

Annual Report 2005

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

Market Observation Post System : <http://newmops.tse.com.tw>



 **Spokesman**

Name: Mr. Chun-Chieh Huang

Title: Senior Executive Vice President

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Acting Spokesman

Name: Mr. Hann-Tsau Tsai

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 **Head Office/Domestic Branch, address, and telephone: Please refer to page 130~132.**


 **Stock Registration Office**

Name: MaterLink Securities Corp.

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

Address: 6F, No.97, Sec. 2, Tun Hwa S. Road, Taipei City

Tel: 886-2-2325-3800

 **Credit Ratings Institution**

Name: Taiwan Ratings Corp.

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

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

Tel.: 886-2-8722-5800

 **CPA for Financial Statement Auditing**

Name: Mr. Terence Huang/Y.J. Wu


Company: Deloitte & Touche

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

Address: 12F, No.156, Minsheng E. Rd., Sec. 3, Taipei, Taiwan

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 **Name of Exchanges Where the Company's Securities Are Trade Off-shore, and the methods of Inquiry: None**

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

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Message to Shareholders



Chairman

A handwritten signature in black ink, appearing to read 'C. L. Wang', written in a cursive style.

The economies of Europe, the US, Japan, and Mainland China have been growing steadily despite the global economy was affected by events such as high oil price, rising interest rates in the States, and the outbreak of avian flu in 2005. Domestically, we have seen a sign of resurgent economy since the second half of 2005. Exports and manufacturing sectors expanded, unemployment rate declined, the consumer price remained stable, the annual growth rate of loans and investments booked by major financial institutions was 7.7%, and economic growth rate stood at 4.09%. All indicate that the domestic economy is recovering.

As the authorities continue to restrain all local banks from establishing new branches, Union Bank of Taiwan (UBOT) acquired Chung Shing Bank at the end of 2004 and completed the merger in March 2005 in order to expand its operating network and business base. During the past year, the bank had accomplished the integration of operation, enterprise

cultures and staff of the two banks. Additionally, a Wealth Management Department was set up for the purpose of planning, executing and managing the wealth management related business, and an Operation Center was established in order to reduce operating cost and to improve the bank's operation performance.

The bank's 2005 business result, credit rating, 2006 business plan, and strategies and the possible impact stemming from various external factors are as follows:

1. 2005 Business Results

As of the end of 2005, total deposits were NT\$271,770 million (grew 32.56% from 2004), total loans were NT\$178,174 million (a growth of 28.6% from 2004), and foreign exchange volume was US\$3,144 million (down 7.64% from 2004). A total of 2,939,652 credit cards were in circulation.



President



Total assets, operating revenue and allowance for bad debt reserve were NT328,979 million, NT\$18.473 million and NT\$4,792 million respectively. In order to improve the transparency of its financial reports, the bank wrote off NT\$4,542 million resulted from disposing of NPL and thus incurred the bank a net loss of NT\$3,458 million for the year. The bank accomplished an infusion of NT\$3 billion in cash to raise its capital base and BIS ratio. The bank's financial structure was improved significantly by obtaining long-term capital through the issuance of junior bank debentures. Besides, the aforementioned loss from sales of NPL has not caused any pronounced impact to the bank's financials and business operations.

2. Credit Rating

Taiwan Ratings Corporation (TRC) has awarded our bank a positive review after an one year close observation of the synergy of acquiring Chung Shing

Bank by UBOT. In its updated credit rating report of December 19, 2005, TRC adjusted UBOT outlook to "stable" from "developing" and maintained the bank's long- and short-term issuer ratings as twA- and twA-2 respectively.

3. 2006 Business Plan

In 2006, the bank will continue to adhere to its principle of questing for business growth in stability and constructing a multi operation system. The bank plans to establish new branch offices and relocating some of the existing business strongholds to enhance the effectiveness of the operation network, continue to boost funding capital by absorbing customer deposits, give a fresh impetus to corporate lending and develop new products for consumer banking business, implement loan review to ensure overall asset quality and recede NPL ratio, provide superior wealth management services and develop trust commodities to satisfy customers' needs, reinforce its

capital structure and management of assets, liabilities and risks.

Besides, the bank will devote itself to improve staff professionalism, marketing skills, service quality to heighten the business performance. Also, the bank will promote e-banking operational environment, simplify operating flow and upgrade the enterprise image of this bank.

The bank has set the following operation targets for the coming year: year-end total deposits and outstanding loans are NT\$309,153 million and NT\$211,958 million respectively; total foreign exchange business volume US\$3,694 million, commission income from wealth management business NT\$180 million, and 3.2 million credit cards to be in circulation.

4.External Influential Factors and Future Development Strategies

In recent years, the authorities have kept encouraging mergers among financial institutions, implementing differential monitoring, improving efficiency of administrative auditing, and demanding quality of information disclosure. On the other hand, the authorities also lay great emphasis on the development of sound financial market, improvement

of banks' competitiveness and providing protection and education to consumers and investors. Therefore, UBOT is facing an increasingly competitive banking environment for the year to come.

In response to the Basel II application which will come into force at the end of 2006, the bank has imposed striven to increase its competitiveness, to build a controlling system for evaluating market and operation risks to improve assets quality. Besides, the bank has set certain restrictions for applying of credit card and cash card to emphasize the risk control of consumer banking.

UBOT's short term goal is to achieve its 2006 business targets. In the long run, the bank will continue to underpin business bases, expand operation scale, set up consumer and corporate banking centers, standardize operating process so as to tone up service effectiveness and quality control of loans.

We appreciate very much all your support in the past and look forward to receiving your same encouragement in the future. All our colleagues shall follow the bank's operating concepts of "Enthusiasm", "Soundness", "Efficiency" and "Innovation" to achieve or even outperform the set business goals for the coming year.

Sincerely yours,

Chairman



President



Bank History and Organization



1. Introduction

Date of establishment: December 31, 1991

Union Bank of Taiwan was the third private-held bank approved by the government to be established in the awakening of banking liberalization and globalization. The founders of Union Bank of Taiwan shared a common interest of running a perpetual business and then set up the preparatory commission on March 29, 1989 and business operation initiated on January 21, 1992. Union Bank of Taiwan was officially listed on the OTC on September 19, 1995 and the Taiwan Stock Exchange on June 29, 1998, and has now become a widely acclaimed and recognized listing company. Union Bank of Taiwan had setup Ho Chi Minh City Representative Office in Vietnam and Hong Kong Representative Office in Hong Kong for internationalization on February 25, 1998 and August 24, 1999, respectively.

Union Bank of Taiwan has embraced the corporate philosophy of “Enthusiasm”, “Soundness”, “Efficiency” and “Innovation” since its establishment and never ceases to increase the number of business locations for providing extensive service to the public. Since the competent authority had ceased to have business permits issued temporarily, in order to have business channels and scale expanded, Union Bank of Taiwan had accepted the main assets, liabilities, and business operation of Chung Shing Bank unconditionally on March 19, 2005, up to the printing date of the annual report, Union Bank of Taiwan has 75 domestic business offices in service. Union Bank of Taiwan intends to have the twelve discontinued-offices of Chung Shing Bank reinstated in four years to have a higher distribution value generated.

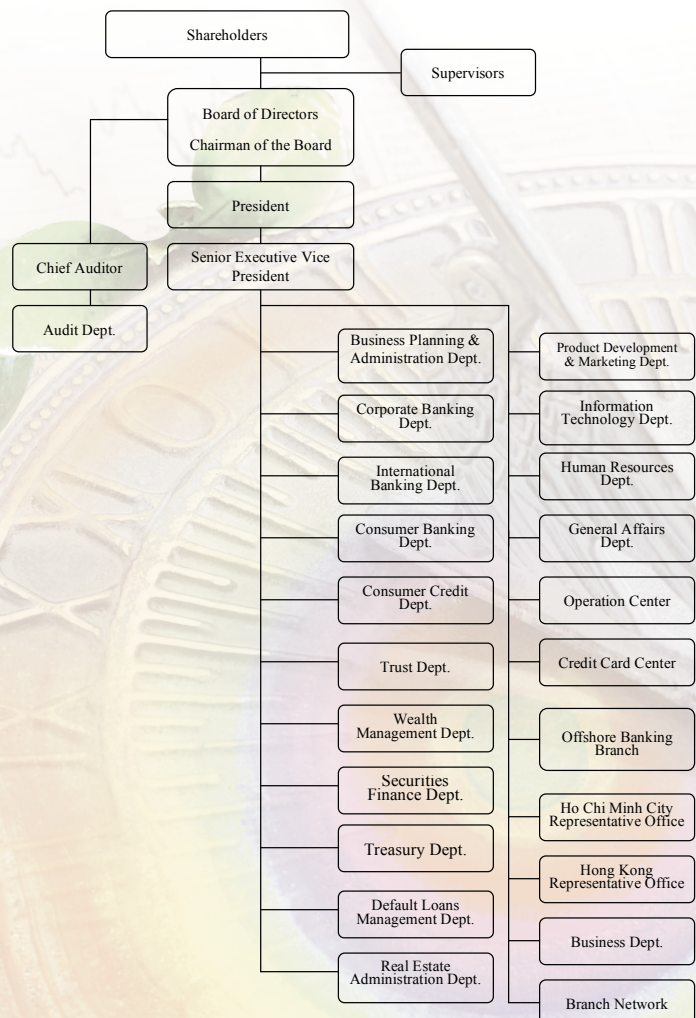
Union Bank of Taiwan was incorporated for an on going concern, operated by professionals, and focused on a stable business development. The structure of shareholders changed slightly only in

the order of priority; also, there is no a substantial transfer or change of Directors, Supervisors, and individuals that are required to have stock shares filed in accordance with Banking Law Article 25.3 and there is no a substantial change expected in the near future.

In addition to the development of banking business, Union Bank of Taiwan has invested in many financial businesses other financial services that help Union Bank of Taiwan lay down a solid foundation for a perpetual operation.

2. Organizational Chart

(1) Organizational structure



(2) Business responsibility of each department

Audit Dept.	The Audit Department is responsible for the auditing process of the bank, the planning, enforcement, and auditing of the internal control system, and the stipulation, planning, and enforcement of credit review measures.
Business Planning & Administration Dept.	Responsible for the planning of the banking system, organizational procedure, and risk management, the promotion and management of New Taiwan Dollar deposits & exchange business, the enforcement and review of budget, and bookkeeping and division of bills and notes.
Corporate Banking Dept.	Responsible for lending plan promotion of corporate banking business, management, information collection of banking industry, and assisting business units to develop corporate banking lending business.
International Banking Dept.	Responsible for international exchange, importing/exporting exchange, foreign currency fund transfer, the preparation and management of offshore branches, establishing relationships with correspondent banks, and other related business.
Consumer Banking Dept.	Responsible for the planning, development, approval, promotion, supervision, and management review of consumer banking business.
Consumer Credit Dept.	Responsible for the planning, supervision management, statistical analysis, and management review of financing business.
Trust Dept.	Responsible for planning development of trust products, management and application of trust funds, and sales and depository of funds.
Wealth Management Dept.	Responsible for the business development policy of wealth management, financial consulting service, and financial products marketing planning.
Securities Finance Dept.	Responsible for marketable securities trade, underwriting sales, settlement and division, depository and transfer, and other brokerage business.
Treasury Dept.	Responsible for assets and liabilities management in New Taiwan Dollars and foreign currency, current reserve appropriation and management, and R&D and trade of derivative financial products.
Default Loans Management Dept.	Responsible for the definition and enforcement of NPL (non-performed loan) collection plan and the audit and report of bad debt.
Real Estate Administration Dept.	Responsible for appraisal of collateral, disposition of acceptance, and the trade, lease, price negotiation, and agreement of business locations and offices.
Product Development & Marketing Dept.	Responsible for the research and development of new banking products, the planning of e-banking business, the evaluation of transfer investment, the planning of promotional activity, and the follow up and management of business operation.
Information Technology Dept.	Responsible for planning enforcement, design test, and maintenance of the computer system and applied system.
Human Resources Dept.	Responsible for the employment, promotion, evaluation, transfer, punishment & award, and training of employees.
General Affairs Dept.	Responsible for paperwork, stocks, procurement, property, cashier, general affairs, business operation, and warehousing.
Operation Center	Responsible for computer key-in, bookkeeping, and filing of business.
Credit Card Center	Responsible for credit card business and the business development, planning, credit checking, bookkeeping, and administration of the contracted merchants.
Offshore Banking Branch	Responsible for process management of offshore banking business, business contact and service, new banking product development, foreign currency trade, loans, and bond and stock investment in foreign currency.
Business Dept.	Responsible for deposits, loans, exchange, agency, safes, and warehousing operation.
Branch Network	Same as the Business Department



(3) List of Directors, Supervisors, President, SEVP, Chief Auditor, EVP and department heads and branch officers

A. Directors and Supervisors Information

December 31, 2005

Title	Name	Date of Inauguration	Term (year)	Date of First Inauguration	Shareholding at Inauguration & Percentage	Current Shareholding & Percentage	Shareholding by Spouse and Minor Children	Shareholding under others Title	Education and Experience	Current Positions in the Bank and Other Companies	Being the Spouse or Second-degree Relative of other Managers, Directors or Supervisors		
											Title	Name	Relation
Chairman	C. C. Huang	06.01.2003	3	06.01.1994	1,020,247 0.069%	1,181,578 0.065%	- -	- -	National Taiwan University Chairman, Bank of Kaohsiung	None	None	None	
Managing Director	Zhen-Xiong Jiang	06.01.2003	3	06.01.1994	3,969,367 0.267%	4,597,043 0.252%	- -	- -	National Defense Medical School; Commissioner of International Rotary Club	Director of Unionbank Futures Corp. Supervisor of Union Bills Finance Corp. Director of Union Insurance Broker Co., Ltd.	None	None	None
Managing Director	Yu-Pang Co., Ltd., (Representative: Jia-Yi Wang)	06.01.2003	3	06.01.1994	16,373,448 1.100%	18,962,581 1.039%	- -	- -	Judicial Training Program, The Judges and Prosecutors Training Institute; President of Supreme Court	None	None	None	None
Director & President	Shiang-Chang Lee	06.01.2003	3	06.01.1994	872,207 0.059%	1,152,207 0.063%	2,108,700 0.116%	- -	National Taiwan University; SEVP of UBOT	President of UBOT Director of Union Insurance Agency Co., Ltd., Director of Union Insurance Broker Co., Ltd., Director of Unionbank Futures Co., Ltd., Director of Union Finance & Leasing (International) Corp., Director of Union Bills Finance Corp.	None	None	None
Director	Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)	06.01.2003	3	06.01.1994	61,896,601 4.157%	71,684,310 3.927%	5,572,921 0.305%	- -	Master of NTU Director, Union Dyeing and Finishing Co. Ltd.	SEVP of UBOT; Director of Liberty Times, Supervisor of Long-Sun-Lin Business Corp., Supervisor of Union Entertainment Enterprise Co., Ltd., General Director of Union Dyeing and Finishing Co., Ltd., Director of Unionbank Futures Co., Ltd., Director of Union Finance & Leasing (International) Corp. and General Director of Union Bills Finance Co., Ltd..	Director	Sue-Ere C. Lin	Mother & son
Director	Chung-Li Investment Co., Ltd. (Representative: Jim-Fu Liu)	06.01.2003	3	06.01.1994	30,613,388 2.056%	35,454,283 1.942%	- -	- -	Taipei Technical Academy Chairman, Li-Chang Ceramics Co., Ltd.	Director of Li-Chang Ceramics Co., Ltd., Director of Union Construction Co., Ltd., and Director of Unionbank Futures Co., Ltd..	None	None	None
Director	Chung Li Investment Co., (Representative: Yao-Nan Lai)	06.01.2003	3	06.01.1994	30,613,388 2.056%	35,454,283 1.942%	809,166 0.044%	- -	National Taiwan University Chairman, Union Bills & Finance Corp.	Director of Unionbank Futures Co., Ltd.	None	None	None





December 31, 2005

Title	Name	Date of Inauguration	Term (year)	Date of First Inauguration	Shareholding at Inauguration & Percentage	Current Shareholding & Percentage	Shareholding by Spouse and Minor Children	Shareholding under others Title	Education and Experience	Current Positions in the Bank and Other Companies	Being the Spouse or Second-degree Relative of other Managers, Directors or Supervisors		
											Title	Name	Relation
Director	Union Entertainment Enterprise Co., Ltd. (Representative: Sue-Ere C. Lin)	06.01.2003	3	06.01.1994	22,948,877 1.541%	26,577,782 1.456%	77,286,891 4.234%	- -	Taipei Commercial Academy Chairman, Union Enterprise Construction Co., Ltd.	Supervisor of Liberty Times, Chairman of Union Entertainment Enterprise Co., Ltd, Director of Green Island Hotel Co., Ltd., Chairman of Union Enterprise Construction Co., Ltd., Chairman of Hong-Kou Construction Co., Ltd., Director of Lian-Gi Investment Co., Ltd., Director of Yu-Pang Co., Ltd., Chairman of Union Dyeing and Finishing Co. Ltd., and Director of Young-Shen Co.	Director /SEVP	Jeff Lin	Mother & son
Director	Si-Yong Lin	06.01.2003	3	06.01.1994	14,622,349 0.982%	16,934,581 0.928%	1,494,018 0.082%	- -	National Taiwan Normal University; Director, Hong-Bon Construction Co., Ltd	Chairman of Green Island Hotel Co., Ltd, Director of Union Enterprise Construction Co., Ltd, Chairman of Long-Sun-Lin Business Corp., Director of Jen-Yo Investment Company, Director of Union Dyeing and Finishing Co., Ltd., Director of Sun-Jao Investment Co., Ltd., Director of Pai-Sheng Investment Co., Ltd., Director of Unionbank Futures Co., Ltd., Director of Hong-Bon Construction Co., Ltd., Director of Hong-Bang Construction Co., Ltd.	None	None	None
Resident Supervisor	Yu-Quan Development Co., Ltd. (Representative: Yu-Quan Lee)	06.01.2003	3	06.01.1994	8,682,889 0.583%	8,807,889 0.483%	3,505,303 0.192%	- -	National Taiwan Normal University; First Supervisor Commercial Bank	Chairman of Tien-How Construction Co., Ltd., Supervisor of Tien-Tai Theater Co., Ltd., Director of Taiwan 1 st Multiple Media Co., Ltd., Director of Yu-Quan Development Co., Ltd., Supervisor of Unionbank Futures Corp., and Chairman of TWT Communication Inc.	None	None	None
Supervisor	Zhen-Lu Lin	06.01.2003	3	06.01.1994	248,080 0.017%	287,308 0.016%	- -	- -	National Taiwan University; President, Wan-Kuo Law Firm	Director of Unionbank Futures Co., Ltd.	None	None	None
Supervisor	Ming-Hsing Ho	06.01.2003	3	06.01.2000	1,814 0.000%	32,100 0.002%	229,278 0.013%	- -	Soochow University; SEVP, Union Bills Finance Corp.	President of Union Bills Finance Corp.	None	None	None

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
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-Rao Lin, Ya-Juan Lin, Hong-Pang Lin, Rong-San Lin, Liu Yeh, & Jeff Lin
Yu-Pang Co., Ltd.	Sue-Ere C. Lin, Hong-Rao Lin, Hong-Pang Lin, Rong-San Lin, Liu Yeh, & Jeff Lin
Union Entertainment Enterprise Co., Ltd	Sue-Ere C. Lin, Hong-Rao Lin, Ya-Chen Lin, Hong-Pang Lin, Rong-San Lin, Liu Yeh, & Jeff Lin.
Yu-Quan Development Co., Ltd.	Chao-Mei Lee Tsai, Yu-Chuan Lee, Pei-Ling Lee, Pei-Shan Lee, Chung-Hwei Lee, Pei-Chun Lee, Kuan-San Wu, & Li-Hsueh Lin.

C. Training Information of Director & Supervisor

Title	Name	Date of Inauguration	Training date		Governing Authority	Courses	Credit Hours	Incompliance with regulations (Note)	Remarks
			From	To					
Chairman	C. C. Huang	6/1/2003	11/5/2004	11/5/2004	Financial Supervisory Commission, Executive Yuan	The 2 nd Taipei Corporate Governance Forum	6	Yes	
Supervisor	Ming-Shing Ho	6/1/2003	3/10/2005	3/10/2005	Taiwan Academy of Banking & Finance	Corporate Governance Seminars	3	Yes	

Note: It meant whether it is in compliance with the credit hours, study scope, study system, study arrangement, and information disclosure of the "Advanced Study of Directors & Supervisors of the Listing/OTC Company."

D. Professional Knowledge and Independence of Directors and Supervisors

Name	Conditions	Over 5-years Experience in Business, Law, Finance or Corporate Operation	Incompliance with Independence (Note)						
			1	2	3	4	5	6	7
Chairman / C. C. Huang		✓	✓	✓	✓	✓	✓	✓	✓
Managing Director / Zhen-Xong Jiang		✓		✓	✓	✓		✓	✓
Managing Director / Yu-Pang Co., Ltd. (Representative: Jia-Yi Wang)		✓	✓	✓	✓	✓	✓	✓	✓
Director / Shiang-Chang Lee		✓		✓	✓	✓		✓	✓
Director / Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)		✓		✓		✓		✓	✓
Director / Chung-Li Investment Co., Ltd. (Representative: Jin-Fu Liu)		✓		✓	✓	✓		✓	✓
Director / Chung-Li Investment Co., Ltd. (Representative: Yao-Nan Lai)		✓		✓	✓	✓		✓	✓
Director / Union Entertainment Enterprise Co., Ltd (Representative: Sue-Ere C. Lin)		✓	✓			✓		✓	✓
Director / Si-Yong Lin		✓		✓		✓		✓	✓
Resident Supervisor / Yu-Quan Development Co., Ltd. (Representative: Yu-Quan Lee)		✓		✓		✓		✓	✓
Supervisor / Zhen-Lu Lin		✓		✓	✓	✓		✓	✓
Supervisor / Ming-Hsing Ho		✓		✓	✓	✓		✓	✓

- Note: 1. Neither an employee nor a director, supervisor, or employee of an affiliated enterprise.
2. Neither directly nor indirectly possesses greater than 1% of the UBOT's outstanding shares, nor a top-ten individual shareholder of the UBOT.
3. Neither the spouse or the second-degree relatives of person who listed in the Note 1&2.
4. Neither a director, supervisor, nor employee directly or indirectly possessing greater than 5% of the UBOT's outstanding shares, nor a director, supervisor, or employee who is also a top-five shareholder of the UBOT.
5. Not a director, supervisor, manager or shareholders holding 5% or more of the shares of company or institution having business or financial relationship with the Bank.
6. Neither a professional, company or partner, nor an owner, supervisor, executive officer, nor a spouse of those here referenced, which provided financial, business-related, or legal services to the UBOT within the most recent fiscal year.
7. Individuals who are not a legal person or legal person's representatives that is defined in Company Law Article 27.



E. Profiles of President, SEVP, Chief Auditor, EVP and Managers of Department heads and branch

December 31, 2005

Title	Name	Date of Inauguration	Shareholding at Inauguration & Percentage	Shareholding by Spouse & Minor Children & Percentage	Shareholding under Others Title & Percentage	Education and Experience	Current Positions in the Bank and Other Companies	Being the Spouse or second-degree relative of other Managers, Directors or Supervisors		
								Title	Name	Relation
President	Shiang-Chang Lee	07.01.1995	1,152,207 0.063%	2,108,700 0.116%	- -	National Taiwan University SEVP, UBOT	Director of Union Insurance Agent Co., Ltd. Union Insurance Broker Co., Ltd. Unionbank Futures Corp. Union Finance & Leasing (International) Corp. Union Bills Finance Corp. Union Finance International (HK) Ltd.; Union Capital (Cayman) Co.	None	None	None
SEVP	Chung-Chieh Huang	06.10.1997	960,480 0.053%	- -	- -	Tamkang University EVP, UBOT	Supervisor of Union Insurance Agent Co., Ltd.; Director of Union Insurance Broker Co., Ltd. Union Bank Futures Corp.; Resident Supervisor of Union Bill Finance Corp.; Managing Director of EnTie Securities Finance Co., Ltd.	None	None	None
SEVP	Jeff Lin	11.03.1998	5,572,921 0.305%	- -	- -	Master of National Taiwan University Director, Union Dyeing and Finishing Co. Ltd.	Director of Liberty Times; Supervisor of Long-Sun-Lin Business Corp.; Supervisor of Union Entertainment Enterprise Co., Ltd.; Managing Director of Union Dyeing and Finishing Co., Ltd.; Director of Unionbank Futures Corp. Union Finance International (HK) Ltd.; Managing Director of Union Bills Finance Corp.	None	None	None
SEVP	Hao-Sen Lee	08.01.1999	223,847 0.012%	25,220 0.001%	- -	Chinese Culture University EVP, UBOT	Director of Union Information Technology Co., Ltd.; Supervisor of Union Finance & Leasing (International) Co., Ltd.; Director of Union Bills Finance Corp.; Supervisor of Union Insurance Broker Co., Ltd.	None	None	None
Chief Auditor	Yeh-Ye Chang	07.01.1995	141,530 0.008%	3,038 0.000%	- -	Finance Army Business Academy Chief of Auditor, UBOT	None	None	None	None
EVP & GM of IBD	Roger Wang	12.01.1998	177,132 0.010%	6,147 0.000%	- -	National Taiwan University SVP & GM of IBD & OBU	Director of MSUB Union Finance International (HK) Ltd.	None	None	None
EVP & Manager of IT Dept.	John J.T. Lee	08.01.1999	150,052 0.008%	- -	- -	Chinese Culture University SVP & GM of IT Dept., UBOT	Director of Union Information Technology Co., Ltd. Futuwa Venture Capital Co., Ltd. Laju Venture Capital Co., Ltd. Hwaron Venture Capital Co., Ltd.	None	None	None
EVP & Manager of Nanking E. Road Branch	Herman Tu	09.11.2000	176,567 0.010%	173,956 0.010%	- -	Chinese Culture University VP & Branch Manager, UBOT	None	None	None	None
EVP & Manager of Taoyuan Branch	Ing-Bor Jan	09.11.2000	312,264 0.017%	- -	- -	Tamkang University VP & Branch Manager, UBOT	None	None	None	None
EVP & GM of Trust Department	Ching-Long Tsai	04.01.2003	50,000 0.003%	- -	- -	National Taiwan University SEVP, Grand Bank	None	None	None	None
EVP & GM Corporate Banking Dept.	C.C. Liu	10.01.2003	59,000 0.003%	- -	- -	Tamkang University VP & GM of Trust Dept., UBOT	None	None	None	None
VP & GM of Business Planning & Admin. Dept.	Hann-Tsau Tsai	12.23.2002	146,276 0.008%	2,000 0.000%	- -	Chung Yuan Christian University VP & Deputy GM of Business Planning & Administration Dept., UBOT	Director of Lian-An Service Co., Ltd. and Supervisor of EbizPrise Co., Ltd.	None	None	None
VP & GM of Product Development & Marketing Dept.	Tiffany Yu	02.23.2004	67,000 0.004%	- -	- -	Chung Yuan Christian University VP & Branch Manager of Breeze Center Mini Branch	Supervisor of Union Securities Investment Consulting Co., Ltd., and Director of EnTie Securities Finance Co., Ltd.	None	None	None
VP & GM of Treasury Dept.	Tanscio Tong	09.01.1998	53,858 0.003%	- -	- -	National Taiwan University VP & Deputy GM of IBD, UBOT	Director of Union Bank Futures Corp.	None	None	None
VP & GM of Real Estate Admin. Dept.	Michael Lee	03.05.2004	51,638 0.003%	- -	- -	Tatung Institute of Technology VP & Branch Manager of Huelong Branch	None	None	None	None
VP & GM of Default Loans Management Dept.	Chong-Shing Wu	09.11.2000	57 0.000%	- -	- -	National Taiwan University VP & Deputy GM Loan Policy & Control Dept., UBOT	Director of MSUB	None	None	None

