

普通股股票代號2838



年報



中華民國玖拾參年年報
Annual Report 2004

刊印日期：九十四年五月

熱情、穩健、效率、創新

Enthusiasm, Soundness, Efficiency and Innovation.

I. Spokesman:

Name: Mr. Chun-Chieh Huang

Title: Senior Executive Vice President

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Second Spokesman

Name: Mr. Hann-Tsau Tsai

Title: Department Manager

Tel.: 02-27180001

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II. Directory of Head Office and Branches: Please refer to page 122~ 124.

III. Stock Registration Office:

Name: General Affair Division Union Bank of Taiwan

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

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Tel: (02) 2718-0001

IV. Credit Ratings Institution:

Name: Taiwan Ratings Corp.

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

Address: 23F, 100, Roosevelt Rd., Sec. 2, Taipei, Taiwan

Tel: (02) 2368-8277

V. CPA for Financial Statement Auditing:

Name: Mr. Ray Chang and Mr. Terence Huang

Company: Deloitte Touche Tohmatsu

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

Address: 12F, 156, Minsheng E. Rd., Sec. 3, Taipei, Taiwan

Tel: (02) 2545-9988

VI. Offshore stock listing and trade; also, information of security trade: None

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



百合之名是由於它的鱗莖由數十片白色肥厚的鱗片層抱而成。狀似白蓮，具有百年好合之含意，成為我們現今常用的名稱，帶有深深祝福的意義。在西方，有許多關於百合的傳說，聖經中記載百合花是由夏娃的眼淚所變成，為純潔的禮物，因此世人認為百合花為純潔清新之意的代表。

Tables of Contents Letter to Shareholders Bank Highlights	02
1. Bank introduction	05
2. Organizational system	06
3. Stock shares and dividends	23
4. Issuance of debenture	26
5. Preferred stock, GDR, and employee's stock option	27
6. Merger or acquisition of other financial institutes	27
Operational Highlights	28
1. Business operation	30
2. Information of employees	37
3. Industrial responsibilities and morals	38
4. Information equipment	39
5. Labor relation	40
6. Contracts	41
7. Securities commercialized in recent years and relevant information	41
Enforcement of capital application Financial status	44
1. Condensed Balance Sheet, Income Statement, CPA's name and opinions within five years	46
2. Financial analysis within five years	47
3. Supervisor's Audit Report of recent years	49
4. Consolidated financial statements of the Parent company and subsidiaries that are certified by CPA	49
5. Financial statements of recent years	50
Financial status and business development review and analysis and risk management	100
1. Financial condition	100
2. Business performance	101
3. Cash flow	102
4. The impact of capital expenditure on finance in recent years	103
5. Investment policy and information in recent years	103
6. Risk management	104
7. Crisis response	110
8. Other issues	110
Business operation Special disclosures	112
1. Data of the related party	112
2. Enforcement of internal control system	116
3. Directors or Supervisors who opposed to the resolved reached in the Board of Directors meeting	117
4. Enforcement of marketable securities subscription	117
5. The stock shares of Union Bank held or disposed by subsidiaries	118
6. Resolutions reached in the Shareholders' Meeting and Board of Directors meeting	118
7. Violations committed and punished within two years and the corrective actions for major nonconformities	118
8. Supplementary information Name, address, and telephone number of the Head Office and Branches	118

Letter to Shareholders

Letter to Shareholders:

The global economy continuously recovered in the year of 2004 and with economic growth of 4.2% documented it represents a significant growth compared to the 2.6% in 2003 and 1.8% in 2002; the main trade partners of Taiwan, which are the United States, Japan, and Mainland China, performed outstandingly and helped stimulate the export growth of Taiwan. Furthermore, the Taiwanese government has practiced a less strict fiscal policy and monetary policy successfully; as well, the consumption of the private sector and the growth of investment have helped boost Taiwan's economy growth to the record high of 5.93%.

To uphold its dominant operation, Union Bank continuously expands the scale of business operation and reinforces its wealth management and consumer finance business progressively in compliance with the market demand in 2004, for example, we introduced an all-purpose ATM card that can be used as an all-purpose credit card, the Leonardo Da Vinci Platinum Card, as a base joint card as well Union Traveler's Card. Union Bank has acquired Chung Shing Bank through bidding to expand its distribution network. For the future, Union Bank intends to utilize the advantage of well-arranged distribution channels to develop profitable businesses and generate higher margins based on the principle of balancing the development of corporate banking and consumer finance as well as maintaining stable growth.

Through the efforts of the staffs, by the end of 2004, Union Bank had a deposit balance and loan balance of NT\$205,024 million and NT\$138,551 million documented that represented growth of 18.17% and 19.22% from the year before, respectively. The foreign exchange business was conducted for an amount of US\$3,405 million and credit card issuance had a volume of 4,609,107 cards, total assets amounting to NT\$247,033 million, operating income amounted to NT\$14,702 million, and net income amounted to NT\$1,600 million. In terms of improving the quality of assets, Union Bank was with a narrowly defined NPL of 2.52% and a broadly defined NPL of 3.6%, which were significantly lower than the records of the banking sector. The profitability of risk-free profit, handling charge and commission income together amounted to 17% of the operating income in 2004 which was also higher than the records of the banking sector. The operating performance of Union Bank is recognized by Taiwan Ratings Corp. with the long-term and short-term credit rating upgraded to "twA-" and "twA-2."

In order to extend the scope of service and to expand the scale of operation, Union Bank submitted a bid for the assets, liabilities, and business excluding the inter-bank deposits and loans of Chung Shing Bank on December 9, 2004. Union Bank was awarded with the bid for an amount of NT\$7,108 million to take over the business of Chung Shing Bank along with forty-seven business branches and expand the total to eighty-seven branches. Union Bank, in terms of a privately owned and non-Holdings bank, is now in control of the largest distribution network.

In 2005, the competition in the financial market remains severe; also, the large financial holdings have initiated the second round of mergers. Inevitably, the acquisition attempt of large financial holdings will bring tremendous challenges to small and medium banks. Therefore, Union Bank will rely on its multiple distribution channels, development of innovative product services, and excellent service team to generate higher profits. For the business of deposits and loans in 2005, Union Bank targets an amount of NT\$258,918 million and NT\$171,674 million, respectively. Moreover, the target of foreign exchange business and guarantee & acceptance in 2005 is for an amount of US\$4,641 million and NT\$9,052 million, respectively. It is the intention of Union Bank to achieve the set targets and beyond through the support of shareholders and the efforts of staffs; also, to satisfy the expectation of shareholders and society taken as a whole. Your continuing support and suggestions are expected and are important to us.

With our most sincere wishes for your good health and prosperity,

Chairman/C.C. Huang



President/Shiang-Chang Lee



Bank Highlights

I. Corporate profile

Date of establishment: January 21, 1992

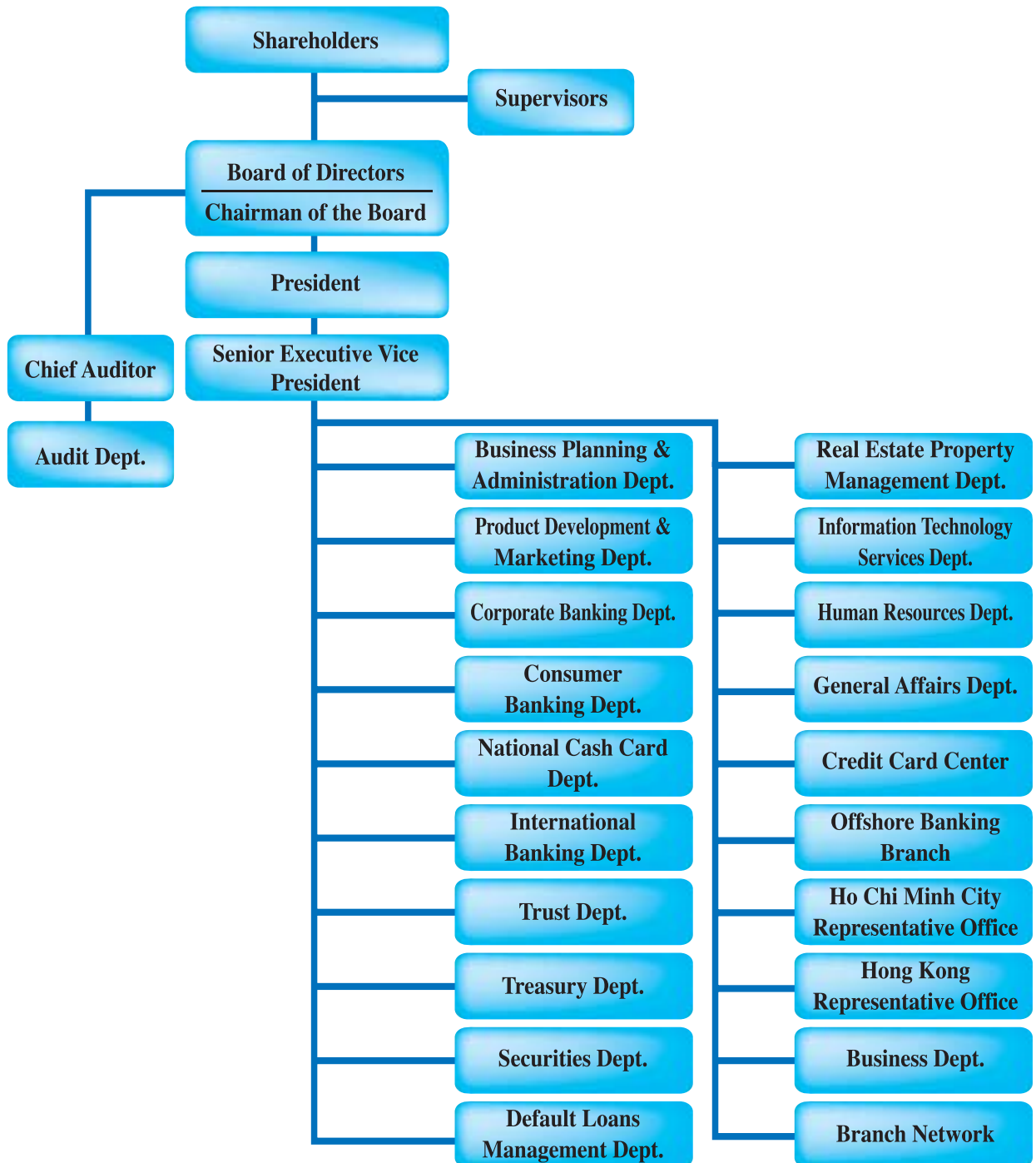
Union Bank is third bank in Taiwan approved by the government to be established in the awakening of liberalization and internationalization of banks. The founders of Union Bank shared a common interest of running a perpetual business operation with the preparatory commission set up on March 29, 1989 and business operation initiated on January 21, 1992. Union Bank was officially listed on the OTC on September 19, 1995 and the Taiwan Stock Exchange on June 29, 1998. Union Bank has now become an acclaimed and recognized financial institution. For the objective of walking towards internationalization, Union Bank had Ho Chi Minh Representative Office and Hong Kong Representative Office set up on February 25, 1998 and August 24, 1999, respectively.

Union Bank has held the corporate philosophy of "Enthusias", "Soundness", "Efficiency" and "Innovation" since its establishment, and never ceases to increase the number of business locations for providing extensive service to the public. As of the end of 2004, Union Bank had forty business branches of which twenty-two are in metropolitan Taipei, ten in Taoyuan and Hsinchu, three in Taichung/Changhua, two in Chiayi and Tainan and three in Kaohsiung. Union Bank has taken over the business locations of Chung Shing Bank on March 19, 2005; therefore, the number of branches immediately went up to seventy-four of which there are thirty-seven in metropolitan Taipei, twelve in Taoyuan/Hsinchu, ten in Taichung/Changhua, eight in Chiayi and Tainan, and seven in Kaohsiung/Pintung. Union Bank intends to reinstate the twelve inactive business locations of Chung Shing Bank in five years and will have the Trust Department reformed as a branch to have a total of eighty-seven business locations spread all over the nation.

Union Bank has enjoyed rapid expansion in business, and also made direct investments in other financial sectors. Union Bank has successfully made its stake in bills and notes, the leasing industry, futures, investment trust, investment consulting, and insurance agency service that helped the bank lay down a solid foundation for ongoing operation.

II. Organizational system:

(1) Organizational structure:



(2) Business responsibility of each department:

- Audit Dept.:** The Audit Department is responsible for the planning, enforcement, and supervision of audit and internal control system; also, the stipulation, planning, and enforcement of credit review measures.
- Business Planning & Administration Dept.:** The Business Planning & Administration Department is responsible for the planning of the banking system, organizational protocols, and business; also, the planning, promotion, and management of deposits, exchange & acceptance, cashier, and agent in the currency of New Taiwan Dollars. Moreover, it is responsible for the compilation of accounting reports, the enforcement and review of the budget, the accounting, division, and custody of funds transfer and distribution, and bond and stock trade.
- Product Development & Marketing Dept.:** The Product Development & Marketing Department is responsible for the research, development, and application of new financial products; the planning of eBanking, evaluation of investment, and the planning, supervision, and review of business campaign; also, the follow up of business consignment.
- Corporate Banking Dept.:** The Corporate Banking Department is responsible for the planning & development and management statistic analysis of financial credit business; also, the review of large credit cases and the information gathering of the economic and financial industry; moreover, it is responsible for assisting the business unit to develop corporate banking credit business.
- Consumer Banking Dept.:** The Consumer Banking Department is responsible for the planning, development, review, promotion, supervision, management, and revaluation of the consumer loan business.
- National Cash Dept.:** The National Cash Department is responsible for the planned enforcement, supervision & management, statistic analysis, and management evaluation of cash business.
- International Banking Dept.:** The International Banking Department is responsible for the establishment & management of foreign exchange, foreign currency deposits, loans, guarantee, importing/exporting exchange settlement, and the transfer of foreign currency funds; also, the establishment and management of offshore branches, the construction of inter-banks relation, and other foreign exchange businesses.
- Trust Dept.:** The Trust Department is responsible for the planning and development of trust products, the management and implication of trust funds, the sales and custody of funds, and the planning of personal investment.
- Treasury Dept.:** The Treasury Department is responsible for the management of assets and liabilities in New Taiwan Dollars and foreign currency, the appropriation and management of current reserves, the analysis of national and international economic and financial status, and the R&D and trade of derivative financial products.
- Securities Dept.:** The Securities Dept. is responsible for the trust and trade of marketable securities, underwriting application, liquidation and division, depository and transfer process, and other brokerage business.
- Default Loans Management Dept.:** The Default Loan Management Department is responsible for the stipulation and enforcement of the collection plan for default debt, the audit, reporting, and management of default loans written-off, the process and advisory of legal issues, and the compliance of regulations and governing system; also, supervising and assisting the business unit to control the pre-collection and management of default loans.
- Real Estate Property Management Dept.:** The Real Estate Property Management Department is responsible for the appraisal and disposition of real estate; also, the trade, rental, price negotiation, and contract signed for business locations, offices, and bank premises.
- Information Technology Services Dept.:** The Information Technology Services Department is responsible for the plan enforcement, design & test, and maintenance of the computer business system and applied system.
- Human Resources Dept.:** The Human Resources Department is responsible for the employment, promotion, performance evaluation, transfer, awards & punishments, business trip, attendance, salary, welfare, insurance, pension, compensation, and training of personnel.
- General Affairs Dept.:** The General Affairs Department is responsible for the process of secretarial affairs, archives, stocks, purchasing, property, cashier, general affairs, meals, and warehousing.
- Credit Card Center:** The Credit Card Center is responsible for the development, planning, credit review, accounting process, and administrative affairs of credit card and merchants.
- Offshore Banking Branch:** The Offshore Banking Branch is responsible for the operational management, process, commercial product development, foreign currency trade, inter-banks accounts, and foreign currency securities investment of offshore banking business.
- Business Dept.:** The Business Department is responsible for the process of deposits, loans, exchanges, agents, safes, and warehousing.
- Branch Network:** The responsibility of Branch Network is the same as the Business Department.

(3) List of Directors, Supervisors, Executives, and main supervisors of each department and branch office:

1. Directors and Supervisors

December 31, 2004

Title	Name	Date of Inauguration	Tenure (Yrs)	Date of first inauguration	Number of Shares Held at Inauguration		Number of shares held by Spouse and dependent Children		Shares held in third party's name		Education and Experience	Position held with the Union Bank and other company	Other executive, Directors, and/or Supervisor who is a spouse or 2 nd cousin		
					Number	%	Number	%	Number	%			Title	Name	Relation
Chairman	C.C. Huang	2003.06.01	3	1994.06.01	1,020,247	0.069	-	-	-	-	B.A. Economics, National Taiwan University; Chairman, Bank of Kaohsiung	None	None	None	None
General Director	Zhen-Xong Jiang	2003.06.01	3	1994.06.01	3,969,367	0.267	-	-	-	-	National Defense Medical school; Commissioner, 7 th Branch of International Rotary Club	Director of Union Futures Co., Ltd. and Supervisor of Union Securities Co., Ltd.	None	None	None
General Director	Yu-Pang Co., Ltd. (Representative: Jia-Yi Wang)	2003.06.01	3	1994.06.01	16,373,448	1.100	-	-	-	-	Judicial Training Program, The Judges and Prosecutors Training Institute; Secretary-General of Judicial Yuan; President of Supreme Court	None	None	None	None
Managing Director	Shiang-Chang Lee	2003.06.01	3	1994.06.01	872,207	0.059	2,108,700	0.139	-	-	B.A. Economics, National Taiwan University; SVF & GM, Taiwan Cooperative Bank; SEVP, UBOT	President of Union Bank and Director of Union Insurance Agent Co., Ltd. Union Insurance Broker Co., Ltd., Union Futures Co., Ltd., Union International Rental Co., Ltd., Union Securities Co., Ltd., and Union Capital (Cayman) Corp.	None	None	None
Managing Director	Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)	2003.06.01	3	1994.06.01	61,896,601	4.157	4,812,000	0.317	-	-	VP of Union Bank, Director of Liberty Times, Supervisor of Sun-Yi International Co., Ltd., Supervisor of Union Entertainment Enterprise Co., Ltd., General Director of Union Dyeing Co., Ltd., Director of Union Futures Co., Ltd., Director of Union International Rental Co., Ltd., General Director of Union Securities Co., Ltd., General Director of ING Securities Co., Ltd., and Director of Union Finance (H.K.) Co., Ltd.	Director of Liberty Times, Supervisor of Sun-Yi International Co., Ltd., Supervisor of Union Entertainment Enterprise Co., Ltd., General Director of Union Dyeing Co., Ltd., Director of Union Futures Co., Ltd., Director of Union International Rental Co., Ltd., General Director of Union Securities Co., Ltd., and Director of ING Securities Co., Ltd., and Director of Union Finance (H.K.) Co., Ltd.	Managing Director	Sue-Ere C. Lin	Parent & subsidiary
Managing Director	Chung Li Investment Co., Ltd. (Representative: Jih-Fu Liu)	2003.06.01	3	1994.06.01	30,613,388	2.056	-	-	-	-	Taipei Technical Academy; Chairman, Li-Chang Ceramics Co., Ltd	Director of Lian-Han Co., Ltd. and Union Futures Co., Ltd.	None	None	None
Managing Director	Chung Li Investment Co., Ltd. (Representative: Yao-Nan Lai)	2003.06.01	3	1994.06.01	30,613,388	2.056	909,166	0.060	-	-	B.A. Economics, National Taiwan University; GM of IBD, First Commercial Bank; President, UBOT; Chairman, Union Bills & Finance Co., Ltd.	Director of Union Futures Co., Ltd.	None	None	None
Managing Director	Union Entertainment Enterprise Co., Ltd. (Representative: Sue-Ere C. Lin)	2003.06.01	3	1997.06.01	22,948,877	1.541	66,734,211	4.397	-	-	Taipei Commercial Academy; Chairman, Union Enterprise Construction Co., Ltd.	Supervisor of Liberty Times, Chairman of Union Entertainment Enterprise Co., Ltd., Director of Lu-Dao Hotel Co., Ltd., Chairman of Union Enterprise Construction Co., Ltd., Chairman of HONG-GO Construction Co., Ltd., Director of Lian-GI Investment Co., Ltd., Director of Yao-Bon Co., Ltd., Chairman of Union Dyeing Co., Ltd., and Director of Young-Shan Co., Ltd.	Managing Director/ V.P.	Jeff Lin	Parent & subsidiary



(continue)

Title	Name	Date of Inauguration	Tenure (yrs)	Date of first inauguration	Number of Shares Held at Inauguration		Number of shares Presently Held		Number of shares held by Spouse and dependant Children		Shares held in third party's name		Education and Experience	Position held with the Union Bank and other company	Other executive, Directors, and/or Supervisor who is a spouse or 2 nd cousin		
					Number	%	Number	%	Number	%	Number	%			Title	Name	Relation
Managing Director	Si-Yong Lin	2003.06.01	3	1994.06.01	14,622,349	0.982	14,622,349	0.963	1,290,027	0.085	-	-	National Taiwan Normal University; Director, Hong-Bang Construction Co., Ltd	Director of Liu-Dao Hotel Co., Ltd., Union Construction Management Co., Ltd., Long-Sue-Lin Co., Ltd., Jeng-Yo Investment Co., Ltd., Union Dyeing Co., Ltd., Bei-Shen Investment Co., Ltd., Union Fitness Co., Ltd., and Hong-Bon Construction Industry Co., Ltd.	None	None	None
General Supervisor	Yu-Quan Development Co., Ltd. (Representative: Yu-Quan Lee)	2003.06.01	3	1994.06.01	8,682,889	0.583	8,682,889	0.572	3,505,303	0.231	-	-	National Taiwan Normal University; Councilor, Taiwan; Supervisor, First Commercial Bank	Chairman of Tien-How Construction Co., Ltd., Supervisor of Theater Theater Co., Ltd., Director of Taiwan First Media Co., Ltd., Chairman of Tien-Jin Construction Co., Ltd., Director of Yu-Chuan Development Co., Ltd., Supervisor of Union Futures Co., Ltd., and Chairman of Tien-Wide-Tien Cable TV Co., Ltd.	None	None	None
Supervisor	Zhen-Lu Lin	2003.06.01	3	1994.06.01	248,080	0.017	248,080	0.016	-	-	-	-	B.A. Economics, National Taiwan University; President, Wan-Kuo Law Firm	Director of Union Futures Co., Ltd.	None	None	None
Supervisor	Ming-Hsing Ho	2003.06.01	3	2000.06.01	1,814	0.000	1,814	0.000	236,829	0.015	-	-	B.A. Business Administration, Soochow University Branch Manager, UBOT; SEVP, Union Bills & Finance Co., Ltd.	President of Union Securities Co., Ltd.	None	None	None

2. Main shareholders of the institutional shareholder

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-Yong Lin
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

3. Training records of Directors and Supervisors of the current year

Title	Name	Date of Inauguration	Training Date		Governing Authority	Courses	Hours of courses	Is the training in compliance with the regulations (note)	Remarks
			From	To					
Chairman	C.C. Huang	2003.06.01	2004/11/5	2004/11/5	Securities & Futures Bureau, Financial Supervisory Commission, Executive Yuan	The 2 nd Taipei Office Management Forum	6	Yes	
Supervisor	Ming-Hsing Ho	2003.06.01	2005/03/10	2005/03/10	Taiwan Finance Research Institute	Business management seminar	3	Yes	

Note: Are the course hours, scope, system, and arrangement of training courses, and the information disclosure in compliance with the requirement of "Directors and Supervisors of the listed (OTC) company guidelines?"

4. Managing Director and Supervisor

Name	Criteria	More than five years of work experience in business, law, finance and/or others relevant to job performance	Not an employee or a Director, Supervisor, or employee of Union Bank s related party	Does not hold more than 1% shareholdings of Union Bank directly or indirectly or on Top Ten List of shareholdings	Not a spouse or 2 nd cousin of the individuals fell in the last two categories	Not a Director, Supervisor, or employee of a legal shareholder who is with more than 5% shareholdings directly or indirectly or who is on the Top Five list of shareholdings	Not a Director, Supervisor, manager, or shareholder with more than 5% shareholdings of a company or an institute that is related to Union Bank financially or in business	Not a professional, proprietor, partner, of consulting or entrepreneur, partner, Director (Chairman), Supervisor (Commissioner), manager, and their spouse of a company or an institute that provides finance, business, and legal service to Union Bank and its related party within one year	Note a legal person or a representative of the legal person that is defined in Company Law Article 27
Chairman/C.C. Huang		>	>	>	>	>	>	>	>
General Director/Zhen-Xiong Tang		>	>	>	>	>	>	>	>
General Director/Yu-Ping Co., Ltd. (Representative: Jia-Yi Wang)		>	>	>	>	>	>	>	>
Managing Director/Shiang-Chang Lee		>	>	>	>	>	>	>	>
Managing Director/Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)		>	>	>	>	>	>	>	>
Managing Director/Chung Li Investment Co., Ltd. (Representative: Jia-Pu Liu)		>	>	>	>	>	>	>	>
Managing Director/Chung Li Investment Co., Ltd. (Representative: Yao-San Lai)		>	>	>	>	>	>	>	>
Managing Director/Union Entertainment Enterprise Co., Ltd. (Representative: Sue-Ere C. Lin)		>	>	>	>	>	>	>	>
Managing Director/Sia-Yong Lin		>	>	>	>	>	>	>	>
General Supervisor/Yue-Quan Development Co., Ltd. (Representative: Yue-Quan Lee)		>	>	>	>	>	>	>	>
Supervisor/Zhen-Iu Lin		>	>	>	>	>	>	>	>
Supervisor/Ming-Hsing Ho		>	>	>	>	>	>	>	>

(4) President, SEVP, Chief Auditor, EVP, and branch officers: December 31, 2004

Title	Name	Date of Inauguration	Number of shares Held		Number of shares held by Spouse and Dependent Children		Shares held in third party's name		Education & Experience	Position held with the Union Bank and other company	Manager who is a spouse or 2 nd cousin		
			Number	%	Number	%	Number	%			Title	Name	Relation
President	Shiang-Chang Lee	1995.07.01	1,080,207	0.071	2,108,700	0.139	-	-	National Taiwan U. V.P. of Union Bank	Director of Union Insurance Agent Co., Ltd., Bon-Lian Insurance Agent Co., Ltd., Union Futures Co., Ltd., Union International Rental Co., Ltd., Union Securities Co., Ltd., and Union Capital (Cayman) Corp	-	-	-
Senior Executive Vice President	Chung-Chieh Huang	1997.06.10	1,156,480	0.076	-	-	-	Tamkang U. Director of Union Bank	Supervisor of Union Insurance Agent Co., Ltd., Director of Bon-Lian Insurance Agent Co., Ltd., Director of Union Futures Co., Ltd., and General Supervisor of Union Securities Co., Ltd.	-	-	-	
Senior Executive Vice President and Manager of Consumer Finance Dept. & Credit Card Center	Jeff Lin	1998.11.03	4,812,000	0.317	-	-	-	Graduate School of National Taiwan U. Director of Union Dyeing Co., Ltd.	Director of Liberty Times, Supervisor of Sun-Yi International Co., Ltd., Supervisor of Union Entertainment Enterprise Co., Ltd., General Director of Union Dyeing Co., Ltd., Director of Union Futures Co., Ltd., Director of Union International Rental Co., Ltd., General Director of Union Securities Co., Ltd., General Director of ING Securities Co., Ltd., Director of Union Bank, and Director of Union Finance (H.K.) Co., Ltd.	-	-	-	
Senior Executive Vice President	Hao-Sen Lee	1999.08.01	163,847	0.010	25,220	0.001	-	Chinese Culture U. Director of Union Bank	Director of Union Technology Co., Ltd., Supervisor of Union International Rental Co., Ltd., Director of Union Securities Co., Ltd., and Supervisor of Union Insurance Broker Co., Ltd.	-	-	-	
Chief Auditor	Yen-Iye Chang	1995.07.01	83,350	0.005	3,038	-	-	Finance & Economics School of Amy Auditor of Union Bank	-	-	-	-	
EVP & Manager of International Dept.	Roger Wang	1998.12.01	127,032	0.008	20,147	0.001	-	National Taiwan U. Senior Manager of International Department & OBU	Director of Morgan Union Assets Management Co., Ltd. and Union Finance (H.K.) Co., Ltd.	-	-	-	
EVP & Manager of Information Dept.	John J.T. Lee	1999.08.01	127,052	0.008	-	-	-	Chinese Culture U. Senior Manager of Information Technology Services Department of Union Bank	Director of Union Technology Co., Ltd., Director of Fuhua Holdings Co., Ltd. and Director of Li-Yu Holdings Co., Ltd.	-	-	-	
EVP & Manager of Nanking E. Road Branch	Herman Tu	2000.09.11	126,567	0.008	173,956	0.011	-	Chinese Culture U. Manager of Union Bank	-	-	-	-	



(continue)

