



中華民國玖拾貳年年報
Annual Report 2003





熱忱、穩健、效率、創新
Enthusiasm, Soundness, Efficiency and Innovation.

蘭花姿態如蝴蝶飛舞，國人對蘭花有親切感的偏愛，在四、五月之前是蘭花盛開的季節，嬌小潔白，一株可以開上好幾串上百朵花，像蝴蝶飛舞非常動人，而且又耐寒耐熱種種美德。

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Letter to Shareholders

Dear Shareholders: MESSAGE TO SHAREHOLDERS

Global economic recovery took place during the second half of 2003. In Taiwan, indicators in exports, production, stock prices and monetary supply and financial indicators picked up their momentum. Enterprises resumed their confidence and optimism. Purchase orders in export recovered in historic high figures. The market turned vibrant. All industries showed significant signs of growth. The domestic economy turned from being "cold inside and outside" in the first half of the year to being "warm inside and outside".

The bank always takes action to show its distinctiveness and advantage in business. As such, it substantially broadened its scope of operation in savings, loans, foreign exchange, trust, credit cards and securities in 2003. The bank also takes ceaseless efforts to develop loan programs for small and medium enterprises, line of credit for the entrepreneurs, loans for alien worker agencies and financing on note receivables to meet the needs in the market. Nonetheless, the bank also unveiled the first VISA MINI card in Taiwan and offered trust funds for housing management entities. In the effort of enhancing operation performance and buttressing assets and liabilities management, the bank keeps track on the cost-effectiveness of the different businesses it runs. This effort contributed to the upgrading of profitability.

Under the support of public, the proper direction of the shareholders and the endeavors of all our employees, the bank performed well in 2003. As of the end of the year, the balance of savings in the bank amounted to NT\$173,504 million, of loans amounted to NT\$116,217 million, foreign exchange transaction amount valued at US\$2,860 million, and 3,726,809 credit cards issued. In financial position, the bank has assets amounted to NT\$204,496 million, revenue amounted to NT\$11,510 million, with corporate earnings as high as NT\$1,321 million.

The outlook of global and domestic economy in 2004 is expected to further recover. Research and forecasting institutions at home and abroad are both optimistic about the year 2004. Given such favorable environment, Union Bank of Taiwan will persist its principle in "Seeking Growth with Stability". In practice, the bank will try its best effort to develop all its businesses in scope and achieve the goals set for 2004. Excellent performance will be the goal than never changes. The bank will not disappoint the public and the shareholders and therefore asks for your support in the year ahead.

With our most sincere wishes for your health and prosperity,

Chairman/C.C. Huang

President/Shiang-Chang Lee



- Corporate Profile
- Organization Chart
- List of Directors, Supervisors, Executives, and Main Shareholders of Institutional Shareholders Represented on Board of Directors or Supervisors
- Capital and Share (including Preferred Shares), Financial Debentures (including Overseas Financial Debentures) and Participation in the Issuance of Global Depository Receipts

I. Corporate Profile

Date of establishment: January 21, 1992

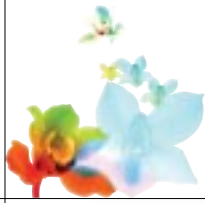
Equity: NT\$14,889,263,890

Union Bank of Taiwan is one of the first three banks approved by the government to be established in the wake of the liberalization and internationalization of the banking sector. The founders of the bank are a group of social celebrities in Taipei and Kaohsiung, including Mr. Lee Tswen-Ching, Lin Rong-San and Lee Yu-Chuan, and renowned figures in the corporate world, banking sector and academic circle. It officially started for service in January 1992. The bank was successfully listed on the OTC in 1995, and the Taiwan Stock Exchange in 1998, and is a widely acclaimed and recognized financial institution.

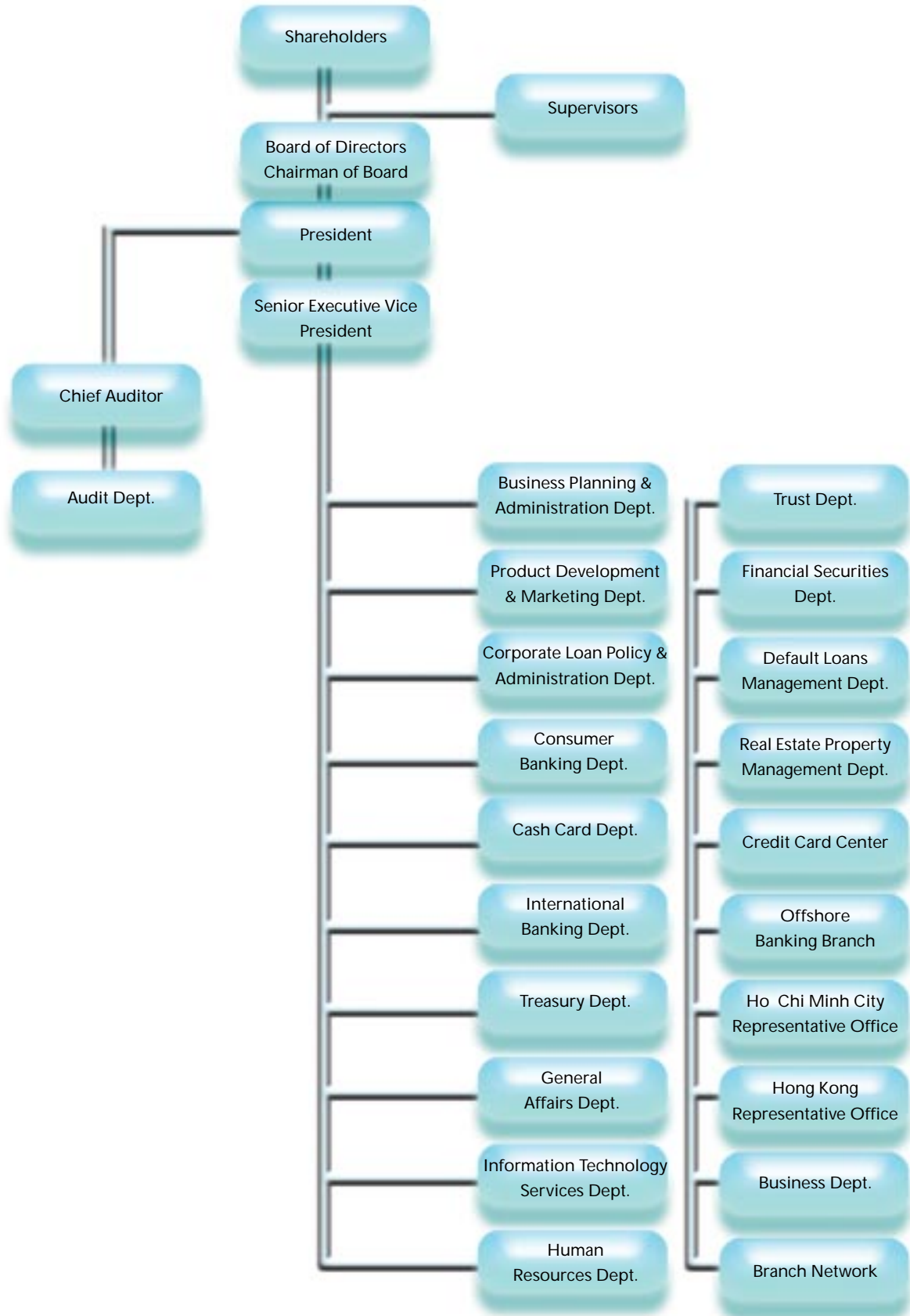
The bank has held the corporate philosophy of "Enthusiasm", "Soundness", "Efficiency" and "Innovation" since its establishment, and never ceases to increase the number of business branches for providing extensive service to the public. As of the end of 2003, Union Bank of Taiwan has 40 business branches of which 22 are in metropolitan Taipei, 10 in Hsinchu, 2 in Taichung, 3 in Chiayi and Tainan and 3 in Kaohsiung. There are also ATMs and automated service centers set up nearby the business locations for providing longer hours of services and convenient locations to the clients. In addition, the bank has set up the Ho Chi Minh Representative Office in Vietnam and the Hong Kong Representative Office for internationalization.

In an environment where competition is the order of the day, Union Bank of Taiwan spends great efforts in the research and development of new financial products and providing diversified financial services to clients. It also adjusted its organizational structure to fully utilize its functions. The bank enjoyed rapid expansion in business, and also made direct investments in other industries. Working hard for a decade, the bank successfully made its stake in bills financial sector, the leasing industry, commodity, investment trust, investment consulting, insurance agency service and other financial services. These helped the bank lay down a solid foundation for ongoing operation.





II. 2003 Organization Chart of Union Bank of Taiwan



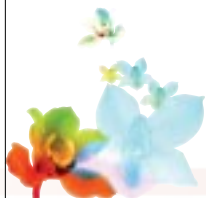
III. List of Directors, Supervisors, Executives, and Main Shareholders of Institutional Shareholders Represented on Board of Directors or Supervisors

List of Directors and Supervisors

As of December 31 2003

Title	Name	Date of Inauguration	Term (yrs)	Number of Shares Held at Inauguration		Number of Shares Presently Held		Number of Shares held by Spouse and Dependent Children		Education and Professional Background
				Number	%	Number	%	Number	%	
Chairman	C.C. Huang	2003.06.01	3 years	1,020,247	0.069%	1,020,247	0.069%	0	0.000%	B.A. Economics, National Taiwan University Chairman, Bank of Kaohsiung
Managing Director	Zhen-Xong Tiang	2003.06.01	3 years	3,969,367	0.267%	3,969,367	0.267%	0	0.000%	National Defense Medical School; Commissioner, 7th Branch of International Rotary Club
Managing Director	Yu-Pang Co., Ltd. (Representative: Jia-Yi Wang)	2003.06.01	3 years	16,373,448	1.100%	16,373,448	1.100%	0	0.000%	Judicial Training Program, The Judges and Prosecutors Training Institute; Secretary General of Judicial Yuan; President of Supreme Court
Director and President	Shiang-Chang Lee	2003.06.01	3 years	872,207	0.059%	994,207	0.067%	2,108,700	0.142%	B.A. Economics, National Taiwan University; SVP & GM, Taiwan Cooperative Bank; SEVP, UBOT
Director	Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)	2003.06.01	3 years	61,896,601	4.157%	61,896,601	4.157%	3,538,000	0.238%	MIB, National Taiwan University; Director, Union Dyeing & Finishing Co., Ltd
Director	Chung Li Investment Co., Ltd. (Representative: Jin-Fu Liu)	2003.06.01	3 years	30,613,388	2.056%	30,613,388	2.056%	0	0.000%	Taipei Technical Academy Chairman, Li-Chang Ceramics Co., Ltd.
Director	Chung Li Investment Co., Ltd. (Representative: Yao-Nan Lai)	2003.06.01	3 years	30,613,388	2.056%	30,613,388	2.056%	1,009,166	0.068%	B.A. Economics, National Taiwan University; GM of IBD, First Commercial Bank; President, UBOT; Chairman, Union Bills & Finance Co., Ltd.
Director	Union Entertainment Enterprise Co., Ltd. (Representative: Sue-Ere C. Lin)	2003.06.01	3 years	22,948,877	1.541%	22,948,877	1.541%	66,734,211	4.482%	Taipei Commercial Academy; Chairman, Union Enterprise Construction Co., Ltd.
Director	Si-Yong Lin	2003.06.01	3 years	14,622,349	0.982%	14,622,349	0.982%	1,290,027	0.087%	National Taiwan Normal University Director, Hong-Bang Construction Co., Ltd
Supervisor	Yu-Quan Development Co., Ltd. (Representative: Yu Quan Lee)	2003.06.01	3 years	8,682,889	0.583%	8,682,889	0.583%	3,505,303	0.235%	National Taiwan Normal University; Councilor, Taiwan Provincial Consultative Council; Supervisor, First Commercial Bank
Supervisor	Zhen-Lu Lin	2003.06.01	3 years	248,080	0.017%	248,080	0.017%	0	0.000%	B.A. Economics, National Taiwan University; GM, Taiwan Cooperative Bank; President, Wan-Kuo Law Firm
Supervisor	Ming-Hsing Ho	2003.06.01	3 years	1,814	0.000%	1,814	0.000%	236,829	0.016%	B.A. Business Administration, Soochow University Branch Manager, UBOT; SEVP, Union Bills & Finance Co., Ltd.





List of Executives

December 31 2003

Title	Name	Date of Inauguration	Term (yrs)	Number of Shares Held at Inauguration		Number of Shares Presently Held		Number of Shares held by Spouse and Dependent Children		Education and Professional Background
				Number	%	Number	%	Number	%	
President	Shiang-Chang Lee	1995.07.01	-	717,500	0.058%	994,207	0.067%	2,108,700	0.142%	B.A. Economics, National Taiwan University; SVP & GM Taiwan Cooperative Bank; SEVP, UBOT
Senior Executive Vice President	Chung-Chieh Huang	1997.06.10	-	854,440	0.067%	1,090,480	0.073%	0	0.000%	B.A., Tamkang University; Branch Manager, Taiwan Cooperative Bank; EVP, UBOT
Senior Executive Vice President	Jeff Lin	1999.11.03	-	0	0	3,538,000	0.238%	0	0.000%	MIB, National Taiwan University; Director, Union Dyeing & Finishing Co., Ltd
Senior Executive Vice President	Hao-Sen Lee	1998.08.01	-	2,713	0.000%	97,847	0.007%	25,220	0.002%	B.A. Commerce (Int'l Trade Concentration), Chinese Culture University; Branch Manager, First Commercial Bank; EVP, UBOT
Chief Auditor	Yen-Yje Chang	1995.07.01	-	10,680	0.001%	105,350	0.007%	3,038	0.000%	B.A. Finance Army Business Academy; AVP, Taiwan Cooperative Bank; AVP, Information Technology Department, UBOT
Executive Vice President	Roger Wang	1998.12.01	-	0	0	75,132	0.005%	20,147	0.001%	LL.B, National Taiwan University; VP, ABN-AMRO Bank
Executive Vice President	John J.T. Lee	1999.08.01	-	1,956	0.000%	75,052	0.005%	10,935	0.001%	B.A. Journalism Chinese Culture University; Branch Manager, Chinfon Bank
Executive Vice President	Herman Tu	2000.09.11	-	0	0	74,567	0.005%	173,956	0.012%	B.A. Business Administration, Chinese Culture University; Branch Manager, UBOT
Executive Vice President	Ing-Bor Jan	2000.09.11	-	80,000	0.005%	174,455	0.012%	0	0.000%	B.A. International Trade, Tamkang University; VP, Yong Chuan Securities Co; Branch Manager, UBOT
Executive Vice President	Ching-Long Tsai	2003.04.01	-	0	0.000%	0	0	0	0.000%	LL.B, National Taiwan University; VP, Cosmo Bank
Executive Vice President	C.C. Liu	2003.10.01	-	0	0.000%	74,740	0.005%	0	0.000%	Dept of Banking and Insurance, Tamkang University Deputy Manager, Chinfon Bank Manger, Trust Dept, UBOT

Institutional Shareholders with Holding Percentage of 10% or more or Shareholders with Holding Percentage Ranked Among the Top Ten

Institutional shareholder	Main shareholders of the institutional shareholder
Chung-Li Investment Co., Ltd.	Su-Fong Tsao, Rong-San Lin, Hong-Pang Lin, Tsong-Yu Lee, Si-Yung Lee
Union Enterprise Construction Co., Ltd.	Sue-Ere C. Lin, Hong-Yao Lin, Ya-Jean Lin, Hong-Pang Lin, Rong-San Lin, Liu Yeh, Jeff Lin
Yu-Pang Co., Ltd.	Sue-Ere C. Lin, Hong-Yao Lin, Hong-Pang Lin, Rong-San Lin, Liu Yeh, Jeff Lin
Union Entertainment Enterprise Co., Ltd.	Sue-Ere C. Lin, Hong-Yao Lin, Ya-Jean Lin, Hong-Pang Lin, Rong-San Lin, Liu Yeh, Jeff Lin
Yu-Quan Development Co., Ltd.	Chao-Mei T.Lee, Yu-Quan Lee, Pei-Ling Lee, Pei-Shan Lee, Tsong-Hwei Lee, Pei-Cheng Lee, Kuen-Pin Wu, Li-Shue Lin

IV. Capital and Shares (including Preferred Shares), Financial Debentures (including Overseas Financial Debentures) and Participation in the Issuance of GDR

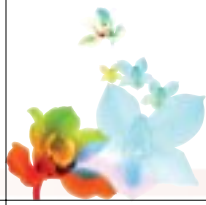
(I) Capital and Shares (including Preferred Shares) Status of Issuance

Sources of Capital	Common Stocks Issued (NTD)
Founder's Subscription	9,600,000,000
Public Offering	2,400,000,000
Capital Increase from Retained Earnings	2,889,263,890
Total	14,889,263,890

(II) Issuance of Financial Debentures (including Overseas Financial Debentures)

Name of Debentures	Issuing Date	Maturity Date	Size of Issue	Interest Rate
Union Bank of Taiwan, Subordinated Debt, First Issue 2002	Nov. 14, 2002	Nov. 14, 2007	NTD 3.5 billion	3.8%

(III) Participation in the Issuance of GDR: None



I. Business Report

(I) Scope of Business

1. Checking account deposits
2. Demand account deposits
3. Time deposits
4. Short and term loans
5. Discount of bills
6. Securities investment
7. Domestic remittances
8. Acceptance of commercial papers
9. Issuance of domestic letter of credit
10. Issuance of corporate bonds
11. Domestic bank guarantees
12. Acting as paying and collecting agent
13. Underwriting of government bonds, treasury bills, corporate bonds and stocks
14. Distribution of gold, gold coins and silver coins
15. Credit card business
16. Brokerage and dealership of short-term bills
17. Custodian and depository services
18. Safety deposit box
19. Banking businesses as registered, or as approved by the central government authority
20. Foreign exchange for import and export, inward and outward remittance, foreign currency deposits and loans, and guarantee payment in foreign currencies
21. Foreign currencies margin trading
22. Derivative products trading approved by the central government authority
23. Factoring services approved by the central government authority
24. Trust businesses as permitted by the Trust Business Law
25. Securities brokerage
26. Trading of government bonds
27. Futures trading brokerage

Overview of Operations

(II) Deposits Business:

The total saving deposit of the bank amounted to NT\$173,504 million as of the end of 2003, an increase of 15.71% by NT\$23,556 million from 2002. Demand deposits amounted to NT\$47,723 million, at 27.51% of the total saving deposits and growth of 22.01%. Term deposit amounted to NT\$125,781 million, at 72.49% of the total saving deposit and growth of 13.49%.

Analysis on the Deposit Accounts

Unit: NT\$ in million

Type	2002.12.31		2003.12.31	
	Amount	%	Amount	%
Checking deposits	1,597	1.07%	1,832	1.06%
Demand deposits	12,405	8.27%	15,569	8.97%
Demand savings deposits	25,113	16.75%	30,322	17.48%
Term deposits	52,901	35.28%	65,227	37.59%
Term saving deposits	57,932	38.63%	60,554	34.90%
Total	149,948	100.00%	173,504	100.00%

(III) Loans Business

The total amount of loans extended by the bank was NT\$ 116, 217 million as of the end of 2003, an increase of 12.46% from 2002. Of the total amount of loans, NT\$75,142 million was secured, at 64.66% of the total. The amount of NT\$41,075 was unsecured, at 35.34% of the total loans.

Analysis on Loan Accounts

Unit: NT\$ in million

Type	2002.12.31		2003.12.31	
	Amount Outstanding	%	Amount Outstanding	%
Discount	0	0.00%	20	0.00%
Short term loans and overdraft	12,434	12.03%	20,521	12.03%
Short term secured loans and secured overdraft	10,016	9.69%	6,999	9.69%
Medium term loans	16,791	16.25%	16,361	16.25%
Medium term secured loans	18,796	18.19%	16,082	18.19%
Long-term loans	2,677	2.59%	4,173	2.59%
Long-term secured loans	42,629	41.25%	52,061	41.25%
Total	103,343	100.00%	116,217	100.00%



(IV) International Banking Business

Economic recovery in 2003 contributed to the stable growth of international banking transactions. The international banking transactions undertaken by the bank in 2003 reached US\$2,860 million, an increase of 7.32% from the US\$2,665 million in 2002. Of the total amount of foreign exchange undertaken in 2003, US\$ 192 million was in export and US\$229 million was in import, declined by 18.64% and 4.17% from the values of 2002, respectively. Overseas remittance of foreign currencies amounted to US\$2,369 million, an increase of 11.90% from the same period of 2002. Remittance conducted by the bank constituted 82.32% of the foreign exchange business. In general, the growth of foreign exchange conducted by the bank was congruent with the import and export foreign exchange growth in Taiwan.

Analysis on Import and Export Foreign Exchange and Overseas Remittance of Foreign Currency

Unit: US\$ in million

Item	Year	2002		2003		
		Amount	Proportion	Amount	Proportion	Growth rate
Export foreign exchange		236	8.85%	192	6.71%	-18.64%
Import foreign exchange		312	11.71%	299	10.46%	-4.17%
Overseas remittance of exchange		2,117	79.44%	2,369	82.83%	+11.90%
Total		2,665	100.00%	2,860	100.00%	+7.32%

(V) Credit Cards

1. In 2003, the bank launched the Senseio Card, Amway Card, Union Bank MINI Card, Breeze center cobranded MINI Card, Tiger City MINI card, F1 MINI card, Cash MINI card.
2. There were 2,509,308 in circulation in 2003, an increase of 42.18% from that of 2002. The accumulated volume of cards issued (as of December 31, 2003) reached 3,726,809 cards, an increase of 45.06% from 2002.
3. The amount of credit card charge in 2003 was NT\$61,200 million, an increase of 41.28% from that of the same period in 2002 (including credit card cash advance).
4. The bank engaged in bill collecting service since December 1997. Thereafter, the bank actively developed new accounts up to 4,267 shops. The amount of credit card charge handled by the bank in 2003 was NT\$42,300 million, an increase of 47.38% from that of 2002.
5. The operating income from credit card business in 2003 amounted to NT\$4,065 million, an increase of 43.44% from that of the 2002.

(VI) Trust Banking

As of the end of 2003, the assets under the custody of the bank amounted to NT\$209.8 billion, an increase of 42.43% from the same period of 2002. The custody of fund assets amounted to NT\$113.7 billion, which made the bank the top performer in new banks. In addition to fixed-amount investment in "designated foreign currency trust funds", the bank also marketed 10 new funds with annual sales amounting to NT\$770 million. The balance of trust assets handled by the bank amounted to NT\$9.35 billion, an increase of 96.02% from the same period of the previous year. The bank had processed 214 cases in certification services amounted to NT\$30.5 billion, an increase of 10.91% compared to that of the previous year. For advocating the idea of trust, the bank has put great efforts into the research and development of trust business, and been approved by the Ministry of Finance in a number of trust operations.

(VII) Assets Management

To develop the business, the bank provides the most complete choice of investment options for the investors by intensifying the training of its staff in the area of financial management and marketing techniques. In addition, portfolios of financial products encompassing investment, money management and hedges were launched to meet the needs of the clients. From the 4th quarter of 2003 onward, the bank has promoted its prestigious assets management services through all its branch facilities to provide consultation and planning services in financial management and investment for its VIP clients. This practice materialized the bank's system of providing professional services by professionals. The bank gradually and surely guided all its branches into the sales of assets management products, which contributed to the substantial growth in income, and was the manifestation of the performance in assets management.

(VIII) Consumer Banking

1. Housing loans
As of the end of 2003, the balance of housing loans extended by the bank amounted to NT\$55,161 million, an increase of 11.85% from that of 2002.
2. Car loans
As of the end of 2003, the bank had processed 25,370 cases in car loans amounted to NT\$6,053 million, an increase of 24.

86% from that of 2002.

3. Consumer loans

The balance of consumer loans as of the end of 2003 amounted to NT\$9,654 million, an increase of 168.32% from that of 2002.

(IX) Brokerage in securities

There were 32,216 accounts opened as of the end of 2003 in brokerage services in securities, which was an increase of 5.95% from that of the same period in 2002. Securities trade accounted for NT\$95.9 billion. IB in futures accounted for 32,544 lots. Currently, the bank has six locations to serve investors.

(X) Operation Performance

The earning before taxation in 2003 was NT\$1,470 million. Revenue in 2003 amounted to NT\$11,510 million, of which the primary source was interest income, at 75% of the total. It was followed by the income from service charge, which accounted for 17% of the total. Revenue from securities trade accounted for another 4%. The total of the three constituted 96% of the revenue. The cost of operation was NT\$10,531 million, the business of administration expense accounted for 47% of the cost of operation and expenses, which was the highest among the others. It was followed by interest expense, at 24% of the total. The allowance for loss and doubtful accounts was at 5% of the revenue.