Title	Name	Date of Inauguration	Shareholding at Inauguration & Percentage	Shareholding by Spouse & Minor Children & Percentage	Shareholding under Others Title & Percentage	Education and Experience	Current Positions in the Bank and Other Companies	Being the Spouse or second-degree relative of other Managers, Directors or Supervisors		
								Title	Name	Relation
VP & GM of Wealth Management Dept.	Sophie Hsu	11.21.2005	-	-	-	Master of Canada Royal University. Executive VP of Business Development Dept. of ING	None	None	None	
VP & GM of General Affairs Dept.	Ressull Y.C. Chang	10.01.2003	112,091 0.006%	-	-	Taiwan Institute of Technology VP & Deputy GM of General Affairs Dept.	None	None	None	
VP & GM of Operation Center	Shu-Feng Hsueh	09.06.2005	10,000 0.001%	2,144 0.000%	-	National Cheng Chi University AVP of Hsinlin Branch	None	None	None	
VP & GM of Human Resources Dept.	Michael Lin	12.01.1999	36,000 0.002%	-	-	National Chung Hsing University VP & Deputy GM of Human Resources Dept.	None	None	None	
VP & GM of Securities Finance Dept.	Chir-Ten Chung	02.01.2005	1,000 0.000%	-	-	Chung Yuan Christian University Security Brokerage Manager of Chiayi Branch	None	None	None	
VP & GM of Consumer Banking Dept.	K. S. Shiah	06.27.2005	-	-	-	Tamkang University Manager of Cathay United Bank	None	None	None	
VP & GM of Consumer Credit Dept.	Joy Tang	03.22.2004	57,804 0.003%	-	-	Master of Memphis State University VP & Deputy GM of Consumer Banking Dept.	Director of Union Securities Investment Consulting Co., Ltd.	None	None	
Executive of Credit Card Center	Celia Chu	11.21.2005	-	-	-	Soochow University. VP & GM of Wealth Management Dept.	None	None	None	
VP & Branch Manager of Business Department	Joe Lin	10.01.2003	70,101 0.004%	-	-	Fu Jen Catholic University VP & GM of Product Development & Marketing Dept.	None	None	None	
VP & Branch Manager of Taipei Branch	Patrick Jean	04.01.1999	71,394 0.004%	-	-	National Cheng Chi University VP & GM of OBU, VP & Deputy GM of IBD, and Representative of UFI	Director of UFI	None	None	
VP & Branch Manager of Taichung Branch	Jeng-Ping Liu	10.25.1999	126,789 0.007%	-	-	Graduate School of Da Yeh University VP & Branch Manager of Yuanlin Branch	None	None	None	
VP & Branch Manager of Chungli Branch	Cheng-Yung Chen	08.23.2000	118,727 0.007%	-	-	National Taipei College of Commerce (Corresponding School) Manager of Chungli Branch	None	None	None	
VP & Branch Manager of Sanchung Branch	Jack Y.S. Hsu	08.23.1999	199,901 0.011%	-	-	Feng Chia University VP & Branch Manager of Hsinchung Branch	None	None	None	
VP & Branch Manager of East Taipei Branch	Kuo-Pao Kang	07.01.2005	-	-	-	National Chiao Tung University Manager of Cathay United Bank	None	None	None	
VP & Branch Manager of Kaohsiung Branch	Poh-Yar Lin	06.17.1997	189,960 0.010%	-	-	National Chia-Yi Senior Commercial Vocational School Manager of Kaohsiung Bank	None	None	None	
VP & Branch Manager of Panchiao Branch	J. C. Cheng	07.01.2005	-	-	-	National Cheng Chi University Manager of Cathay United Bank	None	None	None	
VP & Branch Manager of Tainan Branch	Cheng-Ysang Chung	09.08.2000	15,953 0.001%	-	-	Tamkang University Assistant manager of Tainan Branch	None	None	None	
VP & Branch Manager of Yuanlin Branch	Jiao-Kung Tung	09.11.2000	142,047 0.008%	63,324 0.003%	-	World Vocational School of Journalism VP & Deputy Branch Manager of Yuanlin Branch	None	None	None	
VP & Branch Manager of Jenai Branch	Wu-Lien Peng	02.21.2000	206,741 0.011%	12,402 0.001%	-	National Taipei College of Commerce- Open Junior College of Commerce VP & Branch Manager of Neili Branch	None	None	None	
VP & Branch Manager of Nankan Branch	Chi-Pin Chen	05.25.1998	41,503 0.002%	-	-	National Cheng Chi University- Open Junior College of Commerce VP & Branch Manager of Hsinchu Branch	None	None	None	





December 31, 2005

Title	Name	Date of Inauguration	Shareholding at Inauguration & Percentage	Shareholding by Spouse & Minor Children & Percentage	Shareholding under Others Title & Percentage	Education and Experience	Current Positions in the Bank and Other Companies			Being the Spouse or second-degree relative of other Managers, Directors or Supervisors		
							Title	Name	Relation	Title	Name	Relation
VP & Branch Manager of Hsinchu Branch	Tzoan-Yaw Lee	05.12.2000	1,042 0.000%	-	-	Chinese Culture University VP & Deputy GM of Loan Policy & Control Dept	None	None	None	None	None	
VP & Branch Manager of Luchou Branch	Lin-Sheng Yu	07.09.2002	5,000 0.000%	-	-	National Taiwan Ocean University Manager of Jih Sun Bank	None	None	None	None	None	
VP & Branch Manager of Chiujui Branch	Lister Lee	06.01.2000	68,000 0.004%	-	-	National Cheng Kung University-Open Junior College of Commerce Manager of Kaohsiung Bank	None	None	None	None	None	
VP & Branch Manager of Shuanho Branch	Ching-Wen Chen	04.01.2005	-	-	-	Soochow University Business Manager of Cathay United Bank	None	None	None	None	None	
VP & Branch Manager of Hueilong Branch	Tu-Chi Cheng	03.05.2004	623 0.000%	-	-	Feng Chia University VP & Deputy Manager of Taoyuan Branch	None	None	None	None	None	
VP & Branch Manager of Chiayi Branch	Yan-Tsung Kao	10.01.2003	43,697 0.002%	-	-	Soochow University AVP of Default Loans Management Dept.	None	None	None	None	None	
VP & Branch Manager of Kung Kuan Branch	Wendy Chi	06.01.2001	85,771 0.005%	-	-	Graduate School of University of Texas VP & Deputy Branch Manager of Savings Dept., UBOT	None	None	None	None	None	
VP & Branch Manager of Neili Branch	Chung-An Chen	08.16.2000	78,294 0.004%	-	-	Tamhul Industrial & Commercial Management College VP & Deputy Manager of Taoying Branch	None	None	None	None	None	
VP & Branch Manager of Chunghsiao Branch	Jane Lu	10.01.2003	119,695 0.007%	-	-	Graduate School of Illinois University VP & Branch Manager of Tunghua Mimi Branch	None	None	None	None	None	
VP & Branch Manager of Hsinchung Branch	Hung-Ming Chien	08.16.1999	37,250 0.002%	-	-	Panchiao High School Senior Special Assistant to the Board of Directors	None	None	None	None	None	
VP & Branch Manager of Fengshan Branch	Kevin-Yung Tsai	10.25.1999	46,424 0.003%	-	-	Feng Chia University VP & Deputy Branch Manager of Kaohsiung Branch	Executive shareholder of Chin-Ho Enterprise Co.	None	None	None	None	
VP & Branch Manager of Taoying Branch	Cheng-Shou Liou	07.10.1997	193,395 0.011%	-	-	National Taipei College of Commerce- Open Junior College of Commerce VP & Deputy Manager of Taoyuan Branch	None	None	None	None	None	
VP & Branch Manager of Lungtan Branch	Han-Chou Chiu	01.02.2006	638 0.000%	-	-	Longhua Technological Academy VP & Deputy Branch Manager of Taoyuan Branch	None	None	None	None	None	
VP & Branch Manager of Hsintien Branch	Louis Chen	02.20.1998	70,453 0.004%	-	-	National Cheng Chi University- Open Junior College of Commerce VP & Deputy Branch Manager of Savings Dept.	None	None	None	None	None	
VP & Branch Manager of Tatze Branch	Ching-Chung Lin	11.01.2003	112,140 0.006%	-	-	Chinese Culture University VP & Deputy GM of Corporate Banking Dept.	None	None	None	None	None	
VP & Branch Manager of Chungshang Mimi Branch	Janice Leou	05.21.2001	64,663 0.004%	-	-	National Taipei College of Commerce VP & Deputy Branch Manager of Hsintien Branch	None	None	None	None	None	
VP & Branch Manager of Wenshin Branch	Tien-Tsu Chen	02.08.1999	112,492 0.006%	-	-	National Taichung College of Commerce- Open Junior College of Commerce VP & Deputy Branch Manager of Taichung Branch	None	None	None	None	None	
VP & Branch Manager of Chenshin Branch	Simon Tang	08.15.2005	-	-	-	Soochow University Manager of Cathay United Bank	None	None	None	None	None	
VP & Branch Manager of Chungho Branch	Simon Wang	12.23.2002	41,778 0.002%	-	-	Graduate School of National Cheng Chi University VP & GM of Operation Planning & Administration Dept.	None	None	None	None	None	

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							Title	Name	Relation	Title	Name
VP & Branch Manager of Neihu Branch	Ying-Feng Wang	01.27.2000	155,795 0.009%	48,618 0.003%	-	Graduate School of Tatung Institute of Technology VP & GM of Human Resources Dept.	None	None	None	None	
VP & Branch Manager of Dayuan Branch	Wei-Chung Liu	01.02.2006	68,191 0.004%	-	-	Pnزون Commercial/Industrial School VP & Branch Manager of Lungan Branch	None	None	None	None	
VP & Branch Manager of Yungsho Branch	Hsiu-Yun Su	11.21.2005	-	-	-	Dallas Baptist University Manager of Chungshin Branch	None	None	None	None	
VP & Branch Manager of Chungkong Mini Branch	Wen-Chien Chien	01.15.2001	87,687 0.005%	-	-	Ming Chuan College VP & Deputy Branch Manager of Chunghsiao Branch	None	None	None	None	
VP & Branch Manager of Tunghua Mini Branch	Mei-Chen, Yeh	10.01.2003	24,399 0.001%	-	-	National Chung Hsing University AVP of Default Loans Management Dept.	None	None	None	None	
VP & Branch Manager of Shihong Mini Branch	Chan-Kwan Chen	10.16.2001	57,980 0.003%	121 0.000%	-	Feng Chia University VP & Deputy Branch Manager of Chunghsiao Branch	None	None	None	None	
VP & Branch Manager of Breeze Center Mini Branch	Chien-Lung Chen	01.19.2006	49,501 0.003%	-	-	Graduate School of Aletheia Manager of Breeze Center Mini Branch	None	None	None	None	
VP & Branch Manager of Chungchuan Branch	Chih-Chung Chang	03.19.2005	32,532 0.002%	-	-	National Chaio Tung University VP & Branch Manager of Chengdong Branch	None	None	None	None	
VP & Branch Manager of Soonjiang Branch	Ching-Shan Chang	03.19.2005	-	-	-	Graduate School of Fu Jen Catholic University Manager of Chung Shing Bank	None	None	None	None	
VP & Branch Manager of Daan Branch	Lanny Liaw	03.19.2005	13,080 0.001%	-	-	National Taipei College of Commerce VP & Deputy GM of Trust Dept	None	None	None	None	
VP & Branch Manager of Yunggi Branch	Yung-Nan Lin	07.01.2005	-	1,160 0.000%	-	Soochow University AVP of Consumer Banking Dept.	None	None	None	None	
VP & Branch Manager of Tiennu Branch	Pauline Sheng	03.19.2005	12,000 0.001%	-	-	Tamkang University AVP of IBD	None	None	None	None	
VP & Branch Manager of Tongmin Branch	Mimi Lin	07.01.2005	-	-	-	National Chung Hsing University Assistant manager of Cathay United Bank	None	None	None	None	
VP & Branch Manager of Tunhwa Branch	Shen-Yung Peng	03.19.2005	24,529 0.001%	12,232 0.001%	-	Van Nung Institute of Industry and Commerce Chief of National Cash Card Dept.	None	None	None	None	
VP & Branch Manager of Shihu Branch	Fang-Ying Peng	03.19.2005	54,000 0.003%	-	-	National Taipei College of Commerce (Business School) AVP of Neihu Branch	None	None	None	None	
VP & Branch Manager of Beitou Branch	Mei-Mei Chen	03.19.2005	44,300 0.002%	232 0.000%	-	National Cheng Chi University- Open Junior College of Commerce VP & Deputy Branch Manager of Taipei Branch	None	None	None	None	
VP & Branch Manager of N. Sanchung Branch	The-Chin Tsai	03.19.2005	84,883 0.005%	-	-	Kai Nan High School of Commercial and Industry AVP of Sanchung Branch	None	None	None	None	
VP & Branch Manager of Hopu Branch	Huang-Wen Huang	03.19.2005	10,731 0.001%	-	-	National Taipei College of Commerce Chief of Consumer Banking Dept.	None	None	None	None	
VP & Branch Manager of N. Chungsho Mini Branch	Che-Ming Hsu	11.21.2005	24,000 0.001%	6,724 0.000%	-	National Taipei College of Commerce-Open Junior VP & Branch Manager of Yungsho Mini Branch	None	None	None	None	
VP & Branch Manager of Shishen Branch	Shis-Wen Lu	03.19.2005	19,000 0.001%	3,000 0.000%	-	Takming Junior College of Commerce Chief of Consumer Banking Dept.	None	None	None	None	
VP & Branch Manager of Shulin Branch	Chi-Chun Wang	03.19.2005	24,492 0.001%	-	-	National Chung Hsing University Chief of Consumer Banking Dept	None	None	None	None	





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Title	Name	Date of Inauguration	Shareholding at Inauguration & Percentage	Shareholding by Spouse & Minor Children & Percentage	Shareholding under Others Title & Percentage	Education and Experience	Current Positions in the Bank and Other Companies			Being the Spouse or second-degree relative of other Managers, Directors or Supervisors
							Title	Name	Relation	
VP & Branch Manager of Hsiehshih Branch	Hung-Min Chen	03.19.2005	25,492 0.001%	247 0.0009%	-	Feng Chia University Chief of Consumer Banking Dept.	None	None	None	
VP & Branch Manager of N. Taoyuan Branch	James Tsai	03.19.2005	33,014 0.002%	-	-	Tamkang University Chief of Consumer Banking Dept.	None	None	None	
VP & Branch Manager of N. Chungli Branch	Ping-Ching Chiang	03.19.2005	95,545 0.005%	-	-	National Taipei College of Commerce-Open Junior College of Commerce Chief of Consumer Banking Dept.	None	None	None	
VP & Branch Manager of N. Taichung Branch	Hui-Fen Chao	03.19.2005	73,526 0.004%	-	-	Chihlee Institute of Technology AVP of Winshin Branch	None	None	None	
VP & Branch Manager of Minchuan Branch	Min-Fei Wang	03.19.2005	32,855 0.002%	-	-	Chinese Culture University VP & Deputy Branch Manager of Default Loans Management Dept.	None	None	None	
VP & Branch Manager of Shitun Branch	Shih-Yuan Liaw	03.19.2005	-	-	-	Hsinming Commercial School Manager of Chung Shing Bank	None	None	None	
VP & Branch Manager of Shinchung Branch	Chung-Yu O	03.19.2005	19,640 0.001%	-	-	Feng Chia University Manager of Winshin Branch	None	None	None	
VP & Branch Manager of Beitun Branch	Chien-Chung Wu	03.19.2005	19,000 0.001%	-	-	Fengyuan Commercial School Manager of National Cash Card Department	None	None	None	
VP & Branch Manager of S. Yuanlin Branch	Wu-Yuan Chen	03.19.2005	38,000 0.002%	-	-	National Open University AVP of National Cash Card Dept.	None	None	None	
VP & Branch Manager of East Chiayi Branch	Shan-Chih Yen	03.19.2005	47,173 0.003%	3,531 0.0009%	-	Graduate School of Chiayi U. AVP of National Cash Card Dept.	None	None	None	
VP & Branch Manager of Fuehen Branch	Heng-Yueh Chen	03.19.2005	32,418 0.002%	-	-	6 th Cooperative Home Economics School VP & Deputy Branch Manager of Tainan Branch	None	None	None	
VP & Branch Manager of Chikan Branch	Sunny Lee	03.19.2005	11,000 0.001%	-	-	National Taipei College of Commerce-Open Junior College of Commerce Manager of Wealth Management Department (China Trust Bank)	None	None	None	
VP & Branch Manager of Fuehan Branch	Pi-Jen Wu	12.01.2005	-	-	-	Kuoichi Junior College of Commerce VP & Deputy Branch Manager of Fuehan Branch	None	None	None	
VP & Branch Manager of Kaiyuan Branch	Roger Chang	03.19.2005	53,620 0.003%	-	-	National Open University Chief of Consumer Banking Dept.	None	None	None	
VP & Branch Manager of S. Tainan Branch	Hsien-Ming Yen	03.19.2005	-	-	-	Feng Chia University Manager of E-Sun Bank	None	None	None	
VP & Branch Manager of Linyu Branch	Feng-Li Lin	03.19.2005	32,000 0.002%	-	-	Feng Chia University VP & Deputy Branch Manager of Kaohsiung Branch	None	None	None	
VP & Branch Manager of N. Kaohsiung Branch	Miao-Hui Yeh	03.19.2005	66,632 0.004%	-	-	Graduate School of New York U. (U.S.A.) VP & Deputy Branch Manager of Chiujou Branch	None	None	None	
VP & Branch Manager of Sanmin Branch	Ming-Chang Wang	03.19.2005	32,767 0.002%	-	-	National Cheng Chi University Chief of Consumer Banking Dept.	None	None	None	
VP & Branch Manager of Wuchia Branch	James Ho	03.19.2005	42,792 0.002%	-	-	Graduate School of National Chung Hsing U. VP & Deputy Branch Manager of Fengshan Branch	None	None	None	
VP & Branch Manager of Pingtung Branch	Chi-Hui Lee	03.19.2005	-	-	-	Ping Rong Commercial/Industrial School Manager of Chung Shing Bank	None	None	None	
VP & Branch Manager of Hoping Branch	Yu-Yii Lin	12.21.2005	127,627 0.001%	15,055	-	National Cheng Chi U. (Corresponding School) VP & Branch Manager of Dayuan Branch	None	None	None	

(4) Remuneration to Directors, Supervisors, President, Vice President, and Chief Auditor in 2005

A. Remuneration to Directors

Unit: NT\$ Thousand; December 31, 2005

Title	Name	Transportation allowance		Salary		Remuneration to Directors		Bonus distributed to employees						Total		Ratio of total amount to net income(%)		Employees Share Options		Other Remuneration		
		U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	Union Bank of Taiwan			Companies in the consolidated financial statements			U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	
								Cash Dividend	Stock dividend		Cash Dividend	Stock dividend										
									Shares	Market price		Shares	Market price									Amount
Chairman	C.C.Huang	-	-	5,535	-	-	-	-	-	-	-	-	-	-	5,535	-	-	-	-	-	-	-
Managing Director	Zhen-Xiong Jiang	474	-	180	-	-	-	-	-	-	-	-	-	-	654	-	-	-	-	-	-	-
Managing Director	Yu-Pang Co., Ltd. (Representative: Ja-Yi Wang)	468	-	180	-	-	-	-	-	-	-	-	-	-	648	-	-	-	-	-	-	-
Director	Shiang-Chang Lee	-	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-	-
Director	Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)	-	-	120	-	-	-	-	-	-	-	-	-	-	120	-	-	-	-	-	-	-
Director	Chung Li Investment Corp. (Representative: Jin-Fu Liu)	-	-	120	-	-	-	-	-	-	-	-	-	-	120	-	-	-	-	-	-	-
Director	Chung Li Investment Corp. (Representative: Yao-Nan Lai)	64	-	120	-	-	-	-	-	-	-	-	-	-	184	-	-	-	-	-	-	-
Director	Union Entertainment Enterprise Co., Ltd. (Representative: Chang Suo Lin)	-	-	120	-	-	-	-	-	-	-	-	-	-	120	-	-	-	-	-	-	-
Director	Si-Yang Lin	74	-	120	-	-	-	-	-	-	-	-	-	-	194	-	-	-	-	-	-	-

B. Remuneration to Supervisors

Title	Name	Transportation allowance		Salary		Remuneration to Supervisors		Total		Ratio of total amount to net income(%)		Other Remuneration	
		U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements
Resident Supervisor	Yu-Qun Development Co., Ltd. (Representative: Yu-Qun Lee)	404	-	180	-	-	-	584	-	-	-	-	-
Supervisor	Zhen-Lin	70	-	120	-	-	-	190	-	-	-	-	-
Supervisor	Ming-Hsing Ho	74	-	120	-	-	-	194	-	-	-	-	-

C. Remuneration to President, EVP and Chief Auditor

Title	Name	Salary		Bonus & Special Expenditure		Bonus to employees						Total amount of the 1st category		Ratio of total amount to net income (%)		Employees Share options		Other Remuneration	
		U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	Union Bank of Taiwan			Companies in the consolidated financial statements			U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements	U B O T	Companies in the consolidated financial statements
						Cash dividend	Stock dividend		Cash dividend	Stock dividend									
							Shares	Market price		Amount	Shares								
President	Shiang-Chang Lee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEVP	Chun-Chieh Huang	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SEVP	Jeff Lin	1726	-	446	-	-	-	-	-	-	-	-	-	-	2282	-	-	-	-
SEVP	Hao-Sin Lee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chief Auditor	Yen-Jye Chang	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Classification of Remuneration	Number of Directors		Number of Supervisors		Number of President & SEVP	
	2005		2005		2005	
	UBOT	Companies in the consolidated financial statements	UBOT	Companies in the consolidated financial statements	UBOT	Companies in the consolidated financial statements
NT\$2,000,000 and below	8	9	3	3	4	5
NT\$2,000,000 — NT\$5,000,000	1				1	
NT\$5,000,000 — NT\$10,000,000						
NT\$10,000,000 — NT\$50,000,000						
NT\$50,000,000 and above						
Total	9	9	3	3	5	5

D. Names of Managers in Charge of the Distribution of Employee Bonuses and Status of Distribution: None



(5)Change of Shares which belong to Directors, Supervisors, Managers and Shareholders who shall Report their shares in accordance with Banking Law Article 25.3

Title	Name	2005		As of Feb. 28, 2006	
		Change in Shareholding	Change in Pledged Shareholding	Change in Shareholding	Change in Pledged Shareholding
Chairman	C. C. Huang	161,331			
Managing Director	Zhen-Xong Jiang	627,676			
Managing Director	Yu-Pang Co., Ltd.	2,589,133			
Director & President	Shiang-Chang Lee	72,000			
Director	Union Enterprise Construction Co., Ltd.	9,787,709			
Director	Chung-Li Investment Co., Ltd.	4,840,895			
Director	Union Entertainment Enterprise Co., Ltd.	3,628,905			
Director	Si-Yong Lin	2,312,232			
Resident Supervisor	Yu-Quan Development Co., Ltd.	125,000			
Supervisor	Zhon-Lu Lin	39,228			
Supervisor	Ming-Hsing Ho	30,286			
SEVP	Chun-Chieh Huang	(196,000)	(100,000)		
SEVP	Hao-Sen Lee	60,000			
SEVP	Jeff Lin	760,921			
Chief Auditor	Yen-Chieh Chang	58,180			
EVP	Cheng-Tsai Lee	23,000			
EVP	Chin-Deh Wang	50,000			
EVP	Hong Mao Tu	50,000			
EVP	Ying-Po Jan	85,809			
EVP	Ching-Lung Tsai	50,000			
EVP	Chang-Chun Liu	50,000		(36,000)	
Manager	Wu-Lien Peng	70,000			
Manager	Wei-Chung Liu	35,000			
Manager	Jeng-Ping Liou	47,532			
Manager	Chang-Yung Chen	21,753			
Manager	Cheng-Shou Liou	64,117		2,000	
Manager	Jack Y.S. Hsu	57,515			
Manager	Lister Lee	26,000			
Manager	Patrick Jean	40,000			
Manager	Yu-Yii Lin	47,647			
Manager	Min-Fei Wang	40,000			
Manager	Kevin-Yung Tsai	36,559			
Manager	Joe Lin	35,000			
Manager	Poh-Yar Lin	60,475			
Manager	Chi-Pin Chen	32,000			
Manager	Tzoan-Yaw Lee	142			
Manager	Hung-Ming Chien	26,307			



Title	Name	2005		As of Feb. 28, 2006	
		Change in Shareholding	Change in Pledged Shareholding	Change in Shareholding	Change in Pledged Shareholding
Manager	Ying-Feng Wang	55,810			
Manager	Louis Chen	(160)		(1,000)	
Manager	Tarsicio Tong	50,526			
Manager	Tien Tsu Chen	33,492			
Manager	Michael Lin	35,075			
Manager	Ching-An Chen	20,369			
Manager	Cheng-Ysang Chung	(18,047)		(5,000)	
Manager	Jsao-Kung Tung	49,616			
Manager	Che-Ming Hsu	24,000			
Manager	Wen-Chien Chien	32,000			
Manager	Janice Leou	36,459			
Manager	Wendy Chi	6,000			
Manager	Jane Lu	49,154			
Manager	Chan-Kwan Chen	(15,397)			
Manager	Tiffany Yu	23,000			
Manager	Hann-Tsau Tsai	35,000			
Manager	Russell Y.C. Chang	32,000			
Manager	Mei-Chen Yeh	(2,946)			
Manager	Yan-Tsung Kao	(36,303)			
Manager	Michael Lee	(10,000)			
Manager	Ching-Chung Lin	32,000			
Manager	Chien-Lung Chen	49,501			
Manager	Joy Tang	32,000			
Manager	Chin-Ten Chuang	1,000			
Manager	Chih Chung Chang	32,532			
Manager	Lanny Liaw	13,080			
Manager	Pauline Sheng	12,000			
Manager	Shen-Yung Peng	24,529			
Manager	Fang-Ying Peng	54,000			
Manager	Mei-Mei Chen	44,300			
Manager	Teh Chin Tsai	84,883			
Manager	Huang-Wen Huang	10,731			
Manager	Shis-Wen Lu	19,000			
Manager	Chi-Chun Wang	24,492			
Manager	Hung-Min Chen	25,492			
Manager	James Tsai	33,014			
Manager	Ping-Ching Chiang	95,545			



Title	Name	2005		As of Feb. 28, 2006	
		Change in Shareholding	Change in Pledged Shareholding	Change in Shareholding	Change in Pledged Shareholding
Manager	Hui-Fen Chao	73,526			
Manager	Min-Fei Wang	32,855			
Manager	Chiung-Yu O	19,640			
Manager	Chien-Chung Wu	19,000			
Manager	Wu-Yuan Chen	38,000			
Manager	Shan-Chih Yen	47,173			
Manager	Heng-Yueh Chen	32,418			
Manager	Sunny Lee	11,000			
Manager	Roger Chang	53,620			
Manager	Feng-Li Lin	32,000			
Manager	Miao-Hui Yeh	66,632			
Manager	Ming-Chang Wang	32,767			
Manager	James Ho	42,792			
Manager	Han-Chou Chiu	638			
Manager	Shu Feng Hsueh	10,000			
Major shareholder	Hung-Hsiang Investment Co., Ltd.	3,577,877			
Major shareholder	Pai-Sheng Investment Co., Ltd.	9,800,000			
Major shareholder	Kun-Che Investment Co., Ltd.	16,408,105			
Major shareholder	Tien-Shen Investment Co., Ltd.	16,230,164			
Major shareholder	Pao-Hsing Investment Co., Ltd.	3,029,983			
Major shareholder	Chien-Yuan Investment Co., Ltd.	2,769,633			
Major shareholder	Wei-Chih Investment Co., Ltd.	43,578,741			
Major shareholder	Chu-Pao Investment Co., Ltd.	10,748,452			
Major shareholder	Sue-Ere C. Lin	10,552,680			
Major shareholder	Union Enterprise Construction Co., Ltd.	9,787,709			
Major shareholder	Hong-Bon Construction Co., Ltd.	14,670,207			
Major shareholder	Chung-Li Investment Co., Ltd.	4,840,895			
Major shareholder	Quan-Cheng Investment Co., Ltd.	3,959,872			
Major shareholder	Union Recreation Enterprise Corp.	3,628,905			
Major shareholder	Bai-Ing Investment Co., Ltd.	2,916,141			
Major shareholder	Yu-Pang Co., Ltd.	2,589,133			
Major shareholder	S.S. Yeh	1,901,883			

Note:

- 1.The stock transfer or mortgage of shareholders that are without any changes made is not included in this table.
- 2.The counter parties of the aforementioned stock transfer and mortgage are not related parties

(6) Omnibus Shareholding ratio

Unit: Shares; %

Reinvestment (note)	The Bank's Investment		Investment of the business controlled directly or indirectly by Directors, Supervisors, President, SEVP, EVP, department heads & branch officers of UBOT		Omnibus Investment	
	Shares	%	Shares	%	Shares	%
Union Bills Finance Corp.	126,576,000	42.76	40,748,799	13.77	167,324,799	56.53
Unionbank Futures Corp.	23,775,860	99.07	49,748	0.21	23,825,608	99.28
Union Finance International (HK) Ltd.	30,000,000	99.999994	2	0.000006	30,000,002	100.00
Union Information Technology Co., Ltd.	4,998,842	99.98	-	-	4,998,842	99.98
Union Finance & Leasing (International) Co., Ltd.	100,000,000	100.00	-	-	100,000,000	100.00
Union Securities Investment Trust Co., Ltd.	10,500,000	35.00	-	-	10,500,000	35.00
Union Securities Investment Consulting Co., Ltd.	1,000,000	100.00	-	-	1,000,000	100.00
Union Insurance Broker Co., Ltd.	2,800,000	100.00	-	-	2,800,000	100.00
Union Construction Management Co., Ltd.	2,000,000	40.00	1,500,000	30.00	3,500,000	70.00
Morgan Stanley Union Bank Assets Management Corp. (MSUB)	1,323,000	49.00	-	-	1,323,000	49.00
EnTie Securities Finance Company	65,206,250	12.15	913,798	0.17	66,120,048	12.32
Taiwan Assets Management Corp.	10,000,000	0.57	-	-	10,000,000	0.57
Universal Venture Fund Inc.	3,809,600	4.76	-	-	3,809,600	4.76
Taiwan Financial Asset Service Corporation	5,000,000	2.94	-	-	5,000,000	2.94
Financial Information Service Company	9,577,000	2.39	-	-	9,577,000	2.39
Euroc III Venture Capital COL.	3,000,000	5.00	-	-	3,000,000	5.00
NCTU Spring I Technology Venture Capital Investment Corporate	2,130,000	5.00	-	-	2,130,000	5.00
Debt Instrument Depository and Clearing Co., Taiwan	2,000,000	1.00	4,000,000	2.00	6,000,000	3.00
Taiwan Futures Exchange Corporate	1,025,000	0.51	3,050,000	1.53	4,075,000	2.04
Taipei Forex Inc.	160,000	0.81	-	-	160,000	0.81
Global Securities Finance Corporation	3,942,458	0.53	-	-	3,942,458	0.53
Lian-An Service Corp.	125,000	5.00	-	-	125,000	5.00
Save Con International Inc.	63,448	0.07	-	-	63,448	0.07
Taiwan Power Company, Ltd.	394,879	0.001197	-	-	394,879	0.001197
Hua Eng Venture Capital Co., Ltd.	1,296,000	4.55	-	-	1,296,000	4.55
Global Communication Semiconductor, Inc.	1,388,889	1.56	-	-	1,388,889	1.56

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



3. Stock Shares and Dividends

(1) Sources of Stock Capital

Year & month	Issuing price	Authorized stock capital		Paid-In Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of stock capital	Others
Dec., 2005	10	2,488,926,389	24,889,263,890	1,825,394,074	18,253,940,740	Listed stock	Jin-Kuan-Yin-(2)-Zi-No. 0930037438 December 29, 2004
Feb., 2006	10	2,488,926,389	24,889,263,890	1,825,394,074	18,253,940,740	Listed stock	

Type of stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common stock	1,825,394,074	663,532,315	2,488,926,389	Listed stock

(2) Structure of Shareholders

December 31, 2005

Shareholders QTY	Government Institutions	Financial Institution	Other Institutional Shareholders	Individual Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Shareholders	6	5	84	40,368	38	40,501
Shares	7,616	16,321,168	1,146,323,579	641,606,023	21,135,688	1,825,394,074
%	0.001	0.894	62.798	35.149	1.158	100

(3) Distribution of Shareholding

NT\$10 par per share As of December 31, 2005

Classification of Shareholdings	Number of Shareholders	Shareholdings	Holding percentage(%)
1 ~ 999 shares	16,370	3,468,952	0.19
1,000 ~ 5,000 shares	11,855	36,971,051	2.03
5,001 ~ 10,000 shares	3,282	25,684,537	1.41
10,001 ~ 15,000 shares	5,411	68,522,765	3.75
15,001 ~ 20,000 shares	829	15,054,796	0.83
20,001 ~ 30,000 shares	854	21,601,319	1.18
30,001 ~ 50,000 shares	605	24,062,033	1.32
50,001 ~ 100,000 shares	532	37,510,508	2.06
100,001 ~ 200,000 shares	383	52,591,367	2.88
200,001 ~ 400,000 shares	173	49,000,509	2.68
400,001 ~ 600,000 shares	61	29,233,928	1.60
600,001 ~ 800,000 shares	30	20,835,641	1.14
800,001 ~ 1,000,000 shares	18	16,078,196	0.88
1,000,001 & above	98	1,424,778,472	78.05
Total	40,501	1,825,394,074	100.00

Note: No preferred stock issued.