Title	Name	Date of Inauguration	Number of shares Presently Held		Number of shares held by Spouse and Dependent Children		Shares held in third party's name		Education & Experience	Position held with the Union Bank and other company	Manager who is a spouse or 2 nd cousin		
			Number	%	Number	%	Number	%			Title	Name	Relation
EVP & Manager of Teoyuan Branch	Ing-Bor Jan	2000.09.11	226,455	0.015	-	-	-	-	Tamkang U. Manager of Union Bank	-	-	-	-
EVP & Manager of Trust Branch	Ching Long Tsai	2003.04.01	-	-	-	-	-	-	National Taiwan U. V.P. of Grand Bank	-	-	-	-
EVP & Manager of Corporate banking Dept.	C.C. Liu	2003.10.01	9,000	-	-	-	-	-	Tamkang U. V.P. of City Bank Manager of Trust Department of Union Bank	-	-	-	-
Manager of Business Management Dept.	H.C. Chai	2002.12.23	111,276	0.007	2,000	-	-	-	Chung Yuan Christian U. Junior Manager of Business Management Department of Union Bank	Supervisor of United eCommerce Co., Ltd.	-	-	-
Manager of Marketing Dept.	S.H. Yu	2004.02.23	44,000	0.003	-	-	-	-	Chung Yuan Christian U. Manager of Brezze Center Branch of Union Bank	-	-	-	-
Manager of National Cash Dept.	B.C. Tung	2004.03.22	25,804	0.001	-	-	-	-	Graduate School of Memphis State U. (U.S.A.) Junior Manager of Consumer Financial Department of Union Bank	-	-	-	-
Manager of Treasury Dept.	J.Y. Tung	1998.09.01	3,332	-	-	-	-	-	National Taiwan U. Junior Manager of International Department of Union Bank	Director of Union Futures Co., Ltd.	-	-	-
Manager of Securities Dept.	M.C. Shen	2002.10.23	-	-	-	-	-	-	Fu Jen Catholic U. Senior Director of Jinhua Securities	Director of ING Securities Co., Ltd.	-	-	-
Manager of Default Loan Management Dept.	C.H. Wu	2000.09.11	57	-	-	-	-	-	National Taiwan U. Junior Manager of Audit Department of Union Bank	Director of Morgan Union Assets Management Co., Ltd.	-	-	-
Manager of Real Estate Property Management Dept.	J.N. Lee	2004.03.05	61,638	0.004	-	-	-	-	Tatung Institute of Technology Manager of Hueilong Branch of Union Bank	-	-	-	-
Manager of Human Resources Dept.	S.J. Lin	1999.12.01	925	-	-	-	-	-	National Chung-Shing U. Junior Manager of Human Resources Department of Union Bank	-	-	-	-
Manager of General Affairs Dept.	Y.C. Chang	2003.10.01	80,091	0.005	-	-	-	-	Taiwan Institute of Technology Junior Manager of General Affairs Office of Union Bank	-	-	-	-
Manager of Business Dept.	M.H. Lin	2003.10.01	35,101	0.002	-	-	-	-	Fu Jen Catholic U. Manager of Product Development & Marketing Department of Union Bank	-	-	-	-

(continue)

Title	Name	Date of Inauguration	Number of shares Presently Held		Number of shares held by Spouse and Dependent Children		Shares held in third party's name		Education & Experience	Position held with the Union Bank and other company	Manager who is a spouse or 2 nd cousin		
			Number	%	Number	%	Number	%			Title	Name	Relation
Manager of Taipei Branch	J.C. Jeng	1999.04.01	31,394	0.002	-	-	-	-	National Cheng Chi U. Manager of International Finance Branch & Junior Manager of International Dept., and Representative of Hong Kong preparatory commission	Director of Union Finance (H.K.) Co., Ltd.	-	-	-
Manager of Taichung Branch	J.P. Liu	1999.10.25	79,257	0.005	-	-	-	-	Graduate School of Dayeh U. Manager of Yuanlin Branch of Union Bank	-	-	-	-
Manager of Chungli Branch	C.Y. Chen	2000.08.23	96,974	0.006	-	-	-	-	Correspondence Education of National Taipei College of Commerce Manager of Neili Branch of Union Bank	-	-	-	-
Manager of Saichung Branch	Y.S. Shi	1999.08.23	142,386	0.009	-	-	-	-	Feng Chia U. Manager of Hsinjwong Branch of Union Bank	-	-	-	-
Manager of E. Taipei Branch	K.J. Bi	1998.09.22	119,958	0.008	-	-	-	-	National Cheng Kung U. Senior Manager of Business Dept., of Union Bank	-	-	-	-
Manager of Kaohsiung Branch	B.Y. Lin	1997.06.17	129,485	0.008	-	-	-	-	Chiayi Commercial School Manager of Kaohsiung Bank	-	-	-	-
Manager of Panchiao Branch	K.S. Wang	1998.06.08	71,166	0.005	-	-	-	-	Tainkang U. Manager of Jenai Branch of Union Bank	-	-	-	-
Manager of Tainan Branch	J.C. Chong	2000.09.08	34,000	0.002	-	-	-	-	Tainkang U. Junior Manager of Tainan Branch of Union Bank	-	-	-	-
Manager of Yuanlin Branch	C.C. Tong	2000.09.11	92,431	0.006	54,678	0.003	-	-	The World College of Journalism Junior Manager of Yuanlin Branch of Union Bank	-	-	-	-
Manager of Jenai Branch	W.L. Pong	2000.02.21	136,741	0.009	12,402	-	-	-	Correspondence Education of National Taipei College of Commerce Manager of Neili Branch of Union Bank	-	-	-	-
Manager of Nankan Branch	C.B. Chen	1998.05.25	9,503	-	-	-	-	-	Correspondence Education of National Cheng Chi U. Manager of Hsinchu Branch of Union Bank	-	-	-	-



(continue)

Title	Name	Date of Inauguration	Number of shares Presently Held		Number of shares held by Spouse and Dependent Children		Shares held in third party's name		Education & Experience	Position held with the Union Bank and other company	Manager who is a spouse or 2 nd cousin		
			Number	%	Number	%	Number	%			Title	Name	Relation
Manager of Hsinchu Branch	J.Y. Lee	2000.05.12	900	-	-	-	-	-	Chinese Culture U. Junior Manager of Audit Dept. of Union Bank	-	-	-	-
Manager of Lujo Branch	L.S. Yo	2002.07.09	5,000	-	-	-	-	-	National Taiwan College of Marine and Oceanic Technology Manager of Jsh Shen Bank	-	-	-	-
Manager of Jozu Branch	B.C. Lee	2000.06.01	42,000	0.002	-	-	-	-	Correspondence Education of National Cheng Kung U. Manager of Kaohsiung Bank	-	-	-	-
Manager of Shonho Branch	L.H. Chen	2003.10.01	80,387	0.005	-	-	-	-	Ming Chuan College Manager of Huelong Branch of Union Bank	-	-	-	-
Manager of Huelong Branch	Z.G. Jen	2004.03.05	623	-	-	-	-	-	Feng Chia U. Junior Manager of Taoyuan Branch of Union Bank	-	-	-	-
Manager of Chiayi Branch	Y.C. Kao	2003.10.01	80,000	0.005	-	-	-	-	Soochow U. Senior Assistant Manager of Default Loans Management Dept of Union Bank	-	-	-	-
Manager of Kanquan Branch	W.C. Gi	2001.06.01	79,771	0.005	-	-	-	-	Graduate School of Texas U. (U.S.A.) Junior Manager of Savings Dept. of Union Bank	-	-	-	-
Manager of Neili Branch	C.A. Chen	2000.06.16	57,925	0.003	-	-	-	-	Tamkang U. Junior Manager of Taoying Branch of Union Bank	-	-	-	-
Manager of Chung Hsiao Branch	W.J. Lu	2003.10.01	70,541	0.004	-	-	-	-	Graduate school of Illinois U. Manager of Tonghua Branch of Union Bank	-	-	-	-
Manager of Hsinjwong Branch	H.M. Jen	1999.08.16	10,943	-	-	-	-	-	Panchiao High School Senior Special Aide to the Board of Directors of Union Bank	-	-	-	-
Manager of Fonsun Branch	Q.H. Chai	1999.10.25	9,865	-	-	-	-	-	Feng Chia U. Junior Manager of Kaohsiung Branch of Union Bank	Executive Shareholder of Chin-Ho Industry Co., Ltd.	-	-	-
Manager of Taoying Branch	C.S. Liu	1997.07.10	129,278	0.008	-	-	-	-	Correspondence Education of National Taipei College of Commerce Junior Manager of Taoyuan Branch of Union Bank	-	-	-	-

(continue)

Title	Name	Date of Inauguration	Number of shares Presently Held		Number of shares held by Spouse and Dependent Children		Shares held in third party's name		Education & Experience	Position held with the Union Bank and other company	Manager who is a spouse or 2 nd cousin		
			Number	%	Number	%	Number	%			Title	Name	Relation
Manager of Lungtan Branch	W.C. Liu	2000.08.01	33,191	0.002	-	-	-	-	Pingzon Technical & Commercial School Junior Manager of E. Taipei Branch of Union Bank	-	-	-	-
Manager of Hsinndien Branch	L.Y. Chen	1998.02.20	70,613	0.004	-	-	-	-	Correspondence Education of National Cheng Chi U. Junior Manager of Savings Dept. of Union Bank	-	-	-	-
Manager of Dauzu Branch	C.C. Lin	2003.11.01	80,140	0.005	-	-	-	-	Chinese Culture U. Junior Manager of Corporate banking Dept. of Union Bank	-	-	-	-
Manager of Chungsun Branch	R.J. Lio	2001.05.21	28,204	0.001	-	-	-	-	National Taipei College of Commerce Junior Manager of Hsinndien Branch of Union Bank	-	-	-	-
Manager of Weimshin Branch	T.C. Chen	1999.02.08	79,000	0.005	-	-	-	-	Correspondence Education of National Taichung College of Commerce Junior Manager of Taichung Branch of Union Bank	-	-	-	-
Manager of Jenhsin Branch	L.Y. Lu	1999.05.13	81,887	0.005	-	-	-	-	Chungli Commercial School Junior Manager of Chungli Branch of Union Bank	-	-	-	-
Manager of Chungho Branch	M.H. Wang	2002.12.23	1,778	-	-	-	-	-	Graduate school of National Cheng Chi U. Manager of Business Management Dept. of Union Bank	-	-	-	-
Manager of Neihu Branch	Y.F. Wang	2000.01.27	99,985	0.006	41,980	0.002	-	-	Graduate school of Tatung Institute of Technology Manager of Human Resources Dept. of Union Bank	-	-	-	-
Manager of Dayuan Branch	Y.Y. Lin	2000.04.18	79,980	0.005	13,000	-	-	-	Correspondence Education of National Cheng Chi U. Junior Manager of Savings Dept. of Union Bank	Supervisor of Cheng-Ming Construction Co., Ltd.	-	-	-
Manager of Yungho Branch	Z.M. Shi	2001.01.15	-	-	5,806	-	-	-	Correspondence Education of National Taipei College of Commerce Senior Assistant Manager of Lujo Branch of Union Bank	-	-	-	-



Title	Name	Date of Inauguration	Number of shares Presently Held		Number of shares held by Spouse and Dependent Children		Shares held in third party's name		Education & Experience	Position held with the Union Bank and other company	Manager who is a spouse or 2 nd cousin		
			Number	%	Number	%	Number	%			Title	Name	Relation
Manager of Chungkong Branch	W.C. Jen	2001.01.15	55,687	0.003	-	-	-	-	Ming Chuan College Junior Manager of Chung Hsiao Branch of Union Bank	-	-	-	-
Manager of Tonghua Branch	M.J. Yeh	2003.10.01	27,345	0.001	-	-	-	-	National Chung Hsing U. Senior Assistant Manager of Default Loans Management Department of Union Bank	-	-	-	-
Manager of Shih-tong Branch	C.-Q. Chen	2001.10.16	73,377	0.005	105	-	-	-	Feng Chia U. Junior Manager of Chung Hsiao Branch of Union Bank	-	-	-	-
Manager of Breeze Center Branch	C.W. Shay	2004.02.23	10,040	-	0	-	-	-	Fu Jen Catholic U. Superintendent of Loan Center of Consumer Banking Department of Union Bank	-	-	-	-

(5) Remuneration paid to Directors, Supervisor, President, SEVP, and Chief Auditor in 2004:

1. Remuneration to Directors

Title	Name	Transportation allowance & remuneration	Remuneration to Directors from retained earnings		Bonus paid to employees from retained earnings			Total amount of the first three columns	Ratio of total amount to Net Income (%)	Stock options to employees acquired	Other remuneration
			Directors from retained earnings	Cash dividend	Shares	Dividend paid to shareholders					
						Market price	Amount				
Chairman	C.C. Huang	6,014,868	0	0	0	0	6,014,868	0.38	0	0	
General Director	Zhen-Xiong Jiang	432,000	0	0	0	0	432,000	0.03	0	0	
General Director	Yu-Pang Co., Ltd	444,000	0	0	0	0	444,000	0.03	0	0	
Managing Director	Jin-Yi Wang / Representative Shiang-Chang Lee	0	0	0	0	0	0	0.00	0	0	
Managing Director	Union Enterprise Construction Co., Ltd.	120,000	0	0	0	0	120,000	0.01	0	0	
Managing Director	Jeff Lin / Representative Chung Li Investment Co., Ltd.	128,000	0	0	0	0	128,000	0.01	0	0	
Managing Director	Jin-Fu Liu / Representative Chung Li Investment Co., Ltd.	152,000	0	0	0	0	152,000	0.01	0	0	
Managing Director	Yao-Nan Lai / Representative Union Entertainment Enterprise	120,000	0	0	0	0	120,000	0.01	0	0	
Managing Director	Sue-Ere C. Lin / Representative	152,000	0	0	0	0	152,000	0.01	0	0	
Managing Director	Si-Yong Lin		0	0	0	0			0	0	

December 31, 2004

2. Remuneration to Supervisor		December 31, 2004				
Title	Name	Transportation allowance & remuneration	Remuneration to Supervisors from retained earnings	Total amount of the first two columns	Ratio of total amount to Net Income (%)	Other remuneration
General Supervisor	Yu-Quan Lee / Representative	400,000	0	400,000	0.03	0
Supervisor	Zhen-Lu Lin	148,000	0	148,000	0.01	0
Supervisor	Ming-Hsing Ho	148,000	0	148,000	0.01	0

3. Remuneration to President, SEVP, and Chief Auditor		December 31, 2004								
Title	Name	Salary	Prize money & special expenses	Bonus to employees from retained earnings			Total amount of the first three columns	Ratio of total amount to Net Income (%)	Stock options to employees acquired	Other remuneration
				Cash dividend	Shares	Stock dividend Market price				
President	Shiang-Chang Lee	4,392,480	1,347,699	0	0	0	5,740,179	0.36	0	0
Senior Executive Vice President	Chung-Chieh Huang	3,412,480	1,036,992	0	0	0	4,449,472	0.28	0	0
Senior Executive Vice President	Jeff Lin	3,108,000	936,600	0	0	0	4,044,600	0.25	0	0
Senior Executive Vice President	Hao-Sen Lee	3,412,840	1,052,912	0	0	0	4,465,752	0.28	0	0
Chief Auditor	Yen-Jye Chang	3,149,383	551,669	0	0	0	3,701,052	0.23	0	0

(6) Shareholdings filing of Directors, Supervisors, Managers, and mandatory filings by Bank Law:

Title	Name	2004		Up to March 31, 2005	
		Increase (decrease) of Shareholdings	Increase (decrease) of pledged shares	Increase (decrease) of Shareholdings	Increase (decrease) of pledged shares
Chairman	C.C. Huang	1,020,247		1,181,578 161,331	
Managing Director	Union Enterprise Construction Co., Ltd.	61,896,601		71,684,310 9,787,709	
General Director	Youban Co., Ltd.	16,373,448		18,962,581 2,589,133	
Managing Director	Chung Li Investment Co., Ltd.	30,613,388		35,454,283 4,840,895	
Managing Director	Chung Li Investment Co., Ltd.	30,613,388		35,454,283 4,840,895	
Managing Director	Union Entertainment Enterprise Co, Ltd.	22,948,877		26,577,782 3,628,905	
Managing Director & President	Shiang-Chang Lee	1,080,207 86,000		1,152,207 72,000	
General Director	Zhen-Xong Jiang	3,969,367		4,597,043 627,676	
Managing Director	Si-Yong Lin	14,622,349		16,934,581 2,312,232	
General Supervisor	Yu-Quan Development Co., Ltd.	8,682,889		8,682,889	
Supervisor	Zhen-Lu Lin	248,080		287,308 39,228	
Supervisor	Ming-Hsing Ho	1,814		32,100 30,286	
SEVP	Chung-Chieh Huang	1,156,480 66,000	995,480	1,153,480 (3,000)	995,480
SEVP	Jeff Lin	4,812,000 1,274,000		5,572,921 760,921	
SEVP	Hao-Sen Lee	163,847 66,000		223,847 60,000	
Chief Auditor	Yen-Jye Chang	83,350 (22,000)		156,530 73,180	
EVP	John J. T. Lee	127,052 52,000		150,052 23,000	
EVP	Roger Wang	127,132 52,000		177,132 50,000	
EVP	Herman Tu	126,567 52,000		176,567 50,000	
EVP	Ing-Bor Jan	226,455 52,000		312,264 85,809	
EVP	Ching Long Tsai	0		50,000 50,000	
EVP	C.C. Liu	9,000 (65,410)		59,000 50,000	
Manager	C.H. Wu	57 (47,000)		35,057 35,000	
Manager	W.L. Pong	136,741 41,000		206,741 70,000	
Manager	W.C. Liu	33,191 32,000		68,191 35,000	
Manager	J.P. Liu	79,257 32,000		126,789 47,532	
Manager	C.Y. Chen	96,974 32,000		118,727 21,753	
Manager	C.S. Liu	129,278 34,000		193,395 64,117	
Manager	K.S. Wang	71,166 (69,000)		142,419 71,253	
Manager	L.H. Chen	80,387 32,000		91,387 11,000	
Manager	Y.S. Shi	142,386 32,000		179,901 37,515	
Manager	K. J. Bi	119,958 (58,000)		159,958 40,000	
Manager	B.C. Lee	42,000 (5,000)		68,000 26,000	
Manager	J. C. Jeng	31,394 8,000		71,394 40,000	
Manager	Y.Y. Lin	79,980		127,627	

Bank Highlights

(continue)

		32,000		47,647	
Manager	M.H. Wang	1,778 (57,000)		41,778 40,000	
Manager	Q.H. Chai	9,865 (38,000)		46,424 36,559	
Manager	M.H. Lin	35,101 (13,000)		70,101 35,000	
Manager	B.Y. Lin	129,485 41,000		189,960 60,475	
Manager	C.B. Chen	9,503 (49,000)		41,503 32,000	
Manager	J.Y. Lee	900 (20,000)		36,042 35,142	
Manager	H.M. Jen	10,943		37,250 26,307	
Manager	Y.F. Wang	99,985 41,000		155,795 55,810	
Manager	L.Y. Chen	70,613 22,000		70,453 (160)	
Manager	J.Y. Tung	3,332 (38,000)		53,858 50,526	
Manager	T.C. Chen	79,000 32,000		112,492 33,492	
Manager	L.Y. Lu	81,887 32,000		118,254 36,367	
Manager	S.J. Lin	925 (47,000)		36,000 35,075	
Manager	C.A. Chen	57,925 10,000		91,294 33,369	
Manager	J.C. Chong	34,000 (13,000)		45,953 11,953	
Manager	C.C. Tong	92,431 32,000		140,047 47,616	
Manager	Z.M. Shi	0		24,000 24,000	
Manager	W.C. Jen	55,687 15,000		87,687 32,000	
Manager	R.J. Liu	28,204		64,663 36,459	
Manager	W.C. Gi	79,771 32,000		105,771 26,000	
Manager	W.J. Lu	70,541 6,000		119,695 49,154	
Manager	C.Q. Chen	73,377 25,000		96,980 23,603	
Manager	S.H. Yu	44,000 18,000		76,000 32,000	
Manager	L.S. Yo	5,000 (42,000)		5,000	
Manager	H.C. Chai	111,276 32,000		146,276 35,000	
Manager	Y.C. Chang	80,091 32,000		112,091 32,000	
Manager	M.J. Yeh	27,345		24,399 (2,946)	
Manager	Y.C. Kao	80,000 33,000		65,697 (14,303)	
Manager	J.N. Lee	61,638 14,000		78,638 17,000	
Manager	C.C. Lin	80,140 32,000		112,140 32,000	
Manager	Z.G. Jen	623		623	
Manager	C.W. Shay	10,040		20,040 10,000	
Manager	B.C. Tung	25,804		57,804 32,000	
Major shareholder	Yu-Pang Co., Ltd.	16,373,448		18,962,581 2,589,133	
Major shareholder	Union Enterprise Construction Co., Ltd.	61,896,601		71,684,310 9,787,709	
Major shareholder	Sue-Ere C. Lin	66,734,211		77,286,891 10,552,680	
Major shareholder	Chung Li Investment Co., Ltd.	30,613,388		35,454,283 4,840,895	
Major shareholder	Wei-Tzu Investment Co.	37,664,185 2,037,000		81,242,926 43,578,741	

(continue)		1,090,000		10,748,452	
r shareholder	Bei-Shen Investment Co.	80,680,866 913,000		90,480,866 9,800,000	
r shareholder	Hong-Shon Investment Co.	87,330,070 5,317,000		90,907,947 3,577,877	
r shareholder	Quen-Jzo Investment Co.	73,755,098 (835,000)		90,163,203 16,408,105	
r shareholder	Bao-Shen Investment Co.	83,865,234 740,000		86,895,217 3,029,983	
r shareholder	Jen-Yuan Investment Co.	82,218,801 (200,000)	18,000,000 (27,000,000)	84,988,434 2,769,633	18,000,000
r shareholder	Tien-Shen Investment Co.	71,018,557 400,000	71,000,000	87,248,721 16,230,164	71,000,000
r shareholder	Gi-Shen Investment Co.	95,668,698 5,446,000		95,668,689	
r shareholder	Union Entertainment Enterprise Co., Ltd.	22,948,877		26,577,782 3,628,905	
r shareholder	Hong-Bon Construction Enterprise Co., Ltd.	35,257,776		40,833,088 5,575,312	
r shareholder	Chuan-Chen Investment Co.	26,506,662 252,000		30,466,534 3,959,872	

1: Information of shares transfer: The aforementioned receivers of shares transfer are not a related party.

2: Information of pledged shares: The aforementioned receivers of pledged shares are not a related party.

Comprehensive shareholdings

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(7) Comprehensive shareholdings

Transfer investment (note)	Investment of Union Bank		The invested business controlled directly or indirectly by Directors, Supervisors, President, SEVP, EVP, department heads, and Union Bank		Comprehensive Investment	
	Shares	Shareholdings	Shares	Shareholdings	Shares	Shareholdings
Union Bank Securities Co., Ltd.	126,576,000	42.76	40,667,767	13.74	167,243,767	56.50
Union Futures Co., Ltd.	59,439,650	99.07	55,370	0.09	59,495,020	99.16
Union Finance (H.K.) Co., Ltd.	30,000,000	99.999994	1	0.000003	30,000,001	99.999997
Union Internet Technology Co., Ltd.	12,950,000	99.92	-	0.00	12,950,000	99.92
Union International Rental Co., Ltd.	100,000,000	99.990001	7,000	0.006999	100,007,000	99.997
Union Security Investment Trust Co., Ltd.	10,500,000	35.00	-	0.00	10,500,000	35.00
Union Security Investment Consulting Co., Ltd.	994,000	99.40	2,000	0.20	996,000	99.60
Union Insurance Broker Co., Ltd.	2,522,000	90.07	55,000	1.96	2,577,000	92.03
Union Construction Management Co., Ltd.	2,000,000	40.00	1,450,000	29.00	3,450,000	69.00
Morgan Union Assets Management Co., Ltd.	1,323,000	49.00	-	0.00	1,323,000	49.00
EnTie Security Co., Ltd.	65,206,250	12.15	807,052	0.15	66,013,302	12.30
Taiwan Jin-Lian Assets Management Co., Ltd.	10,000,000	0.57	-	0.00	10,000,000	0.57
Li-Yu Holdings Co., Ltd.	8,000,000	4.76	-	0.00	8,000,000	4.76
Taiwan Financial Assets Service Co., Ltd.	5,000,000	2.94	-	0.00	5,000,000	2.94
Finance Information Co., Ltd.	4,550,000	1.14	-	0.00	4,550,000	1.14
Fu-Hua Holdings Co., Ltd.	3,000,000	5.00	-	0.00	3,000,000	5.00
Jao-Dar Holdings Co., Ltd.	2,130,000	5.00	-	0.00	2,130,000	5.00
Taiwan Security Depository Co., Ltd.	2,000,000	1.00	4,000,000	2.00	6,000,000	3.00
Taiwan Futures Exchange Co., Ltd.	1,025,000	0.51	3,050,000	1.53	4,075,000	2.04
Taiwan Foreign Exchange Broker Co., Ltd.	80,000	0.40	-	0.00	80,000	0.40

Note: Investment that is made in accordance with Bank Law Article 74.

III. Stock shares and dividends

1. Source of capital

Date	Issuing price	Authorized capital		Actual capital collected		Remarks	
		Shares	Amount	Shares	Amount	Source of capital	Others
Dec. 2004	10	2,488,926,389	24,889,263,890	1,517,719,008	15,177,190,080	Listed stock	
April 2005	10	2,488,926,389	24,889,263,890	1,825,394,074	18,253,940,740	Listed stock	2004.12.29 Jin.kwong.yin (II) tzu No. 0930037438 Letter

Stock shares	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	1,825,394,074	663,532,315	2,488,926,389	Listed stock shares

2. Structure of shareholders

December 31, 2004

Structure of Shareholders QTY	Governmental institution	Financial institution	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of person	6	1	77	35,135	33	35,252
Shareholdings	8,836	850,000	982,221,556	524,269,200	10,369,416	1,517,719,008
Shareholdings ratio	0.001	0.056	64.717	34.543	0.683	100

3. Distribution of stock shares

December 31, 2004; NT\$10 Par

Classification of shareholdings	Number of shareholders	Shareholdings	Shareholdings Ratio
1 ~ 999 shares	16,665	3,652,036	0.24
1,000 ~ 5,000 shares	7,900	18,072,618	1.19
5,001 ~ 10,000 shares	2,808	21,463,014	1.41
10,001 ~ 15,000 shares	5,077	62,753,746	4.13
15,001 ~ 20,000 shares	547	10,235,244	0.67
20,001 ~ 30,000 shares	645	16,367,947	1.08
30,001 ~ 50,000 shares	478	19,477,824	1.29
50,001 ~ 100,000 shares	481	35,178,590	2.32
100,001 ~ 200,000 shares	320	43,802,118	2.89
200,001 ~ 400,000 shares	161	45,241,965	2.98
400,001 ~ 600,000 shares	55	26,844,585	1.77
600,001 ~ 800,000 shares	25	17,210,193	1.14
800,001 ~ 1,000,000 shares	16	14,485,747	0.95
Over 1,000,001	74	1,182,933,381	77.94
Total	35,252	1,517,719,008	100.00

4. Main Shareholders

December 31, 2004

Shares	Shareholdings	Shareholdings Ratio (%)
Name of Main Shareholders		
Yu-Pang Co., Ltd.	16,373,448	1.08
Union Enterprise Construction Co., Ltd.	61,896,601	4.08
Sue-Ere C. Lin	66,734,211	4.40
S.S. Yeh	16,498,447	1.09
Chung Li Investment Co., Ltd.	30,613,388	2.02
Wei-Tzu Investment Co.	37,664,185	2.48
Rong-San Lin Foundation	41,782,660	2.75
Gee-Bao Investment Co.	69,437,068	4.58
Bei-Shen Investment Co.	80,680,866	5.32
Hong-Shon Investment Co.	87,330,070	5.75
Quen-Jzo Investment Co.	73,755,098	4.86
Bao-Shen Investment Co.	83,865,234	5.53
Jen-Yuan Investment Co.	82,218,801	5.42
Tien-Shen Investment Co.	71,018,557	4.68
Gi-Shen Investment Co.	95,668,698	6.30
Union Entertainment Enterprise Co., Ltd.	22,948,877	1.51
Pai-Ying Investment Co.	18,441,417	1.22
Chuan-Sheng Investment Co.	15,228,306	1.00
Hong-Bon Construction Enterprise Co.	35,257,776	2.32
Chuan-Chen Investment Co.	26,506,662	1.75

Note: Shareholders who are with over 1% shareholdings.

5. Market price, net worth, earnings and dividends per share within 2 years:

Year		◀ 2003	2004	Up to March 31, 2005	
Market price per share	Max.	10.95	13.45	12.5	
	Min.	6.65	9.2	10.55	
	Average	8.54	10.8	11.71	
Net worth per share	Before appropriation	11.23	12.35	12.12	
	After appropriation	11.23	12.35	12.12	
Earnings per share	Weighted average shares	1,447,127,767	1,489,145,570	1,650,929,333	
	Earnings per share	0.91	1.07	0.19	
Dividends per share	Cash dividends	-	-	-	
	Stock dividends	Dividends from earnings	-	-	-
		Dividends from additional paid-in capital	-	-	-
	Accumulated undistributed dividends	-	-	-	
Return on investment	Price/Earning ratio (note 1)	9.77	10.09	15.41	
	Price/Dividend ratio (note 2)	-	-	-	
	Cash dividend yield rate (note 3)	-	-	-	

Note 1: Price/Earning ratio = Average closing price per share / earnings per share

Note 2: Price/Dividend ratio = Average closing price per share / cash dividend per share

Note 3: Cash dividend yield rate = Cash dividend per share / Average closing price per share

6. Stock dividend policy and enforcement

For the net income of Union Bank, in addition to paying for income tax, it will be used to make up losses of the previous years, appropriation of 30% legal surplus afterwards; also, appropriation of special surplus after that, then, stock dividend. Ten percent of the balance, if there is any afterwards, is to be appropriated as bonuses to employees and then some of the balance after that and the unappropriated retained earnings of previous years are distributed as follows:

- (1) 95% appropriation for the bonus to shareholders.
- (2) 5% appropriation for the remuneration to Directors and Supervisors.