II. Market Analysis

(I) The Financial Economic Situation

In 1H of 2003, the domestic economy in Taiwan was shadowed by the US-Iraqi armed conflict and the SARS epidemic, and the growth in Q2 turned negative. The situation reversed in Q3 and economic activities began to pick up momentum.

1. Industrial Production

The increasing capacity in the production of the information and electronics, chemical engineering and metals and machinery sectors allowed for industrial growth of 5.48% from the previous year. The growth of the manufacturing sector and the real estate sector were exceptionally good, and the production index of the manufacturing sectors has been continuing breaking its own record since October. The low interest rates helped to boost sales in the real estates industry, indicating the recovery of the industry in Taiwan. The utilities and fuel sectors grew marginally, and the mining industry continued to slide down.

There are still uncertainties that may negatively affect global economic recovery, however. If the exports from Taiwan can sustain and investment and consumption in the private sector could improve gradually, the industrial production in 2004 is expected to grow marginally.

2. Import and Export Trade

Global economy gradually got stable. The export value of Taiwan enjoyed two-digit growth for 5 consecutive months since August 2003. Imports also grew by more than 30% for two consecutive months. This indicated the potential of growth in export and import of Taiwan. The total export value for 2003 amounted to US\$144.2 billion whilst the total import value for the same year amounted to US\$127.3 billion, which was 10.4% and 13.1% growth from the figures covering the same period on 2002 respectively. The import of capital goods in equipment grew slightly by 0.44%, which was the first time in three years for positive figures. These are symptoms for economic recovery.

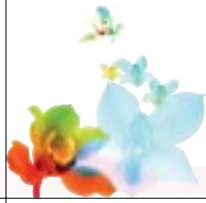
The great change in the structure of trade in 2003 was exports to the USA, which dropped to only 18% of total trade. The export to Japan also dropped to only 8.3% of total trade, which caused a balance of payment deficit between Taiwan Japan at the amount of US\$20.7 billion. The balance of payment deficit between Taiwan and Hong Kong and Mainland China amounted to US\$37.1 billion or up to 34.5% of trade, which were both record high, indicating the increasing dependence of export from Taiwan to the mainland.

The global economy in 2004 is expected to improve further. Purchase orders for export would also grow in stable paces. Accordingly, the international trade of Taiwan would also be improved in line with global trades. The growth rates of export and import are expected to hit 8.9% and 7% respectively. As such, indirect consumption and investments in private sector would improve, which in turn would contribute to the vitalization and recovery of the macro economy in Taiwan.

3. Price Level of Goods and Services

The consumer price index (CPI) in 2003 declined by 0.28%, which showed the decline of the index for three consecutive years, and was also the historic high in size. This was as an indication of deflation, if the definition of the International Monetary Fund was to apply. At the same time, this was also the manifestation of the trend of core prices. The growth in 2003 was historic low in negative direction indicating the severity in domestic inflation. The domestic economy and the stock market were yet to be improved. It is high time the government should give remedy.

The wholesale price in 2003 grew substantially by 2.48%, given the surge in international oil prices, the increase in the demand of steel of Mainland China and the shortage in domestic supply of sand and stone chips. Indeed, it was the highest



growth in 8 years. The problem in the shortage of sand and stone chips got severe. The situation for this year may be improved if the government could find a solution for the problem, in a situation where the prices for international agricultural and industrial materials stayed high.

4. Banking and finance

The global economy showed sign of recovery in 2H of 2003. The surge of the Japanese Yen and Euro and the anticipation of the appreciation of RMB, coupled with the improvement of domestic stock market attracted the continuous inflow of foreign capital. The Central Bank of China explicitly announced the trend of "gradual growth and rapid drop", which made the local currency reevaluate gradually. The double-digit deficit in the United States will keep the US Dollar weak in 2004. Currencies in many countries are above to move up. NT Dollar is expected to navigating around the level of NT\$33 to NT\$34 to one US Dollar, unless there is a significant appreciation of the RMB.

For speeding up the recovery in domestic economy, The Central Bank of China persists to maintain a lax monetary policy. Accordingly, the re-discount rate, secured loan interest rate and short-term loan rate are historic low. Indeed, there may be no room further down. At the beginning of 2004, foreign capital continued to flood the stock market in Taiwan. The Central Bank of China unleashed the NT Dollar to decelerate the speed of the depreciation of local currency. This lax policy indeed deteriorated the situation. Overnight inter-bank discount rate dropped to 1.015%, which was a record low. This caused the loss of balance in the interest rate structure in the range of a quarter of a percentage point for re-discount rate. The presidential election is imminent. Interest rates in the short run are expected to stay low to avoid the sudden increase of cost for capital in the corporate world. If recovery could be augmented after the election, the interest rate may bounce back during 2H of the year.

In monetary supply, The Central Bank of China forecasted that economic growth in 2004 would still be low and inflation would also stay low. For making way for further economic recovery, the Central Bank will continue the lax monetary policy and will set the object for the growth of M2 money supply by 1 percentage point ranging from 2.5% to 6.5%. This is the first time that the Central Bank takes the measure to "reverse the downward trend" since the M2 system was introduced in 1992.

5. Conclusion

Domestic economic recovery reversed from the downward trend quickly in 2H of 2003. Therefore, the annual growth could still reached 3.15%. Economic recovery in other countries and the massive influx of foreign capital contributed to this result. The effect of the long-term lax monetary policy should not be omitted, too. After August, both import and export values grew in two-digits, which helped to bring all economic activities back to their normal track. The government also launched a program for relieving the sizable unemployment, which helped to hold down the unemployment rate to 4.58% in December, the lowest in recent 18 months. In sum, domestic economy turned from the "cold inside and outside" in 1H to "warm inside and outside" in 2H.

Further economic recovery in the country is expected in 2004, given the indicator for economic performance has been staying at green for 5 consecutive months. All leading indicators showed signs of growth in the last six months. Indeed, they are the highest in the last three years and four months. As such, foreign economic forecasting institutions are optimistic about the economy of Taiwan. They forecast economic growth from 4.3% to 6% with the average growth rate at 5%. The momentum of domestic economic recovery is now inextricably woven with the international market, in the aspects of global economic trends and exchange rate fluctuation. Any of those changes would surely affect our domestic economy. Major factors that may affect the trend of domestic economic growth are the ability to control the SARS epidemic, mad cow disease, the avian flu, and the interaction between the two sides of the Taiwan Strait with reference to the outcome of our presidential election.

(II) Analysis of the financial market

The domestic financial market showed sign of significant growth in 2003, given the recovery of the macro economy. As of the whole year, the loans and investments of major financial institutions amounted to NT\$16.36 trillion, an increase of 2.72% from that of the same period in 2002. Indeed, the size of growth was the biggest in three years. The loans offered by major financial institutions increased to NT\$14.16 trillion, the highest since February 2001. Furthermore, there was an additional amount of NT\$433 billion in loans and investments from major financial institutions to private enterprises, which contributed to 3.52% growth in total balance of loans comparing with that of the same period in 2003, to the amount of NT\$12.72 trillion. This was indeed the biggest loan the financial institutions offering the private sector ever since the low interest rate policy of the government in 2000. Such injection of a huge loan into the private sector evidencing investments in the private sector gets revitalized and domestic economy has recovered.

Bank interest rate in the country was indeed historic low in recent years. Competition in the industry is keen. The spread in traditional savings and loan business shrunk, to the effect that most banks were compelled to appeal to developing consumer finance. As such, a war in credit cards and cash cards was raged. In November, the daily average of monetary reserve was as high as NT\$1.52 trillion at annual growth rate of 9.23%. This annual growth rate was record high in 8 years. This indicator reflected the volume of currency circulating in the market. In the past, only at Chinese New Year would this phenomenon happen. Yet, this phenomenon in 2003 was the result of a significant drop of interest rate for saving and the keen competition of the banks in selling credit cards and cash cards.

Overview of Operations

In the domain of non-performing loans, the Ministry of Finance previously requested the "258" target. In June, the monitoring level by bank size was implemented. The banks proactively sought to clean up non-performing loans. By the end of October, the non-performing loans with the banking sector were reduced to NT\$940.1 billion with average NPL rate at 5.98%. This was the first time that domestic NPL rate dropped to less than 6%. The quality of loan assets did substantially improved. It is expected that the NPL rate of domestic banks could be reduced to less than 5% by the end of 2004.

Operation in the financial sector gets tougher and tougher, given the sluggish economic growth, the increase in proportion of the direct financial market, endless financial trouble in the corporate world, too many banks in operation and the keen competition in the industry in recent years. For effective integration of group resources and enhance operation synergy, 14 financial holding companies came into being. This made competition in domestic banking industry even more severe especially in the markets of credit cards, cash cards and assets management. Competition among the banks in business is the order of the day. Some banks seek to vitalize their operation efficacy by spending substantially effort in cleaning up bad debts and improving their capital adequacy rates. In the short run, there are still plenty of banks and competition will stay keen. The challenging topic for the bank would be how to excel in a chaotic market where keen competition is the name of the game by training top quality financial professional to enhance the competitive power.

III. Employees

Number of employees in the last two years

Unit: person

Year		2002		2003	
Sex		Male	Female	Male	Female
Number of persons		946	1,271	1,107	1,538
Percentage		42.67%	57.33%	41.85%	58.15%
Number of employees	Full-time	2,216		2,645	
	Temporary duties	1		0	
	Total	2,217		2,645	
Average age		30.40		30.61	
Average age of service		3.66		3.82	
Level of Education	Postgraduate	5.1%		5.1%	
	University	37.71%		41.32%	
	Junior College	39.42%		37.36%	
	High School(or under)	17.77%		16.22%	

Note: The 2 employees of the offshore representative offices are excluded.

IV. Labor-Management Relations: Harmonious.



V. Fixed Assets and other Real Estate

(I) The acquisition of major assets with value exceeding 1% of stated capital or NT\$ 50 million in the last two years

Unit: NT\$ in thousand

Code	Subject Description	Date of acquisition (note)	Acquiring price	Status	Lien or other restrictions
1	15 lots of land at Section 11 of Ho Feng Section I, HsinTien, Taipei County	2002.08.09	134,280	Construction sites, under sales	None
2	Flat etc at No. 1 Lane 39, San Min Street, San Chi, Taipei County	2002.10.22	237,760	Unoccupied, listed for selling	None
3	63 flats, at No. 292, Chung Hwa Road, Pa Deh, Tao Yuan County	2002.07.25	210,000	Unoccupied, under sales	None
4	8 flats, at No. 223, Chi Hsien Road, 8/F, Lu Chou, Taipei County	2002.07.01	62,339	Unoccupied, under sales	None
5	No. 78 and 82, His Yuan Road Section I, Wan Hwa, Taipei city	2003.05.13	62,780	Unoccupied, listed for sales	None
6	10 flats at No.233, Kuo Chiang 1st Street, Tao Yuan City	2002.12.17	68,000	Sold	None
7	Lot numbers 109 and 112, Hwei Min Section, Shi TunDistrict, Taichung	2002.09.04	157,600	Sold	None
8	19 lots of land at No. 308-320, Ta Shu Lin Section, Tao Yuan City	2002.06.27 (Auction Settled Date)	257,884	Sold	None
9	12 flats at No. 51, Deh Hsing 1st Road. Su AO, Yilan County	2003.04.24	161,808	Sold, in the process of settlement	None
10	24 flats at Chang An Street in Lu Chou, Taipei County	2003.02.24	124,050	Sold	None
11	8 flats at No.358, Chung Cheng Road, 5/f-1, Hsin Tien, Taipei County	2002.06.13 (Agreement Date)	63,500	All sold, in the process of settlement	None
12	15 lots of land at Section 1151 at You Shi Section in Yang Mei, Tao Yuan County	2003.12.30	252,981	Vacant land	None
13	No.208-1 and Basement 1-1&1-2, Sec. 4, Wensin RD., North District, Taichung City	2003.11.05	92,000	Our own office	None
14	24 lots of land at No 179, Sub-section 3, Wanfang Section in Wen Shan, Taipei City	2003.02.20 (Agreement Date)	210,000	Sold	None
15	63 flats at No.8, Huanti Blvd., Lu Chou City, Taipei County	2003.05.06	189,380	under sales	None
16	37 lots of land at section 228-2 at Hai-Tian section in Tamshui Town, Taipei County	2002.08.20 (Agreement Date)	1,250,000	Sold	None

Note: If the properties were acquired in acution, the date of acquisition shall be based on the date specified in the certificate of assignment of rights issued by the court.

Overview of Operations

(II) The disposition of major assets with value exceeding 1% of stated capital or NT\$ 50 million in the last two years

Unit: NT\$ in thousand

Code	Subject Description	Date of acquisition (Note)	Acquiring cost	Relation between the buyer and the bank	Transaction price	Capital gain (loss)
1	25 lots of land at No. 179, sub-section 3, Wan Fang Section, Wen Shan District, Taipei	2003.02.20 (Agreement Date)	245,000	None	254,200	9,200
2	Lot numbers 109 and 112, Hwei Min Section, Shi Tun District, Taichung	2002.09.04	157,620	None	217,059	59,439
3	No 99 Sub-section 4 at Hsihu Section in Neihu, Taipei	1996.02.03	174,729	Related third party	243,243	68,514
4	No.250, Lane 258, Yen Ping Street, 2-7/F, ChiaYi	1994.12.31	114,329	Invested company under the equity method	43,800	(70,529)
5	24 lots of land and building 1325, No. 73, sub-section 3, Chu Kuang Section, Wan Hwa District, Taipei City	1999.08.20	535,000	None	535,000	0
6	No. 32 and 30, Nanking West Road, 2/F, Ta Tung District, Taipei	2001.04.18	179,844	None	153,000	(26,844)
7	14 lots of land at section 223-5 at Hai-tian Section in Tamshui Town, Taipei County	2002.08.20 (Agreement Date)	1,254,859	None	1,250,000	(4,859)
8	12 flats at No.51, Deh Hsing 1 st RD., Su-ao Township, Yilan County	2003.04.24	161,808	None	144,125	(17,683)
9	19 lots of land at No. 308-20, Ta Shu Lin Section, Tao Yuan City	2002.06.27 (Auction Settled Date)	259,143	None	250,000	(9,143)

Note: If the properties were acquired in auction, the date of acquisition shall be based on the date specified in the certificate of assignment of rights issued by the court.



VI. Reinvestment

Unit : NT\$ in Thousand, Shares in Thousand

Enterprise	Business Scope	Reinvestment Cost	Book Value	Shares Holding	Holding Ratio (%)	Net Value	Accounting Method	Equity Investment Book Earnings (Losses) in 2003	Cash Dividend Payout in 2002	Current FY Shares of Parent Company Held	Current FY Shares of Parent Company Acquired	Current FY Shares of Parent Company Disposed
Union Bills Finance Company	1. Brokerage and dealing of short-term bills. 2. Underwriting, certifying, and endorsing (as guarantor) of commercial notes. 3. Brokerage and dealing of government bonds. 4. Certification, underwriting, brokerage and dealing ...of financial debentures. 5. Dealing of company bonds.	1,238,450	1,282,534	126,576	42.76%	1,282,534	Equity Method for Long-term Equity Investment	226,546	-	-	-	-
Union Finance & Leasing (International) Corp.	Installment, leasing and factoring (FX business excluded).	1,000,000	743,402	100,000	99.99%	743,402	Equity Method for Long-term Equity Investment	63,440	-	-	-	-
Unionbank Futures Corporation	Commodity futures trading	594,397	599,652	59,440	99.07%	599,652	Equity Method for Long-term Equity Investment	(8,282)	23,776	-	-	-
Union Finance International (HK) Ltd.	Trade finance	106,589	195,543	30,000	99.99%	195,543	Equity Method for Long-term Equity Investment	10,926	-	-	-	-
Union Securities Investment Trust Corporation	Securities investment trust	105,000	118,620	10,500	35.00%	118,620	Equity Method for Long-term Equity Investment	12,478	3,150	-	-	-
Union Securities Investment Consulting Corporation	Securities investment consulting	9,940	9,026	994	99.40%	9,026	Equity Method for Long-term Equity Investment	733	-	-	-	-
Union Information Technology Corp.	Systems development and computer software and hardware dealership	90,650	141,211	12,950	99.92%	137,748	Equity Method for Long-term Equity Investment	46,866	-	-	-	-
Union Insurance Broker Corp.	Life insurance brokerage service	25,220	60,971	2,522	90.07%	61,776	Equity Method for Long-term Equity Investment	30,475	7,036	-	-	-

VII. Risk Management

(I) Credit Risk

1. The bank pays close attention to the control of all risk values in order to increase the amount of equity capital in proportion to risk assets and understand better the operation and credit status of the borrowers. In practice, the bank dispatches its staff to visit the clients in exerting proper control over their changes in operation. There is also a credit risk evaluation mechanism for the reference of the loan officers.
2. The bank proactively develops new products of loans for the purpose of enhancing the competitive power of the bank, increasing its share in loan operation and diversifies credit risk as long as the new products could meet the market needs and provide additional convenience for the borrowers. In 2003, the bank had launched new loans like the "Small and Medium Enterprises Petite Loans", "Financing on Note Receivables", "Factoring in Domestic A/C settled in Foreign Currencies", "Financing on Alien Worker Agency", "Financial on Mergers and Acquisitions", "Start Up Loan for Micro Enterprises", and "Cooperation with Japanese Mizuho Corp. Bank in Factoring and Endorsement of Financial Instruments" for meeting the needs of different markets.
3. The major source of income to the bank is the spread between the interest for saving and loans. Therefore, a proper balance between return and risk must be maintained. All borrowers would be subject to the "ROA Contribution" and "Analysis on Projected ROA on Applications", which helps all banking units to properly assess the contribution of each borrower. Price is not the only concern in competition. The increase of one client not just contribute to the direct income to the bank in the form of interest, but rather its potential contribution in the peripheral areas like foreign exchange, trust and credit cards. These would bring in potential incomes for the bank. Therefore, the bank has already installed the "CRM Data Warehouse" so that it may effectively control the contribution of respective client to the bank, which in turn will be reflected in the pricing strategy of the bank.
4. For enhancing the capacity of the loan officers in professional skills and front-end operation, the bank regularly organizes series of trainings in "Elementary and Intermediate Credit Information and Approval Courses", "Financial Law", "Collection in Practice", and "Practical Drill in Collection" in favor of the banking officers. In participating in the training, the banking officers can upgrade their professional knowledge. The bank also held the "Seminar on Corporate Banking and Customer Service and Business" in order to educate the banking officers the loan policy and business goal of the head office. Different cases would be presented for discussion to enhance the proper control of credit risk.

(II) Maturity Analysis on the Assets and Liabilities and Interest Rate Sensitive Information

1. The bank adopts the analysis of the interest rate sensitive assets and liabilities and exposure position as the mechanism in

- asset and liabilities management. The bank has established an Assets and Liabilities Committee for the management of interest rate exposure position and gives supervisory and strategic instructions. For proper functioning, the committee exerts full control in monitoring the changes in interest rate and the exposure position. The committee may call for senior management meeting if there is a need in the market. They review the exposure position of the bank.
2. The bank has a viable transaction system and capital management system in handling risk control over the exchange between local and foreign currencies. This helps to properly control the change in daily deposit and withdrawal, cost of capital and balance in different types and terms of deposits, analysis on floating and fixed interest rates on deposits and loans, analysis on interest rate sensitive assets and liabilities, and analysis on interest spread. The interest rate adjustment model would also be used in the analysis for mapping out the interest rate strategy, and be reported to the committee for approval, or for the senior management to convene on making adjustment in interest rate.
 3. For foreign exchange risk, the bank has designed a balanced system between the separate systems of transaction and delivery in foreign exchange and relevant procedure. In addition, the bank also exercises proper control over the position, the individual trading position and stop loss point.
 4. In liquidity risk, the bank monitors the inflow and outflow of cash on a daily basis, and has the mechanism to estimate, measure, calculate and gives early warning in capital requirement and change in the future by exchanging liquidable assets for cash just in case.
 5. The bank plans to procure certain risk control system from world known supplier and being recognized by the market to comply with the requirement of Basel II Agreement.

(III) Foreign Exchange

(1) Management of External Risk

1. Country Risk: Risk control threshold was set for respective country where the bank has business in order to diversify transaction risk in different countries. For effective control, the bank has instituted the "Criteria for the Management of Country Risks" as guideline. All branches shall comply with this set of criteria in making centralized control of external risks. The International Banking Division may also report to the head office for increasing or decreasing the limit to specific country in response to the change in the environment to meet the needs in operation.
2. Bank Risk: Risk threshold would be assigned to banks with different sizes in assets and credit rating for controlling the risks of respective bank.
3. Exchange Rate Risk: Sell or Buy different foreign currencies depending on the "long or "short" positions of respective currency to avoid the risk of exchange rate fluctuation.
4. Client Risks: Different clients will be granted different limits depending on credit rating for the proper control of credit risk.
5. Transaction Risk: Develop non-conventional foreign exchange products and financial derivatives to meet the needs of the clients and the market. A research and development team has been established to watch the changes in the market and for the innovation of import and export foreign exchange transfer services. Different credit limits would be set for proper transaction risk control.
6. Market Risk: This is the risk derived from the fluctuation of interest rate, exchange rate and stock price. The bank would review or adjust the types of financial products in response to the change in economic conditions, market situation and the investment environment.
7. Foreign Exchange Settlement Risk: For avoiding the risk in default settlement stemmed from existing practice in foreign exchange clearing, the bank plans to join the Continuous Linked Settlement (CLS) mechanism to ensure proper control of risk over the settlement of exchange.

(2) Management of Internal Risk

1. Operation Risk: of observe all internal regulations and applicable legal rules, and conduct internal audit regularly or as needed to monitor the compliance in standard operation procedure. Organize internal or external training programs or attend continuing education programs so that the employees of the bank could be developed into professional managers. This helps to reduce operation risk.
2. Legal Compliance: The bank has the system of Compliance Officer to assure all operations comply with applicable legal rules, at home and abroad.
3. Credit Risk: The bank has instituted the "Criteria for Making Decision in Foreign Exchange Along the Line of Authority" as the yardstick of empowerment in foreign exchange.

Overview of Operations



(IV) Amount of non-performing loans

Unit: NT\$ in thousand

2003.12.31	Narrowly defined NPL	Broadly defined NPL
Amount of NPL (Note 1)	4,678,056	6,907,074
NPL ratio (Note 2)	3.84%	5.68%

Note 1: NPL (including loans for collection) shall be the amount of outstanding loans required to report under Ministry of Finance Letter Tai-Tsai-Rong No. 832292834 in 1997.02.16 and Tai-Tsai-Rong No. 86656564 in 1997.12.01.

Note 2: NPL ratio=NPL (including loans for collection)/(balance of loans + loans for collection)

(V) Interest Rate Sensitive Information

Unit: %

	2003.12.31
Interest rate sensitive assets and liabilities ratio(Note 1)	75.19
Ratio between the interest rate sensitive exposure and net worth(Note 2)	(231.66)

Note:

1. Interest rate sensitive assets and liabilities ratio= interest rate sensitive assets/interest rate sensitive liabilities (refers to interest rate sensitive assets and liabilities in current position of local currency).
2. Interest rate sensitive exposure=interest rate sensitive assets-interest rate sensitive liabilities

VIII. Major Agreements

- (I) In September 2003, the bank entered into a Letter of Intent with a renowned US bank in Taiwan for a pilot run of the CLS system. In the future, the bank will link to the CLS system to help to hold down the risk in foreign exchange settlement.
- (II) For facilitating the business in factoring in foreign currencies, the bank entered into an agreement with CIT in "Factoring Commissions Sharing" in September 2003.
- (III) The bank has entered into agreements with reputable foreign bank like Standard Chartered Bank, ABM-AMRO and Citibank in ISDA CSA to broaden the scope of the derivatives business in foreign exchange for longer term. In so doing, the bank is expected to enjoy enormous growth in income from foreign exchange derivatives.
- (IV) For accelerating the clean up of non-performing loans, the bank entered into agreements with Morgan Union Assets Management Corp Ltd. On May 28, 2003 and December 26, 2003 in assigning certain creditor rights whereby the amount of NT\$2.29 billion and NT\$1.18 billion were assigned respectively.