(4) Major Shareholders

December 31, 2005

Name of Major Shareholders	Shares	Shareholdings	Shareholding Ratio (%)
Chi-Shun Investment Co., Ltd.		95,668,698	5.24
Hung-Hsiang Investment Co., Ltd.		90,907,947	4.98
Pai-Sheng Investment Co., Ltd.		90,480,866	4.96
Kun-Che Investment Co., Ltd.		90,163,203	4.94
Tien-Sheng Investment Co., Ltd.		87,248,721	4.78
Pao-Hsing Investment Co., Ltd.		86,895,217	4.76
Chien-Yuan Investment Co., Ltd.		84,988,434	4.66
Wei-Chih Investment Co., Ltd.		81,242,926	4.45
Chu-Pao Investment Co., Ltd.		80,185,490	4.39
Sue-Ere C. Lin		77,286,891	4.23
Union Enterprise Construction Co., Ltd.		71,684,310	3.93
Hong-Bon Construction Co., Ltd.		49,927,983	2.74
The Lin Rong-Shan Foundation		41,782,660	2.29
Chung-Li Investment Co., Ltd.		35,454,283	1.94
Quan-Cheng Investment Co., Ltd.		30,466,534	1.67
Union Entertainment Enterprise Co., Ltd.		26,577,782	1.46
Bai-Ing Investment Co., Ltd.		21,357,558	1.17
Yu-Pang Co., Ltd.		18,962,581	1.04
S.S. Yeh		18,400,330	1.01

Note: Shareholders who are with over 1% shareholdings or who are on the Top Ten list of shareholdings ratio.

(5) The per share market price, net worth, profit, dividend and relevant information for the past two fiscal year

Item		Year	2004	2005	February 28, 2006
Market Price Per Share	Highest		13.45	12.5	9.43
	Lowest		9.2	9.05	8.38
	Average		10.8	10.23	9.02
Net Worth Per Share	Before Distribution		12.35	10.04	9.70
	After Distribution		12.35	10.04	9.70
Earnings Per Share	Weighted-Average Shares		1,489,145,570	1,782,375,362	1,825,394,074
	Earnings per share		1.07	(1.94)	(0.35)
Dividend Per Share	Cash Dividend		-	-	-
	Stock Grant	Allotment by earnings	-	-	-
		Allotment by capital surplus	-	-	-
	Accumulated undistributed dividends		-	-	-
Analysis for Return on Investment	P/E ratio (Note 1)		10.09	(5.27)	(4.29)
	P/D ratio (Note 2)		-	-	-
	Cash dividend yield to maturity (note 3)		-	-	-

Note 1: P/E ratio = Average Market Closing Share Price of Current Fiscal Year / Earnings per Share

Note 2: P/D ratio = Average Market Closing Share Price of Current Fiscal Year / Cash Dividends per Share

Note 3: Cash Dividend Yield to Maturity = Cash Dividends per Share / Average Market Closing Share Price of Current Fiscal Year

(6) Dividend policy and implementation status

Dividend policy defined according to the Articles of incorporation: Please refer to page 70 of Notes to Financial Statements.

Union Bank of Taiwan did not have dividend, bonus to employees, and remuneration to Directors and Supervisors distributed in 2005.

(7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.

(8) Employee dividends and compensation of directors and supervisors

A. The percentage or range with respect to employees dividends and directors/supervisors compensation, as set forth in the Bank's articles of incorporation: It is the same as the dividend policy of Union Bank of Taiwan

B. The proposal of bonus to employees by the Board of Directors:

Information on any employee dividend distribution proposals adopted at shareholder's meeting.

(a) Distribution of cash bonus and stock bonus to employees and remuneration to Directors and Supervisors: None.

(b) Proposal of stock dividend to employees and ratio of stock dividend to retained earnings capitalization: N/A.

(c) Earnings per share after the proposal of bonus to employees and remuneration to Directors and Supervisors: N/A.

(d) Earnings per share after the proposal of stock dividend (market price) to employees: N/A.

C. Bonus to employees and remuneration to Directors and Supervisors from the retained earnings of the prior period:

(a) Actual distribution: None.

(b) Distribution proposed and approved by the Board of Directors: None.

(9) Share Repurchases

Shares that were redeemed before 2003 were transferred to employees; moreover, there was no stock redemption in 2004, 2005, and up to the printing date of annual report.

4. Issuance of Bank Debentures

Type of Financial bond	First subordinated bank debentures issued in 2002	First unsecured, convertible bank debentures issued in 2004	First subordinated bank debentures issued in 2004	Second subordinated bank debentures issued in 2004	First subordinated bank debentures issued in 2005
Date & No. Approved by Central Competent Authority	Tai-Tsai-Rong- (2)-Zi- No. 0910043331 September 17, 2002	Jin-Kuan-Jen- (1) - Zi - No. 0930134267 July 30, 2004	Jin-Kuan-Yin - (2) -Zi- No. 0930032639 November 10, 2004	Jin-Kuan-Yin- (2) -Zi- No. 0930032639 November 10, 2004	Jin-Kuan-Yin- (2) - Zi- No. 0940031436 November 14, 2005
Issuing date	November 14, 2002	September 13, 2004	December 23, 2004	December 28, 2004	December 6, 2005
Face amount	1 million, 5 million, 10 million, and 50 million	100,000	1 million, 5 million, and 10 million	1 million, 10 million, and 50 million	10 million
Place of issue and trading	Domestic	Domestic	Domestic	Domestic	Domestic
Currency	NT\$	NT\$	NT\$	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$3.5 billion	NT\$3 billion	NT\$1.5 billion	NT\$3.5 billion	NT\$2 billion
Interest rate	Fixed Interest rate 3.80%	0%	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%	Fixed Interest rate 3.55%	Fixed Interest rate 2.60%
Term	5 years Maturity: November 14, 2007	5 years Maturity: September 13, 2009	5.5 years Maturity: June 23, 2010	5.5 years Maturity: June 28, 2010	5.5 years Maturity: June 6, 2011
Priority for compensation	Subordinate	Primary	Subordinate	Subordinate	Subordinate
Guarantor	None	None	None	None	None
Trustee	None	Trust Department of EnTie Bank	None	None	None
Underwriter	None	KGI	None	None	None
Certifying lawyer	Lai S.S.	Lai S.S.	Lai S.S.	Lai S.S.	Lai S.S.
CPA	Deloitte T.R. Lee, Z.Y. Chang	Deloitte Terence Huang, Z.Y. Chang.	Deloitte Terence Huang, Z.Y. Chang.	Deloitte Terence Huang, Z.Y. Chang.	Deloitte Terence Huang, Y.J. Wu
Certification Financial Institution	FuBon Bills Finance Corp	Without physical issuance	FuBon Bills Finance Corp.	FuBon Bills Finance Corp.	International Bills Finance Corp.
Redemption rules	Payment off	Payment off	Payment off	Payment off	Payment off
Unredeemed balance	NT\$3.5 billion	NT\$2.605 billion	NT\$1.5 billion	NT\$3.5 billion	NT\$2 billion
Paid-in capital of previous year	NT\$14.889 billion	NT\$14.889 billion	NT\$14.889 billion	NT\$14.889 billion	NT\$15.171 billion
Net worth in the prior year	NT\$16.541 billion	NT\$16.72 billion	NT\$16.72 billion	NT\$16.72 billion	NT\$18.731 billion
Performance	Normal	Normal	Normal	Normal	Normal
Call or prepayment provision	None	Please refer to the prospectus of issuing and conversion on Article 18 and Article 19 for details	None	None	None
Terms and conditions on redeeming or advanced refund	None	Please refer to the prospectus of issuing and conversion on Article 11 for details	None	None	None
Restrictions terms	None	None	None	None	None
Capital application plan	Improve financial structure and capital adequacy rate	Improve financial structure and capital adequacy rate	Improve financial structure and capital adequacy rate	Improve financial structure and capital adequacy rate	Improve financial structure and capital adequacy rate
Ratio of issuing amount and the balance of outstanding balance to the net worth in prior year (%)	21.16%	36.51%	45.48%	66.42%	69.97%
Whether listed as regulatory capital & Tier?	Yes, Tier II	No	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Rating Date and Rating Result	None	None	Taiwan Ratings Corp. Jan. 12, 2005 tw BBB+	Taiwan Ratings Corp. Jan. 12, 2005 tw BBB+	Taiwan Ratings Corp. Jan. 10, 2006 twBBB+

5. Preferred Shares, GDR, and Employee Stock Option Certificates: None

6. Merger or Acquisition of Other Financial Institution:

The Bank participated in the open bid for the assets, liabilities, and operations, amounting to NT\$7.18 billion, of Chung Shing Bank (CSB) on December 9, 2004 and won the bid. On March 19, 2005, the Bank took over CSB. The transaction was completed other than a merger or acceptance with stock exchange or stock issuance.



Review on operations

1. Contents of Business

(1) Business operation and business ratio

A. Main Business operation

- (a) To accept all kinds of deposits
- (b) To extend corporate loans, discount bills and notes, domestic Letter of Credit and factoring business
- (c) Importing/exporting exchange, remittance, foreign currency loan, and foreign currency confirmation guarantee
- (d) Mortgage loan, car loan, personal credit loan, and other consumer loans and credit card business
- (e) Money trust (including the designated trust fund invested in domestic and international marketable securities, insurance trust, and general money trust), marketing securities trust, real property trust, depository business (including depository bank and fund depository business), safes rental, and marketable security certification.
- (f) Market securities trade, margin loan and stock loan, and futures trade.
- (g) Peripheral financial services including collections of public facilities expenses, taxes, and exchanges.
- (h) Others authorized by the competent authority.

B. Operation highlights

(a) Deposits

Unit: NT\$ million

Type of Deposits	Dec. 31, 2005		Dec. 31, 2004		Comparison	
	Amount	%	Amount	%	Amount increase (decrease)	Growth rate
Checking deposit	3,370	1.24	2,113	1.03	1,257	59.49%
Demand deposit	20,517	7.55	18,244	8.90	2,273	12.46%
Demand savings deposit	51,677	19.01	34,939	17.04	16,738	47.91%
Time deposit	74,640	27.46	69,718	34.00	4,922	7.06%
Time savings deposit	121,566	44.74	80,010	39.03	41,556	51.94%
Total	271,770	100.00	205,024	100.00	66,746	32.56%

(b) Loans

Unit: NT\$ million

Type of Loan	Dec. 31, 2005		Dec. 31, 2004		Comparison	
	Amount	%	Amount	%	Amount increase (decrease)	Growth rate
Short-term loans & overdraft	22,547	12.65	23,162	16.72	(615)	-2.66%
Short-term secured loans & secured overdraft	12,160	6.82	7,065	5.10	5,095	72.12%
Mid-term loans	30,948	17.37	21,455	15.48	9,493	44.25%
Mid-term secured loans	15,140	8.50	16,457	11.88	(1,317)	-8.00%
Long-term loans	11,844	6.65	6,742	4.87	5,102	75.67%
Long-term secured loans	85,535	48.01	63,670	45.95	21,865	34.34%
Total	178,174	100.00	138,551	100.00	39,623	28.60%

(c) Foreign exchange

Unit: NT\$ million

Item	Dec. 31, 2005		Dec. 31, 2004		Comparison	
	Amount	%	Amount	%	Amount increase (decrease)	Growth rate
Exporting Exchange	166	5.28	198	5.82	(32)	-16.16%
Importing Exchange	265	8.43	333	9.78	(68)	-20.42%
International Remittances	2,713	86.29	2,873	84.40	(161)	-5.57%
Total	3,144	100.00	3,404	100.00	(260)	-7.64%

(d) Trust

Unit: NT\$ million

Item	Dec. 31, 2005		Dec. 31, 2004		Comparison		
	Amount	%	Amount	%	Amount increase (decrease)	Growth rate	
Trust Businesses	Designated Purpose Trust Funds Investing in Foreign Securities	9,991	4.8	5,949	2.54	4,042	67.94%
	Designated Purpose Trust Funds Investing in Domestic Securities Investment Trust Funds	5,881	2.8	6,199	2.65	(318)	-5.13%
	Living Trust	1,173	0.57	993	0.43	180	18.13%
	Other Trust Businesses	106	0.05	27	0.01	79	292.59%
	Securities Trust	108	0.05	101	0.04	7	6.93%
	Real Estate Trust	1,016	0.49	0	0	1,016	100.00%
	Subtotal	18,275	8.88	13,269	5.67	5,006	37.73%
Supplementary Trust Businesses	Custody Businesses	82,894	40.27	99,937	42.68	(17,043)	-17.05%
	Other Custody Businesses	69,300	33.67	94,909	40.54	(25,609)	-26.98%
	Certificate Business	35,352	17.18	26,018	11.11	9,334	35.88%
	Subtotal	187,546	91.12	220,864	94.33	(33,318)	-15.09%
Total	205,821	100.00	234,133	100.00	(28,312)	-12.09%	



(e) Credit card business

Type of Business	12.31.2005		12.31.2004		Comparison	
	NT\$1,000/card		NT\$1,000/card		Increase (decrease)	Growth rate
Number of cards outstanding	2,939,652		2,867,123		72,529	2.53%
Credit amount	67,329,422		57,909,965		9,419,457	16.27%
Cash advance amount	18,162,881		17,806,815		356,066	2.00%
Account receivables	41,655,230		36,046,121		5,609,109	15.56%
Revolving balance	30,194,627		25,650,000		4,544,627	17.72%
Sales amount	66,207,254		57,349,098		8,858,156	15.45%

(f) Total income

Unit: NT\$ million

Item	12.31.2005		12.31.2004		Comparison	
	Amount	Ratio	Amount	Ratio	Increase (decrease)	Growth rate
Interest income	14,167	74.76%	10,976	71.90%	3,191	29.07%
Fee income	2,554	13.48%	2,422	15.86%	132	5.45%
Security trade gain (net)	691	3.65%	494	3.24%	197	39.88%
Investment gain (Equity Method)	288	1.52%	624	4.09%	(336)	-53.85%
Foreign exchange gain (net)	82	0.43%	52	0.34%	30	57.69%
Other operating income	691	3.65%	134	0.88%	557	415.67%
Non-operating income and gain	478	2.51%	564	3.69%	(86)	-15.25%
Total	18,951	100.00%	15,266	100.00%	3,685	24.13%

(2) 2006 Business Plans

A. Deposits business

- Develop deposits in New Taiwan Dollar to expand the foundation of business operation.
- Encourage branch network to solicit the business of salary deposit, collection of proceeds from capitalization, stock dividend distribution of, collection of security proceeds, and collection of tuition and fees and industrial collections in order to absorb demand savings deposits and reinforce deposit structure.
- Arrange deposits expansion activity and encourage staff to achieve business goals.

B. Corporate banking business

- Develop new sources of customers and expand operating scope to broaden business operation and access market opportunity in advance.
- Utilize the depository mechanism of credit guarantee fund and acquire quality collateral for the protection of credit.



- (c) Develop small business clients actively in stead of credit and/or less profitable accounts to ensure the stable growth of lending business and upgrade profitability of Union Bank of Taiwan.
- (d) Reinforce the credit-check and credit-expending process, the management information digitalization, computerization, and promptness; also, utilize information system continuously and properly for the accuracy of credit information and simplifying the acquisition of analytical data.

C.Consumer banking business

- (a) Reinforce the development of new customers and the maintenance of the existing customers; also, develop new consumer banking products and upgrade the packaging of current products.
- (b) Reinforce the control of NPL in advance, improve overdue loans, and reduce NPL ratio.
- (c) Provide customers with prompt and satisfactory services and, establish the image of quality service.

D.Foreign exchange business

- (a) Promote Export L/C Forfaiting and O/A Factoring business.
- (b) Cooperate with foreign banks to construct a strategic alliance, develop products, and increase market share.
- (c) Plan e-Commerce for foreign exchange in compliance with future market development.
- (d) Develop offshore banking business and increase the revenue of financial products of Union Bank of Taiwan.

E.Trust business and wealth management business

- (a) Cooperate with the investment trust companies continuously for the depository business of public and private fund subscription and for the expansion of depository business scale of Union Bank of Taiwan.
- (b) Encourage branches to promote marketable securities certification business with incentive measures introduced and upgrade the market share of certification business of Union Bank of Taiwan.
- (c) Reinforce and upgrade YESFUND information and trade mechanism of Union Bank of Taiwan.
- (d) Consolidate with the Card System of Credit Card Center to promote living trust, collection & remittance trust, and membership card trust business.
- (e) Consolidate with consumer mortgage loan business to promote real estate property proceeds trust and derivative business continuously.
- (f) Consolidate with corporate banking business to promote land trust, construction financing trust and derivative business continuously.
- (g) Cooperate with heterogeneous business to arrange employee's welfare saving trust, life protection trust, and pension trust.
- (h) Work with market movement and customer's demand to research and develop new trust products.
- (i) Introduce various fine financial products and promote integrated marketing projects.



- (j) Reinforce marketing channel planning and expand financial business foundation of Union Bank of Taiwan.
- (k) Develop royal financial business of Union Bank of Taiwan and establish VIP financial centers.
- (l) Recruit and train financial personnel progressively and upgrade the professionalism of financial personnel continuously.

F. Credit card business

- (a) Promote co-branded card and Bank Card together to increase market channels and market share of our own brand.
- (b) Combine technology RFID (Radio Frequency Identification Device) of smart card, promote detector payment system and create small payment business.
- (c) Promote card business of wholesalers and chain stores, and the card business of large department stores, chained community department stores, chained 3C computer shopping centers, insurance, and online stores.
- (d) Expand online credit card collection business and increase other services.

G. Treasury operation

- (a) Reinforce trade and investment to generate profits and purchase products with high margin; also, increase capital gain and interest difference.
- (b) Introduce the quantitative Risk Adjusted Performance Measurement (RAPM) method to have the capital efficiency in each business category identified effectively.
- (c) Substantiate the control of expense and the enforcement of capital expenditure budget for the purpose of expense savings.

(3) Market analysis

A. The supply-demand and growth of the banking industry

Domestic economic conjuncture was suppressed in the first half of 2005 due to the slow exporting growth, soaring oil prices, and increasing inflation pressure. However, since the third quarter of the year, international conjuncture made a good comeback and exporting was growing strong; domestic economic conjuncture was recovering and the annual economic growth rate reached 4.09%. For improving the economic environment with the pressure of soaring price and the negative interest rate without suppressing economic recovery, the Central Bank of China has risen interest rate four times consecutively that activated the interest rates of deposit and loan to go up slightly; however, it is not easy for financial institution to have abundant funds in market consumed; therefore, interest differentiation is hard to expand in a competitive market.

Funds are flowing to banks continuously due to slow economic growth of domestic market, the lack of confidence to investment market, and interest rate increased by the Central Bank of China. In order to consume excessive funds, banks invested in bills and notes actively to improve allocation of funds; also, low loan interest rate had caused the loan balance of financial institutions to reach the record high of NT\$1,719 billion



at the end of 2005, in which the main growth came from consumer loans. Some consumer banking products were quite controversial; moreover, due to the stipulation of provisions by authorities and the minimizing interest difference, the growth of consumer loans slowed down since the end of 2005 while wealth management business was increasing. In terms of corporate banking business, due to the cost of direct financing increased and the competition of low interest loan, businesses have funds acquired from banks by taking out loans. For encouraging small businesses to take out loans from domestic banks, the government had promoted the “Domestic Banks Granting Loans to Small Businesses Plan” in July 2005 that helped the corporate banking business grown slightly. On the other hand, the crisis of credit card and cash card in the second half of 2005 had caused certain impact on domestic financial institutions.

In terms of asset quality, banks have striven to reduce overdue loans and bad debt so the overdue loan rate has gone down continuously. Therefore, the ratio of allowance for bad debt by domestic banks to overdue loan coverage was improving. In terms of a long-term development, the assets quality of domestic banks is fine and it is improving continuously.

The merger of financial institutions is a continuing effort of the competent authority and with various merger methods introduced including Union Bank of Taiwan acquiring Chung Shing Bank, Cathay Financial Holdings Company acquiring stock shares of Lucky Bank, and Taishin Bank acquiring the preferred stock of Chang Hwa Commercial Bank. In order to expand operation channels, domestic financial institutions have acquired credit cooperatives that have assets quality been improved substantially; therefore, the trend of independent mergers will keep on going.

Since there is no common Cross-Strait financial policy in the short run, and the Taiwanese business in China is becoming important to financial institutions, the formation of a strategic alliance between domestic banks and foreign banks that have business set up in Mainland China or local banks in China is becoming inevitable.

B. Market segmentation and target market

For the purpose of expanding service scope and business scale, Union Bank of Taiwan had acquired Chung Shing Bank through a bid in December 2004 and completed the merger in March 2005. Union Bank of Taiwan has 75 domestic business offices in service including 38 offices in Taipei, 12 offices in Taoyuan and Hsinchu, 9 offices in Taichung and Changhwa, 8 offices in Chiayi and Tainan, and 8 offices in Kaohsiung and Pingtung. In order to serve small businesses, Union Bank of Taiwan has made loan service available in the 6 mini branches that were originally designated to provide consumer-banking business. In terms of offshore business, in addition to investing in finance businesses in Hong Kong, there are also Hong Kong Representative Office and Ho Chi Minh City Representative Office setup for service. Union Bank of Taiwan intends to have the twelve discontinued-office of Chung Shing Bank reinstated for service; by then, there will be 87 branches in service.

The target market of Union Bank of Taiwan includes deposits & exchange businesses, corporate banking business, consumer banking business, credit card, cash card, trust, wealth management, and financial securities. While the market competition is growing brutal, Union Bank of Taiwan is forcing the adjustment of business differentiation and organizational professionalism and as well, the reinforcement of personnel capability for the development of business and improvement of profitability.



C. Competition strategy and benchmark

While the domestic and global economies are recovering, deposits business and corporate banking business are performing well. In addition to conventional deposits & loans and exchange services, in terms of deposit and exchange, the specific chained network is contacted to expand the setup of ATM outside Union Bank of Taiwan for increasing publicity and service income; also, professional trainers are recruited to have symposiums, seminars, and training courses arranged periodically in order to help improve staffs' professional intelligence and service quality; also, to help improve the professional competitiveness of Union Bank of Taiwan. Under the principle of stable operation and risk dispersion, for corporate banking business, the revenue business including receivable factoring & financing business and simple discount is promoted continuously; also, the loans with high interest rate variation to small businesses and corporate banking auction loans are arranged for the growth in quantity, quality and profitability.

Due to the increase of debt of the society taking as a whole, for the consumer banking business, Union Bank of Taiwan is focusing on the guaranteed loan business. In addition to building up business under the precondition of minimizing risk, Union Bank of Taiwan is also working on reinforcing the contact and business development with the existing clients and promoting lending business stably.

For the development of credit card business, Union Bank of Taiwan has worked with many domestic department stores and chain stores to form a strategic alliance and with contact-free chips promoted to create a safe and convenient consumption environment in order to increase market share for credit card business and merchants; also, to promote consumption and increase risk-free service income.

In order to have cash card business transformed, Union Bank of Taiwan has reorganized the "National Cash Department" as "Consumer Credit Department" to have new financial products designed and promoted to different loan markets; also, to develop new businesses, on the other hand, Credit Check division is organized to control lending quality and post-loan management in order to have lending risk controlled effectively.

The concept of trust is more acceptable among people, and various trust products have been promoted in recent years; therefore, trust business is developed with the existing network of Union Bank of Taiwan and other financial products to promote consumer trust products including base and architectural financing trust, real estate property trade proceeds trust, and living trust and trust products including employees' welfare saving trust and pension trust for the satisfaction of diversified customers. The wealth management business is mainly for customers with high net worth. Union Bank of Taiwan will base on the belief of protecting customer's assets safety and best interest; also, depending on customers' demands and investment properties to provide customers with comprehensive assets combination and diversified financial consulting service through professional financial consultants.

The financial securities business of Union Bank of Taiwan is with a focus on security brokerage. Security market is recovering and trade is increasing; therefore, the Bank will continue to recruit salesmen to develop customers and institutional market.

For the stable growth of business goals and for a comprehensive banking service to customers; moreover, in response to the brutal competition from financial holdings, the Bank will have profitable products developed and will conduct resources integration with the related party to exercise the competitiveness of the group. The Bank has no plan for the setup of a financial holding; however, the Bank has no problem in realizing the effect of a financial holding by utilizing the resources of the group effectively.



D. Advantage and disadvantage of development and responsive strategies

(a) Advantage

- a. Global economic conjuncture is expected to grow mildly in 2006. Under the trend of globalization in Taiwan, it will help domestic industry invest overseas and operate profitably. Domestic conjuncture has been on the rise since the second half of 2005; also, industrial production and international trade are growing; therefore, fund demand is increasing that is beneficial to the business development of domestic banks.
- b. The Central Bank of China had interest rate risen four times in 2005 which made the interest difference between deposit and loan of domestic banks has gone back up since the first half of 2005. Interest rate is expected to go up continuously which will increase interest difference.
- c. Since the Government has gradually lifting financial control, new financial product and business scope is expected to grow; moreover, the recognition of the public on wealth management is improving that is beneficial to the wealth management business of banks.

(b) Disadvantage

- a. Due to the increase of interest rate and high deposit interest rate of the bank, the capital cost of the bank is increasing. Under the influence of increased interest, customers are facing the pressure of high interest expense; therefore, banks have to emphasis on the credit risk control in order to avoid the risk of customers' being unable to afford extra interest expense that may bring the risk of bad debt to banks.
- b. While there is excessive funds in market, price competition is expectable, and interest difference of deposit and loan will be hard to enlarge; moreover, the homogeneous operation makes domestic banks have limited profitable space.
- c. The Cross-Straits relation is unclear while it affected the trade development negatively; also, it has accelerated the move of foreign investors and prevented domestic banks from providing direct banking service for Taiwanese market in China. Because the government placed restrictions on investment in Mainland China, Taiwanese businessmen have their investments conducted indirectly that is detrimental to the risk control of banks.