The amount of the aforementioned cash distribution may not exceed 15% of the total capital of Union Bank. However, once the amount of legal surplus equals the value of total capital, it is exempted from the said restriction.

For the said special surplus, if there is a debit to the Shareholder's Equity in the year (such as, long-term unrealized loss of stock investment in valuation and cumulative translation adjustment), an equivalent amount of special surplus should be appropriated from the Net Income of the year and the unappropriated retained earnings of prior periods.

For the said special surplus, no distribution is permitted except for the reversed amount of the debit to Shareholder's Equity.

For the aforementioned distribution of stock dividend and bonuses to shareholders, the Board of Directors is to draft up the distribution ratio of cash or stock dividend in accordance with the financial surroundings, potential profitability, and the budget planning of Union Bank. Union Bank is currently in the stage of "developing" and "growing;" therefore, the distribution of dividend will be with cash first and stock second in the future three years; also, the proposal will be presented at the Shareholder's Meeting for approval. Cash dividend is to be distributed once the distribution proposal is approved in the Shareholder's Meeting while stock dividend is not to be distributed until receiving approval from the competent authority.

The bonus to employees and remuneration to Directors and Supervisors were not distributed in 2004.

7. The impact of the stock dividend distribution discussed in the Shareholder's Meeting on business performance and Earnings per Share: The distribution of stock dividend did not take place this year.

8. Bonus to employees and remuneration to Directors and Supervisors:

- (1) The percentage and scope of bonus distribution to employees and remuneration to Directors and Supervisors: It is the same as the stock dividend policy of Union Bank.
- (2) The distribution of bonuses to employees approved by the Board of Directors: The distribution of bonuses and stock dividends to employees and remuneration to Directors and Supervisors did not take place this year.
- (3) The appropriation of retained earnings for the distribution of bonuses to employees and remuneration to Directors and Supervisors last year: None

9. Stock redemption of Union Bank: The stock shares redeemed before 2003 were transferred to employees. Stock redemption has not yet happened in 2004.

IV. Issuance of debentures

Name of Debentures	First issuance of sub-debt in 2002	First issuance of convertible bond in 2004	First issuance of sub-debt in 2004	Second issuance of sub-debt in 2004
Approval date and Doc. No. of National Competent Authority	Tai.chai.zon (II) No.0910043331 Letter dated September 17, 2002	Jin.quan.yin (II) No.0930020977 Letter dated July 30, 2004 & Jin.quan.jen (I) No.0930134267 Letter dated July 30, 2004	Jin.quan.yin (II) No.0930032639 Letter dated November 10, 2004	Jin.quan.yin (II) No.0930032639 Letter dated November 10, 2004
Issuing Date	November 14, 2002	September 13, 2004	December 23, 2004	December 28, 2004
Face Value	NT\$ 1M, NT\$5M, NT\$10M, NT\$50M	NT\$100,000	NT\$1M, NT\$5M, NT\$10M	NT\$1M, NT\$10M, NT\$50M
Issuing Location	Domestic	Domestic	Domestic	Domestic
Currency	NT\$	NT\$	NT\$	NT\$
Issuing Price	Issuing at the face value	Issuing at the face value	Issuing at the face value	Issuing at the face value
Total Amount	NT\$3.5 billion	NT\$3 billion	NT\$1.5 billion	NT\$3.5 billion
Interest Rate	Fixed interest rate 3.80%	0%	Add 1.00% to the average annual time deposits rate of the First Commercial Bank, Hua Nan Commercial Bank, The Commercial Bank of Chang Hua, Land Bank of Taiwan, Cooperative Bank of Taiwan, and Bank of Taiwan	Fixed interest rate 3.55%
Terms	5-year term Due date: November 14, 2007	5-year term Due date: September 13, 2009	5.5-year term Due date: June 23, 2010	5.5-year term Due date: June 28, 2010
Priority for payback	Secondary	First	Secondary	Secondary
Guarantor	-	-	-	-
Trustee	-	Trust Department of EnTie Bank	-	-
Underwriter	-	China Securities Co., Ltd.	-	-
Certifying Attorney	S.S. Lai Attorney at Law Attorney: Mr. S.S. Lai	S.S. Lai Attorney at Law Attorney: Mr. S.S. Lai	S.S. Lai Attorney at Law Attorney: Mr. S.S. Lai	S.S. Lai Attorney at Law Attorney: Mr. S.S. Lai
Certified Public Accountant	Deloitte Touche Tohmatsu CPA: Mr. T.R. Lee	Deloitte Touche Tohmatsu CPA: Mr. Terence Huang and Mr. Ray Chang	Deloitte Touche Tohmatsu CPA: Mr. Terence Huang	Deloitte Touche Tohmatsu CPA: Mr. Terence Huang
Certified financial institution	FuBon Securities	Without physical issuance	FuBon Securities	FuBon Securities
Sinking fund	In a lump sum	In a lump sum	In a lump sum	In a lump sum
Outstanding balance	NT\$3.5 billion	NT\$2.7 billion	NT\$1.5 billion	NT\$3.5 billion
Capital collected in prior year	14,889,263,890	14,889,263,890	14,889,263,890	14,889,263,890
Net value in prior year	16,541,817,866	16,720,171,378	16,720,171,378	16,720,171,378
Performance	-	-	-	-
Redemption or foreclosure conditions	-	-	-	-

Name of Debentures	First issuance of sub-debt in 2002	First issuance of convertible bond in 2004	First issuance of sub-debt in 2004	Second issuance of sub-debt in 2004
Transfer or exchange conditions	-	-	-	-
Restrictive clauses	-	-	-	-
Fund application plan	Improving financial structure Increasing capital adequacy rate	Improving financial structure Increasing capital adequacy rate	Improving financial structure Increasing capital adequacy rate	Improving financial structure Increasing capital adequacy rate
The ratio of issued amount plus outstanding balance to the net value of prior year (%)	21.16%	38.88%	46.05%	66.98%
Calculation and classification of self-sufficient capital	Included in the secondary capital	Excluded from the secondary capital	Included in the secondary capital	Included in the secondary capital
Name of the rating institution, rating date, and ratings	-	-	Taiwan Ratings Corp. January 12, 2005 tw BBB+	Taiwan Ratings Corp. January 12, 2005 tw BBB+

V. Issuance of preferred stock, GDR, and employee's stock options: None

VI. Merger or acquisition of other financial institutions:

Union Bank had acquired some of the assets, liabilities, and businesses of Chung Shing Bank for an amount of NT\$7,108 million through bidding on December 9, 2004 and with the transaction completed on March 19, 2005. The said merger and acquisition was not done through stock exchange or stock issuance.



Operational Highlights

A. Business operation

I. Ratio of operating income to total income and its changes:

Item	Ratio of 2004	Ratio of 2003	Ratio Increase (decrease)
Deposits business	14.95	20.84	-5.89
Corporate banking	7.68	10.55	-2.87
Consumer banking	11.04	17.73	-6.69
National cash card	10.56	8.25	2.31
Trust business	1.18	1.42	-0.24
Securities business	0.77	1.03	-0.26
Credit card business	34.71	28.14	6.57
Car loan business	5.37	6.40	-1.03
Others	13.74	5.64	8.10
Total	100	100	

II. Operating plan of the year

1. Deposit business:

- (1) Solicit low-interest and stable deposits actively to substantiate operating foundation and reduce capital cost.
- (2) Develop the businesses of salary deposit, stock amount collections, stock dividend distribution, securities collections, and tuition and fees collections and industrial collections actively to increase the pool of customers and market share.
- (3) Promote comprehensive assets account and plan products in compliance with the needs of customers to increase customer's loyalty to Union Bank.
- (4) Process IC ATM replacement continuously to provide customers with safe and convenient ATM transaction service.
- (5) Simplify the process procedure and reduce service cost and improve operating efficiently through standardized and centralized management.

2. Corporate banking business:

- (1) Develop new sources of customers to expand operating scale, acquire market advantage; also, to reduce operating risk of Union Bank through soliciting revenue credit business.
- (2) Develop small businesses actively and retire credit and/or less profitable accounts to secure the stable growth of credit business and the profitability of Union Bank.
- (3) Develop and expand new businesses in accordance with the market differentiation.
- (4) Reinforce the credit-check and credit-extending process, the management of collateral and industrial information analysis, the control of credit risk, the security of credit, and the quality of credit to substantiate business operation and to prevent and control the occurrence of overdue accounts.

3. Consumer finance business:

- (1) Acquire industrial information, develop new consumer finance products in response to the market development and demand; also, expand consumer finance business through heterogeneous strategic alliances.
- (2) Set up consumer loans center and regional business center actively, integrate manpower and decentralize professions; also, standardize operating procedure to improve service efficiency and control credit quality.
- (3) Develop National Cash Card and Leonardo Da Vinci Platinum Card business actively and improve its prof-

itability.

- (4) Reinforce public relations and keep close contact with new customers and existing customers to prevent them from taking their businesses elsewhere.

4. Foreign exchange

- (1) Promote the business of Export L/C Forfaiting, O/A Factoring, D/A Forfaiting, and Trade Finance.
- (2) Establish a close strategy/product cooperation relation with international banks.
- (3) Promote eCommerce for foreign exchange business in order to exercise the utmost productivity of manpower.
- (4) Develop other offshore business (OBU), such as, syndication loans, joint guaranty, and ECB, in order to increase the revenue of Union Bank.

5. Trust and wealth management business:

- (1) Integrate financial products and promote integrated trust products and promotional projects.
- (2) Reinforce the interaction with the investment trust industry and improve the fund sales of Union Bank to increase the business opportunity of fund depository and the scale of depository business.
- (3) Improve the business of marketable security certification continuously and expand the market share of Union Bank in this field.
- (4) Reinforce the propaganda of trust and study and develop new trust products continuously for the satisfaction of customers in asset planning.
- (5) Integrate the financial network of Union Bank, improve the function of UMA intelligent finance account, provide customers with a quality financial management tool, and reinforce the capability of Union Bank in customer relationship management (CRM) with VIP customers.
- (6) Select financial products precisely and provide customers with diversified asset allocation management.

6. Credit card business

- (1) Introduce various credit card feedback activities, improve the loyalty of cardholders, and reinforce the dedication of cardholders to achieve the annual goal of Union Bank in card circulation and consumption amount.
- (2) Promote various marketing activities to achieve the annual goal of Union Bank in small credit loans (balance subrogation) and revolving credit balance.
- (3) Integrate consumer activities, collections service, and eCommerce; also, with the use of simulated and physical marketing resources to provide diversified services to cardholders.
- (4) Develop the collections business for on-line merchants continuously and reinforce the mechanism of on-line credit card payment to expand the number of credit cards in circulation and sales amount.
- (5) Cooperate with international organizations to develop B2B safe financial service mechanism and provide industry with safe and efficient financial environment for on-line transactions.

7. Treasury operation

- (1) Upgrade the control system of market risk and liquidity risk in order to reinforce the competitiveness of Union Bank.
- (2) Support the risk-avoidance request of market and customers and develop and solicit new financial products actively.
- (3) Study and evaluate offshore investment plans and fundraising channel; also, improve the reputation of Union Bank through cooperation with international banks.

III. Market analysis

1. The supply-demand and growth of the finance market

Economic recovery is growing strong both in Taiwan and globally which helped increase the deposits and loans of major financial institutions in Taiwan to the record high of NT\$22,490 billion and NT\$15,920 billion, respectively, by the end of 2004. However, due to the development of the capital and money markets in recent years, the ratio of direct finance is growing gradually and it is at the mark of 30% currently. Apparently, the reliance of industrial on traditional financing will go down gradually, on the contrary, the ratio of personal financing will grow to help generate more handling charge income due to the increase of demand and the introduction of new financing tools.

The effort of the domestic banking industry in having bad debt written off in the last two years has helped boost up business profitability. However, the entire banking industry is facing the challenge of declining interest income in this low-interest-rate environment. The impact of low interest income on state-run banks is even worse compared to the private-run banks. Therefore, the keen competition for consumer finance business in both sectors is severe including cash cards, mortgage loans, credit card loans, and finance management.

In terms of asset quality, the average overdue loans of domestic banks were at the level of below 5% by the end of 2003 that represented an improvement in both the overdue rate and overdue amount compared to the historical record high. The profitability of business is expected to grow dramatically due to the recovery of the economy and industrial activity.

Due to the excessive number of domestic banks in business and the announcement of government that business permits for bank branches will not be issued recently, bank mergers do take place from time to time for the sake of increasing market share. On the other hand, the operating performance of the fourteen Holdings in Taiwan is differentiated from the performance of non-Holdings due to the excellent interactive sales among subsidiaries of the Holdings. Therefore, under the consideration of market trend, economic scale, services content, and business locations, the Holdings will continue to initiate mergers among banks.

Due to the fact that a common understanding on the financial policy won't be reached shortly between Taiwan and Mainland China; moreover, the Taiwanese business in China is growing; therefore, domestic banks are positive in forming a strategic alliance with international banks that have business set up in China or with Chinese banks.

2. Targeted market

Union Bank has targeted its business operation on the markets of "deposit & foreign exchange," "corporate banking," "consumer finance," "credit card," "cash card," and "trust business." While the competition is growing severe in the industry, Union Bank strives to initiate business differentiation and organizational professionalism; also, to reinforce the competence of salesperson for the development of business and improvement of profitability.

3. Competition strategy and benchmark

The business of "deposits & foreign exchange" and "corporate banking" is growing along with the economic recovery nationwide and worldwide. In addition to conventional deposits & loans and foreign exchange services, in terms of deposits & foreign exchange, not only are the collections service for convenient stores promoted but also the infrastructure of service automation and Internet service networks make up the limited operat-

ing network and reduce service costs. In terms of corporate banking, promote the revenue business of A/C Factoring and financing service, simple discounts, and e-loan actively; also, introduce the loans with high interest rate variation to small businesses and loans in foreign currency for the growth in quantity, quality, and profitability.

"Consumer finance" was introduced for the business of mortgage loans. The recovery of the real estate market in recent years has helped heat up sales. Union Bank will not only focus on the consumers group that intends to buy a house or to trade-in for a new house but also focus on the auction market and new consumer finance products.

The prevailing of consumer finance has helped boost up the "credit card" and "cash card" business. Union Bank is now one of the major card issuance banks in Taiwan. In terms of credit card business, Union Bank has continuously to form a strategic alliance with many large department stores in Taiwan to increase market share. In terms of cash card business, Union Bank has the "National Cash Department" established to conduct cash card business independently in order to exercise its job responsibility, function, and management effectively for the sake of business operation and risk control.

For the "trust business," due to the prevailing of personal financing and wealth management, Union Bank intends to promote professional service for personal financing continuously; also, to provide diversified investment objects of insurance, funds, and trusts to customers.

In order to have businesses grow stably and to provide customers with comprehensive financial services; also, in response to the increasing competition from the operation of Holdings, Union Bank intends to exercise the competitiveness of the Group through developing profitable products and initiating resource integration with the affiliates. Therefore, Union Bank has no intention to become a holding company but will be able to act as one through resource integration for most effective utilization.

4. Advantages and disadvantages of development prospects and the responsive measures

(1) Advantages

- a. The gradual recovery of the macroeconomy helps motivate private investment and demands, helps increase the loans and investment of domestic banks, helps reinforce the solvency of industry, and helps the banking industry resolve the issues of bad debt and reduce overdue loans.
- b. Since the introduction of financial assets in the form of securities, the banking industry is able to have the assets sold before the due date of credit assets in order to improve the liquidity of assets through fund collection and to improve the efficiency of assets application. However, throughout the process of having assets transformed into securities, the risk of breaching a contract by the financial assets will be transferred to the guarantor institution and investors. Under the circumstance, financial institutions face the risk of virtue while reviewing the loans. It is one of the issues to be addressed and monitored by the competent authority.
- c. The effort of Holdings in merging domestic banks will help upgrade the international view and competitiveness of the industry and improve the business image of the domestic banks taken as a whole.
- d. Once the Central Bank of China confirms the increase of the interest rate, although many banks won't have the loan rate adjusted immediately due to the sufficient funds on hand; however, in terms of mid-term and long-term interest rate, it does help increase the interest rate variation among banks and improve interest income.

- e. Competent authority is loosening the financial control gradually; therefore, the scope of new financial products and business will be expanded eventually.

(2) Disadvantages

- a. The Finance Supervision Committee of the Executive Yuan has been put in service since July 2004 and with dues and examination fees charged against financial institutions. For the banking industry, the operating cost will go up and the pressure is on due to the limited profitability of the industry currently under severe competition.
- b. The political situation between Taiwan and Mainland China has taken a toll on the trade development of both sides together; also, the movement of foreign investors is speeding up and the domestic banks have lost their business opportunity with the Taiwanese businessmen in China due to the lack of direct banking service provided.
- c. The internationalization of domestic banks was low due to the protective policy of Taiwan government; moreover, the bank staffs were with less international view and creativity compared to international bank staff. While global business groups are targeting and getting ready to move into the Asian market for their next move, it is truly an issue to be addressed by the domestic banking industry on how to get into the international market.

(3) Responsive measures

- a. Due to the dramatic change of the financial environment and the development of diversified banking business; also, the constant introduction of new financial products, risk control has become an important task to financial institutions. Upon the enforcement of Basel II at the end of 2006, Union Bank will reinforce its international competitiveness actively and with a set of reasonable control systems constructed for the evaluation of credit, interest rate, market, and operating risk; also, for the enforcement of Basel II protocol and for the upgrade of asset quality.
- b. In terms of the domestic financial market, the credit card business is with severe competition in place while the cash card represents a brand new product. However, both products are with dramatic growth established in the last two years. Moreover, the qualification for the application of the cash card is relatively easier than other consumer loans; therefore, competent authority and financial institutions should study the future impact of the cash card on overdue loans. Per the request of the Bank Bureau, Union Bank has instructions stipulated on the issuance of cash card and loan payment for the reinforced risk control of the consumer finance business.
- c. While the interest rate variation of deposits and loans is declining, Union Bank will try to increase the market share of financial products that are with higher interest rate variation; also, to reduce the cost of traditional mortgage loans and small loans through procedure simplicity and process standardization. Moreover, the efforts of improving employee's productivity and efficiency, targeting on the groups of customers with good credit in order to reduce overdue loans, and reinforcing the interactive sales with the affiliates are to uphold the balance between quality and quantity and the stability of profitability even when the interest rate variation is low.
- d. Develop consumer finance business continuously and increase the ratio of consumer loans to total loans; develop Internet service channels actively and maintain a close contact with customers for a better service

through the diversified network; reinforce the function of financing service through a heterogeneous strategic alliance and the integration of personal financial products.

IV. Financial products study and business development:

1. Main financial products and newly established business department in the last two years:

- (1) Union Bank has an "All-Purpose ATM Card" issued in November 2004 and it is for the functions of domestic and international withdrawal, transfer, tax payment, fee payment, and queries; also, it is for the expense deduction of consumption that is one card for multiple accounts; therefore, it is a convenient and multi-purpose personal financing tool. Moreover, the All-Purpose ATM Card is with the third track of the magnetic bar removed for better protection against forgery and false copying.
- (2) After getting to know about the expectation of outstanding citizens on better living quality, Union Bank has the "Leonardo Da Vinci Platinum Card" issued in November 2004. It is not only with the double feedback of interest rate to deposits but also with the convertible financing funds offered that are without any quota restriction and with revolving quota made available in accordance with the needs and qualifications of customers.
- (3) In order to provide credit card services to customers in different groups, Union Bank had thirteen cards issued in 2004 that include Union Traveler Card, May-Hua-Tai Joint Card, Thai Airlines Joint Card, F1 Gasoline IC Card, Caesar Hotel Joint Card, Pingfu Card, Taipei 1st Cooperative Bank Joint Card, Kaohsiung Joint Card, Postal Union Card, in base Joint Card, Zero Interest Installment Card, Fugui Joint Card, and National Traveler Card.
- (4) In order to have more diversified services provided, Union Bank has introduced the financial products including Traveler Insurance Trust, Small Business convenient and flawless exporting loans, L/C forfaiting, exporting A/R Factoring and Forfaiting, D/A forfaiting, corporate banking reprocessed real property loans, and 1111 business loans.
- (5) Union Bank has made the National Cash Department independent on April 1, 2004 which was once under the Consumer Finance Department. There are the Planning Division, Business Development Division, and Collections Division in the National Cash Department for the management of twenty-nine National Cash Card Centers and four National Cash Collection Centers. By the end of 2004, there were 386 staff employed for cash card business, in which, 254 staffs were full-time business development personnel. In terms of business scale and effect, up to December 31, 2004, 406,518 units of National Cash Card and Leonardo Da Vinci Platinum Card were issued for a loan amount of NT\$13,154 million that had helped generate substantial interest for the Bank.

2. R&D expense and achievements in the last two years and new R&D plans:

- (1) R&D expense

Unit: NT\$1000		
Year	2003	2004
R&D expense	2,420	42,858

Note: The R&D expense of 2004 is an amount before the audit of CPA.

- (2) Apply the Java-oriented opened-type information technology for the R&D of new terminal system and with an amount of NT\$9 million expensed for R&D and with the following achievements reported:
 - a. No longer bonded by the special structure of the old system; therefore, Union Bank is now with more independence in technology support.
 - b. Union Bank is having the old terminals replaced gradually. The old terminals of Chung Shing Bank will be replaced completely in February 2005 and that will help save installation expense of several hundred million dollars and a cut in maintenance expense of NT\$7 million.
- (3) In supporting the use of IC ATM, NT\$5 million was expensed for the R&D of All-Purpose ATM Card. It has helped introduce All-Purpose ATM Card in market in time and with more value-added services provided to the cardholders.
- (4) R&D plans:
 - a. Continue the EAI stage II development (corporate banks, ICP, Web ATM*).
 - b. Evaluate the new core system.

V. Long-term and short-term business development plan:

1. Long-term business development plan

- (1) Search for proper locations for the reinstatement of 13 branches and the relocation of branches.
- (2) Simplify operating procedure, reduce cost, and improve operating effect.
- (3) Balance the development of corporate banking and consumer banking business; also, develop wealth management business in cooperating with market demand.
- (4) Increase capital adequacy rate, adjust credit asset structure of Union Bank, and stress the importance of the credit effect and customer's integrated contribution for the effective utilization of fund.
- (5) Adjust organizational structure continuously in accordance with business development; also, construct professional, decentralized, and efficient service system.

2. Short-term business development plan

- (1) Expand international banking business continuously to increase operating profit of Union Bank.
- (2) Develop new banking and wealth products for customer's diversified assets arrangement and management; also, increase the ratio of risk-free income (handling charge) and control the benchmark of the market.
- (3) Develop comprehensive asset account and plan products for customer's needs in order to improve customer's loyalty.
- (4) Promote eBanking operation, reinforce eBanking service mechanism, and provide customers with around the clock convenient banking service.
- (5) Organize risk management department to reinforce risk management mechanism.

B. Information of staffs

(1) Number, seniority, education, and certification of staffs

Year		2003	2004	Up to March 31, 2005
Item				
Number of staffs	Formal employees	2,645	2,778	3,201
	Temps.	0	0	0
	Others	0	0	0
	Total	2,645	2,778	3,201
Average of age		30.4	30.79	31.53
Average of seniority		3.66	3.99	3.58
Education	Ph. D	0	0	0
	Master	5.10%	4.86%	4.50%
	College	78.68%	77.68%	77.50%
	High School	15.96%	16.92%	17.50%
	Below High School	0.26%	0.54%	0.50%
Certificate of credential received by employees		Number of employees	Number of employees	Number of employees
Life insurance salesmen		720	771	784
Futures salesmen		91	104	106
Trust salesmen		714	815	832
Internal control test		1,031	1,112	1,130
Securities brokers		54	59	59
Securities senior salesmen		23	25	59
Securities investment trust and securities investment consulting salesmen qualification examination		17	21	23
Wealth planning salesmen competency test		279	302	305
Property insurance salesmen		29	39	40
Investment insurance products salesmen qualification examination		29	33	33
Preliminary credit evaluator competency test		224	229	230
Advanced credit evaluator competency test		18	19	19
Preliminary foreign exchange trader competency test		134	138	138
Fire-fighting manager		44	44	44
Labor safety & health manager		41	59	59
Paramedics		40	40	40
Taipei Securities Banking Association certification		6	6	6
CPA		1	1	1
Land registered agent		3	3	3

Note: The number of staffs with professional certification on March 31, 2005 does not include the recruited staffs of Chung Shing Bank on March 19, 2005.



(2) Training expense for employees in 2004

Item	Internal	External	Total
Number of trainees (person/time)	3,849	871	4,720
Training expenses (NT\$)	9,262,409	4,542,498	13,804,907

(3) The employees of Union Bank, in addition to performing their jobs in accordance with the concept of "honor above all" and to follow the requirements of regulations and rules, are obliged to cultivate good living habits, exercise excellent work ethics, and honor the work codes of the Bank.

(4) Union Bank has the "Labor Safety & Health Committee" established on October 18, 2001 and with the "Safety & Health Work Codes" stipulated on March 4, 2002 and submitted to Council of Labor Affairs, the Executive Yuan for approval and enforcement. The following tasks are executed in accordance with Labor Safety & Health Law and the relevant regulations:

1. Arrange general labor safety & health training courses, labor safety & health Class A business management training course, and emergency rescuers training courses for the staff of the Bank.
2. Arrange physical check up for the new recruits and health examination for the staff of the Bank.
3. Report the occupational hazards statistics to the competent authority every month.
4. Elect labor safety & health committee members accordingly and with the labor safety & health committee meeting summoned periodically.
5. Participate in the labor safety & health meeting arranged by the Bank Associations.
6. Arrange the operating environment inspection and corrective action for nonconformity periodically for the CO2 and illumination in all offices of the Bank.
7. Arrange the inspection and corrective action for nonconformity periodically for the high-low pressure equipment in all offices of the Bank.
8. Arrange the inspection of fire safety & public safety; also, the application process.

C. Responsibility and moral behavior of industry:

1. Union Bank, Union Securities Co., Ltd., and the affiliates have the "Union Foundation" established in April 1998 to conduct cultural & educational businesses and charities activities. The mission of the Foundation is to initiate academic and cultural communication through literature & art activities, academic seminar, and symposiums.

- (1) Tournament: Union Bank Foundation started out with the "Union Bank Art Tournament" (聯邦美術新人獎) and with the "Taiwan Art Contribution Award" (台灣美術貢獻獎) and "Union Bank Impression Award" (聯邦印象大獎) held in 2004. In order to substantiate the decision of "supporting Taiwan's local artists," Union Bank has chosen the "Return to Chin-Bi Village" (重返芹壁村) that was one of the collections of Union Bank Foundations from the "1st Union Bank Impression Award" to be the cover design of "All-Purpose ATM Card."
- (2) Exhibition Tour: Union Bank Foundation had seven exhibition tours arranged nationwide in 2004. In order to activate a deeper interaction between the viewers and the creators, the organizer has the interview tape of the creators played at the show in addition to the display of the masterpieces that helps improve the interaction between the "masterpiece" and the "visitors." The effort of the interaction is to make art appreciation an interesting intellectual entertainment too.

(3) Social recognition: The effort of Union Bank Foundation in cultivating domestic artists is well recognized by society and it was awarded with the Bronze Medal of the 7th "Win-Hsin Award" (文馨獎) by the Council for Culture Affairs of the Executive Yuan on November 16, 2004.

- 2. In order to take part in social activities actively, Union Bank has adopted Chong-Chuan No. 2 Park continuously since 1997 and the Park was rated No. 1 in the "Small and Medium Community Parks" among the 345 parks in Taipei in the year of 2000, 2001, and 2002.**
- 3. The Tsunami that took place in Southeastern Asia On the end of 2004 had caused serious injuries and a large death toll. Union Bank had donated NT\$2 million to help the refugees.**
- 4. While facing severe competition in the financial market and the trend of large operation by the Holdings in Taiwan, Union Bank has demonstrated its determination for perpetual operation and defined future development through the acquisition of Chung Shing Bank. Union Bank has adopted a strict credit-extending policy and with large bad debt written off; also, it has its assets quality improved dramatically in recent years. The future operation of Union Bank will be based on the profitable credit card and cash card business that is with large market share; also, based on the development of distribution network to exercise the capability of Union Bank in long-term operation, to improve business profitability, to help increase stock value, and to generate higher investment values for shareholders.**

D. Equipment of information system:

(1) Installation and repair & maintenance of main information system software & hardware

1. Neifu engineering room: IBM 9672-RA6 PC (OS390, CICS, IMS/DB), Shark 800 hard disc, RVA hard disc, 2 units of 3745 telecommunications control units, 3490 floppy, 4 units of ATM front-end processor, 12 units of IBM RS/6000 (AIX, DB2, Websphere), SAN, and IBM AS400.
2. Minshen engineering room: IBM9672-R15 PC (OS390, CICS, IMS/DB), Shark F20 hard disc, 3745 telecommunications unit, 3490 floppy, ATM front-end processor, and 2 units of IBM RS/6000 (AIX, DB2, Websphere).
3. Contracts are signed with manufacturers for the repair & maintenance of the aforementioned hardware and software.