IX. Litigious or Non-Litigious Matter

- (I) Litigious or non-Litigious matter related to credit extensions or collections of past-due loans: omitted.
- (II) In filing the corporate income tax for fiscal years 1994, 1995, 1997, 1999 and 2000, the bank is supposed to be entitled to tax credit of NT\$85,496,000 as withholding tax on bond yield carried forward from the previous ownership of government bonds. The taxation authority did not approve the application of such tax credit. The bank cannot agree with such decision and instituted administrative action with competent authority to approve the corporate income tax filing of fiscal years 1994, 1995 and 1997, and, review the corporate income tax filing for fiscal years 1999 and 2000. The High Administrative Court of Taipei ruled in favor of the bank in the corporate income tax filing for fiscal years 1995 and 1997. Finally, the National Taxation Administration consulted with the banking industry, and agreed to set the limit of 65% rebate (deduction). The bank has expressed its consent on such decision of 65% rebate (deduction) and applied for tax rebate.
- (III) Union Bills Finance Corp., an affiliate to the bank, has paid withholding tax on bond yield carried forward from previous ownership amounted to NT\$104,563,000. (The tax deductibles of bond interests paid to previous bondholders of our affiliate, Union Bills Finance Company, was NT\$104,563,000 for fiscal years 1995 to 2000.) The taxation authority suggested that "the rebate of withholding tax carried forward from previous ownership is just a matter of transfer payment, not the obligation under Article 89 of the Income Tax Law in withholding tax", and did not grant the rebate. The company held that such decision is a violation of applicable provisions in the Income Tax Law and relevant letters on interpretation issued by the Ministry of Finance. The company therefore has already reported to competent authority for approval over the corporate income tax filing for fiscal year 1999 and instituted action with the administrative court for the review of the corporate income tax filing for fiscal year 2000. The High Administrative Court of Taipei ruled in favor of the company on corporate income tax filing for fiscal years 1995, 1996, 1997 and 1998.
- (IV) China Commercial Bank instituted an action to demand the bank to perform the guarantee contract. The bank appealed for the third instance. The Supreme Court ruled on September 13 2002 that the appeal for the second trial of China Commercial Bank exceeded the allowable period and therefore the ruling of the second trial be annulled and the ruling of the first trial sustained and hence overruled the petition of China Commercial Bank. After the ruling for the three trials, the bank is not obliged to pay China Commercial Bank the amount of NT\$70 million in the case of the performance of guarantee agreement between the two banks.



I. Operating Strategies, Targets, and Plans for Year 2004

(I) Operating Strategies

1. Absorb as much savings deposits as possible to broaden the financial base.
2. Upgrade the quality of loans credit and develop corporate banking in stable paces.
3. Launch the e-banking environment to strengthen banking services through electronic means and provide round-the-clock convenient financial services.
4. Develop actively consumer-banking business and increase the market share.
5. Persist to develop foreign exchange and try the best to achieve the annual goal for maximizing the return.
6. Research and develop new financial products and assets management products in order to provide diversified asset portfolio management. Increase the volume of off balance sheet business and maintain the niche in the market.
7. Meet the needs of cardholders in diversified services enhance their loyalty to the bank and attain the goals the credit card issuer purported to take.
8. Intensify the training of banking officers in professional knowledge and marketing to meet the needs of business development. Provide incentives to employees to develop their potential for upgrading service quality and operation performance.
9. Integrate the functions of the media, window dressing of products, innovation to enhance the corporate image of the bank.
10. Enhance the capacity in the appraisal of real estate and establish a viable appraisal database. Combine online marketing and the print media and speed up the cleaning up of non-performing loans.
11. Make improvement in non-performing loans and hold down the NPL rate.
12. Pay close attention to the analysis on cost-effectiveness, cut down expenses, enhance profitability and strengthen the capital structure of the bank.

(II) Operating Targets for 2004

1. Savings deposits at NT\$ 193.9 billion
2. Loans at NT\$ 169.9 billion
3. Foreign exchange at US\$ 3 billion
4. Guarantee service and acceptance at NT\$ 9.4 billion

Note: The above business targets for deposit, loans, guarantees and acceptances are in terms of annual average, whereas the target for foreign exchange transaction is in terms of total volume accrued over the year.

(III) Operating Plans for 2004

A. Deposits Business

1. Give the best effort to absorb savings deposits in local and foreign currencies in order to achieve respective goals in savings.
2. Organize relevant marketing events in connection with the operation plan to increase non-institutional accounts and develop stable sources of capital.
3. Organize promotional activities to encourage the employees to achieve their respective goal.
4. Encourage all banking units to solicit businesses like disbursement of clients' salaries, agent of fund collection for new stocks, allocation of dividend service, collection of payment for securities trade, school tuition and miscellaneous fees, and account payment for enterprises. This would help to broaden the clientele base for the bank and increase the market share.
5. Promote the all-in-one assets management account and design products with niche to meet the needs of individual clients so that they could enjoy the diversity of financial services.

B. Loans Business

1. The Corporate Banking Division of the bank will proactively assist all other banking units to develop new financial products and broaden the clientele base, which in turn helps to broaden the business horizon of the bank and take the lead in the market. Self-compensatory loans would be solicited to minimize the risk of the bank.
2. Promote actively the market of small and medium enterprises, screen out clients with thin profit to allow for stable growth in loans and enhance the profitability of the bank.
3. Work in conjunction with respective guaranteed funds and project loans to assist small and medium enterprises for easy access to financing with good quality service.
4. Develop new financial products targeted at specific market segments.
5. Put additional effort in credit information check, approving loans, and the management of collateral and information on industries. Take effective measures in credit risk control for higher security to creditor rights. Exercise strict control over the quality of approving loans to vitalize corporate management. Prevent and contain the occurrence of non-performing loans.
6. Assist the loan officer to develop their professional skills and absorb ample knowledge in the field by providing regular training courses and seminars to materialize the "Customer Service Professionals System" of the bank.

C. International Banking Business

1. Launch the products of Export L/C Forfaiting, O/A Factoring, D/A Forfaiting and Trade Finance.
2. Form close strategic alliance/ product joint ventures with reputable foreign banks.
3. Establish more overseas locations.
4. Assist the branches in the training of foreign exchange personnel and development of foreign exchange business.
5. Introduce e-banking in foreign exchange operation to maximize efficiency with limited human resources.
6. Establish 4 regional foreign exchange processing centers to accelerate the speed in processing and hold down the cost of operation.
7. Develop actively OBU business in international finance like syndicated loans, joint guarantee and ECB in order to keep in line with international finance operation for higher return.

D. Trust Business

1. Launch integrated trust services by combining different types of financial products.
2. Strengthen the interaction with the investment trust funds and enhance the ability of the bank to market funds and seek every opportunity to secure business in fund custody service.
3. Continue the service in certifying securities in order to increase the market share.
4. Fortify the functions of custodian services and fund operation for better service quality and efficiency.
5. Advocate the concept of trust and continue to develop new trust items to satisfy the needs of the clients in asset planning.

E. Assets Management

1. Materialize the operation system of account service by appointed professional to perform the function of financial consultation service. This helps to strengthen the development of global financial management and in turn brings in additional income for the bank in service charge.
2. Intensify the training of money management professionals in enhancing their professional standing and the image of financial service provided by the bank.
3. Select carefully relevant financial products to provide clients wide arrays of asset portfolio management.
4. Integrate the Union Bank financial network and enhance the function of UMA accounts for providing clients good quality wealth management facility and improving the CRM between the bank and VIP clients.

F. Securities Business

1. Recruit actively more sales professionals to increase business volume and market share.
2. Develop more financial products in supporting relevant government policy. Actively develop different forms of online ordering and IB services in futures.
3. Intensify the training of the employees in professional knowledge, strengthen the ability in making market evaluation and industrial analysis, and make them familiar with their duties and relevant legal rules governing securities.

G. Credit Cards Business

I. Business volume sector

1. Provide incentives for using the credit cards issued by the bank and enhance the loyalty of cardholders to Union Bank. Cultivate the support from new cardholders to achieve the goal of 3.2 million cards in circulation and charging amount at NT\$82 billion.
2. The bank has 4,750 participating shops in using the credit card charge service provided by the bank with charging value amounted to NT\$53.6 billion.
3. The bank offered NT\$20 billion worth of credit (for transfer payment of credit card loans) with balance of revolving credits amounted to NT\$27.8 billion.
4. The revenue from this source is projected at NT\$6,786 million or at the growth rate of 67%.

II. The Service sector

1. In supporting the advocacy of using smart cards by international organizations, the bank makes use of advanced technology in chips to make cards for providing higher security to cardholders. Services derived from the cards could be personalized depending on individual needs to make an easier life for the users.
2. Integrating consumption, credit charge service and e-commerce, the bank combines virtual reality in joint marketing to provide diversified services to card users.
3. Combining the cards with e-banks, mobile banks and online funds provide card users full-range financial services.
4. Fortify the functions of the smart cards to provide full and rich added value to cardholders.
5. For platinum cards already in circulation, the bank will fortify the functions of the card and provide membership services and events exclusive to this group of cardholders.
6. Promote the service in telemarketing to achieve the goal of small sum loans.
7. Establish a paperless operation system for the application of credit cards and an automated approval system to accelerate the process and minimize the cost of human resources.



III. Upgrading the system

1. Persist to develop more accounts for online credit charge services to increase the circulation volume of card charging online and charging amount.
2. Strengthen the online credit card payment mechanism.
3. Work with international organizations in B2B money flow security mechanisms for additional online transaction security and effective financial transactions.

H. Treasury Operations

1. Augment the market risk and liquidity risk control system to strengthen the competitive power of the bank.
2. Develop actively new financial products for meeting the needs of clients and market in risk avoidance.
3. Research, develop and support relevant agencies in undertaking various overseas investments plans or cultivating channels for financing. Work with reputable foreign banks to make the bank more highly visible in the world.
4. Increase the volume of trade in bills, notes and contracts with repurchase features in local currency, foreign exchange and related financial derivatives.
5. Send relevant personnel to participate in training courses for financial professionals in the country in providing better knowledge in foreign exchange, risk control, financial engineering, allocation of funds between local and foreign currencies and traders in bonds.

I. Social Welfare

Union Bank of Taiwan and its affiliates jointly sponsored the Union Cultural Foundation, which was established in 1998. The foundation holds a parent-children fair every year on Mother's Day, and organize the contest of the "Union Bank Award on Rising Star in Fine Arts". This year, Union Bank of Taiwan also held the 1st Union Bank Impression Award. For six years, the "Union Bank Award on Rising Star in Fine Arts" emerged as the highest prestige for young artists in the country. Through this event, oil paintings were promoted to their entirety.

II. Disposition or Acquisition of Real Estate or Long-term Investment Plans

(I) Real estate prepared for acquisition in one year: None.

(II) Real estate prepared for disposition in one year:

Unit: NT\$ in thousand

Real Estate property	Type of Acquisition	Location	Land Area in ping*	Premise Area in ping*	Auction Settled Price	Auction Settled Date	Total Acquisition Cost	Expected Selling price
Land and Premise	Taking up Collateral	No. 51, Chung Shan Road Section 3, Tai Ping, Taichung County.	748.00	5048.00	400,000	84.05.30	401,880	200,000
Land	Taking up Collateral	Lot 252, Subsection 4, Shi-Tan Section, NeiHu region, Taipei	191.92	-	51,840	90.05.11	51,857	68,000

*1ping=35.71 sq.feet

(III) Plan on long-term investments in one year: None. Concentration will be made on the development of banking business.

III. Research and Development

(I) Expenditures on Research and Development

Unit: NT\$ in thousand

Year	2002	2003
R & D Expenditure	\$52,991	\$77,292

Note: the figure for R & D expenditure in 2003 was before auditor certification.

(II) Result of Research and Development

Research and development entails long-term commitment of resources. Ever since its establishment in 2003, the Union Bank of Taiwan has already started to invest in research and development works under the spirit of innovation. This is vital for maintaining the competitive power of the bank. The input in research and development boosts up the business in the wake of recovery in the financial sector. Major contributions of research and development in 2003 are:

1. E-infrastructure development to support internal management
 - (1) The procurement system of the bank has already completed the e-banking operation in 2003. By way of online purchase request, the bank significantly compressed the lead-time for purchase. This also makes the procurement procedure more transparent, and in turn, enhances the overall operation efficiency of the bank.
2. Develop new financial services



Business Outlook and Capital Utilization Plans

- (1) Learning from the experience of foreign banks, Union Bank of Taiwan took the lead in Taiwan to launch the first VISA mini credit card in September 2003. This product is widely accepted in the market.
- (2) In supporting the government in launching the smart card program, the bank actively committed its resources in the development of smart banking cards from 2003 onward.
- (3) In May 2003, the bank took the lead in presenting the "Trust Funds for Housing Management Entities". This product provides a good and reliable mode of fund management for the management committee of buildings.

3. Replacement of Information systems and functional

- (1) Launched the e-finance EAI project in financial service, via the integration with portal, Single Sign on, Security (RA) and back-end UMA (8 platforms), I Banking and related voice devices in one-stop online financial voice service.
- (2) Support the government in the development of the XML online transaction environment as the foundation for the architecture of e-banking transactions, the bank started to work on the development of XML online banking system at the end of 2003. This system will integrate with the latest version of corporate online banking system, which is in the process of development. With this system, the bank provides corporate clients a brand new online service system.
- (3) The bank also engaged in the development of a new foreign exchange system as early as in 2003. A new structure for foreign exchange is installed to meet the needs in operation and Internet services.
- (4) The bank developed the JAVA and XML cross-platform OCSI system to replace the close-system IBM TABS terminal system.
- (5) Present the national banking card three-in-one information platform featuring ATM cash advance, remittance, withdrawal, credit card charge, prepayment and transfer payment.
- (6) Install the Union Bank second general call center telebanking system. Customer service personnel could know the credit rating of specific clients and the content of transactions.
- (7) Offer the Web on call service, online banking customers can also receive the kind of service as they are at the counter of the bank.

(III) Future Research and Development Plans

Since its establishment, the Union Bank of Taiwan is clearly aware of the fact that competitive power in banking will be determined by the degree of automation in banking. Therefore, the bank applies information technology to strengthen its competitiveness. This is indeed goal of Union Bank of Taiwan. In the future, the bank will look ahead to plan for possible issues that may emerge in 2011, and will develop in the following directions with the existing foundation in e-banking, virtualization and mobility:

1. Centralization of the foreign exchange system, respond quickly to customer needs on a regional basis.
2. The planning and installation of the 2nd information center, and make the information and operation recovery system viable for sustained operation.
3. Set up a task force for dealing with the problems that may emerge in 2011, and take precautions as was in Y2K to make sure all data processing of the bank are proper and correct.
4. Install the 24-hour core banking system.
5. Integrate the cash card, credit card and debit card into a combo IC Card.
6. Online exchange on impression card information across Taiwan to provide convenient inter-branch services to clients.
7. Monitor all automated teller centers across Taiwan round-the-clock to protect the clients in transaction security.
8. Research and develop the integration of branch system, photograph system and CRM system.
9. Continue to develop ERP based services thorough which corporate clients could enjoy complete financial services on the web. As such, the bank could move in line with the clients in online operation, which helps to create a win-win situation for both.

IV. Capital Utilization Plans

(I) Business development, addition to or the acquisition of fixed assets, the content of such plans, sources of financing and estimation on utilization and expected result:

Please refer to 1. in Operation Plan and Capital Utilization Plan: The Business Direction, Goals, Plans and Financial Information for 2004, in 7: Financial position and review in operation and analysis

(II) The status of execution of the previous capital utilization plan:

The Ministry of Finance approved the bank in Nov. 14, 2002 in the issuance of second priority debentures amounted to NT\$3.5 billion. The purpose of issuing was to pool up long-term and stable capital for the bank and to enhance the capital adequacy ratio.

(III) Unaccomplished plan on capital utilization in the last two years: none.

Financial Highlights



I. Balance Sheets and Income Statements for the Past Five Years

1. Brief Balance Sheets

Unit: NT\$ thousand

Item	Year	Financial information for the past five years (Remark 1)				
		2003	2002	2001	2000	1999
Cash, Deposits with the Central Bank, and Deposits at interest with banks		\$ 21,462,792	\$ 16,451,409	\$ 16,555,716	\$ 15,628,447	\$ 20,952,823
Marketable Securities – less allowance for market decline		11,720,130	10,822,743	17,252,395	14,379,537	11,926,037
Loans, Discounts, and Foreign Currency Purchased – less allowance for credit losses		120,815,370	108,609,034	125,574,838	139,841,311	143,927,304
Long-term Equity Investments		4,800,485	3,783,285	3,754,720	3,611,639	3,617,078
Fixed Assets		2,760,877	2,917,408	3,014,345	3,069,648	2,309,884
Other Assets		42,936,182	32,960,850	19,148,941	13,861,817	11,483,847
Deposits of and loans from other banks		5,832,135	1,599,665	2,982,033	10,725,309	10,956,146
Deposits and Remittances		173,518,839	149,958,821	159,878,978	156,492,640	160,789,312
Other Liabilities		8,424,691	8,785,717	5,898,126	6,509,068	6,128,648
Capital	Before Distribution	14,889,264	14,889,264	14,889,264	14,889,264	14,187,007
	After Distribution	Remark 2	14,889,264	14,889,264	14,889,264	14,889,264
Capital Reserve		39,016	1,398	1,656	1,656	244
Retained Earnings	Before Distribution	1,900,803	579,855	1,940,882	2,160,131	2,438,518
	After Distribution	Remark 2	579,855	1,940,882	1,871,393	1,736,261
Unrealized Loss on Long-term Equity Investments		(22,931)	(42,670)	(97,024)	(293,947)	(296,528)
Translation Adjustments		58,705	68,476	102,837	20,402	13,626
Treasury Stock		(144,151)	(295,262)	(295,262)	(112,124)	-
Net Loss Not Recognized as Pension Cost		(535)	(535)	(535)	-	-
Total Assets		204,495,836	175,544,729	185,300,955	190,392,399	194,216,973
Total Liabilities	Before Distribution	187,775,665	160,344,203	168,759,137	173,727,017	177,874,106
	After Distribution	Remark 2	160,344,203	168,759,137	173,727,017	177,874,106
Total Stockholders' Equity	Before Distribution	16,720,171	15,200,526	16,541,818	16,665,382	16,342,867
	After Distribution	Remark 2	15,200,526	16,541,818	16,376,844	16,342,867

Remark 1: All above listed yearly financial statements have been audited and certified.

Remark 2: The 2003 earnings distribution will be subject to the shareholders' meeting.

2. Brief Income Statements

Unit: NT\$ thousand

Item	Year	Income Statements for the past five years				
		2003	2002	2001	2000	1999
Operating Revenue		\$11,510,045	\$10,853,661	\$13,798,762	\$15,133,417	\$15,145,756
Operating Cost		10,531,138	11,948,864	13,653,150	14,571,550	13,734,022
Operating Income (Loss)		978,907	(1,095,203)	145,612	561,867	1,411,734
Earnings Before Income Tax (Loss)		1,470,073	(1,428,718)	58,061	567,729	1,430,087
Net Income (Loss)		1,320,948	(1,361,285)	69,489	423,884	1,102,045
Earning Per Share (Loss)-in dollars		0.91	(0.94)	0.05	0.28	0.78
Adjusted earnings (Loss) Per Share		0.91	(0.94)	0.05	0.28	0.74

Financial Highlights

II. Financial Analysis for the Last Five Years

Item	Year	Financial Analysis for the past five years (Note 1)					
		2003	2002	2001	2000	1999	
Financial Structure (%)	Liabilities to assets ratio	91.82	91.34	91.07	91.25	91.59	
	Deposits to net worth ratio	1,037.69	986.47	966.46	938.94	983.69	
	Fixed assets to net worth ratio	16.51	19.19	18.22	18.42	14.13	
Liquidity (%)	Current ratio	626.26	769.59	611.80	246.97	249.52	
	Current reserve ratio	11.60	9.52	13.80	9.10	12.50	
Operating Performance	Deposits to loans ratio (%)	70.14	73.61	79.31	90.77	90.48	
	Non-Performing Loans Ratio (%)	3.84	4.12	3.91	3.54	3.71	
	Interest expense to average outstanding deposits ratio (%)	1.58	2.59	4.80	5.35	5.82	
	Interest Income to average outstanding loans ratio (%)	7.47	7.20	8.00	8.80	8.95	
	Total asset turnover (times)	0.0606	0.0601	0.0735	0.0787	0.0802	
	Average operating revenue per employee (NTD thousand)	4,731	5,385	7,657	8,765	9,641	
	Average profit per employee (NTD thousand)	543	(676)	39	246	702	
Profitability	Returns on Assets (%)	0.7	(0.75)	0.04	0.22	0.58	
	Returns on Equity (%)	8.28	(8.58)	0.42	2.57	6.96	
	Ratio to issued capital stock (%)	Operation Income	6.64	(7.5)	1.00	3.80	9.95
		Income Before tax	9.97	(9.79)	0.40	3.84	10.08
	Net income to total revenue ratio (%)	11.48	(12.55)	0.50	2.80	7.28	
	Earnings per share (NTD)	0.91	(0.94)	0.05	0.28	0.74	
	Adjusted Earnings per share	0.91	(0.94)	0.05	0.28	0.74	
Cash Flow (%)	Cash flow ratio	Note 2	65.23	57.42	Note 2	8.84	
	Cash flow adequacy ratio	33.84	375.85	231.29	87.9	103.84	
	Cash reinvestment ratio	Note 2	6.35	8.28	Note 2	3.77	
Capital Adequacy Ratio		10.29	12.62	10.37	10.23	8.94	
Ratio between total collateral loan balance of beneficiaries concerned and total credit loan balance		4.26	4.32	3.73	2.89	2.71	

Note 1: All above mentioned yearly financial data has been audited and certified.

Note 2: Cash flow from operating activities was a net outflow.

III. Net Worth, Earnings, Dividends, and Market Value Per Share for the Past Two Years

Unit: NT\$

Item	Year	2003	2002
Net Worth Per Share	before distribution	11.23	10.21
	after distribution	Note 2	10.21
Earnings Per Share	weighted-average number of shares outstanding	1,447,127,767	1,443,689,389
	before adjustment	0.91	(0.94)
	after adjustment	Note 2	(0.94)
Dividends Per Share	cash dividend	Note 2	-
	stock dividend	Note 2	-
Market Price Per Share		6.65~10.95	4.97~7.85

Note: 1. Common stock became publicly traded over the counter on September 19, 1995 and were subsequently listed and traded on Taiwan Stock Exchange on June 29, 1998.

2. Profit in 2003 will be allocated for after 2004 general shareholders' meeting.



IV. Financial Statements for the Past Year

English Translation of a Report Originally Issued in Chinese **INDEPENDENT AUDITORS' REPORT**

February 10, 2004
The Board of Directors and Stockholders
Union Bank of Taiwan

We have audited the accompanying balance sheets of Union Bank of Taiwan as of December 31, 2003 and 2002 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, the financial statements as of and for the years ended December 31, 2003 and 2002 of the following investees accounted for by the equity method were audited by other auditors: Union Bills Finance Corporation, Union Finance and Leasing International Corporation, Union Bank Futures Corporation, Union Finance International (H.K.) Limited, Union Security Investment Trust Corporation and Union Real-Estate Management Corporation. Also audited by other auditors were the financial statements as of and for the year ended December 31, 2002 of equity-method investees Union Information Technology Corporation and Union Insurance Broker Company. The balances of the foregoing long-term equity method investments were \$2,966,741 and \$2,814,639, or 1.45% and 1.60% of the Bank's total assets, as of December 31, 2003 and 2002, respectively. The equity in the investees' net income and net loss for the years ended December 31, 2003 and 2002 were \$311,785 (21.21% of pretax income) and \$70,374 (4.93% of pretax loss), respectively, based on the investees' 2003 and 2002 audited financial statements.

We conducted our audits in accordance with Rules Governing Auditing and Certification of Financial Statements of Financial Institution by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those 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 provide reasonable basis for our opinion.

As stated in Note 11 to the financial statements, the Bank sold part of its nonperforming loans to asset management companies in 2002 and 2003, for which the Bank recognized deferred losses (included in other assets) of \$3,331,972 and \$7,781,652, respectively, amortized over 60 months based on the Financial Institution Consolidation Law. Had the above losses not been deferred, the pretax income would have decreased by \$1,470,328 for the year ended December 31, 2003, and the balances of the other assets and unappropriated earnings would have decreased by \$8,987,269 as of December 31, 2003.

In our opinion, based on our audits and the reports of other auditors, except for the effects of the deferred loss on the sale of nonperforming loans to the related statements stated in the above 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, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.



Deloitte & Touche
(T N Soong & Co and Deloitte & Touche (Taiwan))
Established Deloitte & Touche Effective June 1, 2003
Taipei, Taiwan
Republic of China

Notice to Readers

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.