(c) Strategies

- a. Due to the rapid change of the financial environment and the development of diversified banking business, and new various financial products introduced, risk control has become an important task to financial institutions. Upon the enforcement of Basel II at the end of 2006, Union Bank of Taiwan has striven to reinforce its global competitiveness and with a set of reasonable control system constructed for the evaluation of credit, interest rate, market, and operation evaluated reasonably; also, Union Bank of Taiwan is basing on the regulation of Basel II to have assets quality upgraded.
- b. Credit card and cash card businesses in Taiwan are competitive and have high growth rate in recent years. The qualification for the application of cash card is relatively easier than other consumer loans; therefore, it is expected to affect the overdue loans of banks in the future. Union Bank of Taiwan has restriction placed on the qualification for credit card application to reinforce the risk control of consumer banking business.



- c. The multiple international banking products, financial liberalization, the encouragement of the competent authority to banks for banking product innovation, the trans-marketing, cooperation, and promotion between banks and securities and insurance have helped provide an excellent environment for the development of wealth management business and help increase demands from customers. Union Bank of Taiwan has Wealth Management Department established in 2005 to provide valuable customers with wealth management service.
- d. Improve the market share of banking products that have high interest difference progressively. Reduce the cost of traditional mortgage loan and small credit loan through simplified process and standard operation; also, improve employees' productivity and efficiency, target on the customers with good creditability to reduce bad loans, and reinforce the product exchange sales with the related party in order to maintain balanced quantity and quality and stable profit while the interest difference is small.
- e. Develop consumer banking business continuously, develop network service channel, make close contact with customers through the diversified network, improve customer's contribution; also, reinforce financial services through heterogeneous strategic alliance and integration of personal financial products.

(4) Financial product study and business development

A. Main financial products and the development of newly established department in the last two years

- (a) In order to provide credit card service to in various customers groups, Union Bank of Taiwan has ten membership cards promoted in 2005 including EZ Gasoline Card (EZ加油聯名卡), NCCNET (Tainan County/Chiayi County) (國民旅遊卡), Kaohsiung Tourist Card (高雄縣觀光旅遊卡), MasterCard/JCB (富士沖印聯名卡), Postal General Card (郵政公會聯名卡), Eight Fortunes Card (八福公益聯名卡), Chrysanthemum Island Card (戀戀菊島聯名卡), Thank You Card (順發多謝聯名卡), Nantou Card (玩全南投聯名卡), and Global Shopping Card (環球購物中心聯名卡) and with 2,939,652 cards , representing 2.53% growth compared with last year in circulation by the end of 2005. The total consumption on credit was for an amount of NT\$67,329 million, representing 16.27% growth compared with last year(cash advance excluded); also, the total sales revenue of the year was amount to NT\$7,531 million , representing 25.98% growth compared with last year.
- (b) Union Bank of Taiwan is focusing on the business development and expansion of car loans, mortgage loans and small credit loan for high margin. By the end of 2005, the balance of car loan was for an amount of NT\$15,568 million , representing 60.64% growth compared with last year , the balance of mortgage loan and small credit loan (cash card excluded) was for an amount of NT\$87,139 million representing 31.07% growth compared with last year. The annual interest income from car loan and mortgage loan and small credit loan (cash card excluded) was for an amount of NT\$1,375 million and NT\$2,409 million, respectively.
- (c) In response to business expansion, the “National Cash Department” (國民現金部) was reorganized as “Consumer Credit Dept.” (理財貸款部) in June 2005 and with the subordinates of Planning Management Division(企劃管理科), Business Development Division (業務促進科), Credit Check Division (徵信審查科), and Collection Management Division (催收管理科) established; moreover, four Collection Centers (催收中心) and twenty-six Loan Centers (理財貸款中心) were organized to reinforce organizational function. By the end of 2005, 345,581 Cash Cards were issued and with a balance of NT\$9.975 billion booked. For Da Vinci A + platinum Card, 18,358 cards were issued and with a balance of NT\$1,349 million booked. For EZ loan, 5,201 loans were made and with a balance of NT\$915 million booked.



- (d) For business development, Union Bank of Taiwan had the “VIP Center” upgraded as and with the “Wealth Management Department” organized in September 2005 to manage and to be responsible for the planning and enforcement of wealth management business and the supervision of financial personnel. This Department is with the subordinates of “Product Planning and Development Division,” (商品開發科) “Business Development Division,” (業務推展科) and “Business Management Division” (業務管理科) setup and with five VIP Financial Centers in service and forty-one financial consultants on the payroll by the end of 2005.

B. R&D expense and achievement in the last two years and new R&D plans

(a) R&D expense

Unit: NT\$ million

Year	2004	2005
R&D expense	10,943	139,455

Note: The R&D expense of 2005 is an amount before the audit of CPA.

- (b) Complete personal e-banking development and conduct corporate e-banking system development continuously.

Union Bank of Taiwan had the personal e-banking system developed in August 2005 at the service of customers with the technical integration of Portal, Single Sign On, and Middle Ware. Union Bank of Taiwan has the network functions of Internet Banker (網路銀行家), Fund World (基金天地), and UMA integrated to provide customers with more convenient e-banking service. Corporate e-banking is developing and will be introduced to the public in the middle of 2006.

- (c) Develop online ATM system

IC card is prevailing in Taiwan; moreover, customers are becoming familiar with the ATM service. Union Bank of Taiwan has completed the functional planning of online ATM and with the product development initiated and it is to be ready for service in the mid-2006. The mission of Union Bank of Taiwan is to provide customers with comprehensive service and to provide an online wire transfer service with other banks for a broader source of customers.

- (d) New R&D plans

a. Follow up and develop derivative functions of IC card continuously

IC card transfer process was completed in Taiwan which means the era of IC ATM has officially arrived. Union Bank of Taiwan will follow up the function development of IC card continuously (such as, contact-free IC card and Mondex card); also, develop value-added services in compliance with cost effectiveness.

b. Reinforce consumer and corporate e-banking services

Upon the completion of corporate e-banking, Union Bank of Taiwan has the service platform constructed for individual consumer and corporate banking business. Union Bank of Taiwan will strive to have service function upgraded on the said platform in order to have service that is much more convenient than by counter service provided to convince customers to switch to new service channel and improve service quality.



c. Develop e-payment service

Due to the prevailing of IC card and IC reader, e-payment service is more popular. Upon the completion of online ATM development, Union Bank of Taiwan will continue to develop e-payment related services in order to step on the new market.

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

A. Long-term:

- (a) Setup new branches to expand branch network of UBOT, increase market share, and initiate new networking effect.
- (b) Develop and secure business in northern Taiwan continuously while structuring business sites in southern Taiwan, scheme products and try to be a leading role on banking industry.
- (c) Setup consumer banking center and regional center to consolidate manpower and conduct professional division, exercise process standardization, upgrade service efficiency, and control lending quality.
- (d) In order to increase income by improving liquidity of capital and utilizing fund effectively, the ratio of long-term and short-term loans will be adjusted to be 60% respectively.
- (e) Base on the core of image to have the media integrated, product marketing, and topics started for the construction and management of internal and external advertisement.

B. Short-term

- (a) Contact specific chain stores to expand ATM setup outside the Bank in order to advertise brand name and to service income.
- (b) Complete the takeover of corporate banking business from Chung Shing Bank to exercise the effect of merger.
- (c) Promote e-banking operation continuously and develop online corporate banking business, ATM, and e-payment service.
- (d) Establish the monitoring mechanism of trading control, product appropriateness policy, and risk management system to reduce risk while, providing customers with optimal suggestions of investment and assets combination.



2. Human Resources

(1) Number of employees, seniority, education, and certificate professions

Year		2004	2005	Feb. 28, 2006
Number of employees	Formal employees	2,778	3,639	3,586
	Temporary help	0	0	0
	Others	0	0	0
	Total	2,778	3,639	3,586
Average age		30.79	31.34	31.48
Average seniority		3.99	3.58	3.72
Education	Ph.D.	0	0	0
	Master	4.86	4.59	4.46
	Bachelor	77.68	80.88	81.09
	Senior High School	16.92	14.12	14.05
	Under Senior High School	0.54	0.41	0.39
Certificate and number of certificates	Life insurance salesperson	771	1,003	993
	Futures specialist	104	150	146
	Trust salesperson	815	1,116	1,097
	Test for bank internal control personnel	1,112	1,390	1,343
	Securities brokers	59	133	129
	Senior securities salesperson	25	49	46
	Securities investment trust personnel and securities investment consultant competence test	21	44	42
	Financial personnel competence test	302	383	380
	Property insurance broker	39	11	15
	Investment insurance salesperson competence test	33	91	89
	Basic test for bank lending personnel	229	299	294
	Advanced test for bank lending personnel	19	30	29
	Basic proficiency test for international banking personnel	138	175	173
	Fire prevention manager	44	45	44
	Labor safety & health authority	59	66	66
	First-aid personnel	40	42	42
	License of Taipei Securities Association	6	11	11
CPA	1	1	1	
Registered land of agent	3	4	3	

Note: Two staff serving in the offshore units are not included in the number of employees.

(2) Training expense for employees in 2005

Business seminars and symposiums are arranged in the middle of the year from time to time to have the professional intelligence of staff reinforced. Staff is assigned to receive professional training outside Union Bank of Taiwan.

Item	Internal Training	External Training	Total
Number of trainees (person/time)	5,592	749	6,341
Training expense (NT\$1,000)	16,998	2,208	19,206

(3) Staffs' behavior or standard for the ethical practice

In order to discipline the behavior of staff, the Bank has the "Working Rules for Union Bank of Taiwan" stipulated for the reference of employees throughout the employment. Employees of Union Bank of Taiwan are urged to cultivate good living habits, exercise excellent work ethics and with the concept of "honor above all", regulatory compliance, to follow the disciplines strictly, and carry out business development in accordance with provisions.

(4) Protections for working environment and personal safety

To eliminate potential disaster and danger and reduce the loss from accidents, the Bank follows the provisions of the competent authority and Banks Association to have daily safety and security performed. Also, Union Bank of Taiwan has the "Working Rules of Safety and Health" stipulated and with the "Labor Safety & Health Committee" summoned periodically; moreover, tests for working environment training for labors safety & health, and paramedics training are arranged in accordance with Labor Safety & Health Act and relevant regulations.

3. Business Responsibility and Ethical Behavior

The Bank held a variety of charity activities in 2005 in accordance with the belief of "feedback to society."

- (1) Union Bank of Taiwan, Union Securities Co., and the affiliates initiated the "Union Culture & Art Foundation" in April 1998 to conduct cultural and charity activities. The "Union Bank of Taiwan Artist of the Year" is arranged every year to encourage and award new artists. The "Union Bank of Taiwan Impression Award" is arranged to provide Taiwanese artists with a broader stage for performance. The "Taiwan Artists Achievement Award" is arranged to show appreciation to senior artists for their contribution in the field of art. Moreover, to share those masterpieces with art lovers in Taiwan, the "Union Culture & Art Foundation" has tours arranged in January every year to have those works of "Union Bank of Taiwan Artist of the Year" and "Union Bank of Taiwan Impression Award" exhibited.
- (2) Participate community activities. The Bank has adopted Chong-Chuan No. 2 Park since 1997. The Park was awarded with the first prize among 345 communities in Taipei city in 2000, 2001, 2002, 2003, and 2004, and many social activities and gatherings are arranged here for the residents of the community in the memorial days.



- (3) The Eight Fortunes Association was a charity alliance organized by eight charity groups to provide services to handicaps, women, senior citizens, rare diseases patients, natives, labors, AIDS patients... Union Bank of Taiwan has based on the belief of “helping the less fortunate” to have the Eight Fortunes Credit Card issued and with a charity fund donated for an amount equivalent to 0.3% of each credit card transaction.
- (4) Cooperate with “PChome women shopping” and “ECPAT Taiwan” to promote the “Mercy Credit Card Bonus” activity. The Bank will have NT\$100 donated for each 1,000 bonus points donated by credit cardholders to help the helpless children, young girls, and women.
- (5) In addition to promoting social charity activities and feedback society with the revenues of the bank, in terms of business promotion, while facing severe competition in banking market and saturated consumer banking market, Union Bank of Taiwan has adopted strict loan policy continuously and written off bad debt for a stable and profound operation and for the improvement of assets quality. In complying with the principle of cost effect, Union Bank of Taiwan will continue to reinforce banking products and services; also, improve customer service and market competitiveness; also, take advantage of the new market network from acquiring the business of Chung Shing Bank unconditionally in 2005 to have the advantage of product and service transformed into business performance and to fulfill the responsibility of corporations.

4. Information Equipment

(1) Distribution and maintenance of information system for hardware and software

- A. Neihu engineering room: a IBM 9672-RA6 server (OS390, CICS, IMS/DB) , 2 units of Shark 800 hardisc, 1 unit of RVA hard disc, 2 units of 3745 telecommunication controller, 2 units of 3490 drive, 3 units of ATM terminal processor (NCR-UNIX), 7 units of IBM RS/6000 (AIX, DB2, Websphere), 1 units of IBM AS 400 (OS/400, MIMIX), 57 units of PC Server.
- B. Min-Sheng engineering room: a IBM9672-R15 server (OS390, CICS, IMS/DB) , 1 unit of Shark F20 hard disc, 1 unit of 3745 telecommunication controller ,1 unit of 3490 drive , 1 unit of ATM terminal processor (NCR-UNIX), 2 units of IBM RS/6000 (AIX, DB2, Websphere), and 4 units of PC Server.
- C. Network: 2 units of Router CISCO 7502, Router 2 units of CISCO 7507, 1 unit of CISCO 5509 switch, and fiber 100Mbps for connecting Nefu engineering room and Min-Sheng engineering room.
- D. Repair and maintenance agreement were signed with the suppliers for the aforementioned hardware and software.

(2) Future development and procurement plan

- A. Acquired 1 set of IBM z/890 server at the end of 2005, 1 set of IBM Shark 800 disc, and 1 set of 3592 drive; also, the old system will be replaced by the new system in August 2006.



- B. Upgrade the report query system and IBM RS/6000 hard disc of database system; also, the old system will be replaced by the new system in March 2006.
- C. Float real estate property trust/real estate property securitization, trust general ledger system, centralized management account system, and financial assets securitization; also, AS/400 server is planning to be upgraded.
- D. Establish wealth management system in several stages to provide scientific system analysis function in order to draw up the suitable assets allocation plan for high valuable customers.
- E. The “Credit risk measurement system” is constructed, in response to the enforcement of updated Basel II in the end of 2006.
- F. Set up automatic backup structure for terminal system server and EAI server.
- G. Transfer data in IBM server to HALDB structure.
- H. Develop EAI stage II (corporate banking and ICP).
- I. Amend FXMM system for online service in compliance with the Finance & Accounting Standard Communiqué 34 “Derivative Financial Products.”
- J. Dishonored checks workstation software and hardware upgrade project.
- K. Fund transfer system hardware and software upgrade and establish by Central Bank of China
- L. Set up assets management system.
- M. New Taiwan Dollar system program cleaning plan and Citizens centennial information system transfer.
- N. Banking process core system update.
- O. Network ATM system set up.
- P. ATM terminal processor server upgrade.
- Q. Establish consumer banking center incoming management system and offsite backup project planning.
- R. AMS set up plan.
- S. Control of computer equipment USB & IP and preventing the use of P2P software.
- T. Integration of procurement, cashier, accounting, and Notes operation process.

(3) Emergency backup and safety protection measures

- A. Construction of local backup system inside Neihu engineering room and with the distance backup in Min-Sheng engineering room.
- B. Media backup copies and important document store Neihu engineering room and Min-Sheng engineer room.
- C. Setup access control system, monitoring recording, wire control, fire-fighting equipment, and environmental monitoring system to protect equipment.
- D. Applying the mechanism of invasion detect, internal and external fire wall, junk mails prevention system, virus, Trojan or spy equipment scan, automatic virus code update and system weakness reinforcement to secure the safety of the network and data.



- E. Stipulate “Union Bank of Taiwan Fund Safety Contingency Plan” and with distance backup rehearsal and firefighting drill exercised annually in accordance with “Union Bank of Taiwan Information Disaster Contingency Plan.”

5. Labor Relations

(1) Employee’s welfare measures and pension plan and the plan enforcement of Union Bank of Taiwan; also, negotiation with laborers, and the protection of employee’s welfare:

- A. Organize Employee Welfare Association withdraw 0.5% salary monthly to be the welfare fee; also, an appropriation of 0.1% of operating income is contributed to the Employee Welfare Association for employee’s welfare to organize welfare activities for employees, such as, Mother’s Day Fair, wedding, funeral, birth (including employee’s spouse), and compensation for major disaster.
- B. Provide labor insurance and medical insurance in accordance with society insurance system. Union Bank of Taiwan provides employees with group insurance (including life insurance, group’s injury insurance, injury at work insurance, occupational accidents insurance, cancer health insurance, and employees’ & families’ hospitalization medical insurance).
- C. Arrange employee preferential deposits, employee preferential guaranteed loans, and non-secured consumer loans.
- D. Employee’s Welfare Association distribute bonus to employees on Chinese New Year, Dragon Boat Festival, and Moon Festival.
- E. Union Bank of Taiwan has employee’s retirement and pension plan stipulated. Employees whose seniority has qualified for Labor Standard Act Pension Plan or the retirement plan defined in the Work Code Rule of Union Bank of Taiwan, the retirement applicants are entitled to receive pension. Employees who have qualified for The Labor Pension Act may have pension appropriated in accordance with the appropriation percentage of Union Bank of Taiwan and deposited in the personal pension account with Bureau of Labor Insurance.
- F. Union Bank of Taiwan has Labor-Management conference Measures stipulated to uphold the harmony between employer and employees. There is not any labor dispute pending.

(2) Union Bank of Taiwan is free of any substantial loss resulted from labor dispute since the date of incorporation. Union Bank of Taiwan will have wage and welfare plan reviewed every year for the best interest of employees and for a harmonious relationship with employees; therefore, there is no arbitration with employees.



6. Major Agreements / Contracts

Type of agreement	Covenanter	Contract period	Content of contract	Restrictive clauses
Deposits Insurance Agreement	Central Deposit Insurance Corp.	Signed on 4/27/1994	Performance bond agreement for the solvency of financial institution in paying depositors	Maximum amount insurable by each depositor for all his deposit accounts at the same insured institution is NTD 1 million
Bankers' Blanket Insurance Contract	Cathay Century Insurance Co., Ltd.	1/21/2006 ~ 1/21/2007	<ol style="list-style-type: none"> 1. Infidelity of employees 2. Property on premises 3. Property in transit 4. Forgery or alteration of check & securities 5. Counterfeited currency 6. Damage to offices and content 7. Fault of securities or written document 	Each incident is with a deductible amount and maximum claim
Outsourcing Contract	Leifeng International Assets Management Co., Ltd. Justor Collection Management Co., Ltd. EAMC Chungyu Collection Management Co., Ltd. Hung Ying International Enterprise Co., Ltd. Roger International assets Management Co., Ltd. Winterthur Business Management Consulting Co., Ltd.	Effective contingent agreement up to 12/31/2005	Collections of credit card and cash card receivables	Subject to the agreement
Outsourcing Contract	Justor Collection Management Co., Ltd. Yufeng International Assets Management Co., Ltd.	Effective contingent agreement up to 12/31/2005	Dealing with past due card receivables	Subject to the agreement
Outsourcing Contract	Union Finance & Leasing (International) Co., Ltd.	Effective contingent agreement up to 12/31/2005	Car loans marketing business	Subject to the agreement
Acceptance Agreement	Cetelem Taiwan	Signed on 12/19/2005	Accounts receivable of Carrefour Card by Cetelem Taiwan	Subject to the agreement

7. Securitization Commodities and relevant information launched in accordance with Financial Asset Securitization Act or Real Estate Securitization Act, and with approval of the competent authority in recent years: None

Information on Implementation of the Company's Funds Utilization Plans

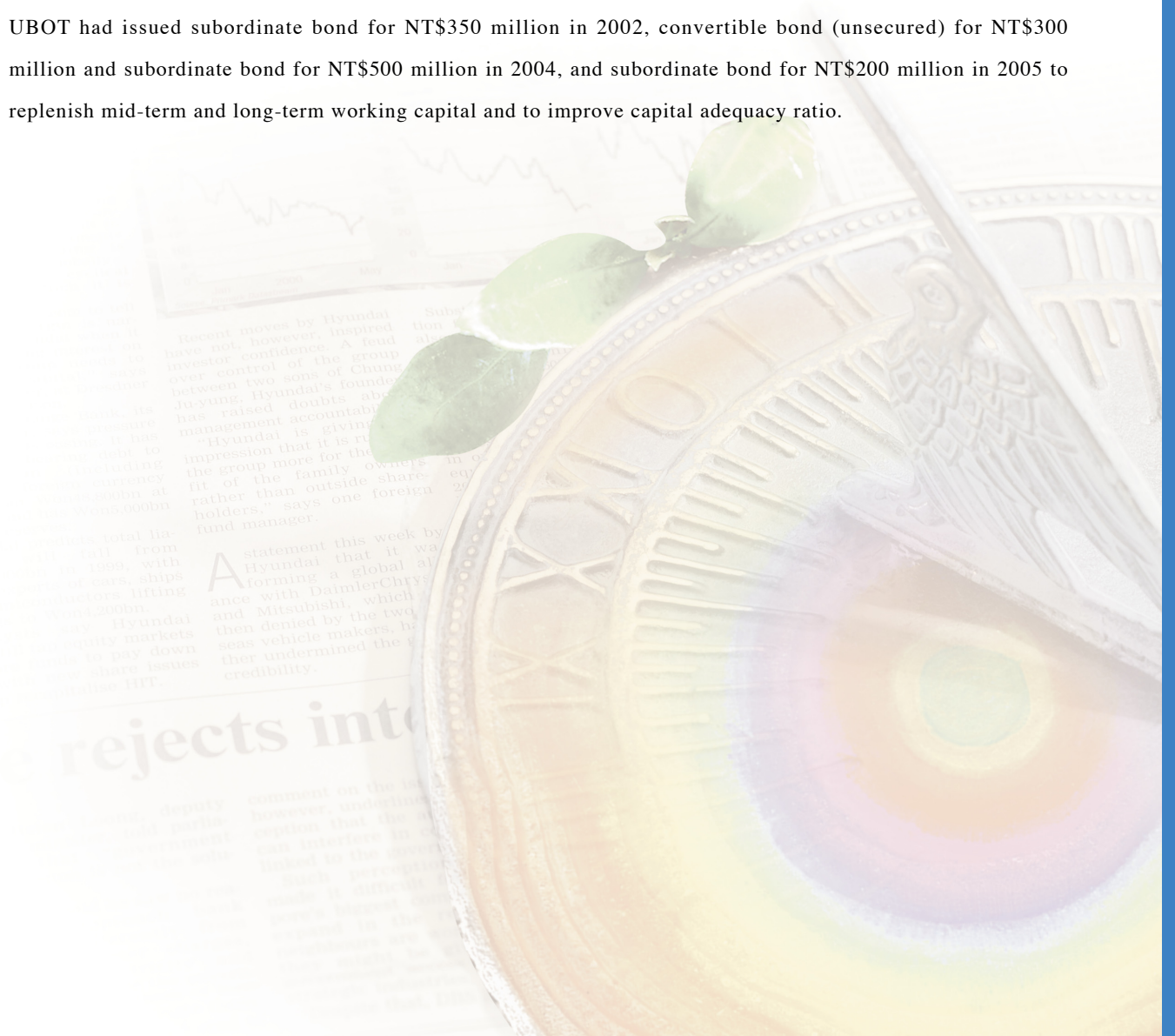


1. Capital Increased by Cash :

For purposes of business expansion, reinforcement of capital structure, and improvement of capital adequacy ratio, in March 2005, UBOT had capital increased by issuing additional 300 million shares of NT\$10 par value common stock for NT\$3 billion. The increased capital that made the total paid-in capital to be NT\$18,253.94 million was already used to refinance the operation of UBOT in compliance with the issuance plan.(IV) Protections for working environment and personal safety

2. Issuance of Bank Debentures :

UBOT had issued subordinate bond for NT\$350 million in 2002, convertible bond (unsecured) for NT\$300 million and subordinate bond for NT\$500 million in 2004, and subordinate bond for NT\$200 million in 2005 to replenish mid-term and long-term working capital and to improve capital adequacy ratio.



FINANCIAL HIGHLIGHTS

1. Condensed balance sheets, income statements, and name of the certified public accountant & the auditor's opinion for the last five fiscal years

(1) Condensed Balance Sheets

Unit: NT\$ million

Items	Years	Financial data for the last five fiscal years (Note 1)				
		2005	2004	2003	2002	2001
Cash & cash equivalents and due from the Central Bank of China & other banks		20,064.8	12,064.7	12,692.7	10,831.4	13,170.2
Securities purchased		28,030.7	23,849.2	20,487.5	16,391.5	20,633.6
Bills purchased, loans, and discounts		182,118.3	141,367.9	120,815.4	108,609.0	125,574.8
Receivables		44,466.2	38,740.5	29,213.0	18,829.6	15,193.7
Long-term investments		24,842.0	8,868.6	4,800.5	3,783.2	3,754.7
Property & equipment		8,963.6	2,345.3	2,760.9	2,917.4	3,014.3
Other assets		20,493.1	19,796.8	13,726.0	14,182.4	3,959.6
Due to the Central Bank of China & other banks		5,484.4	4,713.0	5,832.1	1,599.7	2,982.0
Deposits & remittances		271,830.6	205,035.6	173,518.8	149,958.8	159,879.0
Bank debentures		13,105.4	11,194.0	3,500.0	3,500.0	-
Other liabilities		20,224.6	7,359.8	4,924.7	5,285.7	5,898.1
Capital stock		18,253.9	15,171.3	14,889.3	14,889.3	14,889.3
Capital surplus		63.733	57.783	39.016	1.398	1.656
Retained earnings	Before distribution	42.651	3,500.4	1,900.8	579.9	1,940.9
	After distribution	(Note 2)	3,500.4	1,900.8	579.9	1,940.9
Other items of stockholders' equity		(26.584)	1.243	(108.9)	(269.99)	(289,.98)
Total assets		328,978.8	247,033.1	204,495.8	175,544.7	185,301.0
Total liabilities	Before distribution	310,645.0	228,302.4	187,775.7	160,344.2	168,759.1
	After distribution	(Note 2)	228,302.4	187,775.7	160,344.2	168,759.1
Total stockholders' equity	Before distribution	18,333.7	18,730.7	16,720.1	15,200.5	16,541.8
	After distribution	(Note 2)	18,730.7	16,720.2	15,200.5	16,541.8

Note:

1. The aforementioned financial data were certified by a CPA.
2. The 2005 appropriation for loss proposal is yet to be approved by the Shareholder Meeting in 2006.

**(2) Condensed Income Statements**

Unit: NT\$ million

Items	Financial data for the last five fiscal years (Note)				
	2005	2004	2003	2002	2001
Operating revenues	18,472.8	14,702.5	11,510.0	10,853.7	13,798.8
Operating expenses	23,577.6	13,590.7	10,531.1	11,948.9	13,653.2
Operating Income (Loss)	(5,104.8)	1,111.8	978.9	(1,095.2)	145.6
Other non-operating income (loss)	258.3	374.9	491.2	(333.5)	(87.6)
Income before tax from operating segment	(4,846.5)	1,486.7	1,470.1	(1,428.7)	58.1
Income(loss) from operations of the continued segment	(3,457.8)	1,599.6	1,320.9	(1,361.3)	69.5
Income(loss) from operations of the discontinued segment	-	-	-	-	-
Extraordinary gain (loss)	-	-	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-	-
Net Income (Loss)	(3,457.8)	1,599.6	1,320.9	(1,361.3)	69.5
Earnings (losses) per share (NT\$)	(1.94)	1.07	0.91	(0.94)	0.05

Note: The aforementioned financial data were certified by a CPA.

(3) Name of the certified public accountant & the auditor's opinion

Unit: NT\$ million

Years	Auditing Firm	Name of Auditor	Auditing Opinion
2001	T N Soong & Co.	T.R. Lee / Z.Y. Chang	Revised unqualified opinion
2002	T N Soong & Co.	T.R. Lee / Z.Y. Chang	Qualified opinion (note)
2003	Deloitte & Touche	Terence Huang / Z.Y. Chang	Qualified opinion (note)
2004	Deloitte & Touche	Terence Huang / Z.Y. Chang	Qualified opinion (note)
2005	Deloitte & Touche	Terence Huang / Y.J. Wu	Revised unqualified opinion

Note: A qualified opinion was issued for the loss of selling NPL is amortized in 60 months in accordance with the Financial Institutions Merger Law.