(2) Future development and purchasing plan

1. Upgrade of IBM 9672-RA6 PC.
2. Upgrade of IBM RS/6000 and purchasing of spare unit.
3. New foreign exchange system and offshore bond system will be placed on-line in 2005 gradually.

(3) Emergency backup and safety protection measures

1. Emergency backup includes the local support of Neifu engineering room and the distance support of Minshen engineering room.
2. Physical safety includes the system of entrance, surveillance tape, fireproof N2, Ar, He and environment monitoring.
3. The mechanism of Internet safety hacker detection, internal and external firewall, and virus scan mechanism.

E. Employer-employee relation:

(1) The enforcement of employee's welfare policy and retirement plan:

1. Organize Employees Welfare Committee and with an amount equivalent to 0.5% of salary appropriated monthly as welfare funds; also, with an amount equivalent to 0.1% of business income appropriated monthly for the use of the Employees Welfare Committee in arranging welfare activities for employees, such as, Mother's Day Festival, wedding, funeral, maternity (including the spouse), and compensation for major disasters.
2. Process labor insurance and Medicare insurance in accordance with the social insurance system. Union Bank will also provide employees with group insurance (including life insurance, group's injury insurance, worker's compensation insurance, occupational insurance, cancer health insurance, and employees and employee's families' hospitalization medical insurance).
3. Arrange employee's preferential deposits, employee's preferential guaranteed loans and consumer loans.
4. Employee's Welfare Committee distribute bonus to employees on the day of Chinese New Year, Dragon Boat Festival, and August Moon Festival.
5. Union Bank has Employee's Retirement & Pension Plan in place. The employees of Union Bank who have qualified for the seniority for retirement in accordance with Labor Mobilization Law or the Work Codes of the Bank are entitled to receive a pension upon applying for retirement.
6. Union Bank has Employer and Employees Meeting Measures stipulated to maintain a harmonious relationship and there are no disputes between the two parties pending.

(2) Union Bank has not suffered any loss from any dispute occurring with the employees since the day of establishment. Union Bank intends to review the salary and welfare measures of the Bank annually for the best interest of employees. Union Bank has upheld a harmonious relationship with employees; therefore, there is not any employer-employee arbitration pending.

F. Major contracts signed

Nature of contract	Contract party	Contract period	Content of contract	Restrictive clauses
Deposit insurance contract	Central Deposit Insurance Corp.	Signed on 1994.4.27	Performance bond for the banks that are unable to pay the depositors	-
Banking comprehensive insurance contract	Hsin Kong Marine & Fire Insurance Co.	2005.1.21 ~ 2006.1.21	Indemnification for the losses resulted from the un-loyal behavior of staff; assets, notes, and marketable securities in business premises or in transaction are forged and/or altered; counterfeit bills; loss or damage of business premise and equipment; mistake of securities or contract; and money shortage in counting.	Each incident is with a deduction amount and a limited maximum coverage
Unconditional acceptance contract	Chung Shing Bank Central Deposit Insurance Corp.	Signed on 2004.12.13	Unconditional acceptance for the assets, liabilities, and businesses of Chung Shing Bank except for the financial inter-bank deposits and loans	According to the clauses of the agreement signed
Subcontract agreement	Jar-Shong Finance & Trust Management Co., Ltd. Lay-Fong International Assets Management Co., Ltd. Chuan-Nan Co., Ltd. Yuan-Chen International Assets Management Co., Ltd. Fong-Tai Management Consulting Co. Standard Finance & Trust Management Co., Ltd. Roger International Assets Management Co., Ltd. Chung-Yu Finance & Trust Co., Ltd. Hong-Yin International Industry Co., Ltd. Yu-Fong Assets Management Co., Ltd.	Contingent agreement effective on 2004/12/31	Collections for the accounts receivable of credit card, car loan, and national cash card	According to the clauses of the agreement signed
Subcontract agreement	Chen-Pun International Industry Co. Won-Chuan International Industry Co. Chan-Ho Co. Taiwan International Co. Union International Rental Co., Ltd.	Contingent agreement effective on 2004/12/31	Loans process	According to the clauses of the agreement signed

G. Products that are approved to be transformed into securities in accordance with the requirement of Financial Assets Transformed to Securities Clause or Real Property Transformed into Securities Clause: None

Operational Highlight

1. Plans

Union Bank had issued NT\$3.5 billion secondary debenture and NT\$3 billion convertible bond in 2002 and NT\$5 billion secondary debenture in 2004 for improving the financial structure effectively.

2. Execution

The purpose of the aforementioned fund raising is due to the low interest rate resulted from economic recovery domestically; therefore, loans are expected to grow. The funds raised are used for loans; also, the secondary debenture is used as secondary capital to improve the capital adequacy rate of Union Bank.





| *Financial status* |

1. Condensed Balance Sheet, Income Statement, CPA's name, and Independent Auditor's Report within five years

(1) Condensed Balance Sheet

Unit: NTS1,000

Item	Year	Financial data within five years (Note 1)				
		2000	2001	2002	2003	2004
Cash & cash equivalent, deposits in Central Bank of China & other banks		\$11,806,620	\$13,170,158	\$10,831,409	\$12,692,684	\$12,064,678
Securities and bonds purchased		18,201,364	20,637,953	16,442,743	20,490,238	23,881,686
Loans, discount and exchange purchased		139,841,311	125,574,838	108,609,034	120,815,370	141,367,952
Accounts receivable		11,325,916	15,189,343	18,778,409	29,210,204	38,708,022
Long-term investment		3,611,639	3,754,720	3,783,285	4,800,485	8,868,605
Fixed assets		3,069,648	3,014,345	2,917,408	2,760,877	2,345,382
Other assets		2,535,901	3,959,598	14,182,441	13,725,978	19,796,777
Deposits in Central Bank of China and other banks		10,725,309	2,982,033	1,599,665	5,832,135	4,712,951
Deposits and remittance		156,492,640	159,878,978	149,958,821	173,518,839	205,035,613
Financial debenture		-	-	3,500,000	3,500,000	11,194,000
Other liabilities		6,509,068	5,898,126	5,285,717	4,924,691	7,359,792
Capital	Before appropriation	14,889,264	14,889,264	14,889,264	14,889,264	15,171,292
	After appropriation	14,889,264	14,889,264	14,889,264	14,889,264	(Note 2)
Additional paid-in capital		1,656	1,656	1,398	39,016	57,783
Retained earnings	Before appropriation	2,160,131	1,940,882	579,855	1,900,803	3,500,428
	After appropriation	1,871,393	1,940,882	579,855	1,900,803	(Note 2)
Other Shareholder's Equity		(385,669)	(289,984)	(269,991)	(108,912)	1,243
Total assets		190,392,399	185,300,955	175,544,729	204,495,836	247,033,102
Total liabilities	Before appropriation	173,727,017	168,759,137	160,344,203	187,775,665	228,302,356
	After appropriation	173,727,017	168,759,137	160,344,203	187,775,665	(Note 2)
Total Shareholder's Equity	Before appropriation	16,665,382	16,541,818	15,200,526	16,720,171	18,730,746
	After appropriation	16,376,644	16,541,818	15,200,526	16,720,171	(Note 2)

Note 1: The aforementioned financial data are audited by CPA.

Note 2: The distribution of retained earnings of 2004 is to be resolved in the 2005 Shareholder's Meeting.

(2) Condensed Income Statement

Unit: NTS1,000

Item	Year	Financial analysis within five years					Up to March 31, 2005
		2000	2001	2002	2003	2004	
Operating income		\$15,133,417	\$13,798,762	\$10,853,661	\$11,510,045	\$14,702,452	\$4,178,219
Operating cost and expense		14,571,550	13,653,150	11,948,864	10,531,138	13,590,690	3,928,349
Operating profit (loss)		561,867	145,612	(1,095,203)	978,907	1,111,762	249,870
Non-operating profit (loss)		5,862	(87,551)	(333,515)	491,166	374,914	109,525
Net income (loss) before tax		567,729	58,061	(1,428,718)	1,470,073	1,486,676	359,395
Net income		423,884	69,489	(1,361,285)	1,320,948	1,599,625	306,013
Earnings (loss) per share		0.28	0.05	(0.94)	0.91	1.07	0.16

Note 1: The aforementioned financial data are audited by CPA.

(3) CPA's name and audit opinion

Year	CPA Firm	CPAs	Audit Opinion
2000	Arthur Anderson CPA	Mr. J.Y. Wang and Mr. T.R. Lee	Unqualified opinion
2001	Arthur Anderson CPA	Mr. T.R. Lee and Mr. Ray Chang	Amended unqualified opinion
2002	Arthur Anderson CPA	Mr. T.R. Lee and Mr. Ray Chang	Qualified opinion (note 1)
2003	Deloitte Touche Tohmatsu	Mr. Ray Chang and Mr. Terence Huang	Qualified opinion (note 1)
2004	Deloitte Touche Tohmatsu	Mr. Ray Chang and Mr. Terence Huang	Qualified opinion (note 1)

Note 1: Issue a qualified opinion on the financial statements to have the loss of bad credit amortized in 60 months on average in accordance with the Bank Merger Law.

Note 2: Union Bank did not pay to the CPA or the related party of the CPA for any non-auditing related services.

2. Financial analysis within five years

Item	Year	Financial analysis within five years					Up to March 31, 2005
		2000	2001	2002	2003	2004	
Capital structure	Debts ratio (%)	91.18	91.00	91.26	91.75	92.39	92.53
	Ratio of deposits to net worth (%)	938.94	966.46	986.47	1,037.69	1,094.58	1,120.99
	Ratio of fixed assets to net worth (%)	18.42	18.22	19.19	16.51	12.52	40.26
Solvency	Current Reserve Ratio (%)	9.10	13.80	9.52	11.60	13.02	13.82
Operating ability	Deposits/loans ratio (%)	90.77	79.31	73.61	70.14	69.59	66.46
	Bad debt ratio (%)	3.54	3.91	4.12	3.84	2.52	2.95
	Total assets turnover (times)	0.0795	0.0745	0.0618	0.0563	0.0595	0.0564
	Average operating income (NT\$1,000)	8,440	7,619	4,892	4,348	5,289	1,304
	Average profit (NT\$1,000)	236	38	(614)	499	575	96
Profitability	Ratio of Return on Total assets (%)	0.22	0.04	(0.75)	0.70	0.71	0.45
	Ratio of Return on Shareholders' Equity (%)	2.57	0.42	(8.58)	8.28	9.02	5.99
	Profit ratio (%)	2.80	0.50	(12.55)	11.48	10.88	7.32
	Earnings per share (NT\$)	0.28	0.05	(0.94)	0.91	1.07	0.19
Cash flows	Cash flow ratio (%)	Note 3	57.42	65.23	Note 3	Note 3	Note 3
	Cash flow adequacy ratio (%)	87.9	231.29	375.85	Note 3	Note 3	Note 3
	Cash re-investment ratio (%)	Note 3	8.28	6.35	Note 3	Note 3	Note 3
Ratio of self-sufficient capital to risk assets	Capital adequacy ratio (%)	10.234	10.371	12.623	10.29	12.40	12.40
	Self-sufficient capital (NT\$1,000)	14,632,074	13,674,977	16,317,965	14,943,643	20,575,769	20,575,769
	Total risk assets (NT\$1,000)	142,974,303	131,855,448	129,269,898	145,158,982	165,952,850	165,952,850
	Ratio of Category I capital to risk weighted average assets (%)	11.71	12.658	11.925	11.523	11.263	11.293
	Ratio of Category I and II capital to risk weighted average assets (%)	12.338	12.711	15.550	13.169	15.241	15.241
	Balance ratio (%)	8.706	8.885	8.544	8.803	8.301	6.939
	Ratio of common shares to total assets (%)	8.753	8.927	8.659	8.176	7.582	7.469
Total guaranteed loans balance of the related party (NT\$1,000)		4,763,520	5,049,677	4,942,921	5,367,679	6,559,695	6,886,602
Ratio of total guaranteed loans balance of the related party to total loans balance (%)		3.35	3.98	4.48	4.41	4.60	4.18
Operating scale	Market share of assets (%)	0.76	0.72	0.68	0.73	0.83	0.99
	Net worth of market share (%)	0.93	0.92	0.94	1.03	1.06	1.24
	Market share of deposits (%)	0.83	0.81	0.75	0.82	0.91	1.10
	Market share of loans (%)	0.98	0.90	0.80	0.85	0.90	1.02

Note 1: The aforementioned financial data are audited by CPA.

Note 2: Union Bank should have the listed or traded stocks up to the quarter prior to the print of the annual report included in financial statements for analysis.

Note 3: Net cash outflow is from operating activities.

Note 4: Calculation formulas of financial analysis:

a. Capital Structure

- (1) Debts Ratio = Total Debts (Note 5) / Total Assets
- (2) Ratio of deposits to net worth = Deposits / Net worth
- (3) Ratio of fixed assets to net worth = (Net fixed assets) / net Shareholders' Equity

b. Solvency

- (1) Current Reserve Ratio = Current asset required by Central Bank of China / Deposits with current reserves appropriated

c. Operating Performance

- (1) Deposits/Loans ratio = Total loans amount / Total deposits amount
- (2) Bad debt ratio = (Bad debt + collections) / Total loans (including collections)
- (3) Total assets turnover (times) = Net operating income / Total assets
- (4) Average operating income = Operating income / Total number of staffs
- (5) Average profit = Net income / Total number of staffs

d. Profitability

- (1) Ratio of return on total assets = Net income (loss) / Average assets amount
- (2) Return on Shareholders' Equity (%) = Net income (loss) / Average Net Shareholders' Equity
- (3) Net Profit (%) = Net income / Net Sales
- (4) EPS = (Net income - Preferred Shares Dividends) / Weighted Average Outstanding Shares (Note 6)

e. Cash Flow (Note 7)

- (1) Cash Flow Ratio (%) = Operating Net Cash Flow Ratio / Current Liabilities
- (2) Cash Flow Adequacy Ratio (%) = Operating Net Cash Flow over the Latest 5 Years / (Capital Expenditure+Incremental Inventories+Cash Dividends) over the Latest 5 Years
- (3) Cash Flow Reinvestment Ratio (%) = (Operating Net Cash Flow - Cash Dividends)/(Gross Fixed Assets + Long-term Investment + Other Assets + Working Capital)

f. Ratio of self-sufficient capital to risk assets

- (1) Self-sufficient capital adequacy ratio = (Net self-sufficient capital / Total risk assets
- (2) Net self-sufficient capital = Category I capital + Category II capital + Category III capital - Capital debit items
- (3) Total risk assets = Credit risk weighted risk assets + capital appropriation or market risk x 12.5
- (4) Ratio of Category I capital to risk weighted risk assets = Category I capital / Adjusted average assets (Average assets after Category I capital "goodwill")
- (5) Ratio of Category I & II capital to risk weighted risk assets = (Category I capital + Category II capital) / Risk weighted risk assets
- (6) Balance ratio = Category I capital / Adjusted average assets (Average assets after Category I capital "goodwill")
- (7) Ratio of common shares to total assets = Common stock shares / Total assets

g. Operating scale

- (1) Market share of assets (%) = Total assets / Total assets of financial institutes for deposits and loans (Note 8)
- (2) Market share of net worth = Net worth / Total net worth of financial institutes for deposits and loans
- (3) Market share of deposits = Total deposits / Total deposits of financial institutes for deposits and loans
- (4) Market share of loans = Total loans / Total loans of financial institutes for deposits and loans

Note 5: Total liabilities are an amount after the reserves for guarantee, securities trade loss, punitive fine for a breach of contract, and accidental loss.

Note 6: The following considerations should be measured for the calculation of Earnings per Share:

- (1) It is based on the weighted average common stock shares instead of outstanding stock shares at the yearend.
- (2) The circulation period of stock shares from cash capitalization or Treasury stocks should be included for the calculation of weighted average stock shares.
- (3) For the capitalization of retained earnings and additional paid-in capital, the calculation of Earnings per Share for the prior years and half years, it should be adjusted retroactively in accordance with the ratio of capitalization without considering the issuing period of capitalization.
- (4) If preferred stock is the non-convertible cumulative preferred stock, the stock dividend (distributed or not) of the year should be deducted from Net Income or increased to Net Loss.
- (5) If preferred stock is the non-cumulative preferred stock, preferred stock dividend should be deducted from Net Income (if there is any) and needed not be adjusted to Net Loss (if there is any).

Note 7: Cash flow analysis is to be measured with the following precautions taken:

- (1) Net cash flow from operating activity means for the net cash inflow from operating activities on Cash Flow Statement.
- (2) Capital expenditure means for the cash outflow of capital investment.
- (3) Cash dividends include cash dividends for common stock and preferred stock.
- (4) Gross fixed assets means for the total fixed assets before accumulated depreciation.

Note 8: Financial institutes for deposits and loans business include domestic banks, branches of international banks in Taiwan, cooperative banks, and farmers and fishermen credit and trust investment company.

3. Supervisor's Audit Report of recent years

Union Bank Supervisor's Report

In accordance with Article 219 of the Company Law, we have examined the business reports, Balance Sheet, Income Statement, Statement of Retained Earnings, Statement of Cash Flow, assets catalog and the proposition of income appropriation for the year ending 2004 submitted by the Board of Directors and audited by Deloitte Touche Tohmatsu, who consider the aforementioned reports and statements to present fairly the financial position, results of operations and cash flows of Union Bank, and found them in order.

To
2005 Board of Shareholders

General Supervisor Yu-Quan Development Co., Ltd.

Representative Yu-Quan Lee



Supervisor Zhen-Lu Lin



Supervisor Ming-Hsing Ho



March 23, 2005

4. Consolidated financial statements of the Parent company and subsidiaries that are certified by CPA: None

5. Financial statements of recent years

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

Union Bank of Taiwan

We have audited the accompanying balance sheets of Union Bank of Taiwan as of December 31, 2004 and 2003 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, 2004 and 2003 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. The balances of these long-term equity-method investments were 1.39% (NT\$3,444,659 thousand) and 1.45% (NT\$2,966,741 thousand) of the Bank's total assets as of December 31, 2004 and 2003, respectively. The equity in the investees' net income, in 2004 and 2003 was 35.18% (NT\$522,939 thousand) and 21.21% (NT\$311,785 thousand), respectively, of pretax income, based on the investees' 2004 and 2003 audited financial statements. Since the investees' financial statements were audited by other auditors, whose reports have been furnished to us, our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

We conducted our audits in accordance with Rules Governing the Audit of Financial Statements of Financial Institution by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a 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 2003 and 2002, for which the Bank recognized deferred losses (included in other assets) of NT\$3,331,972 thousand and NT\$7,781,652 thousand, respectively, to be amortized over 60 months as required by the Financial Institution Consolidation Law. Had the above losses not been deferred, the pretax income would have increased by NT\$2,218,846 thousand in 2004 and decreased by NT\$1,470,328 thousand in 2003, and the balances of the other assets and unappropriated earnings would have increased by NT\$6,757,544 thousand and decreased by NT\$8,987,269 thousand as of December 31, 2004 and 2003, respectively.

In our opinion, based on our audits and the reports of other auditors, except for the matter described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable to financial statements for 2003) and accounting principles generally accepted in the Republic of China.

As described in Note 3, sales and purchases of bonds and short-term bills under resell or repurchase agreements were treated as outright sales or purchases in 2003. In 2004, under the Criteria Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions began to be treated as financing.

TN Soong + Co

February 17, 2005

UNION BANK OF TAIWAN

BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY		2004		2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 22)	\$ 3,605,231	1	\$ 3,178,425	2			\$ 4,712,951	2	\$ 5,832,135	3
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 22)	8,459,447	3	9,514,259	5	Due to banks (Notes 12 and 22)		4,014,418	2	4,214,907	2
SECURITIES PURCHASED, NET (Notes 2, 6, 22 and 23)	23,881,686	10	20,490,238	10	Securities sold under repurchase agreements (Notes 2, 3, 6 and 24)		2,687,438	1	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 3, 22 and 24)	9,180,055	4	-	-	Deposits and remittances (Notes 14 and 22)		205,035,613	83	173,518,839	85
RECEIVABLES, NET (Notes 2, 7 and 22)	38,708,022	16	29,210,204	14	Bank debt (Notes 15 and 22)		11,194,000	4	3,500,000	2
PREPAYMENTS	512,750	-	527,185	-	Other liabilities (Notes 2 and 18)		657,936	-	709,784	-
BILLS PURCHASED, DISCOUNTS AND LOANS, NET (Notes 2, 8 and 22)	141,367,952	57	120,815,370	59	Total liabilities		228,302,356	92	187,775,665	92
LONG-TERM INVESTMENTS, NET (Notes 2 and 9)	3,737,442	2	3,191,679	2	STOCKHOLDERS' EQUITY					
Equity method	980,353	-	980,353	-	Capital stock - \$10 par value; authorized 2,488,926,389 shares and issued 1,517,129,154 shares in 2004; authorized and issued 1,488,926,389 shares in 2003		15,171,292	6	14,889,264	7
Cost method	4,150,810	2	628,453	-	Capital surplus		57,783	-	39,016	-
Bond investments	8,868,605	4	4,800,485	2	Retained earnings:					
Long-term investments, net					Legal reserve		901,090	-	504,806	-
PROPERTY AND EQUIPMENT (Notes 2 and 10)					Special reserve		999,713	1	75,049	-
Cost					Unappropriated earnings		1,599,625	1	1,320,948	1
Land	1,101,076	-	1,587,698	1	Unrealized loss on long-term equity investments		(20,190)	-	(22,931)	-
Buildings and improvements	833,957	-	807,140	-	Cumulative translation adjustments		21,433	-	58,705	-
Office equipment	1,206,459	1	1,142,253	1	Net loss not recognized as pension cost		-	-	(535)	-
Transportation equipment	154,308	-	148,103	-	Treasury stock - at cost: 19,091,000 shares in 2003		-	-	(144,151)	-
Leasehold improvements	208,204	-	223,390	-	Total stockholders' equity		18,730,746	8	16,720,171	8
Accumulated depreciation	3,504,004	1	3,908,584	2	CONTINGENCIES AND COMMITMENTS					
Prepayments for equipment (Note 24)	1,229,390	-	1,196,977	-	(Notes 22, 24 and 28)					
Net properties and equipment	2,274,614	1	2,711,607	1						
OTHER ASSETS (Notes 2, 11, 20 and 22)	70,768	-	49,270	-						
TOTAL	\$ 247,033,102	100	\$ 204,495,836	100			\$ 247,033,102	100	\$ 204,495,836	100

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

(With Deloitte & Touche audit report dated February 17, 2005)

UNION BANK OF TAIWAN

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	2004		2003	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest revenue (Notes 2 and 22)	\$ 10,976,491	75	\$ 8,670,983	75
Service fee revenue (Notes 2 and 22)	2,421,566	17	1,956,074	17
Income on securities, net (Note 2)	493,995	3	473,367	4
Gain from long-term equity investments under the equity method (Notes 2 and 9)	624,297	4	390,359	4
Foreign exchange gain, net (Note 2)	52,223	-	11,081	-
Other operating revenue	133,880	1	8,181	-
Total operating revenues	<u>14,702,452</u>	<u>100</u>	<u>11,510,045</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest expense (Notes 2 and 22)	2,585,000	18	2,553,008	22
Service charge expense	831,822	6	635,127	5
Provisions for credit and other losses (Notes 2 and 8)	2,529,762	17	542,450	5
Other operating costs (Notes 2 and 11)	2,218,846	15	1,875,115	16
Operating and administrative expenses (Notes 2, 18, 19 and 22)	5,425,260	37	4,925,438	43
Total operating costs and expenses	<u>13,590,690</u>	<u>93</u>	<u>10,531,138</u>	<u>91</u>
OPERATING INCOME	<u>1,111,762</u>	<u>7</u>	<u>978,907</u>	<u>9</u>
NONOPERATING INCOME AND GAIN (Note 22)	564,164	4	1,078,294	9
NONOPERATING EXPENSE AND LOSS	(189,250)	(1)	(587,128)	(5)
INCOME BEFORE INCOME TAX	1,486,676	10	1,470,073	13
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 20)	112,949	1	(149,125)	(2)
NET INCOME	<u>\$ 1,599,625</u>	<u>11</u>	<u>\$ 1,320,948</u>	<u>11</u>
	2004		2003	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 1.00</u>	<u>\$ 1.07</u>	<u>\$ 1.02</u>	<u>\$ 0.91</u>
Diluted earnings per share	<u>\$ 0.95</u>	<u>\$ 1.02</u>	<u>\$ -</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated February 17, 2005)

UNION BANK OF TAIWAN

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(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 (Notes 2 and 17)	Total Stockholders' Equity	
	Shares (in Thousands)	Amount	Additional Paid-in Capital	Donated Capital	Gain on Reissuance of Treasury Stock	Total	Legal Reserve						Special Reserve
BALANCE, JANUARY 1, 2003	1,488,926	\$ 14,889,264	\$ -	\$ 1,398	\$ -	\$ 1,398	\$ 1,809,297	\$ 75,049	\$ (1,304,491)	\$ 579,855	\$ (45,237)	\$ (295,262)	\$ 15,200,526
Offset of deficit against legal reserve	-	-	-	-	-	(1,304,491)	-	-	-	-	-	-	-
Net income in 2003	-	-	-	-	-	-	-	1,320,948	-	-	-	-	1,320,948
Reversal of unrealized loss on long-term equity investments under the equity method	-	-	-	-	-	-	-	-	19,739	-	-	-	19,739
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	(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	(19,091)	(144,151)	16,720,171
Appropriation of 2003 earnings	-	-	-	-	-	-	396,284	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	396,284	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	924,664	-	-	-	-	-	-
Net income in 2004	-	-	-	-	-	-	-	-	1,599,625	1,599,625	-	-	1,599,625
Convertible bank debenture transferred to common stock	28,203	282,028	23,972	-	-	23,972	-	-	-	-	-	-	306,000
Reversal of unrealized loss on long-term equity investments under the equity method	-	-	-	-	-	-	-	-	-	-	-	2,741	2,741
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	(37,272)	-	-	-	(37,272)
Reissuance of treasury stock	-	-	-	-	(5,205)	(5,205)	-	-	-	-	19,091	144,151	138,946
Reversal of investees' loss not recognized as pension cost under the equity method	-	-	-	-	-	-	-	-	-	-	-	535	535
BALANCE, DECEMBER 31, 2004	1,517,129	\$ 15,171,292	\$ 23,972	\$ 1,398	\$ 32,413	\$ 57,783	\$ 901,090	\$ 999,713	\$ 1,599,625	\$ 3,500,428	\$ -	\$ -	\$ 18,730,746

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 17, 2005)

UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,599,625	\$ 1,320,948
Adjustments to determine net cash attributable to operating activities:		
Gain from long-term equity investments under the equity method	(624,297)	(390,359)
Cash dividend and remuneration to directors and supervisors recognized by the equity method	44,538	44,810
Depreciation and amortization	248,232	271,855
Amortization of loss from sale of nonperforming loans	2,218,846	1,875,115
Loss (gain) on disposal of properties, net	(70,011)	112,913
Provision for credit and other losses	2,529,762	542,450
Provision (reversal of allowance) for allowance for decline in market value of securities purchased	50,997	(268,139)
Reversal of allowance for decline in market value of collaterals assumed	(78,085)	(80,000)
Permanent loss from reclassification of securities purchased as long-term investment	-	49,297
Deferred income taxes	(144,353)	67,668
Increase in securities purchased - for trading purposes	(5,296,755)	(4,799,969)
Increase in receivables	(9,323,678)	(10,228,895)
Decrease in prepayments	14,435	118,805
Decrease in payables and advance receipts	(200,489)	(253,396)
Net cash used in operating activities	<u>(9,031,233)</u>	<u>(11,616,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased under resell agreements	(9,180,055)	-
Decrease (increase) in due from the Central Bank and other banks	1,054,812	(1,631,074)
Decrease in securities purchased - for investing purposes	1,854,310	748,630
Increase in bills purchased, discounts and loans	(23,253,750)	(13,064,055)
Proceeds from disposal of nonperforming loans	-	117,069
Increase in long-term equity investments	-	(33,230)
Increase in long-term bond investments	(3,522,357)	(405,766)
Acquisition of property and equipment	(314,950)	(231,955)
Proceeds from disposal of property and equipment	536,296	237,959
Decrease (increase) in other assets	<u>1,114,341</u>	<u>(1,759,366)</u>
Net cash used in investing activities	<u>(31,711,353)</u>	<u>(16,021,788)</u>

(Continued)

Financial status

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) due to banks	\$ (1,119,184)	\$ 4,232,470
Increase in securities sold under repurchase agreements	2,687,438	-
Increase in deposits and remittances	31,516,774	23,560,018
Decrease in other liabilities	(54,582)	(112,330)
Increase in bank debentures	8,000,000	-
Reissuance of treasury stock	<u>138,946</u>	<u>188,729</u>
Net cash provided by financing activities	<u>41,169,392</u>	<u>27,868,887</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	426,806	230,202
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,178,425</u>	<u>2,948,223</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,605,231</u>	<u>\$ 3,178,425</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 2,550,223</u>	<u>\$ 2,847,183</u>
Income tax paid	<u>\$ 97,185</u>	<u>\$ 56,026</u>
NONCASH INVESTING ACTIVITIES		
Convertible bank debenture transferred to common stock	<u>\$ 306,000</u>	<u>\$ -</u>
Reclassification of securities purchased as long-term investments	<u>\$ -</u>	<u>\$ 222,687</u>

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

(With Deloitte & Touche audit report dated February 17, 2005) (Concluded)

UNION BANK OF TAIWAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

As of December 31, 2004, the Bank's operating units included Banking, Trust, Security Finance and International Banking Department of the Head Office; an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 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").

