Union Bank of Taiwan

Financial Statements for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

We have audited the accompanying balance sheets of Union Bank of Taiwan (the "Bank") as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2007 and 2006 of some equity-method investees: Union Bills Finance Corporation, Union Finance International (H.K.) Limited, and Union Real-Estate Management Corporation. The carrying amounts of these equity-method investments were 0.44% (NT$1,582,353 thousand) and 0.43% (NT$1,562,099 thousand) of the Bank's total assets as of December 31, 2007 and 2006, respectively. The incomes from these equity-method investments were 1.16% (NT$74,734 thousand) of the Bank's pretax loss in 2007 and 10.94% (NT$39,082 thousand) of the pretax income in 2006. The financial statements of these investees were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts pertaining to these investees and to these investees' information mentioned in Note 34, is based solely on the reports of the other auditors.

We conducted our audits in accordance with Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

As stated in Notes 15 and 26 to the financial statements, the Bank sold a part of its nonperforming loans to an asset management company in 2006, and the Bank deferred related losses, amortizable over 60 months, as required by the Financial Institution Consolidation Law. Had these losses not been deferred, there would have been decreases of NT$1,587,348 thousand in pretax loss in 2007 and of NT$7,315,874 thousand in pretax income in 2006. Also, the balances of the other assets and unappropriated earnings as of December 31, 2007 and 2006 would have decreased by NT$5,727,630 thousand and NT$7,315,874 thousand, respectively.

In our opinion, based on our audits and the reports of the other auditors, except for the deferred losses on nonperforming loans described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the accompanying financial statements, effective January 1, 2006, the Bank adopted the newly released Statements of Financial Accounting Standards ("Standards" or SFAS) No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Standards, which were amended to harmonize with SFAS No.34 and 36.

We have also audited the consolidated financial statements of Union Bank of Taiwan and subsidiaries as of and for the years ended December 31, 2007 and 2006, on which we have issued a qualified opinion in our report dated March 13, 2008.

March 13, 2008

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

The accompanying financial statements are intended only to present the financial position, results of operations 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 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 auditors' report and financial statements shall prevail.

UNION BANK OF TAIWAN

BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2007 Amount	2006 Amount	% Increase (Decrease)
CASH AND CASH EQUIVALENTS (Note 4)	$ 5,501,501	$ 7,580,583	(27)
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 26)	22,551,422	32,547,602	(31)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 3, 6 and 26)	7,746,462	4,873,587	59
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 26 and 28)	5,863,732	3,820,626	53
RECEIVABLES, NET (Notes 2, 7 and 26)	28,967,953	36,748,767	(21)
DISCOUNTS AND LOANS, NET (Notes 2, 8 and 26)	205,523,586	207,070,571	(1)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 2, 3 and 9)	3,439,568	5,997,931	(43)
HELD-TO-MATURITY INVESTMENTS (Notes 2 and 10)	48,559,541	30,096,773	61
EQUITY INVESTMENTS - EQUITY METHOD (Notes 2 and 11)	2,946,398	2,837,358	4
OTHER FINANCIAL ASSETS, NET (Notes 2, 12, 13 and 26)			
Unquoted equity instruments	1,092,720	1,110,246	(2)
Non-active market debt instruments	166,636	2,666,843	(94)
Others (Note 27)	3,498,355	2,298,236	52
Other financial assets, net	4,757,711	6,075,325	(22)
PROPERTY AND EQUIPMENT (Notes 2, 14, 26 and 28)			
Cost			
Land	3,491,778	3,366,936	4
Buildings and improvements	4,829,515	4,835,566	-
Machinery and equipment	1,487,162	1,446,297	3
Transportation equipment	260,784	255,406	2
Leasehold improvements	276,280	236,201	17
	10,345,519	10,140,406	2
Accumulated depreciation	1,727,461	1,494,843	16
	8,618,058	8,645,563	-
Prepayments for equipment	-	115,798	(100)
Net property and equipment	8,618,058	8,761,361	(2)
GOODWILL (Notes 2, 3 and 16)	2,574,217	2,757,500	(7)
OTHER ASSETS (Notes 2, 15, 24 and 26)	11,478,015	12,201,452	(6)
TOTAL	$ 358,528,164	$ 361,369,436	(1)

LIABILITIES AND STOCKHOLDERS' EQUITY	2007 Amount	2006 Amount	% Increase (Decrease)
LIABILITIES			
Call loans and due to banks (Notes 17 and 26)	$ 27,086,819	$ 31,817,010	(15)
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 6)	61,326	34,457	78
Securities sold under repurchase agreements (Notes 2, 26 and 28)	32,865,259	11,904,491	176
Payables (Notes 18 and 26)	4,776,100	7,111,454	(33)
Deposits and remittances (Notes 19 and 26)	263,954,435	275,747,909	(4)
Bank debentures (Notes 2, 20 and 26)	10,526,400	15,083,700	(30)
Other financial liabilities (Note 26)	254,580	318,597	(20)
Liability component of preferred stocks (Note 21)	327,200	-	-
Other liabilities (Notes 2 and 22)	578,133	668,395	(14)
Total liabilities	340,430,252	342,686,013	(1)
STOCKHOLDERS' EQUITY			
Capital stock			
Common stock - NT$10.00 par value; authorized - 2007 and 2006: 2,488,926 thousand shares; issued and outstanding - 2007: 1,918,824 thousand common shares, 2006: 1,827,798 thousand common shares	19,188,244	18,277,979	5
Preferred stock	3,672,800	-	-
Total capital stock	22,861,044	18,277,979	25
Capital surplus			
Additional paid-in capital - issue of shares in excess of par	-	26,485	(100)
Donated capital	1,398	1,398	-
Treasury stock transactions	32,413	32,413	-
Total capital surplus	33,811	60,296	(44)
Retained earnings (accumulated deficit)			
Legal reserve	107,812	16,067	571
Special reserve	240,655	26,584	805
Unappropriated earnings (accumulated deficit)	(5,046,039)	305,814	(1,750)
Total retained earnings (accumulated deficit)	(4,697,572)	348,465	(1,448)
Unrealized loss on financial assets	(124,678)	(39,132)	219
Cumulative translation adjustments	39,243	43,820	(10)
Net loss not recognized as pension cost	(13,936)	(8,005)	74
Total stockholders' equity	18,097,912	18,683,423	(3)
CONTINGENCIES AND COMMITMENTS (Notes 2 and 28)			
TOTAL	$ 358,528,164	$ 361,369,436	(1)

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

(With Deloitte & Touche audit report dated March 13, 2008)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2007 Amount	2006 Amount	%
INTEREST REVENUE (Notes 2 and 26)	$ 14,672,037	$ 14,759,801	(1)
INTEREST EXPENSE (Note 26)	7,415,733	5,664,213	31
NET INTEREST	7,256,304	9,095,588	(20)
NET REVENUES OTHER THAN INTEREST			
Commissions and fee revenues (Notes 2 and 26)	2,300,371	2,308,292	-
Commissions and fee expenses	642,801	794,360	(19)
Net commissions and fees	1,657,570	1,513,932	9
Gains on financial assets and liabilities at fair value through profit or loss (Note 6)	587,887	318,882	84
Realized losses on available-for-sale financial assets	(14,982)	(53,770)	(72)
Income from equity-method investments (Notes 2 and 11)	169,241	107,084	58
Foreign exchange losses, net (Note 2)	(216,879)	(35,179)	517
Impairment losses (Notes 2 and 16)	(183,283)	(340,016)	(46)
Loss on unquoted equity investments (Note 2)	79,991	39,522	102
Amortization and recognition of loss on sale of nonperforming loans (Notes 2 and 15)	(1,809,289)	(643,111)	181
Securities brokerage fee revenues, net (Note 26)	153,653	107,384	43
Gain on disposal of property and equipment, net	84,844	577,608	(85)
Other net revenues (Note 26)	173,760	95,199	83
Total net revenues	7,938,817	10,783,123	(26)
BAD DEBTS	8,404,095	4,104,184	105
OPERATING EXPENSES			
Personnel expenses (Notes 2, 22 and 23)	2,573,336	2,565,208	-
Depreciation and amortization (Note 23)	477,853	456,513	5
Others (Note 26)	2,942,273	3,310,892	(11)
Total operating expenses	5,993,462	6,332,613	(5)

(Continued)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2007 Amount	2006 Amount	%
INCOME (LOSS) BEFORE INCOME TAX	$ (6,458,740)	$ 346,326	(1,965)
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 24)	1,516,382	(49,790)	3,146
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	(4,942,358)	296,536	(1,767)
CUMULATIVE EFFECT OF ACCOUNTING CHANGES (NET OF TAX EXPENSE $1,488 THOUSAND) (Notes 3 and 24)	-	9,278	(100)
NET INCOME (LOSS)	$ (4,942,358)	$ 305,814	(1,716)

	2007 Before Tax	2007 After Tax	2006 Before Tax	2006 After Tax
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	$ (3.46)	$ (2.65)	$ 0.20	$ 0.17
Diluted	$ -	$ -	$ 0.17	$ 0.14

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

(With Deloitte & Touche audit report dated March 13, 2008) (Concluded)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	Issued and Outstanding Common Stock		Issued and Outstanding Preferred Stock (Notes 2 and 21)		Capital Surplus (Notes 2 and 21)				Retained Earnings (Notes 2 and 21)				Unrealized Gain (Loss) on Financial Assets (Notes 2 and 11)	Cumulative Translation Adjustment (Note 2)	Net Loss not Recognized as Pension Cost (Note 2)	Other Adjustments (Note 2)	Total Stockholders' Equity
	Shares (in Thousands)	Amount	Shares (in Thousands)	Amount	Issue of Shares in Excess of Par	Donated Capital	Treasury Stock Transaction	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Total					
BALANCE, JANUARY 1, 2006	1,825,394	$ 18,253,942	-	$ -	$ 29,922	$ 1,398	$ 32,413	$ 63,733	$ 1,380,978	$ 2,119,450	$(3,457,777)	$ 42,651	$ -	$ 50,141	$ -	$ (76,725)	$ 18,333,742
Effects of adopting new Statements of Financial Accounting Standards	-	-	-	-	-	-	-	-	-	-	-	-	(103,278)	-	-	76,725	(26,553)
Offset of deficit against these appropriations from the 2005 earnings:																	
Legal reserve	-	-	-	-	-	-	-	-	(1,364,911)	-	1,364,911	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	(2,092,866)	2,092,866	-	-	-	-	-	-
Net income in 2006	-	-	-	-	-	-	-	-	-	-	305,814	305,814	-	-	-	-	305,814
Unrealized gain on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	82,120	-	-	-	82,120
Recognization of unrealized loss on financial assets - equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	(17,974)	-	-	-	(17,974)
Cumulative translation adjustment on equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,321)	-	-	(6,321)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,005)	-	(8,005)
Convertible bank debentures converted to common stock	2,404	24,037	-	-	(3,437)	-	-	(3,437)	-	-	-	-	-	-	-	-	20,600
BALANCE, DECEMBER 31, 2006	1,827,798	18,277,979	-	-	26,485	1,398	32,413	60,296	16,067	26,584	305,814	348,465	(39,132)	43,820	(8,005)	-	18,683,423
Appropriation of 2006 earnings																	
Legal reserve	-	-	-	-	-	-	-	-	91,745	-	(91,745)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	214,071	(214,071)	-	-	-	-	-	-
Net loss in 2007	-	-	-	-	-	-	-	-	-	-	(4,942,358)	(4,942,358)	-	-	-	-	(4,942,358)
Convertible bank debentures converted to common stock	91,026	910,265	-	-	(26,485)	-	-	(26,485)	-	-	(103,679)	(103,679)	-	-	-	-	780,101
Issuance of preferred stock for cash	-	-	400,000	3,672,800	-	-	-	-	-	-	-	-	-	-	-	-	3,672,800
Unrealized loss on financial assets	-	-	-	-	-	-	-	-	-	-	-	-	(50,305)	-	-	-	(50,305)
Recognization of unrealized loss on financial assets - equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	(35,241)	-	-	-	(35,241)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,931)	-	(5,931)
Cumulative translation adjustment on equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,577)	-	-	(4,577)
BALANCE, DECEMBER 31, 2007	1,918,824	$ 19,188,244	400,000	$ 3,672,800	$ -	$ 1,398	$ 32,413	$ 33,811	$ 107,812	$ 240,655	$(5,046,039)	$(4,697,572)	$ (124,678)	$ 39,243	$ (13,936)	$ -	$ 18,097,912

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

(With Deloitte & Touche audit report dated March 13, 2008)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (4,942,358)	$ 305,814
Adjustments to net income to determine cash flows:		
Income from equity-method investments, net	(169,241)	(107,084)
Cash dividends recognized by the equity method	74,234	529,647
Depreciation and amortization	477,853	456,513
Gain on disposal of property and equipment, net	(84,844)	(577,608)
Loss from the obsolescence of property and equipment	6,462	18,255
Amortization and recognition of loss from sale of nonperforming loans	1,809,289	643,111
Liquidation loss on Union Securities Investment Consulting Company	1,966	-
Impairment losses on assets	183,283	340,016
Unrealized (gain) loss on financial assets and liabilities at fair value through profit or loss	334,967	(179,672)
Loss on sale of available-for-sale financial assets	14,982	53,770
Provision for credit and other losses	8,408,436	4,107,537
Deferred income taxes	(1,533,866)	40,077
Decrease (increase) in held for trading financial assets	(3,417,566)	2,277,203
Increase in held-for-trading financial liabilities	26,869	30,367
Decrease in receivables	2,530,598	8,212,780
Increase in accrued pension cost	13,996	7,967
Increase (decrease) in payables	(2,335,354)	562,523
Net cash provided by operating activities	1,399,706	16,721,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in securities purchased under resell agreements	(2,043,106)	6,490,789
Decrease (increase) in due from the Central Bank and other banks	9,996,180	(11,095,616)
Decrease in financial assets designated at fair value through profit or loss	209,724	3,038,009
Increase in discounts and loans	(3,416,183)	(37,926,771)
Acquisition of property and equipment	(417,740)	(421,891)
Proceeds of the disposal of property and equipment	64,804	336,639
Decrease in other assets	1,415,374	1,303,954
Proceeds of the disposal of available-for-sale financial assets	3,036,781	-
Decrease (increase) in available-for-sale financial assets	(543,704)	1,076,483
Increase in held-to-maturity investments	(25,008,397)	(11,270,548)
Proceeds of held-to-maturity investments	5,798,249	-
Proceeds of the sale of real estate owned assets	569,795	-

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UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Proceeds of the sale of nonperforming loans	$ 90,360	$ -
Increase in equity investments - equity method	(87,500)	(4)
Proceeds of the capital reduction and liquidation of investee	31,683	236,877
Decrease (increase) in other financial assets	2,163,012	(56,716)
Net cash used in investing activities	(8,140,668)	(48,288,795)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in call loans and due to banks	(4,730,191)	5,164,183
Increase (decrease) in securities sold under repurchase agreements	20,960,768	(343,201)
Increase (decrease) in deposits and remittances	(11,793,474)	25,085,688
Increase (decrease) in other financial liabilities	(64,017)	30,028
Increase (decrease) in other liabilities	65,994	(200,281)
Issuance of bank debentures	-	2,000,000
Decrease in bank debentures	(3,777,200)	(1,100)
Issuance of preferred stock for cash	4,000,000	-
Net cash provided by financing activities	4,661,880	31,735,317
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,079,082)	167,738
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,580,583	7,412,845
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,501,501	$ 7,580,583
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 6,921,760	$ 5,457,103
Income tax paid	$ 81,331	$ 79,566
NONCASH INVESTING AND FINANCING ACTIVITIES		
Convertible bank debentures converted to common stock	$ 780,101	$ 20,600

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

(With Deloitte & Touche audit report dated March 13, 2008) (Concluded)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

The Bank took over all assets, liabilities and operating units of Chung Shing Bank on March 19, 2005.