2. Financial analyses for the last five fiscal years

Items		Financial analyses for the last five fiscal years				
		2005	2004	2003	2002	2001
Operating Ability	Loan-to-deposit ratio (%)	67.52	69.59	70.14	73.61	79.31
	Overdue loan ratio (%)	3.76	2.52	3.84	4.12	3.91
	Ratio of interest expense to annual average deposits (%)	1.69	1.37	1.58	2.59	4.80
	Ratio of interest income to annual average outstanding loans (%)	8.69	8.30	7.47	7.20	8.00
	Total assets turnover (times)	0.0562	0.0595	0.0563	0.0618	0.0745
	Average operating revenue per employee (NT\$1,000)	5,074	5,289	4,348	4,892	7,619
	Average earnings per employee (NT\$1,000)	(950)	(614)	499	575	38
Profitability	Return on Tier I capital (%)	(31.09)	(9.27)	8.79	7.93	0.35
	Return on assets (%)	(1.20)	(0.75)	0.70	0.71	0.04
	Return on stockholders' equity (%)	(18.66)	(8.58)	8.28	9.02	0.42
	Profit margin (%)	(18.72)	(12.55)	11.48	10.88	0.50
	Earnings per share (NT\$)	(1.94)	(0.94)	0.91	1.07	0.05
Growth Rate	Assets growth rate (%)	33.17	(5.27)	16.49	20.80	(2.67)
	Profit growth rate (%)	(426.00)	(2,560.72)	(202.89)	1.14	(89.77)
Liquidity Reserve Ratio (%)		11.56	9.52	11.60	13.02	13.80
Capital Adequacy	Total tier I capital (NT\$ million)	15,586.8	15,415.2	16,726.9	18,740.4	16,690.2
	Net worth capital (NT\$ million)	18,673.9	16,318.0	14,943.6	20,575.8	13,675.0
	Total risk-based assets (NT\$ million)	210,513.7	129,269.9	145,159.0	165,952.9	131,855.4
	Capital adequacy ratio (%)	8.87	12.62	10.29	12.40	10.37
	Tier I capital to risk-based assets (%)	7.40	11.93	11.52	11.29	12.66
	Tier II capital to risk-based assets (%)	3.73	3.63	1.65	3.95	0.05
	Tier III capital to risk-based assets (%)	-	-	-	-	0.08
	The value of common stock to total assets (%)	5.57	7.58	8.18	8.66	8.93
Total guaranteed credit of related party (NT\$ million)		5,521.9	6,559.7	5,367.7	4,942.9	5,049.7
Ratio of related party's guaranteed credit to total credit (%)		2.94	4.60	4.41	4.48	3.98
Operation Scale	Market share of assets (%)	1.05	0.83	0.73	0.68	0.72
	Market share of net worth (%)	0.98	1.06	1.03	0.94	0.92
	Market share of deposits (%)	1.34	0.91	0.82	0.75	0.81
	Market share of loans (%)	1.07	0.90	0.85	0.80	0.90

Return on stockholders' equity, profit margin, and profit growth rate were lower in 2005 than 2004 because of the increase of net loss which resulting from writing-off deferred losses from the sales of non-performing loans.



Note 1 : The aforementioned financial data were certified by a CPA.

Note 2 : Banks having stocks listing or public trading must consolidate the analyses of financial data of the most current fiscal year and the prior quarter up to the printing date of annual report.

Note 3 : The following equations are to be included at the end of the annual report:

1. Operating ability

- (1) Loan-to-deposit ratio = Total loans / Total deposits
- (2) Overdue loan ratio = Total overdue loans / Total loans
- (3) Ratio of interest expense to annual average deposits = Interest expense / Average annual deposits
- (4) Ratio of interest income to average annual outstanding loans = Interest income / Average annual outstanding loans
- (5) Total assets turnover = Operating income (net) / Total assets
- (6) Average operating income per employee = Operating income / Total number of employees
- (7) Average earnings per employee = Net income / Total number of employees

2. Profitability

- (1) Return on Tier I capital = Income before tax / Average Tier I capital
- (2) Return on assets = Net income / Average assets
- (3) Return on stockholders' equity = Net income / Average net worth of Stockholders' Equity
- (4) Profit margin = Net income / Operating income (net)
- (5) Earnings per share = (Net income – Preferred stock dividends) / Weighted-average number of shares outstanding (Note 5)

3. Growth rate

- (1) Assets growth rate = (Total assets – Total assets of the previous year) / Total assets of the previous year
- (2) Profit growth rate = (Income before tax – Income before tax of the previous year) / Income before tax of the previous year

4. Liquidity reserve ratio = Liquid assets (defined by the CBC) / Accrued liquid reserve liabilities (defined by the CBC)

5. Capital adequacy ratios

- (1) Net worth capital = Tier I capital + Tier II capital + Tier III capital – capital debits
- (2) Total risk-based assets = Risk assets weighted by credit risk + Market risk capital accrual x 12.5
- (3) Capital adequacy ratio = Net worth capital / Total risk-based assets
- (4) Tier I capital to risk-based assets = Tier I capital / Total risk-based assets
- (5) Tier II capital to risk-based assets = Tier II capital / Total risk-based assets
- (6) Tier III capital to risk-based assets = Tier III capital / Total risk-based assets
- (7) The value of common stock to total assets = the value of common stock / Total assets

6. Operating scale

- (1) Market share of assets = Total assets / Total assets of financial institutions authorized to provide businesses of deposits and loans (Note 6)
- (2) Market share of net worth = Net worth / Total net worth of financial institutions authorized to provide businesses of deposits and loans
- (3) Market share of deposits = Total deposits / Total deposits of financial institutions authorized to provide businesses of deposits and loans
- (4) Market share of loans = Total loans / Total loans of financial institutions authorized to provide businesses of deposits and loans

Note 4 : Total debt is excluding from reserves for guarantee, bills & securities purchased loss, default, and contingencies.

Note 5 : Conditions should be taken into account in calculating earnings per share:

1. It is based on the weighted-average number of shares outstanding instead of the shares outstanding at year-end.
2. In the cases of capital increased by cash or trading of Treasury stock, the various circulation periods of common stock will be taken into account when calculating the weighted-average number of shares outstanding.
3. In the cases of the increase capital by retained earnings or additional paid-in capital, the EPS calculations of previous years and semi-year will be adjusted to the percentage of capitalization retroactively and proportionally yet the issuance period of new shares will be ignored.
4. Dividends of non-convertible cumulative preferred stock (including distributed and non-distributed) would be deducted from net income or added to net loss.
5. If net income were generated, dividends of non-cumulative preferred stocks would be deducted from net income; if net loss were resulted, no required adjustment.

Note 6 : Financial institutions authorized to provide businesses of deposits and loans include domestic banks, local branches of foreign banks, Credit Co-operative associations, Credit Departments of farmers' & fishermen's banks, and Investment & Trust companies.

3. Supervisors' report for the most recent year's financial statements

**UNION BANK OF TAIWAN CO., LTD.
SUPERVISORS' REPORT**

To the 2006 Stockholders' Meeting:

Under the Article 219 of the Company Act, we have concluded that the 2005 Business Report, Statement of Loss Appropriation, and financial statements (including Balance Sheet, Income Statement, Statement of Changes in Stockholders' Equity and Statement of Cash Flow which were audited by Deloitte & Touche) preparing and submitting by the Board of Directors were presented fairly.

Yu-Quan Development Co., Ltd., Resident Supervisor

Yu Quan Lee, Representative

Zhen-Lu Lin, Supervisor

Ming-Hsing Ho, Supervisor

March 15, 2006

4. Please refer to page126- page132 for the consolidated financial statement of the parent company and its subsidiaries certified by a CPA of the most recent fiscal year.

5. If the company and its affiliates have experienced financial difficulties in the most recent fiscal year during the current fiscal year up to the date of printing of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.



6. Financial statements for the most recent fiscal year


INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Union Bank of Taiwan

We have audited the accompanying balance sheets of Union Bank of Taiwan (the "Bank") as of December 31, 2005 and 2004 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2005 and 2004 of the following equity-method investees: Union Bills Finance Corporation, Union Bank Futures Corporation, Union Finance International (H.K.) Limited, Union Security Investment Trust Corporation and Union Real-Estate Management Corporation. We also did not audit the financial statements as of and for the year ended December 31, 2004 of another equity-method investee, Union Finance and Leasing International Corporation. The balances of these long-term equity-method investments were 0.60% (NT\$1,975,773 thousand) and 1.39% (NT\$3,444,659 thousand) of the Bank's total assets as of December 31, 2005 and 2004, respectively. The equity in the investees' net income in 2005 and 2004 was 1.52% (NT\$73,537 thousand) and 35.18% (NT\$522,939 thousand), respectively, of pretax income (loss), based on the investees' 2005 and 2004 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 investment amounts and the disclosures included for these investees, is based solely on the reports of the other auditors.

We conducted our audits in accordance with Rules Governing the Audit of Financial Statements of Financial 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 the 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, on which the Bank recognized deferred losses 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 these losses not been deferred, the pretax income would have increased by NT\$2,218,846 thousand in 2004, and the balances of the other assets and unappropriated earnings would have both decreased by NT\$6,757,544 thousand as of December 31, 2004.



FINANCIAL HIGHLIGHTS

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In our opinion, based on our audits and the reports of the other auditors, except for the deferred losses on nonperforming loans described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Union Bank of Taiwan as of December 31, 2005 and 2004, 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 and generally accepted accounting principles in the Republic of China.

As stated in Note 11 to the financial statements, in 2005, the Bank was advised by the Securities and Futures Bureau of Financial Supervisory Commission of Executive Yuan to realize, in conformity with accounting principles generally accepted in the Republic of China, losses on the sale of its nonperforming loans instead of amortizing these losses.

As stated 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.

As stated in Note 33, on December 9, 2004, the Bank won a bid, which was held by the Executive Yuan's Resolution Trust Corporation Fund, and acquired all assets, liabilities and operating units of Chung Shing Bank on March 19, 2005.

We have also audited the consolidated financial statement of Union Bank of Taiwan and subsidiaries as of and for the year ended December 31, 2005, on which we have issued a modified unqualified opinion thereon in our report dated February 24, 2006.

Deloitte & Touche

February 24, 2006

Notice to Readers

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

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

UNION BANK OF TAIWAN

BALANCE SHEETS
DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2005		2004		2005		2004	
	Amount	%	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 4)	\$ 7,412,845	2	\$ 3,605,231	1	\$ 5,484,429	2	\$ 4,712,951	2
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 22)	12,651,986	4	8,459,447	3	12,247,692	4	2,687,438	1
SECURITIES PURCHASED, NET (Notes 2, 6, 22 and 23)	28,030,682	9	23,849,186	10	7,231,777	2	4,014,418	2
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 3, 22 and 24)	10,311,415	3	9,180,055	4	271,830,619	82	205,035,613	83
RECEIVABLES, NET (Notes 2, 7 and 22)	44,466,239	13	38,740,522	16	13,105,400	4	11,194,000	4
PREPAYMENTS	612,827	-	512,750	-	745,092	-	657,936	-
BILLS PURCHASED, DISCOUNTS AND LOANS, NET (Notes 2, 8 and 22)	182,118,324	55	141,367,952	57	18,253,942	6	15,171,292	6
LONG-TERM INVESTMENTS, NET (Notes 2 and 9)	3,521,089	1	3,737,442	2	63,733	-	57,783	-
Equity method	1,249,034	-	980,353	-	1,380,978	-	901,090	-
Cost method	17,777,228	6	4,150,810	2	2,119,450	1	999,713	1
Bond investments	2,294,634	1	-	-	(3,457,777)	(1)	1,599,625	1
Other long-term investments	-	-	-	-	(76,725)	-	(20,190)	-
Long-term investments, net	24,841,985	8	8,868,605	4	50,141	-	21,433	-
PROPERTY AND EQUIPMENT (Notes 2, 10 and 24)	3,489,822	1	1,101,076	-	18,333,742	6	18,730,746	8
Cost	4,826,492	2	833,957	-	-	-	-	-
Land	1,500,157	-	1,206,459	1	-	-	-	-
Buildings and improvements	191,837	-	154,308	-	-	-	-	-
Office equipment	2,12,674	3	208,204	-	-	-	-	-
Transportation equipment	10,220,982	3	3,504,004	1	-	-	-	-
Leasehold improvements	1,415,747	-	1,229,390	-	-	-	-	-
Accumulated depreciation	8,805,235	3	2,274,614	1	-	-	-	-
Prepayments for equipment	158,359	-	70,768	-	-	-	-	-
Net property and equipment	8,963,594	3	2,345,382	1	-	-	-	-
GOODWILL (Notes 2 and 33)	2,757,500	1	-	-	-	-	-	-
OTHER ASSETS (Notes 2, 11, 20 and 22)	6,811,354	2	10,103,972	4	-	-	-	-
TOTAL	\$ 328,978,751	100	\$ 247,033,102	100	\$ 328,978,751	100	\$ 247,033,102	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 24, 2006)

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES				
Due to banks (Notes 12 and 22)				
Securities sold under repurchase agreements (Notes 2, 3, 6 and 24)				
Payables and advance receipts (Notes 13 and 22)				
Deposits and remittances (Notes 14 and 22)				
Bank debentures (Notes 2, 15 and 22)				
Other liabilities (Note 2)				
Total liabilities	310,645,009	94	228,302,356	92
STOCKHOLDERS' EQUITY				
Capital stock - \$10 par value; 2005: Authorized - 2,488,926,389 shares and issued - 1,825,394,074 shares; 2004: Authorized - 2,488,926,389 shares and issued - 1,517,129,154 shares	18,253,942	6	15,171,292	6
Capital surplus	63,733	-	57,783	-
Retained earnings	1,380,978	-	901,090	-
Legal reserve	2,119,450	1	999,713	1
Special reserve	(3,457,777)	(1)	1,599,625	1
Unappropriated earnings (accumulated deficit)	(76,725)	-	(20,190)	-
Unrealized loss on long-term equity investments	50,141	-	21,433	-
Cumulative translation adjustments	-	-	-	-
Total stockholders' equity	18,333,742	6	18,730,746	8

CONTINGENCIES AND COMMITMENTS

(Notes 22, 24 and 28)

TOTAL



UNION BANK OF TAIWAN

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest revenue (Notes 2 and 22)	\$ 14,166,657	77	\$ 10,976,491	75
Service fee revenue (Notes 2 and 22)	2,553,853	14	2,421,566	17
Income on securities, net (Note 2)	691,279	4	493,995	3
Gain from long-term equity investments under the equity method, net (Notes 2 and 9)	287,971	1	624,297	4
Foreign exchange gain, net (Note 2)	82,398	-	52,223	-
Other operating revenue	690,661	4	133,880	1
Total operating revenues	18,472,819	100	14,702,452	100
OPERATING COSTS AND EXPENSES				
Interest expense (Notes 2 and 22)	4,035,562	22	2,585,000	18
Service charge expense (Note 2)	902,292	5	831,822	6
Provisions for credit and other losses (Notes 2, 7 and 8)	4,791,901	26	2,529,762	17
Other operating costs (Notes 2 and 11)	7,312,982	40	2,218,846	15
Operating and administrative expenses (Notes 2, 19 and 22)	6,534,898	35	5,425,260	37
Total operating costs and expenses	23,577,635	128	13,590,690	93
OPERATING INCOME (LOSS)	(5,104,816)	(28)	1,111,762	7
NONOPERATING INCOME AND GAIN (Note 22)	477,927	3	564,164	4
NONOPERATING EXPENSE AND LOSS	(219,633)	(1)	(189,250)	(1)
INCOME (LOSS) BEFORE INCOME TAX	(4,846,522)	(26)	1,486,676	10
INCOME TAX BENEFIT (Notes 2 and 20)	1,388,745	7	112,949	1
NET INCOME (LOSS)	\$ (3,457,777)	(19)	\$ 1,599,625	11
	2005		2004	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS (LOSS) PER SHARE (Note 21)				
Basic	\$ (2.72)	\$ (1.94)	\$ 1.00	\$ 1.07
Diluted	\$ (2.72)	\$ (1.94)	\$ 0.95	\$ 1.02

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

(With Deloitte & Touche audit report dated February 24, 2006)

UNION BANK OF TAIWAN

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Issuance Price of Common Stock)**

	Capital Stock		Capital Surplus (Notes 2 and 16)			Retained Earnings (Note 16)			Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustment (Note 2)	Net Loss Not Recognized as Pension Cost (Note 2)	Treasury Stock Shares (in Thousands) Amount	Total Stockholders' Equity
	Shares (in Thousands)	Amount	Additional Paid-in Capital	Donated Capital	Reissuance of Treasury Stock	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)					
BALANCE, JANUARY 1, 2004	1,488,926	\$ 14,889,264	\$ -	\$ 1,398	\$ 37,618	\$ 504,806	\$ 75,049	\$ 1,320,948	\$ (22,931)	\$ 58,705	(19,091)	\$ (144,151)	\$ 16,720,171
Appropriation of 2003 earnings	-	-	-	-	-	-	-	(396,284)	-	-	-	-	-
Legal reserve	-	-	-	-	-	396,284	-	(396,284)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	924,664	(924,664)	-	-	-	-	-
Net income in 2004	-	-	-	-	-	-	-	1,599,625	-	-	-	-	1,599,625
Convertible bank debenture transferred to common stock	28,203	282,028	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)	-	-	-	-	-	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	901,090	999,713	1,599,625	(20,190)	21,433	-	-	18,730,746
Appropriation of 2004 earnings	-	-	-	-	-	-	-	(479,888)	-	-	-	-	-
Legal reserve	-	-	-	-	-	479,888	-	(479,888)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	1,119,737	(1,119,737)	-	-	-	-	-
Net loss in 2005	-	-	-	-	-	-	-	(3,457,777)	-	-	-	-	(3,457,777)
Convertible bank debenture transferred to common stock	8,265	82,650	5,950	-	-	-	-	-	-	-	-	-	88,600
Allowance for unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	(56,535)	-	-	-	(56,535)
Issuance of common stock for cash - NT\$10 per share	300,000	3,000,000	-	-	-	-	-	-	-	-	-	-	3,000,000
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	28,708	-	-	28,708
BALANCE, DECEMBER 31, 2005	1,825,394	\$ 18,253,942	\$ 29,922	\$ 1,398	\$ 32,413	\$ 1,380,978	\$ 2,119,450	\$ (3,457,777)	\$ (76,725)	\$ 50,141	\$ -	\$ -	\$ 18,333,742

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 24, 2006)



UNION BANK OF TAIWAN

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (3,457,777)	\$ 1,599,625
Adjustments to determine net cash attributable to operating activities:		
Gain from long-term equity investments under the equity method	(287,971)	(624,297)
Cash dividend and remuneration to directors and supervisors recognized by the equity method	182,436	44,538
Depreciation and amortization	397,377	248,232
Amortization of loss from sale of nonperforming loans	6,761,482	2,218,846
Amortization of goodwill	551,500	-
Loss on impairment of long-term equity investment	15,936	-
Gain on disposal of properties, net	(30,612)	(70,011)
Provision for credit and other losses	4,791,901	2,529,762
Provision for allowance for decline in market value of securities purchased	4,195	50,997
Reversal of allowance for decline in market value of collaterals assumed	(90,181)	(78,085)
Deferred income taxes	(1,420,428)	(144,353)
Increase in securities purchased - for trading purposes	(5,862,907)	(5,296,755)
Increase in receivables	(5,022,225)	(9,353,478)
Decrease in prepayments	694,050	14,435
Increase (decrease) in payables and advance receipts	<u>2,480,859</u>	<u>(200,489)</u>
Net cash used in operating activities	<u>(292,365)</u>	<u>(9,061,033)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased under resell agreements	(1,131,360)	(9,180,055)
Decrease (increase) in due from the Central Bank and other banks	(2,613,009)	1,054,812
Decrease in securities purchased - for investing purposes	3,299,971	1,884,110
Increase in bills purchased, discounts and loans	(25,133,676)	(23,253,750)
Proceeds from capital deduction of an investee	1,790,126	-
Increase in long-term bond investments	(13,577,585)	(3,522,357)
Increase in other long-term investments	(2,294,634)	-
Acquisition of property and equipment	(517,608)	(314,950)
Proceeds from disposal of property and equipment	1,862	536,296
Decrease in other assets	278,814	1,114,341
Net payments of the acquisition of Chung Shing Bank	<u>(6,017,187)</u>	<u>-</u>
Net cash used in investing activities	<u>(45,914,286)</u>	<u>(31,681,553)</u>

(Continued)



	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to banks	\$ 770,461	\$ (1,119,184)
Increase in securities sold under repurchase agreements	9,560,254	2,687,438
Increase in deposits and remittances	20,798,563	31,516,774
Decrease in other liabilities	(236,126)	(54,582)
Increase in bank debentures	2,000,000	8,000,000
Issuance of common stock for cash	3,000,000	-
Reissuance of treasury stock	<u>-</u>	<u>138,946</u>
Net cash provided by financing activities	<u>35,893,152</u>	<u>41,169,392</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(10,313,499)	426,806
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	3,605,231	3,178,425
CASH AND CASH EQUIVALENTS TRANSFERRED FROM CHUNG SHING BANK - MARCH 19, 2005		
	<u>14,121,113</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 7,412,845</u>	<u>\$ 3,605,231</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 3,513,646</u>	<u>\$ 2,550,223</u>
Income tax paid	<u>\$ 70,521</u>	<u>\$ 97,185</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Convertible bank debenture transferred to common stock	<u>\$ 88,600</u>	<u>\$ 306,000</u>

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

(With Deloitte & Touche audit report dated February 24, 2006)

(Concluded)

UNION BANK OF TAIWAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

The Bank took over all assets, liabilities and operating units of Chung Shing Bank on March 19, 2005, please refer to Note 33.

As of December 31, 2005, the Bank’s operating units included Banking, Trust, Wealth Management, Security Finance and International Banking Department of the Head Office; an Offshore Banking Unit (OBU), two overseas representative offices in Hong Kong and Vietnam, and 73 domestic branches.

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

The Bank’s shares are traded on the Taiwan Stock Exchange (the “TSE”).

As of December 31, 2005 and 2004, the Bank had 3,641 and 2,780 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Bank’s financial statements have been prepared in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks 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, assets impairment, income tax and provision for losses on guarantees. Actual results could differ from these estimates.

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

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 moving-average cost, except the cost of 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 TSE; (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; beneficiary certificates (close-ended funds) - net assets values as the average closing price of the last month of accounting period; 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.

Securities Purchased or Sold Under Resell or Repurchase Agreements

The sales and purchases of bonds and short-term bills under repurchase or resell agreements are treated as financing (please see Note 3).

Nonperforming Loans

Under guidelines issued by the Ministry of Finance, 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.

Pursuant to “Regulations of the Procedures for Banking Institutions to Evaluation Assets and Deal with Past-Due/Non-Performing Loans” (the “Regulations”) issued by the Ministry of Finance (MOF), the Bank evaluates credit losses on the basis of its borrowers’/clients’ financial positions, repayments for principal and interest by borrowers/clients, collateral provided, and estimated collectibility.

In accordance with the Regulations stated above, the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits. Since July 2005, the Regulations amended the classification of loan assets, which divided the loan assets into different class subjects to special mention loans, substandard loans, doubtful loans, and loss loans. The minimum allowance for credit losses and provision for losses on guarantees for the aforementioned classes should be 2%, 10%, 50% and 100% of outstanding credits, respectively. The amendments on the classification of loan assets have no significant impact on the Bank’s financial statements.


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

For listed and OTC exchange stocks accounted for by the cost method, when the market value of an investment falls below carrying value, an allowance for decline in market value is provided and unrealized loss is charged against stockholders’ equity; and if the market value recovers, an allowance can be reversed to the aforementioned extent. If a decline in the value of an unlisted stock investment is considered as permanent loss, the decline is charged to current income. 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.



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.

Other long-term investments include beneficiary certificate for loan securitization and trust beneficiary certificates for special purpose. For OTC exchange beneficiary certificates accounted for by the cost method, when the market value of an investment falls below carrying value, an allowance for decline in market value is provided and unrealized loss is charged against stockholders' equity; and if the market value recovers, an allowance can be reversed to the aforementioned extent. For unlisted beneficiary certificates, if a decline in the value of an investment is considered as permanent loss, the decline is charged to current income.

Properties and Equipment

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

Upon sale or disposal of 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 over newly estimated useful lives.

Goodwill

The goodwill resulting from the takeover is amortized by the straight-line method over 5 years and the amortization expense is included in other operating costs.

Other Assets

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

The loss on sale of nonperforming loans was formerly amortized over 60 months in accordance with Rule No. 15 of the Financial Institution Consolidation Law. Starting in 2005, all losses on the sale of nonperforming loans are realized as losses instead of amortizing these losses.

Collaterals Assumed

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

Asset Impairment

The Bank began applying ROC Statement of Financial Accounting Standards (SFAS) No. 35, "Accounting for Asset Impairment," on January 1, 2005, which requires that cash-generating units (CGUs) and certain assets, including long-term investments accounted for by the equity method, property and equipment, goodwill, collaterals assumed (included in other assets), etc., be subject to an impairment review.



SFAS No. 35 requires the impairment review on aforementioned assets and properties on each balance sheet date. If assets or CGUs are deemed impaired, then the Bank must calculate their recoverable amounts. However, goodwill is tested for impairment annually, or more frequently if events or changes in circumstance indicate goodwill impairment, except goodwill can't be attributed to certain CGUs in the first year of consolidating. An impairment loss should be recognized on the balance sheet date if the recoverable amount of the assets or the CGU is below the carrying amount, and this impairment loss either is charged to accumulated impairment or is used to reduce the carrying amount of the assets or CGUs directly. After the recognition of an impairment loss, the depreciation (amortization) should be adjusted in future periods by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstance indicate goodwill impairment. Impairment is recorded if the book value exceeds value in use. After the impairment is recognized, the goodwill should still be amortized periodically. The increase in the recoverable amount of goodwill in the period following the recognition of an impairment loss is likely to be an increase in internally generated goodwill rather than the reversal of the impairment loss recognized for the acquired goodwill. Thus, any reversal of an impairment loss on goodwill is prohibited.

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 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 a Ministry of Finance 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 generated since 1998 is recorded as income tax in the year when the stockholders resolve to retain the earnings.

Pension

The Bank has two types of pension plans: defined benefit and defined contribution.

Pension expense under the defined benefit pension plan, which is based on the Labor Standards Law, is determined on the basis of actuarial calculation. Under the Labor Pension Act (the “Act”), which took effect on July 1, 2005, the Bank established a defined contribution plan and contributes to employees’ individual pension accounts amounts equal to 6% of salaries. Under the Act, Bank employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to be covered either by the Labor Standards Law or by the Act, with their service years until June 30, 2005 to be retained.

Contingencies

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

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 as memorandum entries at spot rates on the contract dates and paid notional amount on the exercise day. 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 premiums on the instruments are recorded as income and loss when they are exercised. Gains or losses on the exercise of options are also included in current income. The carrying values of the instruments are charged to income when they are not exercised.

Treasury Stock

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

Reclassifications

Certain accounts of the 2004 financial statements have been reclassified to conform to the presentation of the 2005 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.

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, calculating the cumulative effect of change in accounting principle is difficult. Thus, the Bank could not calculate the cumulative effect of the change in accounting principle.

The Bank began applying ROC Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment," on January 1, 2005. This accounting change did not have a significant impact on the Bank's income in 2005.

The Bank used to defer and amortize loss from the sale of nonperforming loans over 60 months in accordance with the Financial Institution Consolidation Law. The remaining unamortized balance was recorded as other assets. However, the Bank was advised by the Securities and Futures Bureau of Financial Supervisory Commission of the Executive Yuan to realize, starting in 2005, the loss from the sale of its nonperforming loans in conformity with accounting principles generally accepted in the Republic of China instead of amortizing this loss. Thus, the related loss recognized in 2005 was \$4,542,807.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Checks for clearing	\$ 3,433,350	\$ 838,557
Cash on hand	2,969,196	1,710,624
Due from banks	<u>1,010,299</u>	<u>1,056,050</u>
	<u>\$ 7,412,845</u>	<u>\$ 3,605,231</u>

5. DUE FROM THE CENTRAL BANK AND BANKS

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Due from the Central Bank		
Deposit reserve - checking account	\$ 6,068,061	\$ 4,529,569
Required deposit reserve	5,149,713	3,253,521
Reserves for deposits - foreign-currency deposits	<u>11,501</u>	<u>6,989</u>
	11,229,275	7,790,079
Call loans to banks and bank's overdrafts	<u>1,422,711</u>	<u>669,368</u>
	<u>\$ 12,651,986</u>	<u>\$ 8,459,447</u>

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

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

6. SECURITIES PURCHASED

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Listed and OTC exchange		
Government bonds	\$ 10,051,419	\$ 4,245,359
Stocks	992,468	264,936
Corporate bonds	<u>904,218</u>	<u>229,853</u>
	<u>11,948,105</u>	<u>4,740,148</u>
Beneficiary certificates	2,725,691	2,081,245
Negotiable certificates of deposits	13,000,000	16,350,000
Bank debentures	310,196	600,000
Overseas corporate bonds	164,300	158,840
Commercial paper	<u>-</u>	<u>29,912</u>
	28,148,292	23,960,145
Less: Allowance for decline in market value	<u>117,610</u>	<u>110,959</u>
	<u>\$ 28,030,682</u>	<u>\$ 23,849,186</u>



The market values of listed and OTC exchange government bonds, stocks, corporate bonds and beneficiary certificates as of December 31, 2005 and 2004 were as follows:

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Government bonds	\$ 9,995,554	\$ 4,221,148
Stocks	894,802	265,922
Corporate bonds	995,846	251,506
Beneficiary certificates	2,825,293	2,043,355

As of December 31, 2005 and 2004, the Bank's securities purchased amounting to \$8,304,492 and \$2,687,438, respectively, had been sold under repurchase agreements.