To expand the scale of operations and enhance operating performance, the Bank signed a contract to take over Chung Shing Commercial Bank's total assets, liabilities and operation for the amount of \$7,108,000. This takeover was approved by the stockholders on February 2, 2005.

As of December 31, 2004 and 2003, the Bank had 2,780 and 2,647 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Financial status

The Bank's financial statements have been prepared in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable to financial statements for 2003) and generally accepted accounting principles in the ROC. In preparing financial statements in conformity with these criteria and principles, the Bank is required to make certain estimates and assumptions that could affect the amounts of allowance for credit losses, property depreciation, pension, losses on suspended lawsuits and provision for losses on guarantees. Actual results could differ from these estimates.

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

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

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 bonds 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 and corporate bonds traded on the OTC exchange - reference prices published by the OTC exchange as of the balance sheet date.

Under the directive of the MOF, sales and purchases of bonds and short-term bills under repurchase or resell agreements 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.

Nonperforming Loans

Under guidelines issued by the MOF, the balances of loans and other credits extended by the Bank and the related accrued interest are classified as nonperforming when the loan is six months overdue.

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 "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 provision for credit losses should be not be 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. Under the equity method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of investees. Cash dividends received are considered as a deduction of the investments.

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 other than temporary, 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. The premiums and discounts of the bonds, if any, 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.

For the listed bonds reclassified from securities purchased to long-term investments, when the market value is lower than the carrying amount, a realized loss for market value decline is recognized and the related cost is adjusted to market value.

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 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 period of five years.

Financial status

The loss on sale of nonperforming loans (accounted for as other operating costs) is amortized over 60 months in accordance with 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.

Convertible Bank Debenture

Under the book-value method applied for the conversion of convertible bank debenture, the carrying value were converted into capital stocks in the amount of face value, while the remaining amount were recorded into capital surplus on the conversion date.

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 nonperforming 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 expense.

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 stockholders 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. Cross-currency swaps

Cross-currency swap contracts are recorded at spot rates on the contract dates. The net interest receivable or payable on the settlement or balance sheet date is recorded as an adjustment to the 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 premi-

ums 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 accounts of the 2003 financial statements have been reclassified to conform to the presentation of the 2004 financial statements.

3. ACCOUNTING CHANGES

Under a directive issued by the MOF, bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases. However, under the "Criteria Governing the Preparation of Financial Reports by Public Banks" effective January 1, 2004, the repurchase/resell transactions are treated as financing. As a result of this change, pre-tax income for the 2004 increased by \$137,105 thousand.

Since the repurchase/resell transactions of the Bank are daily financing activities with great volume, and the accounting systems had been revised for several times, the historical trading data are hard to trace, thus, calculating the cumulative effect of change in accounting principle is difficult. Thus, the Bank cannot calculate the cumulative effect of the change in accounting principle nor disclose the pro forma information.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2004	2003
Cash on hand	\$ 1,710,624	\$ 1,744,189
Due from banks	1,056,050	711,604
Checks for clearing	<u>838,557</u>	<u>722,632</u>
	<u>\$ 3,605,231</u>	<u>\$ 3,178,425</u>

5. DUE FROM THE CENTRAL BANK AND BANKS

	December 31	
	2004	2003
Due from the Central Bank		
Deposit reserve - checking account	\$ 4,529,569	\$ 3,800,845
Required deposit reserve	3,253,521	2,749,619
Deposits in the Central Bank	-	1,552,000
Reserves for deposits - foreign-currency deposits	<u>6,989</u>	<u>13,599</u>
	7,790,079	8,116,063
Call loans to banks and banks overdrafts	<u>669,368</u>	<u>1,398,196</u>
	<u>\$ 8,459,447</u>	<u>\$ 9,514,259</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 may be withdrawn anytime and are noninterest earnings.

6. SECURITIES PURCHASED

	December 31	
	2004	2003
Listed and OTC traded		
Government bonds	\$ 4,272,759	\$ 1,907,298
Stocks	264,936	320,856
Corporate bonds	<u>229,853</u>	<u>-</u>
	4,767,548	2,228,154
Beneficiary certificates	2,081,245	2,305,240
Negotiable certificates of deposits	16,350,000	8,770,108
Commercial paper	29,912	6,255,419
Bank debentures	605,100	800,000
Overseas corporate bonds	<u>158,840</u>	<u>195,488</u>
	23,992,645	20,554,409
Less: Allowance for decline in market value	<u>110,959</u>	<u>64,171</u>
	<u>\$ 23,881,686</u>	<u>\$ 20,490,238</u>

Financial status

The market values of listed and OTC government bonds, stocks and beneficiary certificates as of December 31, 2004 and 2003 were as follows:

	<u>December 31</u>	
	2004	2003
Government bonds	\$ 4,248,548	\$ 1,919,893
Stocks	265,922	312,314
Corporate bonds	251,506	-
Beneficiary certificates	2,043,355	2,345,453

As of December 31, 2004, the Bank held securities purchased amounting to \$2,687,438 thousand under repurchase agreements (Note 3).

7. RECEIVABLES

	<u>December 31</u>	
	2004	2003
Accounts receivable	\$ 36,334,918	\$ 27,317,673
Interest receivable	1,256,323	1,073,475
Accrued revenue	369,604	303,607
Acceptances receivable	267,715	318,672
Merchant receivable	287,900	-
Inter-bank clearing fund receivable	253,477	150,847
Other	<u>622,913</u>	<u>904,898</u>
	39,392,850	30,069,172
Less: Allowance for credit losses	<u>684,828</u>	<u>858,968</u>
	<u>\$ 38,708,022</u>	<u>\$ 29,210,204</u>

8. BILLS PURCHASED, DISCOUNTS AND LOANS

	<u>December 31</u>	
	2004	2003
Discounts and overdraft	\$ 719,921	\$ 829,302
Loans		
Short-term - unsecured	23,153,068	20,515,944
- secured	6,353,797	6,194,683
Midterm - unsecured	21,455,474	16,360,641
- secured	16,456,511	16,082,600
Long-term - unsecured	6,741,811	4,173,176
- secured	63,670,208	52,060,734
Bills purchased and import/export negotiations	115,492	240,849
Nonperforming loans	<u>4,007,087</u>	<u>5,238,984</u>
	142,673,369	121,696,913
Less: Allowance for credit losses	<u>1,305,417</u>	<u>881,543</u>
	<u>\$ 141,367,952</u>	<u>\$ 120,815,370</u>

As of December 31, 2004 and 2003, the balances of nonaccrual loans were \$4,007,087 thousand and \$5,238,984 thousand, respectively. The unrecognized interest revenues on nonperforming loans amounted to \$262,792 thousand in 2004 and \$305,819 thousand in 2003.

In 2004 and 2003, all credits written off had been subjected to legal proceedings before being written off.

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

	2004		
	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 840,264	\$ 41,279	\$ 881,543
Provision	1,092,264	(34,151)	1,058,113
Write-off	(798,522)	-	(798,522)
Recovery of written-off credits	168,373	-	168,373
Effects of exchange rate changes	(4,090)	-	(4,090)
Balance, end of year	<u>\$ 1,298,289</u>	<u>\$ 7,128</u>	<u>\$ 1,305,417</u>

	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	<u>\$ 840,264</u>	<u>\$ 41,279</u>	<u>\$ 881,543</u>

9. LONG-TERM INVESTMENTS

	December 31			
	2004		2003	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
Equity investments				
Equity method				
Union Bills Finance Corporation	\$ 1,400,232	42.76	\$ 1,282,534	42.76
Union Finance and Leasing International Corporation	1,185,911	99.99	743,402	99.99
Union Bank Futures Corporation	512,255	99.07	599,652	99.07
Union Finance International (H.K.) Limited	188,512	99.99	195,543	99.99
Union Information Technology Corporation	182,531	99.92	141,211	99.92
Union Security Investment Trust Corporation	119,274	35.00	118,620	35.00
Union Insurance Broker Company	50,513	90.07	60,971	90.07
MSUB Asset Management Corporation	49,158	49.00	13,730	49.00
Union Real-Estate Management Corporation	38,475	40.00	26,990	40.00
Union Securities Investment Consulting Company	10,581	99.40	9,026	99.40
	<u>3,737,442</u>		<u>3,191,679</u>	

(Continued)

Financial status

	December 31			
	2004		2003	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
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	20,000	1.00
Taiwan Future Exchange Corporation	10,250	0.51	10,250	0.51
Taipei Forex Inc.	<u>800</u>	0.40	<u>800</u>	0.40
	<u>980,353</u>		<u>980,353</u>	
Bond investments				
Long-term bond investments	<u>4,150,810</u>		<u>628,453</u>	
	<u>\$ 8,868,605</u>		<u>\$ 4,800,485</u>	

The equity in net gain of equity-method investees was \$624,297 thousand in 2004 and \$390,359 thousand in 2003 based on the investees' audited financial statements for 2004 and 2003, respectively.

As of December 31, 2004 and 2003, the unrealized losses on equity-method investments due to decline in the market value of listed stocks held by the investees amounted to \$20,190 thousand and \$22,931 thousand, respectively. As of December 31, 2004 and 2003, the cumulative translation adjustments - resulting from the exchange rate change by Union Finance International (H.K.) Limited - on equity-method investments amounted to \$7,768 thousand and \$31,580 thousand, respectively.

As of December 2003, the Bank recognized \$535 thousand 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. PROPERTY AND EQUIPMENT

	December 31	
	2004	2003
Cost	\$ 3,504,004	\$ 3,908,584
Accumulated depreciation		
Buildings and improvements	111,287	97,652
Office equipment	904,356	845,484

(Continued)

	December 31	
	2004	2003
Transportation equipment	\$ 116,124	\$ 105,065
Leasehold improvements	<u>97,623</u>	<u>148,776</u>
	1,229,390	1,196,977
Prepayments for equipment	<u>70,768</u>	<u>49,270</u>
	<u>\$ 2,345,382</u>	<u>\$ 2,760,877</u>

11. OTHER ASSETS

	December 31	
	2004	2003
Deferred loss from sale of nonperforming loans	\$ 6,757,544	\$ 8,987,269
Collaterals assumed, net	1,560,287	2,407,274
Guarantee deposits	1,089,454	1,281,370
Deferred tax assets, net	458,864	314,511
charges	<u>237,823</u>	<u>208,369</u>
	<u>\$ 10,103,972</u>	<u>\$ 13,198,793</u>

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

In 2003, the Bank sold nonperforming loans with a carrying value of \$3,449,041 thousand at the contract price of \$117,069 thousand to Morgan Stanley Union Bank Asset Management Corporation and recognized a loss of \$3,331,972 thousand.

The above loss has 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 increased by \$2,218,846 thousand in 2004 and decreased by \$1,470,328 thousand in 2003, and the balances of the other assets and unappropriated earnings would have decreased by \$6,757,544 thousand and \$8,987,269 thousand as of December 31, 2004 and 2003. As of December 31, 2004 and 2003, the total contract price of \$58,535 thousand and \$87,802 thousand, respectively, had not been received from the Morgan Stanley Union Bank Asset Management Corporation.

12. DUE TO BANKS

	December 31	
	04	2003
Call loans	\$ 3,094,493	\$ 3,944,382
Due to the Central Bank and other banks	1,587,176	1,786,482
Overdraft	<u>31,282</u>	<u>101,271</u>
	<u>\$ 4,712,951</u>	<u>\$ 5,832,135</u>

Financial status

13. PAYABLES AND ADVANCE RECEIPTS

	<u>December31</u>	
	<u>2004</u>	<u>2003</u>
Notes and checks in clearing	\$ 838,557	\$ 722,632
Interest payable	715,012	679,877
Accrued expenses	571,576	387,023
Advance receipts	357,862	953,792
Bank acceptances payable	274,193	320,068
Notes and checks in clearing - branches	269,261	235,255
Other	<u>987,957</u>	<u>916,260</u>
	<u>\$ 4,014,418</u>	<u>\$ 4,214,907</u>

14. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Savings	\$ 114,948,127	\$ 90,875,581
Time	39,585,823	38,822,595
Due to the Postal Remittances and Savings Bank	20,105,317	19,390,822
Demand	18,244,150	15,569,431
Negotiable certificates of deposit	10,027,800	7,013,400
Checking	2,112,715	1,831,971
Inward and outward remittances	<u>11,681</u>	<u>15,039</u>
	<u>\$ 205,035,613</u>	<u>\$ 173,518,839</u>

15. BANK DEBENTURES

To maintain its capital adequacy ratio, the Bank needs to have long-term operating capital. Thus, the Bank applied to the MOF for approval to issue bank debentures amounting to \$11,500,000 thousand. The Bank issued in November 2002, September 2004 and December 2004.

	<u>December31</u>		<u>Term</u>
	<u>2004</u>	<u>2003</u>	
First subordinated bank debentures issued in 2002	\$ 3,500,000	\$ 3,500,000	Fixed interest rate of 3.8%; maturity: November 2007.
First unsecured, convertible bank debentures issued in 2004	2,694,000		- Zero coupon; maturity: September 2009; the bondholders may convert the debentures into common shares of the Bank during the period between one month after the issuance date and 10 days prior to maturity.

(Continued)

	<u>December31</u>		Term
	2004	2003	
First subordinated bank debentures issued in 2004	\$ 1,500,000	\$ -	- Average one year time savings deposit rate of First Bank, Hua Nan Bank, Chang Hwa Bank, Land Bank, Taiwan Cooperative Bank and Bank of Taiwan plus 1%; maturity: June 2010.
Second subordinated bank debentures issued in 2004	3,500,000	-	- Fixed interest rate of 3.55%; maturity: June 2010.
	<u>\$ 11,194,000</u>	<u>\$ 3,500,000</u>	

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

a. Redemption terms

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

- 1) Early redemption at the option of the Bank: The Debentures may be wholly or partly redeemed at their par amount, at the Bank's option under any of these conditions:
 - a) After one year from the issue date and before 40 days prior to maturity, the balance of unconverted debentures is lower than \$300,000 thousand.
 - b) After one year from the issue date and before 40 days prior to maturity, the closing prices of the Bank's common shares on the TSE for 30 consecutive trading days have not exceeded 50% of the conversion price.
- 2) Redemption at the option of the bondholders: In the second, third and fourth year of the issue date is the iput date. The Bank will redeem all or any portion of the Debentures at par value; yield rate of 0%.

b. Pledged: None

c. Conversion period and conversion right

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

d. Conversion price

The initial conversion price was set at NT\$10.85.

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. This distribution can be made within specified limits each year. These restrictions are based on regulations issued by the Securities and Futures Bureau (the SFB).

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 in the following order:

- 1) 30% as legal reserve;
- 2) Special reserve, as deemed proper;
- 3) Dividends;
- 4) The remainder:
 - a) Employees' bonus of at least 10%;
 - b) Retained earnings, as deemed proper;
 - c) The remainder, together with prior year's unappropriated earnings: 95% as bonus to stockholders and 5% as remuneration to directors and supervisors.

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

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

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

In their meeting on June 11, 2004, the stockholders approved the appropriation of a legal reserve of \$396,284 thousand from the 2003 earnings, and from the remainder, a special reserve \$924,664 thousand for deferred loss from sale of non-performing loans. In addition, the stockholders approved the revision of the Bank's Articles to effect a capital increase to \$24,889,260 thousand. From the increase, a special reserve of \$10,000,000 thousand was also appropriated for issuance of warrant.

As of December 31, 2004, the Bank's capital was \$15,171,292 thousand, and representing 1,517,129,154 common shares. In 2004, some debenture were converted into 28,202,765 common shares in accordance with the conversion terms. The shares are expected to be issued after obtaining government approval in April 2005 of the change in the number of the Bank's shares.

In their meeting on May 27, 2003 meeting, the stockholders approved the offset of a deficit of \$1,304,491 thousand against legal reserve. Because of this offset, there was no appropriation of employees' bonus and remunerations to directors and supervisors from the 2003 earnings. Information on appropriations may be accessed online through the Market Observation Post System (MOPS) on the Web site of the Taiwan Stock Exchange.

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

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% of the reserve may be capitalized. In addition, the Banking Law provides that, if the balance of legal reserve is less than the Bank's paid-in capital, 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, noncorporate and ROC-resident stockholders are allowed tax credits for the income tax paid by the Bank on earnings generated since January 1, 1998.

17. TREASURY STOCK

Reasons for Redemption	(Shares in Thousands)			
	Beginning of Year	Increase	Decrease	End of Year
<u>2004</u>				
Reissuance to employees	19,091	-	19,091	-
<u>2003</u>				
Reissuance to employees	45,237	-	26,146	19,091

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.

In 2004 and 2003, the highest number of treasury shares held by the Bank was 19,091,000 shares and 45,237,000 shares, respectively, and the highest balance of treasury stock were \$144,151 thousand and \$295,262 thousand, respectively.

Of the shares repurchased, 19,091,000 shares and 26,146,000 shares were reissued to employees in January 2004 and November 2003, respectively.

18. PENSION

The Bank has a defined benefit noncontributory 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:

	2004	2003
Balance, beginning of year	\$ 349,021	\$ 313,779
Contributions	40,533	40,535
Interest income	5,247	4,495
Benefits paid	<u>(7,761)</u>	<u>(9,788)</u>
Balance, end of year	<u>\$ 387,040</u>	<u>\$ 349,021</u>

a. Net pension costs in 2004 and 2003 are summarized below:

	2004	2003
Service cost	\$ 45,647	\$ 42,507
Interest cost	12,260	11,636
Actual return on assets	\$ (5,929)	\$ (7,662)
Deferred assets gains	<u>(6,864)</u>	<u>(5,146)</u>
Expected return on plan assets	(12,793)	(12,808)
Net amortization and deferral	<u>(519)</u>	<u>(519)</u>
Net pension cost	44,595	40,816
Adjustment - reflect actual pension cost	<u>(4,033)</u>	<u>-</u>
Pension expense	<u>\$ 40,562</u>	<u>\$ 40,816</u>

b. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2004 and 2003 is as follows:

	<u>December 31</u>	
	2004	2003
Benefit obligation		
Vested benefit obligation	\$ 74,532	\$ 40,431
Non-vested benefit obligation	<u>258,786</u>	<u>211,287</u>
Accumulated benefit obligation	333,318	251,718
Additional benefits based on future salaries	<u>133,448</u>	<u>100,065</u>
Projected benefit obligation	466,766	351,783
Fair value of plan assets	<u>(388,313)</u>	<u>(346,503)</u>
Funded status	78,453	5,280
Unrecognized net transitional obligation	-	-
Unrecognized prior service cost	8,037	8,556
Unrecognized pension loss	<u>(80,464)</u>	<u>(7,838)</u>
Accrued pension cost	<u>\$ 6,026</u>	<u>\$ 5,998</u>
c. Vested benefits obligation	<u>\$ 85,962</u>	<u>\$ 45,261</u>

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
d. Actuarial assumptions		
Discount rate used in determining present values	3.5%	3.5%
Future salary increase rate	0-2.5%	0-2.5%
Expected rate of return on plan assets	3.5%	3.5%

19. OPERATING AND ADMINISTRATIVE EXPENSES

	2004	2003
Personnel expenses		
Salaries and wages	\$ 1,370,917	\$ 1,274,797
Bonus and rewards	437,467	399,278
Labor insurance and national health insurance	122,046	111,421
Pension	40,562	40,816
Other	16,017	10,738
Depreciation	194,476	211,438
Amortization	53,756	60,417
Other	<u>3,190,019</u>	<u>2,816,533</u>
	<u>\$ 5,425,260</u>	<u>\$ 4,925,438</u>

20. INCOME TAX

The components of income tax were as follows:

	2004	2003
Income tax on income before income tax at 25% statutory rate	\$ 371,659	\$ 367,508
Permanent difference	(305,917)	(188,048)
Temporary difference	129,854	(179,460)
Loss carryforward	(195,066)	-
Investment tax credit	(530)	(20,490)
Tax on unappropriated retained earnings (10%)	-	<u>40,981</u>
Current tax payable	-	20,491
Change in deferred income tax	(144,353)	67,668
Prior year's income tax adjustment	4,560	47,029
Separate tax on interest income on short-term bills	<u>26,844</u>	<u>13,937</u>
Income tax expense (benefit)	<u>\$ (112,949)</u>	<u>\$ 149,125</u>

Financial status

- b. As of December 31, 2004 and 2003, net deferred income tax consisted of the tax effects of the following:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Loss carryforwards	\$ 337,096	\$ 512,017
Unrealized foreign exchange loss (gain)	101,285	(72,156)
Unrealized loss on collaterals assumed	50,475	69,996
Investment tax credit	20,732	14,143
Provision for credit losses	20,492	62,407
Equity in net income of equity-method investee	(17,065)	(15,461)
Provision for default reserve	<u>8,145</u>	<u>7,471</u>
	521,160	578,417
Allowance for valuation of deferred income tax assets	<u>62,296</u>	<u>263,906</u>
Net deferred income tax assets (included in other assets)	<u>\$ 458,864</u>	<u>\$ 314,511</u>

The loss carryforwards as of December 31, 2004 may be used to reduce the Bank's taxable income until 2008; investment tax credits of research development and personnel training expense 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:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Balances of the imputation credit account	<u>\$ 376,555</u>	<u>\$ 346,218</u>

As of December 31, 2004, the Bank had no earnings available for distribution; thus, a creditable tax ratio was not estimated.

The Bank's income tax returns through 2002 had been examined and cleared by the tax authorities.

In December 2003, the tax authorities and the Bank reached a compromise on the lawsuit in regards to withholding tax. Under the compromise agreement, the Bank will get a 65% refund on the withholding tax for the years prior to Year 2002. Thus, the Bank recognized an income tax expense for the unrefunded 35% of the tax.

21. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>2004</u>					
Basic EPS	\$ 1,486,676	\$ 1,599,625	1,489,146	<u>\$ 1.00</u>	<u>\$ 1.07</u>
Diluted effect on common shares:					
Convertible bank debenture	-	-	<u>74,624</u>		
Diluted EPS	<u>\$ 1,486,676</u>	<u>\$ 1,599,625</u>	<u>1,563,770</u>	<u>\$ 0.95</u>	<u>\$ 1.02</u>

(Continued)

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>Earnings Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>2003</u>					
Basic EPS					
Net income of common stockholders	\$ 1,470,073	\$ 1,320,948	1,447,128	\$ 1.02	\$ 0.91

22. RELATED PARTY TRANSACTIONS

The Bank's related parties were as follows:

a. Related parties

<u>Name</u>	<u>Relationship with the Bank</u>
Yu-Pang Co., Ltd. (Yu-Pang)	Director
Yong-Xuan Co., Ltd. (Yong-Xuan)	Its chairman is a Bank's director
Union Enterprise Construction Co., Ltd. (UECC)	Its chairman is a Bank's director
Hung-Kou Construction Inc., Ltd. (Hung-Kou)	Its chairman is a second-degree relative of the Bank's director
Union Bills Finance Corporation (UBF)	Equity-method investee
Union Finance and Leasing International Corporation (UFLIC)	Subsidiary
Union Securities Investment Trust Corporation (USITC)	Equity-method investee
MSUB Assets Management Corporation (MSUB)	Equity-method investee
Union Real Estate Management Corporation (UREMC)	Equity-method investee
Other	Directors, supervisors, managers, their relatives and affiliates. Some of the related parties with which the Bank that had no transactions in 2004 and 2003 are shown in Table 3 (attached)

b. Significant transactions with related parties:

1) Loans

	<u>December 31</u>		<u>Interest Revenue</u>		
	<u>Amount</u>	<u>%</u>	<u>Rate</u>	<u>Amount</u>	<u>%</u>
2004	\$ 5,651,563	3.96	1.675%-14%	\$ 72,168	0.66
2003	4,401,190	3.62	0%-11.75%	78,028	0.90

2) Deposits

	<u>December 31</u>		<u>Interest Expense</u>		
	<u>Amount</u>	<u>%</u>	<u>Rate</u>	<u>Amount</u>	<u>%</u>
2004	\$ 4,757,045	2.32	0%-7.40%	\$ 58,951	2.28
2003	3,720,361	2.14	0%-7.40%	52,262	2.05

Financial status

3) Guarantees and letters of credit

	<u>December 31</u>	
	Amount	%
2004	\$ 186,222	1.88
2003	218,944	2.72

4) Due from banks - UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Revenue
2004	\$ 1,705,000	\$ -	0.90%-1.18%	\$ 5,207
2003	500,000	-	0.70%-1.50%	621

5) Call loans - UBF

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Expense
2004	\$ 670,000	\$ -	0.865%-1.65%	\$ 631
2003	628,000	57,000	0.68%-1.20%	435

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

	<u>December 31</u>			
	<u>2004</u>		<u>2003</u>	
	Amount	Rate	Amount	Rate
Securities purchased under agreements to resell	\$ 1,077,370	1.00%-1.21%	\$ 376,788	0.925%-1.085%

7) Securities brokerage fees

	<u>For the Years Ended December 31</u>	
	Amount	%
2004	\$ 8,294	7.44
2003	4,062	3.77

8) Consulting and advisory contract

The Bank and UFLIC entered into a three year consulting and advisory contract on auto financing operations which expires in 2007. UFLIC's services include consultation on management, marketing, and promotional activities of auto loans, as well as on loan management and collection of overdue loans, etc. Upon expiration of the contract, the contract will automatically extended for next 3 years if no objection has been received from either party. The consulting fees and related expenses paid in 2004 and 2003 were \$457,251 thousand and \$399,944 thousand, respectively, and the accrued expenses as of December 31, 2004 and 2003 were \$64,253 thousand and \$40,275 thousand, respectively.

9) 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:

	<u>Lease Deposit</u>		<u>Rental Expense</u>	
	Amount	%	Amount	%
<u>2004</u>				
Yu-Pang	\$ 454,220	41.69	\$ 13,137	2.89
Hung-Kuo	231,775	21.27	126,906	27.94
Yong-Xuan	19,346	1.78	29,173	6.42
UECC	4,172	0.38	7,862	1.73
UBF	91	0.01	243	0.05
UFLIC	66	0.01	264	0.06
<u>2003</u>				
Yu-Pang	454,220	35.45	15,287	3.68
Hung-Kuo	231,775	18.09	127,587	30.69
UECC	3,684	0.29	7,787	1.82
Yong-Xuan	414	0.03	1,745	0.42
UFLIC	66	0.01	265	0.06

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 10 years until December 2009. The leasing revenues received were \$913 thousand each in 2004 and 2003.

10) Property transaction

The Bank's Board of Directors resolved to sell to UREMC the collaterals assumed located in Shindan City for \$80,000 thousand and recognized a gain of \$8,930 thousand.

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

The Bank sold to MSUB part of its nonperforming loans and related collateral property assumed, which amounted to \$205,849 thousand. Of this amount, \$102,925 thousand had not been paid as of December 31, 2004.

12) Securities purchased

As of December 31, 2004 and 2003, the Bank bought 25,840,000 and 29,159,000 units of beneficiary certificates amounting to \$231,238 thousand and \$241,251 thousand, respectively, through USITC.

13) Bank debentures

As of December 31, 2004, UBF held the Bank's debentures amounting to \$983,800 thousand.