As of December 31, 2007, the Bank's operating units included Banking, Trust, Wealth Management, Security Finance and International Banking Department of the Head Office, an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 78 domestic branches.

The operations of the Bank's Trust Department are (1) trust business planning, managing and operating; and (2) custody of non-discretionary 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 "TSE").

As of December 31, 2007 and 2006, the Bank had 3,388 and 3,637 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). In preparing financial statements in conformity with these criteria, law and principles, the Bank is required to make certain estimates and assumptions that could affect the amounts of the fair value of certain financial assets, allowance for credit losses, property and equipment depreciation, pension, losses on suspended lawsuits, assets impairment, income tax and provision for losses on guarantees. Actual results could differ from these estimates.

Since the operating cycle cannot be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 30 for maturity analysis of assets and liabilities.

The Bank's significant accounting policies are summarized as follows:

Basis of Financial Statement Preparation

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and the representative office. All interoffice transactions and balances have been eliminated.

Basis of Fair Value Determination

Fair value are determined as follows: (a) listed stocks and GreTai Securities Market (the “GTSM”) stocks - closing prices as of the balance sheet date; (b) beneficiary certificates (open-end fund) - net asset values as of the balance sheet dates; (c) bonds - period-end reference prices published by the GTSM or Bloomberg; and (d) for the financial instruments without active markets, fair value is determined using valuation techniques.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Bank recognizes a financial asset or a financial liability on its balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Bank has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except bond trading.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Financial asset and financial liabilities that give rise to offsetting changes in fair values may be designated as financial instruments at fair value through profit or loss to eliminate inconsistencies in measuring these instruments. Some derivative instruments are not accounted by hedge accounting. If the hedging items were not to be designated as financial instruments at fair value through profit or loss, the accounting inconsistency will arise while the profits or losses resulting from the hedged items are not recognized during the same period with those generating from the hedging items. To avoid this kind of inconsistency, the Bank designated the debt investments as the financial instruments at fair value through profit or loss.

Securities Purchased or Sold Under Resell or Repurchase Agreements

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

Available-for-sale Financial Assets

Available-for-sale financial assets are carried at fair value. Unrealized gains or losses on available-for-sale financial assets are reported in equity attribute to the Bank’s stockholders. On disposal of an available-for-sale financial asset, the accumulated, unrealized gain or loss in equity attributable to the Bank’s stockholders is transferred to net profit and loss for the period. The Bank uses trade date accounting when recording available-for-sale portfolio transactions except for debt investments recorded by settlement date accounting.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Nonperforming Loans

Under guidelines issued by the Banking Bureau of Financial Supervisory Commission (the Banking Bureau), the balances of loans and other credits extended by the Bank and the related accrued interest are classified as nonperforming when the loan is overdue and shall be authorized by a resolution passed by the board of directors. Nonperforming loans reclassified from loans are classified as discounts and loans; otherwise, are classified as other financial assets.

Allowance for Credit Losses and Provision for Losses on Guarantees

In determining the allowance for credit losses and provision for losses on guarantees, the Bank assesses the collectibility on the balances of discounts and loans, receivables, and nonperforming loans, and other financial assets as well as guarantees and acceptances as of the balance sheet dates.

Pursuant to “Regulations Governing the Procedures for Banking Institutions to Evaluation Assets and Deal with Non-Performing/Non-accrual Loans” (the “Regulations”) issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectibility.

In accordance with the Regulations stated above, the loan assets divided into different classes subject assets that require special mentioned, assets that are substandard, assets that are doubtful, and assets for which there is loss. The minimum allowance for credit losses and provision for losses on guarantees for the aforementioned classes should be 2%, 10%, 50% and 100% of outstanding credits, respectively.

Write-offs of loans falling under the Banking Bureau guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses.

Held-to-maturity Investments

Held-to-maturity investments are carried at amortized cost, which are valued by interest method, otherwise use the straight line method if there is no significant difference. At initial recognition, the costs of the financial assets are valued at fair value of the financial assets together with acquire costs. The net profit and loss of the held-to-maturity investments for the period are reported in to income statement when on disposal, impairment or amortization. The Bank uses trade date accounting when recording transaction.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment’s recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Equity Investments - Equity Method

Equity investments are accounted for by the equity method if the Bank has significant influence on the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of investees. Cash dividends received are considered as a deduction of the investments. Any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Since January 1, 2006, goodwill is not amortized but test annually for impairment, or more frequently if events or changes in circumstance indicates goodwill impairment.

Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee.

Profits from upstreaming transactions with an equity method investee are eliminated in proportion to the company's percentage of ownership in the investee ratio.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Major renewals and improvements are capitalized; repairs and maintenance are expensed as incurred.

Upon sale or disposal of property and equipment, their cost and related accumulated depreciation are removed from the respective accounts. Any resulting gain (loss) is credited (charged) to current income.

Depreciation is calculated by the straight-line method based on service lives estimated as follows: buildings and improvements, 50 to 55 years; machinery and equipment, 3 to 5 years; transportation equipment, 3 to 5 years; and leasehold improvements, 5 years. For assets still in use beyond their original estimated service lives, further depreciation is calculated over newly estimated useful lives.

Other Financial Assets

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measure, are measured at cost. If there is objective evidence that a financial asset is impaired, an impairment loss is recognized and reversal of impairment loss is prohibited.

Non-active market debt instruments are those which do not have a quoted market price in an active market, and whose cash flows are fixed or determinable. Non-active market debt instruments are carried at amortized cost. The accounting treatment for such bond investments is similar to that for held-to-maturity financial assets, except for the absence of restriction on the timing of their disposal.

Goodwill

Goodwill arising on acquisition of other company was previously amortized by the straight-line method over 5 years. Effective January 1, 2006, based on a newly released SFAS No. 37, goodwill is no longer amortized and instead is tested for impairment annually.

Other Assets

Deferred charges, which include costs of computer system software and telephone installation, are amortized on the straight-line basis over five years.

The loss on sale of nonperforming loans should be recognized in the year of disposal to comply with accounting principles generally accepted in the Republic of China. However, the difference between the carry amount and sales price of the nonperforming loans which were disposed in 2006 was amortized over 60 months in accordance with Rule No. 15 of the Financial Institution Consolidation Law (Note 15).

Collaterals Assumed

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 balance sheet dates.

Nonfinancial Asset Impairment

Statement of Financial Accounting Standards No. 35 - "Impairment of Assets" requires the impairment review on property and equipment, goodwill, and collaterals assumed (included in other assets) to be made on each balance sheet date. If assets or cash-generating units (CGUs) are deemed impaired, then the Bank must calculate their recoverable amounts. However, goodwill is tested annually for impairment, or more frequently if events or changes in circumstance indicate goodwill impairment, except for the first year of consolidation at which the goodwill cannot be allocated to the CGUs until the next year. An impairment loss should be recognized on the balance sheet date if the recoverable amount of the assets or the CGU is below the carrying amount, and this impairment loss either is charged to accumulated impairment or is used to reduce the carrying amount of the assets or CGUs directly. After the recognition of an impairment loss, the depreciation (amortization) should be adjusted in future periods by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

In impairment testing of CGUs acquired through a combination, goodwill is allocated to each of the Bank's CGUs expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce first the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The reversal of any recognized impairment loss on goodwill is disallowed.

Convertible Bank Debentures

The entire proceeds from convertible bonds issued on or before December 31, 2005 were accounted for as a liability. The difference between the agreed redemption price and the face value of the bonds is accrued using the effective interest method over the year from the issue date of the bonds to the date the put option becomes exercisable. The conversion of bonds into common shares is accounted for using the book value method, whereby the difference between the book value of the bonds (net of any unamortized premiums or discounts, accrued interest, and unamortized transaction costs) and the par value of the common shares issued is recorded as capital surplus.

For convertible bonds issued on or after January 1, 2006, the Bank first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivatives) that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding the embedded non-equity derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Bank uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Compound Instruments

The components of compound instruments are treated separately as liabilities and equity instrument in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar noncompound instrument (including any embedded non-equity derivatives). This fair value is recorded as a liability on an amortized cost basis until the liability is extinguished on instrument conversion or maturity. The carrying value of the equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This carrying value is recognized and included in equity and is not subsequently remeasured.

Based on the newly released Statement of Financial Accounting Standards No.36 - "Disclosure and Presentation of Financial Instruments", transaction costs of bonds issued on or after January 1, 2006 are allocated in proportion to the liability and equity components of the bonds.

Accounting Treatment of Foreign-currency Translation

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
b. Stockholders' equity - at historical exchange rates;
c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
d. Income and expenses - at average exchange rates for the year.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, are recognized in the income statement and adjusted as the spot rate.

Unrealized exchange differences on nonmonetary financial assets (such as investments in equity instruments) are a component of the change in their entire fair value. For nonmonetary financial assets and liabilities classified as financial instruments measured at fair value through profit or loss, unrealized exchange differences are recognized in the income statements. Fore nonmonetary financial instruments that are classified s available-for-sale, unrealized exchange differences are recorded directly under stockholders' equity until the asset is sold or becomes impaired. Nonmonetary financial instruments that are classified as carried at cost are recognized at the exchange rates on the transaction dates.

Equity investments - equity method in foreign currencies are recorded at the rate of exchange on the date of investment, and the proportionate share in the net income or loss are recorded at the average rate in the year. At the balance sheet date, equity investments - equity method in foreign currencies are translated into New Taiwan dollars equivalents using the closing exchange rate, and the adjusting amount is recognized as cumulative translation adjustment, which is the adjusting item of stockholders' equity.

Recognition of Interest Revenue and Service Fees

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on these loans/credits is recognized upon collection.

Under a Ministry of Finance regulation, the interest revenue on credits covered by agreements that extend their repayment periods is recorded as deferred revenue (included in other liabilities) and recognized as revenue upon collection.

Service fees are recorded as revenue upon receipt and substantial completion of activities involved in the earnings process.

Income Tax

Inter-period income tax allocation is applied, by which tax effects of deductible temporary differences, unused investment tax credits, loss carryforwards and those charged against to the stockholders' equity are recognized as deferred income tax assets. The tax effects of taxable temporary differences and these charged directly to the stockholders' equity are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Adjustments of prior years' tax liabilities are included in the current year's tax expense.

Tax credits for certain research and development and personnel trainings expenditure are recognized as reduction of current income tax.

Separate taxes on interest revenue from short-term bills or beneficiary certificates of specific trust are included in the current year's tax expense.

Income tax (10%) on unappropriated earnings after January 1, 1998 is recorded as income tax in the year when the stockholders resolve the appropriation of the earnings.

Pension

Pension expense under defined benefit pension plan is determined on the basis of actuarial calculations. Pension under defined contribution pension plan is expensed during the period when the employees rendered their services.

Contingencies

A loss is recognized if it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the impairment loss or liability incurrence is possible and the related amount cannot be reasonably estimated, a footnote disclosure of the circumstances that might give rise to the possible loss or liability should be made.

Reclassifications

Certain accounts of the 2006 financial statements have been reclassified to conform to the presentation of the 2007 financial statements.

3. ACCOUNTING CHANGES

On January 1, 2007, the Bank adopted the newly released SFAS No. 37, "Accounting for Intangible Assets" and reassessed the useful lives of and the amortization method for its recognized intangible assets as of the same date.

On January 1, 2006, the Bank adopted the newly released SFAS No. 34, "Financial Instruments: Recognition and Measurement" and SFAS No. 36, "Financial Instruments: Disclosure and Presentation".

The Bank categorized its financial assets and financial liabilities upon initial adoption of these newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at FVTPL were included in the cumulative effect of changes in accounting principles, and the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to stockholders' equity.

The cumulative effect of accounting changes are as follows:

	Cumulative Effect of Accounting Changes, After Tax	Stockholders' Equity Adjustments, After Tax
Financial assets at fair value through profit or loss	$ 9,278	$ -
Available-for-sale financial assets	-	(26,553)
	$ 9,278	$ (26,553)

In March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The interpretation is effective January 1, 2008.

4. CASH

	December 31	
	2007	2006
Checks for clearing	$ 1,024,239	$ 3,472,880
Cash on hand	3,502,810	3,167,643
Due from banks	974,452	940,060
	$ 5,501,501	$ 7,580,583

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2007	2006
Due from the Central Bank		
Deposit reserve - checking account	$ 1,882,910	$ 3,716,672
Required deposit reserve	6,620,234	6,746,237
Deposits reserve - foreign-currency deposits	958,278	14,693
Deposit account in Central Bank	13,090,000	20,570,000
	22,551,422	31,047,602
Call loans to banks and bank's overdrafts	-	1,500,000
	$ 22,551,422	$ 32,547,602

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

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

6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2007	2006
Held for trading financial assets		
Beneficiary certificates	$ 2,593,386	$ 2,799,033
Asset backed commercial paper	2,516,942	-
Commercial paper	945,889	-
Government bonds	689,886	914,871
Listed and GTSM stock	489,927	413,241
Corporate bonds	147,376	210,064
Forward exchange contracts	152,661	68,374
Currency swap contracts	48,947	106,925
Option contracts	1,894	1,143
Interest exchange contracts	10,128	786
	7,597,036	4,514,437
Financial assets designated at fair value through profit or loss		
Credit linked notes	-	359,150
Corporate bonds	149,426	-
	149,426	359,150
	$ 7,746,462	$ 4,873,587
Held for trading financial liabilities		
Forward exchange contracts	$ 50,008	$ 22,961
Currency swap contracts	1,010	9,104
Interest exchange contracts	8,412	1,249
Option contracts	1,896	1,143
	$ 61,326	$ 34,457

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. The Bank's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (notional amounts) of derivative transactions for accommodating customers' needs and managing its exposure positions were as follows:

	December 31	
	2007	2006
Currency swap contracts	$ 9,914,372	$ 6,645,991
Forward exchange contracts	4,687,031	7,387,684
Interest exchange contracts	1,900,000	1,900,000
Options		
Buy	279,362	212,225
Sell	279,362	212,225

The gains on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2007 and 2006 were as follows:

	2007	2006
Net gain on financial assets at fair value through profit or loss	$ 583,166	$ 133,512
Net gain on financial liabilities at fair value through profit or loss	4,721	185,370
Gain, net	$ 587,887	$ 318,882
Realized gain	$ 922,854	$ 139,210
Unrealized gain (loss)	(334,967)	179,672
Gain, net	$ 587,887	$ 318,882

As of December 31, 2007 and 2006, the Bank's financial instruments at fair value through profit or loss amounting to $369,483 thousand and $989,706 thousand, respectively, had been sold under repurchase agreements.