UNION BANK OF TAIWAN BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Par Value of Capital Stock)

ASSETS	2003		2002		LIABILITIES AND STOCKHOLDERS' EQUITY		2003		2002	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
CASH (Notes 3 and 23)	\$ 11,236,929	6	\$ 7,697,876	4			\$ 5,832,135	3	\$ 1,599,665	1
DUE FROM BANKS (Notes 4 and 22)	2,109,800	1	1,737,517	1	LIABILITIES		4,214,907	2	4,468,303	2
DUE FROM THE CENTRAL BANK (Note 5)	8,116,063	4	7,016,016	4	Call loans and due to banks (Notes 12 and 22)		175,518,839	85	149,958,821	85
SECURITIES PURCHASED—Net (Notes 2, 6, 22 and 23)	11,720,130	6	10,822,743	6	Bank debenture (Note 15)		3,500,000	2	3,500,000	2
RECEIVABLES—Net (Notes 2, 7 and 22)	29,210,204	14	18,778,409	11	Other liabilities (Note 2)		709,784	-	817,414	1
PREPAYMENTS (Note 20)	527,185	-	645,990	-	Total liabilities		187,775,665	92	160,344,203	91
LOANS, DISCOUNTS AND BILLS PURCHASED—Net (Notes 2, 8 and 22)	120,815,370	59	108,609,034	62	STOCKHOLDERS' EQUITY					
LONG-TERM INVESTMENTS—Net (Notes 2 and 9)	3,191,679	2	2,822,932	2	Capital stock—\$10 Par value		14,889,264	7	14,889,264	9
Cost method	980,353	-	960,353	-	Authorized and issued 1,488,926,389 shares		39,016	-	1,398	-
Bond investments	628,453	-	-	-	Capital surplus					
Long-term investments—net	4,800,485	2	3,783,285	2	Retained earnings:					
Legal reserve					Special reserve		504,806	-	1,809,297	1
Unappropriated earnings (deficits)					Unappropriated earnings (deficits)		75,049	-	75,049	-
Unrealized loss on long-term equity investments					Unrealized loss on long-term equity investments		1,320,948	1	(1,304,491)	(1)
Cumulative translation adjustments					Cumulative translation adjustments		(22,931)	-	(42,670)	-
Net loss not recognized as pension cost					Net loss not recognized as pension cost		58,705	-	68,476	-
Treasury stock—at cost: 19,091,000 and 45,237,000 shares in 2003 and 2002					Treasury stock—at cost: 19,091,000 and 45,237,000 shares in 2003 and 2002		(535)	-	(535)	-
							(144,151)	-	(295,262)	-
PROPERTY AND EQUIPMENT (Notes 2 and 10)					Total stockholders' equity		16,720,171	8	15,200,526	9
Cost					CONTINGENCIES AND COMMITMENTS					
Land	1,587,698	1	1,723,764	1	(Notes 22, 24 and 28)					
Buildings and improvements	807,140	-	752,991	1						
Office equipment	1,142,253	1	1,102,144	1						
Transportation equipment	148,103	-	131,629	-						
Leasehold improvements	223,390	-	664,595	-						
Accumulated depreciation	3,908,584	2	4,375,123	3						
Prepayments for equipment (Note 24)	1,196,977	1	1,475,416	1						
Net properties and equipment	2,711,607	1	2,899,707	2						
	49,270	-	17,701	-						
OTHER ASSETS (Notes 2, 11, 20 and 22)	2,760,877	1	2,917,408	2						
	13,198,793	7	13,636,451	8						
TOTAL ASSETS	\$ 204,495,836	100	\$ 175,544,729	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 204,495,836	100	\$ 175,544,729	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche report dated February 10, 2004)

UNION BANK OF TAIWAN STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2003		2002	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest revenue (Notes 2 and 22)	\$ 8,670,983	75	\$ 8,541,333	79
Service fee revenue (Notes 2 and 22)	1,956,074	17	1,806,434	16
Income on securities—net (Note 2)	473,367	4	412,536	4
Gain from long-term equity investments under the equity method (Notes 2 and 9)	390,359	4	-	-
Foreign exchange gain—net (Note 2)	11,081	-	85,395	1
Other operating revenue	8,181	-	7,963	-
Total operating revenues	11,510,045	100	10,853,661	100
OPERATING COSTS AND EXPENSES				
Interest expense (Notes 2 and 22)	2,553,008	22	4,008,607	37
Service charge expense	635,127	5	787,569	7
Loss from long-term equity investments under the equity method (Notes 2 and 9)	-	-	70,265	1
Provisions for credit and other losses (Notes 2 and 8)	542,450	5	2,623,093	24
Other operating costs (Notes 2 and 11)	1,875,115	16	259,381	2
Operating and administrative expenses (Notes 2, 18, 19 and 22)	4,925,438	43	4,199,949	39
Total operating costs and expenses	10,531,138	91	11,948,864	110
OPERATING INCOME (LOSS)	978,907	9	(1,095,203)	(10)
NONOPERATING INCOME AND GAIN (Note 22)	1,078,294	9	193,061	2
NONOPERATING EXPENSE AND LOSS	(587,128)	(5)	(526,576)	(5)
INCOME (LOSS) BEFORE INCOME TAX	1,470,073	13	(1,428,718)	(13)
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 20)	(149,125)	(2)	67,433	-
NET INCOME (LOSS)	\$ 1,320,948	(11)	(\$ 1,361,285)	(13)
	2003		2002	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS (LOSS) PER SHARE (Note 21)				
Basic earnings (loss) per share	\$ 1.02	\$ 0.91	(\$ 0.99)	(\$ 0.94)

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche report dated February 10, 2004)

UNION BANK OF TAIWAN
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
 (In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus (Notes 2 and 16)			Retained Earnings (Note 16)			Unrealized Loss on Long-term Equity Investments (Notes 2 and 9)	Cumulative Translation Adjustment (Notes 2 and 9)	Net Loss Not Recognized as Pension Cost (Notes 2 and 9)	Treasury Stock		Total Stockholders' Equity	
	Shares (in thousands)	Amount	Donated capital	Gain on disposal of properties	Gain on reissuance of treasury stock	Total	Legal reserve	Special reserve				Unappropriated earnings (deficit)	Total		Shares (in thousands)
BALANCE, JANUARY 1, 2002	1,488,926	\$ 14,889,264	\$ 1,398	\$ 258	\$ -	\$ 1,656	\$ 17,888,373	\$ 75,049	\$ 77,460	\$ 1,940,882	(\$ 97,024)	\$ 102,837	(45,237)	(\$ 295,262)	\$ 16,541,818
Appropriation of 2001 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	20,924	-	-	(20,924)	-	-	-	-	-	-
After appropriations	1,488,926	14,889,264	1,398	258	-	1,656	18,092,971	75,049	56,536	1,940,882	(97,024)	102,837	(45,237)	(295,262)	16,541,818
Net loss in 2002	-	-	-	-	-	-	-	-	(1,361,285)	(1,361,285)	-	-	-	-	(1,361,285)
Reversal of capital surplus from gain on sale of properties to retained earnings	-	-	-	(258)	-	(258)	-	-	258	-	-	-	-	-	-
Change in translation adjustment	-	-	-	-	-	-	-	-	-	(34,361)	-	-	-	-	(34,361)
Reversal of unrealized loss on long-term equity investments from the investee under the equity method	-	-	-	-	-	-	-	-	-	-	54,354	-	-	-	54,354
BALANCE, DECEMBER 31, 2002	1,488,926	14,889,264	1,398	-	-	1,398	18,092,971	75,049	(1,304,491)	579,855	(42,670)	68,476	(45,237)	(295,262)	15,200,526
Offset of deficit against legal reserve	-	-	-	-	-	(1,304,491)	-	-	1,304,491	-	-	-	-	-	-
After compensations	1,488,926	14,889,264	1,398	-	-	1,398	504,806	75,049	-	579,855	(42,670)	68,476	(45,237)	(295,262)	15,200,526
Net income in 2003	-	-	-	-	-	-	-	-	1,320,948	1,320,948	-	-	-	-	1,320,948
Reversal of unrealized loss on long-term equity investments from the investee under the equity method	-	-	-	-	-	-	-	-	-	-	19,739	-	-	-	19,739
Change in translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(9,771)	-	-	(9,771)
Reissuance of treasury stock	-	-	-	-	37,618	37,618	-	-	-	-	-	-	26,146	151,111	188,729
BALANCE, DECEMBER 31, 2003	1,488,926	\$ 14,889,264	\$ 1,398	\$ -	\$ 37,618	\$ 39,016	\$ 504,806	\$ 75,049	\$ 1,320,948	\$ 1,900,803	(\$ 22,931)	\$ 58,705	(19,091)	(\$ 144,151)	\$ 16,720,171

The accompanying notes are an integral part of the financial statements.
 (With Deloitte & Touche report dated February 10, 2004)



UNION BANK OF TAIWAN STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,320,948	(\$ 1,361,285)
Net income (loss)		
Adjustments to determine net cash attributable to operating activities:		
Loss (gain) from long-term equity investments under the equity method	(390,359)	70,265
Cash dividend and remuneration to directors and supervisors recognized by the equity method	44,810	11,813
Depreciation and amortization	271,855	275,999
Amortization of loss from sale of nonperforming loans	1,875,115	259,381
Loss on disposal of properties—net	112,913	108,535
Provision for credit and other losses	542,450	2,623,093
Provision (reversal of allowance) for allowance for decline in market value of securities purchased	(268,139)	162,973
Provision (reversal of allowance) for decline in market value of collaterals assumed	(80,000)	220,000
Permanent loss from reclassification of securities purchased as long-term investment	49,297	-
Deferred income taxes	67,668	(80,709)
Decrease (increase) in securities purchased—for trading purposes	(1,649,862)	6,548,889
Increase in receivables	(10,228,895)	(4,333,217)
Decrease in prepayments	118,805	138,994
Decrease in payables and advance receipts	(253,396)	(686,653)
Net cash (used in) provided by operating activities	<u>(8,466,790)</u>	<u>3,958,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from banks	(372,283)	1,462,691
Decrease (increase) in due from the Central Bank	(1,100,047)	545,305
Decrease (increase) in securities purchased—for investing purposes	748,630	(282,210)
Decrease (increase) in loans, discounts and bills purchased	(13,064,055)	13,780,848
Proceeds from disposal of nonperforming loans	117,069	1,050,000
Increase in long-term equity investments	(33,230)	(90,650)
Increase in long-term bond investments	(405,766)	-
Acquisition of properties and equipment	(231,955)	(179,468)
Proceeds from disposal of properties and equipment	237,959	34,159
Increase in other assets	(1,759,366)	(10,643,416)
Net cash (used in) provided by investing activities	<u>(15,863,044)</u>	<u>5,677,259</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in call loans and due to banks	\$ 4,232,470	(\$ 1,382,368)
Increase (decrease) in deposits and remittances	23,560,018	(9,920,157)
Increase (decrease) in other liabilities	(112,330)	70,877
Increase in bank debentures	-	3,500,000
Reissuance of treasury stock	188,729	-
Net cash (used in) provided by financing activities	<u>27,868,887</u>	<u>(7,731,648)</u>
NET INCREASE IN CASH	3,539,053	1,903,689
CASH, BEGINNING OF YEAR	<u>7,697,876</u>	<u>5,794,187</u>
CASH, END OF YEAR	<u>\$ 11,236,929</u>	<u>\$ 7,697,876</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 2,847,183</u>	<u>\$ 5,012,431</u>
Income tax paid	<u>\$ 56,026</u>	<u>\$ 80,019</u>
NONCASH INVESTING ACTIVITIES		
Reclassification from securities purchased as long-term investments	<u>\$ 222,687</u>	<u>\$ -</u>

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

(With Deloitte & Touche report dated February 10, 2004)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

Union Bank of Taiwan (the "Bank") obtained approval from the Ministry of Finance (MOF) to establish its operations 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.

As of December 31, 2003, the Bank's operating units included Business Department, Trust Department, Security Finance and International Banking Department of the Head Office; an Offshore Banking Unit (OBU), two overseas representative offices, and 39 domestic branches.

The operations of the Bank's Trust Department are (1) trust business planning, managing and operating; and (2) custodianship of non-discretionary trust fund in domestic and overseas securities and mutual funds. These foregoing operations are regulated under the Banking Law and Trust Law.

The Bank's shares of stock are traded on the Taiwan Stock Exchange (the "TSE").

As of December 31, 2003 and 2002, the Bank had 2,647 and 2,219 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles (GAAP) in the Republic of China (ROC). The preparation of financial statements under ROC GAAP requires the Bank to estimate assets and liabilities and revenues and expenses referring to the reporting period, including the allowance for credit losses and reserve for losses on guarantees. Because operating circumstances are inherently uncertain, estimates may vary from actual results. Also, since the operating cycle in the banking industry is difficult to identify, accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized by nature of each account and sequenced according to their liquidity period. The maturity analysis of assets and liabilities is shown in Note 27.

The Bank's significant accounting policies are summarized below:

Basis of Financial Statement Preparation

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

Securities Purchased

Securities purchased include short-term bills, stocks, beneficiary certificates, bank debentures, corporate bonds and government bonds. Short-term bills, bank debentures and unlisted bonds are stated at cost. Stocks, beneficiary certificates, government bonds and corporate bonds traded on the GreTai Securities Market (the "OTC exchange") are stated at the lower of cost or market. Cost of securities sold is determined using weighted-average cost, except the cost of corporate bonds traded on the OTC exchange and short-term bills, which is determined using the specific identification method. Market prices are determined as follows: (a) listed stocks—average closing prices in the last month of the accounting period, published by the Taiwan Stock Exchange; (b) over-the-counter stocks—average closing prices in the last month of the accounting period, published by the OTC Exchange; (c) beneficiary certificates (open-end funds)—net asset values as of the balance sheet date; and (d) government bonds—reference prices published by the OTC exchange as of the balance sheet date.

Under a directive of the MOF, sales and purchases of bonds and short-term bills under agreements to repurchase or resell are treated as outright sales and purchases. However, under the "Criteria Governing the Preparation of Financial Reports by Public Banks," effective January 1, 2004, the repurchase/resale transactions will be treated as financing.

Non-performing Loans

The balance of overdue loans and other credits extended by the Bank and the related accrued interest are classified as nonperforming loans in accordance with guidelines issued by the MOF.

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 loans, discounts and bills purchased, accounts, interest and other receivables, and nonperforming loans, as well as guarantees and acceptances as of the balance sheet dates.

Under "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts" (the

Financial Highlights

“Rules”) issued by the MOF, the Bank evaluates the collectibility on credit losses on the basis of its borrowers'/clients' financial conditions, delinquency record and collaterals provided.

The Bank evaluates losses on particular loans in accordance with the Rules stated above. The Rules provide that the minimum amount requirement of provision for credit losses should be not less than the aggregate of 50% of the doubtful credits and 100% of the irrecoverable credits.

Under the MOF guidelines, specific loans may be written off under the approval of the board of directors and this write-off may be offset against the recorded allowance for loan losses.

Long-term Investments

Long-term equity investments are accounted for by the equity method if the Bank has significant influence on the investees; otherwise, by the cost method.

Investments accounted for by the equity method are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of investees. Cash dividends are deducted from the investments. Stock dividends result only in an increase in the number of shares and are not recognized as investment income.

Investments accounted for by the cost method are carried at cost. Cash dividends received after the acquisition year are recognized as dividend revenue. Stock dividends result only in an increase in the number of shares and are not recognized as investment income. If the market value of an investment falls below carrying value and this decline is considered permanent, the carrying value of an investment is reduced to the extent of such decline, and an allowance for losses is provided and charged to current income.

Long-term bond investments are stated at cost. Premiums and discounts are amortized over the remaining holding period of the debt instruments using the straight-line method and are treated as adjustments to interest revenue. Upon maturity or sale of the bond, the cost is determined using the specific identification method.

Properties and Equipment

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

Upon sale or other disposal of properties 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; office 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 on the basis of reestimated service lives.

Other Assets

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

The loss on sale of non-performing loans (accounted for as other operating costs) is amortized over 60 months in accordance with the Rule No. 15 of the Financial Institution Consolidation Law.

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 revalued at the lower of cost or net realizable value as of balance sheet dates.

Recognition of Interest Revenue and Service Fees

Interest revenue on loans is recorded on the accrual basis. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Under the MOF regulation, the interest revenue on credits covered by agreements that extend their maturities is recognized upon collection.

Service fees are recorded as income 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 and loss carryforwards are recognized as deferred income tax assets and those of taxable temporary differences 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 provision.

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

Income tax (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve to retain the earnings.

Pension

Pension expense is determined on the basis of actuarial calculations.

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 amount of loss cannot be reasonably estimated or the loss is possible, a footnote disclosure of the circumstances that might give rise to the possible loss should be made.

Foreign-currency Transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. At month-end, foreign-currency income and expenses are translated into New Taiwan dollars at the prevailing spot rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at prevailing rates as of the balance sheet dates. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement of period-end foreign-currency long-term equity investments accounted for by the equity method are credited or charged to cumulative translation adjustment under stockholders' equity in the balance sheet.

Derivative Financial Instruments

a. Forward exchange contracts

Foreign-currency assets and liabilities arising from forward exchange contracts, which are used mainly to accommodate customers' needs or to manage the Bank's own currency positions, are recorded at the forward rates. Gains or losses arising from the differences between the forward rates and spot rates on settlement date are credited or charged to current income. For contracts open as of the balance sheet dates, gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining terms of the contracts are credited or charged to current income, and receivables and payables on the contracts are netted out.

b. Currency swap contracts

Assets or liabilities on currency swap contracts, which are mainly used to accommodate customers' needs or to manage the Bank's own currency positions, are recorded at the spot rates on the starting dates of the contracts. The corresponding forward-position assets or liabilities are recorded at the contracted forward rates, with receivables netted against the related payable.

The related discounts or premiums are amortized by the straight-line basis over the contract period.

c. Interest rate swaps

Interest rate swaps, which do not involve exchanges of the notional principals, are recorded as memorandum entries on the contract dates. For swaps entered into for hedging purposes, the net interest on each settlement is recorded as an adjustment to interest revenue or expense associated with the item being hedged.

d. Asset swaps

Asset swaps involve exchanging the fixed rate interest and stock conversion rights of convertible bonds for floating rate interest. These transactions are recorded as memorandum entries on the contract date since no actual exchange of contract (notional) principals is involved. Asset swaps are entered into for hedging purposes, i.e., to hedge interest rate exposure on foreign-currency convertible bonds. Net interests on each settlement date/balance sheet date are recorded as adjustments to interest revenue or expenses associated with the bonds being hedged.

e. Options

Options bought and/or held and options written, which are mainly used to accommodate customers' needs or to manage the Bank's currency positions, are recorded as memorandum entries only because there is no principal transfer. The premiums on the instruments are recorded as income and loss when they are exercised. Gains or losses on the exercise of options are also included in current income. The carrying values of the instruments are charged to income when they are not exercised.

Treasury Stock

Capital stock acquired is carried at cost and presented as a deduction to arrive at stockholders' equity. The treasury stocks acquired are to be reissued to employees. The reissuance of the treasury stocks are accounted for as follows: (a) reissue price higher than the acquisition cost—the excess is credited to additional paid-in capital on treasury stock; and (b) reissue price less than the acquisition cost—initially charged to additional paid-in capital on treasury stock, with any remaining deficiency charged to retained earnings.

Reclassifications

Certain 2002 accounts of the 2002 financial statements have been reclassified to conform to the presentation of the 2003 financial statements.

Financial Highlights

3. CASH

	December 31	
	2003	2002
Negotiable certificates of deposit	\$ 8,770,108	\$ 5,620,000
Cash on hand	1,744,189	1,348,768
Notes and checks in clearing	722,632	729,108
	<u>\$ 11,236,929</u>	<u>\$ 7,697,876</u>

As of December 31, 2003 and 2002, negotiable certificates of deposit aggregating \$100,000 and \$200,000 had maturities over one year.

Under relevant regulations, negotiable certificates of deposit amounting to \$250,000 had been provided to the Central Trust Bureau as reserve—credit card receivables as of December 31, 2002.

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), the Bank had provided negotiable certificates of deposit aggregating \$2,300,000 and \$2,570,000 as collateral for the day-time overdraft as of December 31, 2003 and 2002, respectively, and the pledged amount is adjustable anytime.

4. DUE FROM BANKS

	December 31	
	2003	2002
Due from other banks	\$ 1,398,196	\$ 867,165
Call loans to banks	711,604	870,348
Bank overdrafts	-	4
	<u>\$ 2,109,800</u>	<u>\$ 1,737,517</u>

5. DUE FROM THE CENTRAL BANK

	December 31	
	2003	2002
Denominated required deposit reserve	\$ 3,800,845	\$ 3,282,317
Denominated deposit reserve—checking account	2,749,619	2,176,830
Due from the Central Bank	1,552,000	1,552,000
Foreign currency—denominated deposit reserve	13,599	4,869
	<u>\$ 8,116,063</u>	<u>\$ 7,016,016</u>

The denominated required deposit reserve is determined monthly at prescribed rates on the average balances of customers' New Taiwan dollar-denominated deposits and are subject to withdrawal restrictions. The foreign currency deposit reserves and checking account may be withdrawn anytime and are non-interest earning.

6. SECURITIES PURCHASED

	December 31	
	2003	2002
Listed and OTC traded		
Government bonds	\$ 1,907,298	\$ 5,355,675
Stocks	320,856	121,439
	<u>2,228,154</u>	<u>5,477,114</u>
Beneficiary certificates	2,305,240	2,367,497
With no quoted market prices		
Commercial paper	6,255,419	1,283,798
Bank debentures	800,000	801,700
Overseas corporate bonds	195,488	860,805
Credit-linked notes	-	356,495
Bank acceptances	-	9,208
	<u>7,250,907</u>	<u>3,312,006</u>
	<u>11,784,301</u>	<u>11,156,617</u>
Less: Allowance for decline in market value	64,171	333,874
Net	<u>\$ 11,720,130</u>	<u>\$ 10,822,743</u>

The market values or reference prices of government bonds, listed and OTC stocks and beneficiary certificates as of December 31, 2003 and 2002 were as follows:

	December 31	
	2003	2002
Government bonds	\$ 1,919,893	\$ 5,425,080
Stocks	312,314	111,130
Beneficiary certificates	2,345,453	2,043,102

Securities purchased as of December 31, 2003 and 2002 included government bonds and bank debentures amounting to \$820,400 and \$991,200, respectively, which have been provided to the courts as guarantee deposits required for cases involving defaults on loans and other regulations, which result in the provisional seizure of debtors' properties used as collaterals. As of December 31, 2003 and 2002, government bonds \$50,000 had been provided to the Central Bank as trust reserve.

As of December 31, 2003, government bonds amounting to \$50,000 had been provided to the Central Bank as guarantee deposits for bills finance operations.

In addition, under relevant regulations, government bonds amounting to \$35,000 and \$26,500, respectively, had been placed with the Central Trust Bureau as reserve of credit card receivable as of December 31, 2003 and 2002.

7. RECEIVABLES

	December 31	
	2003	2002
Accounts receivable	\$ 27,317,673	\$ 16,108,168
Interest receivable	1,073,475	1,415,827
Forward exchange contract receivable—net	322,372	14,590
Acceptances receivable	318,672	418,932
Receivable from sale of assets	313,119	955,860
Accrued revenue	303,607	356,095
Other	420,254	570,805
	<u>30,069,172</u>	<u>19,840,277</u>
Less: Allowance for credit losses	858,968	1,061,868
Net	<u>\$ 29,210,204</u>	<u>\$ 18,778,409</u>

8. LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31	
	2003	2002
Discounts and overdraft	\$ 829,302	\$ 681,554
Loans		
Short-term —unsecured	20,515,944	12,412,863
—secured	6,194,683	9,355,912
Midterm —unsecured	16,360,641	16,790,863
—secured	16,082,600	18,796,081
Long-term —unsecured	4,173,176	2,677,001
—secured	52,060,734	42,629,481
Bills purchased and import/export negotiations	240,849	318,802
Non-performing loans	5,238,984	6,716,662
	<u>121,696,913</u>	<u>110,379,219</u>
Less: Allowance for credit losses	881,543	1,770,185
Net	<u>\$ 120,815,370</u>	<u>\$ 108,609,034</u>

As of December 31, 2003 and 2002, the balances of non-accrual loans were \$5,238,984 and \$6,716,662, respectively. The unrecognized interest revenues on non-performing loans amounted to \$305,819 and \$423,095 for the years ended December 31, 2003 and 2002, respectively.

For the years ended December 31, 2003 and 2002, credits written off had been subjected to legal proceedings before being written off.