7. RECEIVABLES

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 41,870,788	\$ 36,334,918
Interest receivable	1,395,900	1,256,323
Accrued revenue	479,553	369,604
Inter-bank clearing fund receivable	300,111	253,477
Acceptances receivable	293,948	267,715
Other	813,313	943,313
	<u>45,153,613</u>	<u>39,425,350</u>
Less: Allowance for credit losses	<u>687,374</u>	<u>684,828</u>
	<u>\$ 44,466,239</u>	<u>\$ 38,740,522</u>

8. BILLS PURCHASED, DISCOUNTS AND LOANS

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Discounts and overdraft	\$ 714,263	\$ 719,921
Loans		
Short-term - unsecured	22,539,264	23,153,068
- secured	11,453,263	6,353,797
Medium-term - unsecured	30,947,582	21,455,474
- secured	15,139,828	16,456,511
Long-term - unsecured	11,844,281	6,741,811
- secured	85,534,655	63,670,208
Bills purchased and import/export negotiations	93,635	115,492
Nonperforming loans	<u>5,227,961</u>	<u>4,007,087</u>
	<u>183,494,732</u>	<u>142,673,369</u>
Less: Allowance for credit losses	<u>1,376,408</u>	<u>1,305,417</u>
	<u>\$ 182,118,324</u>	<u>\$ 141,367,952</u>

As of December 31, 2005 and 2004, the balances of nonaccrual loans were \$5,227,961 and \$4,007,087, respectively. The unrecognized interest revenues on nonperforming loans amounted to \$238,994 in 2004 and \$262,792 in 2004.

In 2005 and 2004, all credits written off had been subjected to legal proceedings before being written off.

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

	2005		
	Specific Provision	General Provision	Total
Balance, beginning of year	\$ 1,298,289	\$ 7,128	\$ 1,305,417
Provision	2,286,882	(1,111,067)	1,175,815
Write-off	(4,234,553)	-	(4,234,553)
Recovery of written-off credits	168,291	-	168,291
Transfer from Chung Shing Bank	1,855,334	1,104,102	2,959,436
Result from change of foreign exchange rate	2,002	-	2,002
Balance, end of year	<u>\$ 1,376,245</u>	<u>\$ 163</u>	<u>\$ 1,376,408</u>
	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
Result from change in foreign exchange rate	(4,090)	-	(4,090)
Balance, end of year	<u>\$ 1,298,289</u>	<u>\$ 7,128</u>	<u>\$ 1,305,417</u>

1. LONG-TERM INVESTMENTS

	December 31			
	2005		2004	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
Equity investments				
Equity method				
Union Bills Finance Corporation	\$ 1,447,568	42.76	\$ 1,400,232	42.76
Union Finance and Leasing International Corporation	1,324,446	100.00	1,185,911	99.99
Union Bank Futures Corporation	213,093	99.07	512,255	99.07
Union Finance International (H.K.) Limited	200,835	99.99	188,512	99.99
Union Information Technology Corporation	122,723	99.98	182,531	99.92
Union Security Investment Trust Corporation	68,206	35.00	119,274	35.00
Union Insurance Broker Company	64,240	100.00	50,513	90.07
Union Real-Estate Management Corporation	46,071	40.00	38,475	40.00
Morgan Stanley Union Bank Asset Management Corporation	22,787	49.00	49,158	49.00
Union Securities Investment Consulting Company	11,120	100.00	10,581	99.40
	<u>3,521,089</u>		<u>3,737,442</u>	

(Continued)



	December 31			
	2005		2004	
	Amount	Holding Ratio (%)	Amount	Holding Ratio (%)
Cost method				
Listed				
Taiwan Cooperative Bank	\$ 215,189	0.32	\$ -	-
Unlisted				
Entie Securities Finance Company	622,188	12.15	622,188	12.15
Financial Information Service Company	118,782	2.39	45,500	1.14
Taiwan Asset Management Corporation	100,000	0.57	100,000	0.57
Taiwan Financial Asset Service Corporation	50,000	2.94	50,000	2.94
Global Securities Finance Corporation	43,935	0.53	-	-
Universal Venture Fund Inc.	38,097	4.76	80,000	4.76
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
Hua Eng Venture Capital Corporation	12,975	4.55	-	-
Taiwan Future Exchange Corporation	10,250	0.51	10,250	0.51
Other	18,998		800	
	<u>1,302,029</u>		<u>980,353</u>	
Less: Unrealized losses	52,995		-	
	<u>1,249,034</u>		<u>980,353</u>	
Bond investments				
Long-term bond investments	<u>17,777,228</u>		<u>4,150,810</u>	
Other long-term investments				
Taishin Collateralized Bond Obligation Special Purpose Trust 2	2,158,189		-	
Chinatrust Commercial Bank Collateralized Bond Obligation Special Purpose Trust	100,000		-	
Chinatrust Commercial Bank 2004-A Special Purpose Trust	36,445		-	
	<u>2,294,634</u>		<u>-</u>	
	<u>\$ 24,841,985</u>		<u>\$ 8,868,605</u>	

The gain (loss) from equity-method investments were as follows:

	For the Years Ended December 31	
	2005	2004
Equity method		
Union Bills Finance Corporation	\$ 136,556	\$ 117,164
Union Finance and Leasing International Corporation	119,359	463,580
Union Information Technology Corporation	62,435	48,508
Union Insurance Broker Company	26,204	15,867
Union Real-Estate Management Corporation	7,596	11,485
Morgan Stanley Union Bank Asset Management Corporation	5,961	35,428

(Continued)



	For the Years Ended December 31	
	2005	2004
Union Finance International (H.K.) Limited	\$ 5,140	\$ 6,428
Union Securities Investment Consulting Company	475	1,555
Union Bank Futures Corporation	(24,687)	(87,397)
Union Security Investment Trust Corporation	(51,068)	11,679
	<u>\$ 287,971</u>	<u>\$ 624,297</u>

The equity in net gain of equity - method investees was based on the investees' audited financial statements for 2005 and 2004, respectively.

The market values of the listed stocks, based on the average daily closing prices in December 2005 were \$162,194.

In 2005, the Bank recognized a realized loss of \$15,936 on the decline in value of a long-term equity investment in Universal Venture Fund Inc., accounted for by the cost method.

As of December 31, 2005, part of the unrealized loss on long-term equity investments (included in stockholders' equity as deductions) resulting from the market value decline of listed stocks amounted to \$52,995, and part of the unrealized loss on long-term equity investments held by Union Finance and Leasing International Corporation, an equity-method investee of the Bank, amounted to \$23,730.

As of December 31, 2005, long-term bond investments amounting to \$3,943,200 had been sold under repurchase agreements.

0. PROPERTY AND EQUIPMENT

	December 31	
	2005	2004
Cost	<u>\$ 10,220,982</u>	<u>\$ 3,504,004</u>
Accumulated depreciation		
Buildings and improvements	209,085	111,287
Office equipment	994,005	904,356
Transportation equipment	130,658	116,124
Leasehold improvements	81,999	97,623
	<u>1,415,747</u>	<u>1,229,390</u>
Prepayments for equipment	<u>158,359</u>	<u>70,768</u>
	<u>\$ 8,963,594</u>	<u>\$ 2,345,382</u>

**11. OTHER ASSETS**

	December 31	
	2005	2004
Collaterals assumed, net	\$ 3,432,095	\$ 1,560,287
Deferred tax assets, net	1,879,292	458,864
Guarantee deposits	1,204,698	1,089,454
Deferred charges	294,270	237,823
Deferred loss from sale of nonperforming loans	-	6,757,544
Other	999	-
	<u>\$ 6,811,354</u>	<u>\$ 10,103,972</u>

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

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

The above losses were 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 in 2004, and the balances of the other assets and unappropriated earnings would have both decreased by \$6,757,544 as of December 31, 2004.

Starting in 2005, the Bank realizes the losses from the sale of its nonperforming loans in conformity with the generally accepted accounting principles in the Republic of China instead of amortizing these losses.

As of December 31, 2005 and 2004, payments of \$51,462 and \$102,925, respectively, had not been received from the Morgan Stanley Union Bank Asset Management Corporation.

12. DUE TO BANKS

	December 31	
	2005	2004
Call loans	\$ 4,056,121	\$ 3,094,493
Due to the Central Bank and other banks	1,391,887	1,587,176
Overdraft	<u>36,421</u>	<u>31,282</u>
	<u>\$ 5,484,429</u>	<u>\$ 4,712,951</u>

13. PAYABLES AND ADVANCE RECEIPTS

	December 31	
	2005	2004
Notes and checks in clearing	\$ 3,433,350	\$ 838,557
Interest payable	1,245,668	715,012
Accrued expenses	470,613	571,576
Advance receipts	398,514	357,862
Bank acceptances payable	295,404	274,193
Accounts payable	280,652	180,806
Accounts payable on wire transfers received	186,942	227,562
Collections payable	168,887	45,178
Other	751,747	803,672
	<u>\$ 7,231,777</u>	<u>\$ 4,014,418</u>

14. DEPOSITS AND REMITTANCES

	December 31	
	2005	2004
Savings	\$ 173,244,124	\$ 114,948,127
Time	47,754,229	39,585,823
Post Saving Redeposit	21,168,398	20,105,317
Demand	20,516,201	18,244,150
Negotiable certificates of deposit	5,717,400	10,027,800
Checking	3,369,182	2,112,715
Inward and outward remittances	61,085	11,681
	<u>\$ 271,830,619</u>	<u>\$ 205,035,613</u>

15. BANK DEBENTURES

	December 31		Term
	2005	2004	
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	2,605,400	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.
First subordinated bank debentures issued in 2004	1,500,000	1,500,000	Average one year time savings deposit rate of First Bank, Hua Nan Bank, Chang Hwa Bank, Land Bank, Taiwan Cooperative Bank and Bank of Taiwan plus 1%; maturity: June 2010.

(Continued)



	<u>December 31</u>		Term
	2005	2004	
Second subordinated bank debentures issued in 2004	3,500,000	3,500,000	Fixed interest rate of 3.55%; maturity: June 2010.
First subordinated bank debentures issued in 2005	2,000,000	-	Fixed interest rate of 2.60%; maturity: June 2011.
	<u>\$ 13,105,400</u>	<u>\$ 11,194,000</u>	

The Bank issued \$3,000,000 of zero coupon par valued convertible bank debentures (the “Debentures”) in the denomination of \$100 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.
- 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 “put 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.

The conversion price is subject to adjustment based on certain terms of the related indenture. As of December 31, 2005, the conversion price was NT\$10.71.

The bondholders had converted the Debentures amounting to \$394,600 into 36,467,681 common shares as of December 31, 2005.

Based on the related indenture, if the average closing price of the Bank’s common stocks in 20 consecutive days is lower than 90% of the conversion price set on the issuance day, the conversion price has to be adjusted. Thus, on February 13, 2006, the conversion price was adjusted to NT\$9.45.

16. STOCKHOLDERS' EQUITY

- a. As of December 31, 2004, the Bank's capital was \$18,253,942, representing 1,825,394,074 common shares. In 2005, some debentures were converted into 8,264,920 common shares in accordance with the conversion terms. As of December 31, 2005, the debentures were converted into 36,467,681 common shares.

In February 2005, the Bank's capital increased by cash amounting to \$3,000,000, representing 300,000,000 common shares with NT\$10.00 par value.

In addition, the stockholders approved the revision of the Bank's Articles to effect a capital increase to \$24,889,264. From the increase, a reserve of authorized capital amounting to \$1,000,000 was also appropriated for the issuance of warrant.

- b. 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 (SFB).

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

- c. Retained earnings

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

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

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

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

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



In their meeting on June 10, 2005, the stockholders approved the appropriation of a legal reserve of \$479,888 from the 2004 earnings, and from the remainder, a special reserve of \$1,119,737 for deferred loss from the sale of nonperforming loans.

In their meeting on June 11, 2004, the stockholders approved the appropriation of a legal reserve of \$396,284 from the 2003 earnings, and from the remainder, a special reserve of \$924,664 for deferred loss from the sale of nonperforming loans.

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. The special reserve is subject to earning appropriation to the extent of debit balance of aforementioned accounts.

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

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

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 1998. Related information is shown in item (c) of Note 20.

17. TREASURY STOCK

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

Under the Securities and Exchange Law, the Bank should not acquire treasury stock in excess of 10% of its total shares outstanding. In addition, the Bank should not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and realized capital surplus arising from gains on disposal of properties and donated capital. The Bank should not use treasury stock to secure any of its obligations and to exercise any stockholders' rights on those stocks.

In 2004, the highest number of treasury shares held by the Bank was 19,091,000 shares, and the highest balance of treasury stock was \$144,151.

All of the shares repurchased were reissued to employees in January 2004.

18. PENSION

The Labor Pension Act (the “Act”), which took effect on July 1, 2005, provides for a defined contribution pension plan. Employees subject to the earlier promulgated Labor Standards Law (the “Law”) were allowed to choose between continuing to be subject to the Law or being subject to the Act. If Bank employees subject to the Law chose to be subject to the Act, their service years before the enforcement of this Act will be retained.

Under the Labor Standards Law, the Bank has a defined benefit pension plan covering all regular employees. The Bank makes monthly contributions at 3.7% of salaries to a pension fund, which is deposited to the Labor Pension Fund (managed by the employees’ pension fund administrative committee) the Central Trust of China and to an employee pension account (established in Taipei branch of the Bank), respectively. As of December 31, 2005 and 2004, the accounts amounted to \$414,103 and \$387,040, respectively.

Based on the Labor Pension Act, the Bank has made monthly contributions to the employees’ individual pension accounts at 6% of employee salaries. These contributions amounted to \$40,171 as of December 31, 2005.

a. Pension fund changes are summarized below:

	2005	2004
Balance, January 1	\$ 387,040	\$ 349,021
Contributions	49,850	40,533
Benefits paid	(29,198)	(7,761)
Interest revenue	<u>6,412</u>	<u>5,247</u>
Balance, December 31	<u>\$ 414,104</u>	<u>\$ 387,040</u>

b. Net pension costs in 2005 and 2004 are summarized below:

	2005	2004
Service cost	\$ 43,836	\$ 45,647
Interest cost	16,058	12,260
Expected return on plan assets	(12,261)	(12,793)
Net amortization and deferral	(519)	(519)
Net amortization of gain or loss of pension	<u>1,357</u>	<u>-</u>
Net pension cost	48,471	44,595
Adjustment - reflect actual pension cost	<u>-</u>	<u>(4,033)</u>
Pension expense	<u>\$ 48,471</u>	<u>\$ 40,562</u>



- c. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2005 and 2004 is as follows:

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Benefit obligation		
Vested benefit obligation	\$ 65,596	\$ 74,532
Non-vested benefit obligation	<u>350,244</u>	<u>258,786</u>
Accumulated benefit obligation	415,840	333,318
Additional benefits based on future salaries	<u>105,536</u>	<u>133,448</u>
Projected benefit obligation	521,376	466,766
Fair value of plan assets	<u>(416,512)</u>	<u>(388,313)</u>
Funded status	104,864	78,453
Unrecognized prior service cost	7,518	8,037
Unrecognized pension loss	<u>(112,921)</u>	<u>(80,464)</u>
Accrued pension cost (prepaid pension cost)	<u>\$ (539)</u>	<u>\$ 6,026</u>
d. Vested benefits obligation	<u>\$ 71,511</u>	<u>\$ 85,962</u>

- e. Actuarial assumptions

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

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>2005</u>	<u>2004</u>
Personnel expenses		
Salaries and wages	\$ 1,703,067	\$ 1,370,917
Bonus and rewards	446,621	437,467
Labor insurance and national health insurance	154,672	122,046
Pension	88,917	40,562
Other	17,371	16,017
Depreciation	318,001	194,476
Amortization	79,376	53,756

20. INCOME TAX BENEFIT

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

	<u>2005</u>	<u>2004</u>
Income tax on income before income tax at 25% statutory rate	\$ -	\$ 371,659
Permanent difference	(262,396)	(305,917)
Temporary difference	(228,249)	129,854
Loss carryforward	-	(195,066)
Investment tax credit	-	<u>(530)</u>
Current tax payable	<u>(490,645)</u>	-

(Continued)



	2005	2004
Loss carryforward unused	\$ 490,645	\$ -
Change in deferred income tax	(1,420,428)	(144,353)
Separate tax on interest income on short-term bills	28,399	26,844
Prior year's income tax adjustment	<u>3,284</u>	<u>4,560</u>
Income tax benefit	<u>\$ (1,388,745)</u>	<u>\$ (112,949)</u>

- b. As of December 31, 2005 and 2004, net deferred income tax consisted of the tax effects of the following:

	<u>December 31</u>	
	2005	2004
Loss on selling nonperforming loans	\$ 1,135,311	\$ -
Loss carryforwards	785,255	337,096
Unrealized loss on collaterals assumed	27,929	50,475
Investment tax credit	27,583	20,732
Other	8,675	28,637
Unrealized foreign exchange loss (gain)	(5,536)	101,285
Investment income under the equity method	<u>(18,349)</u>	<u>(17,065)</u>
	1,960,868	521,160
Allowance for valuation of deferred income tax assets	<u>81,576</u>	<u>62,296</u>
Net deferred income tax assets (included in other assets)	<u>\$ 1,879,292</u>	<u>\$ 458,864</u>

The loss carryforwards as of December 31, 2005 may be used to reduce the Bank's taxable income until 2010; investment tax credits of research development and personnel training expense may be used to reduce the Bank's taxable income until 2009.

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

	<u>December 31</u>	
	2005	2004
Balances of the imputation credit account	<u>\$ 85,377</u>	<u>\$ 376,555</u>

As of December 31, 2005, 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 regard to withholding tax. Under the compromise agreement, the Bank will get a 65% refund on the withholding tax for the years before 2002. Thus, the Bank recognized an income tax expense for the unrefunded 35% of the tax.



21. EARNINGS (LOSS) PER SHARE

The Bank issued convertible bonds, which could be transferred to common stocks of the Bank; thus, the capital structure of the Bank is complicated, and the calculation of basic and diluted earnings per share (EPS) is required. However, since the bottom line of the Bank in 2005 showed a net loss, convertible bonds will have an anti-dilutive effect in calculating loss per share; thus, the potential common shares were not included in the diluted loss per share calculation. The numerators and denominators used in computing EPS are summarized as follows:

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>Earnings (Loss) Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>2005</u>					
Basic and diluted loss per share	<u>\$ (4,846,522)</u>	<u>\$ (3,457,777)</u>	<u>1,782,375</u>	<u>\$ (2.72)</u>	<u>\$ (1.94)</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> -</u>	<u> -</u>	<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>

22. RELATED-PARTY TRANSACTIONS

The Bank's related parties were as follows:

a. Related parties

<u>Related Party</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 director
Union Enterprise Construction Co., Ltd. (UECC)	Its chairman is a Bank 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
Morgan Stanley union Bank Assets Management Corporation (MSUB)	Equity-method investee
Shing Yin Hong Leasing Corporation (SYH)	Subsidiary (which was merged with UFLIC on September 31, 2005, with the latter as survivor entity)
Other	Directors, supervisors, managers, their relatives and affiliates. Some of the related parties with which the Bank had no transactions in 2005 and 2004 are shown in Table 4 (attached)

b. Significant transactions with related parties:

1) Loans

	December 31		Interest Revenue			
	Amount	%	Rate	Amount	%	
2005	\$ 4,225,613	2.30	1.670%-18.250%	\$ 92,750	0.65	
2004	5,102,030	3.58	1.675%-14.000%	72,096	0.66	

2) Deposits

	December 31		Interest Expense			
	Amount	%	Rate	Amount	%	
2005	\$ 4,282,605	1.58	0%-7.40%	\$ 62,329	1.55	
2004	4,757,045	2.32	0%-7.40%	58,951	2.28	

3) Guarantees and letters of credit

	December 31	
	Amount	%
2005	\$ 352,236	3.39
2004	186,222	1.88

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

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Revenue
2005	\$ 1,590,000	\$ -	1.19%-1.44%	\$ 2,277
2004	1,705,000	-	0.90%-1.18%	5,207

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

	Highest Balance During the Year	Balance as of December 31	Rate	Interest Expense
2005	\$ 340,000	\$ -	1.180%-1.425%	\$ 169
2004	670,000	-	0.865%-1.650%	631

6) Securities purchased under resell agreements

	December 31			
	2005		2004	
	Amount	Rate	Amount	Rate
Securities purchased under resell agreements	\$ 1,678,422	1.34%-1.50%	\$ 1,077,370	1.00%-1.21%



7) Securities brokerage fees

	Years Ended December 31	
	Amount	%
2005	\$ 4,611	5.55
2004	8,294	7.44

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. (exclude approval of loan application). The consulting fees and related expenses paid in 2005 and 2004 were \$387,816 and \$457,251, respectively, and the accrued expenses as of December 31, 2005 and 2004 were \$348 and \$64,253, 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 Dept., Consumer Banking Dept., Security Finance Dept., Credit Card Dept., Northern Collaterals Assumed Appraise Center, Jiouru Cash Card Center and five branches. Rentals are payable quarterly, with some contracts allowing placement with the lessor of lease deposits in lieu of rental payments. Rental expenses were as follows:

	Lease Deposit		Rental Expense	
	Amount	%	Amount	%
<u>2005</u>				
Yu-Pang	\$ 454,220	37.70	\$ 15,649	2.69
Hung-Kuo	228,721	18.99	124,804	21.45
Yong-Xuan	19,521	1.62	82,341	14.15
UECC	5,019	0.42	9,980	1.71
UBF	90	0.01	364	0.06
UFLIC	-	-	133	0.02
<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

b) The Bank as lessor

The Bank's Tauring Branch leased part of its office premises to UFLIC under an operating lease agreement starting in December 1999. The lease term is 10 years until December 2009. The leasing revenues received were \$904 in 2005 and \$913 in 2004. In addition, the Bank's Song Jiang Branch and the Head Office leased part of its office and a minibus to SYH under operating lease contracts that started in October 2004 and March 2005, respectively, and ended in June 2005. The leasing revenue received in 2005 was \$1,068.

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

The Bank sold to MSUB a part of its nonperforming loans and related collateral property, which amounted to \$205,849. Of this amount, \$51,462 and \$102,925 had not been received as of December 31, 2005 and 2004, respectively.

11) Securities purchased

As of December 31, 2005 and 2004, the Bank had bought 61,438,962 and 25,839,159 units, respectively, of beneficiary certificates issued by USITC, which amounted to \$652,075 and \$231,238, respectively.

12) Bank debentures

As of December 31, 2005 and 2004, UBF was holding the Bank's debentures amounting to \$785,400 and \$983,800, respectively.

Under the Banking Law, except for consumer and government loans, credits extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between the Bank and related parties, the terms are similar to those transacted with third parties, except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

23. PLEDGED ASSETS

As of December 31, 2005 and 2004, government bonds, bank debentures and negotiable certificates of deposit, which amounted to \$1,293,500 and \$1,331,700, respectively, had been provided to the courts, the Central Trust Bureau and the Central Bank as guarantee deposits on provisional seizures against the debtors' properties, as reserve of credit card receivables, as guarantee deposits on bills finance operations, and as trust reserve. In addition, negotiable certificates of deposit aggregating \$3,200,000 and \$2,300,000 had been provided to the Central Bank as collateral for the day-term overdraft as of December 31, 2005 and 2004, 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, Shin-Dian and Wujia branches, lease deposits are made in lieu of lease payments, and rental expenses are recognized at imputed interests of 1.55%. Future minimum lease payments are as follows:

Year	Amount
2006	\$ 415,530
2007	366,914
2008	326,652
2009	245,853
2010	109,448

The present value of total rentals beyond 2010 amounted to \$162,100, is about \$144,364 using the Bank's one-year time deposit interest rate of 1.95% posted on January 1, 2006.

b. Computer equipment purchase contracts

The Bank is under contracts for acquisition of computer equipment and software for \$250,025, of which \$121,198 (included in prepayments for equipment) had been paid as of December 31, 2005

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

As of December 31, 2005, short-term bills and bonds with a total cost of \$12,247,692 were sold under agreements to repurchase them for \$12,267,174 between January 2006 and March 2006.

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

As of December 31, 2005, short-term bills and bonds with a total cost of \$10,311,415 were purchased under agreements to resell them for \$10,317,625 in January 2006.

e. Balance sheet of trust accounts and trust property accounts

Balance Sheet of Trust Accounts December 31, 2005

Trust Assets	Amount	Trust Liabilities and Capital	Amount
Bank deposits	\$ 100,455	Income tax payable	\$ 56
Short-term investments		Trust capital	18,246,697
Bonds	100,483	Reserve and deficit	<u>28,205</u>
Mutual funds	16,554,442		
Long-term investments	108,046		
Real estate - land and building	<u>1,411,532</u>		
Total	<u>\$ 18,274,958</u>	Total	<u>\$ 18,274,958</u>

**Trust Property Accounts
December 31, 2005**

Investment Portfolio

	Amount
Demand deposits	\$ 100,455
Short-term investments	
Bonds	100,483
Mutual funds	16,554,442
Long-term investments	108,046
Real estate - land and building	<u>1,411,532</u>
	<u>\$ 18,274,958</u>

- f. The Bank acquired loan receivables of about \$31 hundred million from Cetelem Bank by public auction and signed a contract to buy these receivables on December 19, 2005. As of February 24, 2006, the date of the accompanying auditors' report, the Bank had not completed the transaction with Cetelem Bank. The selling price will be determined at the amount of the loan receivables

25. CAPITAL ADEQUACY RATIO

The Banking Law and related regulations require a Bank to maintain a capital adequacy ratio of at least 8%. If a Bank's capital adequacy ratio falls below 8%, the authorities may impose certain restrictions on the cash dividends that the Bank can declare or, in certain conditions, prohibit it from declaring cash dividends.

As of December 31, 2005 and 2004, the Bank's standalone capital adequacy ratios were 8.87% and 12.40%, respectively, and the consolidated capital adequacy ratios were 9.69% and 12.48%, respectively.

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

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

	2005		2004	
	Average Amount	Average Rate (%)	Average Amount	Average Rate (%)
<u>Assets</u>				
Cash and cash equivalents - due from banks	\$ 975,372	1.34	\$ 860,002	1.09
Due from the Central Bank and call loans	9,434,314	1.22	9,127,943	1.09
Securities purchased	35,545,316	1.94	27,709,381	1.78
Bills purchased, discounts and loans	164,302,474	4.81	131,223,207	4.79
Long-term bond investments	10,869,817	6.22	2,645,421	4.49
<u>Liabilities</u>				
Due to banks	7,028,858	2.50	8,300,974	1.21
Demand	17,357,702	0.53	15,302,490	0.35
Savings	45,298,621	0.70	32,891,048	0.69
Time	42,792,658	1.60	39,593,957	1.27
Post saving redeposit	20,228,318	1.81	19,743,051	1.61
Time-savings	108,236,565	1.67	68,870,508	1.60
Negotiable certificates of deposit	4,522,750	1.36	6,961,333	1.18
Bank debentures	11,260,921	2.66	4,508,727	2.98



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, 2005			
	Due in One Year	Due Between After One Year and Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	\$ 7,412,845	\$ -	\$ -	\$ 7,412,845
Due from the Central Bank and other banks	12,651,986	-	-	12,651,986
Securities purchased	28,148,292	-	-	28,148,292
Receivables	45,153,613	-	-	45,153,613
Securities purchased under resell agreements	10,311,415	-	-	10,311,415
Bills purchased, discounts and loans	51,689,227	38,759,185	93,046,320	183,494,732
Long-term bond investments	-	17,777,228	-	17,777,228
	<u>\$ 155,367,378</u>	<u>\$ 56,536,413</u>	<u>\$ 93,046,320</u>	<u>\$ 304,950,111</u>

Liabilities				
Due to banks	\$ 5,484,429	\$ -	\$ -	\$ 5,484,429
Securities sold under repurchase agreements	12,247,692	-	-	12,247,692
Payables and advance receipts	7,231,777	-	-	7,231,777
Deposits and remittances	258,776,463	13,054,156	-	271,830,619
Bank debentures	-	13,105,400	-	13,105,400
	<u>\$ 283,740,361</u>	<u>\$ 26,159,556</u>	<u>\$ -</u>	<u>\$ 309,899,917</u>

	December 31, 2004			
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets				
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	23,960,145	-	-	23,960,145
Securities purchased under resell agreements	9,180,055	-	-	9,180,055
Receivables	39,425,350	-	-	39,425,350
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>\$ 128,470,972</u>	<u>\$ 34,867,017</u>	<u>\$ 68,116,418</u>	<u>\$ 231,454,407</u>

(Continued)



	December 31, 2004			
	Due in One Year	Due Between After One Year and Seven Years	Due After Seven Years	Total
Liabilities				
Due to banks	\$ 4,712,951	\$ -	\$ -	\$ 4,712,951
Securities sold under repurchase agreements	2,687,438	-	-	2,687,438
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>\$ 197,444,964</u>	<u>\$ 30,199,456</u>	<u>\$ -</u>	<u>\$ 227,644,420</u>

28. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

The Bank is exposed to credit risk from counter-parties' default on contracts. The Bank enters into contracts with customers that pass the credit approval process and provide the necessary collateral. Guarantee deposits may also be required, depending on the customer's credit standing. The transactions are then made within each customer's credit limit. Transactions with other banks are made within the trading limit prescribed for each bank based on the bank's credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of the provision for credit losses.