7. RECEIVABLES, NET

	December 31	
	2007	2006
Accounts receivable	$ 27,171,938	$ 33,517,573
Receivable on disposal of property and equipment	1,399,597	1,537,320
Interest receivable	1,324,407	1,540,538
Inter-bank clearing fund receivable	300,131	306,719
Acceptances receivable	311,543	302,507
Tax refundable	194,960	198,268
Accrued revenue	7,740	88,307
Other	425,945	298,935
	31,136,261	37,790,167
Less: Allowance for credit losses	2,168,308	1,041,400
	$ 28,967,953	$ 36,748,767

8. DISCOUNTS AND LOANS

	December 31	
	2007	2006
Discounts and overdraft	$ 1,189,022	$ 824,991
Accounts receivables - financing	291,817	154,695
Loans		
Short-term - unsecured	12,565,751	14,459,568
- secured	22,914,269	16,921,883
Medium-term - unsecured	20,204,821	25,026,721
- secured	16,625,830	15,317,731

(Continued)

	December 31	
	2007	2006
Long-term - unsecured	$ 15,145,327	$ 18,423,595
- secured	114,271,693	113,430,041
Import and export negotiations	114,832	140,204
Nonperforming loans	4,373,509	4,082,572
	207,696,871	208,782,001
Less: Allowance for credit losses	2,173,285	1,711,430
	$ 205,523,586	$ 207,070,571

(Concluded)

As of December 31, 2007 and 2006, the balances of nonaccrual loans were $4,373,509 thousand and $4,082,572 thousand, respectively. The unrecognized interest revenues on nonperforming loans amounted to $201,020 thousand in 2007 and $202,212 thousand in 2006, respectively.

In 2007 and 2006, all credits written off had been subjected to legal proceedings before being written off.

The changes in the allowance for credit losses of discounts and loans, receivables are summarized as follows:

	2007		
	Specific Provision	General Provision	Total
Balance, beginning of year	$ 2,630,891	$ 121,939	$ 2,752,830
Provision	7,341,976	1,062,119	8,404,095
Write-off	(7,356,240)	-	(7,356,240)
Recovery of written-off credits	538,271	-	538,271
Result from change of foreign exchange rate	2,637	-	2,637
Balance, end of year	$ 3,157,535	$ 1,184,058	$ 4,341,593

	2006		
	Specific Provision	General Provision	Total
Balance, beginning of year	$ 2,059,474	$ 4,308	$ 2,063,782
Provision	3,986,553	117,631	4,104,184
Write-off	(4,107,804)	-	(4,107,804)
Recovery of written-off credits	694,073	-	694,073
Result from change of foreign exchange rate	(1,405)	-	(1,405)
Balance, end of year	$ 2,630,891	$ 121,939	$ 2,752,830

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2007	December 31 2006
Debt investments - government bonds	$ 2,606,978	$ 5,149,404
Debt investments - corporate bonds	330,012	482,288
Debt investments - bank debentures	489,971	345,013
Beneficiary certificates of securitization	12,607	21,226
	$ 3,439,568	$ 5,997,931

The available-for-sale financial assets amounting to $3,118,760 thousand and $5,776,377 thousand as of December 31, 2007 and 2006, respectively, had been sold under repurchase agreements.

10. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31 2007	December 31 2006
Asset backed commercial paper	$ 47,898,804	$ 28,976,924
Government bonds	650,699	1,109,731
Bank debentures	10,038	10,118
	$ 48,559,541	$ 30,096,773

The held-to-maturity investments amounting to $41,220,855 thousand and $4,571,000 thousand as of December 31, 2007 and 2006, respectively, had been sold under repurchase agreements.

11. EQUITY INVESTMENTS - EQUITY METHOD

	December 31			
	2007		2006	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
Union Bills Finance Corporation	$ 1,317,722	42.76	$ 1,385,409	42.76
Union Finance and Leasing International Corporation	1,047,928	100.00	1,026,444	100.00
Union Finance International (H.K.) Limited	132,396	99.99	135,203	99.99
Union Information Technology Corporation	103,019	99.99	109,959	99.99
Union Insurance Broker Company	28,634	100.00	54,799	100.00
Union Real-Estate Management Corporation	132,235	40.00	41,487	40.00
Morgan Stanley Union Bank Asset Management Corporation	74,778	49.00	37,876	49.00
Union Security Investment Trust Corporation	109,686	35.00	35,592	35.00
Union Securities Investment Consulting Company	-	-	10,589	100.00
	$ 2,946,398		$ 2,837,358	

Income (losses) from equity investments were summarized as follows:

	Years Ended December 31	
	2007	2006
Union Bills Finance Corporation	$ (37,129)	$ 28,799
Union Finance and Leasing International Corporation	28,398	5,917
Union Finance International (H.K.) Limited	21,087	8,125
Union Information Technology Corporation	33,428	43,172
Union Insurance Broker Company	8,897	13,412
Union Real-Estate Management Corporation	90,776	2,158
Morgan Stanley Union Bank Asset Management Corporation	36,902	15,089
Union Security Investment Trust Corporation	(13,406)	(32,614)
Union Securities Investment Consulting Company	288	(759)
Union Bank Futures Corporation	-	23,785
	$ 169,241	$ 107,084

Except for net income of 2007 of Union Securities Investment Consulting Company and net income of 2006 of Union Bank Future Corporation were based on the investees' unaudited financial statements, income from equity investments - equity-method were based on the investees' audited financial statements for 2007 and 2006, respectively. The Bank believes that had the financial statements of the abovementioned companies been audited, any adjustments arising would have no material effect on the Bank's financial statements.

Union Securities Investment Consulting Company and Union Futures Company had ceased operation and liquidated on May 30, 2007 and June 22, 2006, respectively.

As of December 31, 2007 and 2006, the unrealized loss on financial assets (included in stockholders' equity) amounted to $35,241 thousand and $17,974 thousand resulted from evaluating the available-for-sale financial assets which were held by the subsidiaries of the Bank.

12. UNQUOTED EQUITY INSTRUMENTS

	December 31	
	2007	2006
Unlisted stocks		
Entie Securities Finance Company	$ 622,188	$ 622,188
Financial Information Service Company	118,782	118,782
Taiwan Asset Management Corporation	100,000	100,000
Taiwan Future Exchange Corporation	71,250	71,250
Taiwan Financial Asset Service Corporation	50,000	50,000
Other	130,500	148,026
	$ 1,092,720	$ 1,110,246

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are measured at cost.

13. NON-ACTIVE MARKET DEBT INSTRUMENTS

	December 31 2007	December 31 2006
Beneficiary certificates of securitization	$ 90,705	$ 2,447,517
Overseas corporate bonds	75,931	219,326
	$ 166,636	$ 2,666,843

14. PROPERTY AND EQUIPMENT

	December 31 2007	December 31 2006
Cost	$ 10,345,519	$ 10,140,406
Accumulated depreciation		
Buildings and improvements	436,987	323,390
Office equipment	1,030,648	970,679
Transportation equipment	148,541	121,551
Leasehold improvements	111,285	79,223
	1,727,461	1,494,843
Prepayments for equipment	-	115,798
Net property and equipment	$ 8,618,058	$ 8,761,361

15. OTHER ASSETS

	December 31 2007	December 31 2006
Deferred loss from sale of nonperforming loans	$ 5,727,630	$ 7,315,874
Collaterals assumed, net	1,781,746	2,227,085
Deferred tax assets, net	3,373,081	1,839,215
Prepayments	216,074	421,691
Deferred charges	377,642	393,805
Other	1,842	3,782
	$ 11,478,015	$ 12,201,452

In 2006, the Bank sold nonperforming loans with a carrying value of $9,557,282 thousand at the contract price of $1,610,025 thousand to Morgan Stanley Union Bank Asset Management Corporation and recognized losses of $7,947,257 thousand. The Bank deferred and amortized the losses over 60 months in accordance with the Financial Institution Consolidation Law. The remaining unamortized balance was recorded as other assets. Had the losses not been deferred, the net loss in 2007 would have decreased by $1,587,348 thousand and the net income in 2006 would have decreased by $7,315,874 thousand and the balances of the other assets and unappropriated earnings as of December 31, 2007 and 2006 would have decreased by $5,727,630 thousand and $7,315,874 thousand, respectively.

As of December 31, 2007 and 2006, payments of $966,030 thousand and $1,288,020 thousand, respectively, had not been received from the Morgan Stanley Union Bank Asset Management Corporation.

16. GOODWILL

The Bank acquired Chung Shing Bank ("Chung Shing") on March 19, 2005 and recognized goodwill amounting to $3,309,000 thousand. Goodwill was supposed to be amortized over five years, and the recognized amortization expense in 2005 was $551,500 thousand. However, under the newly revised Statement of Financial Accounting Standards No. 35 - "Impairment of Assets", effective January 1, 2006, goodwill is no longer amortized but should be tested for impairment annually or whenever there are indications of acquisition impairment.

For its impairment testing on Chung Shing, the Bank treated individual business units as cash-generating units (CGUs). Goodwill, which resulted from assuming the assets and liabilities of Chung Shing, 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 forecast cash flows 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 a result of the Bank's impairment testing, a goodwill impairment amounting to $183,283 thousand as of the end of 2007 was recognized by the Bank.

17. CALL LOANS AND DUE TO BANKS

	December 31	
	2007	**2006**
Due to Taiwan Post Co., Ltd.	$ 22,859,340	$ 20,879,630
Due to the Central Bank and other banks	417,031	58,320
Call loans	3,810,448	10,834,175
Overdraft	-	44,885
	$ 27,086,819	$ 31,817,010

18. PAYABLES

	December 31	
	2007	**2006**
Notes and checks in clearing	$ 1,024,294	$ 3,472,880
Interest payable	1,946,751	1,452,778
Accrued expenses	451,307	510,082
Collection payable	162,994	176,736
Tax payable	111,699	88,698
Bank acceptances payable	312,668	304,115
Accounts payable on wire transfers received	204,218	162,252
Other	562,169	943,913
	$ 4,776,100	$ 7,111,454

19. DEPOSITS AND REMITTANCES

	December 31	
	2007	2006
Checking	$ 2,956,438	$ 3,224,672
Demand	27,591,881	24,342,007
Savings	167,319,262	192,202,275
Time	64,128,039	52,822,345
Negotiable certificates of deposit	1,913,400	3,133,100
Inward and outward remittances	45,415	23,510
	$ 263,954,435	$ 275,747,909

20. BANK DEBENTURES

	December 31		
	2007	2006	Term
First subordinated bank debentures issued in 2002	$ -	$ 3,500,000	Fixed interest rate of 3.8%; maturity: November 2007.
First unsecured, convertible bank debentures issued in 2004	1,526,400	2,583,700	Zero coupon; maturity: September 2009; the bondholders may convert the debentures into common shares of the Bank during the period between one month after the issuance date and 10 days prior to maturity.
First subordinated bank debentures issued in 2004	1,500,000	1,500,000	Average one year time savings deposit rate of First Bank, Hua Nan Bank, Chang Hwa Bank, Land Bank, Taiwan Cooperative Bank and Bank of Taiwan plus 1%; maturity: June 2010.
Second subordinated bank debentures issued in 2004	3,500,000	3,500,000	Fixed interest rate of 3.55%; maturity: June 2010.
First subordinated bank debentures issued in 2005	2,000,000	2,000,000	Fixed interest rate of 2.60%; maturity: June 2011.
First subordinated bank debentures issued in 2006	1,200,000	1,200,000	Fixed interest rate of 2.60%; maturity: May 2012.
First subordinated bank debentures issued in 2006	800,000	800,000	On year time savings deposit rate of First Bank plus 0.3%; maturity: November 2013.
	$ 10,526,400	$ 15,083,700	

The Bank issued $3,000,000 thousand of zero coupon par valued convertible bank debentures (the "Debentures") in the denomination of $100 thousand each on September 13, 2004. Other issue terms were as follows:

a. Redemption terms

   Unless redeemed, purchased or converted before maturity, the Debentures will be redeemed on maturity at the par value.

   1) Early redemption at the option of the Bank: The Debentures may be wholly or partly redeemed at their par amount, at the Bank's option under any of these conditions:

      a) After one year from the issue date and before 40 days prior to maturity, the balance of unconverted debentures is lower than $300,000 thousand.

      b) After one year from the issue date and before 40 days prior to maturity, the closing prices of the Bank's common shares on the Taiwan Stock Exchange for 30 consecutive trading days have exceeded 50% of the conversion price.

   2) Redemption at the option of the bondholders: In the second, third and fourth year of the issue date is the "put date." The Bank will redeem all or any portion of the Debentures at par value; yield rate of 0%.

      As of December 31, 2007, the Bank redeemed $278,300 thousand of the Debentures at par value.

b. Pledged: None

c. Conversion period and conversion right

   Except during the closed period or suspension period, the bondholders may convert the Debentures into common shares of the Bank at any time between one month after issuance date and 10 days before the conversion date.

d. Conversion price

   The initial conversion price was set at NT$10.85.

   The conversion price is subject to adjustment based on certain terms of the related indenture. As of December 31, 2007, the conversion price was NT$8.57.

   The bondholders had converted the Debentures amounting to $1,195,300 thousand into 129,898 thousand common shares as of December 31, 2007.