The details and changes in allowance for credit losses of loans, discounts and bills purchased are summarized as follows:

Financial Highlights

For the Year Ended December 31, 2003

	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 623,967	\$ 1,146,218	\$ 1,770,185
Provision	442,750	-	442,750
Write-off	(858,141)	-	(858,141)
Recovery of written-off credits	122,970	-	122,970
Reclassifications	510,152	(1,104,939)	(594,787)
Effects of exchange rate changes	(1,434)	-	(1,434)
Balance, end of year	\$ 840,264	\$ 41,279	\$ 881,543

For the Year Ended December 31, 2002

	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 659,937	\$ 556,824	\$ 1,216,761
Provision	2,177,498	-	2,177,498
Write-off	(1,344,253)	-	(1,344,253)
Recovery of written-off credits	50,223	-	50,223
Reclassifications	(919,659)	589,394	(330,265)
Effects of exchange rate changes	221	-	221
Balance, end of year	\$ 623,967	\$ 1,146,218	\$ 1,770,185

9. LONG-TERM INVESTMENTS

December 31

	2003		2002	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
Equity investments				
Equity method				
Union Bills Finance Corporation	\$ 1,282,534	42.76	\$ 1,055,988	42.76
Union Finance and Leasing International Corporation	743,402	99.99	668,616	99.99
Union Bank Futures Corporation	599,652	99.07	631,710	99.07
Union Finance International (H.K.) Limited	195,543	99.99	185,995	99.99
Union Information Technology Corporation	141,211	99.92	94,345	99.92
Union Security Investment Trust Corporation	118,620	35.00	109,292	35.00
Union Insurance Broker Company	60,971	90.07	48,380	90.07
Union Real-Estate Management Corporation	26,990	40.00	20,313	40.00
Morgan Stanley Union Bank Asset Management Corporation	13,730	49.00	-	-
Union Securities Investment Consulting Company	9,026	99.40	8,293	99.40
	<u>3,191,679</u>		<u>2,822,932</u>	
Cost method				
Entie Securities Finance Company	622,188	12.15	622,188	12.15
Taiwan Asset Management Corporation	100,000	0.57	100,000	0.57
Universal Venture Fund Inc.	80,000	4.76	80,000	4.76
Taiwan Financial Asset Service Corporation	50,000	2.94	50,000	2.94
Financial Information Service Company	45,500	1.14	45,500	1.14
Euroc III Venture Capital COT.	30,000	5.00	30,000	5.00
NCTU Spring I Technology Venture Capital Investment Corporation	21,615	5.00	21,615	5.00
Debt Instrument Depository and Clearing Co., Taiwan	20,000	1.00	-	-
Taiwan Future Exchange Corporation	10,250	0.51	10,250	0.51
Taipei Forex Inc.	800	0.40	800	0.40
	<u>980,353</u>		<u>960,353</u>	
Bond investments	<u>628,453</u>		<u>-</u>	
	<u>\$ 4,800,485</u>		<u>\$ 3,783,285</u>	

The equity in net gain and net loss of investees accounted for by the equity method for the years ended December 31, 2003 and 2002 were \$390,359 and \$70,265, respectively, were based on the investees' 2003 and 2002 financial statements audited by auditors.

As of December 31, 2003 and 2002, the unrealized losses on equity-method investments due to decline in the market value of listed stocks held by the investees amounted to \$22,931 and \$42,670, respectively. As of December 31, 2003 and 2002, the cumulative translation adjustments amounted to \$31,580 and \$39,973 were resulted from the investee accounted for by the equity method, respectively.

As of December 31, 2003 and 2002, the Bank recognized \$535 as its equity in an investee's net loss not recognized as pension cost.

The total assets or total operating revenues of the Bank's subsidiaries were individually less than 10% and collectively less than 30% of those of the Bank. Accordingly, the accounts of these subsidiaries were not included in consolidated financial statement.

10. PROPERTIES AND EQUIPMENT

	December 31	
	2003	2002
Cost	\$ 3,908,584	\$ 4,375,123
Accumulated depreciation		
Buildings and improvements	97,652	83,662
Office equipment	845,484	749,494
Transportation equipment	105,065	96,199
Leasehold improvements	148,776	546,061
	1,196,977	1,475,416
Prepayments for equipment	49,270	17,701
Net	<u>\$ 2,760,877</u>	<u>\$ 2,917,408</u>

11. OTHER ASSETS

	December 31	
	2003	2002
Deferred loss from sale of non-performing loans	\$ 8,987,269	\$ 7,522,042
Collaterals assumed—net	2,407,274	4,063,814
Guarantee deposits	1,281,370	1,345,124
Deferred charges	208,369	223,292
Deferred tax assets—net	314,511	382,179
	<u>\$ 13,198,793</u>	<u>\$ 13,536,451</u>

In 2002, the Bank sold non-performing loans amounting to with carrying value of \$8,831,652 at the contract price of \$1,050,000 to Taiwan Asset Management Corporation and recognized losses of \$7,781,652.

In 2003, the Bank sold non-performing loans amounting to with carrying value of \$3,449,041 at the contract price of \$117,069 to Morgan Stanley Union Bank Asset Management Corporation and recognized losses of \$3,331,972.

The above losses have been deferred and amortized over 60 months in accordance with the Financial Institution Consolidation Law. The remaining unamortized balance was recorded as other assets.

Had the above loss not been deferred, the net income would have decreased by \$1,470,328 for the year ended December 31, 2003, and the balances of the other assets and unappropriated earnings would have decreased by \$8,987,269 as of December 31, 2003. As of December 31, 2003, the total contract price \$87,802 had not been paid.

Financial Highlights

12. CALL LOANS AND DUE TO BANKS

	December 31	
	2003	2002
Call loans from banks	\$ 3,944,382	\$ 374,833
Due to the Central Bank and other banks	1,786,482	1,098,373
Overdraft	101,271	126,459
	\$ 5,832,135	\$ 1,599,665

13. PAYABLES AND ADVANCE RECEIPTS

	December 31	
	2003	2002
Advance receipts	\$ 953,792	\$ 560,557
Notes and checks in clearing	722,632	729,108
Interest payable	679,877	973,316
Accrued expenses	387,023	306,132
Bank acceptances payable	320,068	423,419
Notes and checks in clearing—branches	235,255	609,693
Other	916,260	866,078
	\$ 4,214,907	\$ 4,468,303

14. DEPOSITS AND REMITTANCES

	December 31	
	2003	2002
Savings	\$ 90,875,581	\$ 83,044,922
Time	38,822,595	32,400,869
Due to the Postal Remittances and Savings Bank	19,390,822	18,481,185
Demand	15,569,431	12,405,038
Negotiable certificates of deposit	7,013,400	2,018,700
Checking	1,831,971	1,597,352
Inward and outward remittances	15,039	10,755
	\$ 173,518,839	\$ 149,958,821

15. BANK DEBENTURES

On November 14, 2002, the Bank made a first issue of 5-year debentures with a total face amount of \$3,500,000 bearing 3.8% fixed annual interest rate. The debentures were traded on the OTC exchange. Interest is payable semiannually and the principal is repayable on the maturity date.

16. STOCKHOLDERS' EQUITY

a. Capital surplus

Under the Company Law, capital surplus from the issuance of shares in excess of par value and donation may be transferred to common stock with the stockholders' approval.

Capital surplus from the issuance of shares in excess of par value may except in the year it arises, be distributed as stock dividends. Such distribution can be made within specified limits each year. These restrictions are based on regulations issued by the Securities and Futures Commission (the SFC).

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

b. Retained earnings

The Bank's Articles of Incorporation provide that annual net income less any prior years' deficit should be appropriated as follows:

- 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 bonus 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 needs for capital to expand its operations and in order to meet capital adequacy ratios, primarily cash dividends will be declared in the next three years, with the related proposal to be submitted for approval in the stockholders' meeting. After the stockholders' approval, the declaration of stock dividend needs further approval by the SFC.

In their June 17, 2002 meeting, the stockholders approved to appropriate a legal reserve (\$20,924) from the 2001 earnings and reserved the remainder for future appropriation.

In their May 27, 2003 meeting, the stockholders approved the offset of a deficit of \$1,304,491 against legal reserve. Such deficit reimbursement is not available for distribution of employees bonus and remunerations to directors and supervisors. Information on appropriations may be accessed online through the Market Observation Post System (M.O.P.S.) Web site of the Taiwan Stock Exchange.

Under a SFC directive, a special reserve is appropriated from retained earnings at an amount equal to the debit balance of an account in stockholders' equity, such as unrealized loss on long-term equity investments and cumulative translation adjustment but excluding treasury stock. The balance of the special reserve is adjusted to reflect any changes in the debit balances of the related account.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve is only used to offset deficit. When the reserve reaches 50% of the Bank's paid-in capital, up to 50% thereof may be capitalized. In addition, the Banking Law provides that, the balance of legal reserve is less than the Bank's paid-in capital stock, annual cash dividends and bonuses to directors, bonus to supervisors and employees should not exceed 15% of the Bank's paid-in capital.

Under the Integrated Income Tax System, non-corporate and ROC-resident stockholders are allowed tax credits for the income tax paid by the Bank on earnings generated from 1998.

(Shares in Thousands)

17. TREASURY STOCK

Reasons for Redemption	Beginning of Year	Increase	Decrease	End of Year
<u>2003</u>				
Reissuance to employees	45,237	-	26,146	19,091
<u>2002</u>				
Reissuance to employees	45,237	-	-	45,237

Under the Securities and Exchange Law, the Bank should not acquire treasury stock in excess of 10% of the total shares issued and the total acquisition cost should not exceed the sum of the retained earnings, paid-in capital in excess of par value, and capital surplus arising from gains on disposal of properties and donated capital. The Bank is prohibited from using the treasury stock to secure any of its obligations and to exercise stockholder's rights on those stocks.

For each of the years ended December 31, 2003 and 2002, the highest number of treasury shares held by the Bank was 45,237, 000 shares, and the highest balance of treasury stock was \$295,262.

Of the shares repurchased, 26,146,000 shares were reissued to employees in November 2003.

18. PENSION

The Bank has a defined benefit non-contributory pension plan covering all regular employees. The Bank makes monthly contributions to the pension fund, which is managed by the employees' pension fund administrative committee and the supervisory committee of labor retirement reserve.

The changes in the pension fund are summarized as follows:

	For the Year Ended December 31	
	2003	2002
Balance, beginning of year	\$ 313,779	\$ 274,159
Contributions	40,535	34,671
Interest income	4,495	6,693
Benefits paid	(9,788)	(1,744)
Balance, end of year	\$ 349,021	\$ 313,779

a. Net pension costs for the years ended December 31, 2003 and 2002 are summarized below:

Financial Highlights

	For the Year Ended December 31	
	2003	2002
Service cost	\$ 42,507	\$ 39,115
Interest cost	11,636	13,381
Actual return on assets	(\$ 7,662)	(\$ 3,439)
Deferred assets gains	(5,146)	(11,064)
Expected return on plan assets	(12,808)	(14,503)
Net amortization and deferral	(519)	(519)
Net pension cost	<u>\$ 40,816</u>	<u>\$ 37,474</u>

b. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2003 and 2002 is as follows:

	December 31	
	2003	2002
Benefit obligation		
Vested benefit obligation	\$ 40,431	\$ 31,113
Non-vested benefit obligation	211,287	167,040
Accumulated benefit obligation	251,718	198,153
Additional benefits based on future salaries	100,065	98,652
Projected benefit obligation	351,783	296,805
Fair value of plan assets	(346,503)	(311,014)
Funded status	5,280	(14,209)
Unrecognized net transitional obligation	-	-
Unrecognized prior service cost	8,556	9,075
Unrecognized pension gain (loss)	(7,838)	10,914
Accrued pension cost	<u>\$ 5,998</u>	<u>\$ 5,780</u>
c. Vested benefits obligation	<u>\$ 45,261</u>	<u>\$ 35,751</u>
d. Actuarial assumptions		
Discount rate used in determining present values	3.5%	4.0%
Future salary increase rate	0-2.5%	0-3.0%
Expected rate of return on plan assets	3.5%	4.0%

19. OPERATING AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2003	2002
Personnel expenses	\$ 1,274,797	\$ 1,103,272
Salaries and wages	399,278	314,619
Bonus and rewards	111,421	89,938
Labor insurance and national health insurance	40,815	34,870
Pension	10,738	10,877
Other		
Rental	415,742	414,207
Advertisement	338,838	272,965
Promotion	282,599	191,982
Taxes other than income tax	245,505	233,337
Depreciation	211,438	216,269
Postage	210,790	169,969
Repair and maintenance	81,236	66,369
Insurance	76,561	58,009
Amortization	60,417	59,730
Professional service charges	14,273	10,906
Other	1,150,990	952,630
	<u>\$ 4,925,438</u>	<u>\$ 4,199,949</u>

20. INCOME TAX

a. The components of income tax were as follows:

	For the Year Ended December 31	
	2003	2002
Income tax on income (loss) before income tax at 25% statutory rate	\$ 367,508	(\$ 357,179)
Separate tax on interest income on short-term bills	(3,484)	(12,189)
Loss (income) on sale of securities	(38,783)	966
Tax on unappropriated retained earnings (10%)	40,981	-
Investment tax credit	(20,490)	(13,377)
Loss carryforward	-	(38,116)
Other	(325,241)	419,895
Current tax payable	20,491	-
Change in deferred income tax	67,668	(80,709)
Prior year's income tax	47,029	(35,482)
Separate tax on interest income on short-term bills	13,937	48,758
	<u>\$ 149,125</u>	<u>(\$ 67,433)</u>

b. As of December 31, 2003 and 2002, net deferred income tax consisted of the tax effects of the following:

	December 31	
	2003	2002
Provision for credit losses	\$ 62,407	\$ 383,008
Loss carryforwards	512,017	283,585
Unrealized loss on collaterals assumed	69,996	89,996
Unrealized foreign exchange loss (gain)	(72,156)	10,646
Provision for default reserve	7,471	6,797
Investment tax credit	14,143	3,052
Equity in net income of equity-method investee	(15,461)	(12,726)
	<u>578,417</u>	<u>764,358</u>
Allowance for valuation of deferred income tax assets	263,906	382,179
Net deferred income tax assets (included in other assets)	<u>\$ 314,511</u>	<u>\$ 382,179</u>

The loss carryforwards and investment tax credits as of December 31, 2003 may be used to reduce the Bank's taxable income until 2008.

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

	December 31	
	2003	2002
Balances of the imputation credit account	<u>\$ 325,647</u>	<u>\$ 296,046</u>

As of December 31, 2003, the Bank had no earnings available for distribution, thus a creditable tax ratio was not estimated. The Bank's income tax returns through 2000 had been examined and cleared by the tax authorities.

In December 2003, the tax authorities and the Bank reached a compromise on a certain lawsuit about withholding tax. Under the compromise agreement, the Bank will get a 65% refund on the withholding tax for the years before 2002. Thus the Bank recognized an income tax expense \$46,804 for the unrefunded 35% of the tax. The Bank also accrued a related income tax expense for 2003.

Financial Highlights

21. EARNINGS (LOSS) PER SHARE

The numerators and denominators used in computing earnings (loss) per share are summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	Earnings (Loss) Per Share (NT\$)	
	Pretax	After Tax		Pretax	After Tax
For the year ended December 31, 2003					
Basic EPS					
Net income of common stockholders	<u>\$ 1,470,073</u>	<u>\$ 1,320,948</u>	1,447,128	<u>\$ 1.02</u>	<u>\$ 0.91</u>
For the year ended December 31, 2002					
Basic EPS					
Net loss of common stockholders	<u>(\$ 1,428,718)</u>	<u>(\$ 1,361,285)</u>	1,443,689	<u>(\$ 0.99)</u>	<u>(\$ 0.94)</u>

22. RELATED PARTY TRANSACTIONS

The Bank's related parties were as follows:

a. Related parties

Name	Relationship with the Bank
Yu-Pang Co., Ltd. (Yu-Pang)	A director
Yong-Xuan Co., Ltd. (Yong-Xuan)	Its chairman is the representative of the Bank
Hung-Kou Construction Inc., Ltd. (Hung-Kou)	Its chairman is a second-degree relative of
Union Enterprise Construction Co., Ltd. (UECC)	the Bank's director
Union Bills Finance Corporation (UBF)	Its chairman is the representative of the Bank
Union Finance and Leasing International Corporation (UFLIC)	Equity-method investee
Morgan Stanley Union Bank Assets Management Corporation (MSUB AMC)	Subsidiary
Union Securities Investment Trust Corporation (USITC)	Equity-method investee
Other	Equity-method investee
	Directors, supervisors, managers, their relatives and affiliates. Related parties with the Bank had no transactions in 2003 and 2002 are shown in Table 5 (attached).

b. Significant transactions with related parties:

1) Loans

	December 31		Interest Revenue		
	Amount	%	Rate	Amount	%
2003	\$ 4,401,190	3.62	0-11.75%	\$ 78,028	0.89
2002	2,293,281	2.08	2.45%-11.75%	38,540	0.45

2) Deposits

	December 31		Interest Expense		
	Amount	%	Rate	Amount	%
2003	\$ 3,720,361	3.80	0-7.40%	\$ 52,262	1.98
2002	3,776,580	2.52	0-13.00%	98,617	2.46

3) Guarantees and letters of credit

	December 31	
	Amount	%
2003	\$ 218,944	2.72
2002	447,336	4.80

4) Due from banks—UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Revenue
2003	\$ 500,000	\$ -	0.70%-1.50%	\$ 621
2002	300,000	-	1.45%-2.40%	472

5) Call loans—UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Expense
2003	\$ 628,000	\$ 57,000	0.68%-1.20%	\$ 435
2002	1,018,000	-	1.35%-2.30%	1,012

6) Securities purchased/sold under agreements to resell/repurchase

	December 31			
	2003		2002	
	Amount	Rate	Amount	Rate
Securities purchased under agreements to resell	\$ 376,788	1.05%-1.085%	\$ 8,466,183	1.275%-2.0%
Securities sold under agreements to repurchase	-	-	24,756	1.2%

7) Securities brokerage fees

	For the Years Ended December 31	
	Amount	%
2003	\$ 4,062	3.77
2002	4,414	3.06

8) Property transaction

The Bank's Board of Directors resolved to sell to Yong-Xuan the land located in Taipei's Neihu District for \$243,243 and recognized a gain of \$62,759. The Bank had been fully paid and the transfer process was completed in March 2003.

9) Consulting and advisory contract

The Bank and UFLIC entered into a consulting and advisory contract, expiring in 2004. UFLIC's services under this contract are consulting on car loan operations, marketing, car loan management, collection of overdue loans, etc. The consulting fees and related expenses paid for the years ended December 31, 2003 and 2002 were \$399,944 and \$313,411, respectively, and the accrued expenses as of December 31, 2003 and 2002 were \$40,275 and \$30,842, respectively.

10) Leases

a) The Bank as lessee

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

	Lease Deposit		Rental Expense	
	Amount	%	Amount	%
<u>2003</u>				
Hung-Kuo	\$ 231,775	26.55	\$ 127,587	30.69
Yu-Pang	454,220	52.02	15,287	3.68
UECC	3,684	0.42	7,787	1.82
Yong-Xuan	414	0.05	1,745	0.42
UFLIC	66	0.01	265	0.06
<u>2002</u>				
Hung-Kuo	231,775	17.23	128,777	36.21
Yu-Pang	454,355	33.78	15,909	4.47
UECC	3,684	0.27	7,801	2.19
Yong-Xuan	414	0.03	728	0.20
UFLIC	66	-	55	0.02

b) The Bank as lessor

The Bank's Tauring Branch has leased part of its office premises to UFLIC since December 1999. The lease term is five years, with a monthly rental of \$75. The leasing revenues received for the years ended December 31, 2003 and 2002 were \$913 and \$923, respectively.

11) Other receivable

The Bank bought the Bao-Xiang Company's \$12,306 debt from UBF to strengthen the creditor's right on this debt. The Bank also assumed the related collateral, with appraisal value of \$15,000. As of December 31, 2003, the Bank had received \$6,382 from the disposal of part of this collateral.

12) The sale of non-performing loans and assuming of related collateral

The Bank sold to MSUB AMC part of its non-performing loans and related collateral assumed, which amounted to \$205,849. Of this amount, \$154,387 had not been paid as of December 31, 2003.

13) Securities purchased

For the year ended December 31, 2003, the Bank bought 29,158,548 units of beneficiary certificates amounting to \$241,251, which was collected by USITC.

Under the Banking Law, except for customer loans, credits extended by the Bank to any related party should be fully secured, and the terms of credits extended to related parties should be similar to those for third parties.

The terms of transactions with related parties are similar to those for third parties, except for the more favorable interest rate for employees' savings within a prescribed limit.

23. PLEDGED ASSETS

As of December 31, 2003 and 2002, negotiable certificates of deposit, government bonds and bank debentures, which amounted to \$955,400 and \$1,317,700, respectively, had been provided to the courts, the Central Trust Bureau and the Central Bank 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 \$2,300,000 and 2,570,000 had been provided to the Central Bank as collateral for the day-time overdraft as of December 31, 2003 and 2002, respectively.

24. CONTINGENCIES AND COMMITMENTS

Financial instruments, contingencies and commitments of the Bank, in addition to those disclosed in Note 28, 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, Tainan and Nankan branches, lease deposits are made in lieu of lease payments, and rental expenses are recognized at imputed interests of 1.4%. Future minimum

<u>Year</u>	<u>Amount</u>
2004	\$ 290,476
2005	201,503
2006	76,605
2007	45,642
2008	17,890

lease payments are as follows:

Total rentals beyond 2008 amounting to \$7,300, the present value of which is about \$6,740 as discounted at the Bank's one-year time deposit interest rate of 1.4% on January 1, 2004.

b. Computer equipment purchase contracts

The Bank has entered into contracts to buy computer equipment and software for \$144,867, of which \$93,299 had been paid as of December 31, 2003.

c. Short-term bills and bonds sold under agreements to repurchase

As of December 31, 2003, short-term bills and bonds with a total cost of \$3,304,600 were sold under agreements to repurchase at \$3,902,246 between January and May of 2004.

d. Short-term bills and bonds purchased under agreements to resell

As of December 31, 2003, short-term bills and bonds with a total cost of \$6,644,200 were purchased under agreements to resell at \$6,678,170 around January 2004.

e. As of December 31, 2003, the Bank had issued a US\$3,800 standby letter of credit to guarantee the credit line of Union Finance International (H.K.) Limited, an equity-method investee.

f. Balance sheet and trust properties of trust accounts

Balance Sheet of Trust Accounts

December 31, 2003

<u>Trust Assets</u>	<u>Amount</u>	<u>Trust Liabilities</u>	<u>Amount</u>
Bank deposits	\$ 10,091	Trust capital	\$ 9,351,869
Mutual funds	9,313,194	Net income	158
Real estate—land	28,742		
Total trust assts	<u>\$ 9,352,027</u>	Total trust liabilities	<u>\$ 9,352,027</u>

Trust Properties of Trust Accounts

December 31, 2003

<u>Investment Portfolio</u>	<u>Amount</u>
Demand deposits	\$ 10,091
Short-term investments—mutual funds	9,313,194
Real estate—land	28,742
	<u>\$ 9,352,027</u>

25. CAPITAL ADEQUACY RATIO

The Banking law and related regulations require that the Bank maintains a capital adequacy ratio (CAR) of at least 8%. If the Bank's CAR falls below 8%, the MOF may impose certain restrictions on the cash dividends that the Bank may declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

As of December 31, 2003, the Bank's stand-alone and consolidated CARS were 10.29% and 11.76%, respectively.

As of December 31, 2002, the Bank's stand-alone and consolidated CARS were 12.62% and 13.01%, respectively.

26. 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.

	For the Year Ended December 31			
	2003		2002	
	Average Amount	Average Rate (%)	Average Amount	Average Rate (%)
<u>Assets</u>				
Cash—negotiable certificates of deposit	\$ 6,752,226	1.35	\$ 4,513,954	1.95
Due from banks	2,420,480	1.36	2,602,681	2.08
Due from the Central Bank	6,596,184	1.31	6,546,687	1.29
Securities purchased	10,941,251	3.50	13,901,135	0.97
Loans, discounts and bills purchased	113,582,214	4.97	120,030,969	5.55
<u>Liabilities</u>				
Call loans and due to banks	4,048,795	1.24	4,175,965	2.45
Demand	12,300,579	0.34	10,044,301	0.86
Savings	27,757,857	0.84	24,653,437	1.89
Time	32,336,924	1.52	34,516,449	2.42
Due to postal remittances and savings bank	18,516,098	1.82	18,145,183	2.83
Time-savings	58,745,809	2.03	57,814,803	3.12
Negotiable certificates of deposit	4,403,667	1.12	4,402,083	3.02
Bank debentures	3,500,000	3.80	3,500,000	3.80

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of the Bank is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under agreements, and, if there are no specified maturity dates, on expected dates of collection.

