managing the bills and bonds business.

Legal Affairs & Compliance Department:

Responsible for compliance affairs, processing of legal actions for the Bank, research of and advice on legal issues. Matters such as planning, supervision and compliance of anti-money laundering and countering the financing of terrorism.

Corporate Loan Policy & Administration Department:

Responsible for the promotion and management of corporate banking businesses.

Wealth Management Department:

Responsible for the promotion of wealth management businesses and administration of wealth management personnel.

General Affairs Department:

Response for the procurement of supplies, management of the bank's properties and acting as the bank's treasurer.

Operations Center:

Responsible for the establishment of files, disposition of transactional accounts and management of archives.

Information Technology Department:

Responsible for the design, execution and maintenance of the Bank's computer system.

Human Resources Department:

Responsible for planning human resources.

Corporate Governance

Securities Finance Department:

Responsible for entrusted trading, underwriting and purchase of marketable securities.

Consumer Banking Department:

Responsible for the promotion and management of consumer banking businesses.

Vehicle Loan Department:

Responsible for planning, promoting and managing the vehicle loan business.

Consumer Credit Department:

Responsible for the promotion and management of consumer credit businesses.

Credit Card & Payment Finance Division:

Responsible for the development of affairs related to credit cards and merchants, and processing of micro loans.

Trust Department:

Responsible for trust business, custodian banking and certification services.

International Banking Department:

Responsible for foreign exchange businesses and establishing and managing the overseas branches.

Insurance Agency Department:

Responsible for the promotion and management of insurance agency banking businesses.

Business Department:

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

Corporate Governance

2. Information on Directors, Supervisors, and Executive Officers

(1) Directors and Supervisors

A. General Information

Recordation Date: March 31, 2020 (Shares Holding Recordation Date: March 28, 2020)

Unit: Shares ; %:

Title	Name/Gender /Nationality T: Taiwan	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appt. (Common Stock / Preferred Stock) Note2		Current Shareholding (Common Stock / Preferred Stock)		Current Shareholding of Spouse & Minor Children (Common Stock / Preferred Stock)		Shareholding Under Other's Title (Common Stock / Preferred Stock)		Experience & Qualification	Current Positions in the Bank and Other Company	Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Chairman	Shiang-Chang Lee /M/T	2018.06.08	3 Yrs	1991.12.10	1,349,939	0.04%	1,487,767	0.04%	2,333,088	0.07%	-	-	National Taiwan University; President of UBOT	Union Finance International (HK) Director - Taiwan Futures Exchange supervisor	None	None	None
Independent Managing Director	Kao-Jing Wang /M/T	2018.06.08	3 Yrs	2009.06.19	-	-	-	-	-	-	-	-	Master's Degree, University of North Dakota; SEVP, Bank of Taiwan	Independent Director of Mechema Chemical International Corp.	None	None	None
Managing Director	Chen-Chern Investment Co., Representative: Zhen-Xong Jiang /M/T	2018.06.08	3 Yrs	2012.06.22	125,029,640/ 4,245,959	4.45%/0.15 %	137,795,166/ 4,245,959	4.46%/0.13 %	2,130,366	0.06%	-	-	National Defense Medical School; Commissioner of International Rotary Club	.	None	None	None
Independent Director	Zen-Fa Lu /M/T	2018.06.08	3 Yrs	2009.06.19	-	-	-	-	-	-	-	-	4 th Judicial Training Program, The Judges and Prosecutors Training Institute; Prosecutor General of Supreme Prosecutors Office		None	None	None

Corporate Governance

Title	Name/Gender /Nationality T.Taiwan	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appt. (Common Stock / Preferred Stock) Note2		Current Shareholding (Common Stock / Preferred Stock)		Current Shareholding of Spouse & Minor Children (Common Stock / Preferred Stock)		Shareholding Under Other's Title (Common Stock / Preferred Stock)		Experience & Qualification	Current Positions in the Bank and Other Company	Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Independent Director	Guo-Zhang Li /M/T	2018.06.08	3 Yrs	2015.06.26	-	-	-	-	-	-	-	-	National Taiwan University, Chairman of Union Bills Finance Corp..		None	None	None
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin /M/T	2018.06.08	3 Yrs	1991.12.10	90,901,025	3.24%	100,182,018	3.24%	6,165,945	0.19%	-	-	Master's Degree, National Taiwan University; President of Union Bank of Taiwan	Director of Union Dyeing and Finishing Co., Ltd. Supervisor of Union Recreation Enterprise Co., Ltd.; Director of The Liberty Times. Managing Director of Kuosheng Investment Co.,Ltd. Director of Union Finance International (HK)	None	None	None
Director	Yu-Pang Co., Ltd. Representative: Sue-Feng Tsao /F/T	2018.06.08	3 Yrs	1994.06.01	37,972,999	1.35%	41,850,041	1.35%	3,895	0%	-	-	Taipei Commercial Academy Director of Tien-Sheng Investment Co., Ltd.		None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date of Elected	Term	Date of Initial Appointment	Shareholding at Appt. (Common Stock / Preferred Stock) Note2		Current Shareholding (Common Stock / Preferred Stock)		Current Shareholding of Spouse & Minor Children (Common Stock / Preferred Stock)		Shareholding Under Other's Title (Common Stock / Preferred Stock)		Experience & Qualification	Current Positions in the Bank and Other Company	Other Executive Officers, Directors or Supervisors Are Spouse or Within Second-degree Relatives of Consanguinity to Each Other		
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Title	Name	Relation
Director	Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin /M/T	2018.06.08	3 Yrs	2015.06.26	132,981,337/ 8,167,281	4.74%/ 0.29%	146,558,731/ 8,167,281	4.75%/ 0.26%	1,972,422	0.06%	-	-	National Taiwan Normal University Director of Hong-Bung Construction Enterprise Co., Ltd.	Director of Union Dyeing and Finishing Co., Ltd.; Director of Yeh-Shan Construction Co., Ltd.; Chairman of GreenIsland Hotel Co., Ltd.; Director of Jen-Yo Investment Co. Ltd.; Director of Sun-Che Investment Co., Ltd.; Supervisor of RSL Corporation.; Supervisor of Lung Shan Lin Realstate Management Corp.; Manager and Director of Hong-Bung Construction Enterprise Co., Ltd.; Director of Lung Shan Lin Construction Co., Ltd; Director of Kang-Hong investment Co., Ltd.;Supervisor of Song-Mai investment; Director of Hi-Life International Co., Ltd.; Chairman of Kuo-sheng investment Co., Ltd.;Director of Pai-Sheng Investment Co., Ltd.; Director of Chu-Pao Investment; Supervisor of Lung Shan Lin Enterprise Co., Ltd.;Director of Union Bank of Taiwan; Director of Union Realstate Management Corp.;Director of Union Optronics Corp.	None	None	None

Corporate Governance

B. Major Institutional Shareholders

Name of Shareholder	Major Shareholders of Institutional Shareholder
Yu-Pang Co., Ltd.	Hong-Bang Lin, Jeff Lin
Union Enterprise Construction Co., Ltd.	Lin Chang Su-O, Hong-Yao Lin
Chen-Chern Investment Co., Ltd.	Tsong-Yu Lee, Hong-Yao Lin
Pai-Sheng Investment Co., Ltd.	Si-Yong Lin, Hsiu-Ching Lee

C. Major Shareholders of Institutional Shareholders

Name of Shareholder	Major Shareholders of Institutional Shareholder
N/A	N/A

D. Professional Knowledge and Independence Information of Directors and Supervisors

Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)										Serving as an independent director of other public companies
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Shiang-Chang Lee			√	√		√	√	√		√	√	√	√	-
Kao-Jing Wang			√	√	√	√	√	√	√	√	√	√	√	1
Zhen-Xong Jiang			√	√	√	√	√	√	√	√	√	√		-
Zen-Fa Lu		√	√	√	√	√	√	√	√	√	√	√	√	-
Guo-Zhang Li			√	√	√	√	√	√	√	√	√	√	√	-
Jeff Lin			√			√		√		√	√	√		-

Corporate Governance

Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)										Serving as an independent director of other public companies	
	(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
Sue-Feng Tsao			√	√	√	√	√				√	√	√		-
Si-Yong Lin			√	√	√	√	√				√	√	√		-

Note 1: With over 5 years of work experience and the following professional qualification

- (1) Instructor, or higher up, of a public or private junior college, college or university, in Business, Law, Finance, Accounting or other departments as required by corporate business.
- (2) Judge, prosecutor, solicitor, Certified Public Account or professionally qualified and technical person as required by the company.
- (3) Experience in Business, Law, Finance, Accounting or as required by corporate business.

Note 2: Two years before the directors and supervisors are elected or during the period they are on the jobs, if they meet the following criteria, please make a “√” mark in the space under the criteria codes.

- (1) Not an employee of the Bank; nor an employee of its affiliated enterprises.
- (2) Not a director or supervisor of the Bank’s affiliated enterprises (Does not include the independent directors of the Bank’s parent company or subsidiaries in which the Bank holds more than 50% of the shares).
- (3) Not directly or indirectly own more than 1% of the Bank’s outstanding shares; nor is one of the top ten non-institutional shareholders of the Bank.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officers in the preceding subparagraph 1, or of any of the above persons in the preceding subparagraphs 2 and 3.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the Bank, ranks as its top five shareholders, or has representative director(s) serving on the company’s board as director(s) or supervisor(s) based on paragraph 1 or paragraph 2, Article 27 of the Company Law, except where the Bank and its parent company, subsidiaries or subsidiaries of the same parent are serving concurrently as independent directors set up in accordance with the Securities and Exchange Act or local laws.
- (6) Not a director, supervisor, or employee of the bank of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Bank, except where the Bank and its parent company, subsidiaries or subsidiaries of the same parent are serving concurrently as independent directors set up in accordance with the Securities and Exchange Act or local laws.
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the Bank’s chairman or CEO (or equivalent), except where the Bank and its parent company, subsidiaries or subsidiaries of the same parent are serving concurrently as independent directors set up in accordance with the Securities and Exchange Act or local laws.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Bank, except where a specific company or institution holds more than 20% of the total number of issued shares of the Bank and not more than 50% of the shares and is serving concurrently as independent directors set up in accordance with the Securities and Exchange Act or local laws.
- (9) Not a member of Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger and Acquisition pursuant to Securities and Exchange Act or Business Mergers and Acquisitions Act, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate, or a spouse thereof, and the service provided is an “audit service” or a “non-audit service which total compensation within the recent two years exceeds NT\$500,000.”

Corporate Governance

- (10) Not a spouse or within second-degree relation to other directors.
 (11) Not a person under the circumstances specified in Article 30 of the R.O.C. Company Act.
 (12) Not a government agency, juristic person or its representative pursuant to Article 27 of the R.O.C. Company Act.

E. Director and Supervisors' Training Records

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements ^{Note}
		From	To				
Chairman	Shiang-Chang Lee	2018.03.16	2018.03.16	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3	Yes
Chairman	Shiang-Chang Lee	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)	3	Yes
Independent Managing Director	Kao-Jing Wang	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3	Yes
Independent Managing Director	Kao-Jing Wang	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)	3	Yes
Managing Director	Zhen-Xong Jiang	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3	Yes

Corporate Governance

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements ^{Note}
		From	To				
Managing Director	Zhen-Xong Jiang	2018.11.26	2018.11.26	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)	3	Yes
Independent Director	Guo-Zhang Li	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance.	Trust industry supervisor in-service seminar (northern area)	3	Yes
Independent Director	Guo-Zhang Li	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance.	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3	Yes
Independent Director	Guo-Zhang Li	2018.11.26	2018.11.26	Taiwan Academy of Banking and Finance.	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)	3	Yes
Director	Jeff Lin	2018.03.16	2018.03.16	Taiwan Academy of Banking and Finance.	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3	Yes
Director	Jeff Lin	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance.	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)	3	Yes

Corporate Governance

Title	Name	Date of Training		Organizer	Course Name	Hours	Has the Director or Supervisor Met the Training Requirements ^{Note}
		From	To				
Director	Sue-Feng Tsao	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance.	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3	Yes
Director	Sue-Feng Tsao	2017.11.26	2018.11.26	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)	3	Yes
Director	Si-Yong Lin	2018.06.25	2018.06.25	Taiwan Academy of Banking and Finance.	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3	Yes
Director	Si-Yong Lin	2018.11.26	2018.11.26	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)	3	Yes

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

Recordation Date: March 31, 2019 (Shares Holding Recordation Date: April 2, 2019)

Unit: Shares ; %

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
President	Hong-Lian Lin (Jeff Lin) /M/T	2006.08.02	6,165,945	0.19%	0	0	0	0	Master's Degree, National Taiwan University; SEVP of UBOT	Supervisor of Union Recreation Enterprise Corp.; Director of The Liberty Times; Executive Director of Union Dyeing and Finishing Co., Ltd. Union Finance International (HK) Director	None	None	None
SEVP .	Her-Man Tu (Herman Tu) /M/T	2006.07.01	287,520	0	0	0	0	0	Chinese Culture University; EVP of UBOT	Director of Union Securities Investment Trust Co., Ltd. Supervisor of Union Finance & Leasing (Int'l) Co., Ltd.	None	None	None
SEVP	Cheng-Yu Liu/M/T	2010.07.01	73,388/ 20,000	0	0	0	0	0	Takming College EVP of UBOT	Director of Union Information Technology Co., Ltd. Director of Union Finance International (HK)	None	None	None
SEVP	Wei-Wen Hsu /M/T	2018.03.26	0	0	0	0	0	0	Master's Degree, N National Chengchi University, Director General of Bureau of Agricultural Finance,	Director of Hi-Life International Co., Ltd. Director of Line Biz+ Taiwan Ltd. Director of iPASS Corporation Director of Union Venture Capital Co., Ltd. Director of Union Finance & Leasing (Int'l) Corporation,	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
Chief Auditor	Kuo-Pao Kang/M/T	2010.11.01	56,657/ 2,141	0	0	0	0	0	National Chiao Tung University; VP & Branch Manager of E. Taipei Branch of UBOT	-	None	None	None
Chief Compliance Officer and VP & GM of Legal Affair and Compliance Dept.	Ching-Wen Chen/M/T	2017.06.01	41,225/ 10,000	0	0	0	0	0	Soochow University VP & Branch Manager of Nanking E.Branch of UBOT	-	None	None	None
EVP & GM of Consumer Banking Dept	Cheng-Juh Hsieh/M/T	2017.07.01	372,170/ 65,000	0.01%/	0	0	0	0	Graduate School, University of South Australia, EVP & GM of Vehicle Loan Department	Director of Union Finance & Leasing (Int'l) Corporation, Director of Union Capital (Cayman) Corp, Director of New Asian Ventures Ltd.	None	None	None
SVP	Hung-Ming Chien (Peter Chien)/M/T	2006.06.26	177,729/ 20,000	0	0	0	0	0	Panchiao Senior High School; VP & Branch Manager of Hsinchung Branch of UBOT	Director of Union Finance & Leasing (Int'l) Corporation,	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
EVP & GM of Business Planning & Admin. Dept.	Chu-Chang Yang (Yanger Yang)/M/T	2006.06.22	55,734/ 28,930	0	0	0	0	0	0	Master's Degree, Tunghai University; VP and Deputy GM of Business Planning & Admin. Dept. of UBOT	Director of Lian-An Service Co. Ltd. & I Pass Corporation. Director of Union Venture Capital Co., Ltd. Director of Euroc III Venture Capital. Corp. Director of Hi-Life International Co., Ltd.	None	None	None
VP & GM of Consumer Credit Dept.	Pi-Chiu Tang (Joy Tang)/F/T	2004.03.22	87,446	0	0	0	0	0	0	Master's Degree, Memphis State University; VP & Deputy GM of Consumer Banking Dept.	-	None	None	None
VP & GM of Trust Dept.	Wendy Chi/F/T	2019.04.01	89,538	0	0	0	0	0	0	Master's Degree, University of Texas; VP & Branch Manager of Jenai Branch	-	None	None	None
VP & GM of Wealth Management Dept.	Ting Yu, Hsu (Sophie Hsu)/F/T	2005.11.21	45,440/ 10,000	0	0	0	0	0	0	Master's Degree, Canada Royal University; Executive VP of Business Development Dept. of ING	Director of Union Securities Investment Trust Co., Ltd.	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & GM of Securities Finance Dept.	Hui-Chin Yang/F/T	2013.03.20	8,000/ -	0	0	0	0	0	0	Feng Jia University First Securities Fong Yuan Branch Manager	-	None	None	None
VP & GM of Bills Finance Dept.	Ming-Teng Wu/M/T	2010.08.16	99,214/ 2,000	0	0	0	0	0	0	National Chengchi University; VP & Deputy GM of Union Bills Finance Corp.	-	None	None	None
VP & GM of Treasury Dept.	Wen-Chih Cheng/M/T	2016.03.16	34,939	0	0	0	0	0	0	Feng Jia University; AVP & Division Head of Treasury Dept	-	None	None	None
VP & GM of Corporate Loans Policy & Admin. Dept.	Chueh-Ling Liu/F/T	2014.4.01	48,767/ 10,000	0	0	0	0	0	0	Master's degree, George Washington University Deputy GM of Corporate Loans Policy & Admin Dept.	-	None	None	None
VP & GM of Vehicle Loans Dept.	Shum-Chen Tu/M/T	2017.07.01	23,220/ 12,000		4,000					National Chung Hsing University; AVP & Division of Vehicle Loans Dept.	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & GM of Real Estate Management Dept.	Jun-Nan Li (Michael Lee)/M/T	2004.03.05	12,910	0	0	0	0	0	Master's Degree, National Cheng Chi University; VP & Branch Manager of Hueilong Branch	-	None	None	None
VP & GM of Product Development & Marketing Dept.	Yi-Chun Kao (June Kao)/F/T	2015.08.01	18,505/ 20,000	0	0	0	0	0	National Cheng Chi University; AVP & Division Head of Wealth Management Dept.		None	None	None
VP & GM of Information Technology Dept.	Feng-Jung Yang (Luke Yang)/M/T	2006.07.01	118,390	0	0	0	0	0	Master's Degree, National Taiwan University; Deputy GM of IT Dept. of UBOT	Director of Union Information Technology Co., Ltd.	None	None	None
VP & GM of Human Resources Dept.	Hsiao-Chen Lin (Michael Lin)/M/T	1999.12.01	54,750	0	0	0	0	0	National Chung Hsing University; VP & Deputy GM of Human Resources Dept. of UBOT	-	None	None	None
VP & GM of General Affairs Dept.	Yu-Chang Chang (Russell YC Chang)/M/T	2003.10.01	166,292	0	0	0	0	0	Taiwan Institute of Technology; VP & Deputy GM of General Affairs Dept. of UBOT	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & GM of Operations Center	Shu-Feng Hsueh /F/T	2005.09.06	35,040/ 10,000	0	2,213	0	0	0	0	National Cheng Chi University; AVP of Hsintien Branch	-	None	None	None
VP & GM of International Banking Department	Meng-Yun Tseng (Connie Tseng)/F/T	2010.09.01	34,962	0	0	0	0	0	0	Master's degree of National University, USA CA; VP of International Banking Dept. and OBU, Jih Sun Commercial Bank	Director of Union Finance International (HK)	None	None	None
VP & GM of Branch of OBU and Rep. of Hong Kong Rept. Office	Mei-Chih Lu (Lisa Lu)/F/T	2010.09.01	70,386/ 8,000	0	0	0	0	0	0	MBA University of Birmingham, UK; AVP of OBU and representative of Hong Kong Representative Office & Ho Chi Minh Representative Office (FRM)	-	None	None	None
Rep. of Ho Chi Minh Rept. Office & Hoani Rept. Office	Nguyen Phuong Huyen/F/T	2019.11.16	0	0	0	0	0	0	0	Master' s Degree of University of Economics Ho Chi Minh City; Deputy GM of Cathy United Bank Chu Lai Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & GM of Credit Card & Payment Finance Division	Ling-Jung Hsiung/F/T	2016.06.15	11,505	0	0	0	0	0	Master's degree of New Jersey Institute of Technology; SVP of Citibank	Director of I Pass Corporation. Supervisor of Union Information Technology Co., Ltd	None	None	None
VP & GM of Risk Management Department	Huei-Wen Chang/F/T	2016.08.24	27,869/ 2,000	0	0/ 2,000	0	0	0	Tamkang University; AVP & Division Head of Risk Management Dept.		None	None	None
Insurance Agency Department	Kuan-Hong Lee/M/T	2017.12.01	23,408/ 5,700	0	0	0	0	0	Tamkang University; VP & Branch Manager of Tenshin Branch		None	None	None
VP & Branch Manager of Taipei Branch	Jane Lu /F/T	2017.06.01	72,884	0	0	0	0	0	Master' s Degree, University of Illinois; VP & Branch Manager of Chunghsiao Branch	-	None	None	None
VP & GM of Business Dept	Jen-Chung Cheng/M/T	2013.05.16	14,577/ 1,513	0	0	0	0	0	National Cheng Chi University; VP & Branch Manager of Taoyuan Branch	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
EVP & Branch Manager of Taoyuan Branch	Jyh-Chiang, Huang /M/T	2019.09.01	46,598	0	18,097/ 5,008	0	0	0	National Chiao Tung University VP & Branch Manager of Taoying Branch		None	None	None
VP & Branch Manager of Taichung Branch	Hung-Min Chen /M/T	2017.12.01	48,747/ 16,114	0	251/ 26,000	0	0	0	Feng Chia University; VP & Branch Manager of Wugu Branch	-	None	None	None
VP & Branch Manager of Nanking E. Road Branch	Jeffery Tsai /M/T	2017.06.01	62,264/ 29,662	0	0	0	0	0	Master's Degree, Fu Jen Catholic University; VP & Branch Manager of Hsinchuang Branch	-	None	None	None
VP & Branch Manager of Chungli Branch	Chang-Yung Chen/M/T	2017.12.01	36,372/ 1,305	0	0	0	0	0	Feng Chia University; VP & Branch Manager of Gaorong Branch	-	None	None	None
VP & Branch Manager of Sanchung Branch	Chia-Wei Lin/M/T	2015.11.16	24,000/ 14,000	0	0	0	0	0	Tung Hai University; VP & Branch Manager of Breeze Mini Branch	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of East Taipei Branch	Kun-Cheng Zhou /M/T	2020.03.16.	33,645/ 11,219	0	0/ 10,000	0	0	0	0	National Chung Hsing University; V.P. & Branch Manager of Hsichig Branch	-	None	None	None
VP & Branch Manager of Kaohsiung Branch	Feng-Li Lin /F/T	2017.12.01	70,204	0	0	0	0	0	0	Feng Chia University; VP & Branch Manager of Lingya Branch	Director of I Pass Corporation	None	None	None
VP & Branch Manager of Panchiao Branch	Ya-Fang Ko /F/T	2019.04.01	68,340	0	0	0	0	0	0	Master's Degree of University of California; Deputy GM of Corporate Finance Department	-	None	None	None
VP & Branch Manager of Tainan Branch	Yu-Show Hsu/F/T	2017.12.01	47,455	0	0/ 20,000	0	0	0	0	Kun Shan University; VP & Branch Manager of South Tainan Branch	-	None	None	None
VP & Branch Manager of Yuanlin Branch	Hsin-Yi Yang /F/T	2019.07.17	13,328	0	0	0	0	0	0	Chienkuo Junior College of Technology AVP & Division Head of South Yuanlin Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Jenai Branch	Tereasa Lin /F/T	2019.04.01	35,474/ 7,262	0	0	0	0	0	0	Chihlee Institute of Technology; Head of Jenai Consumer loan center, Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Nankan Branch	Ru-Ji Cheng M/T	2017.03.21	32,729/ 10,000	0	0	0	0	0	0	Feng Chia University; VP & Branch Manager of Hueilong Branch	-	None	None	None
VP & Branch Manager of Hsinchu Branch	Cheng-Hsien Tseng /M/T	2017.05.15	25,443 6,722	0	0	0	0	0	0	Tamsui Oxford College; VP & Deputy Branch Manager of Hsinchu Branch	-	None	None	None
VP & Branch Manager of Luchou Branch	Fei-Kun Lin /M/T	2017.06.01	34,806/ 21,329	0	0	0	0	0	0	Tamkang University; VP & Manager of Taipei Corporate Banking Center	-	None	None	None
VP & Branch Manager of Chiujou Branch	Ya-Yun Yang /F/T	2017.03.27	16,634	0	0	0	0	0	0	National Kaohsiung University of Applied Sciences; AVP & Division Head of Kaohsiung Branch	-	None	None	None

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Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Shuanho Branch	Jacky Liao /M/T	2019.04.01	26,720/ 16,000	0	0	0	0	0	0	Chungyu Institute of Technology; VP & Branch Manager of Panchiao Branch	-	None	None	None
VP & Branch Manager of Hueilong Branch	Kuang-Yi Kuo /M/T	2017.12.01	39,115/ 11,596	0	0/ 4,000	0	0	0	0	Tamkang University; AVP & Division Head of Tenshin Branch	-	None	None	None
VP & Branch Manager of Chiayi Branch	Liang- Kuei Kuo/M/T	2013.08.12	14,241	0	0	0	0	0	0	Master of National Yunlin University of Science and Technology; Tainan Branch manager of J.P.Morgan Asset Management	-	None	None	None
VP & Branch Manager of Kungkuan Branch	Fang-Ni Wang/F/T	2014.4.1	30,360/ 5,000	0	0	0	0	0	0	Master's Degree, National Central University; AVP & Division Head of Corporate loans policy & Administration Dept.	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Neili Branch	Shen-Yung Peng/M/T	2013.04.01	11,941	0	11,246	0	0	0	Ching Yun University; VP & Branch Manager of Tunhwa Branch	-	None	None	None
VP & Branch Manager of Chunghsiao Branch	Zhi-Zhong Zhang/M/T	2017.06.01	8,333/ 100,000	0	0	0	0	0	National Chao Tung University; VP & Branch Manager of East Taipei Branch	-	None	None	None
VP & Branch Manager of Hsinchuang Branch	Wen-Shien Chu /M/T	2017.06.01	37,461/ 20,000	0	0	0	0	0	Fu Jen Catholic University; VP & Deputy General Manager of the Law and Compliance Dept.	-	None	None	None
VP & Branch Manager of Fengshan Branch	Chiou-Ing Fang /F/T	2020.03.16	24,305	0	0	0	0	0	Master's Degree, National Kaohsiung University of Applied Sciences; VP & Deputy Branch Manager of Fengshan Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Taoying Branch	Chien-Song Wei/M/T	2019.09.01	22,917/ 722	0	0	0	0	0	0	Takming University of Science and Technology; VP & Manager of Taoying Corporate Banking Center		None	None	None
VP & Branch Manager of Lungtan Branch	Chang-Fu Tsai /M/T	2019.04.01	29,097/ 1,044	0	0/ 20,000	0	0	0	0	Feng Jia University; VP & Branch Manager of Suth Taoying Branch	-	None	None	None
VP & Branch Manager of Hsintien Branch	Lin-Lin Huang /M/T	2020.03.16	19,986	0	0	0	0	0	0	Fu Jen Catholic University; AVP & Division Head of Hsintien Branch	-	None	None	None
VP & Branch Manager of Tatze Branch	Chien-Hui Li/M/T	2019.04.01	25,278	0	0	0	0	0	0	Soochow University; Head of Jenai Loan Center, VP & Branch Manager of Tann Branch	-	None	None	None
VP & Branch Manager of Chungshan Mini Branch	Ye-Yan Lin /F/T	2013.11.25	25,645/ 8,981	0	0	0	0	0	0	Shih Chien University, Manager of Business Dept.	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Wenshin Branch	Ta-Yu Chin /M/T	2017.12.01	62,394/ 12,846	0	0	0	0	0	0	Tamkang University; VP & Branch Manager of Fongyuan Branch	-	None	None	None
VP & Branch Manager of Chienshin Branch	Lawrence Chen /M/T	2019.04.01	57,282	0	0	0	0	0	0	Master's Degree, National Central University; VP & Branch Manager of Lungtan Branch	-	None	None	None
VP & Branch Manager of Chungho Branch	Wen-Hui Lin /M/T	2017.12.01	55,481/ 19,192	0	0	0	0	0	0	Tamkang University University; VP & Branch Manager of Yongchun Branch	-	None	None	None
VP & Branch Manager of Neihu Branch	CM Hwang /M/T	2011.11.01	397,597/ 4,000	0.01%	0	0	0	0	0	Chung Yuan Christian University; VP & Branch Manager of Hoping Branch	-	None	None	None
VP & Branch Manager of Dayuan Branch	Chang-Yung Chen /M/T	2017.12.01	205,611/ 10,738	0	0	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce; VP & Branch Manager of Chungli Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Yungho Branch	Chun-Hsien Chang /M/T	2017.12.01	15,560/ 6,000	0	0	0	0	0	0	National Chung-Shin University; Vice President & General Manager of Insurance Agency Dept.	-	None	None	None
VP & Branch Manager of Chungkung Mini Branch	Shu-Huey Huang /F/T	2017.06.01	58,663	0	0	0	0	0	0	Lunghwa University of Science and Technology; Head of Hueilong Consumer loan center, Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Tonghwa Mini Branch	Liang-Wen Liu /M/T	2017.05.15	9,336	0	0	0	0	0	0	Yanping High School ; Junior Manager of Tonghwa Mini Branch .	-	None	None	None
VP & Branch Manager of Shihtung Branch	Ju-Ling Kuo /F/T	2019.04.01	88,997	0	0	0	0	0	0	Takming College; VP & Branch Manager of Wenlin Branch.	-	None	None	None
VP & Branch Manager of Breeze Center Mini Branch	Meng-Wen Tsao/F/T	2020.03.16	5399/ 8,000	0	0	0	0	0	0	Soochow University; AVP & Division Head of Nanking E. Road Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Changchun Branch	Ming-Tsan Hung /M/T	2016.08.29	23,179/ 5,000	0	0	0	0	0	0	Chinese Culture University; Junior Manager of Neihu Branch.	-	None	None	None
VP & Branch Manager of Sungchiang Branch	Chien-Lung Chen M/T	2013.11.25	129,273/ 14,588	0	0	0	0	0	0	Master's Degree, Aletheia University; VP & Branch Manager of Breeze Center Mini Branch	-	None	None	None
VP & Branch Manager of Taan Branch	Chan-Kwei Chen /M/T	2019.04.01	92,153/ 8,523	0	0/ 4,000	0	0	0	0	Feng Chia University; VP & Branch Manager of Ankang Branch	-	None	None	None
VP & Branch Manager of Yungchi Branch	Tsai-Ling Liao /F/T	2019.04.01	0	0	0	0	0	0	0	Taipei College of Commerce; VP & Branch Manager of Hoping Branch	-	None	None	None
VP & Branch Manager of Wenlin Branch	Candy Lin /F/T	2019.04.01	50,900/ 5,000	0	0	0	0	0	0	National Chung Hsing University; VP & Branch Manager of Yungchi Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Tungmen Branch	Cooper Kao /M/T	2015.11.16	58,517/ 16,710	0	428	0	0	0	0	Chinese Municipal Vocational School; Head of Chungho Loan Center Consumer Banking Dept	-	None	None	None
VP & Branch Manager of Tunhwa Branch	Gary Tsai /M/T	2013.04.01	29,691/ 2,243	0	0/ 50,000	0	0	0	0	Lunghwa University of Science & Technology; Head of Nanking E. Rd. Loan Center Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of Hsihu Branch	Anita Hung /F/T	2016.03.21	27,147	0	0	0	0	0	0	Soochow University; AVP & Division Head of Business Dept.	-	None	None	None
VP & Branch Manager of Beitou Mini Branch	Wen-Chi Chiang /M/T	2014.11.17	20,626	0	7,166/ 10,000	0	0	0	0	National Chiao-Tong University; Head of Jenai Loan Center Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of North Sanchung Branch	Shis-Wen Lu /M/T	2017.12.01	25,388	0	9,946	0	0	0	0	Takming Junior College of Commerce; VP & Branch Manager of Fuguo Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Houpu Branch	Chuen-Chour Li /F/T	2017.12.01	10,258/ 20,000	0	0	0	0	0	0	National Chung Hsing University; AVP & Division Head of East Taipei Branch	-	None	None	None
VP & Branch Manager of North Chungho Mini Branch	Wen-Hua Yang /F/T	2020.03.16	4,691 /65	0	0	0	0	0	0	Master's degree of National Central University; VP & Deputy of Hoping Branch	-	None	None	None
VP & Branch Manager of Fuguo Branch	Su-Yean Lo /M/T	2017.12.01	24,830	0	0	0	0	0	0	National Changhua Senior School of Commerce; VP & Branch Manager of Houpu Branch	-	None	None	None
VP & Branch Manager of Shulin Branch	Chien-Chung Su /M/T	2020.03.16	21,710/ 14,687	0	0/ 100,000	0	0	0	0	Soochow University, VP & Branch Manager of Donghu Branch	-	None	None	None
VP & Branch Manager of Hsichih Branch	Sheng-Chieh Chang /M/T	2020.03.16	21,684/ 6,000	0	0	0	0	0	0	Aletheia University; V.P. & Branch Manager of Shulin Branch	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manger of North Taoyuan Branch	Kuo-Kuang Chou /M/T	2015.01.05	22,508/ 8,000	0	0/ 6,000	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce ; Head of Daye Loan Center Consumer Banking Dept.	-	None	None	None
VP & Branch Manager of North Chungli Branch	James Tsai /M/T	2015.01.05	93,838	0	20,030	0	0	0	0	Tamkang University; VP & Branch Manager of North Taoyuan Branch	-	None	None	None
EVP & Branch Manager of North Taichung Branch	Jeng-Ping Liu /M/T	2017.12.01	54,659	0	0	0	0	0	0	Doctor' s Degree of Tunghai University; Division Head of Minchuan Branch	-	None	None	None
VP & Branch Manager of Minchuan Branch	Hui-Fen Chao /F/T	2017.12.01	127,689	0	0	0	0	0	0	Graduate School of National Yunlin University of Science and Technology ; VP & Branch Manager of North Taichung Branch	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Hsitun Branch	Meng-Hsia Wu /F/T	2017.12.01	81,827	0	0	0	0	0	National Tsao-Tun Commercial & Industrial Vocational Senior High School; VP & Branch Manager of Taichung Branch	-	None	None	None
VP & Branch Manager of Shingchung Branch	Chien-Tsung Wu /M/T	2016.08.29	45,254	0	0	0	0	0	The Overseas Chinese Institute of Technology; VP & Branch Manager of Beitun Branch	-	None	None	None
VP & Branch Manager of Beitun Branch	Yu-Ju Lin /F/T	2019.03.16	37,440	0	0	0	0	0	Soochow University; AVP & Division Head of North Taichung Branch	-	None	None	None
VP & Branch Manager of Fucheng Branch	Ping-Hui Lin /M/T	2017.12.01	38,760/ 20,000	0	0	0	0	0	Aletheia University; VP & Branch Manager of Tainan Branch	-	None	None	None
VP & Branch Manager of Fongyuan Branch	Amy Chung /F/T	2017.12.01	41,174/ 3,000	0	0	0	0	0	National Cheng Kung University; VP & Branch Manager of Wenshin Branch	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Fuchiang Branch	Roger Chang /M/T	2017.12.01	8,859	0	0	0	0	0	National Open University; VP & Branch Manager of Kaiyuan Branch	-	None	None	None
VP & Branch Manager of Kaiyuan Branch	Chien-Wen Tan /M/T	2018.07.25	9,987	0	0	0	0	0	Tunghai University; AVP & Division Head of Fengshan Branch.	-	None	None	None
VP & Branch Manager of South Tainan Branch	Huei-Jen Chiou /F/T	2017.12.01	33,325/ 3,384	0	0	0	0	0	National Kaohsiung Institute of Technology ;AVP & Division Head Of Law & Compliance Dept in South section.	-	None	None	None
VP & Branch Manager of Lingya Branch	Hsien-Ming Yen /M/T	2017.12.01	1,515	0	0	0	0	0	Feng Chia University; VP & Branch Manager of Fucheng Branch	-	None	None	None
VP & Branch Manager of North Kaohsiung Branch	Wen-Chian Chang/M/T	2017.12.01	15,458/ 614	0	10,000/ 614	0	0	0	Soochow University; VP & Branch Manager of Kaohsiung Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Sanmin Branch	I-Wen Ho /M/T	2017.12.01	9,933/ 16,000	0	0	0	0	0	0	Master's Degree, National Chung Hsing University; VP & Branch Manager of Wuchia Branch	-	None	None	None
VP & Branch Manager of Wuchia Branch	Miranda Tsai /F/T	2017.12.01	32,769	0	0	0	0	0	0	Tamkang University University ; VP & Branch Manager of Sanmin Branch	-	None	None	None
VP & Branch Manager of Pingtung Branch	Chi-Fang Chu /F/T	2014.03.19	21,991/ 8,000	0	0	0	0	0	0	Master's Degree, National Kaohsiung First University of Science and Technology; Manager of Pingtung Branch	-	None	None	None
VP & Branch Manager of Hoping Branch	Chang-Chen Lin/M/T	2019.04.01	28,090/ 4,000	0	0	0	0	0	0	National Taiwan University VP & Branch Manager of Shuanho Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Yongchun Branch	Shiu-Lan Hsieh /F/T	2017.12.01	50,262/ 6,211	0	0	0	0	0	0	National Taipei College of Commerce- Open Junior College of Commerce; VP & Branch Manager of Linkou Branch	-	None	None	None
VP & Branch Manager of Tenshin Branch	Yei-Chang Hsieh /M/T	2019.05.08	12,093	0	0	0	0	0	0	Fu Jen Catholic University; AVP & Division Head of Business Dept.	-	None	None	None
VP & Branch Manager of Ankang Branch	Wen-Chang Juan/M/T	2019.04.01	67,808/ 9,404	0	0	0	0	0	0	Fu Jen Catholic University; Senior Manager of Taipei Corporate Finance Dept.	-	None	None	None
VP & Branch Manager of Dajhu Branch	Mei-Ling Lee /F/T	2013.05.16	42,268/ 8,000	0	0	0	0	0	0	Hsin Wu Business College, Senior AVP, Dajhu Branch	-	None	None	None
VP & Branch Manager of Gueishan Branch	Kuo-Yi Lu /M/T	2016.03.21	16,132/ 92,469	0	0/ 20,000	0	0	0	0	Tamsui Oxford University College; VP & Deputy Branch Manager of Taoyuan Corporate Banking Center	-	None	None	None

Corporate Governance

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			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Linkou Branch	Cheng-Fa Huang /M/T	2017.12.01	23,510	0	0	0	0	0	Tamkung University; Manager of Linkou Branch	-	None	None	None
VP & Branch Manager of Wugu Branch	Yen-Jou Liu /M/T	2017.12.01	54,902	0		0	0	0	Shih Hsin Senior high School; VP & Branch Manager of Hsichih Branch	-	None	None	None
VP & Branch Manager of Gaorong Branch	I-Ho Ou /M/T	2017.12.01	22,950/ 14,000	0	23,857	0	0	0	National Chung Hsing University; AVP & Division Head of Gaorong Branch	-	None	None	None
VP & Branch Manager of Daye Branch	Chien-Chou Chen /M/T	2017.12.01	22,977/ 24,069	0	0	0	0	0	Yuan Ze University; AVP & Division Head of Real Estate Management Dept , Taoyuan Center	-	None	None	None
VP & Branch Manager of Luzhu Branch	Chu-Shih Wei /M/T	2017.12.01	29,408/ 7,029	0	0	0	0	0	Feng Chia University ; VP & Branch Manager of Dayuan Branch	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other			
			Share	%	Share	%	Share	%			Title	Name	Relation	
VP & Branch Manager of Tucheng Branch	Ching-Shyong Huang /M/T	2017.12.01	25,789	0	0/ 6,000	0	0	0	0	Fu Jen Catholic University; AVP of Hueilong Branch	-	None	None	None
VP & Branch Manager of South Taoyuan Branch	Tawei Shih /M/T	2019.04.01	33,124/ 20,000	0	0	0	0	0	0	Master's Degree, Tamkang University; VP & Branch Manager of Chienshin Branch	-	None	None	None
VP & Branch Manager of JiSian Branch	Shih-Fu Liu /M/T	2015.08.01	38,045	0	4,383/ 14,000	0	0	0	0	Master's degree, Fu Jen Catholic University VP & Deputy Branch Manager of JiSian Branch	-	None	None	None
VP & Branch Manager of Sanxia Branch	Chia-Yu Chuo /F/T	2013.08.05	30,415/ 6,000	0	0	0	0	0	0	Master's degree, Yuan Ze University Head of Taoying Loan Center, Consumer Banking Department	-	None	None	None
VP & Branch Manager of Donghu Branch	Ru-Chen Yuan/M/T	2020.03.16	38,774/ 4,372	0	0	0	0	0	0	Fu Jen Catholic University; AVP & Division Head of Taipei Corporate Finance Dept.	-	None	None	None

Corporate Governance

Title	Name/Gender /Nationality T: Taiwan	Date Appointed	Shareholding (Common Stock /Preferred stock)		Shareholding of Spouse & Minor Children(Com mon Stock /Preferred stock)		Shareholding Under Others' Title(Commo n Stock /Preferred stock)		Education/Experience	Also Serve Concurrently As	Managers are Spouse or Within Second-degree of Consanguinity to Each Other		
			Share	%	Share	%	Share	%			Title	Name	Relation
VP & Branch Manager of Tamsui Mini Branch	Chung-Chih Yeh /M/T	2019.09.02	19,289	0	0	0	0	0	Chienkuo Junior College of Technology Junior Manager of Jisian Branch	-	None	None	None
VP & Branch Manager of Jincheng Branch	Yi-Hsien Wu /M/T	2019.09.02	21,556/ 14,734	0	0	0	0	0	Master Degree, Saint Louis University; AVP & Division Head of Taipei Corporate Banking Center		None	None	None

Note: The shares of Preferred Stock shows while occurs.

Corporate Governance

Remuneration Range

Unit: NT Dollar

Range of Remuneration Paid to Directors	Name of Directors			
	Total of A,B,C and D		Total of A, B,C,D, E,F & G	
	UBOT	All the Companies in the Consolidated Statement	UBOT	All the Companies in the Consolidated Statement
Less than 1,000,000	Yu-Quan Lee, Jeff Lin, Sue-Feng Tsao, Si-Yong Lin	Yu-Quan Lee, Jeff Lin, Sue-Feng Tsao, Si-Yong Lin	Yu-Quan Lee, Jeff Lin, Sue-Feng Tsao, Si-Yong Lin	Yu-Quan Lee, Jeff Lin, Sue-Feng Tsao, Si-Yong Lin
1,000,000 (inclusive) ~ 2,000,000 (non-inclusive)	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Guo-Zhang Li	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Guo-Zhang Li	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Guo-Zhang Li	Kao-Jing Wang, Zhen-Xong Jiang, Zen-Fa Lu, Guo-Zhang Li
5,000,000 (inclusive) ~ 10,000,000 (non-inclusive)	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee	Shiang-Chang Lee
Total	9	9	9	9

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

Unit: NT Dollar Thousand, December 31, 2019

Title	Name	Remuneration (A)		Termination payment and pension costs (B)		Bonus & Special Allowance (C)		Employees' Bonus from Earnings (D)				Total of (A+B+C+D) as a % of Net profit after tax		Remuneration from Investee Companies Excluding Subsidiaries
		The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	The Bank	All Companies in the Financial Statement	The Bank		All Companies in the Financial Statement		The Bank	All Companies in the Financial Statement	
								Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend			
President	Jeff Lin	16,743	16,743	7,425	7,425	5,560	5,560	0	677	0	677	0.91	0.91	Nil
SEVP	Yin-Bor Chan													
SEVP	Herman Tu													
SEVP	Cheng-Yu Liu													
SEVP	Wei-Wen Hsu													
Chief Auditor	Kuo-Pao Kang													
Chief Compliance Officer	Ching-Wen, Chen													

Note1: The employee bonus to President, SEVP, Chief Auditor and Chief Compliance Officer be distributed as approved by the Board of Directors before the shareholders' meeting for the motion of distribution of earnings for the most recent year (the projected amount based on the proportion of distribution last year)

Note2: Remuneration to the Company's three drivers totalled NT\$ 2,320,000.

Unit: NT Dollar

Corporate Governance

Range of Remuneration Paid to President, SEVP, Chief Compliance Officer & Chief Auditor	Name of President, SEVP, Chief Compliance Officer & Chief Auditor	
	UBOT	All the Companies in the Financial Statement
Less than NT\$ 1,000,000	Jeff Lin	Jeff Lin
NT\$2,000,000 (inclusive) ~ NT\$3,500,000(non-inclusive)	Kuo-Pao Kang, Ching-Wen Chen	Kuo-Pao Kang, Ching-Wen Chen
NT\$3,500,000 (inclusive) ~ NT\$5,000,000(non-inclusive)	Herman Tu, Cheng-Yu Liu, Wei-Wen Hsu	Herman Tu, Cheng-Yu Liu, Wei-Wen Hsu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000(non-inclusive)	Yin-Bor Chan	Yin-Bor Chan
Total	7	7

C. Top five highest remuneration Paid to Managers : Not applicable

D. Bonus to Managers

Unit NT Dollar Thousand, Dec 31 2019

Title	Name	Stock Dividend	Cash dividend	Total	Total as % of Net Profit after Tax
Please refer Page 20* to Page 46.		7,641	0	7,641	0.23

Note: The employee bonus to managers to be distributed as approved by the Board of Directors before the shareholders' meeting for the motion of distribution of earnings for the most recent year (the projected amount based on the proportion of distribution last year).

- (5) Analysis of Payments of Remuneration to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor, as a percentage of net profit after tax in the latest two years, Remuneration Policy, Standard and Combination, Procedure for determining remuneration and their relationship to operating results and future risk
- The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2018 is NT\$35,554,000 and its ratio to net profit after tax is 1.20%.
 - The remuneration paid to Directors, Supervisors, President, Senior Executive Vice President and Chief Auditor in 2019 is NT\$45,058,000 and its ratio to net profit after tax is 1.34%.
 - Remuneration paid to directors and supervisors primarily include meeting attendance fees and salaries. All remuneration is paid on a fixed basis and will not exceed 0.1% of the total profit of the Bank. Remuneration to executive management was made in accordance with their respective experience, degree of business involvement and contribution, and compare with the salary and remuneration standard of the Industry peers. The salary and remuneration schedule will be submitted to the Board of Directors for resolution after it is examined by Salary and Remuneration Committee pursuant to the Bank's Article of Incorporation. In addition to monthly basic salaries and allowances, executives may also be eligible for the annual and the performance bonuses and the employee bonuses (according to the Bank's

Corporate Governance

Article of Incorporation 1%-5%) depending on the Bank's annual results of operation and individual performance. As such, remuneration to S executive management is closely related to the Bank's operating performance. The occurrence of major risk events that may impair the Bank's goodwill, or incidents of deficiency in internal management, or employee fraud would vastly affect the amount of bonuses to executive management. The Risk Management Dept. should report directly to the Board of Directors regarding the status of the Bank's risk control and risk exposure on a quarterly basis.

3. Execution of Corporate Governance

(1) Board of Directors

The Board of Directors held 7 meetings in 2019. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Chairman	Shiang-Chang Lee	7	0	100%	
Independent managing director	Kao-Jing Wang	6	1	85.71%	
Managing director	Chuan Cheng Investment Co., Representative: Zhen-Xong Jiang	7	0	100%	
Independent director	Jen-Fa Lu	7	0	100%	
Independent director	Kuo-Chang Li	6	1	85.71%	
Director	Yu-Chuan Lee	0	0	0%	Retired on Feb 19, 2019, attended 1 times
Director	Union Enterprise Construction Co., Ltd. Representative: Jeff Lin	5	0	74.43%	
Director	YU-BON LIMITED CO. Representative: Su-Feng Tsao	7	0	100%	
Director	Baisheng Investment Co., Ltd. Representative: Tzu-Yung Lin	7	0	100%	

Other matters that require reporting:

- If the operation of the Board of the Directors refers to the following issue, the Company should specify the dates of meetings, terms, and contents of resolutions, all independent directors' opinions and the Company's response to the independent directors' opinions:
 - Matters listed in Article 14-3 of the Securities and Exchange Act: The company has set up the Audit Committee, matters listed in Article 14-3 of the Securities and Exchange Act are included in Article 14-5 of the Securities and Exchange Act. Please refer to the resolutions by the Audit Committee for the relevant content.
 - In addition to previous matters, other resolutions which were objected to or retained opinions and had a recorded or written statement by an independent director: The resolutions of the Board were adopted by all the attending directors

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2. Execution situation of directors avoidance on motions with conflict of interests:

Term	Content of the resolution	Director's name	Reasons for recusal	Situation of participation in voting
Jan. 16, 2019 The 5th meeting of the 10th term	Investment project	Zhen-Xong Jiang, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. (The director Yu-Chuan Li & Jeff Lin took a leave and didn't attend the meeting.) The other directors had no opinions and resolutions were adopted unanimously.
	Performance Bonus of Chairman & President of 2018	Shiang-Chang Lee, Jeff Lin	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. The other directors had no opinions and resolutions were adopted unanimously.
Mar 13, 2019 The 6th meeting of the 10th term	Property rental	Zhen-Xong Jiang, Jeff Lin, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. The other directors had no opinions and resolutions were adopted unanimously.
May 8, 2019 The 7th meeting of the 10th term	Property rental	Zhen-Xong Jiang, Jeff Lin, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. The other directors had no opinions and resolutions were adopted unanimously.
Jul 17, 2019 The 8th meeting of the 10th term	Proposal on Directors' Remuneration (divided into three stages for discussion and resolution: (1) Chairman of the Board (2) Independent Directors (3) legal person and other Directors)	Shiang-Chang Lee, Zhen-Xong Jiang, Kao-Jing Wang, Jen-Fa Lu, Kuo-Chang Li, Tzu-Yung Lin, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. (The directors Yu-Chuan Li, Su-Feng Tsao took a leave and didn't attend the meeting.) The other directors had no opinions and resolutions were adopted unanimously.

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Aug 21, 2019 The 9th meeting of the 10th term	Property rental	Zhen-Xong Jiang, Jeff Lin, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. The other directors had no opinions and resolutions were adopted unanimously.
Oct. 16, 2019 The 10th meeting of the 10th term	Lease amendment	Zhen-Xong Jiang, Jeff Lin, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. The other directors had no opinions and resolutions were adopted unanimously.
	Property rental	Zhen-Xong Jiang, Jeff Lin, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. The other directors had no opinions and resolutions were adopted unanimously.
	Company's vehicles leasing agreement	Zhen-Xong Jiang, Jeff Lin, Su-Feng Tsao	Stakeholder	The stakeholders did not participate in discussion and voting in accordance with the laws. The other directors had no opinions and resolutions were adopted unanimously.

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3. Execution situation of the Board of Directors and performance evaluation.

Frequency	Period	Range	Method	Evaluation content
Once every year	From 2019/1/1 to 2019/12/31	Performance evaluation for Board of Directors, individual Board members, and functional committees (Audit Committee and Remuneration Committee)	Self assessment for Board of Directors Self assessment for Board Members and functional committees	<p>1. Performance evaluation of the Board covers five major aspects in degree of participation in the Company's operation, enhancement of Board decision-making quality, composition and structure of the Board, election and continuous education of Directors, and internal control. There are 41 indicators in total.</p> <p>2. Self-assessment of the performance of Board members covers six major aspects in understanding of the Company's objectives and tasks, awareness of Directors' responsibilities, degree of participation in the Company's operation, operation and communication of internal relationship, professions and continuous education of Directors, and internal control. There are 23 indicators in total.</p> <p>3. Performance evaluation of functional committees covers five major aspects in degree of participation in the Company's operation, awareness of the duties and responsibilities of the functional committees, improvement of the decision-making quality of the functional committees, functional committee member composition and its selection, and internal control. There are 24 indicators for the Audit Committee and 21 indicators for the Remuneration Committee.</p>

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Performance evaluation results:

Performance evaluation of the Board of Directors and individual Board members and functional committees of the Bank for the year ended December 31, 2019: the achievement rate of all performance self-evaluation indicators of the Board as a whole and each individual Board member were 97% and 98%, respectively. The results of the performance evaluation were: exceed expectation. The assessment results show that the Board as a whole is functioning well, taking responsibility in supervising legal compliance, risk control, and audit affairs, which complies with corporate governance. Overall indicator achievement rate for functional committees such as Audit Committee and Remuneration Committee is 98%. The assessment results show that the functional committees are functioning well and performing with sound legal compliance. The result will be used as reference for remuneration of individual Directors and members of the functional committees. The results of the aforementioned performance evaluation of the Board were reported to the 13th meeting of the 10th Board of Directors on March 11, 2020.