21. STOCKHOLDERS' EQUITY

a. In their meeting on June 15, 2007, the stockholders resolved to raise publicly or privately the Bank's cash capital by $8,000,000 thousand through a one-time or a serial share issuance depending on the market situation. On September 26, 2007, the Bank privately issued 400,000 thousand preferred shares at NT$10.00 par value and 6% dividend rate.

   Under the Bank's Articles of Incorporation, after the Bank appropriates the legal and special reserves from its net income (less any deficit), the Bank should use part of the remainder as dividends to the preferred stockholders. The preferred stockholders can participate in the distribution of the remaining earnings at the ratio of one preferred share for one common share after earnings distribution to the common stockholders but cannot participate in the distribution of capital surplus transferred to common stock. A preferred share can be converted into one common share in the year of the issuance date. The Bank, upon getting approval from the Banking Bureau, can call back some or all of the outstanding preferred shares after six years from the issuance date at the price of the issuance amount plus unpaid accumulated dividends. In 2007, the Bank bifurcated the conversion rights embedded in the preferred stock and the liability component, which amounted to $3,672,800 thousand and $327,200 thousand, respectively.

b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from the issuance of shares in excess of par value (including issuance in excess of common stock par value, issuance of shares for combinations and treasury stock transactions) and donations may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law, which however is limited to a certain percentage of the Company's paid-in capital and once a year.

Capital surplus from equity-method investments may not be distributed for any purpose.

c. Retained earnings

The Bank's Articles of Incorporation provide that annual net income less any prior years' deficit should be appropriated in the following order:

1) 30% as legal reserve;

2) Special reserve, as deemed proper;

3) Dividends;

4) The remainder:

   a) Employees' bonus of at least 10%;

   b) Retained earnings, as deemed proper;

   c) The remainder, together with prior year's unappropriated earnings: 95% as bonus to stockholders and 5% as remuneration to directors and supervisors.

These appropriations should be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

The board of directors (BOD) decides the appropriation and distribution of cash and stock dividends, taking into account the Bank's overall financial and economic condition, future profitability and capital expenditure requirements. In view of the Bank's need for capital to expand its operations and meeting of capital adequacy ratios, primarily cash dividends will be declared in the next three years, with the related proposal to be submitted in the stockholders' meeting for approval.

After the stockholders' approval, the declaration of stock dividend needs further approval by the SFB.

In the stockholders' ordinary meeting on June 15, 2007, the stockholders approved the appropriation of a legal reserve of $91,745 thousand and a special reserve of $214,071 thousand from the 2006 earnings.

In their ordinary meeting on June 9, 2006, the stockholders of the Bank approved the offset of 2005 deficit against the special reverse of $2,092,866 thousand and surplus deficit of $1,364,911 thousand would be offsets by legal reverse.

The related information regarding the proposed and resolved earnings appropriation is available on the Market Observation Post System website of the Taiwan Stock Exchange.

A special reserve should be appropriated from retained earnings at an amount equal to the debit balance of an account in stockholders' equity excluding treasury stock. The balance of the special reserve is adjusted to reflect any changes in the debit balances of the related account. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under an SFB directive, if a financial institution's nonperforming loans are sold to an asset management corporation, and the loss on this sale is amortized over five years, a special reserve should be appropriated from retained earnings at an amount equal to the difference of the loss on sale of nonperforming loans and the amortized amount, as required by the Financial Institution Consolidation Law, and the special reserve appropriated from retained earnings is subject to earning appropriation.

Under the Company Law, the appropriation for legal reserve is made until the reserve equals the aggregate par value of the outstanding capital stock of the Bank. This reserve is only used to offset a deficit, or, when its balance reaches 50% of aggregate par value of the outstanding capital stock of the Bank, up to 50% thereof can be distributed as stock dividends. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends should not exceed 15% of aggregate par value of the outstanding capital stock of the Bank.

Any appropriations of earnings are recorded in the year of stockholders' approval. Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

22. PENSION

The Labor Pension Act (the "LPA") took effect on July 1, 2005. Employees subject to the Labor Standards Law (the "LSL") prior to July 1, 2005 were allowed to choose to continue being subject to the LSL or to be subject to the LPA, with their service years as of July 1, 2005 retained. Those hired as regular employees on or after July 1, 2005 automatically become subject to the LPA.

Under the Labor Standards Law, the Bank has a defined benefit pension plan covering all regular employees. The Bank makes monthly contributions at 2% of salaries to a pension fund, which is deposited to the Labor Pension Fund (managed by the employees' pension fund administrative committee) deposited in the Bank of Taiwan and to an employee pension account (established in Taipei branch of the Bank), respectively. As of December 31, 2007 and 2006, the accounts amounted to $452,416 thousand and $429,400 thousand, respectively.

Based on the Labor Pension Act, the Bank has made monthly contributions to the employees' individual pension accounts at 6% of employee salaries. These contributions amounted to $89,805 thousand and $87,362 thousand in 2007 and 2006, respectively.

a. Pension fund changes are summarized below:

	2007	2006
Balance, January 1	$ 429,400	$ 414,104
Contributions	39,954	45,580
Interest revenue	10,231	11,062
Benefits paid	(26,716)	(39,631)
Unrealized loss from financial assets	(453)	(4)
Balance, December 31	$ 452,416	$ 431,111

b. Net pension costs in 2007 and 2006 are summarized below:

	2007	2006
Service cost	$ 27,982	$ 35,144
Interest cost	18,466	17,828
Expected return on plan assets	(10,250)	(10,514)
Net amortization and deferral	(519)	(519)
Net amortization of gain or loss of pension	4,258	3,799
Net pension cost	$ 39,937	$ 45,738

c. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2007 and 2006 is as follows:

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	$ 104,068	$ 85,160
Non-vested benefit obligation	363,854	352,803
Accumulated benefit obligation	467,922	437,963
Additional benefits based on future salaries	118,208	112,425
Projected benefit obligation	586,130	550,388
Fair value of plan assets	(446,498)	(430,535)
Funded status	139,632	119,853
Unrecognized prior service cost	6,480	6,999
Unrecognized pension loss	(138,624)	(127,429)
Additional accrued pension liabilities	13,936	8,005
Accrued pension cost (included in other liability)	$ 21,424	$ 7,428

d. Vested benefits obligation	$ 114,352	$ 92,452

e. Actuarial assumptions

Discount rate used in determining present values	3.5%	3.5%
Future salary increase rate	0%-2.0%	0%-2.0%
Expected rate of return on plan assets	2.5%	2.5%

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2007	2006
Personnel expenses		
Salaries and wages	$ 1,736,986	$ 1,824,923
Bonus and rewards	517,086	414,961
Labor insurance and national health insurance	163,243	170,392
Pension	134,368	135,994
Other	21,653	18,938
	$ 2,573,336	$ 2,565,208
Depreciation	$ 380,177	$ 365,975
Amortization	$ 97,676	$ 90,538

24. INCOME TAX BENEFIT

The government enacted the Alternative Minimum Tax Act (the “AMT Act”), which became effective on January 1, 2006. The alternative minimum tax (“AMT”) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

a. The components of income tax benefit were as follows:

	2007	2006
Income tax on income before income tax at 25% statutory rate	$ -	$ 86,572
Permanent difference	(279,990)	(271,139)
Temporary difference	(233,960)	(612,966)
Current tax payable	(513,950)	(797,533)
Loss carryforward unused	513,950	797,533
Change in deferred income tax	(1,533,866)	40,077
Separate tax on interest income on short-term bills	18,998	11,201
Prior year’s income tax adjustment	(1,514)	-
Income tax expense (benefit) before cumulative effect of accounting changes	(1,516,382)	51,278
Income tax expense of cumulative effect of accounting changes	-	(1,488)
Income tax expense (benefit)	$ (1,516,382)	$ 49,790

b. As of December 31, 2007 and 2006, deferred income tax assets (liabilities) consisted of the tax effects of the following:

	December 31	
	2007	2006
Loss carryforwards	$ 3,555,559	$ 1,572,989
Amortization of goodwill	(285,079)	(165,450)
Loss on selling nonperforming loans	89,937	580,197
Investment tax credit	27,746	34,168
Reserve for default	11,456	10,582
Unrealized loss on collaterals assumed	86,858	86,858
Investment income under the equity method	(7,432)	(2,160)
Allowance for credit losses	464,067	44,717
Unrealized valuation gain on derivative instruments	(23,475)	(2,816)
Others	1,452	1,837
	3,921,089	2,160,922
Allowance for valuation of deferred income tax assets	548,008	321,707
Net deferred income tax assets (included in other assets)	$ 3,373,081	$ 1,839,215

The loss carryforwards as of December 31, 2007 may be used to reduce the Bank’s taxable income until 2012; investment tax credits of research development and personnel training expense may be used to reduce the Bank’s tax until 2011.

c. The related information under the Integrated Income Tax System is as follows:

	December 31	
	2007	2006
Balances of the imputation credit account	$ 157,552	$ 281,073

The creditable tax ratio for earnings in 2006 is 33.33%. As of December 31, 2007, the Bank had no earnings available for distribution; thus, a creditable tax ratio was not estimated.

The Bank's income tax returns through 2004 had been examined and cleared by the tax authorities.

In December 2003, the tax authorities and the Bank reached a compromise on the lawsuit with regard to withholding tax. Under the compromise agreement, the Taipei National Tax Administrative (TNTA) had decided to give a tax refund at 65% of tax paid on interest income earned by the bank, and the Bank accepted this refund rate and accrued 35% of the withholding tax denied.

25. EARNINGS (LOSS) PER SHARE

The Bank issued convertible bonds, which could be transferred to common stocks of the Bank; thus, the capital structure of the Bank is complicated, and the calculation of basic and diluted earnings per share (EPS) is required. However, since the bottom line of the Bank in 2007 showed a net loss, convertible bonds will have an anti-dilutive effect in calculating loss per share; thus, the potential common shares were not included in the calculation of diluted loss per share. The numerators and denominators used in computing EPS are summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earnings (Loss) Per Share (NT$)	
	Pretax	After Tax		Pretax	After Tax
2007					
Basic EPS	$ (6,458,740)	$ (4,942,358)	1,868,474	$ (3.46)	$ (2.65)
2006					
Basic EPS					
Income before cumulative effect of accounting changes	$ 346,326	$ 296,536	1,825,967	$ 0.19	$ 0.16
Cumulative effect of accounting changes	10,766	9,278	1,825,967	0.01	0.01
Basic EPS	357,092	305,814	1,825,967	$ 0.20	$ 0.17
Influence brought by diluted common shares:					
Convertible bank debenture	-	-	301,482		
Diluted EPS	$ 357,092	$ 305,814	2,127,449	$ 0.17	$ 0.14

26. RELATED-PARTY TRANSACTIONS

In addition to disclosure in other footnotes, significant transactions between the Bank and related parties were summarized as follows:

a. Related parties

Related Party	Relationship with the Bank
Yu-Pang Co., Ltd. ("Yu-Pang")	Director
Yong-Xuan Co., Ltd. ("Yong-Xuan")	Its chairman is Bank's director
Zhong Li Venture Corporation	Director
Union Recreation Enterprise Corporation	Director
Lin Ci Yong	Director
Liu Jin Fu	Director
Yu Quan Kai Fa Co., Ltd.	Supervisor
Bao Xing Investment Corporation	Supervisor
He Ming Xing	Supervisor
Union Enterprise Construction Co., Ltd. (UECC)	Its chairman is Bank's director
Union Ran Zheng Co., Ltd.	Its chairman and director are the Bank's director
Hung-Kou Construction Inc., Ltd. ("Hung-Kou")	Its chairman is a second-degree relative of the Bank's director
Union Finance and Leasing International Corporation (UFLIC)	Subsidiary
Union Capital (Cayman) Corp.	Equity-method investee
New Asian Ventures Ltd.	Equity-method investee
Union Bills Finance Corporation (UBF)	Equity-method investee
Union Securities Investment Trust Corporation (USITC)	Equity-method investee
Morgan Stanley Union Bank Assets Management Corporation (MSUB)	Equity-method investee
Union Real-Estate Management Corporation	Equity-method investee
Union Futures Exchange Co., Ltd. (liquidated on June 22, 2006)	Subsidiary
Union Information Technology Corporation (UIT)	Subsidiary
Union Insurance Broker Company (UIB)	Subsidiary
Union Securities Investment Consulting Company (USI) (liquidated on May 31, 2007)	Subsidiary
Long Shan Lin Corporation	UBF is its director
EnTie Securities Finance Co.	The Bank holds more than 3% of its stock
Li Chang Yao Ye Co.	Liu Jin Fu is its director
T-Movies Theater Co.	Lee Yu Quan's wife is its chairman
Hong Bang Construction Co., Ltd.	Main stockholder of the Bank
The Liberty Times Co., Ltd.	Its director and supervisor are the Bank's director
Others	Directors, supervisors, managers, their relatives and affiliates.

b. Significant transactions with related parties:

1) Loans

December 31, 2007

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2007	Ending Balance	Loans Classification Normal Loans	Loans Classification Nonperforming Loans	Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	51	$ 5,229	$ 4,528	$ 4,528	$ -	-	None
Self-used housing mortgage loans	68	373,686	281,602	281,602	-	Real estate	None
Other loans	Union Finance and Leasing International Corporation	1,600,000	1,590,000	1,590,000	-	Land, building and time deposit	None
Other loans	EnTie Securities Finance Co.	1,130,000	980,000	980,000	-	Time deposits	None
Other loans	Long Shan Lin Corporation	1,540,000	1,540,000	1,540,000	-	Land and buildings	None
Other loans	Union Real-Estate Management Corporation	564,000	64,000	64,000	-	Land and buildings	None
Other loans	Li Chang Yao Ye Co.	145,000	89,000	89,000	-	Land and factory	None
Other loans	T-Movies Theater Co.	19,561	4,639	4,639	-	Land and buildings	None

December 31, 2006

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2006	Ending Balance	Loans Classification Normal Loans	Loans Classification Nonperforming Loans	Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
Consumer loans	65	$ 5,902	$ 5,338	$ 5,338	$ -	-	None
Self-used housing mortgage loans	74	418,490	342,331	342,331	-	Real estate	None
Other loans	Union Finance and Leasing International Corporation	1,660,000	1,580,000	1,580,000	-	Land, building and time deposits	None
Other loans	EnTie Securities Finance Co.	700,000	680,000	680,000	-	Time deposits	None
Other loans	Union Real-Estate Management Corporation	564,000	564,000	564,000	-	Land and buildings	None
Other loans	Yong-Xuan	273,000	-	-	-	Land and buildings	None
Other loans	Li Chang Yao Ye Co.	135,000	135,000	135,000	-	Land and factory	None
Other loans	T-Movies Theater Co.	84,195	19,691	19,691	-	Land and buildings	None
Other loans	Long Shan Lin Corporation	1,065,000	1,065,000	1,065,000	-	Land and buildings	None