	December 31, 2003			
	Due in	Due Between	Due After	Total
	One Year	One Year and Seven Years	Seven Years	
<u>Assets</u>				
Cash	\$ 11,236,929	\$ -	\$ -	\$ 11,236,929
Due from banks	2,109,800	-	-	2,109,800
Due from the Central Bank	8,116,063	-	-	8,116,063
Securities purchased	11,784,301	-	-	11,784,301
Receivables	30,069,172	-	-	30,069,172
Loans, discounts and bills purchased	33,378,549	34,127,970	54,190,394	121,696,913
	<u>\$ 96,694,814</u>	<u>\$ 34,127,970</u>	<u>\$ 54,190,394</u>	<u>\$ 185,013,178</u>

	December 31, 2003			
	Due in	Due Between	Due After	Total
	One Year	One Year and Seven Years	Seven Years	
<u>Liabilities</u>				
Call loans and due to banks	\$ 5,832,135	\$ -	\$ -	\$ 5,832,135
Payables and advance receipts	4,214,907	-	-	4,214,907
Deposits and remittances	167,513,165	6,005,674	-	173,518,839
Bank debentures	-	3,500,000	-	3,500,000
	<u>\$ 177,560,207</u>	<u>\$ 9,505,674</u>	<u>\$ -</u>	<u>\$ 187,065,881</u>

	December 31, 2002			
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets				
Cash	\$ 7,697,876	\$ -	\$ -	\$ 7,697,876
Due from banks	1,737,517	-	-	1,737,517
Due from the Central Bank	7,016,016	-	-	7,016,016
Securities purchased	11,156,617	-	-	11,156,617
Receivables	19,840,277	-	-	19,840,277
Loans, discounts and bills purchased	31,239,037	35,846,923	43,293,259	110,379,219
	<u>\$ 78,687,340</u>	<u>\$ 35,846,923</u>	<u>\$ 43,293,259</u>	<u>\$ 157,827,522</u>
Liabilities				
Call loans and due to banks	\$ 1,599,665	\$ -	\$ -	\$ 1,599,665
Payables and advance receipts	4,468,303	-	-	4,468,303
Deposits and remittances	145,154,195	4,804,626	-	149,958,821
Bank debentures	-	3,500,000	-	3,500,000
	<u>\$ 151,222,163</u>	<u>\$ 8,304,626</u>	<u>\$ -</u>	<u>\$ 159,526,789</u>

28. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

The Bank engages in derivative transactions mainly to accommodate customers' needs and to manage its own exposures. It also enters into derivative transactions to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets, net liabilities or commitments. The Bank's strategy is to hedge most of its market risk exposures, using hedging instruments with changes in market value having a highly negative correlation with the changes in the market value of the hedged items. The Bank also assesses the hedging effectiveness of the instruments periodically.

The Bank is exposed to credit risk from counter-parties' default on contracts. The Bank enters into contracts with customers that pass the credit approval process and provide the necessary collateral. Guarantee deposits may also be required, depending on the customer's credit standing. The transactions are then made within each customer's credit limit. Transactions with other banks are made within the trading limit prescribed for each bank based on the bank's credit rating and its world-wide ranking. Thus, no significant losses resulting from counter-parties' defaults are anticipated.

The contract (notional) amounts, credit risk and fair values of open contracts were as follows:

Financial Instruments	December 31, 2003			December 31, 2002		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For nontrading purposes:						
Asset swap contracts	\$ 93,495	\$ 18,539	\$ 18,536	\$ 582,565	\$ 11,317	(\$ 124,271)
Interest rate swap contracts	-	-	-	173,900	-	(65,647)
For accommodating customers' needs and managing the Bank's exposures:						
Forward contracts	9,199,343	550	(1,094)	5,045,718	1,679	(22,175)
Currency swap contracts	9,007,278	66,589	50,411	5,047,335	41,733	35,250

The fair value of each contract is determined using the quotation from Reuters or the Telerate Information system.

The principal amounts in certain derivative contracts are only notional amounts, i.e., used solely as a basis for calculating the receivable and payable on the contracts and are not exchanged at the start or end of a contract. Thus, the notional amount does not represent potential cash inflows or outflows. The possibility that derivative financial instruments held or issued by the Bank cannot be sold at a reasonable price is minimal, thus, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the years ended December 31, 2003 and 2002 were not significant.

Financial Highlights

b. Fair values of nonderivative financial instruments

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets—with fair values approximating carrying amounts	\$ 177,570,221	\$ 177,570,221	\$ 148,967,261	\$ 148,967,261
Securities purchased—net	11,720,130	11,720,130	10,822,743	10,822,743
<u>Liabilities</u>				
Financial liabilities—with fair values approximating carrying amounts	182,813,822	182,813,822	155,626,481	155,626,481
Bank debentures	3,500,000	3,575,786	3,500,000	3,499,965

Methods and assumptions applied in estimating the fair values of nonderivative financial instruments are as follows:

- 1) The carrying amounts of cash, due from banks, due from the Central Bank, receivables, call loans and due to banks and payables approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, bond investments and bank debentures issued are based on their market prices if market prices are available. Otherwise, fair values are estimated at carrying amounts.
- 3) The fair values of long-term equity investments are based on their quoted market prices if these prices are available and on carrying amounts if market prices are not available.
- 4) Loans, discounts and bills purchased, deposits and remittances and loan fund liabilities are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on carrying amounts net of allowance for credit losses.
- 5) Fair values of refundable deposits and guarantee deposits are based on their carrying amounts because these deposits do not have specific due dates.

Certain financial instruments and all nonfinancial instruments are excluded from disclosure of fair value. Accordingly, the aggregate fair values presented above are not the underlying value of the Bank.

c. Off-balance-sheet credit risks

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 one year to seven years. For the years ended December 31, 2003 and 2002, the loan interest rates ranged from 3.33% to 15.11% and 0.18% to 17.02%, 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, 2003 and 2002 were as follows:

	December 31	
	2003	2002
Irrevocable loan commitments	\$ 153,000	\$ 201,245
Credit commitments for credit cards	535,569,632	229,335,524
Guarantees and issuance of letters of credit	8,040,725	9,310,954

Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank's maximum credit risk on these commitments is the amount of the commitment assuming that the customer uses the full amount of the commitment and the related collateral or other security turns out to be worthless.

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 allowing drawings to be made against the credit facilities. As of December 31, 2003 and 2002, secured loans amounted to about 64.66% and 68.92%, respectively, of the total loans. In addition, the coverage ratios of guarantees and standby letters of credit secured by collaterals were 43.43% and 48.70% as of December 31, 2003 and 2002, respectively. Collaterals held vary but may include real estate, cash, inventory, marketable securities, and other property.

If the customers default, the Bank will, as required by circumstances, foreclose the collateral or execute other rights on the guarantees given. For credit card facilities, no collateral is required but the credit status of each credit cardholder is closely monitored.

Depending on the results of the credit status monitoring, appropriate measures are adopted, which include amending the credit limit and, if necessary, canceling the facility.

29. CREDIT RISK CONCENTRATION

Credit risk concentrations exist when the financial instrument counter-parties are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Credit risk concentration involved individuals and certain industries, which accounted for 8% or more of the outstanding loans, discounts and bills purchased as of December 31, 2003 and 2002, as follows:

	2003		2002	
	Amount	%	Amount	%
Individuals	\$ 75,742,301	62.24	\$ 63,886,468	57.88
Manufacturing industry	8,813,922	7.24	9,506,831	8.60

The net positions on the major foreign-currency transactions as of December 31, 2003 and 2002 were as follows:

2003			2002		
Foreign-currency Amounts (in Thousands)	New Taiwan Dollar Amounts (in Thousands)		Foreign-currency Amounts (in Thousands)	New Taiwan Dollar Amounts (in Thousands)	
1. US\$ 71,228	\$ 2,421,609		1. US\$ 9,828	\$ 341,817	
2. EUR 48,875	2,088,697		2. JPY 462,372	135,752	
3. JPY 3,552,090	1,129,209		3. EUR 3,579	130,452	
4. CHF 1,018	27,900		4. GBP 800	44,629	
5. AUD 200	5,096		5. CHF 886	22,217	

30. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Commission for the Bank and its affiliates: There are no other significant transactions or investment related information except the following:

- 1) Marketable securities held: Table 1 (attached);
- 2) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached);
- 3) Acquisition of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached);
- 4) Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached);
- 5) Names, locations, and related information of investees on which the Company exercises, significant influence: Table 5 (attached);
- 6) Derivative financial transactions: For the Bank's related information, please see Note 28. The investees' related information is as follows:

Union Bank Futures Corporation (UBFC)

The financial and nonfinancial instruments used in managing UBFC's exposure as well as trading activities are stated at fair value on the balance sheet. The change in realized or unrealized fair value is accounted for as gain or loss during the period the value changes. Interest revenue from and interest expense for transactions for trading purposes is recognized as interest revenue and expense during the period but not as gain or loss on such transaction.

a) The notional amount and credit risk

Financial Instruments	December 31, 2003	
	Notional Amounts	Credit Risk
TAIEX Futures—for trading purposes	\$ 644,590	(Note)
Option—call, for trading purposes	285	(Note)
Option—put, for trading purposes	3,765	(Note)

Note: The counter-parties of UBFC are large financial institutions and domestic clearing member futures brokers with high credit ratings. Thus, no significant credit risk is anticipated.

Financial Highlights

b) Market price risk

UBFC engages in futures trading for trading purposes, in which price risk results from futures buying and selling. Every futures contract has a reasonable fair market value. Thus, the possibility that the futures contract cannot be sold at fair value is quite low.

Derivatives

Financial Instruments	December 31, 2003		December 31, 2002	
	Book Value	Fair Value	Book Value	Fair Value
Asset				
TAIEX futures	\$ 85,784	\$ 85,784	\$ 63,097	\$ 63,097
Options—buy, non-hedging	261	261	-	-
Liability				
Options—sell, non-hedging	2,062	2,062	-	-

Methods and assumptions applied in estimating the fair values of financial instruments are as follows:

The fair value of derivative financial instrument is the amount that UBFC must pay or is expected to receive to terminate contracts at the balance sheet date.

Generally, the fair value includes the unrealized gain or loss on unsettled contracts.

The fair value of UBFC's derivatives is calculated on the basis of quotations from financial institutions.

c) Liquidity risk, cash flow risk and the uncertainty of the amount and period of future cash flow

i. Liquidity risk: None.

ii. Cash flow risk: None.

iii. Uncertainty of the amount and period of future cash flow:

UBFC trades derivatives having contract (notional) amounts. In addition, the initial margin deposit on the stock index contract is higher than its maintenance margin deposit. Thus, there are no additional future cash requirement and risk on uncertainty.

d) The presentation of derivatives in the financial statements

As of December 31, 2003, the gains on futures transactions were as follows

	For the Year Ended December 31, 2003
Realized gain on futures contracts	\$ 40,335
Unrealized gain on futures contracts	772
Realized gain on option transactions	4,912
Unrealized gain on option transactions	1,680

b. Information related to investment in Mainland China: None.

31. 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. Thus no geographic and customer information is required to be disclosed.

TABLE 1

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD

DECEMBER 31, 2003

(Amounts in Thousands of New Taiwan Dollars and Foreign Currency, Unless Otherwise Stated)

Held Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Notes 3 and 4)	
Union Bank of Taiwan	Stock Union Bills Finance Corporation Union Finance and Leasing International Corporation	Equity-method investee Subsidiary	Long-term equity investments	126,576	\$ 1,282,534	42.76%	\$ 1,282,534	Note 1
				100,000	743,402	99.99%	743,402	
	Union Bank Futures Corporation Union Finance International (H.K.) Limited	Subsidiary Subsidiary	Long-term equity investments Long-term equity investments	59,440	599,652	99.07%	599,652	
				30,000	195,543	99.99%	195,543	
	Union Information Technology Corporation	Subsidiary	Long-term equity investments	12,950	141,211	99.92%	137,748	
	Union Security Investment Trust Corporation	Equity-method investee	Long-term equity investments	10,500	118,620	35.00%	118,620	
	Union Insurance Broker Company Union Real-Estate Management Corporation	Subsidiary Equity-method investee	Long-term equity investments Long-term equity investments	2,522	60,971	90.07%	61,776	
				2,000	26,990	40.00%	26,990	
	Morgan Stanley Union Bank Asset Management Corporation	Equity-method investee	Long-term equity investments	1,323	13,730	49.00%	13,730	
	Union Security Investment Consulting Company	Subsidiary	Long-term equity investments	994	9,026	99.40%	9,026	
	Entie Securities Finance Company Taiwan Asset Management Corporation	- -	Long-term equity investments Long-term equity investments	65,206	622,188	12.15%	657,931	
				10,000	100,000	0.57%	106,600	
	Universal Venture Fund Inc Taiwan Financial Asset Service Corporation	- -	Long-term equity investments Long-term equity investments	8,000	80,000	4.76%	67,520	
				5,000	50,000	2.94%	50,700	
	Financial Information Service Company	-	Long-term equity investments	4,550	45,500	1.14%	67,067	
	Euroc III Venture Capital COT NCTU Spring I Technology Venture Capital Investment Corporation	- -	Long-term equity investments Long-term equity investments	3,000	30,000	5.00%	30,480	
				2,130	21,615	5.00%	16,571	
	Debt Instrument Depository and Clearing Co., Taiwan	-	Long-term equity investments	2,000	20,000	1.00%	19,680	
	Taiwan Future Exchange Corporation	-	Long-term equity investments	1,025	10,250	0.51%	15,672	
	Taipei Forex Inc.	-	Long-term equity investments	80	800	0.40%	1,226	

(Continued)

Financial Highlights

Held Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Notes 3 and 4)	
Union Finance and Leasing International Corporation	Bond	-	Long-term bond investments	US\$ 3,000	\$ 86,695	-	\$ 86,695	
	Pacific Construction Co., Ltd. European Convertible Bond	-	Long-term bond investments	US\$ 5,000	134,292	-	134,292	
	China Petrochemical European Convertible Bond	-	Long-term bond investments	US\$ 2,000	67,996	-	67,996	
	Taishin Financial Holding Company Asset Swap	-	Long-term bond investments	US\$ 10,000	339,470	-	339,980	
	Ginnie Mae CMO	-	Long-term bond investments					
	Stock	-	Long-term equity investments	300	16,338	0.12%	3,075	
	China Chemical Corporation	-	Long-term equity investments	1,527	55,439	0.71%	55,768	
	Formosa International Hotel Corporation	-	Long-term equity investments					
	Union Capital (Cayman) Corp.	Subsidiary	Long-term equity investments	50	241,300	100.00%	241,499	
	Union Bills Finance Corporation	Affiliate	Long-term equity investments	2,100	26,250	0.71%	21,296	
Union Bank Futures Corporation	Photronics Semiconductor Mask Corp.	-	Long-term equity investments	536	14,909	0.52%	4,937	
	Union Semi-Conductors Technology Corp.	-	Long-term equity investments	1,600	548	2.65%	(23,904)	
	Stock	-	Long-term equity investments					
	Taiwan Future Exchange Corporation	-	Long-term equity investments	3,050	30,500	1.53%	46,635	
	China Motor Corporation Ltd.	-	Short-term investments	10	636	-	605	
	Fuhwa Financial Holding Co., Ltd.	-	Short-term investments	70	771	-	748	
	Stock	-	Long-term equity investments					
	Debt Instrument Depository and Clearing Co., Taiwan	-	Long-term equity investments	4,000	40,000	2.00%	39,360	
	Bank debenture	-	Short-term investments					
	Taishin Financial Holding Co., Ltd., 2003	-	Short-term investments	10 pieces	100,000	-	100,000	
Union Bills Finance Corporation	Beneficiary certificate	-	Long-term investments	2,685	30,000	-	30,066	
	CITC Cash Reserves Fund	-	Long-term investments	1,597	20,000	-	20,028	
	Union Bond Fund	-	Long-term investments	9,626	100,000	-	100,141	
	TLAM Harvest Bond Fund	-	Long-term investments	1,716	20,005	-	20,036	
	Barits Bond Fund	-	Long-term investments	3,718	50,000	-	50,048	
	PITC Home Run Bond Fund	-	Long-term investments	3,365	40,000	-	40,016	
	Sheng Hua 1699 Bond Fund	-	Long-term investments					

(Continued)

Held Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note	
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Notes 3 and 4)		
Union Security Investment Trust Corporation	Beneficiary certificate	Beneficiary certificate issuer	Short-term investments	1,114	\$ 13,000	-	\$ 13,003		
	Union Bond Fund	Beneficiary certificate issuer	Short-term investments	1,227	13,000	-	13,003		
	Union Yo-Li Bond Fund	-	Short-term investments	848	12,000	-	12,003		
	CITC Safe Income Fund	-	Short-term investments	57	9,000	-	9,002		
	NITC Bond Fund	-	Short-term investments	926	12,500	-	12,503		
	NITC Taiwan Bond Fund	-	Short-term investments	188	3,000	-	3,001		
	NT High Yield Fund	-	Short-term investments	372	4,000	-	4,001		
	Sheng Hua 5599 Bond Fund	-	Short-term investments	316	3,500	-	3,536		
	CITC Cash Reserves	-	Short-term investments	950	10,000	-	9,976		
	Union China Fund	Beneficiary certificate issuer	Short-term investments	490	5,000	-	5,007		
	Union Balance Fund	Beneficiary certificate issuer	Short-term investments						
	Union Information Technology Corp.	Stock	Equity method investee	Long-term equity investments	2,000	13,452	21.05%	10,020	Note 4
		ELTA Technology Co., Ltd.	-	Long-term equity investments	1,650	3,066	16.02%	6,353	Note 4
eBizServe, Inc.		-	Short-term investments	118	9,600	0.14%	818		
Summit Computer Technology Co., Ltd.		-	Short-term investments	1	13	-	1		
Lin San Hao International Co., Ltd.		-	Short-term investments						
Beneficiary certificate		-	Short-term investments	1,476	20,088	-	20,889		
CITC Safe Income Fund		-	Short-term investments	2,730	27,301	-	27,307		
President Pao-An Balance Fund		-	Short-term investments	1,385	16,000	-	16,957		
Truswell Bond Fund		-	Short-term investments	247	2,846	-	2,888		
Union Bond Fund		The beneficiary certificate issuer is an affiliate of Union Information Technology Corp.	Short-term investments	978	10,000	-	9,996		
Union Balance Fund		The beneficiary certificate issuer is an affiliate of Union Information Technology Corp.	Short-term investments	1,231	13,000	-	13,047		
Union Yo-Li Bond Fund		The beneficiary certificate issuer is an affiliate of Union Information Technology Corp.	Short-term investments						
ABN-AMRO Aggressive Taiwan Bond Fund		-	-	Short-term investments	2,935	30,000	-	30,907	
	ABN-AMRO Aggressive Taiwan Bond Fund	-	Short-term investments	1,040	10,403	-	10,819		
	ABN-AMRO Global Balanced Fund	-	Short-term investments						
Preferred stock Log-on Data Corp.	Preferred stock	-	Long-term equity investments	15	3,439	-	-	Note 2	
	Log-on Data Corp.	-	Long-term equity investments						

(Continued)

Financial Highlights

Held Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003			Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership	
Union Security Investment Consulting Company	Beneficiary certificate Union Bond Fund	The beneficiary certificate issuer an affiliate of Union Security Investment Consulting Corporation	Short-term investments	224 \$ 2,500	-	\$ 2,619	
Union Finance International (HK) Limited	Bond China Petrochemical Euro Convertible Bond of DLJ Emerging Market LDC MBNA Corp. Floating Rate Notes Capital One Bank Senior Notes FCE Bank Plc. Floating Rate Notes Federal Home Loan Government Bond	-	Long-term investments	1,960 pieces US\$ 1,960	-	-	
Union Insurance Broker Company	ET Intement Technology Corporation Hung Sheng Construction Ltd. Yieh Phui Enterprise Co., Ltd. Hold-Key Electric Wire & Cable Co., Ltd.	-	Short-term investments	100 1,737	-	1,536	
		-	Short-term investments	50 709	-	680	
		-	Short-term investments	50 1,262	-	1,168	
		-	Short-term investments	100 2,963	-	2,881	

Note 1: Book value is translation adjustments and net of allowance for decline in market value of long-term investment.

Note 2: The securities are preferred stock, thus, no net asset value is available.

Note 3: The net asset values of the Bank's equity-method investees are based on the audited 2003 financial statements. Except for the net asset values of the Taiwan Futures Exchange Corporation, Entite Securities Finance Company, Taipei Forex Inc., and Debt Instrument Depository and Clearing Co., Taiwan, which were based on the 2003 audited financial statements, the net asset values of the rest cost-method investees were based on 2003 unaudited financial statements.

Note 4: 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:

- Union Capital (Cayman) Corp.—the audited stockholders' equity as of December 31, 2003.
- ELTA Technology Co., Ltd. and eBizServe, Inc.—the audited stockholders' equity as of December 31, 2002.
- Other companies—unaudited statement of stockholders' equity as of December 31, 2003.

The market value of the listed and OTC stocks were based on the average daily closing prices in December 2003. Beneficiary certificates were based on net asset values as of the balance sheet date.

TABLE 2

UNION BANK OF TAIWAN

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Shares/Units/ Face Value	Amount	Shares/Units/ Face Value	Amount	Shares/Units/ Face Value	Amount	Shares/Units/ Face Value	Amount
Union Bank of Taiwan	Bond Ginnie Mae CMO	Long-term investments	-	-	-	\$ -	-	US\$ 10,000	-	\$ -	-	US\$ 10,000
Union Finance International (HK) Limited	Note Credit Linked Notes of Lehman Brothers Treasury Co., B.V.	Long-term investments	-	-	1	US\$ 3,000	-	-	1	US\$ 3,000	-	\$ -

Financial Highlights

TABLE 3

UNION BANK OF TAIWAN

ACQUISITION OF INDIVIDUAL REAL ESTATES AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counterparty	Relationship	Prior Transaction Data with Related Counterparty			Price Reference	Purpose of Acquisition	Other
							Owner	Relationship	Transfer Date			
Union Bank of Taiwan	Collateral assumed—parcels of land in Taipei City	2003.02.20	\$ 210,000	Seizure of collateral if loan is unpaid	Kang-He Construction Corp.	Debtor of the Bank	-	-	-	According to Fan Asia's and Tai-Yi Real Estate Management Corporation's appraisal and negotiation with seller	For sale	-
	Collateral assumed—buildings and parcels of lands in Taipei County	2003.02.24	124,050	Pay to court by check	Yu-Gao Construction Corp.	Debtor of the Bank	-	-	-	Court auction price	For sale	-
	Collateral assumed—buildings and parcels of land in Yilan County	2003.04.24	161,808	Pay to court by check	Xin-Rong Construction Corp.	Debtor of the Bank	-	-	-	Court auction price	For sale	(Note)
	Collateral assumed—buildings and parcels of land in Taipei County	2003.05.06	189,380	Pay to court by check	Yu-Gao Construction Corp.	Debtor of the Bank	-	-	-	Court auction price	For sale	-
	Collateral assumed—parcels of land in Taoyuan County	2003.12.30	252,981	Seizure of collateral if loan is unpaid	Hong-Guo Development Corp.	Debtor of the Bank	-	-	-	According to DTZ Pebenham Tie Leung's appraisal and negotiation with seller	For sale	-

Note: The auction date is on April 2, 2003.

TABLE 4

UNION BANK OF TAIWAN

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in Thousands of New Taiwan Dollars)

Company Name	Types of Properties	Disposal Date or Transaction Happened Date	Acquisition Date	Book Value	Transaction Amount	Payment Terms	Gain (Loss) on Disposal	Trade With	Relationship	Purpose of Disposal	Price Reference	Other Terms
Union Bank of Taiwan	Collateral assumed—parcels of land in Danshuei Township	2003.01.23	2002.08.20	\$ 1,254,859	\$ 1,250,000	Installment payment	(\$ 4,859)	An Individual	None	-	According to Pan Asia's and Tai-Yi Real Estate Management Corporation's appraisal and negotiation with buyer	-
	Collateral assumed—parcels of land and buildings in Yilan County	2003.04.11 (the contract date)	2003.04.24	161,808	144,125	Installment payment	(17,683)	Luo Dong Stell Co.	None	-	According to YiLan Chamber of Commerce's appraisal and negotiation with buyer	Note 1
	Collateral assumed—parcels of land in Taipei City	2003.06.17 (transfer date)	2003.02.20	210,351	210,670	Installment payment	319	An Individual	None	-	According to Pan Asia's and Tai-Yi Real Estate Management Corporation's appraisal and negotiation with buyer	-
	Collateral assumed—parcels of land in Taichung City	2003.12.26 (the contract date)	2002.09.04	157,650	217,059	Installment payment	59,429	An Individual	None	-	According to market quotation and negotiation with buyer	-
	Fixed asset—parcels of land and buildings in Taipei City	2003.11.14 (the contract date)	1999.08.20	534,553	535,000	Installment payment	447	Tzu Chi Foundation Buddhist Compassion Relief	None	-	According to Xie-He Real Estate Management Corporation's appraisal and negotiation with buyer	Note 2

Note1: The auction date is April 2, 2003.

Note2: Transfer of the asset was completed on January 13, 2004, and a gain was recognized on this transaction.