4. Execution situation assessment of measures taken to strengthen the functionality of the Board in the current year and recent years:
- (1) The Bank, in accordance with the regulations in Article 14-2 of the Securities and Exchange Act, created three seats for independent directors and enacted the “Guidelines of the Governing Responsibilities of Independent Directors in Union Bank of Taiwan Co., Ltd.”. In addition, in order to strengthen the Bank's governance and the functions of the Board of Directors, the Audit Committee was established in Jun., 2015. The Audit Committee is composed of all independent directors, and it formulates related organization regulations for adhering.
 - (2) The Bank established the Compensation Committee under the Board of Directors and established the “Organization Regulations of the Compensation Committee in Union Bank of Taiwan Co., Ltd.”. The major responsibilities of the Committee is to set and regularly review the compensation policy, system, standard and structure, and conduct the performance evaluation of directors, and managers.
 - (3) On Nov. 7, 2018, the Board of the bank adopted the “Board Performance Evaluation Regulations”. Execution status of directors, avoidance on motions with conflict of interests. The names of directors, the content of the motion, the reasons of avoidance, and the voting participation status should be clearly stated:

(2) Audit Committee

The Audit Committee held 7 meetings in 2019. The status of attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Independent Director	Guo-Zhang Li	6	1	85.71%	
Independent Director	Zen-Fa Lu	7	0	100%	
Independent Managing Director	Kao-Jing Wang	6	1	85.71%	

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Other supplementary notes:

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

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

The Board of Directors	Content of the resolution	Resolution results and further handling
Jan. 16, 2019 The 5th meeting of the 10th term	<ol style="list-style-type: none"> Amendment to "Internal Control System for the Bank that Concurrently Operates Securities Business". Presentation of the proposed change of "2019 Internal audit program and execution status declaration form" for the Bank that concurrently operates securities business. Presentation of the proposed change of "2019 Internal audit program and execution status declaration form" for the Bank that concurrently operates bond dealing business. Amendment to "Internal Control System for the Bank that Concurrently Operates Bond Dealing Business as a Securities Firm" and audit checklist. Amendment to "Internal Control System for the Bank that Concurrently Operates Insurance Agent Business". Amendment to the Bank's "Procedures for Financial Derivatives Transactions". Amendment to the Bank's "Guidelines for Cross Currency Swap Between NTD and Foreign Currencies". Amendment to the Bank's "Processing Rules for Dealing with Non-performing/Non-accrual Loans". Amendment to the Bank's "Implementation Rules for Legal Compliance" Amendment to "Notices for Anti-Money Laundering and Combating Terrorist Financing for the Bank that concurrently operates other businesses". Amendment to the Bank's "Self-Inspection Working Guidelines". 	<p>It was adopted unanimously by all the members of the Audit Committee.</p> <p>The Independent directors had no opinions and it was adopted unanimously by all the attending directors.</p>
Mar. 13, 2019 The 6th meeting of	<ol style="list-style-type: none"> Amendment to the "Operation System and Process Guidelines Governing Business Solicitation for the Bank that Concurrently Operates Insurance Agent 	<p>It was adopted unanimously by all the members of the Audit Committee.</p> <p>The Independent directors</p>

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the 10th term	<p>Business".</p> <ol style="list-style-type: none"> 2. Amendment to the Bank's "Rules Governing Real Estate Management". 3. "Renewal of current lease with YUNG HSUAN CO., LTD. as office of the Bank". 4. "According to the Bank's self-inspections of its internal control system, the overall assessment inspection report, and the audit results of the audit by the Audit Department for the whole year of 2018, the Bank declared that both the design and execution of its internal control system are effective." 5. "Four top management of the Bank, the Chairman, President, Chief Auditor and the dedicated AML/CFT manager jointly signed "Internal control system statements of anti-money laundering and combating terrorist financing." 6. "The Bank renewed the appointment of Deloitte Taiwan in 2019 to handle the Bank's financial statements audit and income tax settlement audit and declaration." 7. "2019 Audited Financial Statements and Business Report of the Bank" 8. "The resolution of the Bank's earnings distribution in 2018" 9. "Propose the resolution of capital increase via retained earnings in 2018 and capitalizing employee compensation by issuing new shares." 10. Amendment to the Bank's "Procedures for the Acquisition or Disposal of Assets" 	had no opinions and it was adopted unanimously by all the attending directors.
May. 8, 2019 The 7th meeting of the 10th term	<ol style="list-style-type: none"> 1. "Business Plan and Operating Standards of Dealing in Foreign Currency Interest Futures" 2. Propose to lease an office space at District A, 3F., No. 601, Siyuan Rd., Xinzhuang Dist., New Taipei City as the office premise for Xinzhuang car loan center. 	It was adopted unanimously by all the members of the Audit Committee. The Independent directors had no opinions and it was adopted unanimously by all the attending directors.
Jul. 17, 2019 The 10th term	<ol style="list-style-type: none"> 1. Amendment to the "Internal Control System for the Bank that Concurrently Operates Futures Introducing Broker Business". 	It was adopted unanimously by all the members of the Audit Committee. The Independent directors

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<p>The 8st meeting The Board of Directors</p>	<ol style="list-style-type: none"> 2. Amendment to "Internal Control System for the Bank that Concurrently Operates Bond Dealing Securities Firm". 3. Amendment to the Bank's "Level of authority table for Finance department". 4. Amendment to the Bank's "Rules for Board Performance Evaluation". 5. Amendment to the Bank's "Work Rule". 6. Amendment to the "Notices for Anti-Money Laundering and Combating Terrorist Financing' and 'Assessment Risk of Money Laundering and Terrorist Financing and Adoption of Prevention Programs' for the Bank that Concurrently Operates Insurance Agent Business". 	<p>had no opinions and it was adopted unanimously by all the attending directors.</p>
<p>Aug. 21, 2019 The 10th term The 9st meeting The Board of Directors</p>	<ol style="list-style-type: none"> 1. Amendment to "Internal Control System for the Bank that Concurrently Operates Securities Business". 2. Lease of office premises from YUNG HSUAN CO., LTD. 3. Amendment to the "Notices for Anti-Money Laundering and Combating Terrorist Financing' and 'Assessment risk of money laundering and terrorist financing and adoption of prevention programs' for the Bank that Concurrently Operates Securities Business". 4. Amendment to the Bank's "Anti-money laundering and combating terrorist financing risks assessment report and risk prevention program". 5. "Audited Financial Statements for the First Half of 2019" 6. "The resolution of the Bank's earnings distribution for 2019 first half" 	<p>It was adopted unanimously by all the members of the Audit Committee. The Independent directors had no opinions and it was adopted unanimously by all the attending directors.</p>

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<p>Aug. 21, 2019 The 10th term The 9th meeting The Board of Directors</p>	<ol style="list-style-type: none"> 1. Amendment to "Internal Control System for the Bank that Concurrently Operates Securities Business". 2. Lease of office premises from YUNG HSUAN CO., LTD. 3. Amendment to the "Notices for Anti-Money Laundering and Combating Terrorist Financing' and 'Assessment risk of money laundering and terrorist financing and adoption of prevention programs' for the Bank that Concurrently Operates Securities Business". 4. Amendment to the Bank's "Anti-money laundering and combating terrorist financing risks assessment report and risk prevention program". 5. "Audited Financial Statements for the First Half of 2019" 6. "The resolution of the Bank's earnings distribution for 2019 first half" 	<p>It was adopted unanimously by all the members of the Audit Committee. The Independent directors had no opinions and it was adopted unanimously by all the attending directors.</p>
<p>Oct. 16, 2019 The 10th term The 10th meeting The Board of Directors</p>	<ol style="list-style-type: none"> 1. Amendment with landlord for Tung-Hu Branch." 2. "Lease of additional office space from YUNG HSUAN CO., LTD." 3. "Lease of car parking space for company car from Hong Go Construction Co., Ltd., YU-BON LIMITED CO, and Union Enterprise Construction Co., Ltd." 4. Amendment to the "Notices for Anti-Money Laundering and Combating Terrorist Financing' and 'Assessment risk of money laundering and terrorist financing and adoption of prevention programs' for the Bank that Concurrently Operates Futures Business" and "Notices for Anti-Money Laundering and Combating Terrorist Financing' and 'Assessment risk of money laundering and terrorist financing and adoption of prevention programs' for the Bank that Concurrently Operates Bills Finance Business". 	<p>It was adopted unanimously by all the members of the Audit Committee. The Independent directors had no opinions and it was adopted unanimously by all the attending directors.</p>
<p>Nov. 11, 2019 The 10th term</p>	<ol style="list-style-type: none"> 1. "2020 Internal audit program and execution status declaration form" of the Bank that concurrently operates securities and futures trading business 	<p>It was adopted unanimously by all the members of the Audit Committee. The Independent directors had no opinions and it was</p>

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The 10th meeting The Board of Directors	<p>2. "2020 Internal audit program and execution status declaration form" of the Bank that concurrently operates bond dealing business as a securities firm.</p> <p>3. "2020 Audit Plan"</p> <p>4. Amendment to the Bank's "Procedures for Financial Derivatives Transactions" and "Guidelines of the product suitability and KYC".</p> <p>5. The Bank's consolidated financial statements for the third quarter of 2019 reviewed by CPAs</p>	adopted unanimously by all the attending directors.
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(2) In addition to the preceding items, any resolution that has not been approved with the consent of the audit committee members but approved with the consent of two-thirds or more of all directors: None.

(3) The Audit Committee's annual main focus is explained as follows:

The Audit Committee of the Bank is composed of 3 independent directors. It aims to assist the Board of Directors with the execution of the supervision of quality and integrity of the Bank's accounting, audit, financial reporting process and financial control.

The Audit committee held 8 meetings in 2018, and the main issues that were audited included:

- A. Financial statement audit and accounting policy and procedure
- B. The related policies and procedure of the internal control system
- C. Major assets or derivatives trading
- D. The investment situation of the derivatives and cash
- E. Regulation compliance
- F. Corruption avoidance plan and corruption investigation report
- G. Company risk management
- H. Appointment or remuneration of the financial statement auditor
- I. Other significant items for the Company or requested by competent authority

2. Execution status of directors, avoidance on motions with conflict of interests. The names of directors, the content of the motion, the reasons of avoidance, and the voting participation status should be clearly stated: None

3. Communication between independent directors and auditors:

(1) Communication between independent internal directors and auditors:

The Chief Auditor is involved in all Board of Directors meetings and Audit Committee meetings, and reports regularly to the Audit Committee on the progress of ongoing audits. Before the end of the financial year, the internal audit department would submit in writing the next year's audit plan for review by the Audit Committee. Furthermore, internal auditors engage independent directors in half-yearly meetings to present internal audit reports and to discuss any weaknesses found in the internal control system.

Date	Points of communication	Situation of implementation
Mar. 13, 2019	Reviewed the deficiencies of the internal control system every half year and held seminars by the auditors and independent	Followed up the implementation situation of the opinions of the independent directors in the seminars, and submitted the meeting

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	directors.	minutes to the Board of Directors for reporting.
Jul. 17, 2018	Audit department work report in the first half of 2019, the execution situation of the regular report of the audit operation.	1. Allowed for future reference. 2. Submitted to the Board of Directors for future reference.
Aug. 21, 2019	Reviewed the deficiencies of the internal control system every half year and held seminars by the auditors and independent directors.	Followed up the implementation situation of the opinions of the independent directors in the seminars, and submitted the meeting minutes to the Board of Directors for reporting.
Nov. 6, 2019	Internal audit plan for 2020	1. The resolutions were adopted unanimously. 2. Submitted to the Board of Directors for resolution.
Mar. 3, 2020	Audit department work report in the second half of 2019, the execution situation of the regular report of the audit operation.	1. Allowed for future reference. 2. Submitted to the Board of Directors for future reference.

- (2) Communication between independent directors and external auditors,
The Bank's financial statement auditor briefs the Audit Committee every six months about the audit methods taken and any material findings or adjustments discovered during their work. They also discuss with independent directors on other relevant issues.

Date	Points of communication	Situation of implementation
Mar. 13 2019	The CPAs explained the audit results and adjustment items of the financial statements for the year of 2018, and engaged in two-way communication with the Bank about impact on financial statement disclosure after adoption of the International Financial Reporting Standards 16, "Lease" since 2019.	The Bank invited the CPAs with the Bank's internal audit head and independent directors to explain and engage in two-way communication on the Bank's finance and business at the 6th meeting of the 2nd Audit Committee, and completed the review of the financial statements.
Aug. 21 2019	The CPAs explained the audit results and adjustment items of the financial statements for the first half of 2019, and engaged in two-way communication with the Bank on the implementation of the "Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions" announced by the Ministry of Finance in 2019.	The Bank invited the CPAs with the Bank's internal audit head and independent directors to explain and engage in two-way communication on the Bank's finance and business at the 9th meeting of the 2nd Audit Committee, and completed the review of the financial statements.

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(3) Items to be disclosed in Accordance with “Principles Governing Corporate Governance Practices of Banks”: Please Refer to the Bank’s Official Website:

<http://www.ubot.com.tw>

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

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
<p>1. The Bank’s shareholder structure and shareholder equity</p> <p>(1) Way in which the Bank defines any internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and to implement the procedure.</p>	V		<p>(1) According to the Bank’s Corporate Governance Best-Practice Principles, the Bank has delegated the spokesman and deputy spokesman and established an email box to take care of the suggestions, questions and disputes from shareholders. A dispute, if any, will be handed over to the Bank’s legal counsel. The way to contact said spokesman is disclosed in the “investor relations” on the Bank’s website and on the cover page of the Bank’s annual report. Meanwhile, the Bank has also established the e-Service Center responsible for answering to and processing of the questions raised by customers via phone, processing of customers’ complaints and opinions, and follow-up on various assignments. Therefore, the inquiries about the Bank’s business and shareholders’ suggestions or disputes may be referred to the related units by customer service attendants, if necessary.</p>	No material discrepancy
<p>(2) Ways in which the Bank regularly monitors the list of key shareholders who have management control of the Bank, or those who have ultimate control of key shareholders.</p>	V		<p>(2) In accordance with the related legal rules, the main shareholders of the Bank should report their shareholding situation monthly to the Bank, the related legal rules and forms are also disclosed on the website of the Bank.</p>	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
(3) Has the listed/OTC bank established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for Directors' remuneration and renewal?	V		(3) The 4th meeting of the 10th Board of Directors passed the "Rules for Board Performance Evaluation" on November 7, 2018. The Board of Directors and functional committees shall perform at least one annual internal evaluation on the performance of the Board of Directors, members of the Board, the Audit Committee, and the Remuneration Committee. The internal and external performance evaluations of the Board of Directors shall be completed before the end of the first quarter in the following year. The "Board Performance Evaluation Form" shall be completed by the Board's Secretarial Department based on the evaluation results of "Board Member Self Assessment Questionnaire" and actual execution. The evaluation report shall be submitted to the Board for review and improvement.	No material discrepancy
2. Composition and responsibilities of Board of Directors:				
(1) Does the Board of Directors make diversifying guidelines for member composition and implement them precisely?	V		(1) A. The Bank formulated the "Principles Governing Corporate Governance Practices of Banks" in 18th Meeting of 8th Board of Directors on March 18, 2015, in which diversifying guidelines were made in Chapter 4, "Strengthening the functions of the Board of Directors". The nomination and election of the board members are in accordance of the Bank's "Articles of Association", in which the system of candidate nomination is adopted. In addition to evaluating the education level, experience and other qualifications of each candidate, we also refer to the opinions of stakeholders and adhere to the "Procedures for electing directors" and "Principles Governing Corporate Governance Practices of Banks" to ensure board diversity and board independency. B. In the member list of the 10th Board of Directors, in addition to one female member, the ones who are good at operation judgment and operation management are Kao-Jing Wang, Kuo-Chang Li, Chen-Hsiung Chiang, Hung-Lien Lin, the ones with rich financial industry experience, knowledge and global view are Shieng-Chang Li, Kao-Jing Wang and	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
(2) Whether the Bank, in addition to establishing the remuneration committee and audit committee pursuant to laws, is willing to establish any other functional committees voluntarily?	V		<p>Kuo-Chang Li, the one who has deep understanding in laws and once served as the Prosecutor General in the Supreme Prosecutors Office is Jen-Fa Lu, and Su-Feng Tsao, Tzu-Yung Lin are good at leading and administrative management. Due to the great assistance of all the directors in corporate governance, the goal of diverse professions of the Board's members has been achieved.</p> <p>C. The percentage of independent directors of the Bank are 37.5%, the percentage of female directors is 12.5%, the tenure of one of the independent directors is over 3 years, and the tenure of two of the independent directors is over 9 years. In order to strengthen the independent status of the Board of Directors, it is expected that starting from the 11th term of the Board of Directors, the independent directors cannot serve for more than 3 terms of continuous tenure.</p> <p>D. The policy of board member diversification is disclosed on the Bank's website and Market Observation Post System.</p>	No material discrepancy
	V		<p>(2)</p> <p>A The Bank has set up a Remuneration Committee according to regulations and the Bank's Article of Incorporation in 19th Meeting of 7th Board of Directors on August 24, 2011 and formulated "Regulations Governing the Organization of Remuneration Committee" for compliance.</p> <p>2 The Audit Committee was assembled in accordance with law and the Company's Articles of Incorporation during the 1st extraordinary meeting of the 9th board of directors held on June 26, 2015. A set of "Audit Committee Foundation Rules" has been implemented for guidance.</p> <p>3 Additionally, in order to strengthen management mechanism, the Bank has set up committees such as "Asset Liability Management Committee", "Operation Automation</p>	

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
(3) Has the listed/OTC bank established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for Directors' remuneration and renewal?	V		<p>Committee", "Investment and Credit Examination Committee", "Overdue Credit, Overdue Loan and Non-Performing Loan Handling Committee", "Trust Property Examination Committee" and "Human Resource Arbitration Committee", and their resolutions are all submitted to relevant level of authorities for approval according to Regulations governing separation of duties.</p> <p>(3) The 4th meeting of the 10th Board of Directors passed the "Rules for Board Performance Evaluation" on November 7, 2018. The Board of Directors and functional committees shall perform at least one annual internal evaluation on the performance of the Board of Directors, members of the Board, the Audit Committee, and the Remuneration Committee. The internal and external performance evaluations of the Board of Directors shall be completed before the end of the first quarter in the following year.</p> <p>The "Board Performance Evaluation Form" shall be completed by the Board's Secretarial Department based on the evaluation results of "Board Member Self Assessment Questionnaire" and actual execution. The evaluation report shall be submitted to the Board for review and improvement.</p>	No material discrepancy
(4) Regular evaluation of external auditors' independence.	V		<p>(4) The Bank evaluates the independence of the CPA each year in accordance with the CPA Standard of Professional Ethics and Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and submits the evaluation result to the Board of Directors for review.</p> <p>A. The CPA never holds the position of director/supervisor or manager of the Bank, or thea position likely to render significant influence on the Bank.</p> <p>B. The CPA does not have any direct or significantly indirect financial interest with the Bank.</p>	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			C. The CPA never acts as the Bank's independent auditor for seven years. The Statement of Independence has been issued by the CPA. Upon evaluation, the independent auditor retained by the Bank is held meeting the independence requirements under the corporate governance.	
3. If the bank set up appropriate corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)?	V		<p>1. The Bank has set up the Board of Director Conference Service Division, which belongs to the Board of Directors and take charge of board meetings.</p> <p>2. The Bank's Business Planning & Administration Dept. is the responsible unit for business related to corporate governance. It is supervised by the senior executive vice president in the department, which has at least three years of management experience related to legal affairs, financial or shareholders service in public companies. The corporate governance affairs mentioned above include providing directors with the data needed in executing business, assisting directors in legal compliance, preparing for board meetings in accordance with regulations.</p> <p>3. The execution process in 2019</p> <p>(1) Company amendment registration</p> <p>(2) Prepared the matters related to board meetings in accordance with the regulations.</p> <p>(3) Registered the shareholders' meetings date in advance in accordance with the regulations, prepared meeting notices, meeting handbook and memorandum within the required time period.</p> <p>(4) Assisted the Bank in adhering to laws related to the Board of Directors and shareholders' meetings.</p> <p>(5) Provided directors with the data needed in executing business.</p> <p>(6) Conduct annual director performance evaluation.</p> <p>(7) Amendment to Articles of Incorporation.</p> <p>(8) Amendment to corporate governance related rules such as the Rules and Procedures of Board of Directors Meetings and Corporate Governance</p>	No material discrepancy.

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons																									
	Yes	No	Memo																										
			<p>Best Practice Principles ◦ Status of further studies for corporate governance managers:</p> <table border="1"> <thead> <tr> <th>Date of further studies</th> <th>Organizer</th> <th>Name of course</th> <th>Further studies hours</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td></td> <td>Taiwan Academy of Banking and Finance</td> <td>Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)</td> <td>3.0</td> <td rowspan="3">12.0</td> </tr> <tr> <td></td> <td>Securities and Futures Institute of ROC</td> <td>How should a director or supervisor of a listed or OTC company conduct his duty (North Region)</td> <td>30</td> </tr> <tr> <td></td> <td>Securities and Futures Institute of ROC</td> <td>Important legal issues that a director or supervisor of a public company should pay attention to (North Region)</td> <td>3.0</td> </tr> <tr> <td></td> <td></td> <td>Nov 18, 2019</td> <td>Taiwan Academy of Banking and Finance</td> <td>Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)</td> <td></td> <td></td> </tr> </tbody> </table>	Date of further studies	Organizer	Name of course	Further studies hours	Total hours		Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Recent Key Amendments to the Company Law and Responsive Actions)	3.0	12.0		Securities and Futures Institute of ROC	How should a director or supervisor of a listed or OTC company conduct his duty (North Region)	30		Securities and Futures Institute of ROC	Important legal issues that a director or supervisor of a public company should pay attention to (North Region)	3.0			Nov 18, 2019	Taiwan Academy of Banking and Finance	Board of Directors operational training and corporate governance class (Challenges from Anti-money Laundering to the Banking Industry and its Management)			
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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
4. Establishment of communication channels with stakeholders	V		The Bank has created a stakeholders section on its website. In addition, related parties should also contact with the Bank through mail, telephone, fax and internet etc. All communication channels are easily accessible and smooth.	No material discrepancy
5. Information Disclosure (1) Establishment of corporate website to disclose information regarding the Bank's financials, business and corporate governance status. (2) Other information disclosure channels (e.g. English website, designating particular person to handle information collection and disclosure, appointing spokesperson, webcasting investor conference) (3) After the end of the accounting year, has the bank announced and reported the annual financial statements within the prescribed period in accordance with requirements of the Banking Act and Securities and Exchange Act, and announced and reported the first, second, and third quarterly financial reports and monthly operations in advance of the stipulated period?	V V		(1) The Bank has regularly disclosed financial and corporate governance status in the Bank's website (Web address: http://www.ubot.com.tw), and will disclose related information following the relevant regulations of the competent authority. (2) Information Disclosure Method' a. A designated department is to take charge of the collection and disclosure of information on the Bank's website. b. The Bank has set spokesperson and acting spokesperson position to be the sole outlet of the statement to the publics, and the Bank has also formulated "Procedures for Handling Significant Internal Information" for compliance. c. The annual report is prepared each year, disclosing the relevant information in accordance with the "Standards Governing Information to be published in the Annual Report of Banks". (3) The Bank announces and reports its financial reports within the prescribed period and announces and reports monthly operations in advance of the stipulated period according to requirements of the Banking Act and the Securities and Exchange Act.	No material discrepancy.
6. Other important information that helps to understand the Bank's corporate governance status (such as rights of employees, care for employees, investor relations, rights of stakeholders, Directors' and Supervisors' training records, implementation	V		1. Rights of employees and care for employees: The Bank has put in place the "Rules of Employment" to clearly define the rights and obligations of the Bank and employees. The Bank also convenes regular labor relations meeting to enhance the bank-employee relationships and ensure rights of employees. In addition, the Bank undertakes evaluation of the various remuneration and welfare policies to maximize benefits for the employees.	No material discrepancy.

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
of risk management policies and risk evaluation measures, implementation of customer protection policies, purchasing liability insurance for directors and supervisors, and donate to political parties, related parties and charitable foundations):			<p>The Bank has also put in place the “Criteria for Prevention, Reporting and Punishment of Sexual Harassment Incidences” to ensure equal employment opportunities and human dignity.</p> <p>2. Investor relations: The Bank has set up an investor’s relationship window for a smooth communication channel.</p> <p>3. Any transaction between the Bank and our stakeholders are carried out treated in accordance with the “Operational Standards for Non-Credit Transactions Between Union Bank of Taiwan and Related Parties” and relevant regulations governing credit transactions.</p> <p>4. Directors and Supervisors’ training records: the Bank’s directors and supervisors have taken related trainings of practical operation and company governance. The record may be accessed on the Market Observation Post System (http://newmops.tse.com.tw) and is included in the annual report.</p> <p>5. Risk management policy and execution of the risk evaluation standards: The Bank has put in place a Risk Management Policy, established necessary risk management system and standard to effectively manage risks. (Qualitative and quantitative information for assessing the various risks.).</p> <p>6. The implementation of customer protection policies: Customers may offer comments or lodge complaints on the website or via the hotline for complaints and suggestions. The Bank’s responsible department will re-direct the issues to the relevant department for handling and follow-up. The Bank has also put in place the “Criteria and Operational Regulations Governing the Management of Suspected Illegal or Abnormal Deposit Account” and the “Organization of the Customer Dispute Processing Team & Procedures for Handling Customer Disputes” to protect the rights of customers. Take the initiative to care and effectively remind customers to prevent the suffering of loss from being cheated.</p> <p>7. The status of the Bank taking out director liability insurance: The Bank has contacted MSIG Mintai Insurance Co., Ltd. in Nov., 2017 to buy director liability insurance for directors.</p> <p>8. Donation to political parties, stakeholders, and charitable foundations: (1) Held "Let Me Draw My Mommy" children’s drawing contests and</p>	

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Best Corporate Governance Practices of Banks and Reasons
	Yes	No	Memo	
			<p>donated to “Yunlin County financial relief fund for elementary and high school students” according to number of participants of the contest.</p> <p>(2) Held mother’s day welfare carnivals. In the carnivals in Taipei and Kaohsiung, we invited charity organizations like Children Are Us Foundation, Down Syndrome Care Association, Kaohsiung Association of Caring for Stray Animals, Taiwan Blind Person Welfare National Christian Council, Syin-Lu Social Welfare Foundation, Council of Indigenous Peoples, and so on for charity sales, and the revenues were all donated to the above charity organizations.</p> <p>(3) Long-term sponsored the concert of Children Are Us Foundation theatrical troupe and participated in and supported the care and work training plan for kids with intellectual disabilities.</p> <p>(4) Donated and raised fund for Puzangalan Children’s Choir to travel and participate in competition overseas as well as the training plan.</p> <p>(5) Sponsored Kaohsiung Philharmonic Cultural and Arts Foundation to hold “Spring Arts Festival” and "A Concert of Mastermidns” events.</p>	
7	<p>Explain the status of the improvement for the corporate governance evaluation results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation for the latest year, and propose priority enhancement items and measures for those not have been improved.</p> <p>In accordance with the evaluation results and benchmarks of the corporate governance in 2018, the items that the Bank improved in the corporate governance are as follows:</p> <p>(1) Amended the Principle for Ethical Management and Guidelines for Conduct, and appointed a corporate governance team under the “Corporate Social Responsibility Committee” of the Board as the dedicated unit for ethical management. The team is responsible for monitoring the promotion of the Bank’s ethical management policies and the implementation of various preventive measures, and to report to the Board regularly (at least once a year).</p> <p>(2) A shareholders’ meeting shall be held before the end of May.</p> <p>(3) Establish information security risk management framework, formulate information security policies and concrete management plans, and disclose them on the website.</p>			

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

Note2: Please kindly describe the discrepancy with “Corporate Governance Best Practice Principles for

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TWSE/TPEX Listed Companies” and reasons.

(5) The composition, responsibilities and operation status of the Salary and Remuneration Committee of the Bank:

A. Members of Salary and Remuneration Committee of the Bank

Title	Qualification Name	Over five years of experience in related fields and the following professional qualification (Note 1)			Independent Status (Note 2)								Serving as an independent director of other public companies	p.s. (Note 3)
		(1)	(2)	(3)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Independent Director	Zen-Fa Lu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Guo-Zhang Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Tzung-Hang Lee	✓			✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: With over 5 years of work experience and the following professional qualification

- (1): Instructor, or higher up, of a public or private junior college, college or university, in Business, Law, Finance, Accounting or other departments as required by corporate business.
- (2): Judge, prosecutor, solicitor, Certified Public Account or professionally qualified and technical person as required by the company.
- (3): Experience in Business, Law, Finance, Accounting or as required by corporate business.

Note 2: Two years before the directors and supervisors are elected or during the period they are on the jobs, if they meet the following criteria, please make a “✓” mark in the space under the criteria codes.

- (1): Not an employee of the Bank; nor an employee of its affiliated enterprises.
- (2): Not a director or supervisor of the Bank or its affiliated enterprises. (Does not include the independent directors of the Bank or its parent company or subsidiaries in which the Bank holds more than 50% of the shares).
- (3): Not directly or indirectly own more than 1% of the Bank’s outstanding shares; nor is one of the top ten non-institutional shareholders of the Bank.
- (4): Not a spouse or within second-degree relation or third-degree immediate relation to any person specified in the preceding three criteria.
- (5): Not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Bank’s issued shares; nor a director, supervisor or employee of the top five legal entities which are owners of the Bank’s issued shares.
- (6): Not a director, supervisor, or manager of a company which has a business relationship with the Bank; nor a shareholder who owns more than 5% of such a company.
- (7): Not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with financial, business consulting, or legal services.
- (8): Not a person under the circumstances specified in Article 30 of the R.O.C. Company Act.

B. Operations of Salary and Remuneration Committee of the Bank

- a. There are three people in the Salary and Remuneration Committee of the Bank.
- b. The term of commissioner: 2018.06.08 to 2021.06.07 Salary and Remuneration Committee of the Bank held 2 meetings in 2019 The status of attendance was as follows:

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

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Commissioner	Tzung-Hang Lee	2	0	100%	
Other Necessary Notes:					
<p>1. With the attention of kind managers, the committee should perform the following duties faithfully and be responsible to the board of directors, and submit the recommendations to the board of directors for discussion:</p> <p>(1) Formulate and regularly review the policies, systems, standards and structure of directors and managers' performance evaluation and salary and remuneration.</p> <p>(2) Regularly evaluate and determine the remuneration of directors and managers.</p> <p>2. Salary and compensation committee's resolutions and bank's response toward the opinions of compensation and compensation committee:</p>					
					The handling of Bank toward Remuneration Committee opinions.
2019.01.14 The 1st meeting of the 4th Committee	2018 Performance Bonus	The Chairman proposed the relevant resolution for approval. It was adopted unanimously by all the Directors presented at the meeting. The proposal was sent to Board of Directors for resolution.			The Chairman proposed the relevant resolution for approval in Board of Directors' meeting. It was adopted unanimously by all the Directors presented at the meeting.
2019.06.24 The 2nd meeting of the 4th Committee	Amendment to the Bank's "Rules for Board Performance Evaluation" and related questionnaires and assessment forms.	The Chairman proposed the relevant resolution for approval. It was adopted unanimously by all the Directors presented at the meeting. The proposal was sent to Board of Directors for resolution.			The Chairman proposed the relevant resolution for approval in Board of Directors' meeting. It was adopted unanimously by all the Directors presented at the meeting.
	Evaluate Managers' remuneration	The Chairman proposed the relevant resolution for approval. It was adopted unanimously by all the Directors presented at the meeting. The proposal was sent to Board of Directors for resolution.			The Chairman proposed the relevant resolution for approval in Board of Directors' meeting. It was adopted unanimously by all the Directors presented at the meeting.
	Evaluation of Directors' remuneration and attendance fee	The Chairman proposed the relevant resolution for approval. It was adopted unanimously by all the Directors presented at the meeting. The proposal was sent to Board of Directors for resolution.			The Chairman proposed the relevant resolution for approval in Board of Directors' meeting. It was adopted unanimously by all the Directors presented at the meeting.

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	Directors' and managers' remuneration for the year of 2018	The Chairman proposed the relevant resolution for approval. It was adopted unanimously by all the Directors presented at the meeting. The proposal was sent to Board of Directors for resolution.	The Chairman proposed the relevant resolution for approval in Board of Directors' meeting. It was adopted unanimously by all the Directors presented at the meeting.
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1 Board of director decline to adopt or require to modify recommendations of the remuneration committee: None.

2 Resolutions of the remuneration committee to which a member or members of the committee has or have expressed dissents or reservations which were recorded or made in writing: None.

(6) Fulfillment of Corporate Social Responsibilities:

Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
1. Does the Bank follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		After communicating with stakeholders through various channels, the Bank's Corporate Social Responsibility Committee summarized major issues in five aspects: corporate governance, social welfare, customer care, employee care and environmental protection, and formulated relevant policies and management mechanisms for each issue.	No material discrepancy
2. Whether the Bank has established a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the high-rank management authorized by the board of directors who shall be responsible for reporting the status thereof to the board of directors?	V		The Bank enacted the "Regulations Governing Establishment of Corporate Social Responsibility Committee" established the Bank's "Corporate Social Responsibility Committee" responsible for consolidating the Bank's corporate social responsibility policy, management policy and specific boosting programs, and reporting the status thereof to the Board of Directors regularly to fulfill its corporate social responsibility.	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
3. Fostering a Sustainable Environment: (1) Establishment of proper environment management systems based on the characteristics of its industry.	V		(1) The Bank delegated the personnel dedicated to environmental management in the General Affairs Dept., and formulated the “energy and environment management policy” in order to establish the environmental management-related operation. In addition, the environmental inspection about the concentration of CO2 and lighting brightness in all the offices will be conducted once every half year to control the indoor air quality and maintain adequate brightness in the operational environment. The Bank has obtained the ISO50001 energy management system certification since 2015.	No material discrepancy
(2) The Bank’s endeavor to utilize all resources more efficiently and use renewable materials that have a low impact on the environment to improve sustainability of natural resources.	V		(2) In purchasing equipment, the Bank gives priority to buying green energy products with energy saving, green building material, environmental protection and water saving certification logos. Besides recycling, we have set up a database of the various idle facility and equipment, which is to be checked prior to procurement of new office equipment to ensure that existing resources are used efficiently. Spare equipment is used repeatedly to increase the re-usage rate of office items.	No material discrepancy
(3) Does the Bank evaluate current and future potential risks and opportunities from climate change and take measures related to climate related topics?	V		(3) In view of the impact of global climate change on the environment and ecology, the Bank has included the impact of climate change as one of	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
(4) Does the Bank collect data for greenhouse gas emissions, water usage and total weight of waste in the	V	(4)	<p>the sustainability risk assessment item so as to adopt relevant response measures such as continuous greenhouse gas inventory, expansion of green procurement, reference to the Equator Principles and setting carbon reduction targets. Due to the impact of climate change, the Bank has adopted the following countermeasures in credit granting:</p> <p>A. The value of real estate for loan may be damaged or depreciated as a result of frequent and severe natural disasters. The industry where the individual client works in may be affected and subsequently give rise to credit default risk. Therefore, the Bank adopts more stringent upfront control measures in house loan business overdue management. The Bank's operational efficiency and cost effectiveness of the operation model is improved through the development and establishment of credit integration system. Paper consumption is also reduced accordingly.</p> <p>B. Adopt a conservative approach upon credit granting and shorten the duration of loan of individuals, enterprises, regions and markets affected by climate change</p> <p>The Bank has established energy and environmental management policies,</p>	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
past two years, and set energy conservation, carbon reduction, greenhouse gas emissions reduction, water usage reduction and other waste management policies?			conducted annual greenhouse gas inventory and disclosed the results on the Company's website. In 2017, total greenhouse gas emissions of the whole Bank amounted to 5,623 tonnes/CO ₂ e, compared to 5,263 tonnes/CO ₂ e in 2018 and 5,023 tonnes/CO ₂ e in 2019, representing an annual reduction of approximately 6.4% and 4.6%, respectively. The Banks has made all-out effort in reducing greenhouse gas emission.	
4. Preserving Public Welfare (1) Whether the Bank has established the related management policies and procedures in accordance with the relevant laws and international human right conventions?	V		(1) The Bank has formulated a "human rights policy" , fulfills corporate social responsibility, and guarantees the basic human rights of all the employees, customers, and stakeholders.	No material discrepancy
(2) Has the Bank established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		(2) The Bank's "Guidelines for payroll under personnel management regulations" have defined the standards about granting of salary, allowance, compensation and bonuses. In addition to the fixed monthly salary, the Bank grants employees year-end bonus based on the entire operating results and personal performance (allocate 1%~5% of profit), and also defined a reasonable compensation policy by integrating the corporate social responsibility policy. In addition, the Bank has enacted the "Criteria for handling employee merit and disciplinary incidents".	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
<p>(3) Whether the Bank has provided safe and healthful work environments and training on safety and health for employees on a regular basis?</p>	V		<p>The Bank regularly conducts promotion and salary adjustment to provide reasonable remuneration. In order to promote family care welfare and comply with the Labor Standards Act, we have established menstrual leave, pregnancy check-up leave, maternity leave, paternity leave, and miscarriage leave. The Company established an employee welfare committee to provide holiday bonuses, marriage, funeral, maternity and material natural disaster payments. If the year-end closing confirmed the Bank has made a profit for the year, the Board will consider the operating performance of the year, distribute year-end bonuses, performance-based bonuses and allocate employee compensation to employees.</p> <p>(3) The Bank provides employees with safe and healthy work environment and performs labor safety & health on-the-job education and training periodically.</p>	No material discrepancy
<p>(4) Whether the Bank has established some effective career development training plan for employees?</p>	V		<p>(4) In order to upgrade employees' expertise, the Bank will organize various training programs and workshops and assign staff to attend various external professional training programs from time to time each year. Further, the training</p>	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
<p>(5) Does the Bank's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?</p>	V		<p>of the Bank clerks' career capability is also executed through the job rotation system.</p> <p>(5) The Bank thinks highly of protecting its customers, and has established a policy of treating customers fairly, so as to increase consumers' confidence in the Bank and ensure its sustainable development. The Bank has implemented a policy of treating customers fairly, and complied with the Financial Consumer Protection Act and related regulations.</p> <p>For the protection of consumers' interests, a "Consumer Dispute Resolution Policy" was formulated and passed during the 2nd meeting of the 9th board on August 26, 2015.</p> <p>The Bank also maintains a 24-hour, all-year-round customer service hotline. When a customer who has business with the Bank claims his rights has been damaged and has disputes over products or services, he or she may file a complaint through proper channels (e.g. telephone, mail, web message, or over the counter at branches). All complaints will be handled in discretion according to the Bank's "Customer Complaint Handling Procedures," and followed up by dedicated department. The Bank will</p>	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
(6) Does the Bank set supplier management policy and request suppliers to comply with related standards on the topics of environmental protection, occupational safety and health or labor right, and their implementation status?	V		<p>resolve every customer dispute in a fast and efficient manner, and perform statistical analyses on complaint cases to identify rooms for improvement and thereby prevent similar occurrences.</p> <p>A “Consumer Dispute Resolution Team” has also been assembled to resolve disputes arising from business between the Bank and clients that were unable to reach agreement in the hope of resolving the issue with satisfactory result.</p>	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo (Note 2)	
5. Does the Bank refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Bank? Has the said Report acquire 3rd party accreditation institution's verification or statement of assurance?	V		The Bank's Corporate Social Responsibility Report is prepared in accordance with the GRI Standards: Core Options published by the Global Reporting Initiative (GRI) in 2016. The afore-mentioned report has not obtained any verification or statement of assurance from 3rd party accreditation institution.	No material discrepancy
6. If the Bank has established its own corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the policies and their implementation: The Bank has put in place its own "Corporate Social Responsibility Best-Practice Principles" upon approval of 18 th Meeting of 8 th Board of Directors on March 18, 2015 and would implement the same upon resolution at a shareholders' meeting. The Bank upholds the belief of "giving back to society what we have benefited from it" and is dedicated to promoting the various charitable events on a long-term basis as a way of fulfilling our corporate social responsibilities and also comply with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". Therefore, there is no material discrepancy.				
7. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices (e.g., environmental protection, community involvement, social contribution, social work, social welfare, consumer rights, human rights, safety and hygiene and the adopted policies and measures to fulfill corporate social responsibilities and the status of performing such responsibilities): Page 83				

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

Note 2: Where the Bank has prepared the CSR report, the memo section may specify the way to access the CSR report and be replaced by index pages.

(7) Fulfillment of ethical Management and Adopted measures:

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

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
<p>(2) Whether the Bank has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	V		<p>Principles actively. To fulfill the commitment, the “Corporate Governance Team” under the “Corporate Social Responsibility Committee” that reports to the Board is the responsible department for the Bank’s ethical corporate management. The Team takes responsibility in promoting ethical corporate management, executing various preventive measures, and periodically (at least once a year) reporting to the Board of Directors.</p> <p>(2) Each of the Bank’s business lines is subject to strict internal control and risk control. In addition to following the requirements of competent authorities of each business unit, the Bank also establishes legal compliance, audit and risk management department. The prevention programs referred to in the preceding paragraph also define the relevant regulations prohibiting bribery to ensure the Company’s ethical management. In addition, the Bank conducts self-assessment on operational risk control each year to understand the effectiveness of various control measures and whether they are implemented, and adopts enhanced measures depending on the situation.</p>	No material discrepancy
<p>(3) Has the Bank set up operating procedure, behavior guideline, disciplinary actions, and complaint system in the plans to prevent unethical conduct? Does the Bank strictly execute the implementation and periodically revise the afore-mentioned plan?</p>	V		<p>(3) The Bank’s program to prevent dishonest conduct is to specify operation process of the Bank, code of conduct, disciplinary action for violation in the Bank’s human resource management procedure and work rule. The procedure and rule are periodically reviewed and modified. In addition, the Bank ensures the implementation of preventive measures through the legal compliance system, internal audit and whistle blower</p>	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
			system.	
2. Implementation of Ethical Management (1) Whether the Bank has evaluated the ethical record of trading counterparts and specifically set out the ethical management clause in business contract?	V		(1) The Bank's business activities shall avoid any trading with persons with unethical record, and the Bank planned to expressly state the clause about compliance with the Bank's ethical management policy in contracts. Meanwhile, before conclusion of any contract, the Bank will have the contract reviewed by the legal affairs unit to ensure the right, obligation and validity of the contract.	No material discrepancy
(2) Whether the Bank has set up a unit under the Board which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		(2) The "Corporate Governance Team" under the "Corporate Social Responsibility Committee" that reports to the Board is responsible for monitoring the promotion of the Bank's ethical corporate management policies and the implementation of various preventive measures. The team regularly (at least once a year) reports to the Board of Directors.	No material discrepancy
(3) Whether the Bank has defined the policy to prevent conflict of interest and to offer appropriate channels for providing a statement in regard to the situation, and implemented the same precisely?	V		(3) The Bank's policy and channel against conflict of interest are separately defined in the work rules, employees' service rules, employee complaining system (counterpart: employees) and parliamentary rules for directors' meetings (counterpart: directors), both of which are implemented precisely.	No material discrepancy
(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		(4) The Bank's accounting policies were established in accordance with relevant laws, FSC-approved IFRS, International Accounting Standards, and Interpretations thereof, and have been adjusted to accommodate existing and future business requirements. The Bank's internal control system was developed based on "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries." The purpose is to facilitate sound business operation and to provide assurances in effectiveness and efficiency of business performance,	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
(5) Whether the Bank has organized internal/external educational and training programs for ethical corporate management periodically?	V		<p>reliability of financial reporting, and regulatory compliance. The audit team also uses the internal audit and self-audit systems to evaluate the effectiveness of internal control design and execution.</p> <p>(5) (i) According to the Bank's ethical corporate management best-practice principles, the Bank will organize the internal propagation activity to communicate the importance of ethics to directors, employees and appointees from time to time. The related staff will also attend the related workshops and educational training programs organized by external entities. (ii) The Bank held internal and external trainings related to ethical management in 2017 (including compliance of ethical management regulations, accounting policy and internal control). There are 247 participants in total and 77 hours in total..</p>	No material discrepancy
3. Status of the Bank's complaint system Whether the Bank has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	V		<p>The Bank's ethical corporate management best-practice principles have defined the relevant complaint and handling procedures. The Bank also established an internal independent email box and hotline for complaints available to the Bank's internal and external personnel. The dedicated unit will designate competent dedicated personnel subject to the circumstances, declare in writing that it will keep confidential the complainant's ID and contents of the complaint and promise to protect complainants from unfair treatment due to the complaint.</p> <p>(1) The Bank's whistleblowing system implementation rules were submitted to the Board and adopted on Aug. 22, 2018. The complaint types are defined in the rules, the complaint can be submitted via paperwork, hotline, e-mail or complaint platform. The complaint will be handled by different units</p>	No material discrepancy

Corporate Governance

Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
(2) Whether the Bank has established standard operating procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		<p>according to different recipients of the complaints. In order to encourage the employees to file complaints, if the complaints are verified, after the recipient of the complaint is punished according to the Bank's rules, the internal complainant will be rewarded.</p> <p>(2) The Bank's Rules for Implementation of Whistleblowing System expressly states the procedure for receiving, investigating, reporting for disciplinary action, and notification of complaint cases, and a clear division is established between the responsibilities of the complaint receiving department and those of the investigation department. The complaint receiving department will report to Board of Directors regarding context of complaints, handling of complaints, and follow up improvement measures. It also expressly states the confidentiality obligations regarding the complainant identification, complaint letters or complaint record, and other related materials.</p>	No material discrepancy
(3) Whether the Bank has adopted the measures for protecting complainants from inappropriate disciplinary actions due to their complaints?	V		<p>(3) The Bank's whistleblowing system expressly states that the complainant's ID is kept confidential and the complainant's right of work is guaranteed. The Bank cannot discharge, downgrade, cut wages, prejudice the interests guaranteed by the laws, contract, or practice, or enforce other punishments because of complaints.</p>	No material discrepancy
4. Enhancing Information Disclosure Whether the Bank has disclosed the content and the status of implementation of its ethical corporate management best practice principles on its websites and the MOPS?	V		<p>The "Corporate Governance Area" is set up on the Bank's website to disclose the requirements about ethical corporate management best-practice principles and status of the implementation thereof. Further, for transparency of information, the related information</p>	No material discrepancy

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Item	Implementation Status (Note 1)			Discrepancy, if any, with Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Memo	
			has been also uploaded to the MOPS for access by investors.	
<p>5. If the Bank has established corporate ethical management based on “Corporate Ethical Management Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe any discrepancy between the policies and their implementation: The Bank has established the “Union Bank of Taiwan Corporate Ethical Management Best Practice Principles” and “Work Rules” setting out that employees are required to carry out their duties ethically and dutifully and comply with regulatory requirements, policies, and service standards prescribed by the Bank. The company shall be managed in accordance with regulatory requirements and internal procedures to maximise investor benefits. There is no discrepancy between the Bank's operation of ethical management and said “Corporate Ethical Management Best Practice Principles for TWSE/GTSE-Listed Companies”.</p>				
6. None.				

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

- (8) Operating procedure for internal important information:
In order to establish the Bank’s fair important internal information processing and disclosure mechanism to prevent information from being disclosed inadequately and to ensure the accuracy and consistency of the information released by the Bank to the public and enhance the control over prevention of insider trading, the Bank defined the “Operating Procedure for Processing of Important Internal Information”. Please refer to the corporate governance at MOPS (<http://mops.twse.com.tw>).
- (9) Corporate governance principles and methods for searching the relevant regulations:
Please refer to the corporate governance at MOPS (<http://mops.twse.com.tw>).
- (10) Other material information sufficient to enhance understanding of the status of the Bank’s corporate governance practices:
Please refer to the Bank’s website (<http://www.ubot.com.tw>).

Union Bank of Taiwan



Statement of Internal Controls System

March 11, 2020

To Financial Supervisory Commission:

1. On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2019 to December 31, 2019, we have duly complied with the “Enforcement Regulations for Bank Internal Audit Control System” in establishing its internal system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Supervisors.
2. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control systems described in the “Regulations Governing the Establishment of Internal Control Systems of Service Enterprises in Securities and Futures Markets”, promulgated by the Securities and Futures Bureau, Financial Supervisory Commission.
3. Concurrent Operation of Insurance Agent Business:
 - (1) The Bank evaluates the design and operating effectiveness of its internal control system based on the criteria provided in “Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies”. Criteria for evaluating internal control system according to the afore-mentioned regulation should at least include below elements: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication; 5. Monitoring activities.
 - (2) The Bank has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
 - (3) Based on the findings of the evaluation mentioned in the preceding paragraph, the Bank believes that its internal control system concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and can reasonably assure the achievement of the above-stated objectives.
4. After prudent evaluation, the internal control and regulatory compliance of the units for the year have been effectively implemented, except for matters set forth in the attached table.
5. This Statement will be included as the main content of the Bank’s annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or

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concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Law will be involved.

6. This statement was approved by the company's board of directors during its board meeting on March 11, 2020. Among the 8 directors who attended the meeting, none of them were opposed and all others agreed to the contents of this statement.

Chairman: Shiang-Chang Lee



President: Jeff Lin



Chief Auditor: Kuo-Pao Kang



Compliance Officer of the Bank
Ching-Wen Chen



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Attachment: Internal Control Deficiencies and Improvement Plan

(Record Date: December 31, 2019)

Matters that should be improved	Improvement measures	Targeted completion date
1. A former employee of the Bank took advantage of his position to produced customers' seals without authorization, changed the seal register to make withdrawal and wire transfer from the lending customers' account. The employee kept customers' bank book, seal, and cash in order to steal customers' deposit, and forged bank book transaction detail and fund transaction statement.	The punishment has been conducted in accordance with the Bank's Work Rule after resolution by the Human Resource Arbitration Committee. In order to control and manage credit granting risk, the administration department has issued a letter to reiterate the operating procedures of meeting borrowers in person prior to fund appropriation and operating procedure of informing cancellation of repayment message. Rules for opening accounts outside of the bank, operating procedure for bank tellers to apply transaction on behalf of customers and operating procedure for bank tellers to receive or deliver document outside of the bank are additionally stipulated to strengthen the execution of internal control mechanism.	This has been completed according to the improvement measures
2. For customers who opened deposit accounts through online account opening operation between January 6, 2017 and May 15, 2018, the Bank failed to set up operating procedure for continuous customer identification check to evaluate customers' risk level.	The Bank has suspended the account opening function of online bank, Lohas app since May 15, 2018.	This has been completed according to the improvement measures
3. The subsidiary, Union Finance and Leasing International Corporation, conducted significant related party purchase transactions without prior approval of the Bank as required.	A letter was sent to each subsidiary on August 7, 2018, re-iterating that related party transactions shall be conducted in accordance with the "Operating Standards Governing the Supervision and Control of Subsidiaries".	This has been completed according to the improvement measures

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<p>4. Failed to keep records for confirmation and to verify transaction for account opening not conducted over the counter or transactions instructed through facsimile. Improper filing of large amount transaction information, and the AML verification and review mechanism were not effectively implemented.</p>	<p>The Bank has issued a letter to re-iterate relevant regulations and conducted education and training for employees.</p>	<p>This has been completed according to the improvement measures</p>
<p>5. A former employee of the Bank took advantage of his position to refer customers to third party personal lending, and did not effectively implement the supervision and inspection mechanism for the Bank's employees to conduct deposits transactions on behalf of customers for personal lending.</p>	<p>The Bank has issued a letter to re-iterate relevant regulations and conducted education and training for employees.</p>	<p>This has been completed according to the improvement measures</p>

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

Disclosed Matter	Major Deficiency	Status of Improvement
(1) Responsible person or employees of the Bank violated the law when conducting business and resulted in an indictment by a prosecutor.	An employee and previous manager of the Bank's branch was involved in a violation of the Money Laundering Control Act when conducting transactions of customer deposits, cash withdrawals and money laundering report procedures, which resulted in an indictment by a prosecutor.	Strengthened the supervision and management of legal compliance and anti-money laundering operation, executed training for bank employees, enhanced publicity of suspected money laundering transaction judgments, report management procedures, judgment of identifying suspicious customer indications, case studies and so on so that the anti-money laundering operation risk can be controlled, and regarded fulfillment of all the internal control tasks in the branch as the top priority in order to make the employees abide by financial laws and regulations completely and avoid corruption.
(2) Violation of laws that resulted in the Financial Supervisory Commission imposing punishment in accordance with Article 61-1 of the Banking Act. Or a penalty imposed by the Bank on its internal staff for violation of the internal control system, the result of which may have a material impact on shareholders' equity or securities prices. Or for situation that applies to Article 2 of Regulations for FSC to handle violation of financial regulations, impose punishment, and announce to the public, the punishment, major deficiency, and improvement status.	1. The Bank didn't report currency transactions equal to or above the applicable designated threshold to the Investigation Bureau of the Ministry of Justice. It violated Paragraph 1, Article 7 of Money Laundering Control Act and Article 4 of Regulations Governing the Reporting of Transactions Above Certain Amounts and Suspected Money Laundering Transactions by Financial Institutions. The Bank was fined NT\$ 200,000.	The Bank has announced and re-iterated the requirement of reporting operation of currency transactions equal to or above the applicable designated threshold and operation rules of suspected money laundering transactions report verification record.
	2. A former employee of the Bank took advantage of his position to produced customers' seals without authorization, changed the seal register to make withdrawal and wire transfer from the lending customers' account. The employee kept customers' bank book, seal, and cash in order to steal customers' deposit, and forged bank book transaction detail and fund transaction statement. This has violated Paragraph 1 of Article 45-1 of the Banking Act. The Bank was fined NT\$10 million in accordance with Article 129-7 of the Banking Act.	The punishment has been conducted in accordance with the Bank's Work Rule after resolution by the Human Resource Arbitration Committee. In order to control and manage credit granting risk, the administration department has issued a letter to reiterate the operating procedures of meeting borrowers in person prior to fund appropriation and operating procedure of informing cancellation of repayment message. Rules for opening accounts outside of the bank, operating procedure for bank tellers to apply transaction on behalf of customers and operating procedure for bank tellers to receive or deliver document outside of the bank are additionally stipulated to strengthen the execution of internal control mechanism.