	December 31 Amount	December 31 %	Interest Revenue Rate	Interest Revenue Amount	Interest Revenue %
2007	$ 4,553,769	2.22	1.98%-19.02%	$ 94,225	0.64
2006	4,391,360	2.12	1.40%-19.02%	83,101	0.56

2) Deposits

	December 31 Amount	December 31 %	Interest Expense Rate	Interest Expense Amount	Interest Expense %
2007	$ 4,867,380	1.84	0%-7.20%	$ 70,755	0.95
2006	4,725,898	1.71	0%-7.40%	50,412	0.89

3) Guarantees and letters of credit

December 31, 2007

Name	Highest Balance in the Year Ended December 31, 2007	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Union Recreation Enterprise Corporation	$ 102,099	$ 102,099	$ -	0.3%-0.5%	Time deposits
Hong Bang Construction Co., Ltd.	70,000	-	-	0.5%	Time deposits
The Liberty Times Co., Ltd.	92,582	79,475	-	0.05%	Land and buildings
Union Ran Zheng Co., Ltd.	568	567	-	0.5%	Time deposits

December 31, 2006

Name	Highest Balance in the Year Ended December 31, 2006	Ending Balance	Balance of Guarantees and Letters of Credit (Note)	Rate	Collateral
Yong-Xuan	$ 490,000	$ -	$ -	0.75%	Time deposits
Union Recreation Enterprise Corporation	77,265	77,265	-	0.3%-0.5%	Time deposits
Li Chang Yao Ye Co.	798	-	-	1%	Land and factory
The Liberty Times Co., Ltd.	104,012	95,357	-	0.05%	Land and buildings

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

4) Due from banks (included in due from the Central Bank and banks) - UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Revenue
2007	$ 2,200,000	$ -	1.69%-3.95%	$ 4,549
2006	2,040,000	1,500,000	1.44%-1.72%	9,209

5) Call loans (included in call loans and due to banks) - UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Expense
2007	$ 1,450,000	$ -	1.69%-3.80%	$ 6,644
2006	160,000	-	1.42%-1.65%	31

6) Securities purchased under resell agreements

	December 31			
	2007		2006	
	Amount	Rate	Amount	Rate
Securities purchased under resell agreements				
USITC	$ -	-	$ 2,532,351	1.675%
UBF	-	-	499,724	1.73%
Securities sold under repurchase agreements				
UBF	590,000	1.95%-2.15%	-	-

7) Securities brokerage fees

	Years Ended December 31	
	Amount	%
2007	$ 13,844	9.01
2006	7,318	6.81

8) Consulting and advisory contract

In October 2005, the Bank and UFLIC entered into a three year consulting and advisory contract on auto financing operations which will expire in 2008. UFLIC's services include consultation on management, marketing, and promotional activities of auto loans, as well as on loan management and collection of overdue loans, etc. (exclude approval of loan application). The consulting fees and related expenses paid in 2007 and 2006 were $168,431 thousand and $217,157 thousand (included in other operating expense), respectively, and the accrued expenses as of December 31, 2007 was $14,954 thousand.

9) Leases

a) The Bank as lessee

Under operating lease agreements with terms varying from one year to seven years, the Bank rents from related parties office spaces as the Head Office, Trust, International Banking Dept., Wealth Management, Consumer Banking Dept., Security Finance Dept., Credit Card Dept., Northern Collaterals Assumed Appraise Center, and six branches. Rentals are payable quarterly, with some contracts allowing placement with the lessor of lease deposits in lieu of rental payments. Rental expenses were as follows:

	Lease Deposit		Rental Expense	
	Amount	%	Amount	%
2007				
Yu-Pang	$ 454,826	39.68	$ 20,251	3.54
Hung-Kuo	228,524	19.94	125,234	21.87
Yong-Xuan	19,550	1.71	79,190	13.83
UECC	5,019	0.44	10,650	1.86
UBF	91	0.01	365	0.06
UFLIC	-	-	752	0.13

(Continued)

	Lease Deposit		Rental Expense	
	Amount	%	Amount	%
2006				
Yu-Pang	$ 455,070	36.87	$ 16,039	2.69
Hung-Kuo	228,524	18.52	121,920	20.44
Yong-Xuan	19,521	1.58	82,505	13.83
UECC	5,019	0.41	10,640	1.78
UBF	91	0.01	364	0.06
UFLIC	-	-	376	0.06

(Concluded)

The Bank rented cars for business from UFLIC, the rental expense in 2007 and 2006 were $6,289 thousand and $5,052 thousand, respectively. Rental payable as of December 31, 2007 and 2006 were $7,205 thousand and $11,093 thousand.

b) The Bank as lessor

The Bank's Tauring Branch, Kaohsiung Branch and Mincynan Branch leased part of their office premises to UFLIC under operating lease agreements starting from December 2004 to December 2009, from January 2006 to December 2015 and from September 2007 to September 2017, respectively. The leasing revenues received were $1,878 thousand in 2007 and $1,935 thousand in 2006. And the Bank's Beitun Branch leased part of its office to UBF under an operating lease agreement starting from February 2006 to January 2016. The leasing revenue received were $419 thousand in 2007 and $381 thousand in 2006. The lease deposit received was $104 thousand for 2007 and 2006.

10) The sale of nonperforming loans and assuming of related collateral

The Bank sold to Morgan Stanley Union Bank a part of its nonperforming loans and related collateral property on June 27, 2006 and September 20, 2006, which amounted to $995,000 thousand and $615,025 thousand, respectively. Of this amount, $966,030 thousand and $1,288,020 thousand had not been received as of December 31, 2007 and 2006, respectively (refer to Note 15).

In addition, the Bank sold part of its nonperforming loans and related collaterals to Union Real-Estate Management Corporation at the price of $451,800 thousand on November 26, 2007, and of which $361,440 thousand had not been received as of December 31 2007.

Related party: Morgan Stanley Union Bank Asset Management Corporation

Disposal date: June 27, 2006

Contract Items			Amount	Carrying Amount	Price Allocation
Enterprise	Secured		$ 42,240	$ 42,240	$ 6,922
	Non-secured		-	-	-
General	Secured	House mortgage	-	-	-
		Car loans	366,610	366,610	60,078
		Others	-	-	-
	Non-secured	Credit cards	2,096,671	2,096,671	652,500
		Cash cards	2,504,372	2,504,372	232,263
		Micro credit	466,203	466,203	43,237
		Others	-	-	-
Total			5,476,096	5,476,096	995,000

Related party: Morgan Stanley Union Bank Asset Management Corporation

Disposal date: September 20, 2006

Contract Items			Amount	Carrying Amount	Price Allocation
Enterprise	Secured		$ 569,701	$ 569,701	$ 58,913
	Non-secured		-	-	-
General	Secured	House mortgage	154,512	154,512	30,751
		Car loans	140,739	140,739	21,040
		Others	-	-	-
	Non-secured	Credit cards	2,227,326	2,227,326	436,668
		Cash cards	695,868	695,868	47,606
		Micro credit	293,040	293,040	20,047
		Others	-	-	-
Total			4,081,186	4,081,186	615,025

Related party: Union Real-Estate Management Corporation

Disposal date: November 26, 2007

Contract Items			Amount (Note)	Carrying Amount (Note)	Price Allocation
Enterprise	Secured		$ 332,961	$ 332,099	$ 211,581
	Non-secured		360,055	358,821	239,419
General	Secured	House mortgage	3,601	3,601	800
		Car loans	-	-	-
		Others	-	-	-
	Non-secured	Credit cards	-	-	-
		Cash cards	-	-	-
		Micro credit	-	-	-
		Others	-	-	-
Total			696,617	694,521	451,800

Note: Allowance for bad debt was excluded.

11) Financial assets at fair value through profit or loss

As of December 31, 2007 and 2006, the Bank purchased 85,318 thousand and 72,962 thousand units, respectively, of beneficiary certificates issued by USITC, which amounted to $974,415 thousand and $855,698 thousand, respectively.

12) Bank debentures

As of December 31, 2007 and 2006, UBF was holding the Bank's debentures amounting to $647,000 thousand and $432,000 thousand, respectively.

13) Acquisition of property and equipment and unquoted equity instruments

In June 2006, the Bank purchased property and equipment and 3,050 thousand shares of Taiwan Future Exchange Corporation from Union Bank Future Corporation, which amounted to $5,687 thousand and $61,000 thousand, respectively.

The Bank purchased land for operating office and warehouse from Union Real-Estate Management Corporation at the price of $84,500 thousand in November 2007.

14) UIT sold computers, related material and software and provided network service to the Bank. The related purchase and service fee in 2007 and 2006 were $310,584 thousand and $363,907 thousand, respectively.

15) The Bank provided insurance consulting service and sales assistance to UIB. The commission revenues in 2007 and 2006 were $112,230 thousand and $96,451 thousand, respectively. The consulting service revenues in 2007 and 2006 were $27,149 thousand and $21,340 thousand, respectively.

16) USI provided securities investment consulting to the Bank. The related consulting expense in 2006 is $1,524 thousand.

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 employees for savings and loans up to prescribed limits.

27. PLEDGED ASSETS

As of December 31, 2007 and 2006, government bonds and bank debentures, which amounted to $984,300 thousand and $965,315 thousand (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 of credit card receivables, as guarantee deposits on bills finance operations, and as trust reserve. In addition, negotiable certificates of deposit aggregating $1,300,000 thousand had been provided to the Central Bank as collateral for the day-term overdraft as of December 31, 2007.

28. CONTINGENCIES AND COMMITMENTS

Financial instruments, contingencies and commitments of the Bank, in addition to those disclosed in Note 30, are summarized as follows:

a. Operating leases

The Bank rents several office premises for its branches under operating leases ranging from 2 to 10 years. Rentals are payable monthly, quarterly or annually. For the Nanking E. Rd., San Chung, Shin-Dian and Wujia branches, lease deposits are made in lieu of lease payments, and rental expenses are recognized at imputed interests of 2.175%. Future minimum lease payments are as follows:

Year	**Amount**
2008	$ 368,390
2009	230,357
2010	102,768
2011	48,214
2012	48,214

The present value of total rentals beyond 2013, amounted to $250,606 thousand, is about $214,585 thousand, discounted by the Bank's one-year time deposit interest rate of 2.62% on January 1, 2008.

b. Computer equipment purchase contracts

The Bank contracted to purchase computer equipment and software for $84,580 thousand, of which $54,950 thousand (included in prepayments for equipment) had been paid as of December 31, 2007.

c. Securities sold under repurchase agreements

As of December 31, 2007, securities with a total cost of $32,865,259 thousand were sold under agreements to repurchase between January 2008 and July 2008. The buy back price is based on the notional amount plus the interests which is calculated by the agreed interest rate.

d. Securities purchased under resell agreements

As of December 31, 2007, securities with a total cost of $5,863,732 thousand were purchased under agreements to resell for $5,865,587 thousand in January 2008.

e. Balance sheet of trust accounts and trust property and equipment accounts

Balance Sheet of Trust Accounts
December 31, 2007

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 2,172,546	Income tax payable	$ 118
Investments		Trust capital	45,370,798
Mutual funds	36,849,517	Reserve and deficit	(267,947)
Common stock	177,689		
Short-term bills and securities purchased under resell agreements	368,933		
Accounts receivable	1,594		
Real estate - land and building	5,532,690		
Total	$ 45,102,969	Total	$ 45,102,969

Balance Sheet of Trust Accounts
December 31, 2006

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	$ 244,665	Income tax payable	$ 33
Investments		Expenses payable	2
Mutual funds	25,198,608	Trust capital	29,492,796
Common stock	108,046	Reserve and deficit	2,767
Real estate - land and building	3,944,279		
Total	$ 29,495,598	Total	$ 29,495,598

Trust Income Statement
Year Ended December 31, 2007

	Amount
Trust income	
Interest revenue - demand account	$ 291
Interest revenue - time deposit	3,236
Interest revenue - short-term bills and securities purchased under resell agreements	2,579
Cash dividend	8,935
Realized capital gain - fund	2,966
Income from beneficiary certificates	138
Total trust income	18,145
Trust expense	
Management expense	2,209
Taxation	269,803
Realized capital loss - fund	46
Other	12,705
Total trust expense	284,763
Income before tax	(266,618)
Income tax expense	(1,320)
Income after tax	(267,938)
Unrealized capital gain - GTSM stock	33,415
Unrealized capital gain - fund	2,526
Unrealized capital loss - fund	(109)
Net loss	$ (232,106)

Note: Trust income statements mentioned above are not included in the Bank's income statements.

Trust Income Statement
Year Ended December 31, 2006

	Amount
Trust income	
Interest revenue - demand account	$ 86
Interest revenue - time deposit	1,453
Interest revenue - bonds	2,511
Cash dividend	8,022
Realized capital gain - fund	9,930
Total trust income	22,002
Trust expense	
Management expense	883
Taxation	16,321
Realized capital loss - fund	6,080
Realized capital loss - bonds	1,105
Other	1,801
Total trust expense	26,190
Income before tax	(4,188)
Income tax expense	(328)
Income after tax	(4,516)
Unrealized capital gain - GTSM stock	6,856
Unrealized capital gain - fund	1,633
Net income	$ 3,973

Note: Trust income statements mentioned above are not included in the Bank's income statements.

Trust Property and Equipment Accounts
December 31, 2007

Investment Portfolio	Amount
Demand deposits	$ 2,172,546
Investments	
Mutual funds	36,849,517
Common stock	177,689
Short-term bills and securities purchased under resell agreements	368,933
Accounts receivable	1,594
Real estate - land and building	5,532,690
	$ 45,102,969

Trust Property and Equipment Accounts
December 31, 2006

Investment Portfolio	Amount
Demand deposits	$ 244,665
Investments	
Mutual funds	25,198,608
Common stock	108,046
Real estate - land and building	3,944,279
	$ 29,495,598

29. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance is calculated by the daily average balance of interest-earning assets and interest-bearing liabilities.