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TABLE 5

UNION BANK OF TAIWAN

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in Thousands of New Taiwan Dollars and Foreign Currency, Unless Otherwise Stated)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2003 Shares (in Thousands)	Percentage of Ownership	Carrying Value	Net Income (Loss) of Investee	Investment Gain (Loss)	Note
				Dec. 31, 2003	Dec. 31, 2002						
Union Bank of Taiwan	Union Bills Finance Corporation	15th Floor, 109, Sec. 3 Min-Sheng E. Road, Taipei, Taiwan	1. Brokerage and short-term bills dealing 2. Notes underwriting, licensing and endorsing (as guarantor) 3. Brokerage and government bond dealing 4. Licensing, underwriting, brokerage and bank debenture dealing 5. Corporate bond dealing	\$ 1,238,450	\$ 1,238,450	126,576	42.76%	\$1,282,534	\$ 529,808	\$ 226,546	-
	Union Financing and Leasing International Corporation	8th Floor, 109, Sec. 3 Min-Sheng E. Road, Taipei, Taiwan	Installment, leasing and accounts receivable factoring	1,000,000	1,000,000	100,000	99.99%	743,402	63,446	63,440	-
	Union Bank Futures Corporation	3F-1, 137, Sec. 2 Nanking E. Road, Taipei, Taiwan	Futures brokerage	594,397	594,397	59,440	99.07%	599,652	(8,359)	(8,282)	-
	Union Finance International (HK) Limited	Unit C and D, 8F, Entertainment Building, 30, Queen's Road, Central, Hong Kong	Import and export accommodation	106,589	106,589	30,000	99.99%	195,543	10,926	10,926	-
	Union Information Technology Corporation	8th Floor, 109, Sec. 3 Min-Sheng E. Road, Taipei, Taiwan	Distribution of computer hardware and software, development of system program in sourcing of system construction, design of web pages and web sites and e-commerce	90,665	90,665	12,950	99.92%	141,211	47,167	46,866	-
	Union Security Investment Trust Corporation	14th Floor, 101, Fuhshing N. Road, Taipei, Taiwan	Securities investment trust	105,000	105,000	10,500	35.00%	118,620	35,944	12,478	-
	Union Insurance Broker Company	21, Alley 6, Lane 113, Sec. 3 Min-Sheng E. Road, Taipei, Taiwan	Personal insurance agency	25,220	25,220	2,522	90.07%	60,971	35,560	30,475	-
	Union Real Estate Management Corporation	6th Floor, 10, Sec. 3 Chong-Xin Road, Sanchong, Taipei, Taiwan	Construction plan review and consulting	20,000	20,000	2,000	40.00%	26,990	16,694	6,677	-
	Morgan Stanley Union Bank Asset Management Corporation	8th Floor, 109, Sec. 3 Min-Sheng E. Road, Taipei, Taiwan	Purchase, sell and manage nonperforming loans from financial institution; does accounts receivable factoring	13,230	-	1,323	49.00%	13,730	1,021	500	-
	Union Security Investment Consulting Company	8F-7, 101, Fuhshing N. Road Taipei, Taiwan	Securities investment consulting	9,940	9,940	994	99.40%	9,026	737	733	-
Union Financing and Leasing International Corporation	Union Capital (Cayman) Corp.	P.O. Box 1034, George Town Grand Cayman, Cayman Islands, British West Indies	Foreign trade and general leasing	1,644	493,241	50	100.00%	241,300	(US\$ 5,212)	(178,269)	Note 1
Union Information Technology Corporation	ELTA Technology Co., Ltd.	8th Floor, 2, Sec. 2, Ren-Ai Road, Taipei, Taiwan	Software and hardware product retail and distribution services	22,500	22,500	2,000	21.05%	13,452	(14,928)	(4,452)	Note 2

Note 1: Union Capital (Cayman) Corp. had completed a capital reduction process in 2002, and Union Financing and Leasing International Corporation received \$491,597.

Note 2: The equity of Union Information Technology Corporation in the net gain and loss of its equity-accounted investee, ELTA Technology Co., Ltd., was based on the investees' 2002 audited financial statements.

V. CPA-Audited Consolidated Financial Statements for the Past Year: None

VI. Review and Analysis of Financial Conditions and Operating Results

1. Review and Analysis of Capital Expenditures and Sources of Capital

a. Major Capital Expenditures and Sources of Capital:

Unit: NT\$ in thousands

Items	Real or Anticipated Source of Funds	Real or Anticipated Date of Completion	Total Amount of Funds Required	Real or Anticipated Use of Funds						
				1998	1999	2000	2001	2002	2003	2004
Machineries and Equipment	Working Capital	2004.12	\$1,354,301	\$ 138,765	\$ 232,877	\$ 108,685	\$ 89,400	\$ 162,918	\$ 76,328	\$ 545,328
Transportation Equipment	Working Capital	2004.12	186,963	12,426	21,757	11,463	7,027	9,129	21,653	103,508
Other Equipment	Working Capital	2004.12	1086,207	295,709	117,617	74,143	85,988	35,916	208,678	268,156
Land	Working Capital	2004.12	1,136,511	41,219	130,342	758,589	-	-	38,663	167,698
Premises	Working Capital	2004.12	402,462	52,844	199,834	25,591	-	682	54,149	69,362

b. Anticipated Benefits

(1) Expected increase in production, sales, and gross margins: Not applicable.

(2) Other expected benefits:

- i. Computerization of business operations: raise the efficiency of computer-processed operations, simplify processing procedures, and increase service quality.
- ii. Building new client base and developing new financial services: develop new kinds of consumer finance, trust, and foreign exchange products and services while improving operating efficiency and profits. Moreover, the voice banking system will be enhanced and a customer-oriented management information system will be established to provide a stable infrastructure for information processing, enabling the implementation of customer-differentiated services by exploiting our extensive client database.

2. Liquidity Analysis

Liquidity Analysis for the Past Two Years

Item	Year	2003	2002	Change in %
Cash Flow Ratio (%)		-	65.23	-
Cash Flow Adequacy Ratio (%)		33.84	375.85	(91.00)
Cash Reinvestment Ratio (%)		-	6.35	-

Analysis of ratio fluctuation:
Thanks to the increase of cash transactions in 2003, the net cash outflow of business activities increased. This caused the cash flow adequacy ratio decreased drastically, if compared with 2002.

Cash Flow Analysis for the forthcoming year

Unit: NT\$ in thousands

Beginning Cash Balance ①	Estimated Net Cash Flows from Operating Activities ②	Estimated Cash Inflow/(Outflow) ③	Estimated Cash Surplus (Deficit) ①+②+③	Remedies for Insufficient Cash	
				Investment Activities	Financing Activities
11,236,929	(1,936,105)	(206,026)	9,094,798	-	-

Financial Highlights

3. Analysis of Operating Performance

Analysis of Operating Performance for past two years

Unit: NT\$ in thousands

	2003	2002	Increase (Decrease)	Change (%)
Operating Revenue	\$ 11,510,045	\$ 10,853,661	\$ 656,384	6.05
Operating Expense	10,531,138	11,948,864	(1,417,726)	(11.86)
Operating Income (Loss)	978,907	(1,095,203)	2,074,110	(189.38)
Non-Operating Income	1,078,294	193,061	885,233	458.53
Non-Operating Expense	587,128	526,576	60,552	11.50
Earnings Before Income Tax (Loss)	1,470,073	(1,428,718)	2,898,791	(202.89)
Income Tax Gain	(149,125)	67,433	(216,558)	(321.15)
Net Income (Loss)	\$ 1,320,948	(\$ 1,361,285)	\$ 2,682,233	(197.04)

Notes on changes:

Thanks to the decrease of interest expense and loss reserve as well as the increase of long term equity investment profits in 2003, the operating profit in 2003 was increased. Thanks to the increased profits through the sale of collateral taken over by the bank and the reallocated profits from the NPL sold, the other income in 2003 was increased, if compared with 2002.

VII. Independent Auditors and Audit Opinions for the Past Five Years

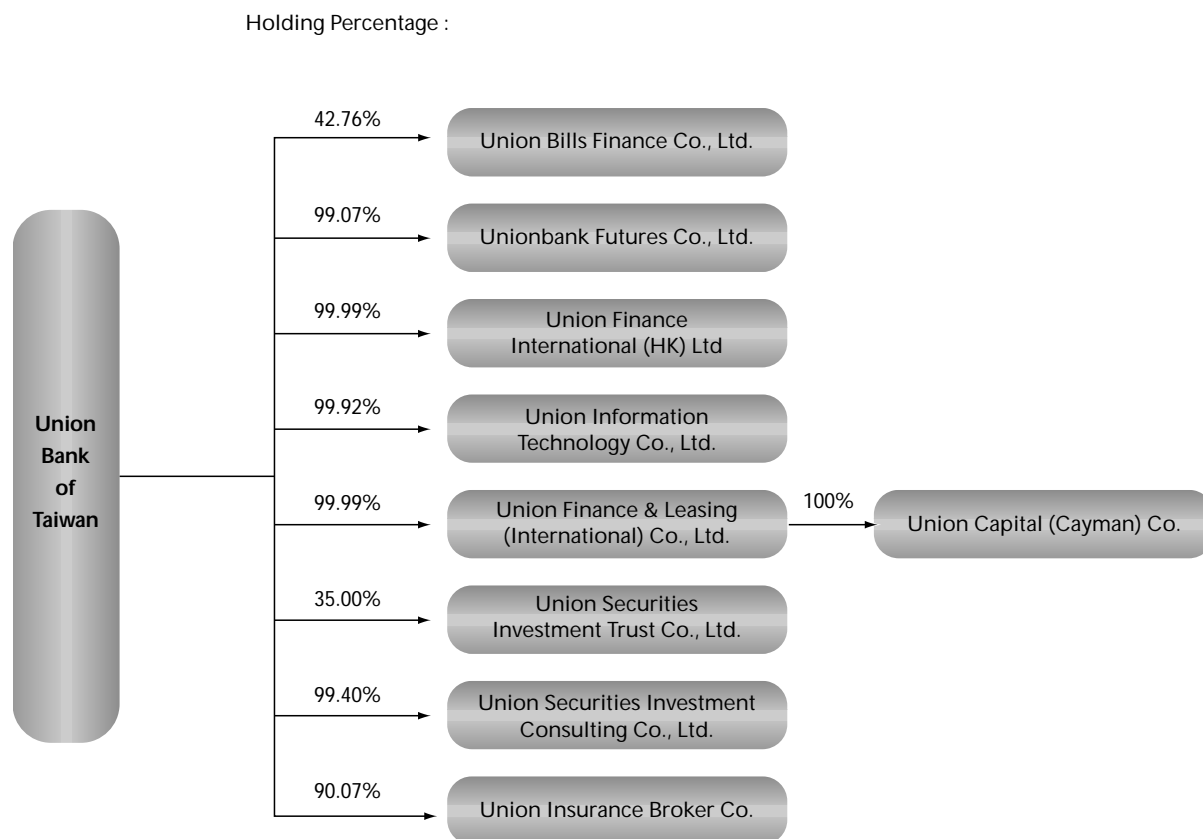
Year	CPA Firm	Auditors	Audit Opinion
1999 & 2000	T N Soong & Co.	Mr. Eli C. Wang and Ms. Joannie Lee	Unqualified
2001	T N Soong & Co.	Ms. Joannie Lee and Mr. Ray Chang	Revised Unqualified
2002	T N Soong & Co.	Ms. Joannie Lee and Mr. Ray Chang	Qualified (note)
2003	Deloitte & Touche	Mr. Terence Huang and Mr. Ray Chang	Qualified (note)

Note: The qualified opinion is issued against our loss derived from the sales of non-performing loans, which will be carried forward over 60 months as stipulated by the Law Governing Merger of Financial Institutions.

Special Disclosures

I. Information on Affiliated Enterprises

A. Organization Chart of Affiliated Enterprises (as of December 31, 2003)



Special Disclosures

B. Profiles of Affiliated Enterprises

Unit : NTD in thousands

(as of 2003.12.31.)

Enterprise	Date of Establishment	Address	Paid-in Capital	Scope of Business
Union Bills Finance Company	1995.7.19.	15F, 109, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	2,960,000	1. Brokerage and dealing of short-term bills. 2. Underwriting, certifying, and endorsing (as guarantor) of commercial notes. 3. Brokerage and dealing of government bonds. 4. Certification, underwriting, brokerage and dealing of financial debentures.
Union Finance & Leasing (International) Corp.	1996.11.11.	8F, 109, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	1,000,100	1. Leasing and dealership of machineries and transportation equipment. 2. Leasing and re-leasing of VCRs and refrigerators, etc. 3. Leasing of artworks. 4. Factoring (FX business excluded).
Unionbank Futures Corporation	1994.7.3.	3F-1, 137, Sec. 2, Nanking E. Rd., Taipei, Taiwan	600,000	Commodity futures trading
Union Finance International (HK) Ltd.	1996.4.23.	Unit C & D, 8F, Entertainment Building, 30, Queen's Road Central, Hong Kong	HKD 30,000,002 (2002.12.31,R=4.4595)	Trade finance
Union Securities Investment Trust Corporation	1998.12.22.	14F, 101, Fuhsing N. Road, Taipei, Taiwan	300,000	Securities investment trust
Union Securities Investment Consulting Corporation	1999.12.14.	8F-7, 101, Fuhsing N. Road, Taipei, Taiwan	10,000	Securities investment consulting
Union Insurance Broker Corp.	1997.8.4.	1F, 21, Alley 6, Lane 113, Sec. 3, Minsheng E. Road, Taipei, Taiwan	28,000	Life insurance agency service
Union Information Technology Corp.	1998.8.20.	8F, 109, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	129,600	Systems development and computer software and hardware dealership
Union Capital (Cayman) Corp.	1997.7.23.	P.O.Box 1034, George Town, Grand Cayman, Cayman Islands, British West Indies.	1,644	Installement and Leasing business

C. Relationships between Business Operations of Affiliated Enterprises - None

D. Chairmen, Directors, Supervisors, and Presidents of Affiliated Companies

Unit : Shares, %
(as of 2003.12.31.)

Enterprise	Title	Name (Representative)	Shares Held	
			No of Shares	Holding %
Union Bank of Taiwan	Chairman	C.C. Huang	1,020,247	0.069%
	Managing Director	Zhen-Xong Jiang	3,969,367	0.267%
	Managing Director	Yu-Pang Co., Ltd. (Representative: Jia-Yi Wang)	16,373,448	1.100%
	Director & President	Shiang-Chang Lee	994,207	0.067%
	Director	Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)	61,896,601	4.157%
	Director	Chung-Li Investment Co., Ltd. (Representative: Jin-Fu Liu)	30,613,388	2.056%
	Director	Chung-Li Investment Co., Ltd. (Representative: Yao-Nan Lai)		
	Director	Union Entertainment Enterprise Co., Ltd. (Representative: Sue-ere C. Lin)	22,948,877	1.541%
	Director	Si-Yong Lin	14,622,349	0.982%
	Supervisor	Yu-Quan Development Co., Ltd. (Representative: Yu-Quan Lee)	8,682,889	0.583%
	Supervisor	Zhen-Lu Lin	248,080	0.017%
	Supervisor	Ming Hsing Ho	1,814	-
Union Bills Finance Company	Chairman	Union Bank of Taiwan (Representative: Kuo- Chang Lee)	126,576,000	42.760%
	Managing Director	Union Bank of Taiwan (Representative: Jeff Lin)	126,576,000	42.760%
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)	126,576,000	42.760%
	Director	Union Bank of Taiwan (Representative: Hao- Sen Lee)	126,576,000	42.760%
	Supervisor	Union Bank of Taiwan (Representative: Zhen- Xong Jiang)	126,576,000	42.760%
	Supervisor	Union Bank of Taiwan (Representative: Chung-Chieh Huang)	126,576,000	42.760%
	Managing Director	EnTie Commercial Bank (Representative: Zhen-Shiang Chan)	63,288,000	21.380%
	Director	EnTie Commercial Bank (Representative: Bao-Yong Chen)	63,288,000	21.380%
	Director	EnTie Commercial Bank (Representative: Gen-Teng Chang)	63,288,000	21.380%
	Director	Union Enterprise Construction Co., Ltd. (Representative: Hong-Yao Lin)	12,404,448	4.190%
	Director	Hong-kuo Construction Co., Ltd. (Representative: Ya-Jean Lin)	12,404,448	4.190%
	Supervisor	Yu-Pang Co., Ltd.(Representative: Wen-Ming Lee)	12,404,448	4.190%
	President	Ming Hsing Ho	88,000	0.030%
Union Finance & Leasing (International) Corp.	Chairman	Union Bank of Taiwan (Representative: Yi- Ben Liao)	100,000,000	99.990%
	Director	Union Bank of Taiwan (Representative: Jeff Lin)		
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)		
	Supervisor	Union Bank of Taiwan (Representative: Hao- Sen Lee)		
	President	Yi-Ben Liao		
Unionbank Futures Corporation	Chairman	Union Bank of Taiwan (Representative: Chi- Chang Chen)	59,439,650	99.070%
	Director	Union Bank of Taiwan (Representative: Jeff Lin)		
	Director	Union Bank of Taiwan (Representative: Sue-ere C. Lin)		
	Director	Union Bank of Taiwan (Representative: Yao- Nan Lai)		
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)		
	Director	Union Bank of Taiwan (Representative: Jin-Fu Liu)		
	Director	Union Bank of Taiwan (Representative: Zhen- Xong Jiang)		
	Director	Union Bank of Taiwan (Representative: Si- Yong Lin)		
	Director	Union Bank of Taiwan (Representative: Zhen- Lu Lin)		
	Director	Union Bank of Taiwan (Representative: Chung-Chieh Huang)		
Director	Union Bank of Taiwan (Representative: Tarsicio Tong)			

Special Disclosures

Unit : Shares, %
(as of 2003.12.31.)

Enterprise	Title	Name (Representative)	Shares Held	
			No of Shares	Holding %
	Supervisor	Union Bank of Taiwan (Representative: Chuan-Zhong Chang)	100,000	0.170%
	Supervisor	Union Bank of Taiwan (Representative: Yu- Quan Lee)		
	President	Yuei-Kuei Wei		
Union Finance International (HK) Ltd.	Director	Union Bank of Taiwan (Representative: Jeff Lin)	30,000,000	99.999994%
	Director	Union Bank of Taiwan (Representative: Roger Wang)		
	Director	Union Bank of Taiwan (Representative: Patrick Jean)		
	Director	Shiang-Chang Lee	1	0.000003%
	Director & President	Huo-shan Dai	1	0.000003%
	Union Securities Investment Trust Corp.	Chairman	Kuen-jer Investment Co., Ltd. (Representative: Cheng-Zhu Hsieh)	2,500,000
Director		Kuen-jer Investment Co., Ltd. (Representative: Hsiao-Yi Tsai)		
Director		Kuen-jer Investment Co., Ltd. (Representative: Wen-Min Lee)		
Director		Kuen-jer Investment Co., Ltd. (Representative: Chi-Hao Yuei)		
Supervisor		Kuen-jer Investment Co., Ltd. (Representative: Yi-Ben Liao)		
Supervisor		Kuen-jer Investment Co., Ltd. (Representative: Chiao-Chuan Tsai)		
Director		Hong-Yi Investment Co., Ltd. (Representative: Min-Yi Lo)	1,500,000	5.000%
Director		Goldsun Computer Communication Co., Ltd. (Representative: Hong-Min Hsiao)	3,000,000	10.00%
President		Chin-Shuan Hsu	-	-
Union Securities Investment Consulting Corp.	Chairman & President	Union Bank of Taiwan (Representative: Victor Chu)	994,000	99.40%
	Director	Union Bank of Taiwan (Representative: Tsai- Lin Liao)		
	Director	Union Bank of Taiwan (Representative: Yu- Lin Kuo)		
	Supervisor	Union Bank of Taiwan (Representative: Cynthia Shu)		
Union Insurance Broker Co., Ltd.	Chairman & President	Union Bank of Taiwan (Representative: William Kuei)	2,522,000	90.07%
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)		
	Director	Union Bank of Taiwan (Representative: Chung-Chieh Huang)		
	Supervisor	Union Bank of Taiwan (Representative: Hao- Sen Lee)		
	President	Union Bank of Taiwan (Representative: Willam Kuei)	14,000	0.50%
Information Technology Corp.	Chairman & President	Union Bank of Taiwan (Representative: Qin- Ming Huang)	2,950,000	99.920%
	Director	Union Bank of Taiwan (Representative: Hao- Sen Lee)		
	Director	Union Bank of Taiwan (Representative: John Lee)		
	Supervisor	Union Bank of Taiwan (Representative: Yan-Nian Chen)		
	President	Union Bank of Taiwan (Representative: Chin-Ming Huang)	2,000	0.01%
Union Capital (Cayman) Corp.	Director	Union Finance & Leasing (International) Corp. (Representative: Yi-Ben Liao)	50,000	100.00%
	Director	Union Finance & Leasing (International) Corp. (Representative: Shiang-Chang Lee)		

E. Operating Performance of Affiliated Enterprises

Unit: NT\$ in thousands

Enterprise	Paid-in Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Profit	Net Earnings (after tax)	Earnings per Share (dollar) (after tax)	Notes
	2,960,000	8,213,370	5,213,993	2,999,377	887,683	574,580	529,808	1.79	
Union Bills Finance Co., Ltd. Union Finance & Leasing (International) Co., Ltd.	1,000,100 600,000	5,020,724 1,012,782	4,277,248 407,501	743,476 605,281	668,678 201,202	292,250 (19,683)	63,446 (8,359)	0.63 (0.14)	
Unionbank Futures Co., Ltd. Union Finance International (HK) Ltd.	106,589	735,235	539,673	195,562	37,536	9,375	10,926	0.36	HKD exchange rate was 4.3795 on Dec. 31, 2003; HKD annual average exchange rate was 4.4198
	300,000	375,814	36,898	338,916	128,586	42,120	35,944	1.20	
Union Securities Investment Trust Co., Ltd. Union Securities Investment Consulting Co., Ltd.	10,000 28,000	10,120 85,357	1,040 16,771	9,080 68,586	5,703 187,788	1,139 46,436	737 35,560	0.74 12.70	
Union Insurance Broker Co., Ltd. Union Information Technology Co., Ltd.	129,600	248,176	110,318	137,858	260,231	68,504	47,167	3.64	
Union Capital (Cayman) Corp.	1,644	758,684	517,185	241,499	21,880	13,949	(179,366)	(3,587.33)	USD exchange rate was 33.998 on Dec. 31, 2003; USD annual average exchange rate was 34.4133

F. Consolidated Financial Statement for Affiliated Enterprises: None

G. Enterprise Relationship Report: None

II. Dividend Policy and Status of Implementation

A. Dividend policy:

Any earnings posted at the end of the fiscal year will be subject to income tax submissions as required by relevant laws, followed by compensations to recover any losses occurred in previous years. Thirty percent of the remaining earnings will then be allocated to legal reserves of retained earnings with another portion allocated to special reserves of retained earnings. The dividend will be determined after all of the above allocations have been assigned. If there are any residual earnings after dividend distribution, 10% or more of which will be paid as employee bonuses with the rest added to the retained earnings accrued from previous years and paid to the following parties in proportions indicated below:

- (1) 95% as bonuses to shareholders
- (2) 5% as commissions to directors and supervisors

The cash dividend distribution shall not exceed 15% of the bank's total capital unless the amount of legal reserves of retained earnings has reached total capital.

Special reserves of retained earnings shall be allocated from the after-tax earnings of the current year and retained earnings accrued over previous years for an amount equivalent to any subtractions to owners' equity (such as unrealized losses from long term equity investments or translation adjustment, etc.) recorded during the current year.

The above-mentioned special reserves of retained earnings shall not be applied towards dividend payout unless there is a reversion to any previous subtractions to owners' equity where the reverted amount is available for dividend payout.

Dividend distribution and the kinds of shareholder bonuses are determined at the discretion of the board of directors who will take into account the current financial conditions, future profitability prospects and our capital budgeting plans in their determination of cash and stock dividends and their respective proportions. Our bank is presently undergoing the "start-up" and "growth" period and thus most dividends are likely to be paid out in the form of cash for the next three years with stock dividend as the minor option. Any dividend payout will be subject to the approval from General Meeting of Shareholders. Cash dividends will be paid out after such approval is granted whereas the stock dividends will be paid out after relevant approvals are also obtained from regulatory authorities.

Special Disclosures


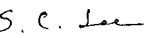
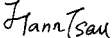
B. Influence of Stock and Cash Dividends Distribution on Operating Performance, Earnings per Share, and Rate of Return on Owners' Equity for the Year.