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Disclosed Matter	Major Deficiency	Status of Improvement
	<p>3. For customers who opened deposit accounts and applied online trust account opening between January 6, 2017 and May 15, 2018, the Bank failed to set up operating procedure for continuous customer identification check to evaluate customers' risk level. This has violated Paragraph 1 of Article 45-1 of the Banking Act. The Bank was fined NT\$2 million in accordance with Article 129-7 of the Banking Act.</p>	<p>The Bank has suspended the account opening function of online bank, Lohas app since May 15, 2018.</p>
	<p>4. The following deficiencies were identified for anti-money laundering and combating the financing of terrorism operations. The Bank failed to implement relevant regulations and internal operating standards on anti-money laundering and combating the financing of terrorism. This shows that the internal operating standards and control mechanism remained inadequate, which prevented the sound operation of the Bank. The Bank was rectified in accordance with Paragraph 1, Article 61-1 of the Banking Act:</p> <p>(1) When a legal person opened an account, the ultimate beneficiary was not identified and identification was not confirmed for shareholders who held more than 25% of the shares of the legal person.</p> <p>(2) For the opening of accounts for high-risk clients, senior management approval was not obtained. When conducting regular review, reasonable measures were not adopted to understand the sources of asset and capital.</p> <p>(3) For currency transactions above a certain amount that are exempt from reporting to the Investigation Bureau, Ministry of Justice, the identity of the customer has not been thoroughly verified.</p>	<p>(1) The Bank re-iterated required information and identification process in relation to the identification of ultimate beneficiary, and strengthened the identification of ultimate beneficiary through education and training.</p> <p>(2) The customer due diligence procedure for each business to identify customers' identity and risk level have been established and amended.</p> <p>(3) The Company has established operating standards and, when dealing with currency transactions above a certain amount that are exempt from reporting, the Bank shall individually confirm the identity of customers and counterparties, and keep relevant information for future reference.</p>

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Disclosed Matter	Major Deficiency	Status of Improvement
	<p>5. Deficiencies involved in customer investment risk evaluation operations and anti-money laundering operations are in violation of the provisions included in Paragraph 1 of Article 61-1 of The Banking Act, and resulted in the Financial Supervisory Commission imposing strict corrective measures:</p> <p>(1) Conducting customer investment risk evaluation operations without confirmation of the investment risk evaluation results with the customer by signature, seal(s) filed with the bank, or other methods of bilateral agreement, before accepting and handling the purchase of funds.</p> <p>(2) Conducting anti-money laundering operations, in terms of ID verification of legal person savings account opening operations, without verifying the ID of the natural person who ultimately controls a customer in order to identify the ID of the beneficial owner of a customer according to the regulation, and for suspected money laundering transactions, without verifying the customer's transaction background and transaction rationality, and keeping related verification records and so on.</p>	<p>(1) The Bank has improved and amended its “analysis table of customer risk tolerance degree of non-discretionary money trust business”, and other related regulations, and strengthened its evaluation procedure in accordance with the management regulations.</p> <p>(2) In terms of customer ID verification (including the identification of the beneficial owner) for savings account opening, the Bank has amended the “management procedure of non-natural person business relationship building” and other related regulations. To strengthen the familiarity of the bank's employees with the verification operations of suspected money laundering symptoms, the education training courses were held in the first and the second half of 2018 respectively, and the spot check of the operation situation of the operational unit was conducted for the deficient items.</p>
	<p>6. An employee of the Bank's branch violated his authority and introduced the customer to a third party in order to apply for loans, which resulted in the Financial Supervisory Commission imposing strict corrective measures in accordance with Paragraph 1 of Article 61-1 of The Banking Act.</p>	<p>The Bank has formulated a control mechanism of the customer authorization transaction for the Bank's employee in order to verify the rationality of transactions and prevented the Bank's employees from violating their authority to engage in inappropriate transactions or behaviors.</p>
	<p>7. The subsidiary Union Finance and Leasing International Corporation conducted significant related party purchase transaction without reporting to the Bank for approval in advance, which is a violation of</p>	<p>A letter was sent to each subsidiary on August 7, 2018, re-iterating that related party transactions shall be conducted in accordance with the “Regulations Governing the Supervision and Control of Subsidiaries”.</p>

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Disclosed Matter	Major Deficiency	Status of Improvement
	Paragraph 1 of Article 61-1 of the Banking Act and is subject to rectification.	
	8. When conducting account opening outside of bank counter and transaction instruction through facsimile, relevant confirmation record was not maintained and transaction verification was not conducted. Large-amount transaction information was not properly filed. The anti-money laundering confirmation and review mechanism was not effectively implemented, and shall be rectified in accordance with Paragraph 1, Article 61-1 of the Banking Act.	The Bank has issued a letter to re-iterate relevant regulations and conduct education and training for employees.
(3) Accidents occurring as a result of a fraud, major non-recurring incidence or failure to comply with the Guidelines for Maintaining the Security of Financial Institutions, as a result of which individual or accumulated losses during the year amounted to NT\$ 50 million or more and therefore the nature and amount of loss for which shall be disclosed.	None	None
(4) Other necessary disclosures prescribed by the Financial Supervisory Commission.	None	None

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

1. Material resolutions of the shareholders' meeting during 2019 and the status of implementation
 - A. Ratification of the surplus earnings distribution for 2018: The resolution was adopted
Status of implementation: In the shareholders' meeting, the Bank has resolved on the dividend distribution, the preferred stock dividends of (NT\$ 2.4 per share), the common stock dividends of NT\$ 0.7 per share. The distribution record date was determined to be Jul. 12, 2019 and Aug. 10, 2019 and dividends were paid on Aug. 8, 2019 and Aug. 30, 2019.
 - B. Ratification of the 2018 business report and financial statements: The resolution was adopted.
 - C. The Bank's new issuance of common shares from earnings: The resolution was

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adopted.

Status of implementation: The Bank's proposal of capital increase via return earning and employee compensation was adopted by the Financial Supervisory Commission on Jul. 8, 2019, and also adopted by the Ministry of Finance on Aug. 26 and Letter No. 10801114660 was issued, and the shares were listed and traded on the stock market on Aug. 30, 2019.

2. Material Resolutions of Board of Directors Meetings During the Current Fiscal Year up to the Date of Printing the Annual Report

- A. On January 18, 2019, the 5th meeting of the 10th Board of Directors passed following resolutions: Amendment to "Internal Control System for the Bank that Concurrently Operates Securities Business"; presentation of the proposed change of "2019 Internal audit program and execution status declaration form"; amendment to "Internal Control System for the Bank that Concurrently Operates Bond Dealing Business as a securities firm" and audit checklist; amendment to "Internal Control System for the Bank that Concurrently Operates Insurance Agent Business"; "Apply for Da Nang Branch and Ha Noi Office in Vietnam"; amendment to the Bank's "Procedures for Financial Derivatives Transactions"; amendment to the Bank's "Guidelines for Cross Currency Swap Between NTD and Foreign Currencies"; "Operating budget and operation guidelines for the whole bank and each business in 2019"; amendment to the Bank's "Processing Rules for Dealing with Non-performing/Non-accrual Loans"; amendment to the Bank's "Implementation Rules for Legal Compliance"; amendment to "Notices for Anti-Money Laundering and Combating Terrorist Financing for the Bank that concurrently operates other businesses"; stipulation of "2019 Legal Compliance Plan"; "Report of improvement on FSC 2018 March opinion regarding inspection on the Bank's general business and status of improvement"; amendment to the Bank's "Self-Inspection Working Guidelines".
- B. On March 13, 2019, the 6th meeting of the 10th Board of Directors passed following resolutions: "Matters relating to convening 2019 annual shareholders' meeting"; stipulation of "Matters relating to receiving motions from shareholders for 2019 annual shareholders' meeting"; amendment to the "Operation System and Process Guidelines Governing Business Solicitation for the Bank that Concurrently Operates Insurance Agent Business"; "Statement of 2018 overall information security execution in bank and securities business"; amendment to the Bank's "Rules Governing Real Estate Management"; "Renewal of current lease with YUNG HSUAN CO., LTD. as office of the Bank"; "In order to control credit risk of securities mortgage loan, re-evaluate credit limit of securities mortgage loan and loan for non-listed/OTC stock as collaterals"; "In order to control credit risk of certain regions, re-evaluate credit limit of real estate loan in certain regions"; "In order to control credit risk of loan to high risk corporate clients, re-evaluate credit limit for clients with high credit risk rating"; "In order to effectively manage and monitor credit risk for certain industries, re-evaluate and amend credit exposure limit by industry and loss limit"; "In order to effectively manage and monitor credit risk for real estate as collaterals, re-evaluate and amend credit exposure limit for loan against real estate collaterals"; amendment to the Bank's "Articles of Incorporation"; "According to the Bank's self-inspections of its internal control system, the overall assessment inspection report, and the audit results of the audit by the Audit Department for the whole year of 2018, the Bank declared that both the design and execution of its internal control system are effective"; "Four top management of the

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Bank, the Chairman, President, Chief Auditor and the dedicated AML/CFT manager jointly signed Internal control system statements of anti-money laundering and combating terrorist financing “; “The Bank renewed the appointment of Deloitte Taiwan in 2019 to handle the Bank’ s financial statements audit and income tax settlement audit and declaration”; "2018 remuneration for employees and Board of Directors"; “2019 Audited Financial Statements and Business Report of the Bank” ; “The resolution of the Bank’ s earnings distribution in 2018” ; “Propose the resolution of capital increase via retained earnings in 2018 and capitalizing employee compensation by issuing new shares” ; amendment to the Bank's “Procedures for the Acquisition or Disposal of Assets” .

- C. On May 8, 2019, the 7th meeting of the 10th Board of Directors passed following resolutions: Presenting "Assessment report of money laundering and terrorist financing for the Bank that Concurrently Operates Insurance Agent Business” ; amendment to "Rules governing the performance appraisal of wealth management personnel"; "Operation plan and principles for foreign exchange interest futures business"; amendment to "Rules and procedures of Board of Directors meetings"; amendment to " Corporate Governance Best Practice Principles of the Bank"; "Change of corporate governance monitoring supervisor"; "Report of improvement on FSC 2018 March opinion regarding inspection on the Bank's general business and project business, and status of improvement"; amendment to "Credit Granting: Level of authority for credit granting responsibilities of all levels of the Bank's personnel and authority table"; amendment to the Bank's "Investment policy"; "The Bank’ s consolidated financial statements for the first quarter of 2019 reviewed by CPAs"; The execution result of derivative financial product valuation and control mechanism established for derivative financial product transaction service provided by the Bank to non-professional investor clients, and project inspection result for its internal control mechanism".
- D. On July 17, 2019, the 8th meeting of the 10th Board of Directors passed following resolutions: Amendment to the “Internal Control System for the Bank that Concurrently Operates Futures Introducing Broker Business”; amendment to "Internal Control System for the Bank that Concurrently Operates Bond Dealing Securities Firm"; "Plan to re-sign the sales contract with Union Securities Investment Trust Co., Ltd."; "Credit granted to the Bank may not be counted in credit limit of 'House and corporate building loan"; amendment to "Credit Granting: Level of authority for credit granting responsibilities of all levels of the Bank's personnel", amendment to the Bank's "Level of authority for finance department foreign exchange transaction limit"; amendment to the Bank's "Materials to be submitted for 2019 compliance monitoring review"; "Movement of following three branches and continue their operation: 'South Yuanlin Branch move to Xinzhuang Dist., New Taipei City and change name to Chungkung Branch', 'Chungkung Mini Branch move to Tamsui Dist., New Taipei City and change name to Tamsui Mini Branch', and 'East Chiayi Branch move to Tucheng Dist., New Taipei City and change name to Jincheng Branch"; "August 10, 2019 decided as record date for Stock Dividend distributed from Retained Earnings"; amendment to the Bank's "Procedure for Board Performance Evaluation"; amendment to the Bank's "Work Rule"; amendment to the Bank's “'Notices for Anti-Money Laundering and Combating Terrorist Financing' and 'Assessment Risk of Money Laundering and Terrorist Financing and Adoption of Prevention Programs' for the Bank that Concurrently Operates Insurance Agent Business” ; "Report of improvement on

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FSC 2018 March opinion regarding inspection on the Bank's general and status of improvement".

- E. The 9th meeting of the 10th Board of Directors on August 21, 2019 passed the following resolutions: Amendment to "Internal Control System for the Bank that Concurrently Operates Securities Business"; amendment to the "Procedure for risk control on foreign exchange creditor nation" and added risk level of strategic development countries", "Lease of office premises from YUNG HSUAN CO., LTD."; "Re-examination of 'Pricing strategy for credit granting of corporate finance business'", amendment to "Interest and fee table", amendment to "NTD bond trading management policy for the Bank concurrently operates securities business", "Update of the Bank's core system environment", "Establishment of Vietnam Branch operating system and update of domestic foreign exchange system", "The Bank's Yuanlin Branch move to new address, continue operation, and apply office premise for non-operation", amendment to the Bank's "Execution Strategy for Fair treatment to client", amendment to the "Notices for Anti-Money Laundering and Combating Terrorist Financing" and 'Assessment risk of money laundering and terrorist financing and adoption of prevention programs' for the Bank that Concurrently Operates Securities Business"; amendment to the Bank's "Anti-money laundering and combating terrorist financing risks assessment report and risk prevention program"; establishment of the Bank's "Procedure for managing significant deficiency in legal compliance"; "The Bank's financial statements for the first half of 2019 audited and reviewed by CPAs"; "The resolution of the Bank's earnings distribution in 2019 first half"; "Improvement measures for deficiency in embezzlement of client's deposit by a former employee in Yuanlin Branch".
- F. The 10th meeting of the 10th Board of Directors on October 16, 2019 passed the following resolutions: "Lease of additional office space from YUNG HSUAN CO., LTD."; "Lease of car parking space for company car from Hong Go Construction Co., Ltd., YU-BON LIMITED CO, and Union Enterprise Construction Co., Ltd."; "Suggest the Bank's 'Liquidity Risk Management Policy' remain unchanged", amendment to the "Notices for Anti-Money Laundering and Combating Terrorist Financing" and 'Assessment risk of money laundering and terrorist financing and adoption of prevention programs' for the Bank that Concurrently Operates Futures Business" and "Notices for Anti-Money Laundering and Combating Terrorist Financing" and 'Assessment risk of money laundering and terrorist financing and adoption of prevention programs' for the Bank that Concurrently Operates Bills Finance Business".
- G. The 11th meeting of the 10th Board of Directors on November 11, 2019 passed the following resolutions: "Propose to early terminate and renew the discretionary investment contract between the Bank, Yuanta Securities Investment Trust Co., Ltd., and Union Securities Investment Trust Co., Ltd. at the end of this year. The engaged amount is proposed to adjust as well."; "2020 Annual Internal Audit Plan and its Execution Report' for the Bank that Concurrently Operates Futures Introducing Broker Business"; "2020 Annual Internal Audit Plan and its Execution Report' for the Bank that Concurrently Operates Bond Dealing Securities Firm"; "2020 Audit Plan"; amendment to the Bank's "Improvement plan in risk control measures of credit risk, market risk, and liquidity risk in investment in Ginnie, Freddie, and Fannie CMO", amendment to the Bank's "Procedures for Financial Derivatives Transaction" and "Guidelines of the product suitability and KYC"; "The Bank's 2020 'Authority limit for credit granting to competitors', 'Principle in authorizing

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investment limit in purchasing short-term papers without guarantee issued by domestic corporations', and 'Principle in authorizing transaction limit for insurance company as investment trust company'; "Re-examine credit limit and investment limit in order to effectively manage and monitor whole bank credit and investment business"; "Report of improvement on FSC 2018 March opinion regarding inspection on the Bank's general business and status of improvement"; "The Bank's consolidated financial statements for the third quarter of 2019 reviewed by CPAs".

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

(15) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of persons connected with the company's financial report:

Summary of the resignation and dismissal of the Corporate Governance Officer
May 8, 2019

Title	Name	On-board date	Date of Dismissal	Reasons for Resignation or Dismissal
Senior Executive Vice President	Herman Tu	January 18, 2017	May 8, 2019	Position adjustment
SVP of Head Office Administration and Coordinator of the Board Meeting	Hung -Ming Chieh	May 8, 2019		New office assumed

4. Information on CPA professional fees

(1)

Name of CPA Firm	Name of CPA		Audit Period	Note
Deloitte & Touche	Vincent Cheng	Charles Yang	January ~ December 2019	

CPA Professional Fees Bracket

In NT\$ thousand

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Fees Bracket		Type of Fees	Audit Fees	Non-audit Fees	Total
1	Under 2,000				
2	2,000 (incl.) ~4,000				
3	4,000 (incl.) ~6,000				
4	6,000 (incl.) ~8,000			V	
5	8,000 (incl.) ~10,000		V		
6	10,000 and above				V

- (2) Disclosure of the amount and service contents of payment to external auditors, the employer of the external auditors and affiliates on non-audit fees.

In NT\$ thousand

NAME OF CPA FIRM	Name of CPA	Audit Fee	Non-audit fee				Period	Remark
			System Design	Business Register	H.R.	Others(ote1)		
Deloitte & Touch	Vincent Cheng	9,251	0	165	0	7,259	7,424	Jan~Dec 2019
	Charles Yang							

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

- (3) Change of audit engagement and that the audit fee for the year of change is less than that charged for the year prior to the change: None.
- (4) Auditing fee decreased 10% or more below the fee charged for the previous year: None

5. Information on change of CPA: None.

6. The Chairman, President and Executive Officers in charge of the Bank's financial or accounting affairs who have, during the past year, served a position in the CPA firm to which or its affiliated enterprises the independent auditor(s) belong to: None.

7. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity in accordance with Paragraph 3, Article 25 of the Banking Act. :

- (1) Changes in shareholding (preferred stock shows with "P" while occurs)

Title	Name	2019		Mar. 28, 2020	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Chairman	Shiang-Chang Lee	97,330	0	0	0
Independent Managing Director	Kao-Jing Wang	0	0	0	0

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Title	Name	2019		Mar. 28, 2020	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Independent Director	Zen-Fa Lu	0	0	0	0
Independent Director	Guo-Zhang, Li	0	0	0	0
Managing Director	Chen-Chern Investment Co., Ltd.	9,014,637	0	0	0
Director	Union Construction Enterprise Co., Ltd.	6,553,963	0	0	0
Director	Yu-Pang Co., Ltd.	2,737,853	0	0	0
Director	Pai-Sheng Investment Co., Ltd.	9,587,954	0	0	0
President	Jeff Lin	403,379	0	0	0
SEVP	Herman Tu	31,827			
SEVP	Cheng-Yu Liu	17,818	0	0	0
SEVP	Wei-Wen Hsu	0	0	0	0
Chief Auditor	Kuo-Pao Kang	11,324	0	0	0
EVP	Cheng-Juh Hsieh	36,092	0	0	0
EVP	Jeng-Ping Liu	11,289	0	0	0
EVP	Yanger Yang	13,019	0	0	0
EVP	Luke Yang	15,845	0	0	0
Manager	Michael Lin	11,739	0	0	0
Manager	Huei-Wen Chang	6,379	0	0	0
Manager	Chuen-Chour Li	4,914	0	0	0
Manager	Chien-Wen Tan	4,342	0	0	0
Manager	Chan-Kwei Chen	10,850	0	0	0
Manager	Hsin-Yi Yang	4,743	0	0	0
Manager	Wendy Chi	12,704	0	0	0
Manager	Ming-Tsan Hung	5,313	0	0	0
Manager	Chien-Hui Li	5,510	0	0	0
Manager	Jen-Chung Cheng	9,142	0	0	0
Manager	Ya-Yun Yang	5,186	0	0	0
Manager	Su-Yean Lo	5,211	0	0	0
Manager	Ru-Ji Cheng	7,155	0	0	0
Manager	Liang-Kuei Kuo	7,561	0	0	0
Manager	Chien-Song Wei	0	0	0	0
Manager	Chang-Yung Chen	18,854	0	0	0
Manager	Cheng-Fa Huang	4,923	0	0	0
Manager	Chia-Yu Chuo	7,486	0	0	0
Manager	Joy Tang	11,747	0	0	0
Manager	Yei-Chang Hsieh	5,014	0	0	0
Manager	June Kao	6,273	0	0	0
Manager	Chueh-Ling Liu	9,217	0	0	0
Manager	Kuo-Kuang Chou	4,847	0	0	0
Manager	Ya-Fang Ko acky Liao	9,051	0	0	0
Manager	Jacky Liao	6,183	0	0	0
Manger	Wen-Chian Chang	5,158	0	0	0
Manager	Anita Hung	5,440	0	0	0

Corporate Governance

Title	Name	2019		Mar. 28, 2020	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Jane Lu	10,322	0	0	0
Manager	Wen-Chi Chiang	5,129	0	0	0
Manager	Ling-Jung Hsiung	11,505	0	0	0
Manager	Yu-Hsiu Hsu	8,890	0	0	0
Manager	Peter Chien	65,161	0	0	0
Manager	Russell YC Chang	17,435	0	0	0
Manager	Chang-Chen Lin	6,273	0	0	0
Manager	Gary Tsai	6,763	0	1,000(P)	0
Manager	Shum-Chen, Tu	6,485	0	0	0
Manager	Ching-Shyong Huang	5,274	0	0	0
Manager	Chu-Shih Wei	6,806	0	0	0
Manager	Sophie Hsu	9,867	0	0	0
Manager	Michael Lee	5,955	0	0	0
Manager	Chun-Hsien Chang	5,577	0	0	0
Manager	Chien-Lung Chen	13,013	0	0	0
Manager	Tawei Shih	6,506	0	0	0
Manager	Shu-Feng Hsueh	6,243	0	0	0
Manager	Lawrence Chen	8,867	0	0	0
Manager	Meng-Hsia Wu	10,321	0	0	0
Manager	Chien-Chung Su	5,542	0	0	0
Manager	Hui-Chin Yang	5,482	0	0	0
Manager	Ye-Yan Lin	5,052	0	0	0
Manager	Ching-Wen Chen	9,929	0	0	0
Manager	Chih-Chung Chang	5,496 (7,000)	0	0	0
Manager	Fang-Ni Wang	6,421	0	0	0
Manager	Tsai-Ling Liao	5,192 (5,192)	0	0	0
Manager	Yen-Jou Liu	7,292	0	13,000	0
Manager	Shih-Fu Liu	7,069	0	0	0
Manager	Shen-Yung Peng	6,084	0	0	0
Manager	I-Ho Ou	5,190	0	0	0
Manager	Kuo-Yi Lu	4,372	0	2,000(P)	0
Manager	Sheng-Chieh Chang	0	0	0	0
Manager	Shis-Wen Lu	5,696	0	0	0
Manager	Kuan-Hong Lee	6,015	0	0	0
Manager	Hung-Min Chen	7,658	0	0	0
Manager	James Tsai	11,683	0	0	0
Manager	Chung-Chih Yeh	0	0	0	0
Manager	Hui-Fen Chao	14,983	0	0	0
Manager	Chia-Wei Lin	5,427	0	0	0
Manager	Wen-Chang Juan	7,401	0	0	0
Manager	Huei-Jen Chiou	5,458	0	0	0
Manager	Chien-Chung Wu	7,540	0	0	0
Manager	Yi-Hsien Wu	0	0	0	0
Manager	Lin-Lin Huang	0	0	0	0

Corporate Governance

Title	Name	2019		Mar. 28, 2020	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Manager	Ta-Yu Chin	9,072	0	0	0
Manager	Chi-Fang Chu	5,777	0	0	0
Manager	Candy Lin	6,994	0	0	0
Manager	Roger Chang	4,244	0	0	0
Manager	Hsien-Ming Yen	6,453 (5,000)	0	0	0
Manager	Feng-Li Lin	10,619	0	0	0
Manager	CM Hwang	32,216	0	0	0
Manager	I-Wen Ho	6,098	0	(9,000)	0
Manager	Cheng-Hsien Tseng	6,823	0	0	0
Manager	Jeffery Tsai	9,714	0	0	0
Manager	Ju-Ling Kuo	9,987	0	0	0
Manager	Wen-Hui Lin	9,109	0	(13,000)	0
Manager	Miranda Tsai	6,844 (11,000)(P)	0	0	0
Manager	Kuen-Cheng Chou	7,118	0	0	0
Manager	Jyh-Chiang Huang	8,858	0	0	0
Manager	Meng-Wen Tsao	0	0	0	0
Manager	Ping-Hul Lin	8,176	0	0	0
Manager	Shiu-Lan Hsieh	7,607	0	(6,000)(P)	0
Manager	Tereasa Lin	7,624	0	0	0
Manager	Amy Chung	7,322	0	0	0
Manager	Cooper Kao	8,408	0	0	0
Manager	Wen-Hua Yang	0	0	0	0
Manager	Jung-Hsiang Chung	7,803	0	0	0
Manager	Kuang-Yi Kuo	6,657	0	0	0
Manager	Chang-Fu Tsai	6,242	0	0	0
Manager	Connie Tseng	7,169	0	0	0
Manager	Lisa Lu	9,571	0	0	0
Manager	Liang-Wen Liu	4,467	0	0	0
Manager	Ming-Teng Wu	0	0	0	0
Manager	Yu-Ju Lin	0	0	0	0
Manager	Mei-Ling Lee	8,134	0	0	0
Manager	Wen-Shien Chu	8,140	0	0	0
Manager	Fei-Kun Lin	7,159	0	0	0
Manager	Shu-Huey Huang	9,530	0	0	0
Manager	Chien-Chou Chen	5,224	0	9,000(P)	0
Manager	Ru-Chen Yuan	0	0	0	0
Manager	Chiou-Ing Fang	0	0	0	0
Manager	Wen-Chih Cheng,	8,071	0	0	0
Major Shareholder	Tsong-Li Investment Co., Ltd.	15,049,994	0	0	0
Major Shareholder	Pai-Sheng Investment Co., Ltd.	9,587,954	0	0	0
Major Shareholder	Tien-Sheng Investment Co., Ltd.	9,336,825	0	0	0
Major Shareholder	Chen-Chem Investment Co., Ltd.	9,014,637	0	0	0

Corporate Governance

Title	Name	2019		Mar. 28, 2020	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Major Shareholder	Chien-Tuan Investment Co., Ltd.	8,692,183	0	0	0
Major Shareholder	Wei-Chih Investment Co., Ltd.	8,321,628	0	0	0
Major Shareholder	Chuo-Pao Investment Co., Ltd.	7,830,116	0	0	0
Major Shareholder	Kun-Che Investment Co., Ltd.	7,534,228	0	0	0
Major Shareholder	Chi-Shun Investment Co., Ltd.	6,997,969	0	0	0
Major Shareholder	Jan-Pang Construction Co., Ltd.	6,946,946	0	0	0
Major Shareholder	Pao-Shing Investment Co., Ltd.	6,558,559	0	0	0
Major Shareholder	Union Enterprise Construction Co., Ltd.	6,553,963	0	0	0
Major Shareholder	Hung-Hsiang Investment Co., Ltd.	6,490,356	0	0	0
Major Shareholder	Horng-Gow Investment Co., Ltd.	6,070,139	0	0	0
Major Shareholder	Bai-Ing Investment Co., Ltd.	5,979,889	0	0	0
Major Shareholder	Chen-Sheng Investment Co., Ltd.	5,626,939	0	0	0
Major Shareholder	Lin, Chang Su-O	5,594,189	0	0	0
Major Shareholder	Lin Rong San Foundation of Culture and Social Welfare	4,756,999	0	0	0
Major Shareholder	Horng-Pern Construction Co., Ltd.	4,270,545	0	0	0
Major Shareholder	Horng-Pang Construction Co., Ltd.	3,613,893	0	0	0
Major Shareholder	Union Recreation Enterprise Co., Ltd.	3,170,499	0	0	0
Major Shareholder	Yu-Pang Co., Ltd.	2,737,853	0	0	0

Note: Preferred Stock shows with "P" while occurs.

(2) Information on Share Transfer: Not applicable as the counter parties to the share transfer are non-related parties.

(3) Information on Share Pledge: Not applicable as there is no change on the share pledge.

Note: Share number change is for preferred stocks; the unmarked numbers are for common stocks

Corporate Governance

8. Information for Top 10 Shareholders Being the Related Parties

March 28, 2020 Unit: Shares ; %

Shareholder ^(Note 1)	Shareholding		Spouse or minor children's shareholding		Top 10 shareholders being the related parties to each other		Name of and Relationship Between the Top Ten Shareholders Being A Related Party as Defined in Statements of Financial Accounting Standards No. 6	
	Shares (Preferred Stock Included)	%	Shares	%	Shares	%	Name	Relation
Tsong Li Investment Co., Ltd. Representative: Hong-Bung Lin	230,049,921 0	7.45 0	0 0	0 0	0 0	0 0	Tsong Li Investment Co., Ltd. Jan-Pang Construction Co. Ltd.	The Company's responsible person is the same as that of the other company
Pai-Sheng Investment Co., Ltd. Representative: Si-Yong Lin	154,726,012 319,428	5.01 0.01	0 1,652,994	0 0.05	0 0	0 0	Chu-Pao Investment Co., Ltd. Pai-Sheng Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Tien-Sheng Investment Co., Ltd. Representative: Chung- Yu Lee	142,720,042 117,429	4.62 0	0 0	0 0	0 0	0 0	Tien-Sheng Investment Co., Ltd. Chen-Chern Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Chen-Chern Investment Co., Ltd. Representative: Chung- Yu Lee	142,041,125 117,429	4.60 0	0 0	0 0	0 0	0 0	Tien-Sheng Investment Co., Ltd. Chen-Chern Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Chien-Yuan Investment Co., Ltd. Representative: C.C. Chang	132,866,226 582,859	4.30 0.01	0 0	0 0	0 0	0 0	-	-

Corporate Governance

Shareholder ^(Note 1)	Shareholding		Spouse or minor children's shareholding		Top 10 shareholders being the related parties to each other		Name of and Relationship Between the Top Ten Shareholders Being A Related Party as Defined in Statements of Financial Accounting Standards No. 6	
	Shares (Preferred Stock Included)	%	Shares	%	Shares	%	Name	Relation
Wei-Chih Investment Co., Ltd. Representative: S.S. Yeh	127,202,029 0	4.12 0	0 0	0 0	0 0	0 0	- 0	
Chu-Pao Investment Co., Ltd. Representative: Si-Yong Lin	119,688,917 319,428	3.88 0.01	0 1,652,994	0 0.05	0 0	0 0	Chu-Pao Investment Co., Ltd. Pai-Sheng Investment Co., Ltd.	The Company's responsible person is the same as that of the other company
Kun-Che Investment Co., Ltd. Representative: Y. C. Huang	115,166,067 9,038	3.73 0	0 0	0 0	0 0	0 0	- 0	-
Chi-Shun Investment Co., Ltd. Representative: Jyh-Dong Chen	106,968,956 353,327	3.46 0.01	0 0	0 0	0 0	0 0	- 0	-
Jan-Pang Construction Co. Ltd. Representative: Jeff Lin	106,189,034 0	3.44 0	0 0	0 0	0 0	0 0	Tsong Li Investment Co., Ltd. Jan-Pang Construction Co. Ltd.	The Company's responsible person is the same as that of the other company

Note: Calculation of shares and holding rate includes the Preferred Stock °

Corporate Governance

9. Ownership of Investee Companies

December 31, 2019 Unit: Shares ; %

Investee Companies ^{Note}	Invested by the Bank (A)		Investments from Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank (B)		Total Investments (C=A+B)	
	Shares	%	Shares	%	Shares	%
Union Finance Int'l (HK)Ltd.	30,000,000	99.999993	2	0.000007	30,000,002	100.00
Union Information Technology Corp.	999,923	99.99	0	0.00	999,923	99.99
Union Finance and Leasing Int'l Corp.	144,000,000	100.00	0	0.00	144,000,000	100.00
Union Securities Investment Trust Corp.	29,878,856	99.60	0	0.00	29,878,856	99.60
Union Real-Estate Management Corp.	2,000,000	40.00	950,000	19.00	2,950,000	59.00
Taiwan Asset Management Corp.	6,000,000	0.57	0	0.00	6,000,000	0.57
Li Yu Venture Corporation	558,255	4.76	0	0.00	558,255	4.76
Taiwan Financial Asset Service Corp.	5,000,000	2.94	0	0.00	5,000,000	2.94
Financial Information Service Co., Ltd.	12,875,009	2.47	0	0.00	12,875,009	2.47
Fu Hua Venture Corporation	259,875	5.00	0	0.00	259,875	5.00
Taiwan Depository & Clearing Corp.	944,975	0.25	0	0.00	944,975	0.25
Taiwan Futures Exchange Co., Ltd.	7,215,532	2.04	0	0.00	7,215,532	2.04
Taipei Forex Inc.	160,000	0.81	0	0.00	160,000	0.81
Huan Hua Securities Finance Co.	2,102,512	0.53	0	0.00	2,102,512	0.53
Lian An Service Corporation	125,000	5.00	0	0.00	125,000	5.00
I-Pass Corporation	13,000,000	11.40	0	0.00	13,000,000	11.40
Taipower Corporation	394,879	0.0012	0	0.00	394,879	0.0012
Taiwan Mobile Payment Corporation	600,000	1.00	0	0.00	600,000	1.00
Sunny Asset Management Co.	386,376	6.44	0	0.00	386,376	6.44
LINE BIZ+ Taiwan Limited	5,470,647	10.00	0	0.00	5,470,647	10.00

Corporate Governance

Investee Companies ^{Note}	Invested by the Bank (A)		Investments from Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank (B)		Total Investments (C=A+B)	
	Shares	%	Shares	%	Shares	%
Union Venture Capital Co., Ltd.	30,000,000	100.00	0	0.00	30,000,000	100.00

Note : Investments made in accordance with Article 74 of the Banking Act.

Fund Raising Status

1. Capital and Shares

(1) Sources of Capital

Date	Issued Price	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (\$)	Shares	Amount (\$)	Source of Capital	Notes
Dec. 1991	10	1,200,000,000	12,000,000,000	1,200,000,000	12,000,000,000	The promoters of a company subscribed shares for 9,600,000,000 Publicly soliciting subscription to shares for 2,400,000,000	—
Jul 1995	10	1,230,000,000	12,300,000,000	1,230,000,000	12,300,000,000	Capital Increase Via Return Earning	1
Jul 1997	10	1,281,660,000	12,816,600,000	1,281,660,000	12,816,000,000	Capital Increase Via Return Earning	2
Jul 1998	10	1,361,516,990	13,615,169,900	1,361,516,990	13,615,169,900	Capital Increase Via Return Earning	3
Jul 1999	10	1,418,700,704	14,187,007,040	1,418,700,704	14,187,007,040	Capital Increase Via Return Earning	4
Jul 2000	10	1,488,926,389	14,889,263,890	1,488,926,389	14,889,263,890	Capital Increase Via Return Earning	5
Mar 2005	10	2,488,926,389	24,889,263,890	1,788,926,389	17,889,263,890	Cash Capital Increase	6
Jun 2005	10	2,488,926,389	24,889,263,890	1,825,394,074	18,253,940,740	C.B. Conversion	7
Dec. 2006	10	2,488,926,389	24,889,263,890	1,827,797,807	18,277,978,070	C.B. Conversion	8
Mar 2007	10	2,488,926,389	24,889,263,890	1,828,066,183	18,280,661,830	C.B. Conversion	9
Sep 2007	10	3,000,000,000	30,000,000,000	2,228,066,183	22,280,661,830	Preferred Stocks of Private Placement	10
Sep 2007	10	3,000,000,000	30,000,000,000	2,318,824,429	23,188,244,290	C.B. Conversion	11
May 2010	10	3,000,000,000	30,000,000,000	1,753,661,989	17,536,619,890	Capital reduction offset loss	12
Sep 2010	10	3,000,000,000	30,000,000,000	1,948,499,589	19,484,995,890	Capital Increase Via Amalgamation	13
Sep 2012	10	3,000,000,000	30,000,000,000	2,026,439,572	20,264,395,720	Capital Increase Via Return Earning	14
Aug 2013	10	3,000,000,000	30,000,000,000	2,216,525,121	22,165,251,210	Capital Increase Via Return Earning & Bonus Share	15
Aug 2014	10	3,000,000,000	30,000,000,000	2,450,930,628	24,509,306,280	Capital Increase Via Return Earning & Bonus Share	16
Sep 2015	10	3,000,000,000	30,000,000,000	2,605,152,427	26,051,524,270	Capital Increase Via Return Earning & Bonus Share	17
Oct 2017	50	4,500,000,000	45,000,000,000	2,805,152,427	28,051,524,270	Issuance of preferred stock by cash	18 (revised in Articles of Association)
Aug 2018	10	4,500,000,000	45,000,000,000	2,890,012,883	28,900,128,830	Capital Increase Via Return Earning & Bonus Share	19

Fund Raising Status

Aug 2019	10	4,500,000,000	45,000,000,000	3,084,455,292	30,844,552,920	Capital Increase Via Return Earning & Bonus Share	20
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Notes:1. According to Tai-Tsai-Zheng Tze (1) Letter No. 35096 issued by the Ministry of Finance on June 14, 1995.2. According to Tai-Tsai-Zheng Tze (1) Letter No. 44753 issued by the Ministry of Finance on June 6, 1997.3. According to Tai-Tsai-Zheng Tze (1) Letter No. 55074 issued by the Ministry of Finance on June 23, 1998.

4. According to Tai-Tsai-Zheng Tze (1) Letter No. 57967 issued by the Ministry of Finance on June 25, 1999.

5. According to Tai-Tsai-Zheng Tze (1) Letter No. 57163 issued by the Ministry of Finance on July 4, 2000.

6. According to Jin-Kuan-Zheng Tze (1) Letter No. 0930160237 issued by the Financial Supervisory Commission on January 10, 2005.

7. According to Jing-Shou-Shang Tze Letter No. 09401110140 issued by the Ministry of Economic Affairs on June 21, 2005.

8. According to Jing-Shou-Shang Tze Letter No. 09601055460 issued by the Ministry of Economic Affairs on March 20, 2007.

9. According to Jing-Shou-Shang Tze Letter No. 09601248450 issued by the Ministry of Economic Affairs on October 16, 2007.

10. According to Jin-Kuan-Zheng Tze (2) Letter No. 09600410990 issued by the Financial Supervisory Commission on September 21, 2007.

11. According to Jing-Shou-Shang Tze Letter No. 09601305020 issued by the Ministry of Economic Affairs on December 14, 2007.

12. According to Jin-Kuan-Zheng Tze (1) Letter No. 0990020484 issued by the Financial Supervisory Commission on May 14, 2010.

13. According to Jing-Shou-Shang Tze Letter No. 09901196320 issued by the Ministry of Economic Affairs on September 1, 2010.

14. According to Jing-Shou-Shang Tze Letter No. 10101199660 issued by the Ministry of Economic Affairs on September 24, 2012.

15. According to Jing-Shou-Shang Tze Letter No. 10201171350 issued by the Ministry of Economic Affairs on August 22, 2013.

16. According to Jing-Shou-Shang Tze Letter No. 10301166960 issued by the Ministry of Economic Affairs on August 26, 2014.

17. According to Jing-Shou-Shang Tze Letter No. 10401185290 issued by the Ministry of Economic Affairs on September 10, 2015.

18. According to Jin-Kuan-Zheng Tze Letter No. 1060033586 issued by the Financial Supervisory Commission on September 1, 2017.

19. According to Jing-Shou-Shang Tze Letter No. 10701109740 issued by the Ministry of Economic Affairs on August 30, 2018.

20. According to Jing-Shou-Shang Tze Letter No. 10801114660 issued by the Ministry of Economic Affairs on August 26, 2019.

Type of Shares	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	2,884,455,292	1,415,544,708	4,500,000,000	Listed shares
Preferred Stock	200,000,000			

(2) Shareholder Composition

A. Common Stock

March 28, 2020

Shareholder Composition	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	0	1	93	35,994	119	36,207
No. of Shares Held	0	3,150,000	2,258,228,382	536,382,471	86,694,439	2,884,455,292
% of Shareholding	0.00%	0.11%	78.29%	18.60%	3.00%	100%

Fund Raising Status

B. Preferred Stock

March 28, 2020

Shareholder Composition Amount	Government Agencies	Financial Institutions	Other Legal Entities	Individuals	Foreign Institutions & Individuals	Total
No. of Shareholders	0	5	94	8,354	2	8,455
No. of Shares Held	0	6,002,000	122,436,330	71,541,096	20,574	200,000,000
% of Shareholding	0.00%	3.00%	61.22%	35.77%	0.01%	100%

(3) Distribution of Shareholding

A. Common Stock

Par value per share NT\$ 10; March 28, 2020

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	13,833	3,548,869	0.12%
1,000 ~ 5,000	11,777	25,915,663	0.90%
5,001 ~ 10,000	3,484	24,895,130	0.86%
10,001 ~ 15,000	3,066	39,182,247	1.36%
15,001 ~ 20,000	1,103	18,849,286	0.65%
20,001 ~ 30,000	980	24,027,497	0.83%
30,001 ~ 40,000	378	12,979,635	0.45%
40,001 ~ 50,000	251	11,259,484	0.39%
50,001 ~ 100,000	611	43,102,387	1.50%
100,001 ~ 200,000	346	47,630,142	1.65%
200,001 ~ 400,000	188	51,623,663	1.79%
400,001 ~ 600,000	68	33,575,674	1.17%
600,001 ~ 800,000	26	18,077,890	0.63%
800,001 ~ 1,000,000	12	10,783,837	0.37%
Over 1,000,001	84	2,519,003,888	87.33%
Total	36,207	2,884,455,292	100.00%

B. Preferred Stock

Par value per share NT\$ 50; March 28, 2020

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	1,156	291,529	0.15%
1,000 ~ 5,000	5,322	8,066,008	4.03%
5,001 ~ 10,000	822	6,621,995	3.31%
10,001 ~ 15,000	162	2,080,693	1.04%
15,001 ~ 20,000	305	5,910,269	2.96%
20,001 ~ 30,000	156	4,094,225	2.05%
30,001 ~ 40,000	114	4,368,269	2.18%
40,001 ~ 50,000	49	2,249,087	1.12%
50,001 ~ 100,000	176	13,758,817	6.88%
100,001 ~ 200,000	116	18,600,288	9.30%
200,001 ~ 400,000	35	10,456,517	5.23%
400,001 ~ 600,000	7	3,799,000	1.90%
600,001 ~ 800,000	4	2,788,000	1.39%
800,001 ~ 1,000,000	4	3,765,000	1.88%
Over 1,000,001	27	113,150,303	56.58%
Total	8,455	200,000,000	100.00%

Fund Raising Status

(4) Major Shareholders

March 28, 2020

Major Shareholders	Shares	No. of shares Held (preferred stocks included)	% of shareholding
Tsong-Li Investment Co., Ltd.		230, 049, 921	7. 45%
Pai-Sheng Investment Co., Ltd.		154, 726, 012	5. 01%
Tien-Sheng Investment Co., Ltd.		142, 720, 042	4. 62%
Chen-Chern Investment Co., Ltd.		142, 041, 125	4. 60%
Chien-Yuan Investment Co., Ltd.		132, 866, 226	4. 30%
Wei-Chih Investment Co., Ltd.		127, 202, 029	4. 12%
Chu-Pao Investment Co., Ltd.		119, 688, 917	3. 88%
Kun-Che Investment Co., Ltd.		115, 166, 067	3. 73%
Chi-Shun Investment Co., Ltd.		106, 968, 956	3. 46%
Pao-Shing Investment Co., Ltd.		106, 189, 034	3. 44%
Jen-Pang Construction Co., Ltd.		105, 839, 027	3. 43%
Union Enterprise Construction Co., Ltd.		100, 182, 018	3. 24%
Hung-Hsiang Investment Co., Ltd.		99, 209, 729	3. 21%
Hong-Gow Construction Co., Ltd.		92, 786, 413	3. 00%
Bai-Ing Investment Co., Ltd.		91, 406, 878	2. 96%
Chen-Sheng Investment Co., Ltd.		86, 011, 788	2. 78%
Lin, Chang Su-O		85, 511, 175	2. 77%
Lin Rong San Foundation of Culture and Social Welfare		72, 714, 129	2. 35%
Hong-Pern Construction Co., Ltd.		65, 278, 336	2. 11%
Hong-Pang Construction Co., Ltd.		55, 240, 938	1. 79%
Union Recreation Enterprise Co., Ltd.		48, 463, 352	1. 57%
Yu-Pang Co., Ltd.		41, 850, 041	1. 35%

Notes:

1. The list above shows the shareholders with shareholding over 1% or ranked top 10.
2. The number of shares held and the % of shareholding include preferred stocks.

(5) Market Price, Net Worth, Earning & Dividend per Share and Other Relative Information for the Past Two Years

Item	Year	2018	2019 (Note 8)
	Market price per share	Highest	10.75
Lowest		9.03	9.44
Average		9.83	10.80
Net Worth per share	Before Distribution	14.77	16.03
	After Distribution	14.62	Note 11

Fund Raising Status

Item		Year	2018	2019 (Note 8)
Earnings per share	Weighted Average Shares		2,876,991	2,883,260
	Earning Per Share(NT\$)	Before adjustment	1.07	1
		After adjustment	1.00	Note 9
Dividend per share	Cash Dividends		-	0.1
	Stock Dividends	Dividends from retained earning	0.70	0.70(Note11)
		Dividends from capital reserve	-	-
	Accumulated Dividends		-	-
Return on investments	Price/Earning Ratio ^{Note1}		9.83	10.80
	Price/Dividend Ratio ^{Note2}		-	108
	Cash dividends yield rate ^{Note3}		-	0.93%

Notes:

*If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution should be disclosed.

- List the highest and lowest market prices over the years and calculate the average market price of respective years according to each year's trading value and volume.
- Please fill in based on number of shares issued at the end of the year and distribution amount resolved by the shareholders' meeting held in the following year.
- Where retroactive adjustment is necessary due to issuance of stock dividend, earnings per share before and after the adjustment shall be listed.
- If the terms of equity securities issuance allow unpaid dividends to be accumulated to subsequent profitable years, the Company shall respectively disclose the accumulated unpaid dividends up to the current year.
- P/E ratio= Average closing share price for the current fiscal year/ earnings per share.
- P/D ratio= Average closing share price for the current fiscal year/ cash dividends per share.
- Cash dividend yield to maturity= Cash dividends per share/ average closing share price for the current fiscal year.
- The current year data should be updated to the annual report publish date.
- The 2020 Annual General Meeting has not been held and therefore the adjusted earnings per share for 2019 has not been disclosed.
- Average market price retrospectively adjusted by number of shares issued in 2018 is NT\$9.19.
- The distribution of 2019 earnings will be confirmed when ratified at the 2020 Shareholders' Meeting

(6) Dividend Policy and Implementation

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

If there are earnings, they shall first be used to make tax payments and offset against prior year losses and 30% of the remaining, if any, shall be set aside as a legal reserve. The Bank may, according to regulatory requirements and business needs, set aside or reverse a special reserve and distribute the remaining balance plus unappropriated earnings from the previous year in the form of preferred stock dividends. The types and percentage in cash and shares of the dividends and bonuses distributed are decided by the Board of Directors based on current financial condition, future profitability and the Bank's capital budget planning. In principle, the Bank may distribute stock dividends if, after the distribution of the dividends, the ratio of the Bank's core capital as a percentage of risk-based assets is less than the statutorily required ratio plus one percent point. However, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid-in capital unless and until the accumulated legal reserve

Fund Raising Status

equals the Bank's paid-in capital.

B. Proposal for dividend distribution for the current year:

The Board of Directors resolved in the meeting held on March 11, 2020 to approve the earnings distribution proposal for 2019 as follows: cash dividends on preferred stocks are NT\$ 2.4% per share (the dividend rate of 4.8%); cash dividends on common shares are NT\$ 0.70 per share. The actual earnings per share distributed described above may be adjusted by the Board of Directors based on the number of outstanding shares as recorded in the common shareholders' register on the record date.

(7) Impact on the bank's Operations Results and Earning per Share resulting from the Proposal for Stock Dividend Distribution

Item	Year	Year2020 (Forecast)
Beginning Paid-In Capital		Common shares: NT\$28,844,553,000 Preferred stocks: NT\$2,000,000,000
Stock and Cash Dividend in this Year	Cash Dividend per share	Preferred stocks: NT\$2.4 Common shares: NT\$0.1 dollars per share
	Capitalization of Retained Earnings Stock Dividend per share	0.07 shares per share (common shares)
	Capitalization of Capital Reserves Stock Dividend per share	None
Operation Result Changes	Operating Profit	Not Applicable (Note)
	Ratio of Increase (Decrease) in Operating Profit Compared to the same period last year	
	Net Profit after Tax	
	Ratio of Increase (Decrease) in After Tax Net Profit Compared to the same period last year	
	Earnings per Share (NT\$)	
	Ratio of Increase (Decrease) in Earnings per share Compared to the same period last year	
Pro forma Earnings per Share and P/E Ratio	If Capitalization of Surplus is all changed to the Issuance of Cash Dividend	Pro forma earnings per share (NT\$)
		Pro forma annual average return on investment
	If Capitalization of Capital Reserve in not conducted.	Pro forma earnings per share (NT\$)
		Pro forma annual average return on investment
	If Capitalization of Capital Reserve is not conducted and Capitalization of Surplus is all changed to the Issuance of Cash Dividend	Pro forma earnings per share (NT\$)
		Pro forma annual average return on investment

Note: The Bank has not published the financial forecasts for the 2020 fiscal year. According to Tai-Tsai-Zheng Tze (1) Letter No. 00371 issued by the Ministry of Finance on February 1, 2000, companies that have not published their financial forecasts are not required to disclose this information.

Fund Raising Status

(8) Employees' Bonus and Directors' & Supervisors' Remuneration

A. The percentages or ranges with respect to employee bonuses and director/supervisors' remuneration, as set forth in the Bank's Articles of Incorporation:

a. Employees' remuneration: Between 1% and 5% of net profit; where employees' remuneration is paid in shares, the beneficiaries may include employees of subordinated companies that satisfy certain criteria. These criteria shall be determined by the board of directors.

b. Directors' remuneration: No more than 0.1% of net profit.

The board of directors is authorized to change the rules of employees' and directors' remuneration described above.

In any case, however, profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employees' and directors' remuneration according to the above percentages.

B. If the estimated bonus to employees and remuneration to directors and supervisors, differ from the actual amounts subsequently resolved by the stockholders meeting the differences are to be recorded the profit (loss) of the year as result of a change in accounting estimate.

C. The proposals to distribute remuneration approved by the Board of Directors are as follows:

(1) Employees' and directors' remuneration distributed by cash or stocks: The Bank's Board of Directors resolved on March 11, 2020 to distribute the employees' remuneration and directors' remuneration in 2019 totaling NT\$ 74,567,512 and NT\$ 3,647,324, respectively. The employees' remuneration will be distributed in stocks and calculated based on the Bank's common stock closing price of NT\$ 10.65 on March 10, 2020, which are 7,001,644 shares in total with face value of NT\$ 10 per share (the remaining remuneration of NT\$ 6 that is not enough for one share will be distributed by cash); the remuneration for directors are all distributed by cash. The amounts mentioned above have no difference with that estimated in the year of expense recognition.

(2) The ratio of the employees' stock remuneration to the after-tax income in the individual financial report for the current period and the total amount of employees' remuneration: 2.17%.