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

	December 31, 2005			December 31, 2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For nontrading purposes:						
Asset swap contracts	\$ 197,160	\$ -	\$ (2,957)	\$ 285,912	\$ 20,004	\$ 20,004
For accommodating customers' needs and managing the Bank's exposures:						
Forward contracts	5,500,012	5,612	3,884	3,288,513	32,529	24,290
Currency swap contracts	6,320,178	75,803	25,104	3,301,937	7,712	12,523
Cross-currency swap contracts	29,999	35	35	65,729	164	164



	December 31, 2005			December 31, 2004		
	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written
Options						
Long position	\$ 352,825	\$ -	\$ 540	\$ -	\$ -	\$ -
Short position	352,825	-	(540)	-	-	-

The fair value of each contract is determined using the quotation from Reuters or the Money Line 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 the actual 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, 2005 and 2004 were insignificant.

b. Fair values of nonderivative financial instruments

	December 31, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 258,165,507	\$ 258,165,507	\$ 202,442,601	\$ 202,442,601
Securities purchased, net	28,030,682	28,030,682	23,849,186	23,849,186
Long-term investments, net	24,841,985	24,841,985	8,868,605	8,868,605
<u>Liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	296,821,795	296,821,795	216,320,075	216,320,075
Bank debentures	13,105,400	13,365,682	11,194,000	11,536,979

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

- 1) The carrying amounts of cash and cash equivalents, due from the Central Bank and banks, securities purchased under resell agreements, receivables, securities sold under repurchase agreements, 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 equity investments, long-term bond investments, other long-term 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) Bills purchased, discounts, loans, deposits and appropriated loan fund 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.

- 4) 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. Thus, 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, 2005 and 2004, the loan interest rates ranged from 1.00% to 11.85% and 1.45% to 13.09%, 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, 2005 and 2004 were as follows:

	December 31	
	2005	2004
Credit commitments for credit cards	\$ 345,850,516	\$ 764,577,789
Guarantees and standby letters of credit	10,391,657	9,920,312
Irrevocable loan commitments	821,880	969,813

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, 2005 and 2004, secured loans amounted to about 63.33% and 62.93%, respectively, of the total loans. In addition, the coverage ratios of guarantees and standby letters of credit secured by collaterals were 50.73% and 60.80% as of December 31, 2005 and 2004, respectively. Collaterals held vary but may include real estate, cash, inventory, marketable securities, and other property. If 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. The Bank has no credit risk concentration in any counter party or group of counter parties. Credit risk concentration information please refer to Note 30.



The net positions on the major foreign-currency transactions as of December 31, 2005 and 2004 were as follows:

		2005		2004		
	Foreign-currency Amounts (in Thousands)	New Taiwan Dollar Amounts		Foreign-currency Amounts (in Thousands)	New Taiwan Dollar Amounts	
1.	USD	32,437	\$ 1,065,863	1.	USD 38,039	\$ 1,208,422
2.	HKD	7,029	29,786	2.	JPY 2,504,966	774,035
3.	JPY	102,795	28,649	3.	EUR 1,922	83,082
4.	EUR	623	24,252	4.	NZD 1,154	26,370
5.	SGD	252	4,973	5.	HKD 2,994	12,230

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, 2005	December 31, 2004
Overdue loans (including nonperforming loans) (Note 1)	\$ 6,899,153	\$ 3,598,624
Nonperforming loans	5,227,961	4,007,087
Overdue loan ratio (Note 2)	3.76%	2.52%
Classified loans (Note 3)	-	1,793,851
Ratios of classified loans to total loans	-	1.26%
Allowance for credit losses	1,376,408	1,305,417
Write-off amounts of credits (Note 4)	4,234,553	798,522

Note 1: a) Before June 30, 2005, overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the Ministry of Finance (MOF) letters dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

b) Since July 1, 2005, overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the MOF letters dated January 6, 2004 (Ref. No. Tai-Tsai-Zong 928011826).

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



Note 3: Loans subject to observation are mid-term and long-term loans repayable in installments repayment on which is delinquent for more than three months but less than six months; other loans(the repayment of) principal on which is overdue by less than three months and interest thereon is overdue by more than three months but less than six months; loans that would normally be required to be reported as an overdue loan but for having been exempted from such reporting (including loans for which an agreement has been reached to repay such loan in installments, loans for which a credit insurance fund will cover such repayment as evidenced by a sufficient certificate of deposit or reserve, loans for which repayment has, by agreement, been extended due to the September 21, 1999 earthquake, loans for which the collateral has been sold at auction and the proceeds of such auction are yet to be distributed, and loans extended under other approved exempt loan programs).

Note 4: Write-off amounts of credits = Accumulated write-off amounts of credits for the years ended December 31, 2005 and 2004.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Items	December 31, 2005		December 31, 2004	
Credit extensions to interest parties	\$5,521,913		\$6,559,695	
Ratios of credit extensions to interest parties	2.94%		4.45%	
Ratios of credit extensions secured by pledged stocks	2.96%		1.84%	
Industry concentration (the top three industries by industry credit ratio)	Industry	Percentage	Industry	Percentage
	Individuals	70.54%	Individuals	70.41%
	Finance, insurance and real estate	10.91%	Finance, insurance and real estate	9.83%
	Wholesale, retail sale and food	4.86%	Manufacturing	5.25%

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

b) Ratio of credit extensions to interest parties: $\text{Credit extensions to interested parties} \div \text{Total credits}$.

c) Ratio of credit extensions secured by pledged stocks: $\text{Credit extensions secured by pledged stocks} \div \text{Total credits}$

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.

h. 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, 2005	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	71.24	91.35
Ratio of interest rate-sensitive gap to net worth	(437.33)	(85.26)

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	2005	2004
Return on total assets	(1.68)	0.66
Return on net worth	(26.15)	8.39
Profit margin	(18.72)	10.88

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 2005 and 2004.

2) Maturity analysis of assets and liabilities:

December 31, 2005

(In Million 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	\$ 305,343	\$ 60,768	\$ 21,784	\$ 22,156	\$ 22,862	\$ 177,773
Liabilities	304,938	32,830	27,469	72,211	130,191	42,237
Gap	405	27,938	(5,685)	(50,055)	(107,329)	135,536
Accumulated gap	405	27,938	22,253	(27,802)	(135,131)	405

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 and law risk

**Matters Requiring Special Notation
December 31, 2005**

(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.	A fine of \$120 was levied on the Bank by the SFB for not announcing within two days from December 30, 2000 that the Bank's subsidiary, Union Capital (Cayman) Corp., had acquired and disposed of common stocks issued by Union Semi-Conductors Technology Corp., which amounted to more than NT\$300 million.
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 term "a fine levied on the Bank for violations of the related regulations within the past one year" means a fine levied by the Bureau of Monetary Affairs, Securities and Futures Bureau or Insurance Bureau.

31. CAPITAL ADEQUACY

(%)

Items	Year	
	December 31, 2005	December 31, 2004
Capital adequacy ratio	8.87	12.40
Consolidated capital adequacy ratio	9.69	12.48
Ratios of debt to net worth	1,694.39	1,218.86

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

**32. BORROWERS, GUARANTEES OR COLLATERAL PROVIDERS AS INTEREST PARTIES**

Category	Account Volume	December 31, 2005	The Possibility of Loss (Note c)
Consumer loans (Note a.)	1,346	\$ 1,601,684	-
Employees' home mortgage loans	286	280,543	-
Other credit extensions (Note b.)	1,318	3,920,229	-
Guarantees	185	679,661	-
Collateral providers	13	24,367	-

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

- Note:
- Consumer loans are regulated by Article 32 of the Banking Law.
 - Excluding consumer loans and loans for employees' home mortgage loans.
 - Loss should be estimated if it is significant.

33. ACQUISITION OF A FINANCIAL INSTITUTION'S MAIN ASSETS, LIABILITIES AND OPERATIONS

To expand its business, enhance its competitiveness and ensure its long-term development, the Bank participated in the open bid and refund procedure for the assets, liabilities and operations, amounting to \$7,108,000, of Chung Shing Bank (CSB) and won the bid. This amount will be subsidized by the Executive Yuan Resolution Trust Corporation (RTC) Fund. The contract on the Bank's acquisition was signed on December 13, 2004 and approved by the provisional board of directors on February 2, 2005. On March 19, 2005, the Bank took over CSB's entire operations and assets and liabilities.

CSB obtained approval from the Ministry of Finance (MOF) to be established on August 1, 1991, and obtained approval to operate from the Ministry of Economic Affairs on February 11, 1992 and started operations on March 12, 1992.

The Bank engages in activities allowed under the Banking Law: Deposits, loans, short-term bills and bonds, discounts, remittances, acceptances, issuance of guarantees and letters of credit, etc. On the Bank's takeover of CSB, CSB's operating units included banking department and 47 branches.

CSB stock started to be traded on the TSE on January 8, 1989 and ceased to be traded on the TSE on January 17, 2002.

Under the acquisition contract, the bid price could be adjusted on the day after the evaluation date (August 1, 2004) and the day before the acquisition date (March 18, 2005). If both sides have any disagreement on adjusting the bid price, either party should present its objections within 45 days from March 19, 2005 or 15 days after the Bank's receipt of CSB's income statement. As of December 31, 2005, the Bank had received an adjusted bid price of \$1,090,813.

As stated in the preceding paragraph, if there was any liability assumed that CSB or its related parties (under the definition of the contract) did not disclose during the Bank's due diligence and liability due to this nondisclosure was incurred before the acquisition date, the Bank could ask for compensation within one year from the acquisition date. However, the Bank should not ask for further compensation after one year of the acquisition date.

Under certain regulations, the Bank recognized a goodwill of \$3,309,002, equal to the difference between the actual cash subsidy of \$6,017,187 (original bid \$7,108,000 - RTC adjustment \$1,090,813) and fair value of CSB's net liabilities of \$2,708,185 as of the date of the acquisition. Goodwill is amortized using the straight-line method over five years.

Fair values of CSB's assets and liabilities were as follows:

Original bid	\$ 7,108,000
RTC Adjustment	<u>(1,090,813)</u>
Cash subsidy received	<u>6,017,187</u>
Fair value	
Cash and cash equivalents	14,121,113
Due from the Central Bank and other banks	1,579,530
Securities purchased	1,622,755
Receivables	706,038
Prepayment	794,127
Bills purchased, discounts, and loans, net	20,404,571
Long-term investments	1,829,516
Net properties	6,434,087
Other assets	2,272,212
Due to banks	(1,017)
Payables and advances	(736,501)
Deposits and remittance	(45,996,444)
Other liabilities	<u>(321,802)</u>
	<u>2,708,185</u>
Goodwill	<u>\$ 3,309,002</u>

All major assets obtained through the acquisition are going to be used for future operations and are not going to be disposed of. All operating results of CSB after March 19, 2005 are included in the Bank's income statement, but any profit or loss before the acquisition date was not included. For comparison purposes, the combined pro forma income statements for 2005 and 2004 are shown as follows (CSB's data for the period January 1, 2005 to March 19, 2005 were unaudited and those of the whole year of 2004 were audited by other auditors).

	December 31			
	2005		2004	
	Amount	%	Amount	%
Operating income	\$ 18,733,455	100	\$ 16,301,713	100
Operating cost and expenses	<u>(24,196,471)</u>	<u>(129)</u>	<u>(17,671,725)</u>	<u>(108)</u>
Operating losses	(5,463,016)	(29)	(1,370,012)	(8)
Nonoperating income and gains	495,525	3	690,591	4
Nonoperating expenses and losses	<u>(235,962)</u>	<u>(1)</u>	<u>(299,734)</u>	<u>(2)</u>
Loss before income tax	(5,203,453)	(27)	(979,155)	(6)
Income tax benefit	<u>1,388,637</u>	<u>7</u>	<u>109,891</u>	<u>1</u>
Net losses	<u>\$ (3,814,816)</u>	<u>(20)</u>	<u>\$ (869,264)</u>	<u>(5)</u>
Loss per share (NT\$)	<u>\$(2.14)</u>		<u>\$(0.58)</u>	

34. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau 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) Financing provided: Table 3 (attached);
- 4) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4 (attached);
- 5) 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	December 31, 2005		December 31, 2004	
	Notional Amounts	Credit Risk	Notional Amounts	Credit Risk
For trading purposes				
TAIEX Futures - buy	\$ -	(Note)	\$ 498,981	(Note)
TAIEX Futures - sell	3,962	(Note)	-	-
Option - long position	-	(Note)	319	(Note)
Option - short position	30	(Note)	7,527	(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, 2005			
		Opening Positions		Carrying Value/ Premium Received	Fair Value
		Long/Short	Volume		
Futures	TAIEX futures	Short	\$ 6	\$ 3,962	\$ 3,951
Options	Call options	Short	5	18	16
	Put options	Short	5	12	12



<u>December 31, 2004</u>						
Item	Transaction Type	Opening Positions		Carrying Value/ Premium Paid (Received)	Fair Value	
		Long/Short	Volume			
Futures	Electronic sector index futures	Long	10	\$ 9,120	\$	9,236
	TAIEX futures	Long	400	489,861		495,040
Options	Call options	Long	110	319		557
	Put options	Short	4,945	(7,527)		7,657

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. The amount and period of future cash flow and uncertainty:

UBFC trades derivatives and take contract (notional) amounts as the trade object. 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

The derivative merchandise which dealt by future dealer have to be approve by SFB and traded in the limit authorized by UBFC. As transactions are considered as trading, the gains and losses which operated by future dealer have to be absorbed by UBFC. 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 2005 and 2004, the gain (loss) on futures transactions were as follows

	2005	2004
Realized gain on futures contracts	\$ 2,274 (Note)	\$ 28,200
Unrealized gain (loss) on futures contracts	(4,419)	3,897
Realized gain (loss) on option transactions	9,275	(48,558)
Unrealized loss on option transactions	(108)	(2,389)
Realized nonoperating gain on futures contracts	10	-
Unrealized nonoperating gain on futures contracts	43	-
Realized nonoperating gain on option transactions	10	-
Unrealized nonoperating gain on option transactions	2	-

UBFC has discontinued future dealer transaction on December 26, 2005. Above gain or loss on futures contracts and option transactions have been included in gain or loss from discontinued department.

After discontinued, the gain or loss on futures contracts and option transactions resulting from trading derivatives included in nonoperating gain or loss.

ii) As of December 31, 2005 and 2004, the presentation of derivatives in the financial statement was as follows:

Financial Instruments	December 31	
	2005	2004
Asset		
TAIEX futures - margin deposit	\$ 14,133	\$ 124,643
Options - long position (non-hedge)	-	557
Liability		
Options - short position	28	7,657

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, 2005 and 2004 were as follows:

Financial Instruments	December 31		Credit Risk
	2005	2004	
	Contract (Notional) Amounts	Contract (Notional) Amounts	
<u>Trading purposes</u>			
Interest rate swap	\$ 12,000,000	\$ 2,800,000	(Note 1)
Assets swap	30,000	105,000	
<u>Nontrading purposes</u>			
Interest rate swap	3,100,000	3,100,000	(Note 2)
Structured time deposit	4,800,000	5,400,000	

- 4) 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. Thus, 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, 2005 and 2004, the loan interest rates ranged from 1.00% to 11.85% and 1.45% to 13.09%, 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, 2005 and 2004 were as follows:

	December 31	
	2005	2004
Credit commitments for credit cards	\$ 345,850,516	\$ 764,577,789
Guarantees and standby letters of credit	10,391,657	9,920,312
Irrevocable loan commitments	821,880	969,813

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, 2005 and 2004, secured loans amounted to about 63.33% and 62.93%, respectively, of the total loans. In addition, the coverage ratios of guarantees and standby letters of credit secured by collaterals were 50.73% and 60.80% as of December 31, 2005 and 2004, respectively. Collaterals held vary but may include real estate, cash, inventory, marketable securities, and other property. If 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. The Bank has no credit risk concentration in any counter party or group of counter parties. Credit risk concentration information please refer to Note 30.



- 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 gains or losses. 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 gains or losses are included in “interest revenue and expense” as current gains or losses.
 - 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 “gain or loss on derivative transactions”.
- 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 follow:

Financial Instruments	2005	2004
Interest rate swap	\$ 42,252	\$ 46,577
Government bond option	15	(7,479)
Option	<u>16,258</u>	<u>(952)</u>
	<u>\$ 58,525</u>	<u>\$ 38,146</u>

c. Investment in Mainland China: None.

35. SEGMENT INFORMATION

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

TABLE 1

UNION BANK OF TAIWAN

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

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

Holding Company Name	Type and Issuer of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	Shares/Piece/Units (In Thousands)	December 31, 2005		Market Value or Net Asset Value	Note
					Carrying Value	Percentage of Ownership		
Union Finance and Leasing International Corporation	Stock China Chemical Corporation	-	Long-term equity investments	356	\$ 16,338	0.12	\$ 3,949	-
	Union Capital (Cayman) Corp.	Subsidiary	Long-term equity investments	50	450,100	100.00	US\$ 13,702	Note 1
	Union Bills Finance Corporation	Affiliate	Long-term equity investments	2,100	26,250	0.71	24,024	Note 1
	Photonics Semiconductor Mask Corp.	-	Long-term equity investments	536	14,909	0.18	3,398	-
	Union Semi-Conductors Technology Corp.	-	Long-term equity investments	1,600	548	2.65	US\$ (416)	Note 1
	WI Harper Group	-	Long-term equity investments	2,000	14,320	3.33	14,320	Note 1
	ERA Communications Co., Ltd.	-	Long-term equity investments	425	1,415	0.90	1,415	Note 1
	Yung Li Securities Co., Ltd.	-	Long-term equity investments	467	9,423	0.99	9,481	Note 1
	New Asian Ventures Ltd	Subsidiary	Long-term equity investments	1	134,275	100.00	US\$ 4,088	Note 1
	Masterlink Securities Corporation.	-	Short-term investments	830	8,827	0.06	10,264	-
Union Bank Futures Corporation	Stock Tawwan Future Exchange Corporation	-	Long-term equity investments	3,050	30,500	1.53	76,098	Note 2
	Stock Debt Instrument Depository and Clearing Co., Taiwan	-	Long-term equity investments	4,000	40,000	2.00	41,240	-
Union Bills Finance Corporation	Beneficiary certificate Special Purpose Trust for Securitization of Corporate Loans Originated by Bank SinoPac-M-1 Tranch	-	Long-term investments	20 pieces	100,000	-	-	Note 5
	Beneficiary certificate Council Of Europe Development Wan Hai Lines 1st Unsecured Corporate Bonds 2004-2D Issue	-	Short-term investments Short-term investments	4 pieces 2.5 pieces	40,000 250,000	-	40,000 243,034	-
Union Security Investment Trust Corporation	Stock ELTA Technology Co., Ltd.	Equity method investee	Long-term equity investments	2,000	15,331	21.05	14,514	-
	eBizServe, Inc. Jim Shang Chang Development Co., Ltd.	-	Long-term equity investments Short-term investments	1,650 1	3,066 13	16.02	3,614	-

(Continued)

Holding Company Name	Type and Issuer of Marketable Securities	Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2005			Note	
				Shares/Piece/Units (In Thousands)	Carrying Value	Percentage of Ownership		Market Value or Net Asset Value
Union Security Investment Consulting Company	Beneficiary certificate Union Bond Fund	The beneficiary certificate issuer is an affiliate of Union Security Investment Consulting Corporation	Short-term investments	224	\$ 2,500	-	\$ 2,693	-
Union Finance International (HK) Limited	Bond China Petrochemical Euro Convertible Bond of DLJ Emerging Market LLC Federal Home Loan Bank Bond Teco Electric and Machinery Corp. Credit Linked Notes Oracle Corp. Equity Linked Notes Hewlett-Packard Company Equity Linked Notes	- - - - -	Long-term investment Long-term investment Short-term investments Short-term investments Short-term investments	2,000 pieces 10,000 pieces 3 pieces 10 pieces 6 pieces	US\$ 1,700 US\$ 1,001 US\$ 3,000 US\$ 496 US\$ 298	- - - - -	- - - - -	Note 5 Note 5 Note 5 Note 5 Note 5
Union Insurance Broker Company	Stock Cisco Systems Inc. Askey Computer Corp. Hold-Key Electric Wire & Cable Co., Ltd. China Petrochemical Development Corporation Tycoons Group Enterprise Co., Ltd. Cyberhome Entertainment Co., Ltd.	- - - - - -	Short-term investments Short-term investments Short-term investments Short-term investments Short-term investments Short-term investments	18 114 95 200 200 11	US\$ 400 2,564 2,371 1,692 2,897 533	- 0.03 0.05 0.01 0.04 0.02	US\$ 318 1,579 664 1,440 960 141	- - - - - -
New Asian Ventures Ltd.	Stock GWC Wireless Inc. Grace Thw Holding Limited Medinox Inc.	- - -	Long-term equity investments Long-term equity investments Long-term equity investments	1,860 1,667 403	US\$ 1,000 US\$ 2,500 US\$ 350	3.93 0.74 1.23	US\$ 15,311 US\$ 1,867 US\$ (338)	- Note 3 Note 3

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

- Note 1: Union Finance and Leasing International Corporation:
- Union Semi-Conductors Technology Corp. - unreviewed stockholders' equity as of March 31, 2005.
 - WI Harper Group and Yung Li Securities Co., Ltd. - unreviewed stockholders' equity as of September 30, 2005.
 - ERA Communications Co., Ltd. - the audited stockholders equity as of December 31, 2004.
 - Union Capital (Cayman) Corp., Union Bills Finance Corporation and New Asian Ventures Ltd. - the audited stockholders equity as of December 31, 2005.

Note 2: Union Bank Futures Corporation had investments in Taiwan Future Exchange Corporation - the audited stockholders equity as of December 31, 2005.

- Note 3: New Asian Ventures Ltd.:
- Medinox Inc. - unaudited stockholders' equity as of June 18, 2004.
 - Grace Thw Holding Limited - the reviewed stockholders equity as of September 30, 2005.

Note 4: Except above, other companies - unaudited stockholders' equity as of December 31, 2005.

The market value of the listed and OTC stocks were based on the average daily closing prices in December 2005. Beneficiary certificates were based on net asset values as of the balance sheet date.

Note 5: There are no open market in the securities, thus no market value is available.





TABLE 2

UNION BANK OF TAIWAN

**ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2005
(In Thousands of U.S. 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	Maximum Endorsement/ Guarantee Amounts Allowable
		Name	Nature of Relationship						
1	Union Financing and Leasing International Corporation	Union Capital (Cayman) Corp.	Subsidiary	-	US\$28,000	-	-	-	-

TABLE 3

UNION BANK OF TAIWAN

**FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2005
(In Thousands of U.S. Dollars)**

No.	Financier's Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	New Asian Ventures Ltd.	Shing Yin Hong Leasing Corporation (SYH)	Other receivables	US\$ 197	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ -	\$ -

Note: Shing Yin Hong Leasing Corporation (SYH) merged with Union Finance and Leasing International Corporation ("UFLIC") on September 30, 2005, with UFLIC as the survivor entity.



TABLE 4

UNION BANK OF TAIWAN

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEs ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2004
(In Thousands of New Taiwan Dollars and Foreign Currency, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005		Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2005	Dec. 31, 2004	Shares (In Thousands)	Percentage of Ownership			
Union Bank of Taiwan	Union Financing and Leasing International Corporation	9th Floor, 137, Sec. 2 Nanking E. Road, Taipei, Taiwan	Installment, leasing and accounts receivable factoring	\$ 1,001,192	\$ 1,000,000	100,000	100.00%	\$ 1,324,446	\$ 119,359	-
	Union Bills Finance Corporation	15th Floor, 109, Sec. 3 Min-Sheng E. Road, Taipei, Taiwan	1. Brokerage and short-term bills, dealing and endorsing (as guarantor) 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 Futures brokerage	1,238,450	1,238,450	126,576	42.76%	1,447,568	136,536	-
Union Bank of Taiwan	Union Bank Futures Corporation	3F-1, 137, Sec. 2 Nanking E. Road, Taipei, Taiwan		319,920	594,397	23,776	99.07%	213,093	(24,687)	-
	Union Information Technology Corporation	6th Floor, 399, Rui-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	11,165	90,650	4,999	99.98%	122,723	64,026	-
Union Bank of Taiwan	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%	200,835	5,140	-
	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%	68,206	(51,068)	-
Union Bank of Taiwan	Union Insurance Broker Company	21, Alley 6, Lane 113, Sec. 3 Min-Sheng E. Road Taipei, Taiwan	Personal insurance agency	30,869	25,220	2,800	100.00%	64,240	26,287	-
	Union Real Estate Management Corporation	6th Floor, 10, Sec. 3 Chong-Xin Road, Sanchong, Taipei, Taiwan	Construction plan review and consulting	20,000	20,000	2,000	40.00%	46,071	18,990	-
Union Bank of Taiwan	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%	22,787	12,172	-
	Union Security Investment Consulting Company	6F-1, 137, Sec. 2 Nanking E. Road, Taipei, Taiwan	Securities investment consulting	10,004	9,940	1,000	100.00%	11,120	475	-
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%	450,100	233	Note 2
	New Asian Ventures Ltd.	Citico Building, Wickhams Cay, P.O. Box 652 Road Town, Tortola, British Virgin Islands	Investing, offshore financing, equipment leasing, installment selling and accounts receivable factoring	1	-	1	100.00%	134,275	357	Note 2
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%	15,331	9,932	Note 1

Note 1: The investment income of Union Information Technology Corporation from its equity-method investee, ELTA Technology Co., Ltd., was based on the investee's 2005 unaudited financial statements.

Note 2: The investment income of Union Financing and Leasing International Corporation from its equity-method investee, Union Capital (Cayman) Corp. and New Asian Ventures Ltd., was based on the investee's 2005 audited financial statements.

Financial Status and Operation Review and Analysis and Risk Management



1. Financial Status

Unit: NT\$ In Thousand

Item	Year	12/31/2005	12/31/2004	Difference	
				Amount	%
Cash & Cash Equivalents		7,412,845	\$ 3,605,231	3,807,614	105.61
Due From the Central Bank and Other Banks		12,651,986	8,459,447	4,192,539	49.56
Securities Purchased		28,030,682	23,849,186	4,181,496	17.53
Securities Purchased Under Resell Agreements		10,311,415	9,180,055	1,131,360	12.32
Receivables & Prepayments		45,079,066	39,253,272	5,825,794	14.84
Bills Purchased, Discounts & Loans		182,118,324	141,367,952	40,750,372	28.83
Long-Term Investments		24,841,985	8,868,605	15,973,380	180.11
Property & Equipment		8,963,594	2,345,382	6,618,212	282.18
Other Assets		9,568,854	10,103,972	(535,118)	(5.30)
Total Assets		328,978,751	247,033,102	81,945,649	33.17
Due to Banks		5,484,429	4,712,951	771,478	16.37
Securities Sold Under Repurchase Agreements		12,247,692	2,687,438	9,560,254	355.74
Payables and Advances Receipts		7,231,777	4,014,418	3,217,359	80.15
Deposits & Remittances		271,830,619	205,035,613	66,795,006	32.58
Bank Debenture		13,105,400	11,194,000	1,911,400	17.08
Other Liabilities		745,092	657,936	87,156	13.25
Total Liabilities		310,645,009	228,302,356	82,342,653	36.07
Capital Stock		18,253,942	15,171,292	3,082,650	20.32
Capital Surplus		63,733	57,783	5,950	10.30
Retained Earnings		42,651	3,500,428	(3,457,777)	(98.78)
Stockholders' Equity		(26,584)	1,243	(27,827)	(2,238.70)
Total Stockholders' Equity		18,333,742	18,730,746	(397,004)	(2.12)

Notes:

1. The increase in cash and cash equivalents is resulted from accepting cash and cash equivalents from Chung Shing Bank.
2. The increase in due from the central bank and other banks is resulted from accepting the deposits of Chung Shing Bank due from the central bank and other banks.
3. The increase in bills purchased, discounts & loans is resulted from the increase of long-term secured loan, mid-term loans, and long-term loan and short-term secured loans.
4. The increase in long-term investment is resulted from the increase of long-term bond investment and beneficiary certificate.
5. The increase in property & equipment is resulted from accepting the land, building and improvements of Chung Shing Bank.
6. The increase in securities sold under repurchase agreement is resulted from fund demand with the addition of repurchase agreement.
7. The increase in payables & advances is resulted from the increase of notes payable and interest payable.
8. The increase in deposits and remittance is the result of the deposits competition arranged at the end of 2005 and the deposits generally increased.
9. The increase in capital stock is resulted from the sale of treasury stock in 2005 and converting part of convertible bonds to common stock.
10. The decreased in retained earnings is the result of writing off deferred unamortized loss from the selling of NPL in full amount.