	2007	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents	$ 1,615,824	1.36
Due from the Central Bank and other banks	30,217,041	1.39
Financial assets at fair value through profit or loss	7,815,700	0.75
Securities purchased under resell agreements	4,869,277	1.54
Discounts and loans	191,239,958	4.15
Accounts receivable - credit card	24,221,265	12.73
Available-for-sale financial assets	5,072,832	1.87
Held-to-maturity investments	41,799,919	6.85
Non-active market debt instruments	349,040	3.86

(Continued)

	2007	
	Average Balance	Average Rate (%)
Interest-bearing liabilities		
Call loans and due to other banks	$ 7,397,698	2.69
Securities sold under repurchase agreements	25,869,523	4.53
Demand deposits	22,835,652	0.60
Savings - demand deposits	59,709,459	0.71
Time deposits	57,718,677	3.07
Deposit from the post office	21,152,800	2.39
Time - savings deposits	123,535,105	2.18
Negotiable certificates of deposit	4,602,083	1.11
Bank debentures	14,212,959	2.74
Liability component of preferred stocks	327,200	6.00

(Concluded)

	2006	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents	$ 18,274,476	1.62
Due from the Central Bank and other banks	11,691,375	1.31
Financial assets at fair value through profit or loss	7,072,852	1.16
Securities purchased under resell agreements	3,332,750	1.66
Discounts and loans	192,318,446	4.04
Accounts receivable - credit card	25,985,383	16.20
Available-for-sale financial assets	10,095,105	1.23
Held-to-maturity investments	23,932,640	6.44
Non-active market debt instruments	1,202,467	1.88
Interest-bearing liabilities		
Call loans and due to other banks	5,611,141	3.31
Securities sold under repurchase agreements	13,584,328	2.54
Demand deposits	19,833,083	0.64
Savings - demand deposits	54,193,646	0.73
Time deposits	49,718,606	2.35
Deposit from the post office	21,095,436	2.13
Time- savings deposits	127,724,610	1.92
Negotiable certificates of deposit	5,350,750	1.49
Bank debentures	13,403,112	2.64

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2007		2006	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Financial assets at fair value through profit or loss	$ 7,746,462	$ 7,746,462	$ 4,873,587	$ 4,873,587
Available-for-sale financial assets	3,439,568	3,439,568	5,997,931	5,997,931
Other short-term financial assets	62,689,648	62,689,648	80,499,310	80,499,310
Discounts and loans	205,523,586	205,523,586	207,070,571	207,070,571
Held-to-maturity financial assets	48,559,541	45,592,123	30,096,773	30,992,015
Non-active market debt instruments	166,636	256,373	2,666,843	2,779,535
Other financial assets	3,498,355	3,498,355	2,298,236	2,298,236
Liabilities				
Financial liabilities at fair value through profit or loss	61,326	61,326	34,457	34,457
Other short-term financial liabilities	64,773,593	64,773,593	50,856,465	50,856,465
Deposits	263,909,020	263,909,020	275,724,399	275,724,399
Bank debentures	10,526,400	10,528,053	15,083,700	15,910,342
Other financial liabilities	254,580	254,580	318,597	318,597
Liability component of preferred stocks	327,200	327,200	-	-

b. Methods and assumptions applied in estimating the fair values disclosures for financial instruments are as follows:

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, receivables, payables and short-term bank loans.

2) Fair values of financial instruments designated as at FVTPL and available-for-sale or held-to-maturity financial assets are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

   Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

   Fair values of forward contracts, interest rate swap and cross-currency swap contracts are estimated based on the forward rates provided by Reuters.

   The fair value of non-active debt instruments are based on Clear Stream Banking and adjusted by evaluations of debtor's credit.

3) Discounts and loans, and deposits are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.

4) Investments under the equity method and financial assets carried at cost have no quoted market prices in an active market and their fair value cannot be reliably measured. Thus, the Bank does not disclose their fair value.

5) Refundable deposits have no specified maturity date and thus its market value is estimated based on its carrying value in the balance sheet. The carrying value of the guarantee deposits received is the reasonable base to estimate their market values as the carrying value is the current pay-off price.

6) The fair values of bank debentures are estimated based on the price published by GTSM.

7) The fair values of forward contracts and interest rate swap contracts are based on present value techniques. Options' fair value are based on estimates using Black Scholes model.

8) Fair value of liability component of preferred stocks are estimated based on the present value of future cash flows.

c. Fair value of financial assets and financial liabilities determined based upon quoted market prices or valuation techniques summarized as follows:

	Quoted Market Prices		**Valuation Techniques**	
	December 31, 2007	**December 31, 2006**	**December 31, 2007**	**December 31, 2006**
Financial assets				
Financial assets at fair value through profit or loss	$ 4,070,001	$ 4,696,359	$ 3,676,461	$ 177,228
Available-for-sale financial assets	3,439,568	5,997,931	-	-
Held-to-maturity investments	646,813	-	44,945,310	30,992,015
Other financial assets	-	-	3,754,728	5,077,771
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	-	61,326	34,457
Bank debentures	10,528,053	15,910,342	-	-
Other financial liabilities	-	-	254,580	318,597
Liability component of preferred stock	-	-	327,200	-

Valuation gains (losses) arising from changes in fair value of financial instruments determined using valuation techniques were $102,766 thousand and $48,286 thousand for the years ended December 31, 2007 and 2006, respectively.

As of December 31, 2007 and 2006, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Year Ended December 31	
	2007	**2006**
Total interest income	$ 14,571,107	$ 14,677,728
Total interest expense	(7,415733)	(5,664,213)

The Bank recognized an unrealized loss of $65,287 thousand and $74,928 thousand in stockholders' equity for the changes in fair value of available-for-sale financial assets in the year ended December 31, 2007 and 2006, respectively, and of which $14,982 thousand and $53,770 thousand were reclassified into current loss in the income statement.

d. Financial risks

1) Market risk

The risk management of the Bank, please refer to Note 31.

2) Credit risk

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of December 31, 2007 and 2006, ratios of secured loans to total loans were 77.93 % and 75.12%, respectively. Ratio of secured financial guarantees and standby letters of credits were 32.52% and 37.52%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising from the guarantees received. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

The Bank has significant credit commitments principally relating to credit cards issued and credit facilities extended. The terms of most of the credit commitments range from half year to ten years. For the years ended December 31, 2007 and 2006, the loan interest rates ranged from 1.70% to 9.1% and 1.45% to 11.06%, respectively, and the highest interest rate for credit cards was 19.71%. The Bank also provided guarantees on customers' loans and letters of credit obtained from third parties. The maturity dates of these commitments are not concentrated in a particular period.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2007 and 2006 were as follows:

	December 31	
	2007	**2006**
Credit commitments for credit cards	$ 339,144,137	$ 350,953,553
Guarantees and standby letters of credit	8,465,275	9,723,013
Irrevocable loan commitments	492,923	1,063,098

The maximum exposure of counterparties presented above were evaluations on off-balance sheet credit risk contracts with positive amounts on the balance sheet date. Concentrations of credit risk exist when changes in economic or other factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. The Bank maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors the exposure on a continuous basis. Credit risk profile by region is not significant on December 31, 2007 and 2006. On December 31, 2007 and 2006, the Bank's most significant concentrations of credit risk were summarized as follows:

	Carrying Amount	
	December 31	
Credit Risk Profile by Counterparty	**2007**	**2006**
Consumer	$ 147,532,855	$ 149,665,575
Private sector	51,623,058	50,362,553
Government	1,263,725	1,940,789
	$ 200,419,638	$ 201,968,917

Credit Risk Profile by Industry Sector	Carrying Amount December 31 2007	2006
Real estate activities	$ 18,677,997	$ 12,037,565
Finance and insurance	8,315,135	6,488,063
Manufacturing	6,711,177	7,439,864
	$ 33,704,309	$ 25,965,492

The Bank does not make significant loans to foreign areas in 2007 and 2006. The credit risks of the abovementioned loans are the same with their respective the carry amount classified by either the counterparty or industry sector.

3) Liquidity risk

As of December 31, 2007 and 2006, the liquidity reserve ratio was 10.66% and 9.73%, respectively. The Bank has sufficient capital and working capital to execute all the obligation of contract and had no liquidity risk. The possibility of failing to liquidate the derivative financial instruments with reasonable price is remote.

The management policy of the Bank is to match the maturity and interest rate of its assets and liabilities. Due to the uncertainty resulting from terms of transactions, the maturities and interest rates of assets and liabilities usually didn't fully match. The gap may arise potential gain or loss.

The Bank applied appropriate way to group assets and liabilities. The maturity analysis of assets and liabilities was as follows:

	December 31, 2007					
	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
Assets						
Cash and cash equivalents	$ 5,145,501	$ -	$ 150,000	$ 206,000	$ -	$ 5,501,501
Due from the Central Bank and other banks	22,551,422	-	-	-	-	22,551,422
Financial assets at fair value through profit or loss	7,597,036	-	-	-	149,426	7,746,462
Securities purchased under resell agreements	5,863,732	-	-	-	-	5,863,732
Receivables	31,036,332	49,639	16,616	26,106	7,569	31,136,261
Discounts and loans	10,069,320	6,783,794	11,159,784	21,283,178	158,400,794	207,696,871
Available-for-sale financial assets	12,607	-	-	386,049	3,040,912	3,439,568
Held-to-maturity investments	7,200	-	-	10,038	48,542,303	48,559,541
	82,283,150	6,833,433	11,326,400	21,911,371	210,141,004	332,495,358
Liabilities						
Call loans and due to banks	4,003,403	500	15,820	23,067,096	-	27,086,819
Financial liabilities at fair value through profit or loss	1,051	422	881	551	58,421	61,326
Securities sold under repurchase agreements	19,782,772	6,038,169	974,520	6,069,798	-	32,865,259
Payables	3,318,320	340,626	381,437	508,267	227,450	4,776,100
Deposits and remittance	34,702,397	35,282,682	40,365,540	118,361,355	35,242,461	263,954,435
Bank debentures	-	-	-	-	10,526,400	10,526,400
	61,807,943	41,662,399	41,738,198	148,007,067	46,054,732	339,270,339
Net liquidity gap	$ 20,475,207	$ (34,828,966)	$ (30,411,798)	$ (126,095,696)	$ 164,086,272	$ (6,774,981)

	December 31, 2006					
	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
Assets						
Cash and cash equivalents	$ 7,243,820	$ 230,000	$ 763	$ 106,000	$ -	$ 7,580,583
Due from the Central Bank and other banks	32,547,602	-	-	-	-	32,547,602
Financial assets at fair value through profit or loss	4,869,286	3,468	729	104	-	4,873,587
Securities purchased under resell agreements	3,820,626	-	-	-	-	3,820,626
Available-for-sale financial assets	249,831	-	3,616	157,230	5,587,254	5,997,931
Discounts and loans	6,245,720	9,320,290	8,276,300	20,878,162	164,061,529	208,782,001
Held-to-maturity investments	28,976,924	-	-	516,099	1,534,486	31,027,509
Receivables	37,513,764	75,307	37,604	153,240	10,252	37,790,167
	121,467,573	9,629,065	8,319,012	21,810,835	171,193,521	332,420,006
Liabilities						
Call loans and due to banks	5,047,736	5,929,320	1,000	20,493,776	345,178	31,817,010
Financial liabilities at fair value through profit or loss	124	1,019	-	-	33,314	34,457
Securities sold under repurchase agreements	6,869,441	897,273	219,777	3,918,000	-	11,904,491
Payables	6,030,977	330,482	235,842	352,227	161,926	7,111,454
Deposits and remittance	26,741,607	31,791,062	80,590,758	123,531,513	13,092,969	275,747,909
Bank debentures	-	-	-	3,500,000	11,583,700	15,083,700
	44,689,885	38,949,156	81,047,377	151,795,516	25,217,087	341,699,021
Net liquidity gap	$ 76,777,688	$ (29,320,091)	$ (72,728,365)	$ (129,984,681)	$ 145,976,434	$ (9,279,015)

31. MARKET RISK CONTROL AND HEDGE STRATEGY

a. Risk managing indicators and strategy

The Bank's main risk are credit risk, market risk and liquidity risk. The risk management policies are 1) short-term goal: To integrate and collect any risk variables to set up quantifiable risk quote; 2) long-term goal: To maximize stockholder's return by setting up risk management and evaluative system and best capital allocation.

b. Quantifiable risk measurement and control

1) Credit risk: The goal is to control risk in tolerable level by setting up measurement tools which quantify risk across products and businesses. Then, the Bank builds the model in loan procedures to ensure the spread could bear the risk to protect the stockholder and depositors.

   a) Setting up credit risk measurement system and database when making loans and reserving the historical data of credit risk measurement.

   b) Setting up credit rating system connecting with interest spread.

   c) Modulating credit risk measurement model and instruments by economy, forecasting and customer attribute to ensure the data match status.

2) Market risk: The goal is to set up the identifying, evaluating, monitoring, reporting and controlling procedures. The Bank builds related risk management procedure and mechanism under the guideline of Based II and plans to build risk management system to ensure that the outcomes of risk-taking activities are predictable and within the Bank's risk tolerance parameter and that there is an appropriate balance between risk and reward.

   a) The trade limit control: The limit approved by the board of directors or senior management committees included the limit of investment, counter parties, trader and total limit.

b) The price risk control: Marked-to-market valuation method which values the open position by settlement price daily. The data of sensitivity analysis of all outstanding position and stop-loss monitor information can be obtained through trading management system.

c) The risk report: To ensure risk control effectively, outstanding position report and integrated risk management report are available on a continuing basis.

3) Operational risk

a) Establishment of the strategy procedures at an all-bank level control procedure and process.

b) Establishment of database and reporting system of the operational risk loss data by activity units or activities, and keep the data to improve internal control.

c) Establish information and employees backup system to lower the loss of spot situation.

4) Liquidity risk

The Bank actively manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. The Bank measures and forecasts cash commitments on a daily basis and conducts regular liquidity crisis stress testing. The Bank's liquidity contingency plan provides the framework from which to determine appropriate action plan in the event of a liquidity crisis.

32. STATEMENT OF CAPITAL ADEQUACY

(In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2007	
			Union Bank	**Consolidated**
Eligible capital	Tier 1 capital		$ 9,937,596	$ 15,657,690
	Tier 2 capital		8,611,939	8,307,867
	Tier 3 capital		-	-
	Eligible capital		18,549,535	23,965,557
Risk-weighted assets	Credit risk	Standardized approach	180,228,521	194,310,086
		Internal ratings - based approach	-	-
		Securitization	7,248,829	7,248,829
	Operational risk	Basic indicator approach	15,819,638	16,606,550
		Standardized approach/Alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	6,356,923	15,461,962
		Internal model approach	-	-
	Risk-weighted assets		209,653,911	233,627,427
Capital adequacy ratio			8.85	10.26
Ratio of tier 1 capital to risk-weighted assets			4.74	6.70
Ratio of tier 2 capital to risk-weighted assets			4.11	3.56
Ratio of tier 3 capital to risk-weighted assets			-	-
Ratio of common stock to total assets			5.35	5.06

Note 1: The above tables were prepared in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: Formulas used were as follows:

1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 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 tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.

5) Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.

6) Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.

7) Ratio of common stock to total assets = Common stock ÷ Total assets.