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

Unit: NTD

	Amount proposed and passed by the board	Amount actually paid	Difference	Remarks
Employees' remuneration	64,485,840	64,485,840	—	
Directors' and supervisors' remuneration	3,154,199	3,154,199	—	
Total	67,640,039	67,640,039	—	

Note: Directors' and supervisors' remuneration were paid in cash, whereas employees' remuneration was paid in shares. The number of shares issued was calculated based on the closing market price one day before the 2019 annual general meeting. Based on this calculation, a total of 6,141,508 shares were issued at NT\$10.5 each.

Fund Raising Status

(9) Share Repurchases by the bank: None

2. Issuance of Financial Debentures

Type of Financial Debentures	1st Subordinated Financial Debentures issued in 2013	1st Subordinated Financial Debentures issued in 2015	1 st Perpetual Non-Cumulated Subordinated Financial Debentures issued in 2016	1 st Perpetual Non-Cumulated Subordinated Financial Debentures issued in 2017	1 st Perpetual Subordinated Financial Debentures issued in 2019
Date & No. Approved by Central Competent Authority	Jin-Kuan-Yin-Kuo-Zi-No. 10200321780 Nov.20, 2013	Jin-Kuan-Yin-Kuo-Zi-No. 10400055530 Apr.1 , 2015	Jin-Kuan-Yin-Kuo-Zi-No. 10500034480 Feb.24, 2016	Jin-Kuan-Yin-Kuo-Zi-No. 10500034480 Feb.24, 2016	Jin-Kuan-Yin-Kuo-Zi-No. 10802143320 Aug.22, 2019
Issuing Date	Dec 19, 2013	Apr 22, 2015	Mar. 29,2016	Mar. 23,2017	Sep. 26,2018
Face Value	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Issuance/Trade Place	Domestic	Domestic	Domestic	Domestic	Domestic
Currency	NTD	NTD	NTD	NTD	NTD
Issuance Price	Issued at par	Issued at par	Issued at par	Issued at par	Issued at par
Issuance Amount	3 billion	2.2 billion	2.5 billion	0.5 billion	A: 0.5 billion B: 1.5 billion
Interest Rate	2.10%, fixed rate	2.08%, fixed rate	4.2%, fixed rate	4.2%, fixed rate	A: 1.10%, fixed rate B: 1.23% fixed rate
Term	Maturity Date: Dec 19, 2020	Maturity Date: Apr 22, 2022	Perpetual	Perpetual	Perpetual
Order of Redemption	Subordinate	Subordinate	Subordinate	Subordinate	Subordinate
Guarantor	Nil	Nil	Nil	Nil	Nil
Trustee	Nil	Nil	Nil	Nil	Nil
Underwriter	Nil	Nil	Nil	Nil	Nil
Auditor	S.S. Lai	S.S. Lai	S.S. Lai	S.S. Lai	S.S. Lai
CPA	Deloitte & Touche (Terence Huang/ Jih-Yen Chang)	Deloitte & Touche (Terence Huang/ Vincent Cheng)	Deloitte & Touche (Vincent Cheng)	Deloitte & Touche (Vincent Cheng)	Deloitte & Touche (Vincent Cheng)
Certifying Financial Institution	“Book-Entry”	“Book-Entry”	“Book-Entry”	“Book-Entry”	“Book-Entry”
Method of Redemption	Repaid in full upon maturity	Repaid in full upon maturity	Refer to the terms of redemption or advance payment for details.	Refer to the terms of redemption or advance payment for details.	Refer to the terms of redemption or advance payment for details.
Unredeemed Balance	3 billion	2.2 billion	2.5 billion	0.5 billion	2.0 billion
Paid-in Capital For the Previous Fiscal Year	20.26billion	24.51billion	26.05billion	26.05billion	28.90billion
After-tax Net Worth for the Previous Fiscal Year	24.07 billion	32.38 billion	34.89 billion	35.95 billion	49.81 billion
Performance	Normal	Normal	Normal	Normal	Normal
Redemption or Early Redemption	Nil	Nil	Early redemption clause: After 5.1 years upon the	Early redemption clause: After 5.1 years upon the	Nil

Fund Raising Status

Type of Financial Debentures	1st Subordinated Financial Debentures issued in 2013	1st Subordinated Financial Debentures issued in 2015	1 st Perpetual Non-Cumulated Subordinated Financial Debentures issued in 2016	1 st Perpetual Non-Cumulated Subordinated Financial Debentures issued in 2017	1 st Perpetual Subordinated Financial Debentures issued in 2019
			expiration of the issuance of the bonds, if the ratio of capital to risk-based assets after calculation meets the minimum requirements set by the Competent Authority, the Bank may apply for redemption upon the consent of the Competent Authority. The Bank shall make an announcement on the 30th day before the scheduled redemption date and redeem all the bonds at face value plus interest accrued.	expiration of the issuance of the bonds, if the ratio of capital to risk-based assets after calculation meets the minimum requirements set by the Competent Authority, the Bank may apply for redemption upon the consent of the Competent Authority. The Bank shall make an announcement on the 30th day before the scheduled redemption date and redeem all the bonds at face value plus interest accrued.	
Conversion & Exchange Conditions	Nil	Nil	Nil	Nil	Nil
Restrictions terms	Nil	Nil	Nil	Nil	Nil
Fund Utilization Plan	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio	Improve financial structure to raise capital adequacy ratio
Balance of issued debentures before adding the declared issue amount as a percentage of after-tax net worth for the previous fiscal year (%)	12.46%	16.06%	22.07%	22.81%	20.81%
Whether it is accounted for as qualified core capital and type	Tier 2 capital	Tier 2 capital	Tier 1 capital	Tier 1 capital	Tier 2 capital
Name of rating agency, date and result of rating	Taiwan Ratings Corp. twBBB+ Dec. 11, 2013	Taiwan Ratings Corp. twBBB+ Apr. 8, 2015	Taiwan Ratings Corp. twA Jan. 7, 2016	Taiwan Ratings Corp. twA Jan. 16, 2017	Taiwan Ratings Corp. twA Jan. 8, 2019

3. Issuance of Preferred Stock:

Item	Issue Date	October 24, 2017 (Series A Preferred Stock of Union Bank of Taiwan)
Face Value	NT\$ 10	
Issue Price	NT\$ 50 per share	
Share Number	200,000,000 shares	

Fund Raising Status

Total Amount		Total capital stock is NT\$ 2,000,000,000; Total amount issued is NT\$ 10,000,000,000
Duties & Rights	Distribution of Dividends and Surplus	<p>1. Dividend: The dividend rate of Series A Preferred Stock (annually) is 4.8% (=5-yr IRS rate 0.89125% + 3.90875%), and are calculated based on the issue price per share. The 5-yr IRS rate will be reset on the second business day after 5.5 years since the issue date and be reset every 5.5 years afterwards. The pricing record date of the rate reset is two Taipei financial business days before the reset day. The interest rate indicator, the 5-yr IRS, is the average rate of the 5-yr interest rate swap price of PYTWDFIX and COSMOS3 published by the Reuter at 11:00 AM on the Taipei financial business day of the rate reset day. If the above-mentioned price cannot be obtained before the rate reset day, the rate will be decided by the Bank at the market price and based on the principle of good faith.</p> <p>2. Dividend distribution: If there are earnings left in the Bank's annual resolution, in addition to the required payment of income tax, the Bank shall first offset the losses in the previous years, recognize legal reserve and recognize or reverse special reserve, and then may distribute the regulated dividends to the preferred stocks based on the earnings balance with priority. The Bank reserves the discretion right on the dividend distribution of preferred stocks. However, if there are no earnings or not enough earnings for distribution in the Bank's annual resolution, or if the dividend distribution of the preferred stock will cause the Bank's capital adequacy ratio to be lower than the requirement of laws or the minimum limit regulated by the competent authority, or if there is other necessary consideration, the Bank may decide not to distribute the dividends of preferred stocks. The shareholders of the preferred stock shall not have other opinions. The dividends decided not to be distributed or are distributed inadequately will also not accumulated as the future payment in years with earnings. The dividends of Series A Preferred Stock are distributed by cash one time annually. The distributable dividends for the previous year and the record date of payment are decided by the Board of Directors after the ratification of financial reports by the Annual Shareholders General Meeting. The distributed amount in the issue year and call year is calculated based on the actual issue days in the year. The dividends distributed will be recorded in the dividend certificate.</p> <p>3. Excess dividend distribution: The shareholders of Series A Preferred Stock shall not participate in the cash and capital distribution of earnings and capital surplus in common stock, except for the regulated dividend rate mentioned above.</p>
	Distribution of Residual Property	The order the shareholders of Series A Preferred Stock in distributing the Bank's residual property is former than that of the shareholders of common stocks and is the same with the shareholders of the Bank's other preferred stocks; except when the Bank is taken over by the competent authority, required to stop business for clearing and liquidation in accordance with "Regulations Governing the Capital Adequacy and Capital Category of Banks", the distribution order of the shareholders of Series A Preferred Stock is the same with that of the common stock shareholders. However, their order is inferior to the holders of Tier 2 capital tools, depositors and the general debtholders, and the dividend amount shall not exceed the issue amount.
	Execution of Voting Right	The shareholders of Series A Preferred Stock have no voting rights and election rights, but have voting rights on the preferred stock shareholders meetings or when there are circumstances in which their duties and rights are involved.
	Others	There is no maturity date for the Banks' Series A Preferred Stock. When

Fund Raising Status

			the Bank issued new stocks by cash, the shareholders of Series A Preferred Stock have the same stock option right with common stock shareholders.
Outstanding Preferred Stock	Amount called or converted		NT\$ 0
	Balance not called or converted		NT\$ 2,000,000,000
	Terms of call and convert		<p>1. The shareholders of Series A Preferred Stock shall not convert the preferred stocks into common stocks, and have no rights in asking the Banks to call back the Series A Preferred Stock they hold.</p> <p>2. The Bank may call all or part of the preferred stocks at the original issue price anytime under approval of the competent authority on the second day after 5.5 years of the issuance. The preferred stocks not called still satisfy the duties and rights mentioned above. If the Bank's shareholders meeting decides to distribute dividends in the year that Series A Preferred Stock is called, then the dividends that should be distributed until the call day are calculated based on the actual issue days in that year.</p>
Market Price per Share	2018	Highest	53.40
		Lowest	49.85
		Average	51.54
	2019	Highest	55.30
		Lowest	53.20
		Average	54.68
	As of March 31, 2020	Highest	55.50
		Lowest	49.00
		Average	51.49
Other rights attached	Amount converted or bought as of the date Annual Report is printed		The shareholders of Series A Preferred Stock shall not convert the preferred stocks into common stocks.
	Guidelines for issuance and convert or buying		None
Effect of issue terms on the right of shareholders; circumstances that equity may be diluted and the effect on existing shareholders' right			None
Impact of callable preferred stocks on capital to risk-weighted asset ratio			Not applicable

4. The status of Overseas Depository Receipts and Employee Stock Option:

None

5. Acquisitions or Disposition of Other Financial Institutions

(1) Where the bank has acquired another financial institution through merger or

Fund Raising Status

acquisition in the most recent fiscal year, the annual report shall disclose the CPA's opinion on the reasonableness of the share swap ratio: None.

- (2) Mergers or acquisitions of other financial institutions in the past five **years**: None.
- (3) Where the Board of Directors has, during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, adopted a resolution approving issuance of new shares due to merger or acquisition of shares of another financial institution, the annual report shall disclose the state of implementation and the basic information of the institution merged or acquired: None.

6. Fund Utilization Plan and Execution Status

1. Fund Utilization Plan
 - A. Description of the plan: Please see the pages for details of previous public issues or private placement of securities and bank debentures.
 - B. Uncompleted previous public issues or private placement of securities, or those completed in the most recent three years but have not yet fully yielded the planned benefits: None.
2. Execution Status

Status of implementation: There are no circumstances that the execution progress or benefits do not meet the expected goal.

Operational Highlights

1. Business Description

(1) Main Businesses

- A. Primary Business Activities of the Respective Business Units
- To accept all types of deposits.
 - To extend corporate loans, discount bills and notes, issue domestic letters of credit and conduct accounts receivable factoring.
 - To handle exports, imports, foreign remittances, foreign currency loans and guarantees.
 - To extend mortgage, auto loans, personal loans and other consumer credits, and provide credit card services.
 - Wealth management, trust, custodian business, safe-deposit box rental and certification services for marketable securities.
 - To extend the insurance agency business and property insurance business.
 - To trade marketable securities and futures on behalf of customers.
 - To provide peripheral financial services by acting as collecting and paying agent for public facilities fees, taxes and remittances.
 - To conduct other relevant businesses authorized by the competent authorities.
- B. Operational Highlight
- Deposits: NTD and foreign currencies (including OBU), deposits from peers, and deposits from Chunghwa Post)

Amount: NT\$ Million

Type	December 31, 2019		December 31, 2018		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Current Deposit	246,909	45.78%	219,676	42.26%	27,233	12.40%
Time Deposit	292,443	54.22%	300,180	57.74%	(7,737)	(2.58%)
Total	539,352	100%	519,856	100%	19,496	3.75%

b. Loans

Amount: NT\$ Million

Type	December 31, 2019		December 31, 2018		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (Decrease)	Growth Rate%
Consumer Banking	220,015	56.41%	194,849	58.98%	25,166	12.92%
Corporate Banking	170,040	43.59%	135,543	41.02%	34,497	25.45%
Total	390,055	100%	330,392	100%	59,663	18.06%

c. Foreign Exchange

Amount: US\$ Million

Type	December 31, 2019		December 31, 2018		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (decrease)	Growth Rate%
Exports	90	1.02%	96	1.24%	(6)	(6.25%)
Imports	361	4.10%	404	5.20%	(43)	(10.64%)
Foreign Remittances	8,360	94.88%	7,259	93.56%	1,101	15.17%
Total	8,811	100%	7,759	100%	1,052	13.56%

Operational Highlights

d. Trust & Wealth Management

Amount: NT\$ Million

Type		December 31, 2019	December 31, 2018	Comparison	
		Amount	Amount	Increase (decrease)	Growth Rate%
Trust	Non-discretionary Money Trust Invested in Securities	44,188	41,270	2,918	7.07%
	Fund Custody Business	12,005	10,501	1,504	14.32%
	General Trusts	19,588	19,827	(239)	(1.21%)
Ancillary Service	Other Custody Business	5,891	6,921	(1,030)	(14.88%)
Total		81,672	78,519	3,153	4.02%

e. Credit Card Business

Unit: NT\$ Million ; Card

Item	December 31, 2019	December 31, 2018	Comparison	
	Amount / Card	Amount / Card	Increase (Decrease)	Growth Rate%
Card in New Issue	384,237	257,072	127,165	49.47%
Cards in Circulation	2,162,706	2,126,989	35,717	1.68%
Valid cards	1,266,940	1,174,896	92,044	7.83%
Credit Amount	91,785	89,452	2,333	2.61%
Cash Advance Amount	770	860	(90)	(10.47%)
Accounts Receivables	16,827	15,164	1,663	10.97%
Revolving Credit Balance	6,080	5,779	301	5.21%
Sales Amount	65,968	58,896	7,072	12.01%

f. Revenue and Percentage by Business

Item	% of Total Revenue 2019	% of Total Revenue 2018	Changes (%)
Corporate Banking	15.48%	15.32%	0.16%
Consumer Banking	38.76%	37.13%	1.63%
Trust & Wealth Management	8.90%	9.55%	(0.65%)
Investment Banking	17.51%	14.12%	3.39%
Other	19.35%	23.88%	(4.53%)
Total	100.00%	100.00%	-

(2) Business Plan for 2019

A. Deposit business

- a. Establish digital service procedures, provide online account opening

Operational Highlights

reservation fill-in page to save customers' time in filling out forms at physical counters, and improve overall account opening efficiency.

- b 、 Expand the functions of ATMs (introducing the services of “ATM interbank deposit” and “iPASS deposit function”) to provide customers with various services, continue holding marketing campaigns for VISA debit cards to increase customers' loyalty and current deposits.
- c 、 Arrange for deposit campaigns for target customers to strengthen the absorption of current deposits and develop new customers.
- d 、 Plan a small and medium enterprise deposit expansion project to boost growth of the Bank's corporate deposits and increase the number of new customers.

B. Corporate banking & foreign exchange

- a 、 Active cultivation of corporate loans, and the main cultivation focus is industrial and commercial enterprises, prioritize self-liquidating loans and loans for manufacturing industries and increase obligation protection through the SME credit guarantee fund and the request for collateral.
- b 、 Constantly strengthen business development of MIT industries, increase visits on existing loan clients and enhance the opportunities of business development via the upstream and downstream companies of the customers, further visit industrial parks and office buildings nearby or industrial park administration offices to develop new loan clients.
- c 、 Actively cultivate corporate loans to personal loan clients to facilitate the development of all the operations.
- d 、 Strengthen the undertaking of quality stock collateral loans.
- e 、 Constantly monitor the limit of various loan risks and concentration risks, such as industry concentration, real property collateral concentration, business group concentration, related party loan control, and so on.
- f 、 Evaluate the economy of the domestic real estate market and conduct business with caution, and prioritize the undertaking of loans for quality customers, construction projects with a good location and construction projects with good revenue and low Loan-to-Value ratio.
- g 、 Actively expand commercial paper guarantee business with high-quality companies such as listed and OTC companies and well-known conglomerates, and continue to strictly implement post-lending management mechanism to promptly review and adjust credit risks.
- h 、 Develop foreign exchange business source, expand imports, exports and foreign exchange business to increase the Bank's foreign exchange business niche and market share.

C. Consumer banking

Select target customer groups through cross function business marketing; deliver related event information via DM, eDM, and SMS; develop new house loan customers and maintain existing customers; continue to focus on further developing quality customers, understand customers' demands, and maintain existing customers; provide customized programs for different customer groups in order to develop new customers; recruit or train auto financing AOs to boost business; stabilize new auto loans business, increase used car purchase loans and personal car loans, and continue to expand business scale.

D. Credit card business

Operational Highlights

- a ∙ Channels: Regard branches as main channels to promote credit cards, actively cultivate new customers and develop the potential demand of customers, issue co-brand cards with known brands and participate in their marketing campaigns, further develop old and new customers, enhance the usage rate of online application platforms in response to the trends of the digital age, and simplify application procedures in order to enhance the virtual channel ratio.
 - b ∙ Products: Launch credit cards that feature functionalities of other electronic cards, and thereby enhance customers' convenience and loyalty to the Bank. Synchronize with the mobile payment market to plan various and differentiated bonus promotion campaigns for mobile payment, and increase credit card binding with mobile phones to attract credit card applications by the new generation of mobile users.
 - c ∙ Campaign: Increase brand day campaigns to cultivate the habit of using Union Bank credit cards for consumption; accelerate growth momentum in channels with strong credit card transaction activities; plan project promotion activities to go with popular market topics to increase overall credit card transaction amount.
 - d ∙ Credit loans: Expand new small loans and decrease loss of the old ones so that the balance of loans can be increased, enhance the ratio of quality customers to control risks and increase revenue, enhance the ratio of online loan applications to boost loan revenue and returns.
 - e ∙ Acquiring business: Continue to promote mobile payment binding, expand merchants and promote emerging payment methods such as UnionPay EC, self-built GateWay, LINE PAY, etc. to increase the competitiveness of acquiring business.
- E. Wealth management, insurance agencies, and trusts:
- a ∙ Provide more comprehensive asset allocation to customers with different risk attributes as a current business development focus due to the clear classification of customer risk attributes. The Bank will continue to launch domestic and overseas investment financial products, strengthen the diversification of original product lines, and increase the market share of the Bank's wealth management business by assisting the development and management of active bank-wide customers.
 - b ∙ In addition to the promotion of wealth management business, in order to enhance channel service and customer service quality, the Company will continue to strengthen certificate and sales qualification acquisition of wealth management sales personnel, strengthen the depth and breadth of education and training courses, and carry out professional knowledge and skills training.
 - c ∙ Continue to introduce insurance products covering dread diseases, disability, medical care and life insurance, so as to protect the two engines of wealth and health, satisfy the needs in retirement planning and wealth transfer, and increase the Bank's commission income.
 - d ∙ In response to population aging, low birth-rate, and increasing number of people who live alone, the Bank will continue to strengthen the promotion of family trust, the Lohas living trust, and actively cooperate with associations and public welfare organizations to promote asset security that trust can bring to the public, so as to provide the Bank's customers with more extensive trust service to satisfy customer needs in personal wealth transfer and family business inheritance.

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- F. Digital banking service:
- a、Personal e-banking service--In order to enhance the competitiveness of e-banking service with user experience as the core, the system structure and user interface upgrade of personal online banking and mobile banking (Lohas app) are continued to improve system efficiency, optimize various transaction processes, and establish various online financial application services.
 - b、Corporate e-banking service--Increase the corporate e-banking service functions, provide a more convenient online trading platform for corporate clients to effectively grasp latest information on the Company's internal fund movement and transactions, and actively promote the automation of online financial transaction management for corporate clients to improve operational efficiency and create competitive advantages.
 - c、Digital banking service--Continue to expand and enhance online service functions, optimize and adjust online account opening process with the opening up of video chat, new ID card and digital account opening authority; implement digital banking to increase the efficiency of O2O services; strengthen the cooperation between non-traditional financial service locations such as Hi-Life convenience store, LINE PAY iPASS CARD and link with online and offline cash flow services. Through various marketing channels such as business discounts, cross-industry cooperation and cross-marketing, the Bank actively develops new clients in digital banking service.
 - d、Social media application--Customer relationship is managed through diversified interactive functions such as LINE and other social media platforms. Personalized messages are sent through LINE Business Connect to optimize customer communication and message notification.
 - e、Integration and application of new types of digital financial services--Establish big data models such as "Credit Card Customers and Consumption Segment, Bank-wide Personal Finance Customer Segment, Bank-wide Personal Financial Product Preferences, Potential Corporate Customers Exploration, and Personal Credit Case Assessment Model", so as to effectively use and analyse the Bank's various business data and precisely obtain insights on customer behavior and needs; integrate with the Bank's customer service system to introduce core smart customer service; introduce the application and integration of facial recognition technology and related financial services; plan location for digital financial services and automation equipment such as ATMs and VTMs.
- G. Securities financing business: Deepen the development and operation of securities legal person customer base with the objective of increasing performance. Strengthen the promotion of online trading business and increase the proportion of online transactions.
- H. Bill finance business
- a、Actively expand the sources of bills & bonds and strictly the control credit risk of underwriting bills & bonds issued by enterprises, legal persons, or bills & bonds finance companies, improve the trading turnover rate of commercial paper and the underwriting market share to create maximum profit.
 - b、Review the appropriateness of the bill and bond ratio in order to maintain better capital movement flexibility.

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- c、 Appropriately build a yielding ratio, select the subject matter with caution and ensure it has a good credit and yield rate, regularly review the bond issuer's financial operating status to appropriately adjust the credit risk, flexibly adjust the value at risk according to the market trends and at the same time, actively develop new RP clients with highly stable sources and low cost to enhance the profit of yielding.
- I. In terms of investment business, the Bank actively cultivates financial transaction talents; carefully selects investment targets and implement the disciplinary requirements in relation to risk control in capital operation so as to contribute to the Bank's profit; strive to improve the profitability of various assets, strengthen risk management and maintain good asset quality; review the appropriateness of the notes and bond position at all times to maintain better funding flexibility.
- J. Ensure effective management of funds available to the Bank, regularly increase the investment amount of government bonds and corporate bonds issued by quality enterprises to increase the Bank's investment return, actively assist in the development of all the businesses to enhance the overall capital efficiency and maintain an appropriate level of liquid capital to ensure that the Bank has a sound liquidity level. For TMU business, in addition to continuing serving existing clients, provide them with all the real-time financial market information and products, and assist with developing new clients to increase the Bank's business turnovers in deposits, loans, and foreign exchange business.

(3) Market Analysis

- A. Region of business: By the end of March 2020, we have 90 domestic business locations, including 49 in Greater Taipei, 18 in Taoyuan and Hsinchu, 10 in Taichung and Changhua, 9 in Chiayi and Tainan, and 6 in Kaohsiung and Pingtung; 9 securities branches; and one overseas banking branch. The Bank set up its Ho Chi Minh City Representative Office and Hong Kong Representative Office in Vietnam and Hong Kong. The Bank also expand its overseas operation aggressively. The bank got permission from the Financial Supervisory Commission in Mar., 2019 to set up a branch in Da Nang, Vietnam and permission from Sate Bank of Vietnam to set up Hanoi Representative Office at the end of 2019.
- B. Analysis of the market's growth of supply and demand situation in the future
The COVID-19 pandemic in 2020 has impacted global trade and economic activities. The banking industry may experience growth slowdown in lending or deterioration of asset quality in the medium to long term if the duration of the epidemic gets prolonged and results in further slowdown in economic momentum. Future observation key points will be the duration and scope of the epidemic, whether it will trigger corporation shutdowns, its impact on Taiwan's economy and investment, and further observe whether the industry capital chain can be maintained in tourism and electronic industry which are directly affected, how much room for growth will be brought by Taiwanese companies fund inflow, the downside risk in domestic and foreign investment markets, whether various relief, financing subsidies, and stimulus policy provided by the government can be effectively executed.

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- C. Competitive Niches and Advantages/Disadvantages Relating to Development Prospects And Responsive Measures
- a. Favorable factors
 - i. The COVID-19 pandemic made the public more reliant on online financial transactions. This will not only improve the efficacy of services, but also reduce labor costs through fintech, accelerate the development of the banking industry towards reducing physical branches, and improve the operating efficacy of the banking industry.
 - ii. Domestic banks will pay more attention to the ASEAN market. As the infrastructure and economy in emerging countries are still under development, Taiwanese companies target overseas market to set up factories and further turn their focus to ASEAN countries due to US-China trade war and COVID-19 pandemic, the growth of loan to Taiwanese companies in ASEAN countries is expected to grow.
 - iii. Financial services are connected to all aspects of people's life and provide companies comprehensive cashflow solutions. With the cross industry advantage that digital-only banks bring, more banks will cooperate with different industries for more cross-industry development such as mobile identification with telecom companies. The items will also be more diversified which is advantageous to bringing new business opportunities and new customer groups.
 - b. Unfavorable Factors
 - i. Due to COVID-19 pandemic, China faced large scale shutdowns and prolonged resumption which in the end impacted related supply chains. Many countries have also revised their economic growth rate forecast downward for this year. If the duration of epidemic keeps longer, the adverse consequences for global economic growth will be more enduring.
 - ii. In terms of domestic bank syndicated loan development analysis, the Phase One Economic and Trade Agreement between U.S. and China has been signed, but corporate financing and operation is negatively impacted in first half of 2020 due to the enlarged effects from the pandemic.
 - iii. As fintech has brought changes to the business model, the increasing presence of the banking industry in the overseas markets of ASEAN countries and the lack of legal compliance capabilities, the demand for talents in multi-national, information technology, and legal compliance from the banking industry surged. The talent gap in banking industry will cause increase in labor cost.
 - c. Countermeasures
 - i. Banks have offered related relief or short-term concessional loans to enterprises affected by COVID-19 to facilitate the funding requirements.
 - ii. Emphasis should be put on progress in the management and technology platforms, use FinTech to gain a deeper understanding of the ecosystem of customer groups. In addition to actively providing comprehensive and convenient cash receipt/payment service and investment hedging support, a more comprehensive corporate platform should be established to

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- iii. provide service to corporate clients with different funding needs. As banks gradually build up and accelerate to replenish manpower, the risk in developing FinTech by the banking industry is expected to be controlled.

(4) Research of Financial Products and Status of Business Development

A. Main Financial Instruments and the Size of New Business Departments Introduced During the Past Two Years and the Profit/Loss Status

- a. Corporate Banking business continues introducing financial products such as good-quality stock loans, accounts receivable purchases and subsequent advance payment loans, easily discounted notes, and corporate banking foreclosure real estate loans to offer corporate customers multiple loan choices.
- b. The financing loan business offers a variety of short and medium-term funding options to customers. As of the end of 2019, total loan granted amounted to NT\$12.8 billion, and the balance of loan amounted to NT\$22.3 billion, representing an increase of 8.2% and 24.2% respectively comparing to 2018.
- c. Wealth management business
During 2019, the Bank launched several funds, foreign bonds, ETF and other financial products, and the bank also assisted customers to adjust their asset allocation. As of Dec. 31, 2019, the Bank had a total of over 138,000 wealth management clients and total assets under management aggregated to NT\$313.4 billion, representing an increase of 9.91% from that of 2019.
- d. Fortune passbook business
The Bank launched the “Fortune Passbook” for children under fifteen years of age. (It integrates our major financial management services including NTD deposit, foreign-currency deposit, securities, and funds.) The Bank also worked with fine-quality child art & cultural merchants horizontally (including Sesame Street English, Cloud Gate Dance Theatre Foundation, Ju Percussion Music School, Hsin Yi Parent-Child Game Bookstore, Parenting and Family Style, Language Canada Taipei, If Kids Theatre, Just Apple Theatre, and Song Song Children’s & Puppetm Theatre), and provided the exclusive offers. As of Dec. 31, 2019, the balance of assets of the Fortune Passbook holders amounted to NT\$9,358,750,000, representing a 20.96% growth rate compared to NT\$7,236,810,000 as of Dec. 31, 2018.
- e. VISA debit cards
Card use promotion was still the main strategy for 2019, including the “Double Rewards for New Card Use”, “Cash Reward NT\$200 for New Card Use of iPass Debit Card”, “2% Reward for UBOT Cards on Weekends”, “Free City Parking”, “Rebate for Gas Refill” and other card use promotion campaigns. The amounts spent by using the Bank’s Visa debit cards (including Easy Debit Card and iPass Debit Card) totaled NT\$1,447,880,000, representing a 5.73% growth compared to 2017.
- f. Promotion of automated services and e-banking
 - i. In addition to automatic teller machines (ATM) and unmanned banks set up in various locations including Kaohsiung/Taoyuan MRT stations, OK Convenient Stores, Breeze Center Department Stores, and Carrefour, the Bank has set up 132 ATMs step by step at SHOWBA Marts in 2018 and 2019 to provide customers with more convenient services.

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- ii. The Bank's e-banking continues to offer online foreign exchange discounts to increase the number of transactions through rebates. As of the end of 2019, the cumulative number of electronic banking applicants was approximately 381,403, representing an increase of approximately 15% growth over the previous year (2018).
- iii. The "New New Bank" Union digital bank introduced bonus promotion campaigns such as NTD preferential deposits and inter-bank fee-free withdrawal/transfer. As of the end of 2019, the number of applicants increased approximately 27% comparing to previous year (2018).
- iv. In response to launching the "LINE Pay Money (originally called payment service via a connection of iPASS with a deposit account)", the Bank launched bonus promotion campaigns such as "account link gift", "consumption rebates", and "cash withdrawal without handling charges" for connection with the Bank's current deposit account. As of the end of 2019, the number of LINE Pay Money connections with the Bank's savings account totaled over 77,000.
- g. The business department set by the Bank in the recent two years: none.

B. R&D Expenditures and Achievements for the Last Two Years and a Brief Description of Future R&D Plan

a. R&D expenditure and results

Unit: NTD Thousand

Year	2019	2018
Item	45,917	67,430
R&D expenditure	45,917	67,430

- a. Since the launch of inductive mobile payment (Apple Pay) in 2017, the Bank has successively developed Gramin Pay and Fitbit Pay, which combines e-ticketing and wearable devices, and provided quality services and enhanced mobile payment ecosystem. QR code payment platforms such as LINE Pay, JKO Pay, PX Pay, My FamiPay, and HiPay platforms have also been implemented to support mobile payment market in full spectrum. The Bank has proactively developed convenient mobile pay environment, and is one of the only two banks that can fully support all mobile payments in the market. As of the end of 2019, inductive mobile payment downloads have exceeded 250,000, which is a growth of 34% comparing to 2018. Transaction amount (including inductive payment and QR code payment) has reached NT\$3.58 billion, which is 100% growth comparing to 2018. All of the above have made the Bank become the best choice for card holders in the market.
- b. In January 2019, the bank has worked with Kaohsiung Metro and MasterCard to enable Kaohsiung as the third city metro in the world (first in North Asia) that supports NFC payment, following London Metro and Singapore Metro. As a result, Union Bank credit card has become the most frequently used card in Kaohsiung Metro.
- c. In 2019, we continued strengthening the Bank's e-banking services. In addition to enhancing the using experience of each e-banking platform, we also started planning the upgrade of personal e-banking, corporate e-banking, and mobile banking platform in hopes of providing various

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service channels and more convenient financial service experiences via new user interfaces

- d. To attract digital customers, the Bank launched the relevant services of digital banking in 2018 to provide the customers with the services of online NTD savings account opening and continued adding different online functions and optimized the user experience. Meanwhile, in response to the developing trend of social media, the Bank has set up its LINE official account service to provide customers with the services of sticker download and instant notification for using credit cards. We accumulated more digital customers by being closer to the needs of the users and offering the services of online account opening and personal messages.
 - e. To optimize the Bank's anti-money laundering system in 2018 and correspond to the related regulation of the Money Laundering Control Act, we purchased the “anti-money laundering and combating terrorist financing system for banks” and AML-KYC system from the system integrator “Stark Technology, Inc.”, and we also purchased a “name scanning database” from “Dow Jones Factiva Limited” to integrate the basic information and transaction information of the Bank's customers with the information system to enhance the efficiency of conducting anti-money laundering operations for the Bank.
- b. Future R&D plan
- i. Build an online loan management system to streamline the credit granting process and enhance the operation efficiency. To reduce the credit risk of credit granting, the Bank has built an internal evaluation system for the credit granting to correspond to the credit risk structure of Basel II.
 - ii. With the popularity of smartphones and mobile devices and the prosperity of various types of mobile economy, more retail, finance, telecommunications and e-commerce companies are promoting their own solutions in 2019. The key observation point in 2020 will be how new players in the industry transform their resources such as channels, capital, or number of users in their own business into more consumers. The strength of resource input and completeness of the overall ecosystem will be vital. Channel, promotion, system stability, and fluent user experience will be key to success. The Bank will provide more complete channels, attractive promotions, and more fluent process flow that combine with various forward-looking technologies and mobile payment technology applications to attract the new generation mobile group and increase the Bank's mobile payment app download and credit card transaction.
 - iii. In view of the maturity of mobile devices and the network environment, the Bank will continue focusing on mobile applications in our digital banking service R&D. We will strengthen the existing e-banking service platform, start planning the upgrade of personal online banking, corporate online banking, and mobile banking platform, continue expanding all the services of digital banking, which will be designed based on customers' needs and put more focus on user experiences and service interface. Under the prerequisite of considering both trading efficiency and information safety, we will be able to provide customers with more instant, safer and more convenient e-banking services.
 - iv. Continue researching and paying attention to the technologies related to

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financial markets and the relevant applications, follow the evolution of information technologies, cultivate relevant talents in the fields of new financial technology of AI, blockchain, biometric, big data and so on. In response to the trend of changing service types in the future, the Bank will continue doing research on digital services and its application. We aim to strengthen the basis for future development of each business by developing the Bank's digital customers with new digital financial services.

- v. We will enhance the Bank's wealth management system and improve the efficiency of financial consultants and the control over trading. We will also utilize multi-dimensional analysis and asset allocation to effectively identify wealth management customers, and increase the functions of internal management and control, analysis, and identification. Besides, we will also follow the government's policy by introducing an information and judgment mechanism for money laundering and terrorist financing in order to achieve the function of anti-money laundering and combating terrorist financing and maintain the financial order and trading safety.

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

- A. Short-term Business Development Plan: Please refer to "Chapter (2) 2020 Business Plan".
- B. Long-term Business Development Plan: Please refer to page 2 "4. External Factors and Future Development Strategies of I. Letter to Shareholders"

2. Employee Analysis

- (1) Employee Data for the Last Two Years and Current Year Up to the Printing Date of the Annual Report:

Year		End of 2018	End of 2019	Mar31, 2020
Number of Employees	Permanent	3,821	3,980	3,960
	Temporary	0	0	0
	Other	0	0	0
	Total	3,821	3,980	3,960
Average age		37.86	38.09	38.26
Average year of service		9.28	9.43	9.6
Education	Doctorate	0.03	0.03	0.03
	Master	7.04	7.04	6.89
	University (College)	86.29	86.41	86.62
	Senior High School	6.65	6.53	6.46
	Junior High School & Under	0	0	0
Type of professional certification held by employees		End of 2018	End of 2019	Mar31, 2020
Certified Anti-Money Laundering Specialist (CAMS)		4	5	5
Professional Exam for Anti-Money Laundering and Countering Terrorism Financing Specialist		125	231	238
Basic Proficiency Test for International Banking Personnel		339	365	367
Proficiency Test on Foreign Exchange Trading		11	10	10
Proficiency Test for Trust Operations Personnel		2,407	2,519	2,511

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Year	End of 2018	End of 2019	Mar31, 2020
Subject Test - Laws and Regulations on Trust Businesses	33	33	34
Qualification exam for “General knowledge of Financial Markets and professional code of Ethics”	2,831	2,973	2,972
Financial Risk Manager (FRM)	3	3	3
Class B Accounts Clerk	8	8	8
Class C Accounts Clerk	101	100	100
Basic Proficiency Test for Bank Lending Personnel	407	413	408
Advanced Proficiency Test for Bank Lending Personnel	32	30	30
Proficiency Test for Bank Collateral Appraisal Personnel	10	9	9
Proficiency Test for Financial Planning Personnel	363	353	353
Structured Product Sales Personnel Qualification Test	443	477	475
Qualification exam for securities investment trust and consulting regulations (including professional ethics rules)	18	17	16
For taking “Investment trust & consulting regulations(including self-disciplinary rules)” only	713	741	753
Life insurance salesperson	2,781	2,886	2,903
Investment-oriented insurance salesperson	1,241	1,299	1,297
Fundamental Test of Investment-oriented insurance salesperson and financial market	253	261	264
Property Insurance Salesperson Registration Certificate	1,174	1,237	1,253
Qualification Test for Life Insurance Salesperson Selling Non-Investment Type of Insurance Product in Foreign Currency	1,066	1,118	1,125
Futures specialist	327	318	321
Bill finance specialist	85	92	90
Fin Tech Knowledge Test	33	35	33
Labor safety and health specialists (Class B certificate for labor safety and hygiene)	5	6	6
Class A Manager of Labor Safety & Health Affairs	56	57	56
Class B Manager of Labor Safety & Health Affairs	94	101	101
Class C Manager of Labor Safety & Health Affairs	39	38	37
Fire Fighting Administrator	142	141	140
First Aid Specialist	172	175	175
Bond Specialist	25	26	25
Basic Proficiency Test on Internal Controls	1,976	2,085	2,084
Securities specialist	364	359	351
Senior securities specialist	257	260	255
Securities investment trust and consulting professionals	192	193	193
Securities investment Analyst	6	5	5
Specialist of “Margin and Stock Loans by Securities Firms”	49	51	52
Assistant real estate Brokers	9	9	11

Note: Not include the 2 employees of offshore units.

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(2) Advanced Education and Training of Employees

In response to the fast changing financial environment and for the purpose of enhancing the professional competency of our employees, the Bank organizes the various business seminars and symposiums each year as well as sends employees to attend the various external training programs. The bank also requests, where possible, the relevant staff at all levels to acquire the required certification. The bank aims to upgrade the capabilities in product innovation and improve the operational procedures.

Item	Internal program	External program	Total
Number of employees trained	29,915	3,752	33,667
Total training expense (in NT\$ thousand)	12,808	8,493	21,301

(3) Rules of Employee Behavior and Ethics

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

(4) Protection for Work Environment and Employee Safety

- A. Access Security: The Bank has installed a premise access surveillance system to monitor people entering or leaving the office premise. The system is linked to the police stations at all times and is subject to regular trial checks. Security guards stationed on site to ensure personnel and premise security.
- B. Office Premises and Equipment: The Bank performs regular or random maintenance check on the various equipment in accordance with the relevant regulations on public safety and fire tests of office premises.
- C. Security Maintenance: The security maintenance regulations enforced by the competent authority and Bankers’ Association prescribe that each retail office shall conduct anti-robbery rehearsals each year.
- D. Safety and health: We have established the “Safety and Health Work Rules” and “Occupational Safety and Health Management Plan”. In addition, we implement various environmental examinations and organize occupational safety and health education/training activities and first aid training courses in accordance with the Occupational Safety and Health Act and relevant regulations to ensure workplace safety for employees.

3. Corporate Responsibility and Ethical Conduct

(1) Cultural Intelligence Education:

We have long devoted ourselves to the promotion of cultural intelligence education, as witnessed by the “Let Me Draw My Mommy” children’s drawing contests over the past 19 years. Apart from cultivating art literacy and the filial piety culture in children, we donated NT\$10 for each entry in 2019 to finance “Yunlin County financial relief account for elementary and high school students”. The annual “Little Banker—Financial Management Camp” entered its 13th session. We added digital finance concepts in the 2019 course to provide students with fintech related knowledge apart from school course

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materials. To introduce the beauty of Taiwan's cultural relics, we launched the TV program "Stories in Taiwan - A UBOT tour to historical relics in Taiwan II" in collaboration with SET Taiwan Channel to promote cultural relics across Taiwan and explore the history and culture of Taiwan. In 2019, a total of 6 episodes were produced, and the topics included Changhua Lukang, Taipei Tamsui, Tainan Anping, Hualien, Kinmen, and Yunlin Siluo. In addition, to promote the concept of ecological protection, the Bank participated in adopting Taiwan's protected animals, the "Taiwanese leopard cat" and "ring-necked pheasant."

(2) Sponsoring Arts and Cultural Activities:

To promote and facilitate the development of local arts and cultural activities, we have been funding the "Kaohsiung Philharmonic Cultural and Arts Foundation" for 8 consecutive years since 2011 to organize theme concerts and the Kaohsiung Spring Arts Festival and other important arts and cultural activities. In addition, we have established the "UBOT Arts and Cultural Gallery" in the KMRT Formosa Boulevard Station for citizens to appreciate art works. In addition, the Bank also participated in and sponsored the "Taiwan Lantern Festival in Chiayi" to support local art and cultural activities through practical actions.

(3) Social Engagement

- A. Care for community development: We continued adopting "Minyao Park #2 in Songshan District" and the flower beds in front of Luzhou Elementary School in New Taipei City to maintain a public natural environment and facilitate positive symbiosis between enterprise and community.
- B. Care for farmers: In May, 2019 on the eve of Mother's Day, we purchased 37,130 carnations from flower farmers in Tianwei, Changhua County and presented them to our customers and local citizens.
- C. Care for young students: To care for young students without adequate economic resources and help them dig out their talents and pursue their dreams, the Bank engaged in sponsoring the training fee for the "men's basketball team of Dong-Shan High School of Taichung City" and the traveling expenses for "Puzangalan Children's Choir" respectively to assist them to exert their talents and bring honor to our country.
- D. Care for local industries: Every year we order a large quantity of Lunar New Year gifts such as ceramic Chinese zodiac piggy banks, calendars, red envelopes, and Spring Festival couplets. Local MIT manufacturers are always our priority contractors.

(4) Charity

- A. Donation for charities: The Bank introduced donation campaigns including sponsoring Eden Social Welfare Foundation by purchasing Wei Yin Chen iPASS for charities and purchasing the tickets and box meals for the annual "Children Are Us Theatre and Music Group" concert by the Children Are Us Foundation. At the Mother's Day welfare carnivals during May, we invited charity organizations like the Children Are Us Foundation, Down Syndrome Foundation, Down Syndrome Care Association, Eden Social Welfare Foundation, and so on for charity sale, with the revenues all donated to charities.

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- B. Charity sponsorship: Participated in urban public welfare, co-built a healthy lifestyle and artistic atmosphere, sponsored Taoyuan MRT to participate in the “Taoyuan Agricultural Expo” and organize the “Christmas Charity Event”; sponsored Kaohsiung MRT to organize events such as “Kaohsiung MRT Summer Love Cosplay Event”, “3-to-3 Basketball Tournament”, “Charity Marathon” and “Public Welfare Concert.”

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

Unit: NT\$ thousands; %

Category	2018	2019	Difference	
Head count	3,433	3,582	149	4.34%
Average welfare expense	733	773	40	5.40%
Median welfare expense	630	661	31	4.92%

5. Facilities of Information Technology

- (1) Maintenance and Allocation of Hardware & Software for major IT systems:
- A. Production Computer Room: One IBM z/BC12 operation server and one IBMz/890 backup- server, two IBM 8870 diskettes driver, IBM 3590 Tape driver, Fujitsu 3490 Tape driver, IBM TS7760 virtual Tape driver, fourteen IBM RS/6000, one IBM i520 and 100 PC servers.
 - B. Backup Computer Room: One IBM z/800 remote backup server, two IBM Shark-800 diskeet drive, IBM 2074 back-end controller, one set of 3590 tape drive, IBM TS7760 virtual Tape driver, two IBM RS/6000, one IBM AS/400-720 and twelve PC servers.
 - C. Network: The operating system control room uses two CISCO 7206 routers, two CISCO 7507 routers, two CISCO 4507 routers. The backup control rooms uses three ASR1001 routers, three CISCO ASR1001 routers, and two CISCO 3750 routers via the DWDM connecting with the operating system and backup control rooms. Branches use CISCO 2811/2911 routers and connected to the operation system’s computer room via the CHT exclusive line (transaction), with connection to the backup control room routers via Asia Pacific Telecom FTTB 2M (non-transaction) as alternate, if necessary.
 - D. The Bank has signed maintenance contracts with the vendors for above hardwares and softwares.
- (2) Future development or procurement plans:
- A. Implementation of new personal online banking system.
 - B. Implementation of the new mobile banking (Lohas app) system.
 - C. Implementation of big data model.
 - D. File extension of the deposit system transaction detail.
 - E. Implementation of domestic foreign exchange system.
 - F. Implementation of Vietnam Branch System.
 - G. Implementation of new BMS project.

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- H. Implementation of foreign currency exchange machine.
 - I. Implementation of E2EE.
 - J. ATMP inter-bank front system upgrade.
 - K. Implemented information security management system (ISMS) and third-party assessment program.
 - L. Implementation of IT equipment endpoint detection and response protection system. ◦
- (3) Emergency Backup and Security Protection Measures
- A. Construct on-site backup device at Neihu computer room with Minsheng computer room serving as the remote backup support.
 - B. Off-site media backup and storage of sensitive documents, separately at Neihu and Minsheng computer rooms.
 - C. Installation of access control system, surveillance cameras, line control, fire safety equipment and environmental security systems to protect the IT equipment.
 - D. Conducted computer system information security assessment program, strengthened compliance review and improvement measures.
 - E. Used the information security incident management platform to strengthen the reporting and response of warnings and information security incidents.
 - F. Implemented system source code detection, vulnerability test and penetration test to enhance system security.
 - G. Used mechanisms such as firewalls, email filtering and auditing, intrusion detection and defense, anti-virus detection and containment, threat intelligence handling, etc. to strengthen the depth of information security and ensure network and data security ◦
- H. Enact the “Plan for Union Bank of Taiwan IT Security Contingency” and conduct annual rehearsals of on-site and remote backup and fire safety in accordance with the “Plan for Union Bank of Taiwan IT Disaster Contingency”.

6. Labor Relations

- (1) Execution status of employee welfare and retirement policy, labor agreements and protection of employee welfare:
- A. Establish the Employee Welfare Committee. Deduct 0.5% of employees’ monthly salaries and appropriate 0.1% of operating revenue and use the fund to administer employee welfare affairs such as Mother’s Day Fair and special allowances for marriage, funeral, birth (including spouse) and major accident.
 - B. In order to promote family care and welfare and comply with the Labor Standards Act, we have established menstrual leave, pregnancy check-up leave, maternity leave, paternity leave, and miscarriage leave. Employees with children younger than three years old may apply for child care leave without pay. The Bank also provides quality breastfeeding (collecting) rooms for female employees.
 - C. Offer deposits, loans and unsecured consumer loan for staff at special rates.
 - D. The Employee Welfare Committee disburses bonus to employees on

Operational Highlights

- major festivals of the Lunar year.
- E. The Bank has set up retirement plan for employees and established the Labor Pension Fund Supervisory Committee, and makes monthly contributions of 2% to 15% to the pension reserve fund in the commissioned account in the Bank of Taiwan to protect labor rights. When an employee apply for retirement, and his service years comply with Labor Standards Act or he meets retirement criteria set out by the Bank's employment rules, the Bank will provide pensions. After the implementation of the Labor Pension Act with effect from July 1, 2005, the Bank makes monthly contributions of 6% to the employees' individual pension account in accordance with the retirement scheme applicable to the Ordinance.
 - F. The Bank has set up rules for governing labor-management committee to maintain sound and harmonious labor-management relationship.
- (2) List Any Loss Sustained As A Result of Labor Disputes in the Most Recent Fiscal Year, and During the Current Fiscal Year up to The Date of Publication of the annual report, (Including Matters in Violation of the Labor Standards Act According to Labor Inspection, the Date of Punishment, the Number of Punishments, the Regulations Violated, the Content of Regulations Violated, the Content of Punishments Should Be Listed), Disclose an Estimate of Losses Incurred to Date or Likely to Be Incurred in the Future, and Indicate Mitigation Measures Being or to Be Taken. If the Loss Cannot Be Reasonably Estimated, Make a Statement to That Effect.
- A. An employee filed complaints to the New Taipei City Government that the Bank failed to pay salary within agreed time, which was due to the recognition difference in the effective date of resignation. New Taipei City Government issued Decision Order No. 1073595589 on January 8, 2019, stating that the Bank violated Paragraph 1, Article 23 of the Labor Standards Act: "Except as otherwise agreed to by the parties to a labor contract or when wages are paid in advance on a monthly basis, wages shall be paid on a regular basis at least twice a month; the details of wage computation must also be provided. This shall also apply to wages computed on the basis of piece by piece work." A fine of \$50,000 was imposed.
 - B. An employee filed complaints to the Labor Affairs Bureau of Kaohsiung City Government that she faced unfair action taken towards year-end performance bonus by her line manager due to her tocolysis leave, maternity leave, and child care leave without pay. However, in reality, she was paid less bonus due to her poor performance. Kaohsiung City Government issued Decision Order No. 10830491000 on January 24, 2019, stating that the Bank violated Article 10 of Act of Gender Equality in Employment. "Employers shall not discriminate against employees because of their gender or sexual orientation in the case of paying wages. Employees shall receive equal pay for equal work or equal value. However, if such differentials are the result of seniority systems, award and discipline systems, merit systems or other justifiable reasons of non-sexual or non-sexual-orientation factors, the above-mentioned restriction shall not apply." A fine of \$300,000 was imposed.