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, 2004 and 2003, government bonds, bank debentures and negotiable certificates of deposit, which amounted to \$1,331,700 thousand and \$955,400 thousand, 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 thousand had been provided to the Central Bank as collateral for the day-time overdraft as of December 31, 2004 and 2003, 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 and Shindon branches, lease deposits are made in lieu of lease payments, and rental expenses are recognized at imputed interests of 1.0%. Future minimum lease payments are as follows:

Year	Amount
2005	\$ 333,823
2006	208,596
2007	175,868
2008	144,224
2009	76,294

The present value of total rentals beyond 2009 amounted to \$3,216 thousand, is about \$2,933 thousand using the Bank's one-year time deposit interest rate of 1.55% posted on January 1, 2005.

b. Computer equipment purchase contracts

The Bank is under contracts for acquisition of computer equipment and software for \$102,393 thousand, of which \$62,568 thousand had been paid as of December 31, 2004

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

As of December 31, 2004, short-term bills and bonds under repurchase agreements with a total cost of \$2,687,438 thousand will be sold for \$2,688,406 thousand in January 2005

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

As of December 31, 2004, short-term bills and bonds with a total cost of \$9,180,055 thousand were purchased under agreements to resell for \$9,180,209 thousand in January 2005.

e. As of December 31, 2004, the Bank had issued a US\$3,000 thousand standby letter of credit to guarantee the credit line of Union Finance International (H.K.) Limited, an equity-method investee.

f. Balance sheet of trust accounts and trust properties accounts

**Balance Sheet of Trust Accounts
December 31, 2004**

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	\$ 25,598	Trust capital	\$ 13,260,378
Short-term investments		Reserve and deficit	<u>9,363</u>
Bonds	100,760		
Mutual funds	12,905,245		
Long-term investments	101,190		
Interest receivable	298		
Real estate - land and building	<u>136,650</u>		
Total	<u>\$ 13,269,741</u>	Total	<u>\$ 13,269,741</u>

**Trust Property Accounts
December 31, 2004**

Investment Portfolio	Amount
Demand deposits	\$ 25,896
Short-term investments	
Bonds	100,760
Mutual funds	12,905,245
Long-term investments	101,190
Real estate - land and building	<u>136,650</u>
	<u>\$ 13,269,741</u>

g. On December 9, 2004, the Bank won the bid for Chung Shing Bank's total assets, liabilities and operating rights from Central Deposit Insurance Corporation and signed the contract on December 13 of the same year. The related Bank acquisition is at contract price of \$7,108,000 thousand and will take effect on March 19, 2005.

25. CAPITAL ADEQUACY RATIO

The Banking law and related regulations require that the Bank maintain 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, 2004, the Bank's stand-alone and consolidated CARS were 12.40% and 12.48%, respectively.

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

Financial status

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.

	2004		2003	
	Average Amount	Average Rate (%)	Average Amount	Average Rate (%)
<u>Assets</u>				
Cash and cash equivalents - due from banks	\$ 860,002	1.09	\$ 856,494	1.66
Due from the Central Bank and call loans	9,127,943	1.09	8,160,170	1.27
Securities purchased	27,709,381	1.78	17,693,477	2.68
Bills purchased, discounts and loans	131,223,207	4.79	113,582,214	4.97
Long-term bond investment	2,645,421	4.49	32,371	3.77
<u>Liabilities</u>				
Due to banks	8,300,974	1.21	4,048,795	1.24
Demand	15,302,490	0.35	12,300,579	0.34
Savings	32,891,048	0.69	27,757,857	0.84
Time	39,593,957	1.27	32,336,924	1.52
Due to postal remittances and savings bank	19,743,051	1.61	18,516,098	1.82
Time-savings	68,870,508	1.60	58,745,809	2.03
Negotiable certificates of deposit	6,961,333	1.18	4,403,667	1.12
Bank debentures	4,508,727	2.98	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, 2004			
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 3,605,231	\$ -	\$ -	\$ 3,605,231
Due from the Central Bank and other banks	8,459,447	-	-	8,459,447
Securities purchased	23,992,645	-	-	23,992,645
Receivables	39,392,850	-	-	39,392,850
Bills purchased, discounts and loans	43,840,744	30,716,207	68,116,418	142,673,369
Long-term bond investments	-	4,150,810	-	4,150,810
	<u>\$ 119,290,917</u>	<u>\$ 34,867,017</u>	<u>\$ 68,116,418</u>	<u>\$ 222,274,352</u>

(Continued)

	December 31, 2004			
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Liabilities				
Due to banks	\$ 4,712,951	\$ -	\$ -	\$ 4,712,951
Payables and advance receipts	4,014,418	-	-	4,014,418
Deposits and remittances	186,030,157	19,005,456	-	205,035,613
Bank debentures	-	11,194,000	-	11,194,000
	<u>\$ 194,757,526</u>	<u>\$ 30,199,456</u>	<u>\$ -</u>	<u>\$ 224,956,982</u>
	December 31, 2003			
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	\$ 3,178,425	\$ -	\$ -	\$ 3,178,425
Due from the Central Bank and other banks	9,514,259	-	-	9,514,259
Securities purchased	20,554,409	-	-	20,554,409
Receivables	30,069,172	-	-	30,069,172
Bills purchased, discounts and loans	33,378,549	34,127,970	54,190,394	121,696,913
Long-term bond investments	-	628,453	-	628,453
	<u>\$ 96,694,814</u>	<u>\$ 34,756,423</u>	<u>\$ 54,190,394</u>	<u>\$ 185,641,631</u>
Liabilities				
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>

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.

Financial status

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 worldwide 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:

	December 31, 2004			December 31, 2003		
	Contract (Notional)			Contract (Notional)		
	Amount	Credit Risk	Fair Value	Amount	Credit Risk	Fair Value
For nontrading purposes:						
Asset swap contracts	\$ 285,912	\$ 20,004	\$ 20,004	\$ 93,495	\$ 18,539	\$ 18,536
For accommodating customers' needs and managing the Bank's exposures:						
Forward contracts	3,288,513	32,529	24,290	9,199,343	550	(1,094)
Currency swap contracts	3,301,937	7,712	12,523	9,007,278	66,589	50,411
Cross-currency swap contracts	65,729	164	164	-	-	-

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, 2004 and 2003 were insignificant.

b. Fair values of nonderivative financial instruments

	December 31, 2004		December 31, 2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 202,410,161	\$ 202,410,161	\$ 163,999,628	\$ 163,999,628
Securities purchased, net	23,881,686	23,881,686	20,490,238	20,490,238
Long-term investment, net	8,868,605	8,868,605	4,800,485	4,800,485
<u>Liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	216,320,075	216,320,075	182,813,822	182,813,822
Bank debentures	11,194,000	11,536,979	3,500,000	3,575,786

Methods and assumptions applied in estimating the fair values of nonderivative financial instruments are as fol-

lows:

- 1) The carrying amounts of cash and cash equivalents, due from the Central Bank and banks, securities purchased under agreements to resell, receivables, securities sold under agreements to repurchase, payables, due to banks, deposit and remittance approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, long-term 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, bills purchased 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 half year to ten years. For the years ended December 31, 2004 and 2003, the loan interest rates ranged from 1.45% to 13.09% and 1.45% to 15.11%, 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, 2004 and 2003 were as follows:

Irrevocable loan commitments	\$ 969,813	\$ 153,000
Credit commitments for credit cards	764,577,789	560,564,925
Guarantees and issuance of letters of credit	9,920,312	8,040,725

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, 2004 and 2003, secured loans amounted to about 62.93% and 64.66%, respectively, of the total loans. In addition, the coverage ratios of guarantees and standby letters of credit secured by collaterals were 60.80% and 43.43% as of December 31, 2004 and 2003, respectively. Collaterals held vary but may include real estate, cash, inventory,

Financial status

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 7% or more of the outstanding loans, discounts and bills purchased as of December 31, 2004 and 2003, as follows:

	2004		2003	
	Amount	%	Amount	%
Individuals	\$ 95,147,187	66.69	\$ 75,742,301	62.24
Real-estate	7,610,414	5.33	9,588,261	7.88
Manufacturing industry	7,751,270	5.43	8,813,922	7.24

The net positions on the major foreign-currency transactions as of December 31, 2004 and 2003 were as follows:

	2004		2003	
	New Foreign-currency Amounts (in Thousands)	Taiwan Dollar Amounts (in Thousands)	New Foreign-currency Amounts (in Thousands)	Taiwan Dollar Amounts (in Thousands)
1. USD	38,039	\$ 1,208,422	1. USD	32,384
2. JPY	2,504,966	774,035	2. JPY	316,463
3. EUR	1,922	83,082	3. EUR	132
4. NZD	1,154	26,370	4. SGD	468
5. HKD	2,994	12,230	5. HKD	5,039
				22,068

30. MAJOR RISK EXPOSURE SITUATIONS, MANAGEMENT POLICY AND PRACTICE OF CREDIT RISK, MARKET RISK, LIQUIDITY RISK, OPERATING RISK AND LEGAL RISK

a. Credit risks

1) Asset quality

(In Thousands of New Taiwan Dollars, %)

Items	Year	December 31, 2004	December 31, 2003
Overdue loans (including nonperforming loans) (Note 1)		\$ 3,598,624	\$ 4,678,056
Nonperforming loans		4,007,087	5,238,984
Overdue loan ratio (Note 2)		2.52%	3.84%
Classified loans (Note 3)		1,793,851	2,229,018
Ratios of classified loans to total loans		1.26%	1.83%
Allowance for credit losses		1,305,417	881,543

Note 1: The overdue loans disclosure is based directive No. 832292834 and No. 86656564 issued by the MOF.

Note 2: Overdue loans ratio: Overdue loans (including nonperforming loans)/(Outstanding loan + Nonperforming loans)

Note 3: Loans classified as under surveillance are as follows:

- a) Medium and long-term loans with installment repayments delinquent for more than three months but less than six months;
- b) Other loans with principal repayments overdue by less than three months and interest thereon is overdue by more than three months but less than six months;
- c) Loans exempted from surveillance reporting are loans for which an agreement has been reached to extend repayment schedules, loans for which a credit insurance fund will cover such repayment (as evidenced by a sufficient certificate of deposit or reserve), and loans extended under other approved exempt loan programs.
- d) Loans for which the collateral has been sold at auction and the proceeds of the auction are yet to be distributed.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Items	December 31, 2004		December 31, 2003	
	Credit extensions to interest parties	6,559,695		5,367,679
Ratios of credit extensions to interest parties	4.45%		4.36%	
Ratios of credit extensions secured by pledged stocks	1.84%		2.51%	
Industry concentration (the top three industries by industry credit ratio)	Industry	Percentage	Industry	Percentage
	Finance, insurance and real estate	9.83%	Finance, insurance and real estate	12.93%
	Manufacturing	5.25%	Manufacturing	6.25%
	Wholesale, retail sale and food	3.70%	Wholesale, retail sale and food	3.73%

Note: a) Total credits include bills, discounts and loans (including those for import and export negotiations), acceptances and guarantees.

b) Ratio of credit extensions to interest parties: Credit extensions to interested parties ÷ Total credits.

c) Ratio of credit extensions secured by pledged stocks: Credit extensions secured by pledged stocks ÷ Total credits

d) Credit extensions to interested parties are defined by the Banking Law.

3) Policy on the loans, nonperforming loans and allowance for credit losses: Note 2.

4) Concentrations of risk: Note 28.

Financial status

b. Market risk

- 1) Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Note 26.
- 2) Market risk sensitivity (%)

Items	December 31, 2004	December 31, 2003
Ratio of interest rate-sensitive assets to liabilities	91.35	75.19
Ratio of interest rate-sensitive gap to net worth	(85.26)	(231.66)

Note: a) Interest-earning assets and interest-bearing liabilities are the cost or revenue of market risk-sensitivity assets and liabilities that would be affected by interest rate fluctuations.

b) Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan Dollars, with maturities of less than one year).

c) Interest rate-sensitive gap = Interest rate-sensitive assets – Interest rate-sensitive liabilities.

- 3) The net positions of the main foreign-currency transactions: Note 29

c. Liquidity risk

- 1) Profitability:

Items	2004	2003
Return on total assets	0.66	0.77
Return on net worth	8.39	9.21
Profit margin	10.88	11.48

Note: a) Return on total assets = Income before income tax/Average total assets

b) Return on net worth = Income before income tax/Average net worth

c) Profit margin = Income after income tax/Total operating revenues

d) Income before income tax represents income in 2004 and 2003.

- 2) Maturity analysis of assets and liabilities:

December 31, 2004

(In Thousands of New Taiwan Dollars)

	Total	Amount for the Remaining Period Before the Maturity Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to One Year	Over One Year
Assets	\$ 229,736	\$ 55,367	\$ 14,075	\$ 16,768	\$ 22,862	\$ 120,664
Liabilities	236,000	26,490	23,446	53,064	92,017	40,983
Gap	(6,264)	28,877	(9,371)	(36,296)	(69,155)	79,681
Accumulated gap	(6,264)	28,877	19,506	(16,790)	(85,945)	(6,264)

Note: The above amounts include only New Taiwan dollar amounts held in the onshore branch of the Bank (i.e. excluding foreign currencies).

d. Operating risk law risk

**Matters Requiring Special Notation
December 31, 2004**

(In Thousands of New Taiwan Dollars)

	Summary and Amount
Within the past one year, a responsible person or professional employee, violated the law in the course of business, resulting in an indictment by a prosecutor.	None
Within the past one year, a fine was levied on the Bank for violations of the Banking Law.	None
Within the past one year, misconduct occurred that resulted in the Ministry of Finance's imposing strict corrective measures.	None
Within the past one year, the loss from one incident or the total losses from employee corruption, workplace accidents or failure to abide by the Guidelines for the Maintenance of Soundness of Financial Institutions exceeded NT\$50 million dollars.	None
Others	None

Note: 1) The term "within the past one year" means one year before the balance sheet date.

2) The fine mentioned above means a fine levied by the Bureau of Monetary Affairs, Securities and Futures Bureau or Insurance Bureau.

31. CAPITAL ADEQUACY

(%)

Items	Year	
	December 31, 2004	December 31, 2003
Capital adequacy ratio	12.40	10.29
Ratios of debt to net worth	1,218.86	1,123.05

Note: Capital adequacy ratio = Eligible capital/Risk-based assets. Under the Banking Law and related regulations No. 0090345106 issued by the MOF.

32. BORROWERS, GUARANTEES OR COLLATERAL PROVIDERS AS INTEREST PARTIES

Category	Account Volume	December 31, 2004	The Possibility of Loss (Note c)
Consumer loans (Note a.)	1,306	\$ 1,203,683	-
Employees' home mortgage loans	108	244,066	-
Other credit extensions (Note b.)	35	5,356,012	-
Guarantees	220	2,493,588	-
Collateral providers	9	12,955	-

Instruction: The interest parties mentioned above are subject to Article 33-1 of the Banking Law.

Note: a. Consumer loans are regulated by Article 32 of the Banking Law.

b. Excluding consumer loans and loans for employees' home mortgage loans.

c. Loss should be estimated if it is significant.

33. 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) Endorsement/guarantee provided: Table 2 (attached);
- 3) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 3 (attached);
- 4) 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 are 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	<u>December 31, 2004</u>		<u>December 31, 2003</u>	
	Notional Amounts	Credit Risk	Notional Amounts	Credit Risk
For trading purposes				
TAIEX Futures	\$ 498,981	(Note)	\$ 644,590	(Note)
Option - call	319	(Note)	285	(Note)
Option - put	7,527	(Note)	3,765	(Note)

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

- 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 minimal.

Derivatives

Item	Transaction	Type	December 31, 2004			
			Opening Positions		Carrying Value/ Premium Paid (Received)	Fair Value
			Long/Short	Volume		
Futures	Electronic sector index futures	Long		10	\$ 9,120	\$ 9,236
Options	TAIEX futures	Long		400	489,861	495,040
	Call options	Long		110	319	557
	Put options	Short		4,945	(7,527)	7,397

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 settle 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 particular risk of future dealer transaction

The derivative merchandise which dealt by future dealer have to be approve by SFB and traded in the limit authorized by UBFC. As transactions like such is considered as trading, the gains and losses which operated by future dealer have to be absorbed by UBFC itself. Because leverage ratio of derivative transaction is high, the fluctuation of the price is high as well. The risks of future dealer included those on credit, market, liquidity, operation and legislation, etc. To decrease transaction risk, the internal control of UBFC focuses on operating procedures, including delegation of authority at different levels of hierarchy, control of deal amount, valuation of operating performance and the transaction position, reports of operation, internal auditing and the limit of trading gain or loss.

e) The presentation of derivatives in the financial statements

i) In 2004 and 2003, the gains (loss) on futures transactions were as follows

	2004	2003
Realized gain on futures contracts	\$ 28,200	\$ 40,355
Unrealized gain on futures contracts	3,897	772
Realized gain on option transactions	(48,558)	4,912
Unrealized gain (loss) on option transactions	(2,389)	1,680

Financial status

ii) As of December 31, 2004 and 2003, the presentation of derivatives in the financial statement was as follows:

Financial Instruments	December 31	
	2004	2003
Asset		
TAIEX futures - margin deposit	\$ 124,643	\$ 85,784
Options - long options	557	261
Liability		
Options - short options	7,657	2,062

Union Bills Finance Corporation (UBF)

UBF enters into interest rate swap, asset swap and structured time deposit for cash flow and risk management.

a) The contract (notional) amount and credit risk of derivative financial instruments as of December 31, 2004 and 2003 were as follows:

	December 31		Credit Risk
	2004	2003	
	Contract (Notional) Amounts	Contract (Notional) Amounts	
<u>Trading purposes</u>			
Interest rate swap	\$ 2,800,000	\$ -	(Note 1)
Assets swap	105,000	-	
<u>Nontrading purposes</u>			
Interest rate swap	\$ 3,100,000	-	(Note 2)
Structured time deposit	5,400,000	-	

Note 1: UBF enters into interest rate swap for trading purpose with other banks. Since UBF awards credit limit to its counterparties based on their credit rating and only enters into contracts within the authorized credit limit, it believes credit risk is minimal.

Note 2: The purposes that UBF enters into interest rate swap are

- (1) Finance dispatches.
- (2) To hedge its interest rate fluctuation exposures on assets and liabilities.

UBF's hedging strategy is to hedge most of the market risk that mainly associate with floating rate risk of first secured corporate bonds and fixed rate risk of commercial paper. Since UBF awards credit limit to its counterparties based on their credit rating and only enters into contracts within the authorized credit limit, it believes credit risk is minimal.

b) Market price risk

- i) The purpose of the interest rate swap contracts is to hedge the interest risk of liabilities. Gains or losses resulting from changes in interest rates will be offset by those of the item being hedged. Therefore, market risk is insignificant. For trading purpose contracts, it will estimate internal return ratio by taking long and short positions into consideration. In addition, UBF has set up stop-loss points by risk. Since the loss is within an expectable range, market risk is considered to be insignificant.
- ii) UBF enters into government bond future contracts for trading purpose. The objects which are allowed to trade in domestic market is stock index future and future option. The price of this object will fluctuate accounting to stock price. UBF has set up stop-loss points by risk. Loss is in expectable range, thus, market risk is insignificant.

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

- i) UBF's working capital can cope with the expected cash requirements of interest rate swap contracts, government bond future contracts and other derivative financial instruments. No significant cash flow is expected.
- ii) As of December 31, 2004, the risk of cash flow from derivative financial instruments was as follows:

Item	Contract Amount
Interest rate swap - trading purposes	\$ 2,800,000
Interest rate swap - nontrading purposes	<u>3,100,000</u>
	<u>\$ 5,900,000</u>

d) The varieties, objectives and strategies of derivative instrument

UBF entered derivative contracts for trading and nontrading purposes. The purpose of entering into interest rate swap contract is to hedge floating rate risk of issuance of corporate bonds and commercial papers. UBF's hedging strategy is to hedge most of the market risk it is exposed to through hedging instruments with market value changes that have a high negative correlation with the changes in the market of the exposures being hedged. UBF also reassesses the hedge effectiveness of the instruments periodically.

e) The presentation of derivative financial instruments on finance report

- i) For interest rate swap contracts and government bond future contracts that UBF enters into for trading purposes, the gains or losses from evaluating, reversing, write-off and settling were accounted as current gain or loss. Futures contracts that are not settled as of the balance sheet date are marked to market. The difference between original margin deposit and the market price is accounted for as "gain or loss on derivative" using the market value method.
- ii) For interest rate swap that UBF enters into for nontrading purpose, the gain or loss are included in "interest revenue and expense" as current gain or loss. In 2004, the related net gain was \$19,007 thousand.

Financial status

iii) For interest rate swap contracts and futures option contracts that UBF enters into for trading purposes, the resulted gains or losses were included in "interest revenue and expense" and "gain or loss on derivative transactions", respectively. In 2004, the net gains on these derivative instruments was \$27,570 thousand.

f) The gains and losses on derivative financial instruments and presentation

The net gains and losses which included in operating income (operating cost) in the income statement are as follows:

Financial Instruments	2004
Interest rate swap	
Interest income	\$ 86,862
Interest expense	(40,285)
Future	(7,479)
Option	<u>(952)</u>
	<u>\$ 38,146</u>

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

34. 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, 2004
 (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, 2004			Market Value or Net Asset Value	Note
				Shares/Pieces/Units (In Thousands)	Carrying Value	Percentage of Ownership		
Union Finance and Leasing International Corporation	Stock	-	Long-term equity investments	324	\$ 16,338	0.12%	\$ 4,478	-
	Formosa International Hotel Corporation	-	Long-term equity investments	1,527	55,439	0.71%	57,813	-
Photonics	Union Capital (Cayman) Corp.	Subsidiary	Long-term equity investments	50	426,003	100.00%	427,861	-
	Union Bills Finance Corporation	Affiliate	Long-term equity investments	2,100	26,250	0.71%	23,250	-
	Semiconductor Mask Corp.	-	Long-term equity investments	536	14,909	0.18%	4,159	-
	Union Semi-Conductors Technology Corp.	-	Long-term equity investments	1,600	548	2.65%	(24,423)	-
Union Bank Futures Corporation	Stock	-	Long-term equity investments	3,050	30,500	1.53%	70,455	-
	Taiwan Future Exchange Corporation	-	Long-term equity investments					
Union Bills Finance Corporation	Stock	-	Long-term equity investments	4,000	40,000	2.00%	40,040	-
	Debt Instrument Depository and Clearing Co., Taiwan	-	Long-term equity investments					
Corporate bond	Taishin Financial Holding Co., Ltd., 2003	-	Short-term investments	10 pieces	100,000	-	99,927	-
	Microelec CB1	-	Short-term investments	930 pieces	99,756	-	97,287	-
	Hsin Kuang CB2	-	Short-term investments	427 pieces	44,882	-	45,185	-
	Evergreen CB2	-	Short-term investments	54 pieces	6,194	-	6,369	-
	China Airlines CB2	-	Short-term investments	626 pieces	65,617	-	68,591	-
	Quanta CB1	-	Short-term investments	765 pieces	80,830	-	73,624	-
	AOC CB1	-	Short-term investments	90 pieces	9,031	-	8,688	-
	Plastron CB1	-	Short-term investments	300 pieces	30,000	-	34,800	-
	Shin Kong FCB1	-	Short-term investments	107 pieces	15,571	-	15,845	-
	Polaris SEC CB1	-	Short-term investments	208 pieces	24,653	-	23,949	-
	Concord SEC CB1	-	Short-term investments	106 pieces	11,514	-	11,440	-
	Bank debentures	-	Short-term investments	15 pieces	146,563	-	149,973	-
	Hua Nan Commercial Bankis 2002 Series 3 Subordinated - term S	-	Short-term investments					

(Continued)

Held Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2004			Market Value or Net Asset Value	Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership		
	Taishin Banks 2002 Series 1-2 Subordinated - term H	-	Short-term investments	15 pieces	\$ 147,877	-	\$ 150,000	-
	Jin Sun International Banks 2002 Series 1-1 Subordinated	-	Short-term investments	41 pieces	39,856	-	42,449	-
	EnTie Banks 2002 Series 1 Subordinated - term G	-	Short-term investments	15 pieces	145,019	-	150,021	-
	Union Banks 2002 Series 1 Subordinated	Investee accounted for by the equity method	Short-term investments	6 pieces	58,315	-	62,019	-
	Ta Chong Banks Domestic 1st unsecured convertible	-	Short-term investments	558 pieces	57,833	-	66,938	-
	Fubon Banks 2004 Series 5	-	Short-term investments	30 pieces	300,000	-	300,000	-
	Far Eastern International Banks 2004 Series 1	-	Short-term investments	30 pieces	300,000	-	300,000	-
	Taishin Banks 2003 Series 1-5 Subordinated	-	Short-term investments	20 pieces	200,000	-	200,000	-
	Taishin Banks 2003 Series 1-6 Subordinated	-	Short-term investments	30 pieces	300,000	-	300,000	-
	Union Banks Domestic 1st unsecured convertible	Investee accounted for by the equity method	Short-term investments	408 pieces	406,392	-	434,307	-
	EnTie Banks 2004 Series 1-1	-	Short-term investments	10 pieces	100,000	-	100,000	-
	Subordinated - term A	-	Short-term investments	40 pieces	401,829	-	400,000	-
	Mocoto Banks 2001 Series 1-1 subordinated	-	Short-term investments	150 pieces	1,513,219	-	1,517,864	-
	Jin Sun International Banks 2004 Series 1 Subordinated	-	Short-term investments	50 pieces	500,000	-	499,996	-
	EnTie Banks 2004 Series 1-9	Investee accounted for by the equity method	Short-term investments	423 pieces	423,000	-	423,000	-
	Union Banks 2004 Series 1 Subordinated	Investee accounted for by the equity method	Short-term investments	10 pieces	100,000	-	100,000	-
	Union Banks 2004 Series 2 Subordinated	-	Short-term investments	-	-	-	-	-
	Beneficiary certificate	-	Long-term investment	4,110	60,000	-	60,364	-
	Entrus Phoenix Bond Fund	-	Long-term investment	12,316	145,000	-	145,906	-
	Union Bond Fund	Affiliate	Long-term investment	1,448	20,000	-	20,202	-
	Shinkong Chi-Shin Fund	-	Long-term investment	2,488	30,000	-	30,083	-
	Sheng Hua 1699 Bond Fund	-	Long-term investment	20 pieces	71,171	-	-	Note 2
	Cosmos Bank George & Mary Cash Card 2003 Securitization	-	Long-term investment	-	-	-	-	-
	Certificates - ESR Certificates	-	Long-term investment	20 pieces	100,000	-	-	Note 2
	Special Purpose Trust for Securitization of Corporate Loans Originated by Bank SinoPac-M-I Tranche	-	Long-term investment	-	-	-	-	-

(Continued)

Financial status

Held Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2004			Market Value or Net Asset Value	Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership		
Union Security Investment Trust Corporation	Beneficiary certificate	Beneficiary certificate issuer	Short-term investments	1,114	\$ 13,000	-	\$ 13,200	-
	Union Bond Fund	Beneficiary certificate issuer	Short-term investments	1,227	13,000	-	13,216	-
	Union Yo-Li Bond Fund	-	Short-term investments	848	12,000	-	12,237	-
	CHC Safe Income Fund	-	Short-term investments	57	9,000	-	9,136	-
	NITC Bond Fund	-	Short-term investments	926	12,500	-	12,699	-
	NITC Taiwan Bond Fund	-	Short-term investments	188	3,000	-	3,047	-
	NT High Yield Fund	-	Short-term investments	372	4,000	-	4,066	-
	Sheng Hua 5599 Bond Fund	-	Short-term investments	316	3,500	-	3,600	-
	CHC Cash Reserves	-	Short-term investments	950	10,000	-	8,969	-
	Union China Fund	Beneficiary certificate issuer	Short-term investments	490	5,000	-	5,118	-
Union Information Technology Corporation	Stock	Equity method investee	Long-term equity investments	2,000	14,468	21.05%	12,342	-
	ELTA Technology Co., Ltd.	-	Long-term equity investments	1,650	3,066	16.02%	3,284	-
	eBizServe, Inc.	-	Short-term investments	1	13	-	-	-
	Lin San Hao International Co., Ltd.	-	Short-term investments	4,635	31,613	-	27,812	-
	Beneficiary certificate	The beneficiary certificate issuer is an affiliate of Union Information Technology Corporation	Short-term investments	3,795	40,000	-	39,637	-
	Union Win Win Fund	-	Short-term investments	2,730	27,301	-	26,980	-
	Union Balance Fund	The beneficiary certificate issuer is an affiliate of Union Information Technology Corporation	Short-term investments	1,500	15,054	-	14,340	-
	President Pao-An Balance Fund	-	Short-term investments	856	10,030	-	9,030	-
	ABN-AMRO Asia Growth Guaranteed Fund	-	Short-term investments	2,963	31,185	-	31,415	-
	ABN-AMRO Value Fund	-	Short-term investments	1,032	10,594	-	11,400	-
Union Security Investment Consulting Company	Beneficiary certificate	The beneficiary certificate issuer is an affiliate of Union Security Investment Consulting Corporation	Short-term investments	224	2,500	-	2,658	-
	Union Bond Fund	-	Long-term investment	1,910 pieces	US\$ 1,910	-	-	Note 2
	Bond	-	Long-term investment	500 pieces	US\$ 500	-	-	Note 2
	China Petrochemical Euro Convertible Bond of DLJ Emerging Market LDC	-	Long-term investment	10,000 pieces	US\$ 1,000	-	-	Note 2
	Capital One Bank Senior Notes	-	Short-term investments	3 pieces	US\$ 3,000	-	-	Note 2
	Federal Home Loan Bank Bond	-	Short-term investments	3 pieces	US\$ 3,000	-	-	Note 2
	Hamstar Display Corp. Credit Limited Note	-	Short-term investments	3 pieces	US\$ 3,000	-	-	Note 2
	Teco Electric and Machinery Corp. Credit Limited Note	-	Short-term investments	3 pieces	US\$ 3,000	-	-	Note 2
	Union Finance International (HK) Limited	-	Short-term investments	3 pieces	US\$ 3,000	-	-	Note 2

(Continued)

Held Company Name	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2004			Market Value or Net Asset Value	Note
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership		
Union Insurance Broker Company	Applied Materials Inc. Equity Linked Note	-	Short-term investments	5 pieces	US\$ 495	-	\$ -	Note 2
	Oracle Corp. Equity Linked Note	-	Short-term investments	2 pieces	US\$ 199	-	-	Note 2
	Cosco Systems Inc. Intel Corp.	-	Short-term investments	18	US\$ 400	-	US\$ 353	-
	Askey Computer Corp. Hold-Key Electric Wire & Cable Co., Ltd.	-	Short-term investments	19	US\$ 500	-	US\$ 436	-
	China Petrochemical Development Corporation	-	Short-term investments	106	2,564	0.03%	1,925	-
	Tycooons Group Enterprise co., Ltd. Kent World Co., Ltd.	-	Short-term investments	87	2,371	0.05%	1,077	-
		-	Short-term investments	200	1,692	0.01%	1,376	-
		-	Short-term investments	200	2,897	0.04%	2,092	-
		-	Short-term investments	20	533	0.02%	218	-
		-						

Note 1: 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., Union Bills Finance Corporation and Debt Instrument Depository and Clearing Co., Taiwan - the audited stockholders equity as of December 31, 2004.
- ELTA Technology Co., Ltd. - the audited stockholders equity as of December 31, 2003.
- Other companies - unaudited stockholders equity as of December 31, 2004.