(In Thousands of New Taiwan Dollars, %)

	December 31, 2006
Net eligible capital	$ 20,614,349
Total risk-weighted assets	217,720,435
Capital adequacy ratios	9.47
Ratios of tier 1 capital to risk-weighted assets	7.31
Ratios of tier 2 capital to risk-weighted assets	3.98
Ratios of tier 3 capital to risk-weighted assets	-
Ratios of common stockholders' equity to total assets	5.06

Note: Capital adequacy ratio = Eligible capital/Risk-weighted assets pursuant to the Banking Law and related regulations.

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

a. Credit risks

1) Asset quality: Table 4 (attached)

2) Concentration of credit extensions

December 31, 2007

(In Thousands of New Taiwan Dollars, %)

Rank	Group Enterprise name	Total Amount of Credit Endorsement or Other Transactions	Percentage of Equity (%)
1	Hung Tai Group	$3,830,853	21.17
2	Union Group	3,376,147	18.65
3	Wei Da Group	2,495,200	13.79
4	Chinatrust Financial Holdings Co., Ltd.	1,170,663	6.47
5	Lin San Hao Group	1,134,356	6.27
6	Qing Feng Group	1,081,772	5.98
7	Miramar Group	906,810	5.01
8	Chang Liao Leasing Group	842,622	4.66
9	Tao Da Construction Group	592,900	3.28
10	Wei Jing Group	529,689	2.93

December 31, 2006

(In Thousands of New Taiwan Dollars, %)

Rank	Group Enterprise name	Total Amount of Credit Endorsement or Other Transactions	Percentage of Equity (%)
1	Union Group	$3,831,624	20.51
2	Hung Tai Group	1,970,000	10.54
3	Wei Da Group	1,943,217	10.40
4	Lin San Hao Group	1,136,355	6.08
5	Qing Feng Group	1,101,135	5.89
6	Li Ba Group	1,043,839	5.59
7	Chinatrust Financial Holdings Co., Ltd.	1,037,812	5.55
8	Miramar Group	938,554	5.02
9	Xin Guang Group	906,000	4.85
10	Chang Lian Leasing Group	842,622	4.51

b. Interest rate sensitivity information

Interest Rate Sensitivity
December 31, 2007

(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	$ 218,099,045	$ 5,168,829	$ 6,943,359	$ 35,606,979	$ 265,818,212
Interest rate-sensitive liabilities	131,285,553	94,259,067	34,611,237	13,392,927	273,548,784
Interest rate sensitivity gap	86,813,492	(89,090,238)	(27,667,878)	22,214,052	(7,730,572)
Net worth					16,430,138
Ratio of interest rate-sensitive assets to liabilities					97.17%
Ratio of interest rate sensitivity gap to net worth					(47.05%)

Interest Rate Sensitivity
December 31, 2006

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 199,646,073	$ 6,567,559	$ 8,171,991	$ 66,481,146	$ 280,866,769
Interest rate-sensitive liabilities	153,515,468	93,498,184	33,494,563	19,746,558	300,254,773
Interest rate sensitivity gap	46,130,605	(86,930,625)	(25,322,572)	46,734,588	(19,388,004)
Net worth					18,131,369
Ratio of interest rate-sensitive assets to liabilities					93.54%
Ratio of interest rate sensitivity gap to net worth					(106.93%)

Note 1: The above amounts included only New Taiwan dollar amounts held by the onshore branches of the Bank (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.

Interest Rate Sensitivity
December 31, 2007

(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	$ 61,453	$ 30,015	$ 3,315	$ 1,492,532	$ 1,587,315
Interest rate-sensitive liabilities	1,042,557	351,851	374,167	457	1,769,032
Interest rate sensitivity gap	(981,104)	(321,836)	(370,852)	1,492,075	(181,717)
Net worth					58,855
Ratio of interest rate-sensitive assets to liabilities					89.73%
Ratio of interest rate sensitivity gap to net worth					(308.75%)

Interest Rate Sensitivity
December 31, 2006

(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	$ 47,076	$ 31,431	$ 30,074	$ 919,322	$ 1,027,903
Interest rate-sensitive liabilities	555,721	219,785	173,708	-	949,214
Interest rate sensitivity gap	(508,645)	(188,354)	(143,634)	919,322	78,689
Net worth					19,774
Ratio of interest rate-sensitive assets to liabilities					108.29%
Ratio of interest rate sensitivity gap to net worth					397.94%

Note 1: The above amounts includes U.S. dollar amounts held by the onshore branches, OBU and offshore branches of the Bank, excludes 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.

c. Liquidity risk

1) Profitability:

(%)

Items		2007	2006
Return on total assets	Before income tax	(1.79)	0.10
	After income tax	(1.37)	0.09
Return on net worth	Before income tax	(35.12)	1.87
	After income tax	(26.87)	1.65
Profit margin		(62.26)	2.84

Note 1: Return on total assets = Income before (after) income tax/Average total assets.

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2007 and 2006.

2) Maturity analysis of assets and liabilities:

Maturity Analysis of Asset and Liabilities
December 31, 2007

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	$ 295,568,826	$ 58,083,491	$ 11,092,436	$ 14,787,158	$ 24,759,616	$ 186,846,125
Main capital outflow on maturity	302,654,939	40,342,182	33,625,779	30,271,304	135,843,861	62,571,813
Gap	(7,086,113)	17,741,309	(22,533,343)	(15,484,146)	(111,084,245)	124,274,312

Maturity Analysis of Asset and Liabilities
December 31, 2006

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Main capital inflow on maturity	$ 313,989,005	$ 62,661,694	$ 18,531,882	$ 12,237,790	$ 24,682,230	$ 195,875,409
Main capital outflow on maturity	319,977,313	30,098,550	30,069,252	74,043,794	138,775,898	46,989,819
Gap	(5,988,308)	32,563,144	(11,537,370)	(61,806,004)	(114,093,668)	148,885,590

Note: The above amounts included only New Taiwan dollar amounts held in the onshore branches of the Bank (i.e. excluding foreign currency).

Maturity Analysis of Assets and Liabilities
December 31, 2007

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	$ 2,240,020	$ 634,712	$ 72,376	$ 28,572	$ 5,859	$ 1,498,501
Capital outflow on maturity	2,240,021	1,118,923	351,511	357,151	376,973	35,463
Gap	(1)	(484,211)	(279,135)	(328,579)	(371,114)	1,463,038

Maturity Analysis of Assets and Liabilities
December 31, 2006

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Capital inflow on maturity	$ 1,405,166	$ 386,442	$ 19,451	$ 29,030	$ 29,166	$ 941,077
Capital outflow on maturity	1,405,169	632,445	221,224	220,825	295,671	35,004
Gap	(3)	(246,003)	(201,773)	(191,795)	(266,505)	906,073

Note 1: 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 amounts (for example, the issuance of negotiable certificate of deposits, bonds or stocks).

Note 2: If the overseas assets amounting to at least 10% of the total assets, there should be additional disclosures.

34. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees:

1) Financing provided: The Bank - not applicable; investee company - none

2) Endorsement/guarantee provided: The Bank - not applicable; investee company - none

3) Marketable securities held: Table 1 (attached)

4) Acquired and disposed of investee investment at costs or prices of at least NT$300 million or 10% of the issued capital: None

5) Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital: None

6) Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital: None

7) Allowance for service fee to related parties amounting to at least NT$5 million: None

8) Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital: Table 2 (attached)

9) Sale of nonperforming loans: Table 3 (attached)

10) Financial asset securitization: None

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

12) The information of investees: Table 5 (attached)

13) Derivative financial transactions: For the Bank's related information, please see Note 30. The investees' related information is as follows:

Union Bills Finance Corporation (UBF)

UBF enters into derivative financial instruments for cash flow and risk management.

a) The contract (notional) amount of derivative financial instruments as of December 31, 2007 and 2006 were as follows:

	December 31	
	2007	2006
Financial Instruments	**Contract (Notional) Amounts**	**Contract (Notional) Amounts**
Trading purposes		
Assets swap	$ 122,600	$ 325,100
Interest rate swap	25,500,000	25,900,000

b) Fair value of derivative financial instruments

	December 31, 2007		December 31, 2006	
Financial Instruments	**Carrying Value**	**Fair Value Based on Estimates**	**Carrying Value**	**Fair Value Based on Estimates**
Assets				
Asset swaps	$ 121,431	$ 121,431	$ 2,540	$ 2,540
Interest rate swap	6,590	6,590	-	-
Liabilities				
Put option	-	-	547	547
Interest rate swap	33,969	33,969	42,331	42,331

c) Market price risk

The risk factors of market price risk includes changes in rate and price. UBF measures risk of interest rate by using PVBP (price value of a basic point) to determine the decrease of the amount of the fair value of bonds while the market interest rate increase by 1%. The risk of changes is determined by analyzing the valuation of financial instruments based on their identity.

The market price will be adopted once the centralized trading markets are available for the financial instruments such as the interest future, stock future, option and stock. Otherwise, the theoretical prices based on valuation techniques will be used in determining the price of the financial products such as interest rate swap, asset swap and bond option. UBF plans to develop and establish the system of calculating risk.

d) Credit risk

UBF is exposed to credit risk in the event of default on contracts by counter-parties. The maximum exposure of counter parties were evaluations on off-balance sheet credit risk contracts with positive amounts on the balance sheet date.

The maximum credit exposure of the financial instruments (except for the fair value of collaterals) held by UBF equaled the book value except which analysed as follows:

	December 31, 2007		December 31, 2006	
Financial Instrument	**Notional Amounts**	**Financial Instruments**	**Notional Amounts**	**Financial Instruments**
Derivative financial instrument				
Interest rate swap	$ 25,500,000	$ 68,908	$ 25,900,000	$ 47,128
Asset swap	$ 122,600	$ -	$ 325,100	$ 2,567

e) Liquidity risk

UBF has sufficient capital and working capital to execute all the obligation of contract and had no liquidity risk. The possibility of failing to dispose the derivative financial instruments held by UBF with reasonable price is remote, except for the interest rate swap contract characterized by leverage effect.

f) Accounting policy for derivative instruments

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

b. Investment in Mainland China: None.

35. SEGMENT INFORMATION

The Bank engages only in banking activities allowed under the Banking Law and operates entirely in the Republic of China. The Bank has no single customer that accounts for 10% or more of the Bank's operating revenues. No geographic and customer information is required to be disclosed.

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars and Foreign Currency, Unless Stated Otherwise)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Union Finance and Leasing International Corporation	Stock							
	China Chemical Corporation	-	Available-for-sale financial assets	356	$ 5,685	0.12%	$ 5,685	-
	Union Capital (Cayman) Corp.	Subsidiary	Equity investment - equity method	50	486,905	100.00%	US$ 15,014	-
	Union Bills Finance Corporation	Affiliate	Unquoted equity instruments	2,100	26,250	0.71%	21,863	Note 1
	Photronics Semiconductor Mask Corp.	-	Available-for-sale financial assets	536	5,521	0.19%	5,521	-
	Union Semi-Conductors Technology Corp.	-	Unquoted equity instruments	1,600	548	2.65%	-	Note 1
	WI Harper Group	-	Unquoted equity instruments	1,583	10,153	3.33%	14,446	Note 1
	ERA Communications Co., Ltd.	-	Unquoted equity instruments	425	1,415	0.33%	4,791	Note 1
	Yung Li Securities Co., Ltd.	-	Unquoted equity instruments	47	942	0.99%	1,038	Note 1
	New Asian Ventures Ltd.	Subsidiary	Equity investments - equity method	-	106,043	100.00%	US$ 3,270	-
	Masterlink Securities Corporation.	-	Available-for-sale financial assets	872	10,807	0.06%	10,807	-
Union Bills Finance Corporation	Stock							
	Debt Instrument Depository and Clearing Co., Taiwan	-	Unquoted equity instruments	483	9,277	0.17%	16,864	Note 2
	China Steel Co., Ltd.	-	Available-for-sale financial assets	1,379	59,965	0.01%	59,965	-
	Sysco Co., Ltd.	-	Available-for-sale financial assets	106	2,947	0.03%	2,947	-
	Yeun Chyang Co., Ltd.	-	Available-for-sale financial assets	410	12,546	0.13%	12,546	-
	UPC Technology Co., Ltd.	-	Available-for-sale financial assets	670	12,194	0.08%	12,194	-
	Formosa Chemicals & Fiber Corporation	-	Financial assets at fair value through profit or loss	828	68,741	0.01%	68,741	-
	AU Optronics Corp.	-	Financial assets at fair value through profit or loss	175	11,113	-	11,113	-
	TSRC Corporation	-	Available-for-sale financial assets	1,636	70,103	0.15%	70,103	-
	Far EasTone Co., Ltd.	-	Available-for-sale financial assets	200	8,200	0.05%	8,200	-
	Beneficiary certificate							
	PCA Asia Pacific High Yield Equity Fund	-	Financial assets at fair value through profit or loss - stock and fund	1,226	16,187	-	16,187	-
	Prudential Financial Global Small & Mid Cap Fund	-	Financial assets at fair value through profit or loss - stock and fund	485	10,753	-	10,753	-
	Prudential Financial Great China Fund	-	Financial assets at fair value through profit or loss - stock and fund	910	25,782	-	25,782	-