Operational Highlights

7. Major Contracts

Mar 31,2020

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Insurance Contract	Central Deposit Insurance Corporation	Apr. 27, 1994	Performance bond agreement for the solvency of financial institution in paying depositors	None
Insurance Contract	MSIG Mingtai Insurance Co., Ltd.	Jan. 21, 2020 to Jan. 21, 2021	Bankers Blanket Insurance	None
Outsource Contract	Yesing Technologies	Jan. 1, 2020 to Jun0 30, 2020	Install Cami customer service via email for the Bank	None
Outsource Contract	Union Information Technology Corp.	Jan. 01, 2020 to Dec. 31, 2020	Design & maintenance of Web and Mainframe	None
Outsource Contract	Union Information Technology Corp.	Jan. 01, 2017 to Jun. 30, 2022	Credit card information system	None
Outsource Contract	IBM	Jan. 01, 2016 to Jun. 30, 2022	Credit card information system	None
Outsource Contract	Financial eSolution Co., Ltd.	Apr. 14, 2011	Chip card transactions processing	None
Outsource Contract	Union Information Technology Corp.	Jan. 01, 2020 to Dec. 31/2020	Collections system of Convenient Store and tuition	None
Outsource Contract	Smart Star Software Inc.	Nov. 05, 2019	Maintenance of debt collection System	None
Outsource Contract	Foongtone Technology Co., Ltd.	Apr. 15, 2019	Manufacturing of chip credit cards	None
Outsource Contract	Foongtone Technology Co., Ltd.	Mar. 28, 2019	Manufacturing of chip ATM cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Apr. 1, 2018	Manufacturing of chip credit cards	None
Outsource Contract	Taiwan Name Plate Co., Ltd.	Jan. 23, 2008	Manufacturing of chip ATM cards	None
Outsource Contract	TECO Smart Technologies Co., Ltd.	Oct. 31,2014	Manufacturing of chip credit cards	None
Outsource Contract	Taiwan Mobile Payment Corporation	Dec. 17, 2014	Manufacturing of credit cards for the mobile payment tools	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Oct. 01, 2018	Printing and mailing Statement	None
Outsource Contract	Yuen Foong Paper Co., Ltd.	Oct. 01, 2018	Printing and mailing integrated Statement	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Outsource Contract	Yuen Foong Paper Co., Ltd.	Jan. 01, 2018	Printing of withholding tax statements	None
Outsource Contract	Ma Chiu Consulting Management Co. Ltd.	Mar. 01, 2010	Household registration transport apply	None
Outsource Contract	Ma Chiu Consulting Management Co. Ltd.	Apr. 24, 2010	Household registration and financial/tax information search	None
Outsource Contract	SinLinYang Business Consulting Co., Ltd.	Jun. 15, 2018 to Jun.15, 2019 (Terminated)	Household registration and financial/tax information search	None
Outsource Contract	EVERY8D Co., LTD.	Aug. 1, 2019 to Jul. 31, 2020	Messaging system and message delivery service	None
Outsource Contract	SYSTEX Corporation	Jun. 1, 2019 to May 31, 2021	Mail Printing and Posting of Credit Card	
Outsource Contract	Mitake Inc.	Mar. 1, 2016 to Feb. 29, 2021	Messaging system and message delivery service	None
Outsource Contract	IBM	Jul. 01, 2016 to Jun. 30, 2012	Credit card statement printing	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Nov. 01, 2018	Printing, the credit card notification letter and aerogram	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Nov. 01, 2018	Enveloping the credit card notification letter and aerogram	None
Outsource Contract	Chunghwa Post Co., Ltd. Taipei Post	Nov. 01, 2018	Delivery Service	None
Outsource Contract	Hou Jeh Co., Ltd.	Jan. 01, 2020 to Dec. 31, 2020	Enveloping of printed mail and delivery	None
Outsource Contract	Philip Morris International Taiwan	Nov. 20, 2012 to Sep. 30, 2020	Packaging the redemptions	None
Outsource Contract	Philip Morris International Taiwan	Nov. 20, 2012 to Sep. 30, 2020	Delivery the redemptions	None
Outsource Contract	SYSTEX Corporation	Aug. 01, 2018 to Jul, 31, 2020	Delivery of credit card statements	None
Outsource Contract	SYSTEX Corporation	Aug. 01, 2018 to Jul, 31, 2020	Delivery of credit card e-statements	None
Outsource Contract	Leebao Security Co., Ltd	Aug. 01, 2007	Cash transportation	None
Outsource Contract	Taiwan Security Co., Ltd.	Feb. 01, 2016	Cash transportation	None
Outsource Contract	An Fong Enterprise Co.,	Oct. 01, 2004	ATM banknote replenishment	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
	Ltd.		and troubleshooting operation	
Outsource Contract	Lian-An Service Co., Ltd.	Feb. 01, 2014	ATM banknote replenishment and troubleshooting operation	None
Outsource Contract	Transnational Group	Jan. 01, 2018	Check clearing house delivery operation	None
Outsource Contract	Lee & Lin Real Estate Consultant	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Yeah Ju-Cui Conveyancing Office	Nov. 25, 2014	Conveyancing services	None
Outsource Contract	Hsin Yaun Conveyancing Office	Nov. 14, 2014	Conveyancing services	None
Outsource Contract	Ja Chou Conveyancing Office	Nov. 17, 2014	Conveyancing services	None
Outsource Contract	Lin Hsiu-Fan Conveyancing Office	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Chou Jin-Kuo Conveyancing Office	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Shih Chang-Chih Conveyancing Office	Nov. 25, 2014	Conveyancing services	None
Outsource Contract	Lin Yin-Hui Conveyancing Office	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Huang Jin-Yuan Conveyancing Office	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Pu-Hsin Conveyancing Office	Dec 1, 2014	Conveyancing services	None
Outsource Contract	Fong Tai Management Consulting Co., Ltd.	Aug. 28, 2007	Lost car search service	None
Outsource Contract	Tai Ding Industrial Co., Ltd.	Aug. 28, 2007	Lost car search service	None
Outsource Contract	Hong Jeh Management Consulting Co., Ltd.	Dec.01, 2009	Lost car search service	None
Outsource Contract	Chen Xu Management Consulting Co., Ltd.	Jun. 01, 2019	Lost car resell	None
Outsource	SinJang	Jun. 01, 2019	Lost car resell	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
Contract	Enterprise Co., Ltd.			
Outsource Contract	Ho Rong Co., Ltd.	Oct. 01, 2006	Lost car resell	None
Outsource Contract	Justor Collection Management Co. Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	YuBan Credit Management Consulting Co., Ltd.	Jul. 06, 2007	Collection of receivables	None
Outsource Contract	Sparkle Collection Management Co., Ltd	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Chung Yu Credit Finance & Credit Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	E-HAO MANAGEMENT CONSULTANT LTD	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Standard Finance & Credit Management Co., Ltd.	Jul. 01, 2007	Collection of receivables	None
Outsource Contract	Asia Credit Management Co., Ltd.	Oct. 27, 2009	Collection of receivables	None
Outsource Contract	United Credit Services Ltd.	Oct. 27, 2009	Collection of receivables	None
Outsource Contract	Hung Lih Asset Management Consulting Co., Ltd.	Oct. 01, 2011	Collection of receivables	None
Outsource Contract	Uni-President Enterprises Corporation	Nov. 01, 2005	Collection of consumer loan payment	None
Outsource Contract	Taiwan FamilyMart Co., Ltd.	Jun. 01, 2019	Collection of consumer loan payment	None
Outsource Contract	OK Mart Taiwan	Jun. 25, 2019	Collection of credit card payment	None
Outsource Contract	Hi-Life International Co., Ltd	Sep. 25, 2018	Collection of credit card payment	None
Outsource Contract	Taiwan FamilyMart Co., Ltd.	Jun. 01, 2011	Collection of credit card payment	None
Outsource Contract	Uni-President Enterprises Corporation	Nov. 01, 2005	Collection of consumer loan payment	None
Outsource Contract	iPASS Corporation	Sep. 26, 2019 to Sep. 25, 2020	Collection of consumer loan	None

Operational Highlights

Nature of Contract	Concerned Parties	Contract Period	Content	Restriction on Contract
			payment	
Full Authorization Contract in Security Investment	Yuanta Securities Investment Trust Co., Ltd.	Jun. 01 2020 to Dec. 31, 2019	Collection of consumer loan payment	None
Full Authorization Contract in Security Investment	Union Securities Investment Trust Co., Ltd.	Jun. 01 2020 to Dec. 31, 2019	Conducting security investment with full authorization in accordance with Article 74-1 of the Banking Act	None
Other major contracts	Stark Technology, Inc.	Oct. 15,2018	Anti-money laundering and combating terrorist financing system for bank	None
Other major contracts	Dow Jones Factiva Limited	Jul. 25, 2018	Name scanning database	None

8. Securitization Commodities approved by the competent authority and relevant information launched in accordance with Financial Asset Securitization Act or Real Estate Securitization Act in recent years: None

Financial Highlights

1. Condensed Balance Sheets, Income Statement and Auditors' Opinions for the most recent five years.

(1) Condensed Consolidated Balance Sheets - IFRS

In NT\$ thousand

Year Item	Financial Data for the Past Five Years (Note 1)				
	2015	2016	2017	2018	2019
Cash and equivalent, due from the Central Bank and other banks	71,659,720	65,385,579	31,317,157	43,277,365	29,727,331
Financial assets at fair value through profit or loss	9,058,815	9,538,090	12,136,325	36,709,925	30,917,254
Financial assets at fair value through other comprehensive income	-	-	-	33,393,507	41,236,965
Investments in debt instruments at amortized cost	-	-	-	94,149,872	104,170,149
Available-for-sale financial assets	23,319,718	39,978,425	35,489,633	-	-
Hedging derivative financial instruments	-	-	-	-	-
Securities purchased under resell agreements	22,072,191	27,855,242	28,234,334	68,480,765	51,417,825
Receivable-Net	15,217,776	17,888,230	17,751,420	18,131,482	21,177,107
Current Tax asset	322,660	186,231	52,134	81,020	58,716
Available-for-sale asset-Net	-	-	-	-	-
Discounts & Loans-Net	278,801,052	282,416,950	316,728,989	325,015,686	384,649,673
Held-to-maturity financial asset	4,207,436	7,192,115	51,285,957	0	0
Equity Investment(Equity Method)- Net	53,794	53,447	53,121	1,623,462	1,587,482
Restricted assets	-	-	-	-	-
Other financial asset – Net	61,133,831	57,403,743	48,267,839	2,301,648	3,632,648
Property and equipment- Net	7,723,438	8,156,305	8,081,729	8,007,495	7,969,302
Right-of-use asset-Net	-	-	-	-	1,439,735
Investment property-Net	3,703,410	5,415,376	5,284,434	5,398,908	5,369,780
Intangible asset –Net	2,144,240	2,167,730	2,169,444	2,162,961	2,137,457
Deferred tax asset-Net	1,886,538	1,447,039	1,172,974	791,550	698,921
Other asset	7,184,578	7,622,068	7,590,797	8,060,448	8,970,842
Total asset	508,489,197	532,706,570	565,616,287	647,586,094	695,161,187
Due to the central bank and other banks	3,781,976	8,389,312	9,249,185	12,111,895	11,860,732
Call loans to the central banks and other banks	-	-	-	-	-

Financial Highlights

Year		Financial Data for the Past Five Years (Note 1)				
		2015	2016	2017	2018	2019
Item						
Financial liability at fair value through profit or loss		54,271	39,523	183,384	307,799	650,981
Hedging derivative financial instruments		-	-	-	-	-
Securities sold under repurchase agreements		26,986,936	28,874,137	30,273,976	44,334,388	65,377,436
Payable		4,061,998	6,981,464	7,108,824	7,013,422	4,615,289
Current Income Tax liability		49,618	97,549	77,173	41,221	369,729
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposit and remittance		421,018,106	431,618,915	449,049,470	513,918,075	532,899,100
Bank debentures		10,204,397	12,335,884	13,109,598	11,180,976	11,673,858
Liability component of preferred stocks		-	-	-	-	-
Other financial liability		2,679,438	4,235,138	4,291,441	4,089,464	4,887,786
Provision		1,044,534	189,572	182,262	262,482	258,535
Deferred tax liability		-	-	-	-	1,415,180
lease liabilities		881,731	834,410	937,196	1,269,570	1,617,201
Other liability		2,575,775	2,892,210	2,967,213	2,998,047	3,285,481
Total liability	Before dilution	473,338,780	496,488,114	517,429,722	597,527,339	638,911,308
	After dilution	474,380,841	497,660,433	518,562,523	598,007,339	Note 2
Total equity attributable to owners of parent		34,890,164	35,949,316	47,918,675	49,813,029	56,248,301
Capital stock	Before dilution	26,051,524	26,051,524	28,051,524	28,900,129	30,844,553
	After dilution	26,051,524	26,051,524	28,900,129	30,844,553	Note 2
Capital surplus		32,413	32,413	8,032,413	8,032,413	8,035,484
Retained earnings	Before dilution	7,087,950	8,673,248	10,254,481	11,220,664	12,683,372
	After dilution	6,045,889	7,500,929	8,340,134	8,857,655	Note 2
Others equity		1,718,277	1,192,131	1,580,257	1,659,823	4,684,892
Treasury Stock		-	-	-	-	-
Non control Interest		260,253	269,140	267,890	245,726	1,578
Total equity	Before dilution	35,150,417	36,218,456	48,186,565	50,058,755	56,249,879
	After dilution	34,108,356	35,046,137	47,053,764	49,578,755	Note 2

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

Note 2: The 2020 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2019 was not provided.

Financial Highlights

(2) Condensed Individual Balance Sheet-IFRS

In NT\$ thousand

Year Item	Financial Data for the Past Five Year (Note 1)				
	2015(Reedit)	2016	2017	2018	2019
Cash and equivalent, due from the Central Bank and other banks	71,152,509	64,389,151	29,937,036	41,940,353	28,282,170
Financial assets at fair value through profit or loss	8,815,810	9,291,613	11,852,723	36,355,695	30,599,774
Financial assets at fair value through other comprehensive income	-	-	-	33,118,474	40,962,420
Investments in debt instruments at amortized cost	-	-	-	94,149,872	104,170,149
Available-for-sale financial assets	22,911,977	39,548,602	35,183,406	-	-
Hedging derivative financial instruments	-	-	-	-	-
Securities purchased under resell agreements	22,052,189	27,845,242	28,215,334	68,467,365	51,360,225
Receivable-Net	15,141,449	17,768,361	17,627,438	17,870,713	20,432,902
Current Tax asset	316,861	183,591	46,909	73,563	49,185
Available-for-sale asset-Net	-	-	-	-	-
Discounts & Loans-Net	280,781,558	284,040,723	318,624,348	326,837,853	386,383,784
Held-to-maturity financial asset	4,191,245	7,192,115	51,285,957	-	-
Equity Investment(Equity Method)-Net	2,758,367	2,910,889	2,981,366	4,725,795	5,375,020
Restricted assets	-	-	-	-	-
Other financial asset – Net	60,969,196	56,620,906	48,100,741	2,204,959	3,520,128
Property and equipment- Net	7,713,726	8,136,374	8,061,615	7,982,503	7,945,393
Right-of-use asset-Net	-	-	-	-	1,361,636
Investment property-Net	-	-	-	-	-
Intangible asset –Net	2,140,281	2,164,516	2,162,835	2,154,587	2,128,179
Deferred tax asset-Net	1,750,150	1,307,570	1,019,583	634,777	540,779
Other asset	2,193,401	2,230,774	2,102,313	2,490,419	3,267,302
Total asset	502,888,719	523,630,427	557,201,604	639,006,928	686,379,046
Due to the central bank and other banks	3,163,991	7,017,629	8,961,290	11,389,841	11,300,923

Financial Highlights

Year		Financial Data for the Past Five Year (Note 1)				
		2015(Reedit)	2016	2017	2018	2019
Call loan to the central bank and other banks		-	-	-	-	-
Financial liability at fair value through profit or loss		54,271	38,430	183,611	307,799	650,981
Hedging derivative financial instrument		-	-	-	-	-
Securities sold under repurchase agreements		26,986,936	28,874,137	30,273,976	44,334,388	65,377,436
Payable		4,037,153	6,889,250	7,005,686	6,912,587	4,519,286
Current Income Tax liability		32,955	64,784	70,008	24,379	364,806
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposit and remittance		421,746,026	432,062,824	449,412,119	514,386,800	533,655,963
Bank debentures		9,600,000	11,200,000	11,700,000	9,700,000	10,200,000
Liability component of preferred stocks		-	-	-	-	-
Other financial liability		20,408	19,566	21,720	11,825	111
Provision		1,026,155	176,554	171,759	252,949	249,967
Deferred tax liability		-	-	-	-	1,338,560
		869,197	815,251	911,524	1,228,719	1,569,639
Other liability		461,463	522,686	571,236	644,612	903,073
Total liability	Before dilution	467,998,555	487,681,111	509,282,929	589,193,899	630,130,745
	After dilution	469,040,616	488,853,430	510,415,730	588,713,899	Note 2
Capital stock	Before dilution	26,051,524	26,051,524	28,051,524	28,900,129	30,844,553
	After dilution	26,051,524	26,051,524	28,900,129	30,844,553	Note 2
Capital surplus		32,413	32,413	8,032,413	8,032,413	8,035,484
Retained earning	Before dilution	7,087,950	8,673,248	10,254,481	11,220,664	12,683,372
	After dilution	6,045,889	7,500,929	8,340,134	8,857,655	Note 2
Other equity		1,718,277	1,192,131	1,580,257	1,659,823	4,684,892
Treasury stock		-	-	-	-	-
Total equity	Before dilution	34,890,164	35,949,316	47,918,675	49,813,029	56,248,301
	After dilution	33,848,103	34,776,997	46,785,874	49,333,029	Note 2

Note 1: All financial data has been audited by independent auditors. Besides, the Bank merged its subsidiary, Union Insurance Broker Co., Ltd. in August 2016. The nature of this merger belongs to organizational restructuring within the group, with the consolidated accounts recorded at the carrying value of assets and liabilities, and it should be considered as a merger from the beginning. Therefore, the financial information compared to the previous period (2015) should be reedited.

Financial Highlights

Note 2: The 2020 annual general shareholders' meeting has yet to be held. As such, the amount after appropriation for 2019 was not provided.

Financial Highlights

(3) Condensed Consolidated Comprehensive Income Statement - IFRS

In NT\$ thousand

Item \ YEAR	Financial Data for the past five years (Note)				
	2015	2016	2017	2018	2019
Interest Revenue	10,098,167	10,014,337	10,268,804	10,987,708	12,003,109
Less: interest expense	4,013,743	3,709,965	3,677,756	4,285,920	5,525,647
Net interest	6,084,424	6,304,372	6,591,048	6,701,788	6,477,462
Net revenue others than interest	5,656,298	5,707,288	5,880,317	6,030,533	7,388,720
Total net revenue	11,740,722	12,011,660	12,471,365	12,732,321	13,866,182
Provision reversal of allowance for doubtful accounts	(113,942)	171,542	356,861	293,579	240,675
Operating expense	8,014,400	8,529,331	8,727,933	8,962,158	9,598,051
Income before income tax	3,840,264	3,310,787	3,386,571	3,476,584	4,027,456
Income tax (expense) revenue	(701,340)	(649,166)	(620,536)	(521,583)	(655,978)
Income after income tax	3,138,924	2,661,621	2,766,035	2,955,001	3,371,478
Discontinue segment profit/loss	-	-	-	-	-
Net income	3,138,924	2,661,621	2,766,035	2,955,001	3,371,478
Other comprehensive income after tax	298,867	(535,336)	396,819	(412,950)	3,500,069
Total comprehensive income	3,437,791	2,126,285	3,162,854	2,542,051	6,871,547
Net income attributable to owners of bank	3,120,902	2,636,375	2,744,987	2,956,724	3,359,457
Net income attributable to Non-controlling interests	18,022	25,246	21,048	(1,723)	12,021
Net profit attributable to owners of bank	3,419,774	2,101,213	3,141,678	2,544,240	6,859,589
Net profit attributable to Non-controlling interests	18,017	25,072	21,176	(2,189)	11,958
Earnings per share	\$1.20	\$1.01	\$1.02	1.00	1.00

Note : All financial data has been audited by independent auditors.

Financial Highlights

(4) Condensed Individual Comprehensive Income Statement - IFRS

In NT\$ thousand

Year Item	Financial Data for The Past Five years (Note)				
	2015(Reedit)	2016	2017	2018	2019
Interest Revenue	10,129,151	10,051,894	10,298,904	11,016,864	12,023,379
less: Interest Expense	3,958,924	3,653,016	3,613,710	4,225,103	5,459,519
Net Interest	6,170,227	6,398,878	6,685,194	6,791,761	6,563,860
Net revenues others than interest	3,635,663	3,508,315	3,602,533	3,779,951	5,096,496
Total net revenue	9,805,890	9,907,193	10,287,727	10,571,712	11,660,356
Provision reversal of allowance for doubtful accounts	(113,942)	171,542	356,861	291,985	235,584
Operating expenses	6,156,689	6,509,173	6,617,616	6,842,702	7,450,405
Income before income tax	3,763,143	3,226,478	3,313,250	3,437,025	3,974,367
Income tax revenue(expense)	(642,241)	(590,103)	(568,263)	(480,301)	(614,910)
Income after income tax	3,120,902	2,636,375	2,744,987	2,956,724	3,359,457
Discontinue segment profit	-	-	-	-	-
Net income	3,120,902	2,636,375	2,744,987	2,956,724	3,359,457
Other comprehensive income after tax	298,872	(535,162)	396,691	(412,484)	3,500,132
Total comprehensive income	3,419,774	2,101,213	3,141,678	2,544,240	6,859,589
Earnings per share	\$1.20	\$1.01	\$1.02	\$1.00	\$1.00

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

Financial Highlights

(5) Name of CPAs and the Auditors' Opinion

Year	CPA Firm	Independent Auditors	Audit Opinion
2012	Deloitte & Touche	Terence Huang /Vincent Cheng	Unqualified opinion
2013	Deloitte & Touche	Terence Huang /Vincent Cheng	Unqualified opinion
2014	Deloitte & Touche	Terence Huang /Vincent Cheng	Unqualified opinion
2015	Deloitte & Touche	Terence Huang /Vincent Cheng	Unqualified opinion
2016	Deloitte & Touche	Vincent Cheng /Charels Yang	Unqualified opinion
2017	Deloitte & Touche	Vincent Cheng /Charels Yang	Unqualified opinion
2018	Deloitte & Touche	Vincent Cheng /Charels Yang	Unqualified opinion
2019	Deloitte & Touche	Terence Huang /Charels Yang	Unqualified opinion

Financial Highlights

2. Financial Analysis and Capital Adequacy Ratio

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

A. Consolidated Financial Report.

In NT\$ thousand

Year Item(Note2)		Financial Data for the Past Five Years (Note1)				
		2015	2016	2017	2018	2019
Operating capability	Loans to deposits ratio (%)	66.89	66.18	71.31	64.03	72.99
	Non-performing loan ratio (%)	0.05	0.10	0.12	0.12	0.15
	Interest expense to average total deposits (%)	0.86	0.73	0.66	0.69	0.74
	Interest revenue to average total loans (%)	2.36	2.17	2.08	2.15	2.17
	Total asset turnover (times)	0.0236	0.0231	0.0227	0.0210	0.0207
	Average net income per employee	3,061	3,085	3,141	3,160	3,308
	Average earnings per employee	818	684	697	733	804
Profitability	Return on tier 1 capital (%)	14.00	10.91	8.88	7.80	8.52
	Return on assets (%)	0.63	0.51	0.50	0.49	0.50
	Return on equity (%)	9.31	7.46	7.44	7.28	6.70
	Net income ratio (%)	26.74	22.16	22.18	23.21	24.31
	EPS (NT\$)	1.20	1.01	1.02	1.00	1.00
Financial Structure	Total liabilities to total assets ratio (%)	93.05	93.18	91.46	92.24	91.88
	Fixed assets to shareholders' equity ratio (%)	21.97	22.52	16.77	16.00	14.17
Growth rate	Asset growth ratio (%)	4.52	4.76	6.18	14.49	7.35
	Profitability growth ratio (%)	2.74	(13.79)	2.29	2.66	15.85
Cash Flow	Cash flow ratio (%)	-	3.45	-	86.32	-
	Cash flow adequacy ratio (%)	115.75	78.95	99.12	1,093.33	917.36
	Cash flow reinvestment ratio (%)	-	34.71	-	1,401.87	-
Liquid Reserve Ratio (%)		20.69	20.79	20.65	28.35	27.13
Balance of Secured Loans to Related Parties		2,357,291	2,235,592	1,259,684	1,240,019	1,494,031
Total Secured Loans to Related Parties as a % of Total Loans		0.80	0.75	0.37	0.36	0.37
Operation Scale	Market share of asset (%)	1.00	1.02	1.04	1.14	1.17
	Market share of net worth (%)	1.03	1.00	1.28	1.25	1.30
	Market share of deposits (%)	1.09	1.08	1.08	1.21	1.20
	Market share of loans (%)	1.16	1.14	1.22	1.19	1.34

Financial Highlights

Reason of ration change: The increase in Cash Flow Adequacy Ratio is mainly due to the increase in deposits.

Note 1: All financial data has been audited or reviewed by independent auditors.

Note 2: Financial ratios are computed as follows:

- I. Operating Capability
 - i. Loans to deposits ratio= Total loans/ total deposits (excluding redeposits of Chunghwa Post Co.)
 - ii. Non-performing loan ratio= Total NPL/ total loans
 - iii. Interest expense to average total deposits= Deposits related interest expense/ average total deposits
 - iv. Interest revenue to average total loans= Loans related interest revenue/ average total loans
 - v. Total asset turnover= Net operating revenue/ average total assets
 - vi. Average net income per employee (Note 6) = Net operating revenue/ total number of employees.
 - vii. Average earnings per employee= Net income after tax/ total number of employees.
- II. Profitability
 - i. Return on tier 1 capital= Net income before tax/ average total tier 1 capital.
 - ii. Return on assets= Net income after tax/ average total assets.
 - iii. Return on equity= Net income after tax/ average shareholders' equity.
 - iv. Net Income ratio= Net income after tax/ net income.
 - v. Earnings per share= (Net Income after tax - preferred stock dividend)/weighted average outstanding shares (Note 4)
- III. Financial structure
 - i. Total liabilities to total assets ratio=Total liabilities (Note 3) / total assets.
 - ii. Fixed assets and equipment to net worth ratio=Fixed assets and equipment, net/shareholders' equity, net.
- IV. Growth rate
 - i. Asset growth ratio= (Total assets as at the end of this year - total assets as at the end of last year)/total assets as at the end of last year.
 - ii. Profitability growth ratio=(Net income before tax for the current year- net income before tax for the past year)/net income before tax for the past year.
- V. Cash flow (Note 7)
 - i. Cash flow ratio=Net cash from operating activities/(call loans to banks+ CD payable + change in fair value of financial liabilities through the income statement + repurchase securities payable + Liabilities-current portion due within one year).
 - ii. Cash flow adequacy ratio=Net cash from operating activities for the past five years/(capital expenditure + cash dividends) incurred for the past 5 years.
 - iii. Cash flow reinvestment ratio=Net cash from operating activities/net cash from investing activities.
- VI. Liquid reserve ratio=Liquid assets statutorily required/reserve for liabilities.
- VII. Operation scale
 - i. Market share of assets=Total assets/total assets of all authorized deposit-taking and loan-underwriting financial institutions*. (Note 5)
 - ii. Market share of net worth=Net worth/total net worth of all authorized deposit-taking and loan-underwriting financial institutions*.
 - iii. Market share of deposits=Total deposits/total deposits of all authorized deposit-taking and loan-underwriting financial institutions*.
 - iv. Market share of loans=Total loans/total loans of all authorized deposit- taking and loan-underwriting financial institutions*.

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

Note 4: I. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.

II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.

III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.

V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.

Note 5: All authorized deposit-taking and loan-underwriting financial institutions include all domestic bank, the local branches of foreign banks,

Financial Highlights

credit cooperative associations, farmers' & fishermen's associations and trust & investment corps.

Note 6: Revenue refers to the sum of interest income and non-interest income.

Note 7: The following notes apply when conducting cash flow analysis:

- I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
- II. Capital expenditures means the amounts of cash out-flows for annual capital investment.
- III. Cash dividend includes cash dividends from both common shares and preferred shares.

Financial Highlights

(B) Financial Analysis – Financial Report

In NT\$ thousand

Year Item(Note2)		Financial Data for the Past Five Years (Note1)				
		2015	2016	2017	2018	2019
Operating capability	Loans to deposits ratio (%)	67.24	66.49	71.68	64.32	73.22
	Non-performing loan ratio (%)	0.05	0.10	0.12	0.12	0.15
	Interest expense to average total deposits (%)	0.86	0.73	0.66	0.69	0.74
	Interest revenue to average total loans (%)	2.36	2.17	2.08	2.15	2.17
	Total asset turnover (times)	0.0199	0.0193	0.0190	0.0177	0.0176
	Average net income per employee	2,745	2,729	2,780	2,813	2,994
	Average earnings per employee	874	726	742	787	863
Profitability	Return on tier 1 capital (%)	13.70	10.64	8.71	7.73	8.47
	Return on assets (%)	0.63	0.51	0.51	0.49	0.51
	Return on equity (%)	9.33	7.44	7.43	7.33	6.69
	Net income ratio (%)	31.83	26.61	26.68	27.97	28.81
	EPS (NT\$)	1.20	1.01	1.02	1.00	1.00
Financial Structure	Total liabilities to total assets ratio (%)	93.02	93.11	91.38	92.17	91.77
	Fixed assets to shareholders' equity ratio (%)	22.11	22.63	16.82	16.02	14.13
Growth rate	Asset growth ratio (%)	4.43	4.12	6.41	14.68	7.41
	Profitability growth ratio (%)	2.38	(14.26)	2.69	3.74	15.63
Cash Flow	Cash flow ratio (%)	-	-	-	84.52	-
	Cash flow adequacy ratio (%)	364.19	92.41	81.05	1,029.33	881.60
	Cash flow reinvestment ratio (%)	-	-	-	2,380.43	-
Liquid Reserve Ratio (%)		20.69	20.79	20.65	28.35	27.13
Balance of Secured Loans to Related Parties		4,337,797	3,859,365	3,155,043	3,062,186	3,228,142
Total Secured Loans to Related Parties as a % of Total Loans		1.47	1.29	0.94	0.88	0.79
Operation Scale	Market share of asset (%)	0.99	1.00	1.02	1.13	1.16
	Market share of net worth (%)	1.02	1.00	1.27	1.24	1.30
	Market share of deposits (%)	1.09	1.08	1.08	1.21	1.20
	Market share of loans (%)	1.17	1.14	1.22	1.20	1.35

Financial Highlights

Reason of ration change: The increase in Cash Flow Adequacy Ratio is mainly due to the increase in deposits.

Note 1: All financial data for the most recent two years was audited by CPA.

Note 2: Financial ratios are computed as follows:

I. Operating Capability

Loans to deposits ratio= Total loans/ total deposits (excluding redeposits of Chunghwa Post Co.)

Non-performing loan ratio= Total NPL/ total loans.

Interest expense to average total deposits= Total interest expense/ average total deposits.

Interest revenue to average total loans= Total interest revenue/ average total loans.

Total asset turnover= Net operating revenue/ total assets.

Average net income per employee (Note 6) = Net operating revenue/ total number of employees.

Average earnings per employee= Net income after tax/ total number of employees.

II. Profitability

Return on tier 1 capital= Net income before tax/ average total tier 1 capital.

Return on assets= Net income after tax/ average total assets.

Return on equity= Net income after tax/ average shareholders' equity.

Net Income ratio= Net income after tax/ net income.

Earnings per share= (Net Income after tax - preferred stock dividend)/weighted average outstanding shares (Note 4)

III. Financial structure

Total liabilities to total assets ratio=Total liabilities/total assets.

Fixed assets to net worth ratio=Fixed assets, net/shareholders' equity, net.

IV. Growth rate

Asset growth ratio= (Total assets as at the end of this year - total assets as at the end of last year)/total assets as at the end of last year.

Profitability growth ratio=(Net income before tax for the current year- net income before tax for the past year)/net income before tax for the past year.

V. Cash flow (Note 7)

Cash flow ratio=Net cash from operating activities/(call loans to banks+ CD payable + change in fair value of financial liabilities through the income statement + repurchase securities payable + Liabilities-current portion due within one year).

Cash flow adequacy ratio=Net cash from operating activities for the past five years/(capital expenditure + cash dividends) incurred for the past 5 years.

Cash flow reinvestment ratio=Net cash from operating activities/net cash from investing activities.

VI.. Liquid reserve ratio=Liquid assets statutorily required/reserve for liabilities.

VII.. Operation scale

Market share of assets=Total assets/total assets of all authorized deposit-taking and loan-underwriting financial institutions*.(Note 5)

Market share of net worth=Net worth/total net worth of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of deposits=Total deposits/total deposits of all authorized deposit-taking and loan-underwriting financial institutions*.

Market share of loans=Total loans/total loans of all authorized deposit- taking and loan-underwriting financial institutions*.

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

Note 4: I. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.

II. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.

III. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for

Financial Highlights

the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.

IV. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.

V. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; no adjustment is required to be made if the result of operation is a net loss.

Note 5: All authorized deposit-taking and loan-underwriting financial institutions include all domestic bank, the local branches of foreign banks, credit cooperative associations, farmers' & fishermen's associations and trust & investment corps.

Note 6: Revenue refers to the sum of interest income and non-interest income.

Note 7: The following notes apply when conducting cash flow analysis:

I. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.

II. Capital expenditures means the amounts of cash out-flows for annual capital investment.

III. Cash dividend includes cash dividends from both common shares and preferred shares.

Financial Highlights

(2) Capital Adequacy

(Unconsolidated)

In NT\$ thousand

Item		Year(Note1)	Capital Adequacy Ratio for the Past Five Years (Note2)					Capital Adequacy Ratio as of the current year
			2015	2016	2017	2018	2019	
Regulatory Capital	Common Stock Equity		28,573,380	30,419,225	31,867,478	33,172,535	37,440,298	As of the date of publication of the annual report, the recent information (2019) certified or audited by the CPA has been presented in the left column and does not need to be disclosed again.
	Other Tier1 Capital of Non- Common Stock Equity		0	1,664,565	12,146,864	11,720,972	11,559,375	
	Tier2 Capital		7,817,292	6,851,336	5,726,391	4,310,985	6,347,470	
	Regulatory Capital		36,390,672	38,935,126	49,740,733	49,204,492	55,347,143	
Risk Weighted Assets	Credit risk	Standardized Approach	232,370,458	248,197,971	262,292,427	289,940,083	332,391,574	
		Internal Ratings-Based Approach						
		Credit Valuation Adjustment (CVA)	14,776	8,583	25,735	29,221	31,217	
		Asset Securitization	1,227,133	919,153	11,794,762	2,343,167	700,692	
	Operation risk	Basic Indicator Approach	16,711,475	17,384,500	17,986,588	18,656,113	19,966,470	
		Standardized Approach/ Alternative Standardized Approach						
		Advanced Measurement Approach						
	Market Risk	Standardized Approach	25,658,013	22,483,575	24,757,659	32,534,371	23,513,386	
		Internal Model Approach						
	Total Risk-weighted Assets			275,981,855	288,993,781	316,857,171	343,502,955	376,603,339
Capital Adequacy Ratio			13.19%	13.47%	15.70%	14.32%	14.70%	
Ratio of tier 1 capital to risk-weighted assets			10.35%	11.10%	13.89%	13.07%	13.01%	
Ratio of common stock equity to risk-weighted assets			10.35%	10.53%	10.06%	9.66%	9.94%	
Leverage Ratio			5.28%	5.68%	7.30%	6.48%	6.53%	

Note1: The financial data in all periods was audited by CPA..

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- i. Regulatory Capital = Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity + Tier2 Capital
- ii. Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation* 12.5.
- iii. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
- iv. Ratio of tier 1 capital to risk-weighted assets = (Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity) / Total risk-weighted assets.
- v. Ratio of Common Stock Equity 1 to risk-weighted assets = Common Stock Equity / Total risk-weighted assets.
- vi. Gearing ratio = Tier 1 Capital - Net / Total Risk Exposure.

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

Note 5: The disclosure of leverage ratio since 2015.

Financial Highlights

(Consolidated)

In NT\$ thousand

Item		Year(Note1)	Capital Adequacy Ratio for the Past Five Years (Note2)				
			2015	2016	2017	2018	2019
Regulatory Capital	Common Stock Equity		28,573,960	29,751,735	31,226,900	32,575,667	37,013,051
	Other Tier1 Capital of Non- Common Stock Equity		0	2,378,925	12,878,925	12,496,555	12,506,259
	Tier2 Capital		10,537,483	9,629,432	8,534,948	7,313,533	9,685,896
	Regulatory Capital		39,111,443	41,760,092	52,640,773	52,385,755	59,205,206
Risk Weighted Assets	Credit risk	Standardized Approach	240,005,077	258,435,318	271,952,498	299,979,309	343,055,529
		Internal Ratings-Based Approach					
		Credit Valuation Adjustment (CVA)	14,776	8,583	25,735	29,221	31,217
		Asset Securitization	1,227,133	919,153	11,794,762	2,343,167	700,692
	Operation risk	Basic Indicator Approach	19,034,288	19,969,925	20,976,363	22,156,450	23,560,822
		Standardized Approach/ Alternative Standardized Approach					
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	26,975,300	23,893,763	25,883,018	33,506,790	24,423,653
		Internal Model Approach					
	Total Risk-weighted Assets			287,256,574	303,226,742	330,632,376	358,014,937
Capital Adequacy Ratio			13.62%	13.77%	15.92%	14.63%	15.11%
Ratio of tier 1 capital to risk-weighted assets			9.95%	10.60%	13.34%	12.59%	12.64%
Ratio of common stock equity to risk-weighted assets			9.95%	9.81%	9.44%	9.10%	9.45%
Leverage Ratio			5.21%	5.57%	7.21%	6.42%	6.52%

Note1: The financial data in all periods was audited by the CPA.

Note2: Core capital, weighted risk-based assets and total exposures in this Table were calculated in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Explanation and Table of Computation of Banks' Core Capital and Risk-Weighted Assets".

Note3: The ratios are computed as follows:

- i. Regulatory Capital = Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity + Tier2 Capital
- ii. Total risk-weighted assets = Credit risk weighted assets + (operational risk + market risk) capital appropriation * 12.5.
- iii. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
- iv. Ratio of tier 1 capital to risk-weighted assets = (Common Stock Equity + Other Tier1 Capital of Non- Common Stock Equity) / Total risk-weighted assets.
- v. Ratio of Common Stock Equity I to risk-weighted assets = Common Stock Equity / Total risk-weighted assets.
- vi. Gearing ratio = Tier 1 Capital - Net / Total Risk Exposure

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

Financial Highlights

3. Supervisors' Report for the 2019 Financial Statements

Union Bank of Taiwan Co., Ltd.

Audit Committee's Report

The Board of Directors of the Bank has prepared and submitted the 2019 Business Report, Financial Statements (Including Balance Sheet, Income Statement, Statement of Shareholders' Equity, Statement of Cash Flows), and proposal for allocating profits, of which, the Financial statements (including consolidated statements of subsidiaries) have been audited by CPA Mr. Terence Huang and Mr. Charles Yang of Deloitte & Touche. The above Business Report, Financial Statements and proposal have been further determined to be correct and accurate by the supervisors. Hence, according to Article 14-4 and Article 219 of the Company Act, we hereby submit this report.



Union Bank of Taiwan Co., Ltd.

Convener of Audit Committee : Guo-Zhang Li



March 11, 2020

4. Financial Statements for 2019: Please refer to Appendix.

5. 2019 Individual Financial Statements for certified and audited by the CPA:
Please refer to Appendix.

6. Any Financial Difficulties Experienced by the Bank and its Affiliated Enterprises in the Past Year and Current Year up to the Printing Date of the Annual Report, if yes, please narrate the impact upon the Bank's financial conditions: None.

Analysis of the Financial Status and Operating Results & Risk Management

1. Financial Status

In NT\$ thousand

Item	Year	Dec. 31, 2019	Dec. 31, 2018	Difference	
				Amount	%
Cash & cash equivalent, Due from Central Bank and other banks (note 1)		29,727,331	43,277,365	(13,550,034)	(31.31)
Financial assets at fair value through profit or loss		30,917,254	36,709,925	(5,792,671)	(15.78)
Fair value through profit or loss financial assets.		41,236,965	33,393,507	7,843,458	23.56
Amortized cost financial assets		104,170,149	94,149,872	10,020,277	10.64
Securities purchased under re-sale agreements		51,417,825	68,480,765	(17,062,940)	(24.92)
Account receivable – net		21,177,107	18,131,482	3,045,625	16.80
Current income tax asset (note 2)		58,716	81,020	(22,304)	(27.53)
Discount & loans – net		384,649,673	325,015,686	59,633,987	18.35
Financial assets available for sale – net		1,587,482	1,623,462	(35,980)	(2.22)
Held-to-maturity investment financial asset (note 3)		3,632,648	2,301,648	1,331,000	57.83
Stock investments accounted for under the Equity Method		7,969,302	8,007,495	(38,193)	(0.48)
Other Financial Assets - net		1,439,735	-	1,439,735	-
Property & equipment – net		5,369,780	5,398,908	(29,128)	(0.54)
Investment property-net		2,137,457	2,162,961	(25,504)	(1.18)
Intangibles		698,921	791,550	(92,629)	(11.70)
Due to Central Bank & other banks		8,970,842	8,060,448	910,394	11.29
Other assets		695,161,187	647,586,094	47,575,093	7.35
Total assets		11,860,732	12,111,895	(251,163)	(2.07)
Due to Central Bank & other banks		650,981	307,799	343,182	111.500
Financial liability at fair value through profit or loss (note 4)		65,377,436	44,334,388	21,043,048	47.46
Securities sold under re-purchase agreement		4,615,289	7,013,422	(2,398,133)	(34.19)
Accounts Payable		369,729	41,221	328,508	419.13
Current income tax liabilities		532,899,100	513,918,075	18,981,025	3.69
Deposit & remittance		11,673,858	11,180,976	492,882	4.41
Bank debentures		4,887,786	4,089,464	798,322	19.52
Other financial liability		258,535	262,482	(3,947)	(1.50)
Provision		1,415,180	-	1,415,180	-
Deferred income tax liabilities		1,617,201	1,269,570	347,631	27.38

Analysis of the Financial Status and Operating Results & Risk Management

Item	Year		Difference	
	Dec. 31, 2019	Dec. 31, 2018	Amount	%
Other liabilities	3,285,481	2,998,047	287,434	9.59
Total liabilities	638,911,308	597,527,339	41,383,969	6.93
Capital stock	30,844,553	28,900,129	1,944,424	6.73
Capital surplus (note 5)	8,035,484	8,032,413	3,071	0.04
Retained earnings	12,683,372	11,220,664	1,462,708	13.04
Others equity	4,684,892	1,659,823	3,025,069	182.25
Total equity attributable to owners of the Bank	56,248,301	49,813,029	6,435,272	12.92
Non control interest	1,578	245,726	(244,148)	(99.36)
Total Equity	56,249,879	50,058,755	6,191,124	12.37

Notes:

1. Cash and cash equivalents, due to the Central Bank and other banks: mainly due to decrease in deposit reserve and due from other banks.
2. Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss: mainly due to increase in government bond investments.
3. Other financial assets – net: mainly due to increase in due from other banks.
4. Accounts payable: Mainly due to decrease in notes and checks in clearing.
5. Other equity: Mainly due to increase in net valuation gain on financial assets at fair value through other comprehensive income.

2. Results of Operation

In NT\$ thousand

Item	2019	2018	Change in Amount	Change in %
	Amount	Amount		
Interest Income	6,477,462	6,701,788	(224,326)	(3.35)
Income other than Interest Income	7,388,720	6,030,533	1,358,187	22.52
Reversal of Bad debt expense (note 1)	240,675	293,579	(52,904)	(18.02)
Operating expense	9,598,051	8,962,158	635,893	7.10
Income (loss) before tax	4,027,456	3,476,584	550,872	15.85
Income tax benefits (expense)	655,978	521,583	134,395	25.77
Consolidated income	3,371,478	2,955,001	416,477	14.10
Other comprehensive income, net of income tax (note 2)	3,500,069	(412,950)	3,913,019	-
Total comprehensive income	6,871,547	2,542,051	4,329,496	170.32

Notes of change:

Other comprehensive income (after-tax): This was mainly due to the increase in net gain on valuation of financial assets at fair value through other comprehensive income.

Analysis of the Financial Status and Operating Results & Risk Management

3. Cash Flow

(1) Cash Flow Analysis for the Past Two Years

In NT\$ thousand

Item	Year	2019	2018	Change in %
Cash flow ratio (%)		-	86.32%	(86.32%)
Cash flow adequacy ratio (%)		917.36%	1,093.33%	(175.97%)
Cash flow satisfaction ratio (%)		-	1,401.87%	(1,401.87%)

The decrease in various cash flow ratios was mainly due to net cash outflow for the continuous growth of business activities in 2019.

(2) Liquidity Analysis for the Next Year

In NT\$ thousand

Opening balance of cash ①	Expected cash inflows (outflows) from operating activities ②	Total expected cash inflows (outflows) ③	Expected cash surplus (deficit) ①+②+③	Corrective measures for cash Deficiency	
				Investment Plan	Financing Plan
64,277,348	(247,066)	(3,780,000)	60,250,282	-	-

Cash flow analysis:

1. Operating activities: The increase was due to the growth of operating activities.
2. Investing and financing activities: The increase was due to the issuance of subordinated debt and the increase of reinvestment
3. Measures to finance cash deficiency and liquidity analysis: None.

4. The Impact of Major Capital Expenditure on the Bank's Financial Operations for the recent years: None

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

(1) Reinvestment Policy

The Bank's basic principles of reinvestment are to be in line with the government policy, to carry out business diversification and to optimize capital utilization. In addition, the bank will coalesce its related financial business channels to provide customers with multiple services and to create an operating synergy for the group.

(2) The Main Reasons for Profit or Loss

The Bank's Investment profit recognized in 2019 totaling NT\$ 105.2 million and the main items recognized are the operating profit and cash dividend income of the reinvestment business.

(3) Improvement Plan

The Bank evaluates the performance and risks of our investee companies on a regular basis during the year. We adopt a proactive management approach in that we examine the financial and business status of investee companies from time to time and make adjustments accordingly to ensure performance.

(4) Investment Plan for the Next Year

Will depend on the overall economic environment and the Bank's operating strategy.

6. Risk Management

(1) Qualitative and Quantitative Information About the Various Risks:

A. Credit Risk Management System and Capital Requirement:

Analysis of the Financial Status and Operating Results & Risk Management

a. Credit Risk Management System-2019

Item	Contents
1. Credit risk management strategies and procedures	<ol style="list-style-type: none"> 1. Credit risk management strategy: The Bank has enacted UBOT credit risk management principle as the basis to plan, promote, manage and execute the credit risk. 2. Credit risk management objective: The Bank has established credit risk management mechanism to lower credit risk, and to achieve the objective of operating and management, and to attain a balance between risk control and business development. 3. Credit risk management policy: The Bank has aimed at maintaining an adequate capital base within an acceptable level of credit risk to complete the objective of credit risk strategy and maximize revenue in after-risk-adjusted. 4. Credit risk management procedure: The Bank has employed procedures such as risk recognition, risk measuring, risk offsetting, risk control and risk reporting etc. to establish risk management system.
2. Credit risk management organization and framework	<ol style="list-style-type: none"> 1. Board of Directors: The highest decision-making unit of the Bank's credit risk management policy. Responsible for reviewing the Bank's credit risk management policy. 2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's credit risk management. 3. Risk Management Dept.: Responsible for examining the risk management mechanisms established by the respective business administration departments, performing the risk control and submitting the risk control report to the Board of Directors regularly. 4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and properly supervising the performance of risk control of respective business unit. 5. Respective business units: Shall comply with the rules and regulations set forth by the Business Planning and Administration Departments while conducting their day-to-day operations.
3. Scope and characteristics of credit risk reporting and measurement system	<p>Scope of Risk Reporting</p> <ol style="list-style-type: none"> 1. All business administration departments report to the Assets and Liabilities Management Committee on a periodic basis regarding the status of business promotion and execution as well as information on the allocation of risk-based assets. 2. The Risk Management Dept. monitors the control of the Bank's credit limits on a periodic basis and reports to the Assets and Liabilities Committee with respect to concentration of credit risks and achievement of the BIS targets set for various business sectors. The Risk Management Dept. also reports to the Board of Directors on the various business volumes achieved, status of nonperforming loans, concentration of credit risks and the execution of credit risk control measures. <p>Measurement System:</p>

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Item	Contents
	The Bank adopts the Standardized Approach to compute the capital requirement and regularly generates official risk management reports. The Risk Management Dept. and the respective business administration departments generate various risk exposure reports by business, industry, country, group, credit concentration and types of collateral, to effectively measure and manage the combination of asset.
4. Credit risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	The Bank employs suitable strategies such as eschewing, transfer, control and undertaking to tackle possible credit risk losses of all business units according to their respective business characteristics and cost-effective considerations. The Bank's IT system provides the relevant risk information to assist the Bank's management to perform risk monitoring procedures. The Risk Management Dept. reports the status of risk control measures to the Board of Directors on a six-monthly basis.
5.Method used to provide the legal capital	Standard Method.

b. Exposure after risk reduction & capital requirement for standard method of credit risk calculation

As of Dec 31, 2019

In NT\$ thousand

Type of exposure	Exposure after risk reduction	Capital requirement(Note)
Sovereign states	85,395,435	274,583
Public departments other than the central government	37,644,787	790,541
Banks (including multiple development banks)	42,839,696	1,513,011
Enterprises (including securities and insurance companies)	78,775,019	7,852,305
Retailing credits	218,030,816	18,600,467
Residential real estate	86,248,519	4,683,287
Investments in equity securities	57,427	6,030
Other assets	19,188,577	1,180,893
Total	568,180,276	34,901,115

Note: The capital requirement is exposure after risk reduction multiplying by the statutory minimum capital adequacy ratio (2019: 10.5%).

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

a. Risk Management System of Asset Securitization in 2019

Item	Contents
1. Management strategy and procedure of securitization	<p>(1) Securitization Strategy: The current asset securitization investment positions held by the Bank belong to the banking books. In principle the bank does not act in the capacity of the originating bank of securitization products, but rather plays as the investor to earn stable income. The investment target products are mainly of the investment grade with higher security.</p> <p>(2) Securitization procedure: Before making investment, the bank evaluates the characteristics, credit rating, returns and risks of the products to understand the security, liquidity and profitability. Investment proposals should be submitted to the Board of Managing Directors for approval, and regularly review the exposure status on the investment targets.</p>
2. Securitization management organization and framework	The Bank does not act as the originating bank of any securitized products. The risks of positions invested are evaluated and reviewed by the investing unit and the Bank's risk management department periodically.
3. Scope and characteristics of securitization risk report and measuring system	In addition to observing the global economy and market interest rate change in connection with the investment on securitization products, regular evaluation and monitoring on risk and income are performed periodically and the results are submitted to Asset and Liability Management committee and the Board of Director.
4. Securitization hedging or risk reduction policies, and effective strategies and procedures for controlling risk hedging and risk reduction tools	The relevant units shall review and control the securitized products periodically.
5. Approach to require the authorized capital	Standard Method
6. Disclosure of Marco qualitative: a. Objectives of securitization activities and the risk of re-securitization. b. Other risk of asset securitization. c. The role and the degree of involvement in securitization process.	

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Item	Contents
d. The description of monitoring tool in credit and market fluctuation related to securitization exposure. e. Management policy of offsetting credit risk in securitization and re securitization.	Not applicable since the Bank does not act as the originating bank of securitized product.
7. The description of accounting policy of bank's securitization..	
8.Explian the exposure of securitization and ECAI in the banking book	
9. Explain major change in the quantities information after reporting period	

b. Status of Asset Securitization as of December 31, 2017

Type	Total issue amount	Outstanding balance	Amount repurchased
None			

c. Exposure & Capital Requirement of Asset Securitization as of December

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Dec 31, 2019

In NT\$ thousand

Type of exposure	Type of exposure	Conventional			Portfolio		Total		
		Exposures			Capital requirement (2)	Exposure	Capital requirement (4)	Exposures (5)=(1)+(3)	Capital requirement (6)=(2)+(4)
		Held or Purchased	Liquidity facilities provided	The enhancement of credit provided					
					Capital requirement (2)	Held or Purchased (3)	Capital requirement (4)	Exposures (5)=(1)+(3)	Capital requirement (6)=(2)+(4)
Book Type The role of bank	CMO				56,055			50,555,176	56,055
		Non-originating bank							
		Bank Book			50,555,176				56,055
		Trade Book							
		Subtotal			50,555,176	56,055		50,555,176	56,055
		Total			50,555,176	56,055		50,555,176	56,055
		Originating bank							
		Bank Book							
		Trade Book							
		Subtotal							
		Total							

d. Information of Securitized commodities investment as of December 31, 2018
 I. Summary of Investment in Securitized commodities

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USD : NTD = 1 : 30.733

In NT\$ thousand

Item	Account	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount
CMO	Financial Assets at Fair Value Through Profit or Loss	54,861	12,499	0	67,360
CMO	Investment in Debt Instruments at Amortized Cost	50,340,480	0	303,468	50,037,012

Note1: The above numbers do not include the amount of Interest Receivable.

Note2: Accumulated valuation gains or losses and accumulated impairment losses were calculated and provided by an internationally renowned professional risk management agency (Yield Book model).

II.