The market value of the listed and OTC stocks were based on the average daily closing prices in December 2004. Beneficiary certificates were based on net asset values as of the balance sheet date.

Note 2: There are no open market in the bonds, thus no market value is available.

TABLE 2

UNION BANK OF TAIWAN

ENDORSEMENT/GUARANTEE PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2004 (In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Individual Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Endorsement/Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/Guarantee to Net Asset Value of the Latest Financial Statement (Note)	Maximum Endorsement/Guarantee Amounts Allowable
		Name	Nature of Relationship						
1	Union Financing and Leasing International Corporation	Union Capital (Cayman) Corp.	Subsidiary	-	US\$28,000	US\$28,000	-	5.16%	

Note: The provider's net asset value is based on Union Bank's audited financial statements as of December 31, 2004.

TABLE 3

UNION BANK OF TAIWAN

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2004
(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, 2004 Shares (in Thousands)	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2004	Dec. 31, 2003						
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%	\$ 1,400,232	\$ 274,003	\$ 117,164	-
	Union Financing and Leasing International Corporation	8th Floor, 109, Sec. 3 Min-Sheng E. Road, Taipei, Taiwan	Factoring	1,000,000	1,000,000	100,000	99.99%	1,185,911	463,626	463,580	-
	Union Bank Futures Corporation	3F-1, 137, Sec. 2 Nanking E. Road, Taipei, Taiwan	Futures brokerage	594,397	594,397	59,440	99.07%	512,255	(88,217)	(87,397)	-
	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%	188,512	6,429	6,428	-
	Union Information Technology Corporation	6th Floor, 399, Run-Kuang 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	90,650	90,650	12,950	99.92%	182,531	49,010	48,508	-
	Union Security Investment Trust Corporation	6th Floor, 137, Sec. 2 Nanking E. Road, Taipei, Taiwan	Securities investment trust	105,000	105,000	10,500	35.00%	119,274	34,338	11,679	-
	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%	50,513	20,312	15,867	-
	Union Real Estate Management Corporation	6th Floor, 10, Sec. 3 Chong-Xin Road, Sanzhong, Taipei, Taiwan	Construction plan review and consulting	20,000	20,000	2,000	40.00%	38,475	28,712	11,485	-
	MSUB 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	13,230	1,323	49.00%	49,158	72,302	35,428	-
	Union Security Investment Consulting Company	6F-1, 137, Sec. 2 Nanking E. Road, Taipei, Taiwan	Securities investment consulting	9,940	9,940	994	99.40%	10,581	1,564	1,555	-
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	1,644	50	100.00%	426,003	US\$ 6,365	208,517	-
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%	14,468	11,049	1,017	Note 1

Note 1: 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' 2003 audited financial statements.



Analysis and Risk Management on Financial status and Business Performance

Financial status and operating performance review, analysis, and risk management:

1. Financial status review and analysis

Unit: NT\$1,000

Item	Year	12/31/2004	12/31/2003	Difference	
				Amount	%
Cash & cash equivalent		\$3,605,231	\$3,178,425	\$426,806	13.43
Deposits in the Central Bank of China & other banks		8,459,447	9,514,259	(1,054,812)	(11.09)
Securities and stock purchased		23,881,686	20,490,238	3,391,448	16.55
Redeemable (sell back) securities & bond investment		9,180,055	-	9,180,055	100.00
Accounts receivable & advances		39,220,772	29,737,389	9,483,383	31.89
Exchange purchased, discount, and loans		141,367,952	120,815,370	20,552,582	17.01
Long-term investment		8,868,605	4,800,485	4,068,120	84.74
Fixed assets		2,345,382	2,760,877	(415,495)	(15.05)
Other assets		10,103,972	13,198,793	(3,094,821)	(23.45)
Total assets		247,033,102	204,495,836	42,537,266	20.80
Inter-bank deposits		4,712,951	5,832,135	(1,119,184)	(19.19)
Redeemable (buy back) securities & bond liabilities		2,687,438	-	2,687,438	100.00
Accounts payable & collections		4,014,418	4,214,907	(200,489)	(4.76)
Deposits & remittance		205,035,613	173,518,839	31,516,774	18.16
Bank bond		11,194,000	3,500,000	7,694,000	219.83
Other liabilities		657,936	709,784	(51,848)	(7.30)
Total liabilities		228,302,356	187,775,665	40,526,691	21.58
Capital		15,171,292	14,889,264	282,028	1.89
Additional paid-in capital		57,783	39,016	18,767	48.10
Retained earnings		3,500,428	1,900,803	1,599,625	84.16
Other Shareholders' equity		1,243	(108,912)	110,155	(101.14)
Shareholders' Equity		18,730,746	16,720,171	2,010,575	12.02
Notes:					
1. The increase of long-term investment is resulted from acquiring long-term bond investment.					
2. The decrease of other assets is resulted from amortizing the deferred loss of bad debt sold and collateral.					
3. The increase of accounts receivable and advances is resulted from the increase of credit card accounts receivable.					
4. The increase of bank bond is resulted from the issuance of convertible bank bond and secondary bank bond in 2004.					
5. The increase of other shareholders' equity is resulted from the transfer of Treasury stock in 2004.					
6. The increase of redeemable (sell back) securities & bond investment and redeemable (buy back) securities & bond liabilities is resulted from the change of conditional factoring to financing in 2004.					

2. Operating performance review and analysis

Unit: NT\$1,000

Item	2004		2003		Amount increase (decrease)	Changes (%)
	Subtotal	Total	Subtotal	Total		
Operating income		\$14,702,452		\$11,510,045	\$3,192,407	27.74
Interest	\$10,976,491		\$8,670,983		2,305,508	26.59
Handling charge	2,421,566		1,956,074		465,492	23.80
Securities trade profit - net	493,995		473,367		20,628	4.36
Investment gain - net (Equity Method)	624,297		390,359		233,938	59.93
Others	186,103		19,262		166,841	866.17
Operating cost and expense		13,590,690		10,531,138	3,059,552	29.05
Interest	2,585,000		2,553,008		31,992	1.25
Handling charge	831,822		635,127		196,695	30.97
Appropriation & reserves for loss	2,529,762		542,450		1,987,312	366.36
Business and management expense	5,425,260		4,925,438		499,822	10.15
Others	2,218,846		1,875,115		343,731	18.33
Non-operating income - net		<u>374,914</u>		<u>491,166</u>	(116,252)	(23.67)
Net income before tax		<u>1,486,676</u>		<u>1,470,073</u>	16,603	1.13
Income tax profit (expense)		<u>112,949</u>		<u>(149,125)</u>	262,074	175.74
Net Income		<u>\$1,599,625</u>		<u>\$1,320,948</u>	278,677	21.10

Notes:

1. The increase of interest this year from 2003 is resulted from the increase of short-term loan interest, credit card revolving interest, and small loan interest.
2. The increase of handling charge income this year from 2003 is resulted from the increase of credit card handling charge.
3. The increase of investment profit of the year (Equity Method) from 2003 is resulted from the increase of Net Income of the invested company from the year before.
4. The increase of other operating income of the year from 2003 is resulted from the increase of cash dividends from long-term stock investment and the increase of interest from long-term bond investment.
5. The increase of handling charge expense this year from 2003 is resulted from the increase of credit card handling expense.
6. The increase of appropriation and reserves for loss this year from 2003 is resulted from the increase of allowance appropriated for bad debt.
7. The decrease of non-operating income this year from 2003 is resulted from the decrease of gain from property trade and miscellaneous income.
8. The income tax profit of the year is resulted from the increase of deferred income tax assets.

3. Cash flow:

(1) Cash flow analysis within two years

Item	Year	2004	2003	Increase/decrease (%)
Cash current ratio (%)		N/A	N/A	N/A
Cash adequacy ratio (%)		N/A	N/A	N/A
Cash reinvestment ratio (%)		N/A	N/A	N/A

Increase/decrease ratio:
Cash outflow from operating activities took place in 2004 and 2003; therefore, the aforementioned ratios are not calculated.

(2) Cash flow analysis within one year

Cash balance at beginning (1)	Estimated cash inflow (outflow) from operating activities of the year (2)	Estimated cash inflow (outflow) of the year (3)	Estimated cash balance (insufficient) amount (1)+(2)+(3)	Remedial measure for the insufficient cash	
				Investment plan	Financing plan
3,605,231	(17,237,429)	21,585,277	7,953,079	-	-

1. Cash flow of the year:

- (1) Operating activity: Current reserve and credit card financing business is increased in response to the acquisition of Chung Shin Bank and the growth of the deposit business.
- (2) Investing activity: Operating equipment is acquired for the new business location in response to the acquisition of Chung Shing Bank and the growth of deposit business.
- (3) Financing activity: Issue stock shares and secondary bond in response to the acquisition of Chung Shing Bank and the growth of deposit business.

2. Remedial measures for the expected insufficient fund and current analysis: None

4. The impact of major capital expenditure on financial business in recent years:

Unit: NT\$1,000

Plan	Actual or expected source of funds	Actual or expected construction completed date	Total capital needed	Actual or expected fund application						
				2003	2004	2005	2006	2007	2008	2009
Machinery & equipment	Self-sufficient fund	2005.12	\$671,577	\$76,328	\$132,156	\$463,093	\$-	\$-	\$-	\$-
Transportation & delivery equipment	Self-sufficient fund	2005.12	137,339	21,653	9,938	105,748	-	-	-	-
Other equipment	Self-sufficient fund	2005.12	413,737	208,678	176,414	28,645	-	-	-	-
Land	Self-sufficient fund	2005.12	385,176	38,663	29,473	317,040	-	-	-	-
Buildings & architecture	Self-sufficient fund	2005.12	311,865	54,149	46,356	211,360	-	-	-	-

Expected effects:

1. Expected operating income, operating expense, and operating profit: Acquire office building and computer upgrade for business development.
2. Other effect: None

5. Information of investing policy in recent years:

(1) The investment policy of Union Bank in recent years:

- a. The preconditions of business operation include cooperating with national economic development, financial policy, maintaining Union Bank's adequate liquidity reserve, flexible fund transfer, increasing earnings, and stabilizing operating foundation.
- b. The main principle of investment is to maintain its safety, liquidity, profit, charity, and adequacy.
- c. The source of investment funds is from the funds of Union Bank available for loans, the designated special funds, or fundraising from other sources.
- d. At the time of making investment, the sufficiency of Union Bank's capital scale and surplus in absorbing the potential loss of investment should be considered.
- e. While evaluating investments, it is necessary to understand the change of national and international economic status and financial development at the time; also, the condition of other financial markets, such as, the development of money supply and the trend of interest rate and exchange rate in order to reduce investment risk.

(2) Profitability of main transfer investment: The performance of Union Bank's transfer investment is improving in recent years and with NT\$624,297 thousand investment gain/loss recognized in 2004 in accordance with Equity Method that represents a substantial growth from the year of 2003.

(3) Union Bank does not have any plan for transfer of investment in the next year.

6. Risk management:

(1) Organizational structure and policy of Union Bank's risk management:

- a. Organizational structure: Base on the consideration of organizational structure, Union Bank has "Risk Management Division" setup under the Business Planning & Administration Department to promote and execute risk management. It is the intention of Union Bank to have a higher authority designed for the responsibility of department planning. A Credit Risk Workshop (Department in charge: Corporate Banking Department), Operating Risk Workshop (Department in charge: Business Planning & Administration Department), and Market Risk Workshop (Department in charge: Treasury Department) are composed by relevant departments.
- b. Risk management policy
 - (a) Ensures assets and finance quality, allocates resources effectively, and improves competitiveness.
 - (b) Effective mechanisms for risk measurement, risk supervision, and risk control.
 - (c) Ensure business risk is controlled within the tolerable range.
 - (d) Establish Union Bank's risk management system to control the expected and unexpected risks
 - (e) Follow the supervision regulation of the competent authority to maintain comprehensive capital adequacy.
 - (f) Achieve the Basel2 international standard.
 - (g) Achieve the target of risk and reasonable returns.

(2) Measure and control risk methods and quantified risk exposure

a. General disclosure

(a) Risk measurement and quantified method of Union Bank:

Credit risk: The "Standard Method" is adopted currently. Stipulate different risk weighted values in accordance with the classification of loaners for the calculation and appropriation of adequate capital. The "Built-in Ratings Method" will be used in the future.

Market risk: The "Standard Method" is adopted currently. Stipulate different risk weighted values in accordance with classification of financial products for the calculation and appropriation of adequate capital.

Operating risk: The "Basic Index Method" is adopted currently for the calculation and appropriation of adequate capital. The "Standard Method" and "Advance Method" will be used in the future.

(b) Risk management procedure:

Risk search: Identify the potential risk in the operating procedure through analyzing the various controlling points of business; moreover, evaluate the nature of risk and determine whether it can be qualified, quantified, and/or transferred.

Operation: The applicability and/or the problems of the aforementioned two steps can be identified only through the actual practice.

Risk supervision: Measure the quantified risk and determine whether the risk level matches the risk preference of Union Bank or not. Control qualified risk, such as, setup authority and prevent misconduct, and examine the risk of Union Bank periodically with external supervision means, such as, the report issued by the credit ratings organization and the secondary financial debt.

Finance risk-avoidance: For the risk level that does not match the risk preference of Union Bank, apply financial tools to disperse and avoid risks, or, to reinforce the capital structure of Union Bank for risk durability through the secondary financial debt.

Value evaluation: Value evaluation is to evaluate and assume the responsibility for examining risk. Classify business activities through comparing the profit received and the loss derived. Value evaluation is to demand internal control and render award & punishment measures for realizing the goal of increasing shareholder's equity.

(c) Risk management strategies

Credit risk: The credit risk management strategy of Union Bank is to disperse risk and to generate reasonable returns. Since industry is able to raise funds through diversified channels in recent years; also, indirect finance is replaced by direct finance, and loan interest rate variation of large corporate banking is declining; therefore, the relative returns of risk are high and the ratio of consumer finance to corporate banking is adjusted every year to have returns and risk level equal.

Market risk: The market risk management strategy of Union Bank is adjusted from conventional "bought and possess" to "beginning and management" gradually. The type of assets possessed is diversified and dispersed. Due to the continuing introduction of new financial tools and the lift of banking restrictions in recent years, the complicity of market risk and the magnitude of potential loss are increased dramatically; therefore, assets are diversified to reduce the impact of each individual financial product. The plan is to utilize derivative financial products to avoid the residual risk that cannot be dispersed.

Operating risk: While facing the operating risk, Union Bank has constantly reinforced self-sufficient capital to resist operating risk and to take the following procedures for remedy:

- (a) List the potential risks and measure the frequency and average loss of the risks.
- (b) According to the frequency and loss of risk to stipulate various operating risk strategies.

	High Frequency	Low Frequency
High risk	Avoid and cut businesses that are with high frequency and high loss of risk	Utilize insurance and subcontracting method to avoid risk, such as, fire insurance and money delivery service ect.
Low risk	Control it with new equipment and reinforced management , such as, bill examination machine and reinforcing training to reduce the risk of counterfeit bills.	Minor incident that occurs occasionally.

b. Disclosures of credit risk

(a) On Balance Sheet

December 31, 2004

Unit: NTS1,000

Item	Adequate risk weighted value	Risk assets amount
Credit against the national government of Taiwan and Central Bank of China or the credit guaranteed by Taiwan's government	0%	0
Credit against governments other than national government of Taiwan or the credit guaranteed by the governments	10%	0
Credit against the banks within the Cooperative Development Organization MOEA and the credit guaranteed by it	20%	1,956,168
Guaranteed loans with the residents as collateral	50%	35,066,151
Credit other than the aforementioned items and other assets	100%	115,906,703
Total		152,929,022

Analysis and Risk Management on Financial status and Business Performance

(b) Off Balance Sheet

December 31, 2004 Unit: NT\$1,000

Item	Risk assets amount
General off balance sheet trades	5,612,390
Derivative financial products	157,128
Redeemable purchase (RP)	216,115
Redeemable sales (RS)	78,895
Total	6,064,528

(c) The assets securitization by Union Bank: None

c. Market risk

December 31, 2004; Unit: NT\$1,000

Risk	Calculated & appropriated capital	Risk assets amount
Interest rate risk	164,919	2,061,487.5
Equity securities risk	370,730	4,634,125.0
Foreign exchange risk	21,095	263,687.5
Product risk	0	0
Options processed with the simple method	0	0
Total	556,744	6,959,300.0

Note: The appropriation is for an amount of "capital appropriated x 12.5 times."

d. Liquidity risk

(a) Due date of assets and liabilities - NT\$

December 31, 2004 Unit: NT\$1 million

	Total	Amount of the remaining days from due date				
		0~30 days	31~90 days	91~180 days	181~1 year	Over 1 year
Assets	229,736	55,367	14,075	16,768	22,862	120,664
Liabilities	236,000	26,490	23,446	53,064	92,017	40,983
Gap	-6,264	28,877	-9,371	-36,296	-69,155	79,681
Continuous gap	-6,264	28,877	19,506	-16,790	-85,945	-6,264

Note: The amount in the table includes only the amount of Head Office and national and international branches in New Taiwan Dollars (foreign currency excluded).

(b) Due date of assets and liabilities - foreign currency

December 31, 2004 Unit: US\$1,000

	Total	Amount of the remaining days from the due date				
		0~30 days	31~90 days	91~180 days	181~ 1 year	Over 1 year
Assets	265,715	234,097	31,618	---	---	---
Liabilities	286,370	237,584	48,786	---	---	---
Gap	-20,655	-3,487	-17,168	---	---	---
Continuous Gap	-20,655	-3,487	-20,655	---	---	---

Note: The amount in the table includes only the amount of Head Office and national and international branches in

(c) Assets and liabilities management

- (1) The assets & liabilities management mechanism of Union Bank is based on the interest rate sensitivity and gap analysis for control. Union Bank has Assets & Liabilities Management Committee organized for a directive and political instruction and interest rate shortage management; therefore, in addition to having the interest rate change and gap monitored, a management meeting should be summoned for comprehensive review in accordance with the market development.
- (2) In terms of controlling interest rate risk in New Taiwan Dollar and foreign currency, Union Bank has a comprehensive trade and fund management system to control the change of deposits and loans on a daily basis, various deposits & loans fund cost and balance in different periods, floating and fixed interest rate of deposits and loans analysis, interest rate sensitive assets and liabilities analysis, and interest rate variation analysis. Utilize interest rate simulation analysis system to stipulate interest rate strategy for the review and approval of Assets & Liabilities Management Committee, or, summon management meeting to have the interest rate adjusted dynamically.
- (3) In terms of foreign exchange risk, in addition to setting up the procedure and process for independent and interactive trade and division, there are also the measures of local control, individual salesperson control, and stop loss control.
- (4) In terms of liquidity risk, in addition to monitor Union Bank's cash on hand and inflow and outflow on a daily basis, the future fund demand and change is estimated, measured, calculated, and altered to have sufficient current assets on hand available for use.

(3) The impact of national and international policies and legal actions on bank's business operation and the responsive measures

The Financial Supervision Committee of the Executive Yuan has started exercising rating management measures for the overdue ratio of cash card in 2004. In cooperating with the regulations of the competent authority, Union Bank has bad debt written off actively; also, has continuously had business developed and increase the application of balance to reduce the ratio of overdue loans.

In cooperating with the amendment "Commercial banks' investment in domestic and international marketable securities" of Clause 74-1 of Banking Law, Union Bank has the investment classification and quota of OBU marketable securities in foreign currency amended accordingly.

In cooperating with the enforcement of "Short-term securities depository settlement and division system," Union Bank adjusts the operating procedure of commercial promissory notes guarantee business and amends the requirements of credit-extending regulations.

(4) The impact of technology development and industrial change on banking business and the responsive measures

While facing the complicity of financial environment; also, the liberalization, internationalization, security formation, and computerization of financial market, the application and development of relevant information technology is having the form of banking competition changed dramatically. For the on-line business opportunities, in addition to supplying and collecting products, services, and relevant information for various customer groups, banks have utilized the latest information technology to have information transformed to applicable database, to generate differentiation of financial products and services, to create the brand name and reputation for banks, and to improve operating efficiency.

In response to this said development, Union Bank has constantly R&D and upgrading the convenience and function of eBanking to have the conventional bank clerk's service replaced. On other hands, Union Bank applies information technology to have enormous customer data compiled systematically, such as, establishing data saving system for the enforcement of marketing activities in accordance with the characteristics and demands of customers.

In sum, the application of financial information technology has helped upgrade the financial cost effect of banks; also, banks are expected to be integrated with technology and become the leading role of "payment gateway" and to provide customers with more convenient and value-added financial service; also, to create a new managerial dominance and business model for the banks taken as a whole.

(5) The impact of image change on banks and the responsive measures

The bank has held the corporate philosophy of "Enthusiasm", "Soundness", "Efficiency" and "Innovation" since its establishment. Customers are impressive with the performance of Union Bank. The unconditional acceptance of Chung Shing Bank in 2004 may have changed the perception of customers about Union Bank and it is with the following consequences:

- a. The number of branches is increased by many folds. The existing manpower of Union Bank won't be able to cover the entire operation and it could have a fatal impact on the excellent service quality provided by Union Bank and will result in the loss of customers and profitability.
- b. Union Bank and Chung Shing Bank are with different foundation and different business culture; therefore, if it takes too long to blend in, an internal waste of energy will be resulted and that is detrimental to the long-term business development of Union Bank.
- c. Customers appreciate the active response from Union Bank. The dramatic increase of branch in number will help with business development, profitability, and stock price in the long run.

Responsive measures for the aforementioned impacts:

- a. Recruit new staff actively and with training arranged; assist the staff of Chung Shing Bank with the exchange personnel from Union Bank to get familiar with the operating procedure of Union Bank promptly in order to maintain the excellent service quality of Union Bank.
- b. Union Bank has continuously communicated and discussed with the staff of Chung Shing Bank before the unconditional acceptance of business operation in order to speed up the cultural fusion between both banks and to have business conducted and promoted normally.

(6) The expected effect and potential risk of mergers

Due to the announcement of Financial Supervision Committee that permits for bank branch will not be issued recently and the frequent mergers imitated by Holdings, the value of branch location is sky high. In order to be competitive in market and to have distribution network expanded, Union Bank has acquired Chung Shing Bank successfully through bidding. Therefore, the number of business unit will go up to 74 locations in 2005 and then up to 87 locations within five years. In cooperating with the focus on profitable business operation, Chung Shing Bank is expected to reach the breakeven point by the end of 2005 and then the profitability can be increased dramatically.

(7) The expected effect and potential risk of business expansion

Please refer to the last paragraph for the said expected effect. For the expansion of business location, it may have the managerial risk and operating risk of Union Bank increased; however, the professionalism and humane management of Union Bank will help minimize risk.

(8) Risk faced by centralized business

Corporate banking and consumer finance credit are two major sources of bank's profitability. The ratio of consumer finance credit of Union Bank is increasing year after year. The major source of income is from consumer finance business, such as, small loans, credit card, and cash card with high interest rate variation profit earned. The kind of loan is without collateral or with minimum collateral; therefore, the interest of Union Bank is less protected; however, the interest rate of credit is high and the burden of interest expense to the loaner is heavy. If the loaners are with final difficulty, a breach of contract will be committed frequently. If credit amount is increased since the loaners have interest expense paid on time throughout the loan period, a "moral risk" could be resulted easily and with a breach of contract committed. Therefore, Union Bank will have the risk of bad debt controlled through a thorough and comprehensive credit-extending control mechanism.

(9) The impact and risk of business changed hand on banks

The Union Bank's shareholders with over 1% of shareholdings and/or the shareholders on the Top Ten list of shareholdings do not have substantial stocks transferred in the last two years or up to the print of the annual report.

(10) Legality and non-legality events:

- a. The legality and non-legality events of Union Bank are mostly a lawsuit over credit-extending business and it does not affect the finance and business operation of the Bank.
- b. Union Bank had a settlement reached with Taipei National Tax Administration, Ministry of Finance in December 2003 regarding the administrative measure for precedent bond interest. A tax refund for an amount equivalent to 65% of the precedent tax withholding. Moreover, for the precedent bond interest of the years that are yet to be

authorized, Union Bank has the income tax of the non-deductible amount (35%) estimated.

- c. Union Securities Co., Ltd., the related party of Union Bank, has a tax withholding of NT\$108,432 thousand for precedent bond interest from 1995~2002; however, tax agency has declined to have it refunded by alleging that "collection of precedent interest is a collection payment instead of a tax deduction stipulated by Income Tax Law Article 89." Union Securities Co., Ltd. deems the decision to be a violation against the regulations of Income Tax Law and Ministry of Finance; therefore, an administrative measure is raised. Taipei National Tax Administration, Ministry of Finance has it reviewed with the industry many times and with a solution of "60% tax refund (exemption)" reached. Therefore, Union Securities Co., Ltd. has agreed to have a tax refund (exemption) processed accordingly and with the proceeds of tax refund for 1995~2000 received from Taipei National Tax Administration, Ministry of Finance in September 2004.

(11) Other important risks: None

7. Responsive mechanism of crisis management:

Union Bank has the "Union Bank Disaster Emergency Protocol Outlines" stipulated in accordance with the requirement of the competent authority that includes (1) Emergency protocol: (a) Pre-event behavior (b) actions taken during the event, (c) post-event process, (d) event evaluation by the affected unit, and (e) business reinstatement measures, (2) contingency plan for customer service, (3) information system safety management, (4) insinuating crisis process and handling procedure to have the disaster emergency rescue system substantiated, to have the disaster preventive measures reinforced, and to have disaster funds financing executed effectively, to have the life of refugees improved, and to have the social and economic order reinstalled promptly.

Union Bank has the "Crisis Rescue Team" and "Crisis Rescue Team Emergency Contact Information" established to have various disaster rescue measures executed effectively. Business units of Union Bank are to practice disaster education and drill in accordance with the requirement of "Safety Protection Outlines" and "Safety Protection Drill Plan"; moreover, to have safety facilities repair & maintained and inspected more than twice a year.