Unit: NT\$ in thousand

Item		Year	2004 (estimated)
Paid-in Capital at year-start			-
Stock or Cash Dividend Paid	Cash Dividend per Share		-
	Stock Dividend per Share from Capitalization of Retained Earnings		-
	Stock Dividend per Share from Capitalization of Capital Surplus		-
Changes in Operating Performance	Operating Income		-
	% Increase (Decrease) in Operating Income		-
	After-Tax Earnings		-
	% Increase (Decrease) in After-Tax Earnings		-
	Earnings per Share (NT\$)		-
	% Increase (Decrease) in EPS		-
Average Annual Rate of Return (Reciprocal of Average Annual Price Earnings Ratio)			-
Pro forma EPS and P/E ratio	If stock dividends from capitalization of retained earnings were replaced by cash dividends	Pro forma EPS (NT\$)	-
		Pro forma Average Annual Rate of Return	-
	If capitalization of capital surplus were not executed	Pro forma EPS (NT\$)	-
		Pro forma Average Annual Rate of Return	-
	If capitalization of capital surplus were not executed and stock dividends from capitalization of retained earnings were replaced by cash dividends	Pro forma EPS (NT\$)	-
		Pro forma Average Annual Rate of Return	-

Note:

- The basis used for the estimation and statement of pro forma information should be elaborated and consulted with auditors for opinions.
- Pro forma Earnings per Share if capitalization of retained earnings were replaced by cash dividends = $[\text{After-Tax Earnings} - \text{Estimated Interest Expense for Cash Dividend} \times (1 - \text{Tax Rate})] / (\text{Weighted Average Number of Shares} - \text{Shares distributed for Capitalization of Retained Earnings}^{**})$
 *Estimated Interest Expense for Cash Dividend = Shares distributed for Capitalization of Retained Earnings x 1 year loan interest rate
 **Shares distributed for Capitalization of Retained Earnings: the issuance of shares as a result of stock dividend payout for capitalization of retained earnings in previous year.
- Average Annual Price Earnings Ratio = Average Annual Stock Price per Share / Earnings per Share as stated on annual financial report.

Chairman: C.C. Huang  President: Shiang-Chang Lee  Vice President & GM: Hann Tsau Tsai 

III. Statement of Internal Control

Union Bank of Taiwan Co., Ltd. Statement of Internal Control

Date : March 25, 2004

According to self evaluation of the internal control system of Union Bank of Taiwan Co., Ltd. for the period from January 1, 2003 to December 31, 2003, we declare the following statements:


1. We acknowledge that the board of directors and management are solely responsible for the establishment, implementation, and maintenance of the internal control system. We stated herein that we have established and implemented such internal control system. The intention of the internal control system is to reasonably ensure the effectiveness and efficiency of business operations (including profits, performance and safeguard of assets), integrity of financial statements, and compliance with relevant laws and regulations.
2. Internal control system has its inherent limitations. No matter how well designed, an effective internal control system can only provide reasonable assurance for the accomplishment of the above three objectives. Moreover, with variations in the external environment and circumstances, the effectiveness of the internal control system may also vary accordingly. Nevertheless, our internal control system is incorporated with self-monitoring measures so that whenever errors or faults are identified, corresponding rectifications will be made immediately.
3. We evaluated the effectiveness of the design and execution of our internal control system based on the respective evaluation criteria set forth in the "Guidelines for Establishment of Internal Control Systems by Public Companies" and "Guidelines for Establishment of Internal Control Systems in Securities and Futures Service Enterprises" (referred to as "guidelines" hereafter) promulgated by Securities and Futures Commission of the Ministry of Finance. The evaluation criteria as stipulated under the guidelines are categorized into five major components to reflect the process of management control, namely: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring. Each component in turn consists of a number of sub items as specified in the guidelines.
4. We have conducted self-evaluation on the effectiveness of the design and execution of our internal control system pursuant to the above mentioned internal control evaluation criteria.
5. Based on the results of self-evaluation, we consider the design and execution of our internal control system, including the effectiveness and efficiency of business operations, integrity of financial statements, and compliance with relevant laws and regulations, was effective for the period stated above. Our internal control system was able to reasonably ensure the accomplishment of above-mentioned objectives.
6. This statement will constitute a major part of our Annual Report and Prospectus, and will be published for public information. If the above mentioned public information contains misrepresentations, fraud, illegal omissions, or other violations, such will be subject to liabilities specified in Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement was unanimously approved by the three directors present in the Board of Directors meeting held on March 19, 2003.

UNION BANK OF TAIWAN

Chairman: C. C. Huang



President: Shiang-Chang Lee



Special Disclosures

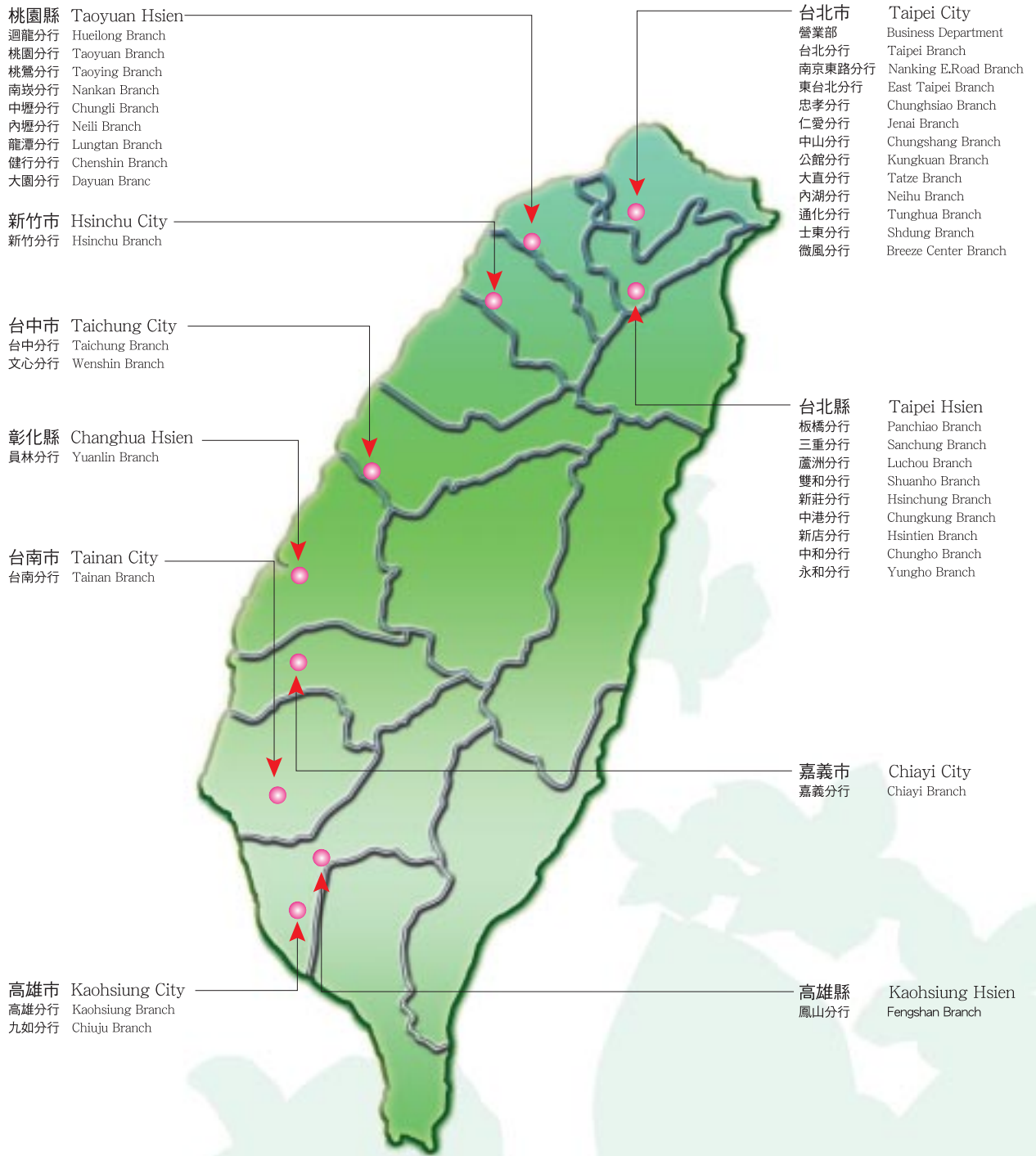
IV. Penalties Resulted from Infliction of Laws and Regulations & Major Acts of Negligence and Respective Rectifications in Last Two Years

Regulations Concerned	Major Acts of Negligence	Respective Rectifications
Any criminal charges pressed by prosecutors against the Chairman or employees during the past two years.	None	
Any penalties and fines resulted from violating the Banking Law during the past two years.	None	
Any major acts of negligence during the past two years for which MOF issued instructions for corrective actions.	Collaterals acquired from clients Lai Chun-Chong and Taidin Ltd. through foreclosure of mortgage or pledge were not disposed of within four years of the date of acquisition as required by Article 76 of the Banking Law and application for granting an extension was not filed within the allowed time period. A statement requesting rectifications was issued by regulatory authorities.	At present collaterals acquired from client "La Chun-Chong" have been disposed of and collaterals acquired from "Taidin Ltd." were granted an extension period for disposed .
Any occurrence of fraud, significant events (robbery, burglary, fire disaster, or damages by other detrimental forces), or losses as a result of failure to meet with safety standards set forth in financial institutions safety regulations during the past two years, and relevant annual aggregate loss in damages reaching NTD50 million or over.	None	
Other disclosures as requested by MOF	None	

V. Important Resolutions:

- A. Important resolutions of the general meeting of shareholders for 2002:
1. Approve the surplus distribution for 2001.
 2. Modify part of the articles & regulations of the company.
- B. Important resolutions of the general meeting of shareholders for 2003:
1. Approve the remedial measures for the loss in 2002.
 2. Modify part of the articles & regulations of the company.
 3. Establish the rules for director's conference.
 4. Modify the handling process for asset obtainment or disposal.

VI. Other Necessary Supplementary Statements: None



越南辦事處
Ho Chi Minh Representative Office

香港辦事處
Hong Kong Representative Office

Directory of Head
Office and Branches

本行總行及營業單位名稱、地址及電話

本公司發言人 Spokesman 姓名：黃俊杰 Name：Mr. Chun-Chieh Huang			代理發言人 Second Spokesman 姓名：蔡漢朝 Name：Mr. Hann-Tsau Tsai		
		職稱：副總經理 Title：Senior Executive Vice President Tel:(886)(2)2718-0001			職稱：經理 Title：Department Manager Tel:(886)(2)2718-0001
總行及各營業單位 Head Office / Domestic Branch	地址 Address	電話 Tel/Fax	總行及各營業單位 Head Office / Domestic Branch	地址 Address	電話 Tel/Fax
總行暨管理單位 Head Office	台北市民生東路三段109號3樓 3F, 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	Tel:(886)(2)2718-0001 Fax:(886)(2)2717-2894	國民現金部 National Cash Department	台北市南京東路二段137號七樓 7F, 137, Nanking E. Rd., Sec. 2, Taipei, Taiwan	Tel:(886)(2)2515-5756 Fax:(886)(2)2517-8748
行銷企劃部 Product Development & Marketing Department	台北市中山北路二段83號七樓 7F, 83, Chungshan N. Rd., Sec. 2, Taipei, Taiwan	Tel:(886)(2)2536-9999 Fax:(886)(2)2531-3030	信用卡中心 Credit Card Center	台北市復興北路201號四樓 4F, 201, Fuhsing N. Rd., Taipei, Taiwan	Tel:(886)(2)2545-5168 Fax:(886)(2)2713-9409
信託部 Trust Department	台北市南京東路二段137號三樓 3F, 137, Nanking E. Rd., Sec. 2, Taipei, Taiwan	Tel:(886)(2)2507-4066 Fax:(886)(2)2507-4333	營業部* Business Department	台北市承德路一段105號 105, Chengteh Rd., Sec. 1, Taipei, Taiwan	Tel:(886)(2)2556-8500 Fax:(886)(2)2556-7405 SWIFT:UBOTTWTPX001
證券金融部 Securities Head Office	台北市南京東路二段137號2樓 2F, 137 Nanking E. Rd., Sec. 2, Taipei, Taiwan	Tel:(886)(2)2504-0066 Fax:(886)(2)2517-1241	台北分行 Taipei Branch	台北市民生東路三段109號 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	Tel:(886)(2)2718-0001 Fax:(886)(2)2713-7506
仁愛證券分公司 Jenai Securities Branch	台北市仁愛路四段403號B1 B1, 403 Jenai Rd., Sec. 4, Taipei, Taiwan	Tel:(886)(2)2771-0999 Fax:(886)(2)2721-9411	國際金融業務分行 Offshore Banking Branch	台北市民生東路三段109號二樓 2F, 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	Tel:(886)(2)2718-0001 Fax:(886)(2)2713-7515 Telex:26354UBTWIBD SWIFT:UBOTTWTP
三重證券分公司 Sanchung Securities Branch	台北縣三重市重新路三段10號4樓 4F, 10, Chungsin Rd., Sec. 3, Sanchung City, Taipei Hsien, Taiwan	Tel:(886)(2)2979-2299 Fax:(886)(2)2979-2266	南京東路分行* Nanking E. Road Branch	台北市南京東路二段137號 137, Nanking E. Rd., Sec. 2, Taipei, Taiwan	Tel:(886)(2)2515-1333 Fax:(886)(2)2516-0742 SWIFT:UBOTTWTPX005
雙和證券分公司 Shuanho Securities Branch	台北縣永和中正路222號2樓 2F, 222, Chungcheng Rd., Yung Ho City, Taipei, Taiwan	Tel:(886)(2)2948-3668 Fax:(886)(2)2947-6753	東台北分行* East Taipei Branch	台北市南京東路五段217號 217, Nanking E. Rd., Sec. 5, Taipei, Taiwan	Tel:(886)(2)2753-0900 Fax:(886)(2)2766-4954 SWIFT:UBOTTWTPX009
嘉義證券分公司 Chiayi Securities Branch	嘉義市中山路285號5樓 5F, 285, Chungshan Rd., Chiayi, Taiwan	Tel:(886)(5)223-2121 Fax:(886)(5)229-4893	忠孝分行 Chunghsiao Branch	台北市忠孝東路四段223巷5號二樓 2F, 5, Lane 223, Chunghsiao E. Rd., Sec. 4, Taipei, Taiwan	Tel:(886)(2)2773-3456 Fax:(886)(2)2773-6365
高雄證券分公司 Kaohsiung Securities Branch	高雄市光華一路208號1樓 1F, 208, Kuanghwa 1st Rd., Kaohsiung, Taiwan	Tel:(886)(7)226-2118 Fax:(886)(7)226-0118	仁愛分行 Jenai Branch	台北市仁愛路四段401號 401, Jenai Rd., Sec. 4, Taipei, Taiwan	Tel:(886)(2)2781-3366 Fax:(886)(2)2778-0842
國外部* International Banking Department	台北市民生東路三段109號二樓 2F, 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	Tel:(886)(2)2718-0001 Fax:(886)(2)2713-7515 Telex:26354UBTWIBD SWIFT:UBOTTWTP	中山分行 Chungshang Branch	台北市中山北路二段83號 83, Chungshang N. Rd., Sec. 2, Taipei, Taiwan	Tel:(886)(2)2571-7890 Fax:(886)(2)2531-5201
消費金融部 Consumer Banking Department	台北市南京東路二段137號八樓 8F, 137, Nanking E. Rd., Sec. 2, Taipei, Taiwan	Tel:(886)(2)2515-5756 Fax:(886)(2)2502-7673			

總行及各營業單位 Head Office / Domestic Branch	地址 Address	電話 Tel/Fax	總行及各營業單位 Head Office / Domestic Branch	地址 Address	電話 Tel/Fax
公館分行 Kungkuan Branch	台北市羅斯福路三段272號 272, Roosevelt Rd., Sec. 3, Taipei, Taiwan	Tel:(886)(2)2369-2678 Fax:(886)(2)2369-2679	中港分行 Chungkung Branch	台北縣新莊市中港路308號 308, Chungkung Rd., Hsinchug City, Taipei Hsien, Taiwan	Tel:(886)(2)2276-9678 Fax:(886)(2)2276-9982
大直分行 Tatze Branch	台北市明水路649號 649, Mingshuei Rd., Taipei, Taiwan	Tel:(886)(2)2532-3836 Fax:(886)(2)2533-6095	新店分行 Hsintien Branch	台北縣新店市民權路100號 100, Mingchuang Rd., Hsintien City, Taipei Hsien, Taiwan	Tel:(886)(2)2219-9989 Fax:(886)(2)2219-5151
內湖分行 Neihu Branch	台北市瑞光路513巷22弄5號 5, Alley 22, Lane 513, Juikuang Rd., Taipei, Taiwan	Tel:(886)(2)2658-6121 Fax:(886)(2)2658-6122	中和分行 Chungho Branch	台北縣中和市建一路150號 150, Chenyi Rd., Chungho City, Taipei Hsien, Taiwan	Tel:(886)(2)8226-5168 Fax:(886)(2)8226-5678
通化分行 Tunghua Branch	台北市通化街74號 74, Tunghua St., Taipei, Taiwan	Tel:(886)(2)2739-5888 Fax:(886)(2)2739-7366	永和分行 Yungho Branch	台北縣永和市永和路二段137號 137, Yungho Rd., Sec. 2, Yungho City, Taipei Hsien, Taiwan	Tel:(886)(2)8660-0808 Fax:(886)(2)8923-2345
士東分行 Shdung Branch	台北市士東路91巷1-1號 1-1, Shdung Rd., Taipei, Taiwan	Tel:(886)(2)2875-6161 Fax:(886)(2)2875-5151	迴龍分行 Hueilong Branch	桃園縣龜山鄉萬壽路一段253號 253, Wanso Rd., Sec. 1, Kueishan, Taoyuan Hsien, Taiwan	Tel:(886)(2)8209-0808 Fax:(886)(2)8209-1818
微風分行 Breeze Center Branch	台北市復興南路一段39號2樓 2F, 39, Fuhsing S. Rd., Sec.1, Taipei, Taiwan	Tel:(886)(2)8772-2858 Fax:(886)(2)8772-5058	桃園分行* Taoyuan Branch	桃園縣桃園市縣府路332號 332, Hsienfu Rd., Taoyuan City, Taoyuan Hsien, Taiwan	Tel:(886)(3)339-5300 Fax:(886)(3)339-5277 SWIFT:UBOTTWTPX003
板橋分行 Panchiao Branch	台北縣板橋市民權路226號 226, Minchuan Rd., Panchiao City Taipei Hsien, Taiwan	Tel:(886)(2)2965-6600 Fax:(886)(2)2965-6877	桃鶯分行 Taoying Branch	桃園縣桃園市桃鶯路343號 343, Taoying Rd., Taoyuan City, Taoyuan Hsien, Taiwan	Tel:(886)(3)377-9797 Fax:(886)(3)377-5511
三重分行 Sanchung Branch	台北縣三重市重新路三段10號 10, Chungsin Rd., Sec. 3, Sanchung City, Taipei Hsien, Taiwan	Tel:(886)(2)2977-7666 Fax:(886)(2)2977-8234	南崁分行 Nankan Branch	桃園縣蘆竹鄉中正路137號 137, Chungcheng Rd., Luchu Hsiang, Taoyuan Hsien, Taiwan	Tel:(886)(3)322-9699 Fax:(886)(3)352-1354
蘆洲分行 Luchou Branch	台北縣蘆洲市中正路80號 80, Chungcheng Rd., Luchou City, Taipei Hsien, Taiwan	Tel:(886)(2)2848-5577 Fax:(886)(2)2848-2290	中壢分行 Chungli Branch	桃園縣中壢市中央西路一段62號 62, Chungyang W. Rd., Sec. 1, Chungli City, Taoyuan Hsien, Taiwan	Tel:(886)(3)426-5111 Fax:(886)(3)426-5121
雙和分行 Shuanho Branch	台北縣永和市中正路222號 222, Chungcheng Rd., Yung Ho City, Taipei Hsien, Taiwan	Tel:(886)(2)2945-9898 Fax:(886)(2)2948-4267	內壢分行 Neili Branch	桃園縣中壢市中華路一段258號 258, Chunghua Rd., Sec. 1, Chungli City, Taoyuan Hsien, Taiwan	Tel:(886)(3)435-1288 Fax:(886)(3)435-1488
新莊分行 Hsinchung Branch	台北縣新莊市思源路601號 601, Shihyuan Rd., Hsinchung City, Taipei Hsien, Taiwan	Tel:(886)(2)8522-7799 Fax:(886)(2)8522-7171			

總行及各營業單位 Head Office / Domestic Branch	地址 Address	電話 Tel/Fax	總行及各營業單位 Head Office / Domestic Branch	地址 Address	電話 Tel/Fax
龍潭分行 Lungtan Branch	桃園縣龍潭鄉中正路245號 245, Chungcheng Rd., Lungtan, Taoyuan Hsien, Taiwan	Tel:(886)(3)470-9188 Fax:(886)(3)470-9100	鳳山分行 Fengshan Branch	高雄縣鳳山市凱旋路224號 224, Kaihsuan Rd., Fengshan City, Kaohsiung Hsien, Taiwan	Tel:(886)(7)763-8185 Fax:(886)(7)763-8129
健行分行 Chenshin Branch	桃園縣中壢市龍岡路二段95號 95, Longan Rd., Sec. 2, Chungli City, Taoyuan Hsien, Taiwan	Tel:(886)(3)428-0808 Fax:(886)(3)428-0838	越南辦事處 Ho Chi Minh Representative Office	越南胡志明市第一郡阮惠大道8號 OSIC大樓12樓E室 OSIC Building, 12F, Unit E, 8, Nguyen Hue St., Dist. 1, Ho Chi Minh City, Vietnam	Tel:(848)825-0407 (848)825-0408 Fax:(848)825-0686
大園分行 Dayuan Branch	桃園縣大園鄉中正東路54、56號 54 & 56, Chungcheng E. Rd., Dayuan, Taoyuan Hsien, Taiwan	Tel:(886)(3)385-0505 Fax:(886)(3)385-3131	香港辦事處 Hong Kong Representative Office	香港中環皇后大道中30號娛樂 行8樓D室 8F, Unit D, Entertainment Building, 30, Queen's Road Central, Hong Kong	Tel:(852)2521-1678 Fax:(852)2521-1799 Telex:78450 UFIHK HX
新竹分行 Hsinchu Branch	新竹市中正路107號 107, Chungcheng Rd., Hsinchu, Taiwan	Tel:(886)(3)524-9966 Fax:(886)(3)526-5393	* 為外匯指定單位 Appointed Foreign Exchange Offices		
台中分行* Taichung Branch	台中市台中港路二段9-5號 9-5, Chungkang Rd., Sec. 2, Taichung, Taiwan	Tel:(886)(4)2328-5666 Fax:(886)(4)2322-2346 SWIFT:UBOTTWTPX004	股票過戶機構 Stock Registration Office		
文心分行 Wenshin Branch	台中市文心路四段208-1號 208-1, Wenshin Rd., Sec. 4, Taichung, Taiwan	Tel:(886)(4)2298-0808 Fax:(886)(4)2298-7259	聯邦商業銀行股份有限公司總務部 General Service Department Union Bank of Taiwan 台北市民生東路三段109號2樓 2F, 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan Tel:(886)(2)2718-0001 Fax:(886)(2)2717-2894		
員林分行 Yuanlin Branch	彰化縣員林鎮中山路一段785號 785, Chungshan Rd., Sec. 1, Yuanlin Chiang, Changhua Hsien, Taiwan	Tel:(886)(4)834-7666 Fax:(886)(4)834-8101	信用評等機構 Credit Ratings Institution 中華信用評等公司 Taiwan Ratings Corp. 台北市羅斯福路2段100號23樓 23F, 100, Roosevelt Rd., Sec 2, Taipei, Taiwan Tel:(886)(2)2368-8277		
嘉義分行 Chiayi Branch	嘉義市中山路285號 285, Chungshan Rd., Chiayi, Taiwan	Tel:(886)(5)228-5908 Fax:(886)(5)228-5903	財務報告簽證會計師 CPA for Financial Statement Auditing 張日炎 Mr. Ray Chang 黃瑞展 Mr. Terence Huang 勤業眾信會計師事務所 Company: Deloitte Touche Tohmatsu 台北市民生東路三段156號12樓 12F, 156, Minsheng E. Rd., Sec. 3, Taipei, Taiwan Tel:(886)(2)2545-9988		
台南分行 Tainan Branch	台南市西門路四段271號 271, Shimen Rd., Sec. 4, Tainan, Taiwan	Tel:(886)(6)251-3377 Fax:(886)(6)251-7399			
高雄分行* Kaohsiung Branch	高雄市光華一路204號 204, Kuanghwa 1st Rd., Kaohsiung, Taiwan	Tel:(886)(7)226-5353 Fax:(886)(7)226-0732 SWIFT:UBOTTWTPX01			
九如分行 Chiuju Branch	高雄市九如二路495號 495, Chiuju 2nd Rd., Kaohsiung, Taiwan	Tel:(886)(7)311-8871 Fax:(886)(7)311-8872	本公司網址 Homepage http://www.ubot.com.tw		

聯邦商業銀行股份有限公司
UNION BANK OF TAIWAN



董事長
Chairman

黃春鐘





台北市民生東路三段109號
No. 109 Min-Sheng E. Road, Sec. 3, Taipei, Taiwan, R.O.C.
TEL: (02) 2718-0001 網址: <http://www.ubot.com.tw>

勤業眾信會計師事務所/Deloitte & Touche
網址: <http://www.deloitte.com.tw>