- i. Information on Securitized commodities investment where the initial cost of a single investment is in excess of NT\$300 million (excluding those held by the Originator for the purpose of credit enhancement):

USD : NTD = 1 : 30.166

In NT\$ thousand

Name of Securities	Account (Note)	Currency	Issuer & Place	Purchase Date	Coupon Rate	Credit Rating	Method of Interest Payment & Principal Repayment	Initial Cost	Cumulative Valuation Gain or Loss	Cumulative Impairment	Carrying Amount	Attachment Point	Details of Asset Pool
				Maturity Date									
Ginnie Mae CMO	Non-active market debt instruments	USD	Ginnie Mae	20091130-20180530	2.5%~5.5%	Moody's Aaa	Monthly	40,758,500	0	245,003	40,513,497	N/A	N/A
				20190930-20390806									
Fannie Mae CMO	Non-active market debt instruments	USD	Fannie Mae	20121030	3.0%	S&P AA+	Monthly	809,793	0	5,267	804,536	N/A	N/A
				20281106									

- ii. Securitized commodities held by the bank as the originator for the purpose of credit enhancement

In NT\$ thousand

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

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

In NT\$ thousand

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

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

In NT\$ thousand

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

C. Operation Risk Management System and Capital Requirement

a. Operation Risk Management System

2019

Item	Risks
1. Operation risk management strategies and procedures	<p>Strategies: The Bank has enacted the "Operation Risk Management Guidelines of Union Bank of Taiwan" which serves as the basis for relevant business units to plan, promote, manage and execute operations risk management.</p> <p>Procedure: The Bank has built up an operation risk management mechanism through procedures for risk identification, assessment, measuring, monitoring and reporting.</p>
2. Operational risk management organization and framework	<ol style="list-style-type: none"> 1. Board of Directors: The top decision-making body of the Bank's operational risk management policy. Responsible for reviewing the Bank's operational risk management policy. 2. Assets and Liabilities Management Committee: Responsible for reviewing the implementation of the Bank's operational risk management. 3. Risk Management Dept.: Responsible for examining the risk management mechanisms established by the respective business administration departments, performing risk control and the submitting the risk control report to the board of Directors regularly. 4. Business Planning and Administration Dept.: Responsible for formulating the business management rules and control mechanisms and supervising the performance of risk control of respective business unit. 5. All business units: Shall comply with the rules and regulations set forth by the Business Administration departments in daily operations.
3. Scope and characteristics of the operational risk reporting and measurement system	<ol style="list-style-type: none"> 1 The Bank adapts the "Guidelines for Collection of Operational Risk Information" and establishes the "Operational Risk Reporting System" for all departments to report any operational risk incident to the Risk Management Dept. 2 The Bank has put in place the "Operational Risk Indicators". Upon setting the control frequency and risk warning standards, the relevant departments are responsible for providing the risk indicator values based on the risk control frequency to the Risk Management Dept. Improvement measures are taken to address any risks that exceeded the set standards. 3 The Bank has adopted the "Guidelines for Operational Risk Control Self-Assessment" and established the "Operational Risk Control Self-Assessment" database to carry out

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Item	Risks
	<p>the operational risk control self-assessment throughout the Bank periodically.</p> <p>4 The Risk Management Dept. reports the status control of “Operational risk events”, “Operational risk indicators” and “Operational risk control self-assessment” to the Assets and Liabilities Management Committee and Board of Directors on a regular basis.</p>
4. Operational risk hedging or risk reduction policies, and strategies and procedures for monitoring the effectiveness of hedges and risk reduction tools	<p>1. The Bank evaluates the frequency and level of influence with respect to operation risk confronted and adopts a series of risk reduction measures such as insurance, outsourcing operation, procedure improvement, personnel training enhancement, urgent response actions set up and risk hedging.</p> <p>2. The Bank takes every possible operation risk into consideration and build up acceptable action measures while enacting operation manual for core products. In addition, External and internal auditing are the enhancements of operation risk prevention.</p> <p>3. Risk Management Dept. informs Assets and Liabilities Management Committee about operation risk incidents collected quarterly and reports the Board of Director the operation risk control status of all business biannually.</p>
5. Method used to provide the legal capital	Basic Indicator Approach.

b. Operation Risk Capital Requirement as of Dec.31, 2019

In NT\$ thousand

Year	Gross profit	Capital requirement
2017	9,688,238	
2018	10,614,058	
2019	11,644,056	
Total	31,946,352	1,597,318

D. Market Risk Management System and Capital Requirement

a. Market Risk Management System – 2019

Item	Contents
1. Market risk management strategies and procedures	1. The Bank has enacted “UNION BANK market risk management principle” approved by the Board of Directors, as the basis for market risk management.

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Item	Contents
	<p>2. The management procedure of market risk management contains the following five processes:</p> <ol style="list-style-type: none"> (1) Risk Identification: For items on/off the Balance Sheet, the bank identify the market risk factors of various products and investment business to evaluate the risk and define management procedure and control mechanism. (2) Risk Measurement: To cope with market risk quantification, there is at least one assessment tool for each investment or transaction. The assessment tools include mark-to-market, nominal principal, sensitivity analysis, value at risk and pressure test. (3) Risk Monitoring: Clearly define risk limits on relevant operation regulations for all business and monitor by frequency. Risk Management Dept. is in charge of the summarization and presentation of market risks for the Bank. (4) Risk Reporting: Risk Reporting is divided into routine reporting, overrun reporting and exceptional reporting. Routine reports are distributed to proper authorized level in accordance with the List of Separation of Duties; overrun reports should explain overrun status and suggest responsive measures; Exception reports are submitted by business unit before an event due to temporary business needs. (5) Risk reduction: Risk reduction procedures such as risk hedging, investment portfolio adjustment, position allocation, stop-loss and close new transactions.
2. Market risk management organization and framework	<ol style="list-style-type: none"> 1. Board of Directors: The top decision-making body of the Bank's market risk management policy responsible for examining and approving the Bank's market risk policy and the total risk limit targets for all businesses, and setting and modifying the Bank's market risk management organization structure. 2. Asset and Liability Management Committee: Examine the management reports and information submitted by risk management department and the business units. 3. Risk Management Dept.: It is a dedicated independent risk management unit executing three pillars related operation of BASEL II market risk, planning and building market risk measuring tools, and monitoring according to the risk limits for different products. 4. Business Units: responsible for the execution of daily market risk management for the business they handle, and reporting the market risk and investment status related information to proper authorization level.
3. Scope and characteristics of the market risk reporting and measurement system	<ol style="list-style-type: none"> 1. Market Risk evaluated trading book position for various financial products and use fair market value or evaluation model as basis to regularly evaluate the profit/loss condition of the position held. 2. All business units and Risk Management Department should make relevant management reports regularly and submit to proper authorization level. 3. Market risk management system combine with front-desk trading position and middle desk evaluation to generate sufficient information for assisting all management levels to execute each individual risk monitoring task, and can support the capital calculation method selected by a bank to generate relevant internal and external reports as the basis for management decision-making.
4. Market risk hedging or risk reduction policies, and strategies and procedures for	<p>When market risk is excessive or the position limit or stop-loss limit has been exceeded, the bank will take following market risk reduction method: hedging, portfolio adjustment, position adjustment, square stop-loss and stop new transaction.</p>

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Item	Contents
monitoring the effectiveness of hedges and risk reduction tools	
5. Method used to provide the legal capital	Standardized Approach.

b. Market Risk Capital Requirement

December 31, 2019

In NT\$ thousand

Type of risk	Capital requirement
Interest rate risk	600,140
Equity securities risk	1,153,489
Foreign exchange risk	127,442
Product risk	
Total	1,881,071

E. Liquidity Risk Including the Analysis of Maturities of Assets and Liabilities, and Also Specify the Approach to Manage the Liquidity of Assets and Maturity Gap:

a. Maturity Analysis of NTD Assets and Liabilities

December 31, 2019

In NT\$ thousand

Item	Total	The amount of remaining period to maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Main capital inflow on maturity	618,783,183	87,172,477	66,674,476	58,053,755	42,402,390	86,341,158	278,138,927
Main capital outflow on maturity	718,840,408	35,491,466	46,670,873	102,869,688	97,317,383	182,098,850	254,392,148
Gap	(100,057,225)	51,681,011	20,003,603	(44,815,933)	(54,914,993)	(95,757,692)	23,746,779

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

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b. Maturity Analysis of USD Assets and Liabilities December 31, 2019

In US\$ thousand

Item	Total	The amount of remaining period to maturity				
		1~30 days	31~90 days	91~180 days	181 days ~1 year	Over 1 year
Main capital inflow on maturity	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 figures in above Table represent the foreign currency (in USD equivalent) assets and liabilities for the Head Office, domestic branches and offshore offices.

c. Approach to Manage Assets and Liabilities

- i. The Bank's assets and liabilities management mechanism applies the asset and liability interest rate sensitivity and gap analysis for control purpose. Presently, the Bank has set up the Assets and Liabilities Management Committee to provide guidance and policy instruction and, to manage interest rate fluctuations and gaps. In addition to fully monitoring on interest rate, senior executive meetings are called from time to time as needed to exercise overall adjustment and review the Bank's asset and liabilities structure, and present result to the Committee for approval.
- ii. For the interest rate risk of NTD and foreign currencies, the Bank employ well-established trading and funding MIS to manage daily changes of deposit and loan amounts, as well as the cost and balance of deposits in various types and terms. In addition, it will produce the analysis of floating and fixed interest rate deposits and loans, the analysis of interest rate sensitivity and the analysis of interest rate spread. The Bank will utilize above mentioned information and analyses to set up strategies for interest rate adjustment.
- iii. For foreign exchange risk, the Bank has designed independent and related procedures for transaction settlement, and has also applied the position control, individual trader position control and stop-loss control etc.
- iv. For liquidity risk, the Bank strictly monitor cash on hands and the movement of deposits and loans every day. Meanwhile, the Bank has also launched the mechanism to forecast, measure, calculate and early warning for future needs and changes of funding so as to realize current assets to meet the needs.

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

- A. The FSC has relaxed its restrictions and given banks more room to invest. The Bank's investment limit is now determined based on "net worth," which should allow greater freedom.
- B. New amendments to the Personal Information Protection Act "Special

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

- C. For the Principle of Fair Treatment of Customers for the Financial Service Industry newly promulgated by the Financial Supervisory Commission, the contents of which include nine principles: the principle of fair and honest in contract engagement, the principle of duty of care and loyalty, the principle of truthfulness in marketing and advertising, the principle of product or service suitability, the principle of notification and disclosure, the principle of selling complex high risk products, the principle of balanced remuneration structures, the principle of customer complaint handling, and the principle of professionalism of sales people. The Bank has formulated the policy for fair treatment of customers and the implementation strategy for fair treatment of customers to enhance employee awareness of the Bank on financial consumer protection and compliance with the relevant laws and regulations regarding financial consumer protection. The evaluation shows that the future compensation for risks and expenses of financial consumers should be able to be reduced.
- D. Regarding the “Money Laundering Control Act” amended and published by the president of R.O.C., the Financial Supervisory Commission has additionally mandated the “Regulations Governing Anti-Money Laundering of Financial Institutions”, and revised relevant sub-laws such as “Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers”. The Bankers Association, Trust Association, Bills Finance Association and Taiwan Securities Association will continually revise their compliance modules. The Bank has formulated “Notices for Anti- Money Laundering and Terrorist Financing”, supervised each department in executing the internal control system of anti- money laundering and terrorist financing, and evaluated the additional human resource needed, educational training, and the cost and expense of the IT system.
- E. In order to enhance financial holding companies’ focus on legal compliance of the banking industry and anti- money laundering and terrorist financing, the FSC has put more restrictions on the qualification, professional training and role function of legal compliance personnel and supervisors. At the same time, the reporting mechanism of financial holding companies and banks has been strengthened, and the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” have also been amended. The Bank has revised its legal compliance implementation rules and the guidelines for self-evaluation of legal compliance system. Although the stricter qualification and on-the-job training of legal compliance supervisors and personnel will increase costs and expenses, it shall be able to effectively lower the Bank’s legal

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compliance risk.

- F. In order to enhance the resilience of the banking system to withstand economic and financial impacts, the Financial Supervisory Commission made amendments to the “Regulations Governing the Capital Adequacy and Capital Category of Banks ” and “Explanations and Forms for the Calculation of Regulatory Capital and Risk-weighted Assets of Banks” with reference to the relevant provisions of the Basel III: "A global regulatory framework for more resilient banks and banking systems". The Regulation and Explanations and Forms are effective from January 1, 2020. All ratios (common equity ratio, class 1 capital adequacy ratio and capital adequacy ratio) of the Bank calculated by the new rule are above the regulatory base ratios set by the competent authority. Therefore, no response measures is required.

- (3) The Effect of Technological and Industrial Changes on the Bank’s Financial Position and Its Response Actions:

Under the trend of digital banking development, E-payment, cloud service, mobile payment, blockchain application, biometrics, big data and social media are innovated constantly and bring rapid changes to customers’ behaviors and spending patterns, and are revolutionizing the ways banking services were delivered in the past. In response to the innovation of digital banking services and technology, the Bank not only dedicates itself to introducing all the digital banking services to accelerate the digitization of financial services, but also strengthens the assessment of information security risks to protect customer's interest.

The Bank dedicates itself to introducing various digital banking services to accelerate the digitization of financial services. On the other hand, as information security is the basis of fintech development, the Bank continues to enhance and complete the integration of information technology resources, strengthen information security control and information security protection, as well as strengthen the assessment of information security risks to protect customer's data and interest so as to establish responsible innovation.

- (4) The effect of change in the Bank’s corporate image on the Bank and its response actions:

- A. In response to the diverse development of fintech, the Bank actively promoted digital finance business by launching the “New New Bank” Union digital bank and strengthened digital operation through social media platforms such as LINE to provide customers with related financial services and information online.
- B. In addition, to ensure quality communication with the media, and avoid a public relation crisis that would hurt the corporate image, the Bank adopted a spokesperson system and formulated “Guidelines for Union Bank of Taiwan Crisis Management” and “Procedures for Handling Internal material information”. When a crisis that would hurt the corporate image arises, the issue will be escalated to accountable departments according to the SOP. Meanwhile, the public will be addressed through a single spokesperson in an appropriate manner to prevent damage from spreading, and thereby protect the Bank’s reputation and brand image.

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- (5) Expected Result and Possible Risks of Mergers and Acquisitions and Response Actions thereof: None
- (6) Expected Result for Establishing More Business Locations, Possible Risk and Response Actions Thereof:
The establishment of business unit will not only increase transaction volume of deposits/loans/wealth management but also improve profits as well as provide comprehensive services to our customers. Effectively nevertheless, there is possibility that the economy of scale may not be achieved due to poor branch location or the business activities may be below our expectation. The Bank will then access the needs for relocation.
- (7) Risk in the Over Concentration of Business and Response Action thereof:
When business is concentrated, it could easily make business income source over-concentrated in one single industry or single customer group. It is vulnerable to industry cycle and could heighten the risks borne by the Bank. The Bank's current credit and investment related business are all based on and executed within the internal quota policy. The Bank has set regulations such as "Credit/Market Risk Management Guideline", "Regulations governing the Management of Enterprise Group Credit Risk", "Foreign Currency Security Investment Processing Guideline", "Foreign Currency Credit and Country Risk Management Approach", and "Investment Policy" to strengthen the management of risk quota for all business.
The Bank's Risk Management Department also monitors credit quota, controls status and reports the credit concentration regularly to Asset and Liability Management Committee and the Board of Directors.
- (8) The Effect of Change in the Management of the Bank, Possible Risk and Response Action Thereof: The Bank was founded with the mission for sustainable operation. We maintain the management concepts of "Enthusiasm", "Stability", "Efficiency" and "Innovation" to provide financial products and services that meet the needs of customers and to service the general public. The Bank employs professional managerial officers to manage the businesses and as such, the Bank's business management will not change or be impacted significantly as a result of changes in management power. The Bank shall provide the relevant internal management information and enhance the transparency of information disclosure in the event of a change in management power in order to secure investor and consumer confidence.
- (9) The effect that large transfer in shares of director or supervisor, or shareholders holding more than ten percent of shares of the company, Possible Risk and Response Action:
There has been no significant change in share ownership of the Bank's shareholders, directors and supervisors. The Bank employs professional managerial officers to manage the Bank's business. Therefore, the Bank's operational management will not be impacted as a result of a significant change in share ownership. The Bank shall ensure information transparency in the event of a significant transfer or change in share ownership and files a declaration and makes public announcement with respect to the changes in accordance with the

Analysis of the Financial Status and Operating Results & Risk Management

relevant banking regulations to secure investor and consumer confidence.

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

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

7. Contingency Plan

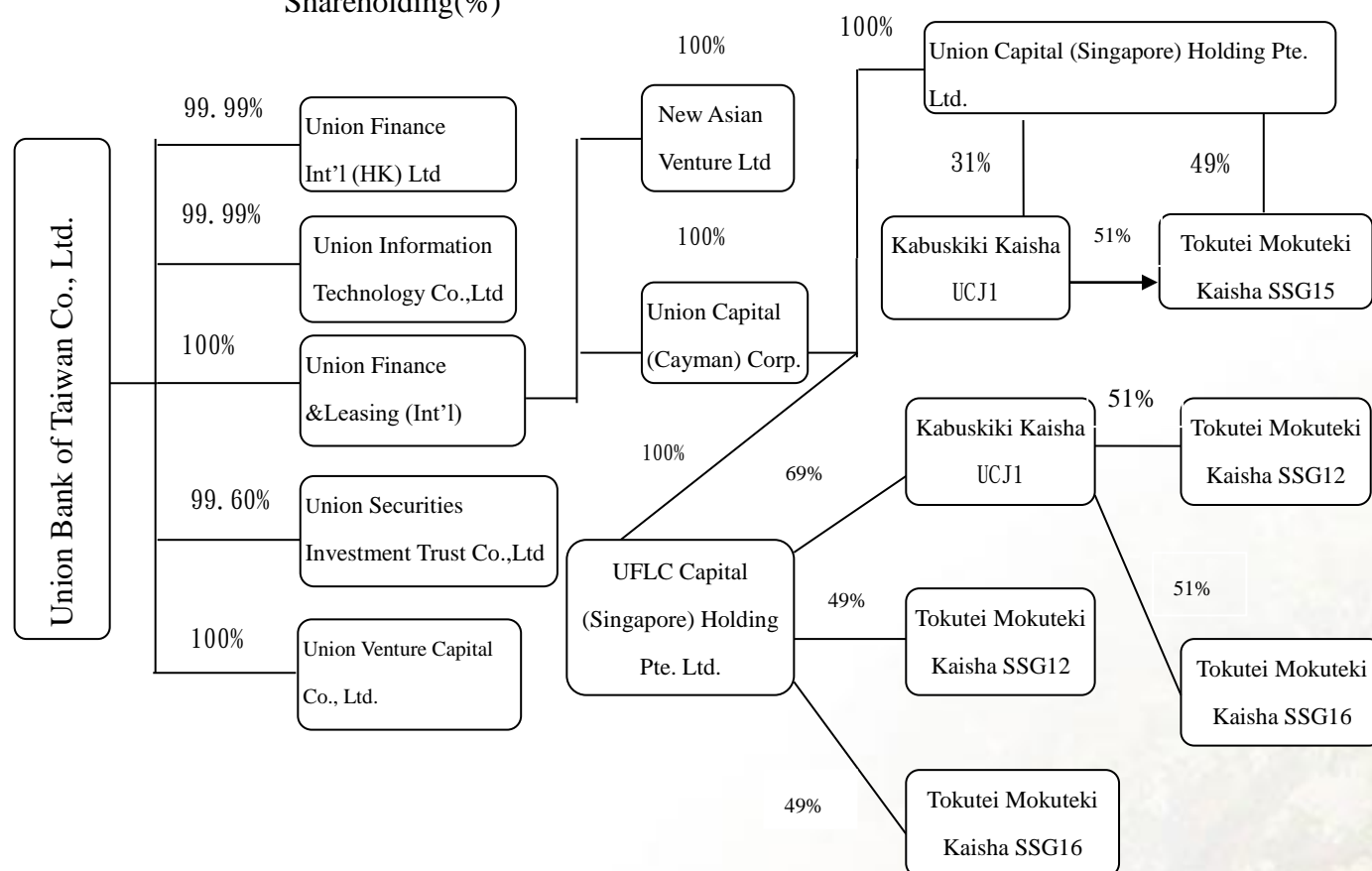
The Bank has enacted the “Essential Points for Urgent Response Action to Disasters” and has set up a crisis management taskforce, urgent contact and report mechanism to execute the disaster rescue measures effectively. The various business units shall perform the disaster education training and drill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

8. Other Important Matters: None

Affiliated and Special Notes

1. Information on Affiliated Enterprises

(1) Organization Chart Shareholding(%)



Amount in NT\$ thousand

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business or Production Activities
Union Finance International (HK) Ltd	1996.04.23	Unit 18, 35/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong	TWD 106,589	Import and export financing
Union Information Technology Co., Ltd.	1998.08.10	10F, No. 109, Sec. 3, Minsheng E. Road, Taipei, Taiwan	TWD 10,000	IT and software services
Union Finance & Leasing (Int'l) Co., Ltd.	1996.11.11	9F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	TWD 1,440,000	Installment purchases, leasing, auto loan and car rental business
Union Securities Investment Trust Co., Ltd.	1998.12.22	6F, 137, Sec. 2, Nanking E. Road, Taipei, Taiwan	TWD 300,000	Securities investment trust
Union Venture Capital Co., Ltd.	2019.11.21	B1, No. 205, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan	TWD 300,000	Venture Capital
Union Capital (Cayman) Corp.	1997.07.23	P.O.Box 1034, George Town, Grand Cayman, Cayman Islands, British West Indies.	USD 50	Installment purchase and lease investment businesses
New Asian Ventures Ltd.	1997.10.27	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	-	Installment purchase and lease investment businesses
Union Capital (Singapore) Holding Pte.	2014.9.12	50 RAFFLES PLACE #25-03	-	Lease investment businesses

Affiliated and Special Notes

Ltd.		SINGAPORE LAND TOWER SINGAPORE (048623)		
UFLC Capital (Singapore)Holding Pte. Ltd.	2016.3.11	50 RAFFLES PLACE #25-03 SINGAPORE LAND TOWER SINGAPORE (048623)	-	Lease investment businesses °
Kabusiki Kaisha UCJ1	2014.9.12	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo, Japan	JPY 1,515,450	Lease investment businesses °
Tokutei Mokuteki Kaisha SSG15	2014.9.19	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	JPY 1,430,200	Lease investment businesses °
Tokutei Mokuteki Kaisha SSG12	2016.2.25	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	JPY 1,930,200	Lease investment businesses °
Tokutei Mokuteki Kaisha SSG16	2016.3.31	1 Chome 11, Kanda Jinbocho, Chiyoda ,Tokyo , Japan	JPY 1,300,200	Lease investment businesses °

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

December 31, 2019

Name of Enterprise	Title	Name of Representative	Shareholding	
			Shares	%
Union Finance International (HK) Ltd	Director	Union Bank of Taiwan (Representative: Jeff Lin)	30,000,000	99.999993
	Director	Shiang-Chang Lee	2	0.000007
	Director	Union Bank of Taiwan (Representative: Cheng-Yu Liu)	0	0
	Director	Union Bank of Taiwan (Representative: Connie Tseng)	0	0
	Director & President	Union Bank of Taiwan (Representative: Amanda Lin)	0	0
Union Information Technology Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Angela Shen)	999,923	99.99
	Director	Union Bank of Taiwan (Representative: Cheng-Yu Liu)		
	Director	Union Bank of Taiwan (Representative: Luke Yang)		
	Supervisor	Ling-Jung Hsiung	0	0
	President	Angela Shen	0	0
Union Finance & Leasing (International) Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Wei-Shin Shen)	144,000,000	100
	Director	Union Bank of Taiwan (Representative: Wei-Wen Hsu)		
	Director	Union Bank of Taiwan (Representative: Cheng-Juh Hsieh)		
	Director	Union Bank of Taiwan (Representative: Chueh-Ling Liu)		
	Director	Union Bank of Taiwan (Representative: Hung-Ming Chien)		
	Director	Union Bank of Taiwan (Representative: Angela Shen)		
	Supervisor	Union Bank of Taiwan (Representative: Herman Tu)		
	President	Wei-Shin Shen	0	0
Union Securities Investment Trust Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Ming-Hsing Ho)	29,878,856	99.60
	Director	Union Bank of Taiwan (Representative: Herman Tu)		
	Director	Union Bank of Taiwan (Representative: Ting-Wan Hsu)		
	Supervisor	Kun-Che Investment Co., Ltd. (Representative: Wen-Ming Lee))		
	President	Ya-Ching Chuang	0	0
Union Venture Capital Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Pa-Hsan Wu)	30,000,000	100
	Director	Union Bank of Taiwan (Representative: Wei-Wen Hsu)		

Affiliated and Special Notes

Name of Enterprise	Title	Name of Representative	Shareholding	
			Shares	%
	Director	Union Bank of Taiwan (Representative: Yanger Yang)		
	President	Pa-Hsan Wu	0	0
Union Capital (Cayman) Corp	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Wei-Shin Shen)	50,000	100
	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)		
New Asian Ventures Ltd.	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Wei-Shin Shen)	1	100
	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Hsieh)		
Union Capital (Singapore) Holding Pte. Ltd.	Director	Union Capital (Cayman) Corp (Representative: Wei-Shin Shen)	1	100
	Director	Union Capital (Cayman) Corp (Representative: Ru-Jwu Tsai)	0	0
UFLC Capital (Singapore) Holding Pte. Ltd.	Director	Union Capital (Cayman) Corp (Representative: Wei-Shin Shen)	1	100
	Director	Union Capital (Cayman) Corp (Representative: Ru-Jwu Tsai)	0	0
Kabuskiki, Kaisha UCJ1	Director	Union Capital (Singapore) Holding Pte. Ltd. (Representative: Wei-Shin Shen)	9,259	31
	Director	UFLC Capital (Singapore) Holding Pte. Ltd. (Representative: Wei-Shin Shen)	21,050	69
Tokutei Mokuteki Kaisha SSG15	Director	Union Capital (Singapore) Holding Pte. Ltd. (Representative: Wei-Shin Shen)	14,015	49
	Director	Kabuskiki Kaisha UCJ1 (Representative: Wei-Shin Shen)	14,586	51
Tokutei Mokuteki Kaisha SSG12	Director	UFLC Capital (Singapore) Holding Pte. Ltd. (Representative: Wei-Shin Shen)	18,915	49
	Director	Kabuskiki Kaisha UCJ1 (Representative: Wei-Shin Shen)	19,686	51
Tokutei Mokuteki Kaisha SSG16	Director	UFLC Capital (Singapore) Holding Pte. Ltd. (Representative: Wei-Shin Shen)	12,741	49
	Director	Kabuskiki Kaisha UCJ1 (Representative: Wei-Shin Shen)	13,260	51

(3) General Information of Affiliated Enterprises

December 31, 2019 In NT\$ thousand except Earnings Per Share (NT\$)

Name of Enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit	Net Income (Loss) After Tax	Earnings Per Share After-tax (\$)
Union Finance International (H.K.) Ltd. <small>Note1</small>	106,589	256,019	151,833	104,186	46,216	36,719	36,719	1.22
Union Information Technology Co., Ltd.	10,000	105,780	84,947	20,833	142,151	(2,491)	(965)	-
Union Finance & Leasing (International) Co., Ltd.	1,440,000	12,402,376	9,428,525	2,973,851	2,134,660	17,779	105,207	0.73
Union Securities Investment Trust Co., Ltd.	300,000	444,632	54,120	390,512	137,291	(4,757)	12,522	0.42
Union Venture Capital Co., Ltd.	300,000	300,494	675	299,819	21	(181)	(181)	-
Union Capital (Cayman) Corp. <small>Note2</small>	1,505	2,444,811	1,801,893	642,919	70,264	70,120	65,096	1,301.93

Affiliated and Special Notes

Name of Enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit	Net Income (Loss) After Tax	Earnings Per Share After-tax (\$)
New Asian Ventures Ltd.	-	77,535	20	77,515	25	(62)	(62)	-
Union Capital (Singapore) Holding PTE . Ltd. Note2	-	784,394	732,902	51,493	22,599	22,370	20,327	20,326,677.82
Uflc Capital (Singapore) Holding PTE . Ltd. Note2	-	1,607,831	1,545,045	62,786	33,159	32,621	28,060	28,060,062.91
Kabuskiki Kaisha UCJI Note2	419,842	1,643,684	1,207,049	436,634	17,366	14,387	7,685	253.55
Tokutei Mokuteki Kaisha SSG15 Note2	396,224	1,109,578	673,396	436,182	87,204	46,456	40,889	1,429.62
Tokutei Mokuteki Kaisha SSG12 Note2	534,744	1,101,656	566,912	534,745	66,095	36,947	33,308	862.87
Tokutei Mokuteki Kaisha SSG16 Note2	360,208	721,640	361,432	360,209	45,876	29,555	25,894	995.90

Note1: HKD/TWD: 3.866038 for Asset and Liability items; HKD/TWD: 3.941737 for P/L items

Note 2: JPY/TWD: 0.277041 for Asset and Liability items JPY/TWD: 0.28349225 for P/L Items

- (4) Consolidated Financial Reports of affiliated enterprises: please refer to Appendix.
- (5) Report on relationships between the business activities conducted by affiliated enterprises: please refer to Appendix.

2. **Private placement of marketable securities and financial debentures in the past year and current year up to the printing date of the annual report:** None.
3. **Shares of the Bank held or disposed of by subsidiaries in the past year and current year up to the printing date of the annual report:** None.
4. **Other necessary supplements:** None.
5. **In the past year and current year up to the printing date of the annual report, any event which has a material impact on shareholders' equity or securities prices pursuant to Article 36.2.2 of the Security and Exchange Law:** None.

Bank Directory

Bank Directory

Branch Name	Address	Telephone
Head Office	3F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
International Banking Dept	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Trust Department	3F, No.137, Sec. 2, Nanjing E. Rd., Chungshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2507-4066
Credit & Payment Dept.	5F, No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taipei City 105, Taiwan (R.O.C.)	(02)2719-2233
Offshore Banking Branch	2F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Taipei Branch	No.105, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02)2556-8500
Business Department	1F, No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2718-0001
Changchun Branch	No.328, Changchun Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2545-5588
Nanking East Road Branch	No.137, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2515-1333
East Taipei Branch	No.217, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2753-0900
Chunghsiao Branch	2F., No.5, Lane 223, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2773-3456
Jenai Branch	No.179, Yanji St., Da'an District, Taipei City 106, Taiwan (R.O.C.)	(02)2781-3366
Tungmen Branch	No.101, Sec. 2, Sinyi Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2358-2345
Hoping Branch	No.68-2, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2735-2828
Chungshan Mini Branch	No.83, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2571-7890
Kungkuan Branch	No.272, Sec. 3, Roosevelt Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2369-2678
Sungchiang Branch	No.228, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2561-6601
Breeze Center Mini Branch	2F., No.39, Sec. 1, Fusing S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)8772-2858
Tunhwa Branch	No.209-1, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)8773-3588
Taan Branch	No.165, Sec. 4, Hsin-I. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2704-9588
Tonghwa Mini Branch	No.74, Tonghua St., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2739-5888
Yongchun Branch	No.453, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2748-0188
Yungchi Branch	No.306, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2748-0329
Neihu branch	No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2658-6121

Bank Directory

Branch Name	Address	Telephone
Donghu Branch	No.150-3, Sec. 6, Mincuan E. Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)-2796-7779
Hsihu Branch	No.88, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)8797-1537
Tachih Branch	No.649, Mingshuei Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2532-3836
Shihlung Branch	No.9, Lane 91, Shihdong Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2875-6161
Wenlin Branch	No.758, Wunlin Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2835-1818
Beitou Mini Branch	No.68, Sec. 1, Jhongyang N. Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	(02)2896-6333
Panchiao Branch	No.226, Mincyuan Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2965-6600
Houpu Branch	No.77, Chongcing Rd., Banciao District, New Taipei City 220, Taiwan (R.O.C.)	(02)2964-2777
Sanchung Branch	No.10, Sec. 3, Chongsin Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	(02)2977-7666
North Sanchung Branch	No.245, Jhengyi N. Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	(02)2982-6226
Tenshin Branch	No.16, Sec. 3, Jhongsiao Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	(02)8982-1155
JiSian Branch	No.329, Wuhua St., Sanchong Dist., New Taipei City 241, Taiwan (R.O.C.)	(02)2855-9996
Sanxia Branch	No.261, Xuecheng Rd., Sanxia Dist., New Taipei City 237, Taiwan (R.O.C.)	(02)2673-0808
Luchou Branch	No.80, Jhongjheng Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	(02)2848-5577
Chungho Branch	No.150, Jian 1st Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.)	(02)8226-5168
North Chungho Mini Branch	No.146, Sec. 3, Jhongshan Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.)	(02)2221-9698
Shuanho Branch	No.222, Jhongjheng Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	(02)2945-9898
Yungho Branch	No.137, Sec. 2, Yonghe Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	(02)8660-0808
Hsintien Branch	No.102, Mincyuan Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	(02)2219-9989
Ankang Branch	No.161, Sec. 2, Ankang Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	(02)2211-9088
Hsinchung Branch	No.601, Sihyuan Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)8522-7799
Fuguo Branch	No.108, Fuguo Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2205-2299
Chungkung Mini Branch	No.308, Jhonggang Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	(02)2276-9678
Wugu Branch	No.6-1, Sec.3, Chengtai Rd., Wugu District, New Taipei City 248, Taiwan (R.O.C.)	(02)2291-5888
Linkou Branch	No.468, Jhongsiao Rd., Linkou District, New Taipei City 244, Taiwan (R.O.C.)	(02)2600-6969

Bank Directory

Branch Name	Address	Telephone
Shulin Branch	No.275, Jhonghua Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	(02)8685-8939
Hsichih Branch	No.159, Sec. 1, Sintai 5th Rd., Sijhih District, New Taipei City 221, Taiwan (R.O.C.)	(02)8642-5289
Tamsui Mini Branch	No. 16, Sec. 3, Xinshi 2nd Rd., Tamsui Dist., New Taipei City 251, Taiwan (R.O.C.)	(02)2626-0909
Tucheng Branch	No.3, Chengtian Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	(02)2268-1799
Jincheng Branch	No. 219, Sec. 2, Jincheng Rd., Tucheng Dist., New Taipei City 236, Taiwan (R.O.C.)	(02)8262-7799
Taoyuan Branch	No.332, Sianfu Rd., Taoyuan District City, Taoyuan City 330, Taiwan (R.O.C.)	(03)339-5300
North Taoyuan Branch	No.191, Yong-an Rd., Taoyuan District City, Taoyuan City 330, Taiwan (R.O.C.)	(03)339-6262
South Taoyuan Branch	No.1308, Zhongshan Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)369-7388
Taoying Branch	No.343, Taoying Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)377-9797
Daye Branch	No.388 , Sec. 1, Daye Rd., Taoyuan District, Taoyuan City 330, Taiwan (R.O.C.)	(03)357-7388
Chungli Branch	No.62, Sec. 1, Jhongyang W. Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)426-5111
North Chungli Branch	No.222, Yuanhua Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)426-1133
Neili Branch	No. 258, Sec. 1, Jhonghua Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)435-1288
Chenshin Branch	No.189, Jianxing Rd., Jhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)428-0808
Gaorong Branch	No.226, Sec. 5, Minzu Rd., Zhongli District, Taoyuan City 320, Taiwan (R.O.C.)	(03)490-9777
Nankan Branch	No.137, Jhongjheng Rd., Lujhu District, Taoyuan City 338, Taiwan (R.O.C.)	(03)322-9699
Dajhu Branch	No.43, Dasin Rd., Lujhu District, Taoyuan City 338, Taiwan (R.O.C.)	(03)313-4688
Luzhu Branch	No.3, Sec. 1, Ren'ai Rd., Luzhu District , Taoyuan City 338, Taiwan (R.O.C.)	(03)222-1389
Hueilong Branch	No.253, Sec. 1, Wanshou Rd., Gueishan District, Taoyuan City 333, Taiwan (R.O.C.)	(02)8209-0808
Gueishan Branch	No.688, Sec. 2, Wanshou Rd., Gueishan District, Taoyuan City 333, Taiwan (R.O.C.)	(03)319-2323
Lungtan Branch	No.245, Jhongjheng Rd., Longtan District, Taoyuan City 325, Taiwan (R.O.C.)	(03)470-9188
Tayuan Branch	No.56, Jhongjheng E. Rd., Dayuan District, Taoyuan City 337, Taiwan (R.O.C.)	(03)385-0505
Hsinchu Branch	No.107, Jhongjheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)524-9966
Taichung Branch	No.711, Sec.2, Taiwan Blvd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2328-5666
North Taichung Branch	No.13, Sec. 3, Wunsin Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2311-8555

Bank Directory

Branch Name	Address	Telephone
Wenhsin Branch	No.208-1, Sec. 4, Wunsin Rd., North District, Taichung City 404, Taiwan (R.O.C.)	(04)2298-0808
Beitun Branch	No.701, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04)2245-2636
Minchuan Branch	No.135, Mincyuan Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04)2220-6789
Hsitun Branch	No.277, Sec. 2, Situn Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2702-2152
Singchung Branch	No.406, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan (R.O.C.)	(04)2261-4040
Fongyuan Branch	No.102, Fucian St., Fongyuan District, Taichung County 420, Taiwan (R.O.C.)	(04)2522-8800
Yuanlin Branch	No.37, Sanmin St., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04)834-7666
Chiayi Branch	No.285, Jhongshan Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)228-5908
Tainan Branch	No.271, Sec. 4, Simen Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)251-3377
Fucheng Branch	No.92, Jhongjheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	(06)229-0866
Fuchiang Branch	No.15, Sec. 3, Dongmen Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)260-1268
Kaiyuan Branch	No.229, Kaiyuan Rd., North District, Tainan City 704, Taiwan (R.O.C.)	(06)235-4445
South Tainan Branch	No.379, Sec. 1, Jinhua Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06)265-5663
Kaohsiung Branch	No.204, Guanghua 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)226-5353
Lingya Branch	No.30, Sihwei 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07)338-6033
Sanmin Branch	No.73, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)389-0258
Chiuju Branch	No.495, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)311-8871
North Kaohsiung Branch	No.468, Bo'ai 1st Rd., Gushan District, Kaohsiung City 804, Taiwan (R.O.C.)	(07)558-6158
Fengshan Branch	No.224, Kaisyuan Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	(07)763-8185
Wuchia Branch	No.173, Nanhua Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	(07)721-5866
Pingtung Branch	No.172, Minzu Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08)732-6777
Ho Chi Minh Representative Office	Royal Tower Building, 8th Floor, Room 805, 235 Nguyen Van Cu Street, Dist.1, Ho Chi Minh City, Vietnam	(8428)3925-9208
Hong Kong Representative Office	Unit 18, 35/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong	(852)2521-1678

Bank Directory

Branch Name	Address	Telephone
Hanoi Representative Office	No. 1104, 11th Floor, Pacific Place, 83B Ly Thuong Kiet Street, Hoan Kiem district, Hanoi, Vietnam	(8424)3726-5223

APPENDIX

Union Bank of Taiwan and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

UNION BANK OF TAIWAN

By:

March 11, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

Opinion

We have audited the accompanying consolidated financial statements of Union Bank of Taiwan (the Bank) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Assessment of the Impairment of Discounts and Loans

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

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

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

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

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Bank's loan impairment assessment.
2. Obtain an understanding of the assumptions and critical factors of the impairment assessment model, including the Probability of Default and the Loss Given Default, and testing whether those estimates reasonably reflected the actual status of each loan.
3. Perform test on reasonableness of calculation of expected credit losses for selected loans.
4. Test the classification of credit assets by length of overdue period for the respective loans and its collateral in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

Other Matter

We have also audited the separate financial statements of Union Bank of Taiwan as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Chan Huang and Chen-Hsiu Yang.

Huang, Jui Chan

Yang, Chen Hsiu

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

Notice to Readers

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

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

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

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

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

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

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

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

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

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

	Equity Attributable Owners of the Company								Other Equity (Notes 4 and 34)				Non-controlling Interests	Total Equity	
	Share Capital (Notes 34 and 40)			Capital Surplus (Note 32)	Retained Earnings (Notes 4 and 34)				Unrealized Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gains (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
	Ordinary Shares	Preference Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total							Total
BALANCE AT JANUARY 1, 2018	\$ 26,051,524	\$ 2,000,000	\$ 28,051,524	\$ 8,032,413	\$ 5,165,280	\$ 585,206	\$ 4,503,995	\$ 10,254,481	\$ 2,345,701	\$ (765,444)	\$ -	\$ 1,580,257	\$ 47,918,675	\$ 267,890	\$ 48,186,565
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	(31,391)	(31,391)	(2,345,701)	-	2,797,843	452,142	420,751	(1,255)	419,496
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,472,604	10,223,090	-	(765,444)	2,797,843	2,032,399	48,339,426	266,635	48,606,061
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	-	823,496	-	(823,496)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	27,450	(27,450)	-	-	-	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	-	(1,042,061)	-	(1,042,061)
Stock dividends on common shares	781,546	-	781,546	-	-	-	(781,546)	(781,546)	-	-	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(90,740)	(90,740)	-	-	-	-	(90,740)	-	(90,740)
Net income for the year ended December 31, 2018	-	-	-	-	-	-	2,956,724	2,956,724	-	-	-	-	2,956,724	(1,723)	2,955,001
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	(4,302)	(4,302)	-	351,920	(760,102)	(408,182)	(412,484)	(466)	(412,950)
Share-based payment	67,059	-	67,059	-	-	-	(4,895)	(4,895)	-	-	-	-	62,164	-	62,164
Cash dividends on subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,720)	(18,720)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(35,606)	(35,606)	-	-	35,606	35,606	-	-	-
BALANCE AT DECEMBER 31, 2018	26,900,129	2,000,000	28,900,129	8,032,413	5,988,776	612,656	4,619,232	11,220,664	-	(413,524)	2,073,347	1,659,823	49,813,029	245,726	50,058,755
Appropriation of the 2018 earnings															
Legal reserve	-	-	-	-	887,017	-	(887,017)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	14,784	(14,784)	-	-	-	-	-	-	-	-
Stock dividends on common shares	1,883,009	-	1,883,009	-	-	-	(1,883,009)	(1,883,009)	-	-	-	-	-	-	-
Cash dividends on preference shares	-	-	-	-	-	-	(480,000)	(480,000)	-	-	-	-	(480,000)	-	(480,000)
Net income for the year ended December 31, 2019	-	-	-	-	-	-	3,359,457	3,359,457	-	-	-	-	3,359,457	12,021	3,371,478
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	139,435	139,435	-	(191,108)	3,551,805	3,360,697	3,500,132	(63)	3,500,069
Acquisition of interest in subsidiary	-	-	-	-	-	-	(6,698)	(6,698)	-	-	(2,105)	(2,105)	(8,803)	(256,106)	(264,909)
Share-based payment	61,415	-	61,415	3,071	-	-	-	-	-	-	-	-	64,486	-	64,486
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	333,523	333,523	-	-	(333,523)	(333,523)	-	-	-
BALANCE AT DECEMBER 31, 2019	\$ 28,844,553	\$ 2,000,000	\$ 30,844,553	\$ 8,035,484	\$ 6,875,793	\$ 627,440	\$ 5,180,139	\$ 12,683,372	\$ -	\$ (604,632)	\$ 5,289,524	\$ 4,684,892	\$ 56,248,301	\$ 1,578	\$ 56,249,879

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

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

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

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

(Continued)

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

Reconciliation of the cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of December 31, 2019 and 2018:

	<u>December 31</u>	
	2019	2018
Cash and cash equivalents in the consolidated balance sheets	\$ 12,382,445	\$ 14,014,731
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 “Cash Flow Statements”	477,078	6,325,655
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>51,417,825</u>	<u>68,480,765</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 64,277,348</u>	<u>\$ 88,821,151</u>

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, 2019 AND 2018 (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 Financial Supervisory Commission (FSC) under Rule No. 10802037180 on March 27, 2019. The Bank acquired 64.44% and 0.16% equity interest of Union Securities Investment Trust Corporation on July 5, 2019 and December 27, 2019, respectively. After the transaction was completed, the percentage of total equity interest increased from 35% to 99.60%.

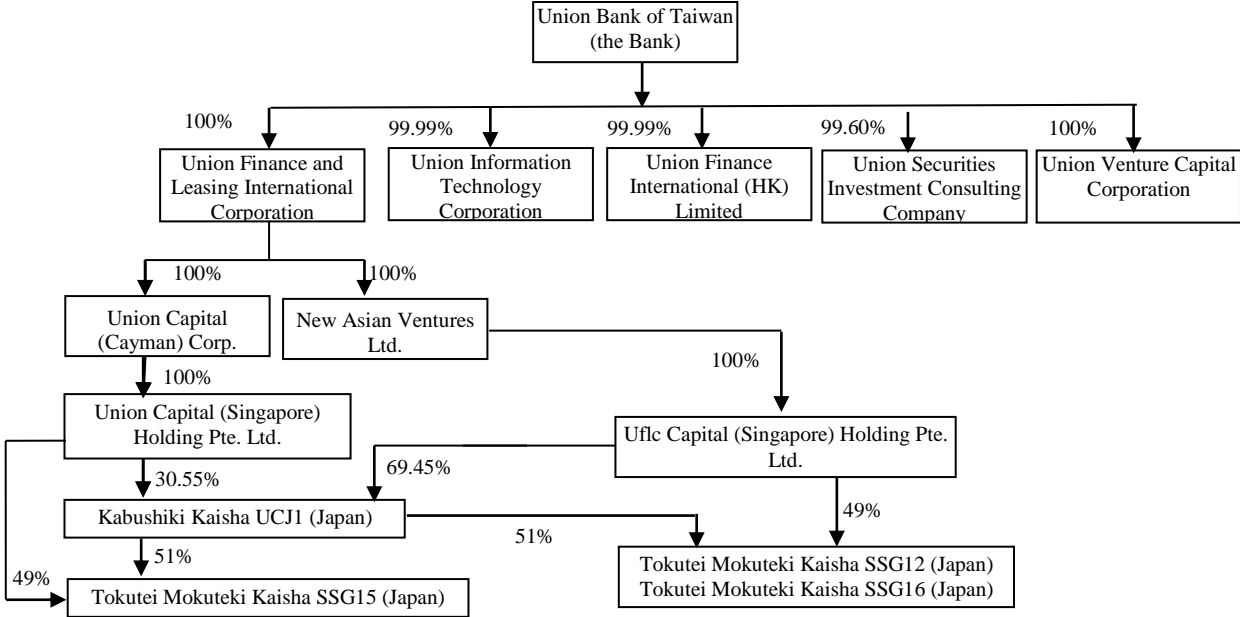
In order to actively support the FSC’s needs to adapt to the nation’s overall industry development and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, Union Bank of Taiwan established Union Venture Capital in coordination with the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

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

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

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

The following chart presents the relationship between the Bank and its subsidiaries (collectively referred to as the “Company”) and percentage of ownership as of December 31, 2018:



Union Finance and Leasing International Corporation (UFLIC) was established under the Company Law on November 11, 1996. UFLIC trades and leases real estates, motor vehicles and machinery and equipment and does accounts receivable factoring. UFLIC held 100% equity interest each in Union Capital (Cayman) Corp. and New Asian Ventures Ltd., which were incorporated in the British West Indies and the British Virgin Islands, respectively, in July 1997 and October 1997, respectively; these investees mainly engage in financial investment.

Union Capital (Singapore) Holding Pte. Ltd. and Uflc Capital (Singapore) Holding PTE. Ltd. were established in September 2014 and March 2016 by Union Capital (Cayman) Corp. It mainly engages in business of investments, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.

Kabushiki Kaisha UCJ1 (limited corp.) mainly buys, sells, and leases real estate.

Tokutei Mokuteki Kaisha SSG15, SSG12 and SSG16 is a special purpose entity that securitizes real estate.

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

Union Information Technology Corporation (UIT), which was incorporated on August 10, 1998, mainly renders software services, wholesales and retails information software and telecommunications equipment, enterprise management consulting, etc.

Union Securities Investment Trust Corporation (USITC) was incorporated on November 20, 1998. It obtained a securities investment trust enterprise license and started operations on February 26, 1999; it mainly establishes securities investment trust funds by issuing beneficiary certificates.

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

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

- IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

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

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

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

The Company also applies the following practical expedients:

- 1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

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

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

The Company as lessor

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

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

Basis of Consolidation

- a. Principles for preparing consolidated financial statements

Since the operating cycle cannot be reasonably identified in the banking industry and the Bank accounted for a significant percentage of the consolidated accounts, the accounts included in the consolidated financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity.

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries, including special purpose entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Company.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

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

Detail of subsidiaries, percentage of ownership and operating item, refer to the Note 16.

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for: Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized in other comprehensive income.

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

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

Investments Accounted for Using the Equity Method

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

a. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference

between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company'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 a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 49.

b) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in debt instruments at FVTOCI

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

- i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

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

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

Financial guarantee contracts

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

- a) The amount of the loss allowance reflecting expected credit losses; and
- b) The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

d. Derivative financial instruments

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Nonperforming Loans

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

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

Repurchase and Resale Transactions

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

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

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

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

Investment Properties

Investment properties are properties owned specifically to generate profit through rental income and/or capital gains. Land for which the future purpose of use has not been decided is also classified under investment properties.

Investment properties are initially recognized at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation by the straight-line method.

Gain or loss recognized on derecognition of an investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the investment property is derecognized.

Goodwill

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

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

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

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

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

Derecognition

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

Foreclosed Collaterals

Collaterals assumed (included in other assets) are recorded at cost, which includes the assumed prices and any necessary repairs to make the collaterals saleable, and evaluated at the lower of cost or net realizable value as of the balance sheet date.

Impairment of Tangible and Intangible Assets (Excluding Goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Leasing

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

2019

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.

2018

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Lease incentives included in an operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis.

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

b. Bank as lessee

Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating lease, contingent rentals are recognized as expenses at current period.

Lease incentives received under operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. 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 rereasurement is recognized in profit or loss.

d. Termination benefits

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

Income Tax

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

a. Current tax

According to the Income Tax Law, an additional tax at 15% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred taxes for the period

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

Interest Revenue and Service Fees

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Financial Assets

The provision for impairment of loan, receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 50. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 6,865,686	\$ 5,138,540
Checks for clearing	1,076,011	3,926,902
Due from banks	<u>4,440,748</u>	<u>4,949,289</u>
	<u>\$ 12,382,445</u>	<u>\$ 14,014,731</u>

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

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

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Commercial paper	\$ 29,670,103	\$ 31,510,394
Overseas corporate bonds	27,712	27,247
Domestic listed stocks	-	578,929
Overseas listed stocks	66,800	92,667
Beneficiary certificates	755,530	2,555,622
Principal guaranteed notes	-	1,368,547
Futures exchange margins	61,302	-
Asset-backed securities	<u>67,361</u>	<u>60,415</u>
	<u>30,648,808</u>	<u>36,193,821</u>
Derivative financial instrument		
Foreign exchange forward contracts	42,044	406,099
Currency swap contracts	199,417	71,817
Option contracts	26,985	36,521
Cross-currency swap contracts	<u>-</u>	<u>1,667</u>
	<u>268,446</u>	<u>516,104</u>
	<u>\$ 30,917,254</u>	<u>\$ 36,709,925</u>
<u>Financial liabilities held for trading</u>		
Derivative instrument		
Option contracts	\$ 26,976	\$ 36,522
Forward exchange contracts	27,623	43,633
Cross-currency swap contracts	17,705	-
Currency swap contracts	<u>578,677</u>	<u>227,644</u>
	<u>\$ 650,981</u>	<u>\$ 307,799</u>

The Company engaged in derivative transactions mainly to accommodate customers' needs and manage its exposure positions. The financial risk management objective of the Company was to minimize risks due to changes in fair value or cash flows.

The contract amounts (notional amounts) of the derivative transactions for accommodating customers' needs and managing its exposure positions as of December 31, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Currency swap contracts	\$ 67,054,536	\$ 52,891,211
Foreign exchange forward contracts	3,223,477	4,995,891
Cross-currency swap contracts	3,638,415	463,125
Option contracts		
Buy	1,178,033	899,831
Sell	1,178,033	899,831

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic listed shares	\$ 1,529,323	\$ 3,617,817
Overseas listed shares	5,312,590	3,811,961
Domestic unlisted shares	1,157,095	1,134,574
Overseas REITs	-	129,905
	<u>7,999,008</u>	<u>8,694,257</u>
Investments in debt instruments at FVTOCI		
Overseas corporate bonds	9,801,611	9,019,959
Overseas bond debentures	5,394,699	5,091,463
Corporate bonds	6,736,723	4,190,917
Overseas government bonds	5,772,116	5,897,016
Government bonds	5,532,808	499,895
	<u>33,237,957</u>	<u>24,699,250</u>
	<u>\$ 41,236,965</u>	<u>\$ 33,393,507</u>

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

	December 31	
	2019	2018
Taiwan Futures Exchange	\$ 439,293	\$ 424,908
Financial Information Service Co., Ltd.	294,550	267,269
iPass Corporation	84,205	94,313
Taiwan Asset Management Corporation	77,077	74,748
Grace THW Holding Limited	55,281	69,007
Taiwan Depository & Clearing Corporation	59,862	56,680
Taiwan Financial Asset Service Corporation	48,244	47,788
Others	98,583	99,861
	<u>\$ 1,157,095</u>	<u>\$ 1,134,574</u>

a. Investments in equity instruments at FVTOCI

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

b. Investments in debt instruments at FVTOCI

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

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

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

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

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

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

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

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

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

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

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

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

Credit Ratings	Definition	ECL Recognition Basis	Expected Credit Loss Rate	Carrying Value (Including Premiums and Discounts) on December 31, 2019
Low credit risk	Low credit risk at the reporting date	12-month expected credit losses	0%-4.2026%	\$ 94,448,106
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses	Note	-
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses	100%	-

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

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

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

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

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Commercial paper	\$ 24,223,631	\$ 30,533,909
Corporate bonds	23,023,883	32,933,199
Government bonds	-	1,000,010
Bank debentures	-	13,400
Negotiable certificates of deposit	<u>4,170,311</u>	<u>4,000,247</u>
	<u>\$ 51,417,825</u>	<u>\$ 68,480,765</u>
Maturity date	2020.01-2020.02	2019.01-2019.02
Resale price	<u>\$ 51,433,006</u>	<u>\$ 69,504,991</u>

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

13. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Notes and accounts receivable	\$ 17,512,470	\$ 15,502,406
Interest receivable	1,050,794	910,676
Interbank clearing fund receivable	1,200,345	800,244
Accounts receivable factoring without recourse	443,208	183,566
Investment receivable	545,843	293,640
Acceptances receivable	112,902	188,102
Collections receivable	231,540	138,044
Others	<u>286,943</u>	<u>384,950</u>
	21,384,045	18,401,628
Less: Allowance for doubtful accounts	<u>206,938</u>	<u>270,146</u>
	<u>\$ 21,177,107</u>	<u>\$ 18,131,482</u>

Refer to Note 50 for the impairment loss analysis of receivables.