(Continued)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Adam Global Emerging Markets Fund	-	Financial assets at fair value through profit or loss - stock and fund	839	$ 19,178	-	$ 19,178	-
	JF(Taiwan) Asia Fund	-	Financial assets at fair value through profit or loss - stock and fund	826	38,691	-	38,691	-
	NITC Asia Technology Fund	-	Financial assets at fair value through profit or loss - stock and fund	517	9,831	-	9,831	-
	Truswell Eastern Key Fund	-	Financial assets at fair value through profit or loss - stock and fund	694	8,478	-	8,478	-
	AIG Latin American Fund	-	Financial assets at fair value through profit or loss - stock and fund	1,729	25,246	-	25,246	-
	Far Eastern Alliance Global Material and Energy Fund	-	Financial assets at fair value through profit or loss - stock and fund	544	15,621		15,621	-
	<u>Bond</u>							
	NAN YA Plastics Corporation Bonds 2003-1A Issue	-	Available-for-sale financial assets through profit or loss	7 pieces	34,558	-	34,558	-
	Taiwan Power Company 2st Unsecured Bond 2004-1D Issue	-	Available-for-sale financial assets through profit or loss	60 pieces	298,750	-	298,750	-
	China Development Financial Holding Corporation Unsecured Bond 2005-2A Issue	-	Available-for-sale financial assets through profit or loss	45 pieces	442,802	-	442,802	-
	Chi Mei Corporation 1st Unsecured Bond 2005 Issue	-	Available-for-sale financial assets through profit or loss	3 pieces	29,619	-	29,619	-
	Nanya Technology Corporation 1st Unsecured Bond 2006 Issue	-	Available-for-sale financial assets through profit or loss	3,000 pieces	295,499	-	295,499	-
	Yang Ming Marine Transport Corporation 1st Unsecured Bond 2006 Issue	-	Available-for-sale financial assets through profit or loss	1,500 pieces	147,189	-	147,189	-
	Fortune Motors Corporation Secured Bond 2006 Issue	-	Available-for-sale financial assets through profit or loss	16 pieces	79,276	-	79,276	-
	Formosa Plastics Corporation 1st Unsecured Bond 2006 Issue	-	Available-for-sale financial assets through profit or loss	3,000 pieces	296,061	-	296,061	-
	Nanya Technology Corporate Bonds - 2005	-	Available-for-sale financial assets through profit or loss	2,000 pieces	197,603	-	197,603	-
	Inotera Corporate Bonds - 2006-2	-	Available-for-sale financial assets through profit or loss	5,000 pieces	491,299	-	491,299	-
	Cathay United Bank Financial Bonds - 2005-2	-	Available-for-sale financial assets through profit or loss	10 pieces	98,819	-	98,819	-
	Jih Sun Financial Bonds - 2004-1	-	Financial assets at fair value through profit or loss	80 pieces	819,366	-	819,366	-
	Union Bank Financial Bonds 2004-1 (Issued by The Bank)	Parent Company	Financial assets at fair value through profit or loss	151 pieces	537,000	-	537,000	-

(Continued)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2007 Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
	Union Bank Financial Bonds 2004-2 (Issued by The Bank)	Parent Company	Financial assets at fair value through profit or loss	55 pieces	$ 101,654	-	$ 101,654	-
	Far Eastern International Bank Financial Bonds	-	Financial assets at fair value through profit or loss	30 pieces	290,624	-	290,624	-
	Taishin Bank Financial Bonds 2003-1	-	Financial assets at fair value through profit or loss	20 pieces	194,477	-	194,477	-
	Taishin Bank Financial Bonds 2003-1	-	Financial assets at fair value through profit or loss	30 pieces	290,603	-	290,603	-
	Union Bank Financial Bonds 2006-1 (Issued by The Bank)	Parent Company	Financial assets at fair value through profit or loss	100 pieces	9,835	-	9,835	-
	China Development Financial Bonds	-	Financial assets at fair value through profit or loss	-	283,347	-	283,347	-
	United Microelectronics Corporate Bonds - 2003-3	-	Financial assets at fair value through profit or loss	30 pieces	148,514	-	148,514	-
	China Development Financial Bonds 2005-1	-	Financial assets at fair value through profit or loss	15 pieces	147,655	-	147,655	-
	Taishin Bank Financial Bonds - 2003-1	-	Financial assets at fair value through profit or loss	10 pieces	102,067	-	102,067	-
	Jih Sun Financial Bonds - 2005-1	-	Financial assets at fair value through profit or loss	5 pieces	50,496	-	50,496	-
	Nan Ya Plastics Corporate Bonds	-	Financial assets at fair value through profit or loss	-	184,156	-	184,156	-
	Formosa Plastics Corporate Bond	-	Financial assets at fair value through profit or loss	-	187,882	-	187,882	-
	Formosa Plastics Corporate Bond	-	Financial assets at fair value through profit or loss	500 pieces	46,133	-	46,133	-
	Yulon Convertible Bonds	-	Financial assets at fair value through profit or loss	401 pieces	40,100	-	40,100	-
	Transcend Convertible Bonds	-	Financial assets at fair value through profit or loss	25 pieces	2,500	-	2,500	-
	China Airline Convertible Bonds 2004	-	Financial assets at fair value through profit or loss	200 pieces	20,000	-	20,000	-
	China Airline Convertible Bonds 2004	-	Financial assets at fair value through profit or loss	100 pieces	10,000	-	10,000	-
	China Airline Convertible Bonds 2004	-	Financial assets at fair value through profit or loss	500 pieces	50,000	-	50,000	-
Union Information Technology Corporation	Stock							
	ELTA Technology Co., Ltd.	-	Equity investments - equity method	2,000	17,132	16.33%	19,331	Note 4
	eBizServe, Inc.	-	Unquoted equity instruments	1,650	3,066	15.08%	3,066	-
	Jin Shang Chang Development Co., Ltd.	-	Available-for-sale financial assets	-	-	-	-	-
Union Finance International (HK) Limited	Bond							
	Federal Home Loan Bank Bond	-	Held-to-maturity investments	-	US$ 1,000	-	-	Note 6
	HBOS Capital Funding LP	-	Available-for-sale financial assets	900 pieces	US$ 793	-	US$ 793	-
	Chunghwa Picture Tubes Ltd.	-	Held-to-maturity investments	1 pieces	US$ 1,000	-	-	Note 6
	Wash Mutual PFD Funding	-	Available-for-sale financial assets	900 pieces	US$ 579	-	US$ 579	-

(Continued)

Holding Company	Type and Issuer/Name of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Penn West Energy	-	Available-for-sale financial assets	29 pieces	US$ 762	-	US$ 762	-
	Apple Computer Inc.	-	Financial assets at fair value through profit or loss	-	US$ 486	-	US$ 486	-
	Caterpillar Inc.		Financial assets at fair value through profit or loss	-	US$ 494	-	US$ 494	-
	Stock							
	ING Group N.V.	-	Available-for-sale financial assets	33	US$ 743	-	US$ 743	-
	Fairfield Greenwich Group	-	Available-for-sale financial assets	2	US$ 2,104	-	US$ 2,104	-
	EBAY Inc.	-	Financial assets at fair value through profit or loss	14	US$ 462	-	US$ 462	-
	Qualcomm Incorporation	-	Financial assets at fair value through profit or loss	12	US$ 475	-	US$ 475	-
	Applied Materials Inc.	-	Financial assets at fair value through profit or loss	26	US$ 460	-	US$ 460	-
Union Insurance Broker Company	Stock							
	Asus Computer Corp.	-	Available-for-sale financial assets	19	1,838	-	1,838	-
	Protop Technology Co., Ltd.	-	Available-for-sale financial assets	1	1	-	1	-
New Asian Ventures Ltd.	Stock							
	PGWC Wireless Inc.	-	Available-for-sale financial assets	372	US$ 1	3.93%	US$ 1	-
	Grace Thw Holding Limited	-	Unquoted equity instruments	1,667	US$ 2,500	0.74%	US$ 2,009	Note 3
	Medinox Inc.	-	Unquoted equity instruments	403	US$ 350	1.23%	-	Note 3

The Bank's investees had investments in companies with shares having no quoted market prices. The net asset values of these companies were based on the following:

Note 1: Union Finance and Leasing International Corporation:

a. Union Semi-Conductors Technology Corp., WI Haper Group and ERA Communications Co., Ltd. and Yung Li Securities Co., Ltd. - audited stockholders' equity as of December 31, 2006.
b. Union Bills Finance Corporation - the audited stockholders' equity as of December 31, 2007.

Note 2: Union Bills Finance Corporation had investments in Taiwan Depository & Clearing Corporation - the audited stockholders equity as of December 31, 2007.

Note 3: New Asian Ventures Ltd.:

a. Medinox Inc. - audited stockholders' equity as of March 30, 2007.
b. Grace Thw Holding Limited - unaudited stockholders equity as of December 31, 2006.

Note 4: Union Information Technology Corporation had investments in ELTA Technology Co., Ltd. - the audited stockholders' equity as of December 31, 2007.

Note 5: Except above, other companies - unaudited stockholders' equity as of December 31, 2007.

The market value of the listed and OTC stocks included in financial assets at fair value through profit or loss and available-for-sale financial assets were based on the daily closing prices as of balance sheet date. Beneficiary certificates were based on net asset values as of the balance sheet date.

Note 6: There are no open market in the securities, thus no market value is available.

(Concluded)

UNION BANK OF TAIWAN

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company	Counter-party	Relationship	Ending Balance	Turnover Rate	Overdue Receivables from Related Parties		Collection Subsequently	Allowance for Bad Debts
					Amount	Deal With		
Union Bank of Taiwan	Morgan Stanley Union Bank Asset Management Corporation	Equity-method investee	$966,030	Unsuitable for financial institution	None	Unsuitable	None	None
	Union Real-Estate Management Corporation	Equity-method investee	361,440	Unsuitable for financial institution	None	Unsuitable	None	None

Note: Receivables were from sale of nonperforming loans to Morgan Stanley Union Bank Asset Management Corporation as of June 27 and September 20, 2006 and to Union Real-Estate Management Corporation as of November 26, 2007.

UNION BANK OF TAIWAN

SALE OF NONPERFORMING LOANS AMOUNTING TO AT LEAST NT$5,000 MILLION
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Transaction Date	Buyer	Types of Nonperforming Loans	Loan Amount (Note)	Price	Gain (Loss) on Disposal	Payment Term	Relationship
2007.11.26	Union Real-Estate Management Corporation	Credit cards, cash cards, micro-credit, and motor financing	$ 673,741	$ 451,800	$ (221,941)	-	Equity-method investee

Note: Allowance for bad debt expense had been deducted.

UNION BANK OF TAIWAN

ASSET QUALITY
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2007					December 31, 2006				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		$ 1,119,333	$ 42,383,195	2.64%			$ 1,550,184	$ 38,811,602	3.99%		
	Unsecured		1,555,161	30,073,837	5.17%			1,740,311	31,173,472	5.58%		
Consumer Banking	Housing mortgage (Note 4)		811,799	118,455,726	0.69%			772,682	116,630,951	0.66%		
	Cash card		90,554	2,113,454	4.28%			146,874	3,630,868	4.05%		
	Small scale credit loans (Note 5)		880,293	4,136,338	21.28%	$ 2,173,285	43.74%	117,281	4,463,460	2.63%	$ 1,711,430	34.03%
	Other (Note 6)	Secured	122,215	1,013,535	12.06%			75,314	1,398,676	5.38%		
		Unsecured	389,079	8,769,362	4.44%			626,053	11,774,915	5.32%		
Deposits and Remittances	Certificates of deposit		-	751,424	-			-	898,057	-		
Loan			4,968,434	207,696,871	2.39%	2,173,285	43.74%	5,028,699	208,782,001	2.41%	1,711,430	34.03%
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			$ 628,185	$ 26,619,791	2.36%	$ 2,159,272	343.73%	$ 909,007	$ 33,463,159	2.72%	$ 1,032,364	113.57%
Factoring accounts receivable without recourse (Note 7)			-	-	-	-	-	-	-	-	-	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			787,987					1,234,730				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			4,124,834					6,225,345				

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

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

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

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

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

Note 6: Other consumers 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), factoring accounts receivable 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.

Note 8: 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).

UNION BANK OF TAIWAN

INFORMATION OF AND PROPORTIONATE SHARE IN INVESTEES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	The Proportionate Share of the Bank and its Affiliates in Investees				Note
						Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (Thousands)	Percentage of Ownership	
Financial - related										
Union Bills Finance Co.	Taipei	Bills finance	42.76%	$ 1,317,722	$ (37,129)	167,032	-	167,032	56.43%	Note
Union Finance and Leasing International Corporation	Taipei	Installment, leasing and accounts receivable factoring	100.00%	1,047,928	28,398	100,000	-	100,000	100.00%	Note
Union Finance International (HK) Limited	Hong Kong	Import and export accommodation	99.99%	132,396	21,087	30,000	-	30,000	100.00%	Note
Union Securities Investment Trust Corporation	Taipei	Securities investment trust	35.00%	109,686	(13,406)	11,951	-	11,951	39.84%	Note
Union Insurance Broker Company	Taipei	Personal insurance agency	100.00%	28,634	8,897	500	-	500	100.00%	Note
Morgan Stanley Union Bank Asset Management Corporation	Taipei	Purchase, sell and manage nonperforming loans from financial institution; does accounts receivable factoring	49.00%	74,778	36,902	1,323	-	1,323	49.00%	Note
Union Security Investment Consulting Company	Taipei	Securities investment consulting	-	-	288	-	-	-	-	
Taiwan Asset Management Corporation	Taipei	Purchase, sell and manage nonperforming loans from financial institution	0.57%	100,000	9,410	10,000	-	10,000	0.57%	
Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94%	50,000	-	5,000	-	5,000	2.94%	
Hua Rong Venture Capital Co., Ltd.	Taipei	Investment	4.55%	5,975	-	778	-	778	4.55%	
Huan Hua Securities Finance Co.	Taipei	Securities finance	0.53%	43,935	-	3,942	-	3,942	0.53%	
Sunny Asset Management Co.	Taipei	Purchase, sell and manage nonperforming loans from financial institution	6.44%	3,864	-	386	-	386	6.44%	
MasterCard	Taipei	Credit card related businesses	-	-	50,711	-	-	-	-	
EnTie Securities Finance Co.	Taipei	Securities finance	12.15%	622,188	-	65,206	-	65,206	12.15%	
Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81%	2,113	498	160	-	160	0.81%	
Fu Hua Venture Corporation	Taipei	Investment	5.00%	23,925	-	3,000	-	3,000	5.00%	
Jiao Da Venture Corporation	Taipei	Investment	5.00%	12,688	-	2,130	-	2,130	5.00%	
Li Yu Venture Corporation	Taipei	Investment	4.76%	16,477	-	1,501	-	1,501	4.76%	
Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	2.04%	71,250	2,730	4,483	-	4,483	2.04%	
Non-financial related										
Union Information Technology Corporation	Taipei	Software and hardware product retail and distribution services	99.99%	103,019	33,428	5,000	-	5,000	99.99%	Note
Union Real-Estate Management Corporation	Taipei	Construction plan review and consulting	40.00%	132,235	90,776	4,000	-	4,000	80.00%	Note
Financial Information Service Co., Ltd.	Taipei	Information service	2.39%	118,782	16,281	9,577	-	9,577	2.39%	
Taiwan Depository & Clearing Corporation	Taipei	Financial service	0.08%	4,639	236	241	-	241	0.08%	
Lian An Service Corporation	Taipei	Security service	5.00%	1,501	125	125	-	125	5.00%	
Save Com International Inc.	Taipei	Telecommunication and net work integration	0.07%	75	-	63	-	63	0.07%	
Taipower Corporation	Taipei	Electricity-related business	0.0012%	6,123	-	395	-	395	-	
Global Communication Semiconductor, Inc.	U.S.A.		1.56%	9,185	-	1,389	-	1,389	1.56%	

Note: The information of investee company shown above are based on audited financial reports as of December 31, 2007.