8. Other important issues: None



The management and business operation of Union Bank and its differences from other financial institutions and the causes of differences

Item	Business operation	Difference from financial institutions in business operation and cause of difference
<p>1. Stock structure of bank and shareholder's equity</p> <p>(1) The way shareholder's suggestions and/or disputes are handled by banks.</p> <p>(2) The information of main shareholders who are in control of the bank and the personnel-in-charge of the main shareholders.</p> <p>(3) The way risk control mechanism and firewall design with the affiliates by the bank.</p>	<p>(1) Union Bank has personnel designated to handle the suggestions made or disputes raised by shareholders; also, the relevant departments will be contracted for further discussion or process if it is necessary.</p> <p>(2) Union Bank has maintained the information of main shareholder's shareholdings by referring to the shareholder's roll after the transfer suspended and the shareholder's equity reported to the SEC every month in accordance with Securities and Exchange Law Article 25 of the Executive Yuan.</p> <p>(3) Union Bank has the "Supervision & Control over the Subsidiaries of Bank Standards," in which, the risk management policy for with the subsidiary is regulated too. Moreover, the transaction conducted between Union Bank and the related party is processed in accordance with the requirement of the competent authority.</p>	<p>Union Bank has business operation conducted in accordance with relevant regulations and without any significant difference identified.</p>
<p>2. The composition and responsibility of the Board of Directors:</p> <p>(1) The independent Directors of the bank</p> <p>(2) Evaluate the independence of CPA periodically</p>	<p>(1) Union Bank is without any independent Director designated; however, the qualification of the Directors is processed in accordance with "The Qualification of Bank's Personnel-in-Charge Standards" announced by the Ministry of Interior.</p> <p>(2) The Board of Directors will have the independence of CPA evaluated periodically.</p>	<p>(1) No independent Director is designated.</p> <p>(2) No significant difference.</p>

Item	Business operation	Difference from financial institutions in business operation and cause of difference
<p>3. The composition and responsibility of the Board of Supervisors:</p> <p>(1) The independent Supervisors of the bank</p> <p>(2) The communication of Supervisors with the staff and shareholders of the bank</p>	<p>(1) Union Bank is without any independent Supervisor designated; however, the qualification of the Supervisors is processed in accordance with the "The Qualification of Bank's Personnel-in-Charge Standards" announced by the Ministry of Interior.</p> <p>(2) Union Bank has the "staff's page" on the homepage that Supervisors & bank's staff and shareholders may communicate or provide information and suggestions through the channel.</p>	<p>(1) No independent Supervisor is designated.</p> <p>(2) No significant difference.</p>
<p>4. The construction of communication channel with the related party</p>	<p>Union Bank is able to communicate with the related party smoothly and is able to set up files for the related party in accordance with the Banking Law and have the information of the related party updated continuously for the comprehensive and successful development of the business operation.</p>	<p>No significant difference</p>
<p>5. Information disclosure</p> <p>(1) Homepage setup, financial information disclosure, and business operation of the bank</p> <p>(2) Other information disclosure of the bank (such as, homepage in English, designated personnel for the information collection and disclosure, spokesman system substantiated, public statement published on the homepage of the bank)</p>	<p>(1) Union Bank has homepage (Homepage: www.ubot.com.tw) setup to have financial information disclosed periodically; also, Union Bank will have relevant information disclosed in accordance with the requirements of security competent authority.</p> <p>(2) The information on Union Bank's homepage is collected and maintained by the designated personnel.</p> <p>(3) One Spokesman and one Second Spokesman are designated within Union Bank to make public appearance on behalf of the Bank.</p> <p>(4) Union Bank has financial statements composed and information disclosed in accordance with the "Bank's Financial Statements Preparation Standards."</p>	<p>No significant difference</p>

Item	Business operation	Difference from financial institutions in business operation and cause of difference
<p>6. The performance of Audit Committee that is set up by the bank</p>	<p>(1) Union Bank is with one Chief Auditor designated to take charge of auditing process independently and it is a position equivalent to a Vice President within the organization; moreover, Auditor Department reports directly to the Board of Directors and is responsible for supervising the business operation of Union Bank.</p> <p>(2) In order to reinforce management mechanism, Union Bank has Assets & Liabilities Management Committee, Automation Committee, Investment & Credit Review Committee, and Overdue Loans & Collection, and Bad Debt Written-Off Committee setup; also, the resolutions are to be reported to the direct superior authority according to the corporate hierarchy.</p>	<p>Audit Committee is not set up</p>
<p>7. The management and business operation of Union Bank</p>	<p>and its difference from "Bank Industry's Management & Operation Code" and the causes of difference:</p> <p>The management and business operation of Union Bank is not in any difference from other bank's management and operation, such as, establishing and obeying regulations and competent authorities, internal control, and internal audit system; regulating employee's proposal system to receive the constructive opinions suggested by employees, set up Customer Service Center to process customer's complaints and improve service efficiency, and establishing "Disaster Emergency Rescue Outlines" for the process of emergency. Union Bank will monitor and review the enforcement of management system to upgrade the management effect.</p>	

Item	Business operation	Difference from financial institutions in business operation and cause of difference
	<p>8. Information that is helpful in understanding the management and operation of Union Bank (such as, the advanced study of Directors and Supervisors, the attendance of Directors and Supervisors, the enforcement of risk management policy and risk measurement standard, the policy of protecting consumers or customers, the enforcement of having Directors executed from attending the proceedings that is with the possibility of conflict of interest, the liability insurance acquired for the Directors and Supervisors of the bank, and social responsibilities):</p> <ol style="list-style-type: none"> (1) Union Bank has the "Board of Directors Meeting Rules" regulated and with a meeting summoned once every two months. The meeting notice and meeting materials are forwarded to Directors and Supervisors in writing. According to the proceedings rules, Directors who must have themselves excused from attending the meeting and may not cast their votes while the "conflict of interest" is in concern; moreover, they may not cast a vote on behalf of other Directors and with no exception. (2) Union Bank's customers may express their opinions or complaints on the homepage or the customer service hot line. The information is to be forwarded to the responsible departments for further processing and the enforcement should be followed up accordingly. (3) Union Bank has the job responsibility of the Board of Shareholders, Board of Directors, and management defined clearly for reference in reviewing and approving the business process. 	

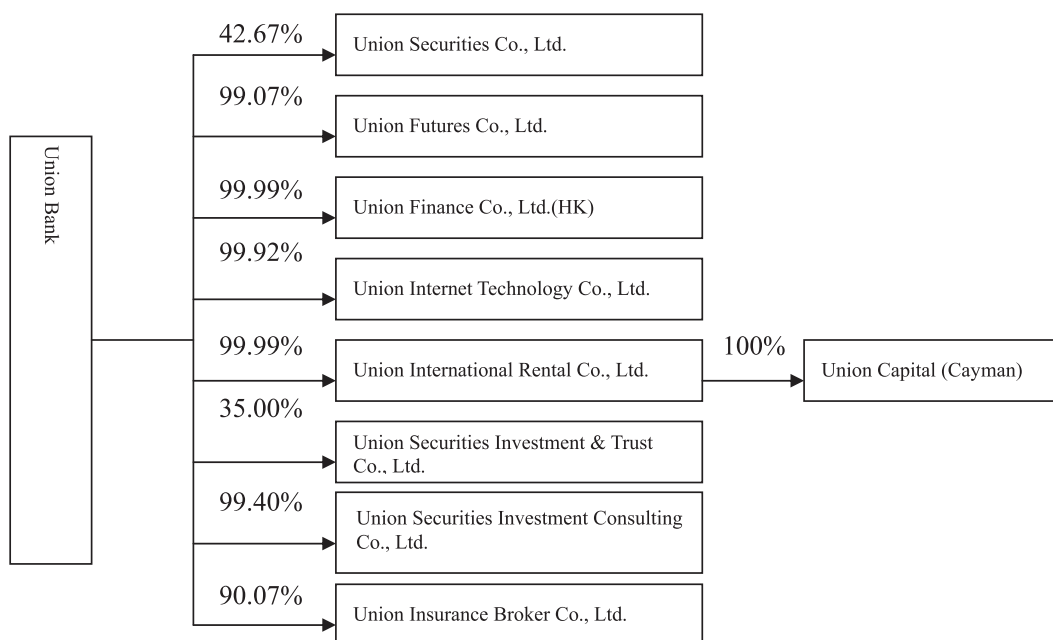
Special disclosures

Special information:

I. Related parties

(1) Organizational chart of the related parties (baseline date of statement preparation: December 31, 2004)

Shareholdings:



(2) Information of the related parties (baseline date of statement preparation: December 31, 2004)

Unit: NT\$1,000

Industry	Incorporation Date	Address	Actual Capital Collected	Business or Production Category
Union Securities Co., Ltd.	1995.07.19	15F, 109, Sec. 3, Minsheng E. Road, Taipei City	2,960,000	1. Broker and trader of short-term securities 2. Underwriting, certification, guarantee, and endorsement of promissory note 3. Brokerage and trade of Treasury bond 4. Underwriting, certification, guarantee, and endorsement of bank bond 5. Trade of debenture
Union International Rental Co., Ltd.	1996.11.11	8F, 109, Sec. 3, Minsheng E. Road, Taipei City	1,000,100	Factoring of installment, leasing, card loan, and accounts receivable
Union Futures Co., Ltd.	1994.07.03	3F-1, 137, Sec. 2, Nanking E. Road, Taipei City	600,000	Trade of futures
Union Finance Co., Ltd. (H.K.)	1996.04.23	8F, Unit C-D, Entertainment Building, 30, Queen's Road Central, Hong Kong	106,589	Financing of exporting/importing trade
Union Securities Investment Trust Co., Ltd.	1998.12.22	6F, 137, Sec. 3, Nanking E. Road, Taipei City	300,000	Securities investment trust business
Union Securities Investment Consulting Co., Ltd.	1999.12.14	6F-1, 137, Sec. 3, Nanking E. Road, Taipei City	10,000	Securities investment consulting business
Union Insurance Broker Co., Ltd.	1997.08.04	21, Alley 6, Lane 113, Sec. 3, Minsheng E. Road, Taipei City	28,000	Brokerage of life insurance
Union Internet Technology Co., Ltd.	1998.08.20	6F, 399, Ray-Kwong Road, Taipei City	129,600	Distribution of computer software and hardware equipment, development of system program, consignment of system construction, design of homepage and website, and eCommerce
Union Capital (Cayman) Corp.	1997.07.23	P.O. Box 1034, George Town, Grand Cayman, Cayman Island, British West Indies	1,644	Installment and leasing business

- (3) Business transactions with the related parties - None
 (4) Directors, Supervisors, and President of the related party (baseline date of statement preparation: December 31, 2004):

Unit: Share: %

Industry	Job Title	Name or Representative	Shareholdings	
			Shares	%
Union Bank	Chairman		1,020,247	0.067
	General Director		3,969,367	0.261
	General Director		16,373,448	1.078
	Managing Director & President		1,080,207	0.071
	Managing Director		61,896,601	4.078
	Managing Director		30,613,388	2.017
	Managing Director			
	Managing Director		22,948,877	1.512
	Managing Director		14,622,349	0.963
	General Supervisor		8,682,889	0.572
	Supervisor		248,080	0.016
	Supervisor		1,814	0.000
Union Securities Co., Ltd.	Chairman		126,576,000	42.76
	General Director			
	Managing Director			
	Managing Director			
	Supervisor			
	General Supervisor			
	General Director		63,288,000	21.38
	Managing Director			
	Managing Director			
	Managing Director		12,404,448	4.19
	Managing Director		12,404,448	4.19
	Supervisor		12,404,448	4.19
	President		88,000	0.03
Union International Rental Co., Ltd.	Chairman & President		100,000,000	99.99
	Managing Director			
	Managing Director			
	Supervisor			
Union Futures Co., Ltd.	Chai		59,439,650	99.07

Special disclosures

Union Finance Co., Ltd. (H.K.)	Managing Director	Union Bank (Representative: Jeff Lin)	30,000,000	99.999994
	Managing Director	Union Bank (Representative: Roger Wang)		
	Managing Director	Union Bank (Representative: J.C. Jeng)		
	Managing Director	Shiang-Chang Lee		
Union Securities Investment Trust Co., Ltd.	Managing Director	F.S. Dai	1	0.000003
	Chairman	Quen-Jzo Investment Co. (Representative: J.C. Shay)	2,500,000	8.30
	Managing Director	Quen-Jzo Investment Co. (Representative: S.Y. Chai)		
	Managing Director	Quen-Jzo Investment Co. (Representative: W.M. Lee)		
	Managing Director	Quen-Jzo Investment Co. (Representative: T.H. Chou)		
	Supervisor	Quen-Jzo Investment Co. (Representative: Y.B. Liao)		
	Supervisor	Quen-Jzo Investment Co. (Representative: C.H. Chai)		
	Managing Director	Hong-Yi Investment Co. (Representative: M.Y. Lo)	1,500,000	5.00
	Managing Director	Ber-Shen Technology Co., Ltd. (Representative: K.H. Lee)	3,000,000	10.00
President	C.S. Shi	-	-	
Union Securities Investment Consulting Co., Ltd.	Chairman & President	Union Bank (Representative: C.L. Jeng)	994,000	99.40
	Managing Director	Union Bank (Representative: C.L. Liao)		
	Managing Director	Union Bank (Representative: Y.L. Kuo)		
	Supervisor	Union Bank (Representative: S.S. Chaio)		
Union Insurance Broker Co., Ltd.	Chairman & President	Union Bank (Representative: J.K. Quay)	2,522,000	90.07
	Managing Director	Union Bank (Representative: Shiang-Chang Lee)		
	Managing Director	Union Bank (Representative: Chung-Chieh Huang)		
	Supervisor	Union Bank (Representative: Hao-Sen Lee)		
	President	J.K. Quay		
Union Internet Technology Co., Ltd.	Chairman & President	Union Bank (Representative: C.M. Huang)	12,950,000	99.92
	Managing Director	Union Bank (Representative: Hao-Sen Lee)		
	Managing Director	Union Bank (Representative: John J.T. Lee)		
	Supervisor	Union Bank (Representative: Y.N. Chen)		
	President	C.M. Huang		
Union Capital (Cayman) Corp.	Managing Director	Union International Rental Co., Ltd. (Representative: J.C. Shay)	50,000	100.00
	Managing Director	Union International Rental Co., Ltd. (Representative: Shiang-Chang Lee)		

(5) Business operation of the related party

Unit: NT\$1,000; Earnings per share is in NT\$

Industry	Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating profit	Net Income (Loss)	Earnings per Share (NT\$)	Remark
Union Securities Co., Ltd.	2,960,000	34,978,836	31,704,205	3,274,631	809,938	314,173	274,003	0.93	
Union International Rental Co., Ltd.	1,000,100	4,833,710	3,647,680	1,186,030	716,096	278,713	463,626	4.64	
Union Futures Co., Ltd.	600,000	898,333	381,269	517,064	185,952	(99,347)	(88,217)	(1.47)	
Union Finance Co., Ltd. (H.K.)	106,589	599,489	410,960	188,529	32,318	5,192	6,429	0.21	H.K. foreign exchange rate was 4.0846 on December 31, 2004. H.K. average foreign exchange rate was 4.2797 on Jan. - Dec. 2004
Union Securities Investment Trust Co., Ltd.	300,000	374,280	33,497	340,783	137,226	43,549	34,338	1.14	
Union Securities Investment Consulting Co., Ltd.	10,000	11,679	1,034	10,645	5,459	2,029	1,564	1.56	
Union Insurance Broker Co., Ltd.	28,000	66,531	9,635	56,896	187,740	27,903	20,312	7.25	
Union Internet Technology Co., Ltd.	129,600	294,195	114,720	179,475	345,158	80,745	49,010	3.78	
Union Capital (Cayman) Corp.	1,644	471,168	43,307	427,861	24,901	16,985	212,166	4,243.32	US\$ foreign exchange rate was 31.768 on December 31, 2004. US\$ average foreign exchange rate was 33.3333 on Jan. - Dec. 2004

(6) The impact of financial difficulties on financial status that are faced by Union Bank and its related parties in recent years and up to the printing of the annual report: None

(7) Consolidated financial statements of the related party: None

(8) Report on the relationship built with the related party: None

II. Enforcement of internal control system:

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

March 7, 2005

The Union Bank has the internal control system in the period of January 1 to December 31, 2004 self-examined and with the following statements made:

1. Union Bank knows and is firmly aware that the Board of Directors and chief manager are obliged to establish, enforce, and maintain the internal control system, and Union Bank has set up the system. The purpose is to perform, and reasonably ensure, operating results and efficiency (including profit, performance, and safe-guard of assets), reliable financial reports, and compliance of relevant laws and regulations.
2. Internal control system is restricted congenitally; an effective system only reasonably ensures the achievement of the targets referred in Paragraph, no matter how the system was designed. As the environment or the situation varies, the effectiveness of the system may be changed. Union Bank has built up a self-evaluating mechanism inside the system, and, once any defect is identified, will adopt corrective measures immediately.
3. Union Bank has the effectiveness of the design and enforcement of the internal control system judged by criteria specified in the "Guidelines for Establishment of Internal Control System by Public Companies" and "Guidelines for Establishment of Internal Control system in Securities & Futures Service Enterprises" (referred to as the "Guidelines" hereinafter). The Criteria, based on processes of management and control, divided Internal Control into five parts: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring. Each element includes several items. For these constituent elements, please refer to the provision of the Guidelines.
4. Union Bank has already applied the aforementioned criteria for the internal control system to evaluate the effectiveness of the design and enforcement of the internal control system.
5. On the basis of the foregoing inspection, Union Bank confirms the validity of the design and enforcement of the internal control system (including the supervision over subsidiaries) during the terms specified at the very beginning of the Statement, with respect to operating results and efficiency, financial reports and compliance of relevant laws and regulations. Union Bank is able to ensure the achievement of the said objectives.
6. This Statement will be the key material of Union Bank's annual report and prospectus and will be released to the public. Any deception, concealment or other illegality of the foregoing released material shall bear legal liabilities provided in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Law.
7. This Statement was unanimously approved by the three Directors of the Board at the Meeting on March 2, 2005 and with no Director opposed to the content of the Statement.

Union Bank of Taiwan

Chairman/ C.C. Huang

President/ Shiang-Chang Lee



Note: Union Bank had not contract CPA to have the internal control system reviewed.

III. Directors or Supervisors who have opposed to the resolutions reached in the Board of Directors Meeting and with their opinions heard in writing in recent years and/or up to the printing of the annual report: None

IV. The private subscription of marketable securities took placed in recent years and/or up to the printing of the annual report: None

V. The stocks of Union Bank held or disposed by the subsidiaries in recent years and/or up to the printing of the annual report: None

VI. Important resolutions reached in the Shareholder's Meeting and Board of Directors Meeting in recent years and/or up to the print of the annual report:

(1) The resolutions reached in 2004 Shareholder's Meeting and its enforcement:

1. Distribution of retained earnings in 2003 Resolution was reached and execution completed.
2. Amendment of the clauses of Union Bank's "Articles of Association" Resolution was reached and was approved by the Ministry of Economic Affairs on July 9, 2004 with the Gin.so.sun.tzu No. 09301118180 Letter issued.
3. In response to the demand of business growth, the Board of Directors is authorized to issue convertible debenture or cash capitalization with new stock shares issued to raise funds.

Union Bank had NT\$3 billion convertible debenture issued on September 13, 2004.

(2) Important resolutions reached in the Extraordinary Shareholder's Meeting in 2005 and its enforcement:

The proposal of acquiring Chung Shing Bank's assets, liabilities, and business operation unconditionally except for the inter-bank deposits and loans.

Resolution was reached and was approved by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan on February 5, 2005 with the Jin.quan.yin (II).tzu No. 0948010181 Letter issued.

(3) Important resolutions reached in the Board of Directors Meeting in 2004:

1. Resolution reached in the Board of Directors Meeting on March 22, 2004:
 - As for the permission of the Board of Shareholders to authorize the Board of Directors to issue convertible debenture or cash capitalization with new stock shares issued to raise funds.
 - Stock dividend, bonus to employees, and remuneration to Directors and Supervisors were not distributed in 2003.
2. Resolution reached at the Board of Directors Meeting on June 16, 2004:
 - NT\$5 billion convertible debenture was approved for issuance.
3. Resolution reached in the Board of Directors Meeting on October 27, 2004:
 - Secondary debenture with a maximum amount of NT\$5 billion was approved for issuance within one year.
4. Resolution reached in the Board of Directors Meeting on December 10, 2004:
 - The proposal of accepting the assets, liabilities, and business operation of Chung Shing Bank unconditionally excluding inter-bank deposits and loans was approved.
5. Resolution reached in the Board of Directors Meeting on December 22, 2004:
 - The proposal of NT\$3 billion cash capitalization was approved.
 - The proposal of issuing NT\$5 billion secondary debenture in the second term of 2004 was approved.

(4) Important resolutions reached in the Board of Directors Meeting in 2005:

Resolution reached in the Board of Directors Meeting on October 1, 2005:

- The stock receiving date, late stock transfer date, and last debenture conversion date was approved for the issuance of common stock for cash capitalization.
- Stock dividend, employee's bonus, and remuneration to Directors and Supervisors were not distributed in 2004.

VII. Lawsuits within two years and major nonconformity and corrective action:

Union Bank had not committed any violation against law, major nonconformity, or failed to disclose any mandatory disclosure within two years.

VIII. Other Necessary Supplementary Statements:

The impact of events that are defined in Securities and Exchange Law Article 36.2.2 on Shareholder's Equity and/or security price in 2004 or up to the printing of the annual report: Union Bank has acquired the assets, liabilities, and business locations of Chung Shing Bank successfully through bidding from Central Deposit Insurance Corp. on December 9, 2004 for an amount of NT\$7.108 billion and with 47 business locations acquired. Therefore, the number of business units went up to 87 locations. Union Bank had a total acceptance and transfer agreement signed with Chung Shing Bank and Central Deposit Insurance Corp. on December 13, 2004 that was expected to affect the operating income and long-term business development of Union Bank.

Name, address, and telephone number of the Head Office and Branches

<u>Head Office / Domestic Branch</u>	<u>Address</u>	<u>Tel</u>
Head Office	3F, 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	(02) 27180001
Business Department	105, Chengteh Rd., Sec. 1, Taipei, Taiwan	(02) 25568500
International Banking Department	2F, 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	(02) 27180001
Trust Department	3F, 137, Nanking E. Rd., Sec. 2, Taipei, Taiwan	(02) 25074066
Securities Head Office	2F, 137 Nanking E. Rd., Sec. 2, Taipei, Taiwan	(02) 25074066
Credit Card Center	5F, 399, Juikuang Rd., Taipei, Taiwan	(02) 27192233
Offshore Banking Branch	2F, 109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	(02) 27180001
Taipei Branch	109, Minsheng E. Rd., Sec. 3, Taipei, Taiwan	(02) 27180001
Nanking E. Road Branch	137, Nanking E. Rd., Sec. 2, Taipei, Taiwan	(02) 25151333
East Taipei Branch	217, Nanking E. Rd., Sec. 5 Taipei, Taiwan	(02) 27530900
Jenai Branch	401, Jenai Rd., Sec. 4, Taipei, Taiwan	(02) 27813366
Kungkuan Branch	272, Roosevelt Rd., Sec. 3, Taipei, Taiwan	(02) 23692678
Chunghsiao Branch	2F, 5, Lane 223, Chunghsiao E. Rd., Sec. 4, Taipei, Taiwan	(02) 27733456
Tatze Branch	649, Mingshuei Rd., Taipei, Taiwan	(02) 25323836
Neihu Branch	1F, 399, Juikuang Rd., Taipei, Taiwan	(02) 26586121
Chungshang Branch	83, Chungshang N. Rd., Sec. 2, Taipei, Taiwan	(02) 25717890
Tunghua Branch	74, Tunghua St., Taipei, Taiwan	(02) 27395888
Shdung Branch	1-1, 1-2, 1-3 Shdung Rd., Taipei, Taiwan	(02) 28756161
Breeze Center Branch	2F, 39, Fuhsing S. Rd., Sec.1, Taipei, Taiwan	(02) 87722858
Sanchung Branch	10, Chungsin Rd., Sec. 3, Sanchung City, Taipei Hsien, Taiwan	(02) 29777666
Luchou Branch	80, Chungcheng Rd., Luchou City, Taipei Hsien, Taiwan	(02) 28485577
Hsinchung Branch	601, Shihyuan Rd., Hsinchung City, Taipei Hsien, Taiwan	(02) 85227799
Chungkung Branch	308, Chungkug Rd., Hsinchug City, Taipei, Hsien, Taiwan	(02) 22769678
Panchiao Branch	226, Minchuan Rd., Panchiao City, Taipei Hsien, Taiwan	(02) 29656600
Shuanho Branch	222, Chungcheng Rd., Yung Ho City, Taipei Hsien, Taiwan	(02) 29459898
Yungho Branch	137, Yungho Rd., Sec. 2, Yungho City, Taipei Hsien, Taiwan	(02) 86600808
Chungho Branch	150, Chenyi Rd., Chungho City, Taipei Hsien, Taiwan	(02) 82265168
Hsintien Branch	100, Mingchuang Rd., Hsintien City, Taipei Hsien, Taiwan	(02) 22199989
Taoyuan Branch	332, Hsienfu Rd., Taoyuan City, Taiwan	(03) 3395300
Taoying Branch	343, Taoying Rd., Taoyuan City, Taiwan	(03) 3779797
Nankan Branch	137, Chungcheng Rd., Luchu Hsiang Taoyuan Hsien, Taiwan	(03) 3229699
Hueilong Branch	253, Wanso Rd., Sec. 1, Kueishan, Taoyuan Hsien, Taiwan	(02) 82090808
Chungli Branch	62, Chungyang W. Rd., Sec. 1, Chungli City, Taoyuan Hsien, Taiwan	(03) 4265111
Neili Branch	258, Chunghua Rd., Sec. 1, Chungli City, Taoyuan Hsien, Taiwan	(03) 4351288

Chenshin Branch	95, Longan Rd., Sec. 2, Chungli City, Taoyuan Hsien, Taiwan	(03) 4280808
Lungtan Branch	245, Chungcheng Rd., Lungtan, Taoyuan Hsien, Taiwan	(03) 4709188
Dayuan Branch	56, Chungcheng E. Rd., Dayuan, Taoyuan Hsien, Taiwan	(03) 3850505
Hsinchu Branch	107, Chungcheng Rd., Hsinchu, Taiwan	(03) 5249966
Taichung Branch	9-5, Chungkang Rd., Sec. 2, Taichung, Taiwan	(04) 23285666
Wenshin Branch	208-1, Wenshin Rd., Sec. 4, Taichung, Taiwan	(04) 22980808
Yuanlin Branch	785, Chungshan Rd., Sec. 1, Yuanlin Chiang, Changhua Hsien, Taiwan	(04) 8347666
Chiayi Branch	285, Chungshan Rd., Chiayi, Taiwan	(05) 2285908
Tainan Branch	271, Shimen Rd., Sec. 4, Tainan, Taiwan	(06) 2513377
Kaohsiung Branch	204, Kuanghwa 1st Rd., Kaohsiung Taiwan	(07) 2265353
Chiujju Branch	495, Chiujju 2nd Rd., Kaohsiung, Taiwan	(07) 3118871
Fengshan Branch	224, Kaihsuan Rd., Fengshan City Kaohsiung Hsien, Taiwan	(07) 7638185
Ho Chi Minh Representative Office	8, Nguyen Hue St., Dist. 1, Ho Chi Minh City, Vietnam	(848) 8250407
Hong Kong Representativ Office	8F, Unit C-D, Entertainment Building, 30, Queen's Road Central, Hong Kong	(852) 25211678

New Branches acquired from Chung Shing Bank on March 19, 2005

<u>Branch Office</u>	<u>Address</u>	<u>TEL</u>
Chengtung Branch	No. 221, Sec. 3, Nanking E. Road, Taipei	02-25455588
Sungchiang Branch	No. 228, Sungchiang Road, Taipei	02-25616601
Taan Branch	No. 14, Sec. 2, Tunhwa S. Road, Taipei	02-27049588
Yungchi Branch	No. 306, Yungchi Road, Taipei	02-27480329
Tienmu Branch	No. 62, Sec. 1, Chungcheng road, Taipei	02-28351818
Tungmen Branch	No. 101, Sec. 2, Hsin Yi Road, Taipei	02-23582345
Tunhwa Branch	No. 209-1, Sec. 1, Tun Hwa S. Road, Taipei	02-87733588
Hsihu Branch	No. 88, Sec. 1, Neihu Road, Taipei	02-87971537
Beitou Branch	No. 68, Sec. 1, Jhongyang N. Road, Beitou District, Taipei	02-28966333
North Sanchung Branch	No. 245, Chengyi N. Road, Sanchung City, Taipei Hsien	02-29826226
Houpu Branch	No. 77, Chungching Road, Panchiao City, Taipei Hsien	02-29642777
South Yungho Branch	No.6, Sec. 1, Yungho Road, Yungho City, Taipei Hsien	02-22327666
Hsisheng Branch	No.26, Houkang 1st Road, Hsinchuang City, Taipei Hsien	02-22052299
Shulin Branch	No. 275, Chung Hua Road, Shulin City, Taipei Hsien	02-86858939
Hsichih Branch	No. 159, Sec.1, Hsin Tai 5th Road, Hsichih City, Taipei Hsien	02-86425289
North Taoyuan Branch	No. 191, Yungan Road, Taoyuan	03-339-6262
North Chungli Branch	No. 222, Yuanhua Road, Chungli City, Taipei Hsien	03-426-1133
North Taichung Branch	No. 13, Sec. 3, Wenhsin Road, Taichung	04-2311-8555
Minchuan Branch	No. 135, Min Chuan Road, Taichung	04-22206789
Hsitun Branch	No. 277, Sec. 2, Hsitun Road, Taichung	04-27022152
Singchung Branch	No. 406, Sec. 1, Fusing Rd., South District, Taichung	04-22614040
Beitun Branch	No. 701, Sec. 4, Wunsin Rd., Beitun District, Taichung	04-22452636
South Yuanlin Branch	No. 37, Sanmin St., Yuanlin, Chunghua Hsien	04-8326388
East Chiayi Branch	No. 372-1, Kwonmin Road, Chiayi	05-2293922
Fucheng Branch	No. 92, Chungcheng Road, Tainan	06-229-0866
Chihkan Branch	No. 156, Sec. 2, Yung Fu Road, Tainan	06-2228111
Fuchiang Branch	No. 15, Sec. 3, Tung Men Road, Tainan	06-2601268
Kaiyuan Branch	No. 229, Kai Yuan Road, Tainan	06-2354445
South Tainan Branch	No. 379, Sec. 1, King Hua Road, Tainan	06-2655663
Lingya Branch	No. 30, SuWei 4th Road, Kaohsiung	07-338-6033
North Kaohsiung Branch	No. 548, Chiunuh 2nd Road, Kaohsiung	07-322-3699
Sanmin Branch	No. 73, Chiunuh 1st Road, Kaohsiung	07-389-0258
Wuchia Branch	No. 173, Nanhwa Road, Fengshin City, Kaohsiung Hsien	07-7215866
Pingtung Branch	No. 172, Mintsu Road, Pingtung	08-7326777

聯邦商業銀行股份有限公司
UNION BANK OF TAIWAN



董事長 黃春鐘





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