The changes in gross carrying amounts of receivables for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit- impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 17,048,513	\$ 99,394	\$ 1,253,721	\$ 18,401,628
Receivables assessed collectively	(249,467)	49,556	199,911	-
Receivables purchased or originated	9,214,594	49,909	107,104	9,371,607
Write-offs	(78,568)	(28,758)	(176,084)	(283,410)
Derecognition	<u>(5,776,840)</u>	<u>(54,501)</u>	<u>(274,439)</u>	<u>(6,105,780)</u>
Balance at December 31, 2019	<u>\$ 20,158,232</u>	<u>\$ 115,600</u>	<u>\$ 1,110,213</u>	<u>\$ 21,384,045</u>
Balance at January 1, 2018	\$ 16,535,714	\$ 89,565	\$ 1,314,440	\$ 17,939,719
Receivables assessed collectively	(249,705)	48,322	201,383	-
Receivables purchased or originated	7,245,214	40,042	110,348	7,395,604
Write-offs	(86,762)	(27,400)	(104,271)	(218,433)
Derecognition	<u>(6,395,948)</u>	<u>(51,135)</u>	<u>(268,179)</u>	<u>(6,715,262)</u>
Balance at December 31, 2018	<u>\$ 17,048,513</u>	<u>\$ 99,394</u>	<u>\$ 1,253,721</u>	<u>\$ 18,401,628</u>

The Company has accrued an allowance for doubtful accounts on receivables, the change in allowance for doubtful accounts on receivables for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected- credit Losses	Lifetime Expected- credit Losses	Lifetime Expected- credit Losses (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	\$ 23,703	\$ 17,977	\$ 157,800	\$ 199,480	\$ 70,666	\$ 270,146
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(225)	329	(104)	-	-	-
Credit-impaired financial assets	(539)	(4,448)	4,987	-	-	-
12-month ECL	453	(334)	(119)	-	-	-
Derecognition of financial assets in the current reporting period	(6,919)	(5,267)	(12,950)	(25,136)	-	(25,136)
New financial assets purchased or originated	112,680	39,003	119,258	270,941	-	270,941
Difference of impairment loss under regulations	-	-	-	-	(26,027)	(26,027)

(Continued)

	12-month Expected- credit Losses	Lifetime Expected- credit Losses	Lifetime Expected- credit Losses (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Write-offs	\$ (78,568)	\$ (28,758)	\$ (176,084)	\$ (283,410)	\$ -	\$ (283,410)
Recovery of written-off receivables	-	-	230,839	230,839	-	230,839
Change in others	(55)	176	(230,440)	(230,319)	-	(230,319)
Change in exchange rate	(96)	-	-	(96)	-	(96)
Balance at December 31, 2019	<u>\$ 50,434</u>	<u>\$ 18,678</u>	<u>\$ 93,187</u>	<u>\$ 162,299</u>	<u>\$ 44,639</u>	<u>\$ 206,938</u>
Balance at January 1, 2018	\$ 45,116	\$ 1,792	\$ 150,236	\$ 197,144	\$ 7,892	\$ 205,036
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(429)	496	(67)	-	-	-
Credit-impaired financial assets	(1,092)	(504)	1,596	-	-	-
12-month ECL	122	(107)	(15)	-	-	-
Derecognition of financial assets in the current reporting period	(29,017)	(371)	(5,400)	(34,788)	-	(34,788)
New financial assets purchased or originated	95,779	43,907	115,267	254,953	-	254,953
Difference of impairment loss under regulations	-	-	-	-	62,774	62,774
Write-offs	(86,762)	(27,400)	(104,271)	(218,433)	-	(218,433)
Recovery of written-off receivables	-	-	269,494	269,494	-	269,494
Change in others	(14)	164	(269,040)	(268,890)	-	(268,890)
Balance at December 31, 2018	<u>\$ 23,703</u>	<u>\$ 17,977</u>	<u>\$ 157,800</u>	<u>\$ 199,480</u>	<u>\$ 70,666</u>	<u>\$ 270,146</u>

(Concluded)

14. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Discounts and overdraft	\$ 27,537	\$ 32,467
Accounts receivable - financing	19,570	12,147
Loans		
Short-term - unsecured	50,364,941	30,569,537
- secured	72,321,679	65,977,057
Medium-term - unsecured	30,733,615	23,347,445
- secured	69,154,200	60,020,806
Long-term - unsecured	7,877,847	6,440,964
- secured	157,821,517	142,169,489
Import and export negotiations	271,447	84,667
Overdue loans	<u>356,275</u>	<u>213,760</u>
	388,948,628	328,868,339
Less: Allowance for doubtful accounts	<u>4,298,955</u>	<u>3,852,653</u>
	<u>\$ 384,649,673</u>	<u>\$ 325,015,686</u>

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

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

The Company had set up an allowance for doubtful accounts on discounts and loans. Refer to Note 50 for impairment loss analysis of discounts and loans.

The changes in gross carrying amounts on receivables for the years ended December 31, 2019 and 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit- impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 325,297,553	\$ 1,798,887	\$ 1,771,899	\$ 328,868,339
Discount and loans assessed collectively	(748,108)	301,219	446,889	-
Discount and loans purchased or originated	224,866,163	747,886	202,097	225,816,146
Write-offs	-	-	(81,255)	(81,255)
Derecognition	<u>(164,011,919)</u>	<u>(832,413)</u>	<u>(810,270)</u>	<u>(165,654,602)</u>
Balance at December 31, 2019	<u>\$ 385,403,689</u>	<u>\$ 2,015,580</u>	<u>\$ 1,529,359</u>	<u>\$ 388,948,628</u>
Balance at January 1, 2018	\$ 316,319,157	\$ 2,120,891	\$ 1,690,759	\$ 320,130,807
Discount and loans assessed collectively	(421,079)	(28,093)	449,172	-
Discount and loans purchased or originated	184,285,515	624,030	690,586	185,600,131
Write-offs	-	-	(78,905)	(78,905)
Derecognition	<u>(174,886,040)</u>	<u>(917,941)</u>	<u>(979,713)</u>	<u>(176,783,694)</u>
Balance at December 31, 2018	<u>\$ 325,297,553</u>	<u>\$ 1,798,887</u>	<u>\$ 1,771,899</u>	<u>\$ 328,868,339</u>

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

	12-month Expected- credit Losses	Lifetime Expected- credit Losses	Lifetime Expected- credit Losses (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2019	\$ 170,493	\$ 162,436	\$ 284,614	\$ 617,543	\$ 3,235,110	\$ 3,852,653
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to					-	-
Lifetime ECL	(245)	2,983	(2,738)	-	-	-
Credit-impaired financial assets	(223)	(17,140)	17,363	-	-	-
12-month ECL	18,486	(13,622)	(4,864)	-	-	-
Derecognition of financial assets in the current reporting period	(125,299)	(87,556)	(13,245)	(226,100)	-	(226,100)
New financial assets purchased or originated	196,926	76,698	86,993	360,617	-	360,617
Difference of impairment loss under regulations	-	-	-	-	275,469	275,469
Write-offs	-	-	(81,255)	(81,255)	-	(81,255)
Recovery of written-off receivables	-	-	291,920	291,920	-	291,920
Change in others	(18,434)	51,805	(206,141)	(172,770)	-	(172,770)
Change in exchange rate	(1,579)	-	-	(1,579)	-	(1,579)
Balance at December 31, 2019	<u>\$ 240,125</u>	<u>\$ 175,604</u>	<u>\$ 372,647</u>	<u>\$ 788,376</u>	<u>\$ 3,510,579</u>	<u>\$ 4,298,955</u>
Balance at January 1, 2018	\$ 500,131	\$ 8,392	\$ 245,124	\$ 753,647	\$ 2,648,171	\$ 3,401,818
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to					-	-
Lifetime ECL	(570)	1,582	(1,012)	-	-	-
Credit-impaired financial assets	(342)	(1,549)	1,891	-	-	-
12-month ECL	3,090	(3,090)	-	-	-	-
Derecognition of financial assets in the current reporting period	(461,939)	(1,894)	(19,599)	(483,432)	-	(483,432)
New financial assets purchased or originated	131,929	75,518	41,350	248,797	-	248,797
Difference of impairment loss under regulations	-	-	-	-	586,939	586,939
Write-offs	-	-	(78,905)	(78,905)	-	(78,905)
Recovery of written-off receivables	-	-	289,320	289,320	-	289,320
Change in others	(2,850)	83,477	(194,606)	(113,979)	-	(113,979)
Change in exchange rate	1,044	-	1,051	2,095	-	2,095
Balance at December 31, 2018	<u>\$ 170,493</u>	<u>\$ 162,436</u>	<u>\$ 284,614</u>	<u>\$ 617,543</u>	<u>\$ 3,235,110</u>	<u>\$ 3,852,653</u>

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

	For the Year Ended December 31	
	2019	2018
Provision for doubtful accounts on receivables	\$ (10,541)	\$ 14,049
Provision for doubtful accounts on discounts and loans	237,216	238,325
Provision for doubtful accounts on guarantees	5,000	26,367
Provision for doubtful accounts on loan commitments	<u>9,000</u>	<u>14,838</u>
	<u>\$ 240,675</u>	<u>\$ 293,579</u>

16. SUBSIDIARIES

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

Investor	Investee	Main Businesses	Percentage of Ownership		
			2019	2018	
The Bank	Union Finance and Leasing International Corporation (UFLIC)	Installment, leasing and accounts receivable factoring.	100.00	100.00	-
	Union Information Technology Corporation (UIT)	Software and hardware product retail and distribution, system programming development, system development outsourcing, website design, e-commerce, etc.	99.99	99.99	-
	Union Finance International (HK) Limited	Import and export financing.	99.99	99.99	-
UFLIC	Union Securities Investment Trust Corporation (USITC)	Securities investment trust.	99.60	35.00	Note 1
	Union Capital (Cayman) Corp. (Cayman)	Installment and leasing receivable factoring.	100.00	100.00	-
Union Capital (Cayman) Corp.	New Asian Ventures Ltd. (New Asian)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	-
	Union Capital (Singapore) Holding Pte. Ltd. (Union)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	Notes 2 and 4
	Uflc Capital (Singapore) Holding PTE. Ltd. (Uflc)	Investment, overseas financing, equipment leasing, installment selling, acquisition of accounts receivable, etc.	100.00	100.00	Notes 2 and 4
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	30.55	30.55	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG15 (Japan) (SSG15)	A real estate securitized special purpose company.	49.00	49.00	Notes 3 and 4
Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan) (KK)	Sale, purchasing and leasing of real estates, etc.	69.45	69.45	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	49.00	49.00	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	49.00	49.00	Notes 3 and 4
Kabushiki Kaisha UCJ1 (Japan)	Tokutei Mokuteki Kaisha SSG15 Japan) (SSG15)	A real estate securitized special purpose company.	51.00	51.00	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG12 (Japan) (SSG12)	A real estate securitized special purpose company.	51.00	51.00	Notes 3 and 4
	Tokutei Mokuteki Kaisha SSG16 (Japan) (SSG16)	A real estate securitized special purpose company.	51.00	51.00	Notes 3 and 4

Note 1: As the Company had control over the financial, operational and human resources policies of USITC, this subsidiary was included in the consolidated financial statements.

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

Note 2: Union and Uflc were established in September 2014 and March 2016 by Cayman. The capital was both US\$1.

Note 3: KK, SSG15, SSG12 and SSG16 were established by Union and Uflc in Japan to acquire investment properties for securitization.

Note 4: The financial year-end date of Union, Uflc, KK, SSG15, SSG12 and SSG16 apply equity accounting are not December 31. The Company recognize balance statement on September 30, 2017 for consolidated financial statements. Appropriate adjustments have been made accordingly for the effects of significant transactions made between the subsidiaries' year-end dates and December 31, 2018.

Note 5: In order to actively support the FSC's needs to adapt to the nation's overall industry development and to boost the diversification of the corporate banking business as well as improve the efficiency in the use of funds, Union Bank of Taiwan established Union Venture Capital in coordination with the nation's financial policies, which was approved by the board of directors on September 26, 2018. The investment was approved by the Financial Supervisory Commission (FSC) under Rule No. 10802042270. Union Venture Capital had been established by the Bank on November 21, 2019. The total investment amount was \$300,000 thousand, and the Bank held 100% of Union Venture Capital's shares.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

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

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

	<u>For the Year Ended December 31</u>	
	2019	2018
Net loss	<u>\$ (35,980)</u>	<u>\$ (9,636)</u>

To promote innovative financial technology services and popularize mobile payment endorsed by the government, the board of directors of the Bank approved the investment in Line BIZ+ Taiwan Limited on July 25, 2018 and later acquired 5,451 thousand of their ordinary shares with a price of \$1,579,977 thousand on September 21, 2018 resulting in a 10% shareholding and a seat on the board. The Company has significant influence over Line BIZ+ Taiwan Limited and thus uses the equity method to account for the investment.

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

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

18. OTHER FINANCIAL ASSETS, NET

	<u>December 31</u>	
	2019	2018
Pledged assets (Note 46)	\$ 1,514,930	\$ 714,456
Due from banks - certificate of deposit	2,114,433	1,060,360
Call loans to securities	-	522,461
Others	<u>3,285</u>	<u>4,371</u>
	<u>\$ 3,632,648</u>	<u>\$ 2,301,648</u>

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
<u>Cost</u>							
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	<u>3,845,398</u>	<u>5,195,330</u>	<u>1,430,452</u>	<u>316,417</u>	<u>435,465</u>	<u>207,858</u>	<u>11,430,920</u>
<u>Accumulated depreciation</u>							
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	<u>-</u>	<u>1,787,019</u>	<u>1,148,526</u>	<u>271,313</u>	<u>254,760</u>	<u>-</u>	<u>3,461,618</u>
Balance at December 31, 2019, net	<u>\$ 3,845,398</u>	<u>\$ 3,408,311</u>	<u>\$ 281,926</u>	<u>\$ 45,104</u>	<u>\$ 180,705</u>	<u>\$ 207,858</u>	<u>\$ 7,969,302</u>

(Continued)

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvements	Prepayments for Equipment	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 3,845,623	\$ 5,154,708	\$ 1,369,053	\$ 297,163	\$ 332,825	\$ 53,781	\$ 11,053,153
Additions	-	20,666	85,187	17,307	52,783	59,840	235,783
Disposals	(225)	-	(69,670)	(5,466)	(289)	-	(75,650)
Reclassification	-	382	12,018	758	15,663	(39,810)	(10,989)
Effect of foreign currency exchange differences	-	-	-	-	30	-	30
Balance at December 31, 2018	<u>3,845,398</u>	<u>5,175,756</u>	<u>1,396,588</u>	<u>309,762</u>	<u>401,012</u>	<u>73,811</u>	<u>11,202,327</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2018	-	1,532,529	1,034,083	254,011	150,801	-	2,971,424
Depreciation	-	125,527	107,695	13,022	49,349	-	295,593
Disposals	-	-	(67,123)	(5,092)	-	-	(72,215)
Effect of foreign currency exchange differences	-	-	-	-	30	-	30
Balance at December 31, 2018	-	<u>1,658,056</u>	<u>1,074,655</u>	<u>261,941</u>	<u>200,180</u>	-	<u>3,194,832</u>
Balance at December 31, 2018, net	<u>\$ 3,845,398</u>	<u>\$ 3,517,700</u>	<u>\$ 321,933</u>	<u>\$ 47,821</u>	<u>\$ 200,832</u>	<u>\$ 73,811</u>	<u>\$ 8,007,495</u>

(Concluded)

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings

Main buildings	50-55 years
Equipment installed in buildings	5 years
Machinery and computer equipment	3-5 years
Transportation equipment	3-5 years
Lease improvements	5 years

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

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

20. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land and buildings	<u>\$ 1,439,735</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 617,766</u>
Depreciation charge for right-of-use assets Land and buildings	<u>\$ 442,886</u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	<u>\$ 1,415,180</u>
Range of discount rate for lease liabilities was as follows:	
	December 31, 2019
Land and buildings	0.89%-1.72%

c. Other lease information

<u>2019</u>	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 203,796</u>
Total cash outflow for leases	<u>\$ (640,629)</u>

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

2018

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

	December 31, 2018
Not later than 1 year	\$ 578,683
Later than 1 year and not later than 5 years	625,935
Later than 5 years	<u>299,087</u>
	<u>\$ 1,503,705</u>

21. INVESTMENT PROPERTIES, NET

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 4,560,976	\$ 1,028,934	\$ 5,589,910
Additions	142	30,032	30,174
Net exchange difference	<u>(9,345)</u>	<u>(3,829)</u>	<u>(13,174)</u>
Balance at December 31, 2019	<u>\$ 4,551,773</u>	<u>\$ 1,055,137</u>	<u>\$ 5,606,910</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ (191,002)	\$ (191,002)
Depreciation	-	(47,304)	(47,304)
Net exchange differences	<u>-</u>	<u>1,176</u>	<u>1,176</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (237,130)</u>	<u>\$ (237,130)</u>
Balance at December 31, 2019, net	<u>\$ 4,551,773</u>	<u>\$ 818,007</u>	<u>\$ 5,369,780</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 4,467,272	\$ 961,432	\$ 5,428,704
Additions	-	30,571	30,571
Net exchange difference	<u>93,704</u>	<u>36,931</u>	<u>130,635</u>
Balance at December 31, 2018	<u>\$ 4,560,976</u>	<u>\$ 1,028,934</u>	<u>\$ 5,589,910</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2018	\$ -	\$ (144,270)	\$ (144,270)
Depreciation	-	(39,676)	(39,676)
Net exchange differences	<u>-</u>	<u>(7,056)</u>	<u>(7,056)</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ (191,002)</u>	<u>\$ (191,002)</u>
Balance at December 31, 2018, net	<u>\$ 4,560,976</u>	<u>\$ 837,932</u>	<u>\$ 5,398,908</u>

The Company acquired investment properties amounting to \$986,055 thousand, \$1,026,015 thousand and \$668,984 thousand via SSG15, SSG12 and SSG16 in Japan on September 2014, February 2016 and April 2016, respectively. The amount was based on the valuation by independent appraisers that were not the Company's related parties.

Investment properties are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-50 years
Equipment installed in buildings	6-15 years

The fair values of investment properties were \$6,601,085 thousand and \$6,626,218 thousand as of December 31, 2019 and 2018, respectively. The fair values were based on the valuation at these dates by independent appraisers that were not the Company's related parties and estimated by the management according to the prices of similar properties in the vicinity.

Refer to Note 29 for information relating to investment properties pledged as guarantee.

The investment properties were leased out for 3 to 20 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

As of December 31, 2019 and 2018, refundable deposits paid under operating leases were \$75,546 thousand and \$73,140 thousand (included in other assets - refundable deposits), respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 167,646
Year 2	145,122
Year 3	100,951
Year 4	30,560
Year 5	30,481
Year 6 onwards	<u>195,736</u>
	<u>\$ 670,496</u>

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	\$ 127,000
Later than 1 year and not later than 5 years	208,508
Later than 5 years	<u>128,166</u>
	<u>\$ 463,674</u>

22. GOODWILL

The Bank acquired Chung Shing Bank (Chung Shing) on March 19, 2005 and recognized goodwill amounting to \$3,309,000 thousand. The goodwill amortization period was five years, and the amortization expense in 2005 was \$551,500 thousand. However, the amortization of goodwill was no longer required from January 1, 2006.

The Bank merged with Union Bills Finance Corporation on August 16, 2010, with the Bank as the survivor entity, and recognized goodwill amounting to \$130,498 thousand.

For the impairment test on Chung Shing, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of Chung Shing's present operations and will be adjusted depending on the business outlook and economic trends.

As of December 31, 2019 and 2018, the balances of accumulated impairment were both \$902,691 thousand.

23. OTHER ASSETS, NET

	<u>December 31</u>	
	2019	2018
Assets leased to others, net	\$ 5,548,577	\$ 5,425,985
Refundable deposits	2,548,280	2,091,810
Prepaid expenses	657,448	467,318
Prepaid pension (Note 32)	174,565	20,255
Others	<u>41,972</u>	<u>55,080</u>
	<u>\$ 8,970,842</u>	<u>\$ 8,060,448</u>

24. DUE TO THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	2019	2018
Call loans from banks	\$ 6,059,809	\$ 6,222,054
Due to Chunghwa Post Co., Ltd.	5,599,730	5,599,730
Due to the Central Bank and other banks	145,784	128,863
Overdraft	<u>55,409</u>	<u>161,248</u>
	<u>\$ 11,860,732</u>	<u>\$ 12,111,895</u>

25. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

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

26. ACCOUNTS PAYABLE

	December 31	
	2019	2018
Notes and checks in clearing	\$ 1,076,011	\$ 3,926,902
Interest payable	895,542	823,358
Accrued expenses	980,878	789,751
Investments payable	455,093	420,237
Collections payable	238,668	148,967
Settled price	127,990	21,170
Bank acceptances payable	112,902	189,277
Tax payable	108,739	102,319
Others	<u>619,466</u>	<u>591,441</u>
	<u>\$ 4,615,289</u>	<u>\$ 7,013,422</u>

27. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking deposits	\$ 5,847,783	\$ 6,062,393
Demand deposits	92,564,567	80,425,371
Savings deposits	327,270,693	302,787,459
Time deposits	106,932,371	113,880,684
Negotiable certificates of deposit	234,500	10,477,200
Inward and outward remittances	<u>49,186</u>	<u>284,968</u>
	<u>\$ 532,899,100</u>	<u>\$ 513,918,075</u>

28. BANK DEBENTURES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
First issue of subordinated bank debentures in 2012; fixed rate at 2.32%; maturity: March 2019	\$ -	\$ 1,500,000
First issue of subordinated bank debentures in 2013; fixed rate at 2.10%; maturity: December 2020	3,000,000	3,000,000
First issue of subordinated bank debentures in 2015; fixed rate at 2.08%; maturity: April 2022	2,200,000	2,200,000
First issue of subordinated bank debentures in 2016; no maturity date and non-cumulative; redeemable at face value plus interest accrued under the approval of the authorities when the issue term is over 5.1 years; fixed rate at 4.20%	2,500,000	2,500,000
First issue of subordinated bank debentures in 2017; no maturity date and non-cumulative; redeemable at face value plus interest accrued under the approval of the authorities when the issue term is over 5.1 years; fixed rate at 4.20%	500,000	500,000
First issue of subordinated bank debentures in 2019; fixed rate at 1.10%; maturity: September 2026	500,000	-
First issue of subordinated bank debentures in 2019; fixed rate at 1.23%; maturity: September 2029	<u>1,500,000</u>	<u>-</u>
	<u>\$ 10,200,000</u>	<u>\$ 9,700,000</u>

29. BONDS PAYABLE

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Overseas corporate bonds - secured	<u>\$ 1,473,858</u>	<u>\$ 1,480,976</u>

SSG15

To comply with the Japanese law, whenever SSG15 issues secured corporate bonds, UCSH must transfer more than half of the shares of common stock of SSG15 held by UCSH to the legal entity Ippam Shadan Hojin UCJ1 (ISH UCJ1) in order to establish bankruptcy isolation mechanism.

SSG15 issued five-year period secured corporate bonds with a face value of JPY2,200,000 thousand (NT\$609,490 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY3,760,970 thousand (NT\$1,041,943 thousand). According to the contract, the issuance can be extended by one year. The interest rates are as follows:

- a. The first to fifth years: Base interest rate + 0.20%

Base rate: The Tokyo Swap Rate (TSR), six-month LIBOR-based 5-year JPY/JPY-interest swap rate displayed on page 17143 of the Telerate screen at 10:00 am (JST) on the day that is two business days before the issuance date.

- b. The sixth year: Base interest rate + 1.20%

Base rate: The 3-month TIBOR (based on 365 days) displayed as the Japanese yen TIBOR as published by the JBA TIBOR Administration on page 17097 of the Telerate screen at 11:00 am JST on the day that is two business days before the interest payment date.

SSG12

SSG12 issued secured corporate bonds, KK must transfer more than half of the shares of common stock of SSG12 held by KK to the legal entity Ippam Shadan Hojin UCJ2 (ISH UCJ2) in order to establish bankruptcy isolation mechanism.

SSG12 issued five-year period secured corporate bonds with a face value of JPY1,920,000 thousand (NT\$531,919 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY3,767,298 thousand (NT\$1,043,696 thousand). According to the contract, the issuance can be extended by one year. The interest rates are as follows:

- a. The first to fifth years: Base interest rate + 0.45%

Base rate: The five-year yen-yen swap rate displayed on Reuters Screen page 17143 as the index rate as of 10 a.m. Tokyo time two business days prior to the issue date.

- b. The sixth year: Base interest rate + 0.45%

Base rate: The three-month yen TIBOR published by JBA TIBOR Administration on page 17097 of the Telerate screen as of 11 a.m., Tokyo time two business days prior to the first day of each interest calculation period during the tail period.

SSG16

SSG16 issued secured corporate bonds, KK must transfer more than half of the shares of common stock of SSG16 held by KK to the legal entity Ippam Shadan Hojin UCJ2 (ISH UCJ2) in order to establish bankruptcy isolation mechanism.

SSG16 issued four-year period secured corporate bonds with a face value of JPY1,200,000 thousand (NT\$332,449 thousand) secured by investment property as a guarantee. The book value of the investment property was JPY2,426,491 thousand (NT\$672,237 thousand). Issuance of Corporate bonds of base rate + 0.50% (base rate: The three-month yen TIBOR published by JBA TIBOR Administration on page 17097 of the Telerate screen as of 11 a.m., Tokyo time two business days prior to the first day of each interest calculation period during the tail period).

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Commercial paper	\$ 4,887,675	\$ 4,077,639
Principal amounts of structured products	-	11,640
Funds obtained from the government - intended for specific types of loans	<u>111</u>	<u>185</u>
	<u>\$ 4,887,786</u>	<u>\$ 4,089,464</u>

31. PROVISIONS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Reserve for losses on guarantees and loan commitment	\$ 221,488	\$ 207,539
Provisions for employee benefits	8,568	28,264
Others	<u>28,479</u>	<u>26,679</u>
	<u>\$ 258,535</u>	<u>\$ 262,482</u>

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

	<u>2019</u>					
	<u>12-month Expected- credit Losses</u>	<u>Lifetime Expected- credit Losses</u>	<u>Lifetime Expected- credit Losses (Credit- impaired Financial Assets)</u>	<u>Impairment Loss under IFRS 9</u>	<u>Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)</u>	<u>Total</u>
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	<u>(51)</u>	<u>-</u>	<u>-</u>	<u>(51)</u>	<u>-</u>	<u>(51)</u>
Balance at December 31, 2019	<u>\$ 51,294</u>	<u>\$ 3,753</u>	<u>\$ 28,150</u>	<u>\$ 83,197</u>	<u>\$ 138,291</u>	<u>\$ 221,488</u>

	12-month Expected- credit Losses	Lifetime Expected- credit Losses	Lifetime Expected- credit Losses (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance at January 1, 2018	\$ 53,685	\$ 304	\$ 20	\$ 54,009	\$ 112,274	\$ 166,283
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(47)	47	-	-	-	-
Credit-impaired financial assets	(70)	(59)	129	-	-	-
12-month ECL	148	(147)	(1)	-	-	-
Derecognition of financial assets in the current reporting period	(45,622)	(135)	(78)	(45,835)	-	(45,835)
New financial assets purchased or originated	16,275	3,395	41	19,711	-	19,711
Difference of impairment loss under regulations	-	-	-	-	38,708	38,708
Change in others	-	-	28,621	28,621	-	28,621
Change in exchange rates	51	-	-	51	-	51
Balance at December 31, 2018	<u>\$ 24,420</u>	<u>\$ 3,405</u>	<u>\$ 28,732</u>	<u>\$ 56,557</u>	<u>\$ 150,982</u>	<u>\$ 207,539</u>

32. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company (except for Union Finance International (HK) Limited) adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in profit or loss for 2019 and 2018 of \$146,629 thousand and \$133,656 thousand, respectively, were contributions payable to these plans by the Company at rates specified in the pension plan rules.

b. Defined benefit plans

The Company (except for Union Finance International (HK) Limited) adopted the defined benefit plan under the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement.

The Company contributes a fixed proportion of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Company of Taiwan and in the Company's Business Department in the committee's name.

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ (1,704,114)	\$ (1,640,351)
Fair value of plan assets	<u>1,870,111</u>	<u>1,632,342</u>
Surplus (deficit)	<u>165,997</u>	<u>(8,009)</u>
Net defined benefit assets (liabilities)	<u>\$ 165,997</u>	<u>\$ (8,009)</u>
Provisions - accrued retirement liabilities	<u>\$ (8,568)</u>	<u>\$ (28,264)</u>
Other assets - prepaid retirement	<u>\$ 174,565</u>	<u>\$ 20,255</u>

Movements in net defined benefit (liabilities) assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2019	<u>\$ (1,640,351)</u>	<u>\$ 1,632,342</u>	<u>\$ (8,009)</u>
Service cost			
Current service cost	(16,351)	-	(16,351)
Net interest (expense)	<u>(16,530)</u>	<u>16,450</u>	<u>(80)</u>
Recognized in profit or loss	<u>(32,881)</u>	<u>16,450</u>	<u>(16,431)</u>
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	<u>(29,187)</u>	<u>-</u>	<u>(29,187)</u>
Recognized in other comprehensive income	<u>(85,455)</u>	<u>259,748</u>	<u>174,293</u>
Contributions from the employer	-	16,144	16,144
Benefits paid	<u>54,573</u>	<u>(54,573)</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ (1,704,114)</u>	<u>\$ 1,870,111</u>	<u>\$ 165,997</u>
Balance at January 1, 2018	<u>\$ (1,571,309)</u>	<u>\$ 1,577,056</u>	<u>\$ (5,747)</u>
Service cost			
Current service cost	(16,354)	-	(16,354)
Net interest (expense)	<u>(19,249)</u>	<u>19,319</u>	<u>70</u>
Recognized in profit or loss	<u>(35,603)</u>	<u>19,319</u>	<u>(16,284)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 38,121	\$ 38,121
Actuarial gain (loss) - changes in financial assumptions	44,912	-	44,912
Actuarial gain (loss) - experience adjustments	<u>(97,010)</u>	<u>-</u>	<u>(97,010)</u>
Recognized in other comprehensive income	<u>(52,098)</u>	<u>38,121</u>	<u>(13,977)</u>
Contributions from the employer	-	16,505	16,505
Benefits paid	<u>18,659</u>	<u>(18,659)</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ (1,640,351)</u>	<u>\$ 1,632,342</u>	<u>\$ (8,009)</u> (Concluded)

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

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

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

	December 31	
	2019	2018
Discount rate	0.690%-0.714%	0.984%-1.008%
Expected rates of future salary increase	1.5%-2.5%	1.50%-3.00%

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Discount rate(s)		
0.25% increase	<u>\$ (47,304)</u>	<u>\$ (46,833)</u>
0.25% decrease	<u>\$ 49,206</u>	<u>\$ 48,784</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 47,544</u>	<u>\$ 47,275</u>
0.25% decrease	<u>\$ (45,960)</u>	<u>\$ (45,634)</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
The expected contributions to the plan for the next year	<u>\$ 16,547</u>	<u>\$ 16,919</u>
The average duration of the defined benefit obligation	9-14 years	10-15 years

c. Retirement benefits plans of Union Finance International (HK) Limited

Union Finance International (HK) Limited has a defined contribution plan under foreign standards and regulations and is thus not covered by the Labor Pension Act and the Labor Standards Law. Its pension costs were \$98 thousand in 2019 and \$117 thousand in 2018.

33. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Guarantee deposits received	\$ 2,337,357	\$ 2,313,368
Advance receipts	827,904	558,431
Others	<u>120,220</u>	<u>126,248</u>
	<u>\$ 3,285,481</u>	<u>\$ 2,998,047</u>

34. EQUITY

a. Capital stock

Common stock

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

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 Bank's board of directors resolved to issue preferred stock - A totaling 200,000 thousand shares, with a par value of NT\$10, at NT\$50 per share in the total amount of NT\$10,000,000 thousand on December 28, 2017. The issuance of shares has been approved by the FSC under Order No. 1060033586 issued on September 1, 2017.

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

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

- 1) Tenor: Perpetual.
- 2) Dividend yield: An annual dividend yield is set at 4.8% (5-year IRS 0.89125%+3.90875%) per annum of the issue price at the pricing day. The 5-year IRS will be reset on the next business day after each fifth and half anniversary day after issuance thereafter. The pricing date for reset is the second business day of financial industry in Taipei immediately preceding each reset date. The 5-year IRS rate is the arithmetic mean of 5-year IRS rates appearing on Reuters pages "PYTWDFIX" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing date for reset. If such rate cannot be obtained, the Bank will determine the rate based on reasonable market price with good faith.
- 3) Dividend payment: Whereas the Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, offset losses of previous years, and from the remaining profit set aside amount as legal reserve, and set aside or reverse special reserve in accordance with the laws and regulations, and distribute dividends to the preferred shareholders. The Bank has the sole discretion on the distribution of dividends of preferred stocks - A, which includes but not limited to the Bank's discretion to resolve not to distribute dividends to the preferred shareholders if there is no surplus, or if earnings in the fiscal year are insufficient to fully pay off dividends to the shareholders of the preferred stocks, or if the distribution of dividends of preferred stocks may cause Total Capital Adequacy Ratio to be less than the authority's minimum requirement, or if the Bank has other essential considerations. If the Bank resolves not to distribute dividends to the preferred shareholders, the shareholders of preferred stock - A shall raise no objection. The unpaid dividend will not be carried forward to years with earnings. The stock dividends of preferred stocks - A are distributed by cash in one payment annually. After the shareholders, in their meeting, approved the appropriation of the earnings of the fiscal year as proposed by the board of directors and resolved to distribute from the earnings cash dividends, the board of directors sets the record date of preferred stock - A for payment of dividends. Dividend is calculated based on the proportion of the number of days that the stocks are issued in a fiscal year, starting from the date of issuance to the record date (or redemption date) of dividend. The amount of dividends distributed should be listed on the dividend statements.

- 4) Restrictions on payment of dividends to common shares: Except for the dividends prescribed in the preceding subparagraphs herein, the shareholders of preferred stock - A are not entitled to participate in the distribution of cash or stock dividends with regard to the ordinary shares derived from earnings or capital reserves.
- 5) Redemption: After 5.5 years from the issue date, the bank may, subject to the competent authority's approval, redeem a portion or all of the outstanding shares of preferred stock - A at any time at the issue price. The rights and obligations associated with any remaining outstanding shares of preferred stock - A shall continue as specified herein. If the stockholders' meeting approves the distribution of dividends in the year the Bank redeems the outstanding shares of preferred stock - A, the dividends payable shall be calculated at the ratio of the number of days outstanding from beginning of year to the redemption date to total days in a fiscal year.
- 6) Liquidation preference: In the event of liquidation, except when the competent authority assigned officials to take receivership over the Bank, order the Bank to suspend and wind up business, or liquidate the Bank, in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", the order of priority for the distribution of the earnings and assets of the shareholders of preferred stock - A is the same as that of a common stockholder, the shareholders of preferred stock - A shall be given priority to claim on the Bank's remaining assets over the shareholders of common stocks, and equal to shareholders of other preferred stock issued by the Bank, but subordinate to the holders of Tier 2 capital, depositors, and other general creditors, and not more than the issuance amount of outstanding shares of preferred stock - A.
- 7) Voting rights or election rights: The shareholders of preferred stock - A are not entitled to any voting rights or election rights in shareholders' meeting. However, they may vote in preferred stock - A shareholders' meetings and in general shareholder meetings with regard to agenda items concerning rights and obligations of the shareholders of preferred stock - A.
- 8) Preferred stock - A shall not be converted into common stocks. The shareholders of the preferred stocks shall not require the Bank to redeem the rights of the preferred stocks - A.
- 9) When the bank issues new shares in cash, the shareholders of preferred stock - A and the common stock shall be entitled to equivalent preemptive rights on the new shares.

b. Capital surplus

	December 31	
	2019	2018
Issuance of preference shares	\$ 8,000,000	\$ 8,000,000
Treasury stock transactions	32,413	32,413
Issuance of ordinary shares	<u>3,071</u>	<u>-</u>
	<u>\$ 8,035,484</u>	<u>\$ 8,032,413</u>

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of ordinary shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus and to once a year.

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

c. Legal reserve

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

d. Special reserve

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

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

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

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

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

	December 31	
	2019	2018
Balance at January 1, 2018	\$ 612,656	\$ 585,206
Special reserves appropriated	<u>14,784</u>	<u>27,450</u>
Balance at December 31, 2018	<u>\$ 627,440</u>	<u>\$ 612,656</u>

e. Retained earnings and dividend policy

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

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

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

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

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

The appropriations from the earnings of 2018 and 2017 were approved in stockholders' meetings on May 31, 2019 and June 8, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 887,017	\$ 823,496		
Special reserve	14,784	24,750		
Cash dividends on ordinary shares	-	1,042,061	\$-	\$0.40
Stock dividends on ordinary shares	1,883,009	781,546	0.7	0.30
Cash dividends on preference shares	480,000	90,740	2.4	0.45369863

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

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

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

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

f. Other equity items

1) Exchange differences on translating foreign operations

	<u>For the Year Ended December 31</u>	
	2019	2018
Balance at January 1	\$ (413,524)	\$ (765,444)
Exchange differences arising on translating the foreign operations	(238,885)	405,845
Income tax on related from translating the net assets of foreign operations	<u>47,777</u>	<u>(53,925)</u>
Balance at December 31	<u>\$ (604,632)</u>	<u>\$ (413,524)</u>

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

	<u>For the Year Ended December 31</u>	
	2019	2018
Balance at January 1 (IFRS 9)	<u>\$ 2,073,347</u>	<u>2,797,843</u>
Generated this year		
Unrealized gain (loss)		
Debt instruments	1,611,224	(1,006,200)
Equity instruments	1,947,241	205,873
Adjustments to loss allowance for debt instruments	17,662	40,778
Disposal of debt instruments	<u>(24,322)</u>	<u>(553)</u>
Other comprehensive income for the year	3,551,805	(760,102)
Acquisition of interest in subsidiary	(2,105)	-
Accumulated gain (loss) transferred to retained earnings from disposal of equity instruments at FVTOCI	<u>(333,523)</u>	<u>35,606</u>
Balance at year-end	<u>\$ 5,289,524</u>	<u>\$ 2,073,347</u>

g. Non-controlling interests

	<u>For the Year Ended December 31</u>	
	2019	2018
Balance at January 1	\$ 245,726	\$ 266,635
Attributed to non-controlling interests		
Share of profit for the year	12,021	(1,723)
Actuarial gains (loss) on defined benefit plans	-	(207)
Income tax related to actuarial gains and losses	-	23
Unrealized gains (losses) on investments in equity instruments at fair value through gains or losses	(63)	(282)
Cash dividends distributed by subsidiaries	-	(18,720)
Acquisition of non-controlling interests (Note 53)	<u>(256,106)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,578</u>	<u>\$ 245,726</u>

35. NET INTEREST

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Interest revenue</u>		
Discounts and loans	\$ 7,792,869	\$ 6,987,828
Credit card	836,084	789,060
Due from the Central Bank and call loans to other banks	231,438	129,543
Securities purchased under resell agreements	269,316	144,854
Investments in debt instruments at amortized cost	1,912,430	1,995,101
Financial assets at fair value through other comprehensive income	901,475	899,538
Others	<u>59,497</u>	<u>41,784</u>
	<u>12,003,109</u>	<u>10,987,708</u>
<u>Interest expense</u>		
Deposits	3,897,601	3,300,204
Securities sold under repurchase agreements	1,203,134	294,889
Bank debentures	246,880	568,090
Due to Chunghwa Post Co., Ltd.	48,489	16,362
Others	<u>129,543</u>	<u>106,375</u>
	<u>5,525,647</u>	<u>4,285,920</u>
	<u>\$ 6,477,462</u>	<u>\$ 6,701,788</u>

36. COMMISSIONS AND FEE REVENUES, NET

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Commission and fee revenues</u>		
Credit cards and cash cards	\$ 1,319,093	\$ 1,085,186
Insurance commission	871,886	903,812
Trust business	478,926	384,548
Loan business	390,072	285,365
Interbank service fee	101,056	101,957
Underwriting business	79,377	68,892
Guarantee business	109,034	107,355
Others	<u>227,860</u>	<u>260,937</u>
	<u>3,577,304</u>	<u>3,198,052</u>
<u>Commission and fee expense</u>		
Credit card	632,799	589,004
Verification of credit	35,532	37,960
Interbank service fee	22,966	20,571
Acquiring liquidation deal	17,221	14,540
Others	<u>151,940</u>	<u>113,125</u>
	<u>860,458</u>	<u>775,200</u>
	<u>\$ 2,716,846</u>	<u>\$ 2,422,852</u>

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

	For the Year Ended December 31	
	2019	2018
Realized gain or loss on financial assets at fair value through profit or loss		
Currency swap contracts	\$ 959,335	\$ 504,342
Foreign exchange forward contracts	324,367	(151,378)
Interest revenue	272,159	196,079
Beneficiary securities and shares	254,796	(160,323)
Cross-currency swap contracts	61,109	-
Dividend revenue	36,024	27,620
Principal guaranteed notes	33,242	-
Corporate bonds	27,321	6,278
Commercial papers	8,220	14,975
Option contracts	3,125	5,167
Government bonds	1,783	(181)
Futures exchange margins	1,124	-
	<u>1,982,605</u>	<u>442,579</u>
Unrealized gain or loss on financial assets at fair value through profit or loss		
Beneficiary securities and shares	81,591	(76,741)
Government bonds and corporate bonds	8,302	(3,350)
Commercial paper	(1,257)	131
Derivative financial assets and liabilities	<u>(585,369)</u>	<u>(139,551)</u>
	<u>(496,733)</u>	<u>(219,511)</u>
	<u>\$ 1,485,872</u>	<u>\$ 223,068</u>

38. REALIZED GAIN ON FINANCIAL ASSETS AT FVTOCI

	For the Year Ended December 31	
	2019	2018
Dividend revenue	\$ 321,880	\$ 443,146
Net income on disposal - debt instruments	<u>24,322</u>	<u>553</u>
	<u>\$ 346,202</u>	<u>\$ 443,699</u>

39. LOSS FROM ASSETS IMPAIRMENT (REVERSAL)

	For the Year Ended December 31	
	2019	2018
Investments in debt instruments at fair value through other comprehensive income	\$ (19,605)	\$ (39,935)
Financial assets at amortized cost	(43,501)	-
Foreclosed collateral	<u>20,185</u>	<u>6,346</u>
	<u>\$ (42,921)</u>	<u>\$ (33,589)</u>

40. EMPLOYEE BENEFIT EXPENSES

	For the Year Ended December 31	
	2019	2018
Salaries and wages	\$ 2,445,490	\$ 2,281,806
Bonus	859,571	752,477
Pension		
Defined contribution plans	146,727	133,773
Defined benefit plans	16,431	16,284
Labor insurance and national health insurance	304,795	280,204
Others	<u>58,228</u>	<u>66,483</u>
	<u>\$ 3,831,242</u>	<u>\$ 3,531,027</u>

The Bank accrued employees' compensation and remuneration of directors at the rates of between 1% to 5% and no higher than 0.1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 11, 2020 and March 13, 2019, respectively, were as follows:

Accrual rate

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

Amount

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

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

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors in 2018 and 2017 and paid and the amounts recognized in the financial statements in 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

41. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2019	2018
Assets leased	\$ 1,588,030	\$ 1,582,288
Property and equipment	317,258	295,593
Investment properties	47,304	39,676
Intangible assets	88,404	70,003
Right-of-use assets	<u>442,886</u>	<u>-</u>
	<u>\$ 2,483,882</u>	<u>\$ 1,987,560</u>

42. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2019	2018
Taxation and government fee	\$ 698,324	\$ 612,786
Advertisement	602,989	433,126
Outsourcing service	315,017	297,055
Postage/cable charge	265,487	263,449
Rental	203,796	623,783
Computer operating	166,439	171,658
Maintenance charge	153,116	126,645
Deposit insurance	140,993	135,088
Others	<u>736,766</u>	<u>779,981</u>
	<u>\$ 3,282,927</u>	<u>\$ 3,443,571</u>

43. INCOME TAX

a. Income tax recognized in profit or loss

The main components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
Current year	\$ 498,030	\$ 71,273
Additional income tax on unappropriated earnings	139	-
Prior year's adjustments	<u>4,785</u>	<u>(10,459)</u>
	<u>502,954</u>	<u>60,814</u>
Deferred tax		
Current year	153,024	554,711
Change in tax rate	<u>-</u>	<u>(93,942)</u>
	<u>153,024</u>	<u>460,769</u>
Income tax expense recognized in profit or loss	<u>\$ 655,978</u>	<u>\$ 521,583</u>

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

	For the Year Ended December 31	
	2019	2018
Income before tax	<u>\$ 4,027,456</u>	<u>\$ 3,476,584</u>
Income tax expense at the 20% statutory rate	\$ 800,051	\$ 682,343
Tax-exempt income	(275,218)	(149,283)
Nondeductible expenses in determining taxable income	26,376	33,802
Additional income tax under the Alternative Minimum Tax Act	1,869	24,379
Unrecognized deductible temporary differences	24,090	5,608
Additional income tax on unappropriated earnings	139	-
Disposal loss from investments in equity instruments at fair value through other comprehensive income	1,387	(32,384)
Other permanent differences	72,499	61,519
Adjustments for prior year's tax	4,785	(10,459)
Effect of change in tax rate	<u>-</u>	<u>(93,942)</u>
Income tax expense recognized in profit or loss	<u>\$ 655,978</u>	<u>\$ 521,583</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in Hong Kong is 16.5%; the applicable tax rate used by subsidiaries in Japan is 30% and the applicable tax rate used by subsidiaries in Singapore is 17%.

As the manner of the 2019 appropriation of the 2018 earnings is uncertain, the income tax consequences on the 2018 unappropriated earnings cannot be reliably determined.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Recognized in other comprehensive income:		
Exchange differences on the translation of financial statements of foreign operations	\$ 47,777	\$ (53,925)
Unrealized gain or loss from financial assets at fair value through other comprehensive income	(300,175)	(207,225)
Actuarial gains and losses on defined benefit plans	<u>(34,858)</u>	<u>9,490</u>
Total income tax expenses (profit) recognized in other comprehensive income	<u>\$ (287,256)</u>	<u>\$ (251,660)</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax assets</u>						
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	<u>43,123</u>	<u>70,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,246</u>
	643,786	11,414	43,721	-	-	698,921
Loss carryforwards	<u>147,764</u>	<u>(147,764)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 791,550</u>	<u>\$ (136,350)</u>	<u>\$ 43,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 698,921</u>
<u>Deferred tax liabilities</u>						
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	<u>(176,563)</u>	<u>(16,674)</u>	<u>(30,802)</u>	<u>20</u>	<u>-</u>	<u>(224,019)</u>
	<u>\$ (1,269,570)</u>	<u>\$ (16,674)</u>	<u>\$ (330,977)</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ (1,617,201)</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Impairment loss of financial instruments	\$ 46,454	\$ 8,198	\$ -	\$ -	\$ -	\$ 54,652
Exchange difference on translation of foreign operations	154,384	-	(53,925)	-	-	100,459
Employee benefit plan	145,428	21,533	9,704	-	-	176,665
Allowance for possible losses and reserve for losses on guarantees	31,807	97,836	-	-	-	129,643
Investment properties	119,996	19,248	-	-	-	139,244
Others	<u>27,137</u>	<u>15,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,123</u>
	525,206	162,801	(44,221)	-	-	643,786
Loss carryforwards	<u>647,768</u>	<u>(500,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,764</u>
	<u>\$ 1,172,974</u>	<u>\$ (337,203)</u>	<u>\$ (44,221)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,550</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Financial assets at fair value through other comprehensive income	\$ (488,721)	\$ -	\$ (207,225)	\$ -	\$ -	\$ (695,946)
Amortization of goodwill impairment loss	(337,502)	(59,559)	-	-	-	(397,061)
Others	<u>(110,973)</u>	<u>(64,007)</u>	<u>(214)</u>	<u>(108)</u>	<u>(1,261)</u>	<u>(176,563)</u>
	<u>\$ (937,196)</u>	<u>\$ (123,566)</u>	<u>\$ (207,439)</u>	<u>\$ (108)</u>	<u>\$ (1,261)</u>	<u>\$ (1,269,570)</u>

d. Information on loss carryforwards

The Company's loss carryforwards as of December 31, 2019 were as follows:

	Unused Amount	Expiry Year
Union Securities Investment Trust Corporation	<u>\$ 45,846</u>	2023
Union Finance International (HK) Limited	<u>\$ 92,317</u>	N/A

e. Income tax assessments

	<u>Examined and Cleared</u>
Union Bank of Taiwan	Through 2017
Union Finance and Leasing International	Through 2017
Union Information Technology	Through 2017
Union Securities Investment Trust Corporation	Through 2017

49. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2019	2018
Basic earnings per share	<u>\$ 1.00</u>	<u>\$ 1.07</u>
Diluted earnings per share	<u>\$ 1.00</u>	<u>\$ 1.06</u>

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

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

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

	<u>For the Year Ended December 31</u>	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	2,883,260	2,688,690
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	<u>7,943</u>	<u>8,047</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>2,891,203</u>	<u>2,696,737</u>

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

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

45. RELATED-PARTY TRANSACTIONS

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

a. Related parties and their relationships with the Company

<u>Related Party</u>	<u>Relationship with the Company</u>
Union Real-Estate Management Corporation	Associates
LINE BIZ+ Taiwan, Ltd. (LINE PAY)	Associates
Hung-Kou Construction Inc., Ltd. (Hung-Kou)	Related party in substance
The Liberty Times Co., Ltd. (Liberty Times)	Related party in substance
Long Shan Lin Corporation	Related party in substance
Yong-Xuan Co., Ltd. (Yong-Xuan)	Related party in substance
Union Enterprise Construction Co., Ltd. (UECC)	Director of the Bank
Yu-Pang Co., Ltd. (Yu-Pang)	Director of the Bank
Union Recreation Enterprise Corporation	Related party in substance
Union Optronics Co., Ltd. (Union Optronics)	Related party in substance
Hi-Life International Co., Ltd.	Related party in substance
Securities Investment Trust Funds	Issued by Union Securities Investment Trust
Others	Directors, managers, and their relatives and affiliates

b. Significant transactions with related parties:

1) Loans

December 31, 2019

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

December 31, 2018

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2018	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	20	\$ 21,669	\$ 17,531	\$ 17,531	\$ -	Land, buildings and cars	None
Self-used housing mortgage loans	41	169,381	99,280	99,280	-	Real estate	None
Others	8	77,644	8,400	8,400	-	Land, plant, buildings, quoted stock and time deposits	None

	December 31		Interest Revenue			
	Amount	%	Rate	Amount	%	
2019	\$ 123,424	0.03	1.56%-2.64%	\$ 2,551	0.02	
2018	125,211	0.04	1.06%-2.60%	2,868	0.03	

2) Deposits

	December 31		Interest Expense			
	Amount	%	Rate (Note)	Amount	%	
2019	\$ 5,267,414	0.99	0%-4.80%	\$ 48,121	0.87	
2018	4,905,638	0.95	0%-4.80%	40,741	0.95	

3) Guarantees and letters of credit

December 31, 2019

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

December 31, 2018

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

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

4) Leases

Under operating lease agreements with terms of one year to five years, the Company rents office spaces from related parties for use by the Company's Head Office, Trust, International Banking Department, Wealth Management, Information Technology Department, Consumer Banking Department, Insurance Agency Department, Credit Card Department, Northern Collaterals Appraisal Center, five branches, USITC, UFLIC and UIT. Rentals are paid quarterly or are taken from lease deposits. Rental expenses and lease deposits were as follows:

	Lease Deposit (Part of Other Assets)		Lease Liabilities	
	Amount	%	Amount	%
<u>2019</u>				
Yu-Pang	\$ 459,983	18.05	\$ 44,117	3.12
Hung-Kuo	219,465	8.61	62,672	4.43
13.80Yong-Xuan	15,685	0.62	195,363	13.80
UECC	4,651	0.18	9,946	0.70
	Lease Deposit (Part of Other Assets)		Rental Expense (Part of Other Operating Expense)	
	Amount	%	Amount	%
<u>2018</u>				
Yu-Pang	\$ 459,983	21.99	\$ 25,900	4.12
Hung-Kuo	219,465	10.49	104,361	16.59
Yong-Xuan	16,194	0.77	66,804	10.62
UECC	5,334	0.25	11,038	1.75

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

5) Financial assets at fair value through profit or loss

As of December 31, 2019 and 2018, the UFLIC had purchased 6,968 thousand units of beneficiary certificates issued by USITC, which amounted to \$123,481 thousand and \$114,056 thousand, respectively, and gain on disposal of investment were both \$0.

- 6) LINE PAY provided the use of its consumer platform to the Bank. The maintenance fees of the platform was \$4,273 thousand in 2019.
- 7) LINE PAY provided the credit card bonus points and cooperative marketing activities to the Bank. The advertising fee was \$136,198 thousand in 2019.
- 8) Hi-Life provided the commodity bonus exchange and marketing activities to the Bank. The advertising fees were \$815 thousand and \$91 thousand in 2019 and 2018, respectively.

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

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

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2019	2018
Short-term employment benefits		
Salaries	\$ 47,925	\$ 45,912
Transportation expenses	1,240	1,400
Other	<u>11</u>	<u>11</u>
	49,176	47,323
Post-employment benefits	<u>8,653</u>	<u>1,233</u>
	<u>\$ 57,829</u>	<u>\$ 48,556</u>

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

46. PLEDGED ASSETS

- a. As of December 31, 2019 and 2018, government bonds and bank debentures, which amounted to \$318,605 thousand and \$310,905 thousand (all amounts included in other financial assets), respectively, had been provided to the courts and the Bank of Taiwan as guarantee deposits on provisional seizures against the debtors' properties, as reserve for credit card receivables, as guarantee deposits on bills finance operations, brokering life insurance, property and casualty insurance, and as trust reserve.
- b. As of December 31, 2019 and 2018, the Bank pledged a time deposit of \$1,100,000 thousand and \$300,000 thousand (part of other financial assets), respectively to Mega International Commercial Bank and Mizuho Bank to be part of the latter's online bank-to-bank payment system.
- c. The following assets of the Company had been used as collaterals to apply for loans, issue commercial papers and apply for provisional seizure of certain assets:

	December 31	
	2019	2018
Other financial assets		
Pledge assets	<u>\$ 90,463</u>	<u>\$ 96,689</u>
Investment property	<u>\$ 2,757,876</u>	<u>\$ 2,741,018</u>

- d. As of December 31, 2019 and 2018, notes receivable (not expired) amounting to \$643,196 thousand and \$654,917 thousand had been used as collaterals to apply for loans and issue commercial papers, respectively.

47. CONTINGENCIES AND COMMITMENTS

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

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

- b. The duration of leasing cars (included in other assets) is about 1 to 3 years.

Minimum future annual rentals are as follows:

	December 31	
	2019	2018
Within 1 year	\$ 1,835,100	\$ 1,821,811
Over 1 year to 5 years	<u>1,934,986</u>	<u>1,752,473</u>
	<u>\$ 3,770,086</u>	<u>\$ 3,574,284</u>

- c. Computer equipment purchase contracts

As of December 31, 2019 and 2018, the Company had contracts to buy computer equipment and software for \$195,651 thousand and \$117,012 thousand, respectively, of which \$89,557 thousand and \$75,598 thousand had been paid as of December 31, 2019 and 2018, respectively.

- d. Union Securities Investment Trust

The private equity funds managed by USITC, a subsidiary of the Bank, were mainly invested in the Fairfield Sentry Funds (F Funds) of the Madoff Investment Securities' (Madoff Company) Fairfield Company (Fairfield). On January 10, 2011, the liquidator of the F Funds sued USITC, the private equity funds managed by USITC and the beneficiaries who bought USITC's private equity funds to demand the return of the redemption proceeds of US\$17,206 thousand received by USITC's private equity funds from the F Funds. This case remained pending before the Bankruptcy Court for the Southern District of New York.

Madoff Company's liquidation trustee claimed that F Funds' redemption proceeds from Madoff Company constituted unjust enrichment and thus sued USITC and F Funds on March 23, 2012 to demand the return of the redemption proceeds of US\$17,206 thousand received by USITC's private equity funds from F Funds. This case remained pending before the Bankruptcy Court for the Southern District of New York.

The plaintiff has asked the US court to deliver the complaint to the Taiwan Taipei District Court through mutual legal assistance. In accordance with the provisions of Article 402, paragraph 1, paragraph 2 of the Code of Civil Procedure and the relevant practical opinions of the court, the legal documents have been legally delivered to USITC. In order to avoid the unfavorable judgment of the court, USITC appointed American lawyers to deal with the litigation. The plaintiff has asked the US court to deliver the complaint to the Taiwan Taipei District Court through mutual legal assistance. In accordance with the provisions of Article 402, paragraph 1, paragraph 2 of the Code of Civil Procedure and the relevant practical opinions of the court, the legal documents have been legally delivered to USITC. In order to avoid the unfavorable judgment of the court, USITC appointed American lawyers to deal with the litigation. The defendant in the same situation (that is, the non-US foreign investor who was allocated from the Fairfield series of funds) disputed the application of the US bankruptcy law and the jurisdiction of the US court. The US Court recognized the law does not apply to such defendants, therefore, rejected the plaintiff's request for the reason of international comity. The plaintiff has appealed to the Federal Second Circuit Court of Appeal. The court of appeals for the Second Circuit Court reversed. At present, the suit has been submitted to the United States Supreme Court, and wait for the court to hear the case.

The private equity funds managed by USITC and mainly invested in the F Funds of Fairfield had become a loss for USITC. Thus, on June 26, 2013, USITC joined Fairfield Greenwich, Citco and PwC in a class action litigation on this investment loss. Regarding the class action suit against Fairfield Greenwich, United States District Court of the Southern District of New York approved the settlement of the two parties on December 19, 2014. The settlement fee was distributed among the settling parties in February 2015. Regarding the class action suit against Citco, the two parties had already come to a settlement on August 12, 2015; the court also approved the settlement of Citco on November 20, 2015. The settlement fee is going to be distributed among the settling parties. Regarding the class action suit against PwC, the court gave a preliminary verdict of settlement to the two parties and opened a court session on May 6, 2016, for a hearing on the fairness of the settlement and the granting of permission; there has been no further appeals since then. The settlement fee would be distributed to the settling parties after deducting the approved amount of counselor fees and disbursement fees. The private equity funds managed by USITC received the check of settlement fee from Rust Consulting Inc. on January 3, 2017 and redeemed for cash on February 6, 2017.

e. Investment in internet-only banking

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

48. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts December 31, 2019

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

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2019.

Balance Sheet of Trust Accounts December 31, 2018

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

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

**Income Statement of Trust Accounts
Year Ended December 31, 2019**

	Amount
Trust income	
Interest revenue - demand accounts	\$ 931
Interest revenue - time deposits	18,509
Cash dividends - common stock	7,924
Income from beneficiary certificates	261
Realized capital gain - fund	1,011
Unrealized capital gain - fund	226
Unrealized capital gain - common stock at stock exchange market	<u>49,185</u>
Total trust income	<u>78,047</u>
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	<u>256</u>
Total trust expense	<u>23,820</u>
Loss before tax	54,227
Income tax expense	<u>(1,306)</u>
Net loss	<u>\$ 52,921</u>

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

**Income Statement of Trust Accounts
Year Ended December 31, 2018**

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

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

**Trust Property and Equipment Accounts
December 31, 2019**

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

Note: The foreign currency amount of mutual funds was included in OBU on December 31, 2019.

**Trust Property and Equipment Accounts
December 31, 2018**

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

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

49. FINANCIAL INSTRUMENTS

a. Information on fair value hierarchy

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

1) Level 1

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

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

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

2) Level 2

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

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

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

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

3) Level 3

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

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

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

(In Thousands of New Taiwan Dollars)

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<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

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Measured at fair value on a recurring basis</u>				
<u>Nonderivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss (FVTPL)				
Financial assets mandatorily classified as at FVTPL				
Equity instruments	\$ 671,596	\$ 671,596	\$ -	\$ -
Debt instruments	27,247	-	27,247	-
Beneficiary certificates	2,555,622	2,555,622	-	-
Commercial paper	31,510,394	-	31,510,394	-
Asset-based securities	60,415	-	60,415	-
Principal guaranteed notes	1,368,547	-	1,368,547	-
Financial assets at fair value through other comprehensive income				
Equity instruments	8,564,352	7,429,778	-	1,134,574
Real estate investment trusts	129,905	129,905	-	-
Debt instruments	24,699,250	-	24,699,250	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	516,104	-	479,583	36,521
Liabilities				
Financial liabilities at FVTPL	307,799	-	271,277	36,522

c. The financial instruments measured at fair value

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

1) Marking to market

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

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

2) Marking to model

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

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

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

3) Fair value adjustment

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

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

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

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

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

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

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

4) Transfers between Level 1 and Level 2

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

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

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

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial assets at fair value through profit or loss Derivative financial assets	\$ 48,253	\$ (22,635)	\$ -	\$ 50,712	\$ -	\$ (39,809)	\$ -	\$ 36,521
Financial assets at fair value through other comprehensive income Derivative financial assets	1,056,673	-	61,241	34,620	-	(17,960)	-	1,134,574

b) Reconciliation of Level 3 items of financial liabilities

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

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

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

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

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

Item	Product	2019/12/31 Fair Value	Valuation Technique	Significant Unobservable Inputs	Interval (Weighted-average)	Relation Between Input and Fair Value
<u>Derivative financial instruments</u>						
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
<u>Non-derivative financial instruments</u>						
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
<u>Derivative financial instruments</u>						
Financial liabilities at fair value through profit or loss	Foreign exchange options	26,976	Option pricing model	Ratio	AUD/JPY 8.73%-8.74% AUD/USD 6.69% EUR/USD 5.26% USD/JPY 4.87%-5.77% USD/TWD 3.45%-4.65% USD/ZAR 11.26%-14.35%	The higher the ratio is, the higher the fair value

Item	Product	2018/12/31 Fair Value	Valuation Technique	Significant Unobservable Inputs	Interval (Weighted-average)	Relation Between Input and Fair Value
Derivative financial instruments						
Financial assets at fair value through profit or loss	Foreign exchange options	\$ 36,521	Option pricing model	Ratio	AUD/JPY 11.88% AUD/USD 9.08%-9.70% EUR/USD 7.35%-7.45% NZD/USD 9.74% USD/TWD 3.69%-5.61% USD/ZAR 18.29%-18.38%	The higher the ratio is, the higher the fair value
Non-derivative financial instruments						
Financial assets at fair value through other comprehensive income	Investment in equity instruments	1,134,574	Assets value model	Allowance of minority interest	10%-20%	The higher the equity dispersion is, the lower the fair value
Derivative financial instruments						
Financial liabilities at fair value through profit or loss	Foreign exchange options	36,522	Option pricing model	Ratio	AUD/JPY 11.88% AUD/USD 9.08%-9.70% EUR/USD 7.35%-7.45% NZD/USD 9.74% USD/TWD 3.69%-5.61% USD/ZAR 18.29%-18.38%	The higher the ratio is, the higher the fair value

7) The assessment process of Level 3 fair value measurement

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

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

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

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

December 31, 2019

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 115,710	\$ (115,710)

December 31, 2018

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	\$ 113,457	\$ (113,457)

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

1) Information of fair value

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

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

2) Fair value hierarchy

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

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

50. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

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

c. Credit risk

1) Credit risk definitions and sources

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

2) Strategy/objectives/policies and processes

- a) Credit risk management strategy: The Company has established the "Credit Risk Management Standards of Union Bank of Taiwan" as the basis of planning, implementing, and managing credit risk management system.
- b) Credit risk management objective: The objectives are to establish and implement an effective credit risk management mechanism to mitigate credit risk, archive operational and management goals, and balance business development and risk control.
- c) Credit risk management policy: The policies are meant to ensure that credit risk falls within an acceptable range and that adequate capital is maintained to meet credit risk management objectives and create maximum risk-adjusted returns.
- d) Credit risk management process: The Company carries out credit risk identification, credit risk measurement, credit risk mitigation, credit risk monitoring and control and credit risk reporting process as part of its credit risk management mechanism.

3) Credit risk management framework

- a) The board of directors: The board of directors, the top risk supervisor of the Company, reviews risk management policies, operational risk limits and the design and change of credit risk management framework.
- b) Asset/Liability Management Committee: This committee inspects management reports or information provided by business units and the Risk Management Division.
- c) Risk Management Division: The Risk Management Division is an independent unit that is in charge of the work related to three pillars of Basel and reviews the risk management system designed by business units and the compliance with risk management requirements; the division also submits risk management reports to the authorities and develops risk management tools to assess the risk identified.
- d) Business units: Business units are responsible for establishing risk management regulations and risk control procedures and managing and monitoring the implementation of those controls in operation units.
- e) Operation units: Under the risk management regulations and procedures set by business units, operation units perform daily risk management work and internal controls and prepares reports on these tasks.

4) Credit risk measurement, control and reporting

a) The range of credit risk reporting:

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

b) Measurement system:

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

5) Mitigation of risks or hedging of credit risk

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

6) Maximum exposure to credit risk

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

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

December 31, 2019	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	\$ 317,772,279	\$ -	\$ -	\$ 317,772,279
December 31, 2018	Collateral	Netting Arrangements	Other Credit Enhancement	Total
<u>In-balance sheet items</u>				
Discount and loans	\$ 283,365,539	\$ -	\$ -	\$ 283,365,539

7) Concentrations of credit risk exposure

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

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

a) By industry

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Private enterprises	\$ 106,475,131	26.30	\$ 92,655,902	26.80
Government organizations	34,150,025	8.43	16,652,952	4.81
Nonprofit organizations	797,036	0.20	726,667	0.21
Private organizations	262,021,341	64.72	234,658,365	67.87
Financial Institutions	787	-	-	-
Foreign enterprises	1,408,776	0.35	1,069,388	0.31
Total	\$ 404,853,096	100.00	\$ 345,763,274	100.00

b) By geographical area

The Company's operations are mainly in Taiwan.

c) By collaterals

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Unsecured	\$ 78,566,192	19.40	\$ 52,407,081	15.16
Secured				
Financial instruments	11,439,874	2.83	9,054,700	2.62
Stocks	11,341,285	2.80	9,725,963	2.81
Properties	276,838,598	68.38	248,043,713	71.74
Movables	18,660,538	4.61	18,583,172	5.37
Guarantees	7,520,867	1.86	7,041,228	2.04
Others	485,742	0.12	907,417	0.26
Total	\$ 404,853,096	100.00	\$ 345,763,274	100.00

8) Analysis of impairment for financial assets

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

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

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

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

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, 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
	<u>\$ 20,107,798</u>	<u>\$ 96,922</u>	<u>\$ 1,017,026</u>	<u>\$ 44,639</u>	<u>\$ 21,177,107</u>
Account Receivable					
December 31, 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	\$ 17,048,513	\$ 99,394	\$ 1,253,721	\$ -	\$ 18,401,628
Less: Allowance for impairment loss	23,703	17,977	157,800	-	199,480
Less: Additional impairment loss required under regulations	-	-	-	70,666	70,666
	<u>\$ 17,024,810</u>	<u>\$ 81,417</u>	<u>\$ 1,095,921</u>	<u>\$ 70,666</u>	<u>\$ 18,131,482</u>
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
	<u>\$ 385,163,564</u>	<u>\$ 1,839,976</u>	<u>\$ 1,156,712</u>	<u>\$ 3,510,579</u>	<u>\$ 384,649,673</u>
Discounts and Loans					
December 31, 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired Financial Assets)	Additional Impairment Loss Required under Regulations	Total
Gross carrying amount	\$ 325,297,553	\$ 1,798,887	\$ 1,771,899	\$ -	\$ 328,868,339
Less: Allowance for impairment loss	170,493	162,436	284,614	-	617,543
Less: Additional impairment loss required under regulations	-	-	-	3,235,110	3,235,110
	<u>\$ 325,127,060</u>	<u>\$ 1,636,451</u>	<u>\$ 1,487,285</u>	<u>\$ 3,235,110</u>	<u>\$ 325,015,686</u>

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

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

14) Consideration of forward-looking information

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

2) Liquidity risk management strategy and principles

- a) The board of directors, the top risk supervisor of the Company, regularly reviews liquidity risk management policies. The Asset/Liability Management Committee, the top liquidity risk executive of the Company, supervises the implementation of liquidity risk monitoring and control procedures and is responsible for taking any needed remedial measures.
- b) In making internal transfer pricing, performance evaluation and new product development decisions, the operation units take liquidity cost and product effectiveness and risks into consideration and align their decisions with the Company's overall liquidity risk management policies.
- c) The fund procurement department implements funding strategies in accordance with the conservatism principle to diversify the funding sources and negotiate reasonable repayment periods to ensure continuing participation in the lending market, and maintains a close relationship with fund providers to strengthen financing channels and ensure the stability and reliability of fund sources.
- d) To strengthen liquidity risk management, the Company has regulations requiring the daily execution of risk management procedures and the monitoring of implementation to maintain sufficient liquidity.
- e) The risk management units report the Company's liquidity position to the Asset/Liability Management Committee monthly and report the Company's liquidity risk management to the board of directors regularly.

3) The liquidity risk analysis of the cash inflow and outflow of assets and liabilities held for liquidity risk refers to the amounts of the obligations for the remaining maturity periods, i.e., from the reporting date to the contract maturity dates. The maturity analysis of financial assets and financial liabilities:

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

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

i. The maturity analysis of financial liabilities

	December 31, 2019					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Due to the Central Bank and call loans to other banks	\$ 5,977,044	\$ 1,169,642	\$ 3,114,935	\$ 1,015,000	\$ 584,111	\$ 11,860,732
Securities sold under agreements to repurchase	21,683,238	43,444,198	-	250,000	-	65,377,436
Accounts payables	2,165,137	1,299,264	896,265	235,823	18,800	4,615,289
Deposits and remittance	38,378,449	61,742,848	75,966,212	147,981,777	208,829,814	532,899,100
Bank debentures	-	-	-	3,000,000	7,200,000	10,200,000
Bonds payable	-	609,490	-	-	864,368	1,473,858
Other liabilities	2,875,806	2,248,822	156,422	292,640	1,651,453	7,225,143

Further information on the maturity analysis of lease liabilities is as follows:

	December 31, 2019						
	Due in One Year	Due Between after One Year and Five Years	Due Between after Five Years and Ten Years	Due Between after Ten Years and Fifteen Years	Due Between after Fifteen Years and Twenty Years	Due after Twenty Years	Total
Lease liability	<u>\$ 368,325</u>	<u>\$ 756,042</u>	<u>\$ 204,453</u>	<u>\$ 98,557</u>	<u>\$ 16,370</u>	<u>\$ -</u>	<u>\$ 1,443,747</u>

	December 31, 2018					
	Due in One Month	Due Between after One Month and Three Months	Due Between after Three Months and Six Months	Due Between after Six Months and One Year	Due after One Year	Total
Due to the Central Bank and call loans to other banks	\$ 5,727,107	\$ 112,912	\$ 3,084,709	\$ 2,515,000	\$ 672,167	\$ 12,111,895
Securities sold under agreements to repurchase	21,177,132	23,157,256	-	-	-	44,334,388
Accounts payables	5,392,065	945,378	447,999	208,441	19,539	7,013,422
Deposits and remittance	51,769,939	69,018,051	77,506,669	140,487,058	175,136,358	513,918,075
Bank debentures	-	1,500,000	-	-	8,200,000	9,700,000
Bonds payable	-	-	-	-	1,480,976	1,480,976
Other liabilities	1,765,555	2,578,607	156,715	327,081	1,574,874	6,402,832

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

December 31, 2019						
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	\$ 21,333,779	\$ 30,830,364	\$ 242,689	\$ 64,427	\$ -	\$ 52,471,259
Cash inflow	<u>20,984,823</u>	<u>30,572,337</u>	<u>237,459</u>	<u>64,260</u>	<u>-</u>	<u>51,858,879</u>
	348,956	258,027	5,230	167	-	612,380
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	<u>\$ 348,956</u>	<u>\$ 258,027</u>	<u>\$ 5,230</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ 612,380</u>
December 31, 2018						
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at gross amounts						
Cash outflow	\$ 19,774,642	\$ 15,840,034	\$ 958,437	\$ 1,963,020	\$ -	\$ 38,536,133
Cash inflow	<u>19,613,925</u>	<u>15,779,547</u>	<u>924,443</u>	<u>1,945,498</u>	<u>-</u>	<u>38,263,413</u>
	160,717	60,487	33,994	17,522	-	272,720
Derivative financial liabilities to be settled at net amounts						
Forward exchange contracts	-	-	-	-	-	-
	<u>\$ 160,717</u>	<u>\$ 60,487</u>	<u>\$ 33,994</u>	<u>\$ 17,522</u>	<u>\$ -</u>	<u>\$ 272,720</u>

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

December 31, 2019						
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	<u>\$ 1,321</u>	<u>\$ 2,136</u>	<u>\$ 1,617</u>	<u>\$ 4,365</u>	<u>\$ -</u>	<u>\$ 9,439</u>
December 31, 2018						
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities to be settled at net amounts	<u>\$ 662</u>	<u>\$ 891</u>	<u>\$ 17,062</u>	<u>\$ 4,661</u>	<u>\$ -</u>	<u>\$ 23,276</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices), which may cause financial instruments classified in the trading book to give rise to a potential loss on or off the balance sheet items.

2) Market risk management strategy and processes

The Company implements the “Market Risk Management Standards of Union Bank of Taiwan”, which had been approved by the board of directors, as the basis of market risk management.

The market risk management processes are risk identification, risk measurement, risk monitoring and control, risk reporting and risk mitigation.

- a) Risk identification: For balance sheet and off-balance sheet items, the Company identifies and assesses market risk factors of products and the investment business and subjects them to risk management, monitoring and control procedures.
- b) Risk measurement: In principle, each investment or transaction has at least one risk measurement tool - such as sensitivity analysis, value at risk and stress testing, which can be applied to variables, such as fair market value and notional amounts, to quantify market risk.
- c) Risk monitoring and control: Each operation unit observes the risk limit regulation stated in its operating manual and regularly monitors risk control. The department of risk management is responsible for summarizing and reporting the Company's overall market risk monitoring.
- d) Risk reporting: The risk management reports are classified as regular report, over-limit report and exception report. Regular reports are the management statements sent to the appropriate level in accordance with certain requirements. Over-limit reports are about situations in which risk limits are exceeded. Exception reports contain operation units' recommendations on how to meet temporary business needs.
- e) Risk mitigation: An operation unit may take certain action to reduce risk, such as hedging, investment combination adjustment, position adjustment, setting a break-even point, halting new transactions, etc.

3) Market risk management framework

- a) The board of directors: The board of directors, the Company's top market risk supervisor, reviews risk management policies, operational risk limits and the design and change of the credit risk management framework.
- b) Asset/Liability Management Committee: The Asset/Liability Management Committee inspects management reports or information provided by business units and the Risk Management Division.
- c) Risk Management Division: The Risk Management Division is an independent unit in charge of the work related to three pillars of Basel and of the development of market risk management tools to assess and control the risk identified through setting risk limits.
- d) Operation units: Operation units perform daily market risk management work and report the market risk of investment positions and related information to the authorities.

4) Market risk measurement, control and reporting

- a) The market risk of the trading book financial instruments is measured in accordance with the fair market value or evaluation model and the profit and loss situation is evaluated regularly.
- b) The business units and the risk management division prepares management reports periodically and report to the appropriate level.
- c) The market risk management system combines the evaluation of the front and middle offices to generate information that will assist management in risk monitoring. Moreover, the system supports the capital accrual method being used by the Company through generating internal and external reports for management's decision, making.

5) Market risk measurement of trading book

The Company assesses the market risk exposure of the trading book in conformity with an assessment model using publicly quoted market prices or other measurement methods, including interest rate sensitivity analysis (DV01 value) and stress tests. The interest rate sensitivity analysis (DV01 value) refers to changes in market interest by 1 basis point (0.01%); the abnormal stress test system deals with market volatility and involves the regular estimation of possible losses (stress loss) and of the impact of stress test scenarios on major asset portfolios and the Company's profit and loss.

6) Banking book market risk

a) Interest rate risk

The loans and deposits and other interest rate-related items in the Company's balance sheet, including interest rate sensitive assets and interest rate sensitive liabilities, are measured from the viewpoint of earnings because there is a risk of decrease in earnings due to adverse changes in interest rates for loans and deposits.

The earnings viewpoint mainly emphasizes the impact of interest rates on earnings, especially short-term earnings. For 2019 and 2018, assuming all market risk indicators, except interest rates, remained constant, an interest rate increase or decrease by 100bps would result in an increase or decrease in profit before tax by \$373,604 thousand and \$380,167 thousand, respectively.

b) Exchange rate risk

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

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

7) Foreign currency rate risk information

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

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

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
USD	2,332,778	30.1060	70,230,613
JPY	15,408,879	0.2770	4,268,891
GBP	201	39.5382	7,963
AUD	2,452	21.1013	51,735
HKD	82,007	3.8660	317,043
CAD	1,624	23.0821	37,496
CNY	768,870	4.3231	3,323,895
SGD	71	22.3654	1,599
ZAR	10,481	2.1380	22,409
CHF	120	31.0595	3,728
NZD	512	20.2674	10,385
EUR	9,120	33.7368	307,675

December 31, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
USD	\$ 2,354,493	30.7330	\$ 72,360,624
JPY	18,695,277	0.2784	5,204,373
GBP	137	38.8957	5,344
AUD	1,178	21.6760	25,539
HKD	91,629	3.9240	359,552
CAD	1,405	22.5912	31,750
CNY	872,097	4.4741	3,901,844
SGD	86	22.4854	1,923
ZAR	18,615	2.1291	39,632
CHF	60	31.2074	1,869
THB	430	0.9491	408
NZD	502	20.6249	10,350
EUR	10,666	35.2047	375,496
<u>Financial liabilities</u>			
USD	1,943,738	30.7330	59,736,913
JPY	13,072,151	0.2784	3,639,012
GBP	2,151	38.8957	83,677
AUD	1,220	21.6760	26,434
HKD	73,257	3.9240	287,459
CAD	1,396	22.5912	31,537
CNY	872,724	4.4741	3,904,647
SGD	80	22.4854	1,792
ZAR	18,568	2.1291	39,532
CHF	73	31.2074	2,279
NZD	529	20.6249	10,912
EUR	13,824	35.2047	486,670

f. Transfers of financial assets.

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

December 31, 2019					
Category of Financial Assets	Carrying Amount of Transferred Financial Asset	Carrying Amount of Associated Financial Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Financial Liability	Fair Value of Net Position
Financial instruments at fair value through profit or loss Securities sold under repurchase agreements	\$ 13,458,214	\$ 13,471,704	\$ 13,458,214	\$ 13,471,704	\$ (13,490)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	19,671,156	16,946,258	19,671,156	16,946,258	2,724,898
Financial assets at amortized cost Securities sold under repurchase agreements	44,134,600	34,959,474	45,837,805	34,959,474	10,878,331

December 31, 2018					
Category of Financial Assets	Carrying Amount of Transferred Financial Asset	Carrying Amount of Associated Financial Liability	Fair Value of Transferred Financial Asset	Fair Value of Associated Financial Liability	Fair Value of Net Position
Financial instruments at fair value through profit or loss Securities sold under repurchase agreements	\$ 12,453,108	\$ 12,462,948	\$ 12,453,108	\$ 12,462,948	\$ (9,840)
Financial assets at fair value through other comprehensive income Securities sold under repurchase agreements	12,865,389	11,155,357	12,865,389	11,155,357	1,710,032
Financial assets at amortized cost Securities sold under repurchase agreements	28,655,857	20,716,083	28,844,548	20,716,083	8,128,465

g. Offsetting financial assets and financial liabilities.

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

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

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

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

December 31, 2018						
Financial Assets	Gross Amount of Recognized Financial Assets (a)	Gross Amount of Recognized Financial Liabilities Offset in the Balance Sheets (b)	Net Amount of Financial Assets Presented in the Balance Sheets (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheets (d)		Net Amount (e)=(c)-(d)
				Financial Instrument	Cash Collateral Pledged	
Derivatives	\$ 516,104	\$ -	\$ 516,104	\$ 96,760	\$ -	\$ 419,344

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

51. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

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

c. Capital adequacy

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

Items (Note 2)		Year	December 31, 2019		
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio	
Eligible capital	Common equity Tier 1 Ratio		\$ 37,440,298	\$ 37,013,051	
	Other Tier 1 capital		11,559,375	12,506,259	
	Tier 2 capital		6,347,470	9,685,896	
	Eligible capital		55,347,143	59,205,206	
Risk-weighted assets	Credit risk	Standard	332,422,791	343,086,746	
		Internal rating-based approach	-	-	
		Asset securitization	700,692	700,692	
	Operational risk	Basic indicator approach	19,966,470	23,560,822	
		Standard/alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standard	23,513,386	24,423,653	
		Internal model approach	-	-	
	Total risk-weighted assets			376,603,339	391,771,913
	Capital adequacy rate			14.70%	15.11%
Ratio of common stockholders' equity to risk-weighted assets			9.94%	9.45%	
Ratio of Tier 1 capital to risk-weighted assets			13.01%	12.64%	
Leverage ratio			6.53%	6.52%	

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

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

Note 2: Formulas used were as follows:

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

The Banking Law and related regulations require that the Bank maintains its unconsolidated and consolidated CARs at a minimum of 10.5%, the Tier 1 Capital Ratio at a minimum of 8.5% and the Common Equity Tier 1 Ratio at a minimum of 7.0%. In addition, if the Bank’s CAR falls below the minimum requirement, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

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

Union Bank of Taiwan

a. Credit risk

1) Asset quality

See Note 50 and Table 4.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

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

(In Thousands of New Taiwan Dollars, %)

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

b. Market risk

**Interest Rate Sensitivity
December 31, 2019**

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 487,276,944	\$ 5,795,273	\$ 14,257,749	\$ 54,605,447	\$ 561,935,413
Interest rate-sensitive liabilities	276,366,269	185,995,639	64,178,888	23,014,898	549,555,694
Interest rate-sensitive gap	210,910,675	(180,200,366)	(49,921,139)	31,590,549	12,379,719
Net worth					54,385,473
Ratio of interest rate-sensitive assets to liabilities					102.25%
Ratio of interest rate sensitivity gap to net worth					22.76%

December 31, 2018

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 457,294,541	\$ 5,064,654	\$ 9,732,667	\$ 42,968,957	\$ 515,060,819
Interest rate-sensitive liabilities	265,564,886	170,310,303	57,553,564	19,103,321	512,532,074
Interest rate-sensitive gap	191,729,655	(165,245,649)	(47,820,897)	23,865,636	2,528,745
Net worth					50,030,191
Ratio of interest rate-sensitive assets to liabilities					100.49%
Ratio of interest rate sensitivity gap to net worth					5.05%

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

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

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

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

**Interest Rate Sensitivity
December 31, 2019**

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,803,811	\$ 208,307	\$ 158,745	\$ 2,353,718	\$ 4,524,581
Interest rate-sensitive liabilities	2,186,417	384,781	504,069	432,092	3,507,359
Interest rate-sensitive gap	(382,606)	(176,474)	(345,324)	1,921,626	1,017,222
Net worth					90,557
Ratio of interest rate-sensitive assets to liabilities					129.00%
Ratio of interest rate sensitivity gap to net worth					1,123.29%

December 31, 2018

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,369,796	\$ 91,924	\$ 269,795	\$ 1,754,345	\$ 3,485,860
Interest rate-sensitive liabilities	1,560,799	387,164	407,730	334,579	2,690,272
Interest rate-sensitive gap	(191,003)	(295,240)	(137,935)	1,419,766	795,588
Net worth					26,474
Ratio of interest rate-sensitive assets to liabilities					129.57%
Ratio of interest rate sensitivity gap to net worth					3,005.17%

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

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

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

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

c. Liquidity risk

1) Profitability

(%)

Items		Year Ended December 31, 2019	Year Ended December 31, 2018
Return on total assets	Before income tax	0.60	0.57
	After income tax	0.50	0.49
Return on common equity	Before income tax	8.22	8.61
	After income tax	6.70	7.28
Net income ratio		24.31	23.21

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2019 and 2018.

2) Maturity analysis of assets and liabilities

**Maturity Analysis of Assets and Liabilities
December 31, 2019**

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 618,783,183	\$ 153,846,953	\$ 58,053,755	\$ 42,402,390	\$ 86,341,158	\$ 278,138,927
Main capital outflow on maturity	718,840,408	82,162,339	102,869,688	97,317,383	182,098,850	254,392,148
Gap	(100,057,225)	71,684,614	(44,815,933)	(54,914,993)	(95,757,692)	23,746,777

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 576,751,774	\$ 178,305,659	\$ 42,949,727	\$ 43,346,518	\$ 73,322,794	\$ 238,827,076
Main capital outflow on maturity	662,529,252	91,088,874	93,951,174	89,290,503	169,096,433	219,102,268
Gap	(85,777,478)	87,216,785	(51,001,447)	(45,943,985)	(95,773,639)	19,724,808

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

**Maturity Analysis of Assets and Liabilities
December 31, 2019**

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 4,660,738	\$ 795,250	\$ 1,073,236	\$ 218,610	\$ 159,193	\$ 2,414,179
Main capital outflow on maturity	4,650,739	1,045,685	1,759,373	424,397	572,968	848,316
Gap	9,999	(250,165)	(686,137)	(205,787)	(413,775)	1,565,863

December 31, 2018

(In Thousands of U.S. Dollars)

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

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

53. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On July 5 and December 27, 2019 the Company acquired from non-controlling interests an additional 64.44% and 0.16% shares of USITC, respectively, which increased its continuing interest from 35% to 99.60%.

The above transaction was accounted for as equity transaction, since the Company did not cease to have control over the subsidiary.

	USITC
Cash consideration paid	\$ 264,909
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(256,106)
Reattribution of other equity from non-controlling interests	
Unrealized loss on financial assets at fair value through other comprehensive income	<u>(2,105)</u>
Differences arising from equity transaction (reduction in retained earnings)	<u>\$ 6,698</u>

54. ADDITIONAL DISCLOSURES

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

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

13) Derivative transactions: Note 8

- b. Investment in Mainland China: None
- c. Intercompany relationships and significant intercompany transactions.

The detailed information of intercompany relationships and significant intercompany transactions are referred to Table 6 (attached).

55. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

- a. Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury business, etc.
- b. Consumer banking unit: Consumer banking, financial management and loan business, credit card business and car-loan business, etc.
- c. Wealth management and trust unit: Wealth management and trust business, etc.
- d. Investing unit: Investing business in the financial market, etc.
- e. Leasing unit: Leasing of vehicles, buildings, etc.

The analysis of the Bank's operating revenue and results by reportable segment was as follows:

	For the Year Ended December 31, 2019						Total
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	
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	<u>150,698</u>	<u>(6,274)</u>	<u>14,341</u>	<u>1,082,208</u>	<u>2,329,062</u>	<u>829,679</u>	<u>4,399,714</u>
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	<u>814,129</u>	<u>2,925,636</u>	<u>558,152</u>	<u>183,552</u>	<u>2,094,046</u>	<u>3,022,536</u>	<u>9,598,051</u>
Income before income tax	<u>\$ 1,061,807</u>	<u>\$ 1,521,729</u>	<u>\$ 478,060</u>	<u>\$ 1,855,419</u>	<u>\$ 144,502</u>	<u>\$ (1,034,061)</u>	<u>\$ 4,027,456</u>
	For the Year Ended December 31, 2018						Total
	Corporate Banking	Consumer Banking	Wealth Management	Investing	Leasing	Others	
Net interest (Note)	\$ 1,350,810	\$ 2,974,407	\$ (530)	\$ 1,156,591	\$ (89,397)	\$ 1,505,986	\$ 6,897,867
Net commissions and fees revenues	148,310	955,896	1,007,183	117,382	(387)	194,468	2,422,852
Net revenues other than interest	<u>120,617</u>	<u>(5,257)</u>	<u>2,666</u>	<u>219,223</u>	<u>2,336,574</u>	<u>737,779</u>	<u>3,411,602</u>
Total net revenues	1,619,737	3,925,046	1,009,319	1,493,196	2,246,790	2,438,233	12,732,321
Provisions (reversal)	(108,483)	121,368	-	(22,610)	1,594	301,710	293,579
Operating expenses	<u>757,403</u>	<u>2,585,579</u>	<u>550,824</u>	<u>187,601</u>	<u>2,069,110</u>	<u>2,811,641</u>	<u>8,962,158</u>
Income before income tax	<u>\$ 970,817</u>	<u>\$ 1,218,099</u>	<u>\$ 458,495</u>	<u>\$ 1,328,205</u>	<u>\$ 176,086</u>	<u>\$ (675,118)</u>	<u>\$ 3,476,584</u>

Note: Include interest revenue of financial assets at fair value through profit or loss.

UNION BANK OF TAIWAN AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
												Item	Value		
1	Union Financial and Leasing International Corporation	Union Capital (Cayman) Corp.	Receivables of affiliates	\$ 2,216,328 (JPY 8,000,000)	\$ 2,216,328 (JPY 8,000,000)	\$ 1,796,674 (JPY 5,639,163) (US\$ 7,453)	1.50	Business transaction	\$ 2,216,328 (JPY 8,000,000)	-	\$ -	-	\$ -	\$ 2,973,851	\$ 2,973,851
2	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Receivables of affiliates	1,025,052 (JPY 3,700,000)	1,025,052 (JPY 3,700,000)	727,849 (JPY 2,627,225)	1.50	Business transaction	1,025,052 (JPY 3,700,000)	-	-	-	-	2,973,851	2,973,851
		Ufrc Capital (Singapore) Holding Pte. Ltd.	Receivables of affiliates	1,800,707 (JPY 6,500,000)	1,800,707 (JPY 6,500,000)	1,530,321 (JPY 5,523,808)	1.50	Business transaction	1,800,707 (JPY 6,500,000)	-	-	-	-	2,973,851	2,973,851
3	Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	526,378 (JPY 1,900,000)	526,378 (JPY 1,900,000)	406,105 (JPY 1,465,865)	2.75	Business transaction	526,378 (JPY 1,900,000)	-	-	-	-	2,973,851	2,973,851
4	Ufrc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Receivables of affiliates	914,235 (JPY 3,300,000)	914,235 (JPY 3,300,000)	791,092 (JPY 2,855,504)	2.75	Business transaction	914,235 (JPY 3,300,000)	-	-	-	-	2,973,851	2,973,851

UNION BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

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

Holding Company	Type and Issuer/ Name of Marketable Security	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2019				Note	
				Shares/Piece/ Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value		
Union Finance and Leasing International Corporation	<u>Stock</u> Shin Kong Financial Holdings	-	Financial assets at fair value through other comprehensive income	921	\$ 9,531	0.007	\$ 9,531		
	China Chemical Corporation	-	Financial assets at fair value through other comprehensive income	356	6,861	0.12	6,861		
	Hey-Song Corporation	-	Financial assets at fair value through other comprehensive income	4,551	148,135	1.13	148,135		
	ERA Communications Co., Ltd.	-	Financial assets at fair value through other comprehensive income	425	1,415	0.33	1,415		
	<u>Beneficiary certificates</u> Union Advantage Global FI Portfolio Fund	Securities investment trust issued by USITC		Financial assets at fair value through profit or loss	6,114	100,828		100,828	
	Union Golden Balance Fund	Securities investment trust issued by USITC		Financial assets at fair value through profit or loss	854	22,653		22,653	
	Union Information Technology Corporation	<u>Stock</u> ELTA Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	3,019	30,300	14.38	30,300	
Greenway Technology Co., Ltd.			Financial assets at fair value through other comprehensive income	1,100	17,600	2.82	17,600		
Union Securities Investment Trust (USITC)	<u>Stock</u> Fundrish Securities Co., Ltd.	-	Financial assets at fair value through other comprehensive income	566	4,781	0.94	4,781		
	<u>Beneficiary certificates</u> Union Advantage Global FI Portfolio Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,068	17,607		17,607		
	Union Emerging Asia Bond A	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	486	5,615		5,615		
	Union Money Market	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	1,230	16,308		16,308		
	Union Golden Balance Fund	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	144	3,834		3,834		
	Union China	Securities investment trust issued by USITC	Financial assets at fair value through profit or loss	253	7,560		7,560		

(Continued)

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

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2019

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Union Finance and Leasing International Corporation	Union Capital (Cayman) Corp.	Subsidiary	\$ 1,786,674 (JPY 5,639,163) (US\$ 7,453)	-	\$ -	-	\$ -	\$ -
Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding Pte. Ltd.	Subsidiary	727,849 (JPY 2,627,225)	-	-	-	-	-
	Uflc Capital (Singapore) Holding Pte. Ltd.	Subsidiary	1,530,321 (JPY 5,523,808)	-	-	-	-	-
Union Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	406,105 (JPY 1,465,865)	-	-	-	-	-
Uflc Capital (Singapore) Holding Pte. Ltd.	Kabushiki Kaisha UCJ1 (Japan)	Subsidiary	791,092 (JPY 2,855,504)	-	-	-	-	-

UNION BANK OF TAIWAN AND SUBSIDIARIES

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

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

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

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

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

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

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

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

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

(Continued)

Not reported as nonperforming loans or nonperforming receivables

Types \ Items	December 31, 2019		December 31, 2018	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	\$ 21,195	\$ 96,575	\$ 30,402	\$ 133,133
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	136,314	738,307	95,253	740,983
Total	157,509	834,882	125,655	874,116

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

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

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

INFORMATION ON AND PROPORTIONATE SHARE IN INVESTEEES
 DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

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

(Continued)
 (Concluded)

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

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

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

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

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

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

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

(Concluded)

UNION BANK OF TAIWAN AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Corporation	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amount	Trading Terms	Percentage of Total Revenue or Total Assets (Note 3)
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - demand deposits	\$ 165,915	Note 4	0.02
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - checking deposits	18,675	Note 4	-
0	The Bank	UFLIC and its subsidiaries	a	Deposits and remittances - time deposits	56,563	Note 4	0.01
1	UFLIC and its subsidiaries	The Bank	b	Call loans and due to other banks - call loans from banks	241,153	Note 4	0.03
0	The Bank	UFLIC and its subsidiaries	a	Discounts and loans	1,734,111	Note 4	0.25
1	UFLIC and its subsidiaries	The Bank	b	Due from banks	1,734,111	Note 4	0.25
0	The Bank	UFLIC and its subsidiaries	a	Other operating expenses	11,226	Note 4	0.08
1	UFLIC and its subsidiaries	The Bank	b	Rental revenue	11,226	Note 4	0.08
0	The Bank	UFLIC and its subsidiaries	a	Interest revenue	32,784	Note 4	0.24
1	UFLIC and its subsidiaries	The Bank	b	Interest expense	32,784	Note 4	0.24
0	The Bank	UFLIC and its subsidiaries	a	Exchange loss	7,436	Note 4	0.05
1	UFLIC and its subsidiaries	The Bank	b	Exchange gain	7,436	Note 4	0.05
0	The Bank	Union Finance International (H.K.) Limited	a	Deposits and remittances - demand deposits	1,417	Note 4	-
2	Union Finance International (H.K.) Limited	The Bank	b	Call loans and due to other banks - call loans from banks	1,417	Note 4	-
0	The Bank	UIT	a	Deposits and remittances - demand deposits	6,596	Note 4	-
3	UIT	The Bank	b	Call loans and due to other banks - call loans from banks	6,596	Note 4	-
0	The Bank	UIT	a	Other assets	31,375	Note 4	-
3	UIT	The Bank	b	Other liabilities	31,375	Note 4	-
0	The Bank	UIT	a	Accrued payables - expense	8,382	Note 4	-
3	UIT	The Bank	b	Receivables - accounts receivables	8,382	Note 4	-
0	The Bank	UIT	a	Other operating expenses	127,815	Note 4	0.92
3	UIT	The Bank	b	Net revenues other than interest	127,815	Note 4	0.92
0	The Bank	USITC	a	Deposits and remittances - demand deposits	11,868	Note 4	-
0	The Bank	USITC	a	Deposits and remittances - time deposits	29,700	Note 4	-
4	USITC	The Bank	b	Call loans and due to other banks - call loans from banks	41,568	Note 4	0.01
0	The Bank	USITC	a	Deposits and remittances - time deposits	168,600	Note 4	0.02
4	USITC	The Bank	b	Other financial assets	168,600	Note 4	0.02
0	The Bank	USITC	a	Interest expense	2,131	Note 4	0.02
4	USITC	The Bank	b	Interest revenue	2,131	Note 4	0.02
0	The Bank	USITC	a	Commissions and fee revenue	18,363	Note 4	0.13
4	USITC	The Bank	b	Commissions and fee expense	18,363	Note 4	0.13
5	UFLIC and its subsidiaries	UIT	c	Other operating expenses	2,400	Note 4	0.02
3	UIT	UFLIC	c	Net revenues other than interest	2,400	Note 4	0.02
5	UFLIC and its subsidiaries	Union Capital (Cayman) Corp.	c	Receivables - receivables from related parties	1,801,873	Note 4	0.26
6	Union Capital (Cayman) Corp.	UFLIC	c	Payables - payables to related parties	1,801,873	Note 4	0.26
5	UFLIC	Union Capital (Cayman) Corp.	c	Interest revenue	27,947	Note 4	0.20

(Continued)

No. (Note 1)	Transacting Corporation	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amount	Trading Terms	Percentage of Total Revenue or Total Assets (Note 3)
6	Union Capital (Cayman) Corp.	UFLIC	c	Interest expense	\$ 27,947	Note 4	0.20
6	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding PTE. Ltd.	c	Receivables - receivables from related parties	728,986	Note 4	0.10
7	Union Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	728,986	Note 4	0.10
6	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Receivables - receivables from related parties	1,543,151	Note 4	0.22
8	Uflc Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Payables - payables to related parties	1,543,151	Note 4	0.22
6	Union Capital (Cayman) Corp.	Union Capital (Singapore) Holding PTE. Ltd.	c	Interest revenue	11,172	Note 4	0.08
7	Union Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Interest expense	11,172	Note 4	0.08
6	Union Capital (Cayman) Corp.	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Interest revenue	23,499	Note 4	0.17
7	Union Capital (Singapore) Holding PTE. Ltd.	Union Capital (Cayman) Corp.	c	Interest expense	23,499	Note 4	0.17
7	Union Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	406,472	Note 4	0.06
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding PTE. Ltd.	c	Payables - payables to related parties	406,472	Note 4	0.06
8	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Receivables - receivables from related parties	797,763	Note 4	0.11
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Payables - payables to related parties	797,763	Note 4	0.11
6	Union Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	11,428	Note 4	0.08
9	Kabushiki Kaisha UCJ1	Union Capital (Singapore) Holding PTE. Ltd.	c	Interest expense	11,428	Note 4	0.08
8	Uflc Capital (Singapore) Holding PTE. Ltd.	Kabushiki Kaisha UCJ1	c	Interest revenue	22,262	Note 4	0.16
9	Kabushiki Kaisha UCJ1	Uflc Capital (Singapore) Holding PTE. Ltd.	c	Interest expense	22,262	Note 4	0.16

Note 1: The transacting corporation is identified in the No. column as follows:

- a. 0 for parent company.
- b. Sequentially from 1 for subsidiaries.

Note 2: The flow of transactions is as follows:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- c. Between subsidiaries.

Note 3: The percentage is calculated as follows:

- a. Assets and liabilities: Ending balance divided by total consolidated assets.
- b. Income and expenses: The amount at the end of the year divided by consolidated net income

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

Note 5: Referring to transactions exceeding \$100,000 thousand.

(Concluded)

Union Bank of Taiwan

**Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

Opinion

We have audited the accompanying financial statements of Union Bank of Taiwan (the Bank), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Assessment of the Impairment of Discounts and Loans

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

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

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

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

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Bank's loan impairment assessment.
2. Obtain an understanding of the assumptions and critical factors of the impairment assessment model, including the Probability of Default and the Loss Given Default, and testing whether those estimates reasonably reflected the actual status of each loan.
3. Perform test on reasonableness of calculation of expected credit losses for selected loans.
4. Test the classification of credit assets by length of overdue period for the respective loans and its collateral in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Chan Huang and Chen-Hsiu Yang.

Huang, Jui Chan

Yang, Chen Hsiu

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

Notice to Readers

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

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

UNION BANK OF TAIWAN

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

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

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

UNION BANK OF TAIWAN

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

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

(Continued)

UNION BANK OF TAIWAN

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

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

(Continued)

UNION BANK OF TAIWAN

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

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

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

(Concluded)

UNION BANK OF TAIWAN

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

	Other Equity (Notes 4 and 32)										Total Equity		
	Share Capital (Notes 30 and 36)					Retained Earnings (Notes 4 and 30)			Unrealized			Total	
	Ordinary Shares	Preference Shares	Total	Capital Surplus (Note 30)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Gain (Loss) on Available-for-sale Financial Assets	Exchange Differences on Translating the Financial Statements of Foreign Operations			Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income
BALANCE AT JANUARY 1, 2018	\$ 26,051,524	\$ 2,000,000	\$ 28,051,524	\$ 8,032,413	\$ 5,165,280	\$ 585,206	\$ 4,503,995	\$ 10,254,481	\$ 2,345,701	\$ (765,444)	\$ -	\$ 1,580,257	\$ 47,918,675
Effect of retrospective application of IFRS 9	-	-	-	-	-	-	(31,391)	(31,391)	(2,345,701)	-	-	2,797,843	420,751
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	26,051,524	2,000,000	28,051,524	8,032,413	5,165,280	585,206	4,472,604	10,223,090	-	(765,444)	2,797,843	2,032,399	48,339,426
Appropriation of the 2017 earnings	-	-	-	-	823,496	-	(823,496)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	27,450	(27,450)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(1,042,061)	(1,042,061)	-	-	-	-	(1,042,061)
Cash dividends on common shares	-	-	-	-	-	-	(781,546)	(781,546)	-	-	-	-	(90,740)
Stock dividends on common shares	781,546	-	781,546	-	-	-	(90,740)	(90,740)	-	-	-	-	(90,740)
Cash dividends on preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	-	2,956,724	2,956,724	-	-	-	-	2,956,724
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	(4,302)	(4,302)	-	351,920	(760,102)	(408,182)	(412,484)
Share-based payment	67,059	-	67,059	-	-	-	(4,895)	(4,895)	-	-	-	-	62,164
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(35,606)	(35,606)	-	-	35,606	35,606	-
BALANCE AT DECEMBER 31, 2018	26,900,129	2,000,000	28,900,129	8,032,413	5,988,776	612,656	4,619,232	11,220,664	-	(413,524)	2,073,347	1,659,823	49,813,029
Appropriation of the 2018 earnings	-	-	-	-	887,017	-	(887,017)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	14,784	(14,784)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(1,883,009)	(1,883,009)	-	-	-	-	-
Stock dividends on common shares	1,883,009	-	1,883,009	-	-	-	(480,000)	(480,000)	-	-	-	-	(480,000)
Cash dividends on preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	-	3,359,457	3,359,457	-	-	-	-	3,359,457
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	-	139,435	139,435	-	(191,108)	3,551,805	3,360,697	3,500,132
Acquisition of interest in subsidiary	-	-	-	-	-	-	(6,698)	(6,698)	-	-	(2,105)	(2,105)	(8,803)
Share-based payment	61,415	-	61,415	3,071	-	-	-	-	-	-	-	-	64,486
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	333,523	333,523	-	-	(333,523)	(333,523)	-
BALANCE AT DECEMBER 31, 2019	\$ 28,844,553	\$ 2,000,000	\$ 30,844,553	\$ 8,035,484	\$ 6,875,793	\$ 627,440	\$ 5,180,139	\$ 12,683,372	\$ -	\$ (604,632)	\$ 5,289,524	\$ 4,684,892	\$ 56,248,301

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

UNION BANK OF TAIWAN

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

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

UNION BANK OF TAIWAN

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

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

UNION BANK OF TAIWAN

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

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2019 and 2018:

	<u>December 31</u>	
	2019	2018
Cash and cash equivalents in balance sheets	\$ 10,937,284	\$ 12,677,719
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 “Cash Flow Statements”	477,078	6,325,655
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	<u>51,360,225</u>	<u>68,467,365</u>
Cash and cash equivalents in statements of cash flows	<u>\$ 62,774,587</u>	<u>\$ 87,470,739</u>

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

(Concluded)