2. Operation Result

Unit: NT\$ In Thousand

Item	2005		2004		Amount increase (decrease)	Difference (%)
	Subtotal	Total	Subtotal	Total		
Operating revenues		\$18,472,819		\$14,702,452	3,770,367	25.65
Interest revenue	\$14,166,657		\$10,976,491		3,190,166	29.06
Service fee revenue	2,553,853		2,421,566		132,287	5.46
Income on securities, net	691,279		493,995		197,284	39.94
Gain from equity investments under the equity method, net	287,971		624,297		(336,326)	(53.87)
Others	773,059		186,103		586,956	315.39
Operating cost and expense		23,577,635		13,590,690	9,986,945	73.48
Interest expense	4,035,562		2,585,000		1,450,562	56.11
Service charge expense	902,292		831,822		70,470	8.47
Provisions for credit and other losses	4,791,901		2,529,762		2,262,139	89.42
Operating & administrative expense	6,534,898		5,425,260		1,109,638	20.45
Others	7,312,982		2,218,846		5,094,136	229.58
Nonoperating income and gain, net		<u>258,294</u>		<u>374,914</u>	(116,620)	(31.11)
Net income (loss) before tax		(4,846,522)		1,486,676	(6,333,198)	(426.00)
Income tax benefit		<u>1,388,745</u>		<u>112,949</u>	1,275,796	1,129.53
Net income (loss)		<u>(\$3,457,777)</u>		<u>\$1,599,625</u>	(5,057,402)	<u>(316.16)</u>

Notes:

- The increase of interest revenue in 2005 from the year of 2004 is resulted from the increase of long-term equity investment interest, mid-term loan interest, and long-term secured loan interest.
- The increase of income on securities in 2005 from the year of 2004 is resulted from the increase of short-term equity interest revenue, stock and beneficiary certificate capital gain, and dividend income.
- The decrease of gains from equity investments under the equity method in 2005 from the year of 2004 is in the result of the decrease of net income of the invested company in 2005 from the year of 2004.
- The increase of other operating revenue in 2005 from the year of 2004 is resulted from the increase of gains from long-term equity investment.
- The increase of interest expense in 2005 from the year of 2004 is resulted from the increase of deposit interest and bank debenture interest. The increase of provisions for credit and other losses in 2005 from the year of 2004 is resulted from the increase of allowance for bad debt. The increase in cost of operation in 2004 was the result of deferred unamortized loss from the selling of NPL in full amount.
- The increase of operating and administrative expenses in 2005 from the year of 2004 is resulted from the increase of salary expense, rent expense, and depreciation expense.
- The decrease of nonoperating income and gains in 2005 from the year of 2004 is resulted from the decrease of gains from property trade.
- Income tax benefit in 2005 is derived from the increase of deferred income tax assets resulting from deduction of loss.



3. Cash Flow

(1) Cash flow analysis in the last two years

Item	Year	2005	2004	Increase & decrease (%)
	Cash flow ratio (%)		-	-
Cash flow adequacy ratio (%)		-	-	-
Cash reinvestment ratio (%)		-	-	-
Ratio increase and decrease: Cash flows from operating activities in 2005 and 2004 were with a net outflow; therefore, it is not included for the calculation of the aforementioned ratios.				

(2) Cash flow analysis of next year

Cash balance – beginning of year ①	Estimated cash inflow (outflow) of the year from operating activities ②	Estimated cash inflow (outflow) of the year ③	Estimated cash balance (deficit) ①+②+③	Remedial measure for the estimated insufficient cash	
				Investing plan	Financing plan
7,412,845	(8,604,340)	5,516,311	4,324,816	-	-
<p>A. Cash flow analysis:</p> <ul style="list-style-type: none"> (a) Operating activity: Increase liquidity reserve for the growth of deposit business and credit card financing business. (b) Investing activity: In response to the growth of loans business. (c) Financing activity: Expand deposits and issue subordinate bank debenture for the growth of loans business. <p>B. Remedial measures for the estimated insufficient cash and liquidity analysis: None</p>					



4. The Impact of Major Capital Expenditure on Financial In Recent Years

Appropriation of major capital expenditure and source of funds:

Planned item	Actual or expected source of funds	Actual or expected completion date	Total funds needed	Actual or expected fund appropriation						
				2003	2004	2005	2006	2007	2008	2009
Office equipment	Self-sufficient fund	12.2006	\$1,151,226	\$76,328	\$132,156	\$375,971	\$566,771	\$-	\$-	\$-
Transportation equipment	Self-sufficient fund	12.2006	263,926	21,653	9,938	44,760	187,575	-	-	-
Other equipment	Self-sufficient fund	12.2006	614,702	208,678	176,414	192,414	37,196	-	-	-
Land	Self-sufficient fund	12.2006	5,254,623	38,663	29,473	4,946,487	240,000	-	-	-
Building & improvements	Self-sufficient fund	12.2006	4,253,040	54,149	46,356	3,992,535	160,000	-	-	-

Expected effects:

A. Expected increase of operating revenue, operating expense, and operating income: Acquire offices and upgrade computer system for business expansion.

B. Other effects: None.

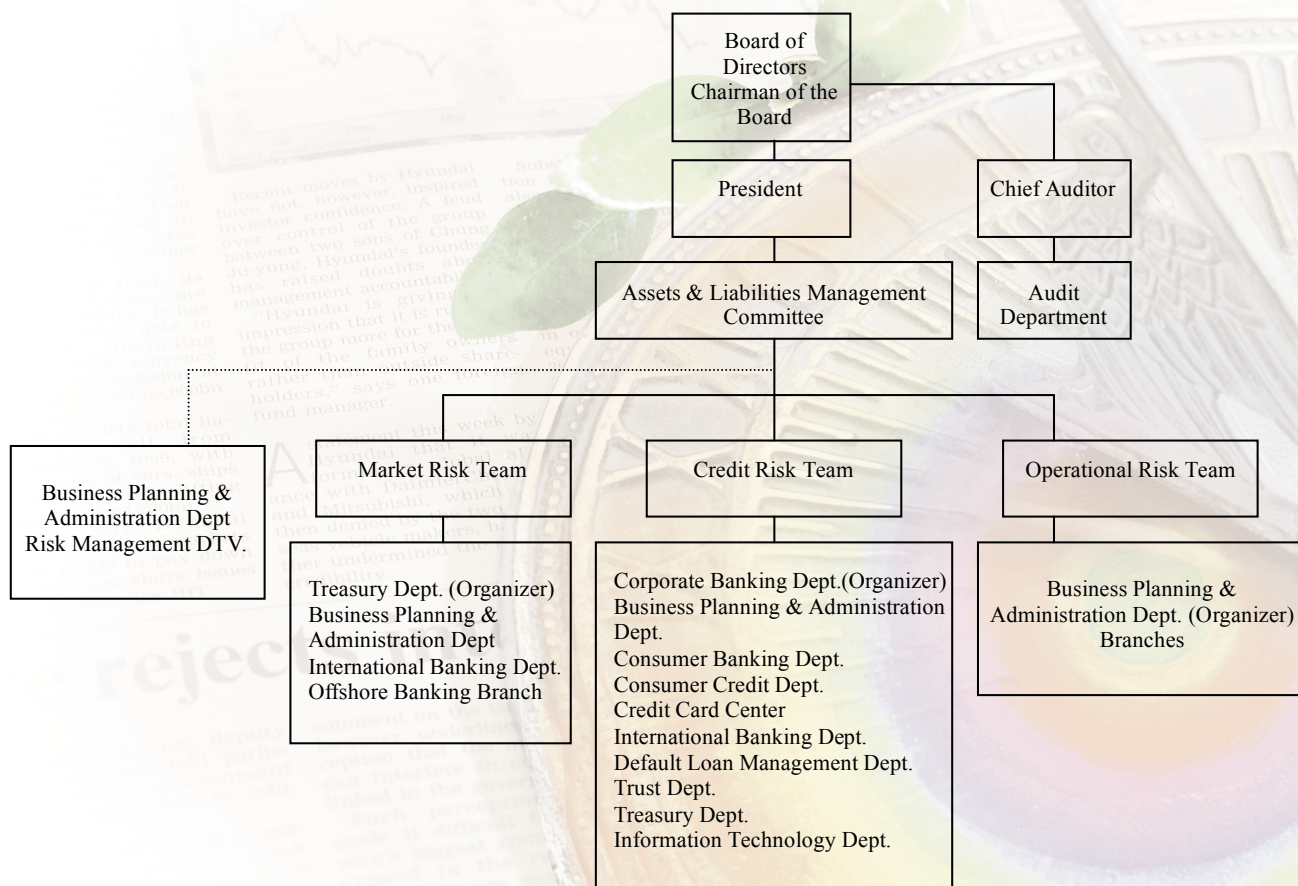


5. Reinvestment Policy for the Last Fiscal Year, the Major Reasons for its Profits or Losses, and Improvement and Investment for Next Year

- (1) The purpose of reinvestment of Union Bank of Taiwan is to have a comprehensive and profound banking peripheral system, in order to have the product and marketing channel integrated through working with the related party. Reinvestment includes securities, futures, lease, security investment trust, security investment consulting, and insurance agency that helps bring a positive effect to the integrated operation of the bank; also, it helps satisfy consumer's one-stop-shop demand and upgrade banking service quality.
- (2) The reinvestment business of Union Bank of Taiwan has been moving upwards in recent years. Union Bank of Taiwan had investment gains recognized in accordance with the equity method in 2005 for an amount of NT\$287,971 thousand.
- (3) The Bank does not have any reinvestment plan for the coming year.

6. Risk Management

(1) Risk management organizational structure & policy





- A. Organizational structure: The Bank faces credit risk, market risk, operational risk, liquidity risk, and law risk, in which, credit risk, market risk, and operational risk are most influential. For the control of the said risks, the credit risk control team, market risk control team, and operational risk control team are organized in accordance with the Risk Management Policy Standard of “Assets & Liabilities Management Committee.” The risk control team is organized with members recruited to enforce risk management regulation, risk evaluation, and construction of the risk management system.
- B. Risk management policy: The risk management policy of the Union Bank of Taiwan is to protect the safety of assets, ensure assets and finance quality, and to comply with relevant regulations. In terms of short-term goals, integrate and collect risk parameters of the bank and establish a precise and quantitative risk index. In terms of long-term goals, construct risk management and evaluation mechanism, substantiate risk pricing, and optimize capital allocation to maximize the value of shareholders.

(2) Methods for the Evaluation and Monitoring of Each Risk Category and Quantification of Risk Exposure

A. General Periodic Disclosure

- (a) Credit Risk: The goal of Union Bank of Taiwan in credit risk control is to have credit risk controlled in accordance with the standard quantitative model. The model blended in the credit check and credit extension of the bank to ensure the sufficient interest difference for the coverage of credit risk in order to protect the best interests of shareholders and the general public as follows:
- a. For the process of credit extension business, credit risk measurement system and database will be constructed gradually; also, the internal historical data of credit risk measurement will be sorted and reserved accordingly.
 - b. Draft and establish consistent internal rating system; also, have the rating system linked to interest difference to maintain a reasonable relationship between credit risk and return on investment.
 - c. Adjust the credit risk measurement model and tool in accordance with the consideration of economy, industrial prospects, and customer properties to ensure relevant data are in conformity with actual practice.
- (b) Market Risk: The goal of Union Bank of Taiwan in market risk control is to have market risk identification, measurement, supervision, control, and report procedure established. In addition to referring to the risk management principle and mechanism of Basel II, the Union Bank of Taiwan plans to set up a risk management system to have market risk of businesses controlled and to achieve the goals of risk control and reasonable profit with effective management. The management strategy and process adopted is as follows:



- a. Trade limit control: Authorization for product by the Board of Directors or senior management including the threshold control of total amount, single stock investment, trade limit of counterparty, and trading limit of dealer.
- b. Price risk control: In terms of “Mark to Market Valuation,” it is to calculate the open-position gain/loss in accordance with the closing price of the day at the end of the trade day; moreover, the sensitivity analysis (such as Duration and Delta) and stop-loss control of a product at the end of the day can be retrieved from the trade management system for the reference of supervisors.
- c. Risk report: Prepare daily inventory information and integrate cross-department and cross-business market risk management report to have risks controlled effectively.

(c) Operational Risk:

- a. Stipulate operational risk strategy, procedure, and control principle for the process risk control of the bank.
- b. Set up the database and notification mechanism for the operational risk loss of each department. Operational risk loss data are to be analyzed statistically for each business unit or business category. Internal historical data are sorted and reserved for reference in improving the internal control procedure.
- c. Set up a backup system and prepare a backup plan for the information system and human resources to reduce the potential impact of emergencies on the daily operation of Union Bank of Taiwan and the best interest of customers.

(d) Liquidity Risk: Disperse the source of funds, improve deposits continuousness rate, and increase the dispersion and stability of fund sources to reduce liquidity risk. Analyze the change of fund position periodically and monitor the fund shortage of each position in each period of time as an alert index of monitoring liquidity risk.

(e) Law Risk:

- a. To set up a regulatory compliance system, and compliance plan. Detail the governing regulations of business and operation and have it updated periodically.
- b. Reinforce the propaganda of banking law, regulations, and moral concepts. To hold training courses in regulatory compliance periodically.
- c. Evaluate the law and compliance with applicable laws and regulations of the bank periodically.
- d. The regulatory office of Union Bank of Taiwan is obliged to have the investment and contract signed and business regulations reviewed for the protection of the bank in conformity with the relevant regulations.



B. Credit Risk to Disclosure Items

(a) On-Balance Sheet Items

Unit: NT\$ In Thousand ; As of December 31, 2005

Items	Applicable Risk Weighted	Risk Weighted Assets
Loans to or guaranteed by the central government or central bank	0%	0
Loans to or guaranteed by government agencies (excepting central government agencies)	10%	6,498
Banks in the nations of OECD and the credit guaranteed by them	20%	3,691,170
Residence real estate mortgage loan	50%	45,967,021
Credit and assets other than the aforementioned categories	100%	140,311,328
Total		189,976,017

(b) Off-Balance Sheet Items

Unit: NT\$ In Thousand ; As of December 31, 2005

Item	Risk-Weighted Assets
General off balance sheets transaction	6,589,622
Financial Derivatives	258,354
RP	192,598
RS	828
Total	7,041,402

(c) Assets securitization of UBOT: None



C. Market Risk Capital Accrual and Risk Assets Amount

Unit: NT\$ In Thousand ; As of December 31, 2005

Risk Type	Accrued Capital	Risk Assets Amount (note)
Interest Rate Risk	417,703	5,221,287.5
Equity Security Risk	574,348	7,179,350.0
Foreign Exchange Risk	87,651	1,095,637.5
Commodity Risk	0	0.0
Adoption of Simplified Method for Options	0	0.0
Total	1,079,702	13,496,275.0

Note: Accrued Capital x 12.5

D. Analysis of Assets and Liabilities Maturity

(a) New Taiwan Dollar

Unit: NT\$ Million; As of December 31, 2005

Item	Total	Amount of the residual period to maturity				
		1~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary due fund inflow	305,343	60,768	21,784	22,156	22,862	177,773
Primary due fund outflow	304,938	32,830	27,469	72,211	130,191	42,237
Gap of periods	405	27,938	(5,685)	(50,055)	(107,329)	135,536

Note: The table reflects the NTD amount held by the Bank's Head Office and all its domestic and overseas units (foreign currencies not included).

(b) Foreign currency

Unit: US\$ In Thousand ; As of December 31, 2005

Item	Total	Amount of the residual period to the due date				
		1~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Assets	677,572	1,658	22,840	66,400	19,007	567,667
Liabilities	456,063	133,483	223,865	37,399	61,259	57
Gap	221,509	(131,825)	(201,025)	29,001	(42,252)	567,610
Cumulative gap	221,509	(131,825)	(332,850)	(303,849)	(346,101)	221,509

Note: The table contains only the foreign currency amount (converted into USD) for the Head Office and domestic and foreign branch institutions.



(c) Assets & liabilities management

- a. The assets and liabilities management mechanism of the Union Bank of Taiwan is to utilize assets and liability interest rate sensitivity and gap analysis for control. The Assets & Liabilities Management Committee is organized for instructive and strategic instruction and interest rate gap management; also, to monitor interest rate change and gap position and summon the management meeting for review and discussion depending on the change of market development.
- b. In terms of interest rate risk control in New Taiwan Dollar and foreign currency, Union Bank of Taiwan is with a comprehensive trade and fund management system to control deposits and loans on a daily basis, the cost and balance of deposits and loans in various periods of time, floating and fixed deposits and loans interest rate analysis, interest rate sensitive assets and liabilities analysis, and interest difference analysis. Stipulate the interest rate adjustment strategy with the interest rate adjustment imitation analysis system for the approval of Assets & Liabilities Management Committee or summon management meeting to have the interest rate adjusted flexibly.
- c. In terms of foreign exchange trade risk, in addition to designing trade and division independent and interactive procedures and steps; moreover, the measures of position control, trader position control, and stop-loss control are introduced for performance.
- d. In terms of liquidity risk, monitor cash on hand and cash inflow and outflow of the Union Bank of Taiwan on a daily basis, future fund demand and change is estimated, measured, calculated, and warned; therefore, current assets can be used for contingent demand.

(3) Effects of Major International and Domestic Policy Changes on the Bank's Financial Business and Countermeasures

In order to help customers with financial difficulty, the competent authority has advised the Bank Association to have the consumer banking debt negotiation platform established. The interest rate of debt negotiation is 0%~12.88% and for a loan term of 12~120 payments that affects the interest difference of the bank and fund application including profitability. Moreover, the threshold of total debt is set for an amount equivalent to 22 times of monthly income and no cash card can be solicited on street stands (including hallway) and with business promotion prohibited. The responsible strategy of the Union Bank of Taiwan is to have market segmentation made and profitable loans created for higher profits.

Credit card overdue loan is growing substantially due to the increase of consumer banking credit risk and the promotion of banking supervision measures by the competent authority. Since the second half of 2005, a series of credit control policies were introduced to defend the impact of NFL. Professional information system (database, e-marketing, and price differentiation) will be constructed gradually since the year of 2006 to have diversified and flexible consumer banking products developed; also, the interest rate price is offered to customers according to the classification of risk to generate more profits.

(4) Effects of Technological and Industry Change on the Bank's Financial Operational and Countermeasures

The competition of banking industry is changing due to the complicated banking environment, liberalization, internationalization, securitization, and computerization of the banking market, and the application and development of banking information technology. For the operation of e-banking, in addition to providing and collecting the product, service, and information of customers, transform information into a useful database with information technology, create banking product and service differentiation, build up the brand name and reputation of the bank, and improve operation efficiency. The use of financial information technology is to provide comprehensive financial products and to provide customers with convenient and value-added service; also, to help improve the financial cost effect of the bank, and to help the bank create new management dominance and business model.



In response to the change, Union Bank of Taiwan has continuously developed and upgraded comprehensive, functional, and convenient e-banking to replace the traditional clerk service. On the other hand, customer data are composed systematically with the information technology, for example, establishing database system for marketing activities in accordance with customer's characteristics and demands.

(5) Effects on the Bank of Change its Image and the countermeasures

Union Bank of Taiwan, based on the concept of "enthusiasm," "soundness," "efficiency," and "innovation", has conducted a perpetual operation to secure market share of consumer banking business and develop more customers. Since the merger with Chung Shing Bank, Union Bank of Taiwan has many more branches with sufficient operation scale developed and more convenient services provided to customers. The convenient service helps impress customers and win their businesses over. Union Bank of Taiwan will continue to reinforce the quality and convenience of service to customers, increase the number of customers, expand operation scale, and has the profitability raised.

Domestic financial market encountered the credit card and cash card crisis in 2005 that was detrimental to the business operation of the bank. The credit card and cash card business of the Union Bank of Taiwan is in a leading position in Taiwan. The Union Bank of Taiwan is with proper credit risk control in practice; however, the aforementioned financial status may give customers the wrong impression. Under the circumstances, the responsive measures of Union Bank of Taiwan are as follows:

- A. Union Bank of Taiwan helps credit card debtors draft up a sinking fund plan to have debts paid and creditability upheld.
- B. Reinforce customer's service quality and correct the wrong impression of customers with excellent service.
- C. Improve the impression of people on Union Bank of Taiwan with advertisements and upgrade the image of Union Bank of Taiwan.

Although the banking environment is affected by the crisis of credit cards and cash cards, the dominance of the credit card and cash card business of Union Bank of Taiwan can be reinforced in the long run through the aforementioned practices.

(6) Expected Effect and Potential Risk of Merger and the Countermeasures

While the competent authority has ceased the application for new branches and faced the pressure of comprehensive marketing from holdings, it is necessary to initiate mergers to have marketing channels expanded and market share secured in the short run in order to reinforce competitiveness.

The risk of merger includes the accuracy of evaluation in advance and the success of the integration plan afterwards. While attending the bid for the acquisition of Chung Shing Bank, analysis is performed with the data provided by the financial consulting company and with inspectors assigned to investigate on site in order to win the bid with a reasonable price. Upon the completion of transfer, the asset quality of Chung Shing Bank is closed to the estimation of Union Bank of Taiwan. In terms of business integration, Union Bank of Taiwan had twelve work teams delegated to have the transfer processed and the process was completed on March 19, 2005. In terms of personnel integration, the Union Bank of Taiwan had the transition period shortened through communication in advance and education and training arranged in order to have businesses operated promptly and the expected effect realized.

(7) Expected Effect and Potential Risk of Branches Expansion and the Countermeasures

While facing the incoming second financial merger, customers may be unwilling to deal with banks that have limited branches for service. Union Bank of Taiwan has 75 branches in Taiwan and the number can be increased to 87 branches in four years which is beneficial to improving publicity and business opportunity.



Successful deployment of branches, timing of establishment, managers, and personnel recruitment & training is crucial to the success of the practice. Union Bank of Taiwan has the designated units to search for proper business locations, arrange interior decoration, and apply to the competent authority for incorporation in order to have service provided as soon as possible. Department of Human Resources is to have personnel recruited and trained for the best performance of the branches.

(8) Risk of Business Concentration and the Countermeasures

Banking business is affected by market environment and industrial conjuncture substantially. For the purpose of dispersing risk and maintaining asset quality, Union Bank of Taiwan has risk tolerance defined by customers, businesses, and nations.

(9) The Impact and Risk of Ownership Change on Banks and the Countermeasures

Union Bank of Taiwan is in business for on going concern and is managed by professionals that will not be influenced by the change of business ownership. The shareholder structure of Union Bank of Taiwan is without substantial change except for the priority of order and there is no substantial change to the structure of shareholders expected in the future.

(10) Litigious or Non-Litigious Matter

- A. The litigious or Non-Litigious pending are mostly for credit extension business and do not affect the finance and business operation of the Union Bank of Taiwan.
- B. Union Bank of Taiwan and related party, Union Bills Finance Corp., had a settlement reached with Taipei National Tax Administration, Ministry of Finance regarding the bond interest administrative measures and agreed that Taipei National Tax Administration, Ministry of Finance was to have 65% and 60% of the tax withheld on bond interest in prior periods refunded.

(11) Other Important Risks and Countermeasures: None

7. Crisis Management Mechanism

Union Bank of Taiwan has the disaster preventive system substantiated, disaster preventive measures reinforced, disaster fund financing enforced, life of victims stabilized, and social economic order resumed in accordance with the “Union Bank of Taiwan Disaster Contingency Procedure” that was stipulated by the competent authority with the content of (1) contingency plan (2) customer service measures (3) information system safety & management and (4) imitating the process and procedure of crisis.

Union Bank of Taiwan has Crisis Control Team and Emergency Contact System setup to have contingency plan enforced effectively. In addition to enforcing emergency education and rehearsal in accordance with the “Safety & Prevention Outlines” and “Safety & Protection Rehearsal Plan” of Union Bank of Taiwan, facilities safety and maintenance and inspection is performed twice a year.

8. Other important issues: None

Corporate Governance Operation



The Bank's corporate governance operations and any difference of such implementation from the corporate governance best-practice principles for banks and the reasons

Item	Operation	Difference from Corporate Governance Best-Practice Principles for Banks and Reasons
1. Stock structure and stockholders' equity (1) Method of handling shareholder suggestions and disputes (2) The bank keeps track of the major controlling shareholders as well as their ownership structures (3) To set up firewall and risk control mechanism to reduce the risks involved with a bank's related companies	(1) Share-related matters are handled by special personnel. (2) File the shareholdings change of shareholders monthly in accordance with the shareholders list after stock transfer deadline and Securities Transaction Regulation Article 25 and with the shareholdings of major shareholders monitored. The risk management policy for the transactions with the subsidiaries is regulated in accordance with the "Governing Rules for Supervising Subsidiaries by the Union Bank of Taiwan." Moreover, transactions between UBOT and subsidiaries are processed in accordance with the regulations of the competent authority.	Process is initiated in accordance with the relevant regulation and without significant variation to the report.
2. Board of directors and its responsibilities (1) Independent Directors of the bank (2) Regular assessment of independence of CPA	(1) None designed at present. (2) The independence of CPAs is evaluated by the Board of Directors periodically.	(1) Without an independent Director (2) Without significant variation
3. Supervisors and their responsibilities (1) Independent supervisors of the bank (2) Interaction among supervisors, employees and shareholders	(1) None designed at present. (2) Supervisors of The Bank attend the Board of Directors meeting periodically to monitor corporate governance; also, to communicate with employees of the bank at any time. The contact window for investors is included in the homepage of the bank for shareholders to communicate with the Supervisors.	(1) Without an independent Supervisor (2) Without significant variation
4. Establishing communication channel with the stakeholders	The Bank has the information of related party filed in accordance with Banking Law and to keep direct communication with the related party for the better business operation of the bank.	Without significant variation
5. Information disclosure (1) Bank setup a website to disclose financial business and corporate governance (2) Other information disclosure of the bank (such as setting up an English website, appointing of special personnel for collecting and disclosing banking information, implementing spokesperson system, and placing proceedings of investor conference on the website.	(1) Financial information and corporate governance is disclosed on the website (www.ubot.com.tw) periodically and in accordance with security competent authority stipulations. (2) Appointed special department for the collection and disclosure of the bank information. (3) Set up spokesman and deputy spokesman system is in place to speak to the public on behalf of the Union Bank of Taiwan. (4) Compose Annual Report in accordance with "Governing information to be Published in Annual Reports of Banks."	Without significant variation



<p>6. The operation of the audit committee and other functional committees of the bank</p>	<p>(1) One Chief Auditor is designated to have the auditing process arranged comprehensively in accordance with an independent and impartial spirit and the position is equivalent to SEVP. Auditing Division is subordinated to the Board of Directors and is responsible for monitoring business operation.</p> <p>(2) For the reinforcement of management mechanism, there are the Assets & Liabilities Management Committee, Automation Process Committee, Investment & Credit Extension Committee, and Overdue Credit Extension, Collections, and Bad Debt Clearance Committee organized to have issues revolved in accordance with the authorization and reported to the responsible authority.</p>	<p>No Audit Committee established at present.</p>
<p>7. Please describe the Bank's corporate governance status and the differences and reasons for deviations from the "Banking Industry Corporate Governance Best-Practice Principles" There is no difference at present.</p>		
<p>8. Please describe the Bank's systems and measures for fulfilling its social responsibilities (such as human rights, employee's interest, environmental protection, community involvement, supplier relationship, supervision and related party's interest, etc.), as well as the current implementation status:</p> <p>(1) The Bank to review the salary and welfare measures annually for the best interest of employees. There is without any labor dispute or arbitration pending since the date of establishment.</p> <p>(2) UOBT, Union Bills Finance Corp. and the affiliates have the "Union Foundation" established in April 1998 to conduct cultural & educational business and charities activities. The mission of the Foundation is to initiate academic and cultural communication through literature & art activities, academic seminar, and symposiums.</p> <p>(3) The Bank has adopted Chung-Chuan No. 2 Park continuously since 1997 and the park was rated No. 1 for many years.</p> <p>(4) Work with the competent authority to promote debt negotiation mechanism and help people resolve debts with service hotlines provided to the public.</p>		
<p>9. Other important information to aid in the understanding of banking management and operations status (such as advanced study of Directors and Supervisors, attendance of Directors and Supervisors at the Board of Directors, enforcement of risk management policy and risk measurement standard, enforcement of consumer and customer protection policy, enforcement of Director avoiding conflict of interest, and liability insurance acquired for Directors and Supervisors):</p> <p>(1) Please refer to 9 page for the advanced study of Directors and Supervisors.</p> <p>(2) In accordance with the rules of the board of directors, the directors will not get involved with any projects related to their interests during the course of decision and execution of the project.</p> <p>(3) Information of the advanced study of directors and supervisors and attendance of directors and supervisors in the Board of Directors will disclose on the "Market Observation Post System" aperiodicity.</p> <p>(4) Enforcement of risk management policy and risk measurement standard: Union Bank of Taiwan Risk management Policy Standard is stipulated, risk control unit is organized, and job responsibility of risk team is defined. In terms of the risk measurement standard, evaluation, quota control, and stop-loss measures can be performed instantly through trade system in order to measure and control the market risk of trade transactions; also, the internal credit risk model is constructed.</p> <p>(5) Clients can express their opinions or complaints via internet and hotline and the suggestions and opinions from customers will be forwarded to the responsible department to follow up.</p> <p>(6) The Bank has the guidelines of job responsibility business operation is to be authorized by the responsible authority.</p>		

CPA information



1. Information of Professional Fees:

(1) Professional fee paid to CPA for non-auditing services account for a proportion equal to one-quarter

Unit: NT\$1,000

CPA Firm	Name of CPAs		Auditing fee	Non-auditing fee					Is the auditing period for a complete fiscal year			Remark
				System design	Corporate registration	Human resources	Others (Note 1)	Subtotal	Yes	No	Auditing period	
Deloitte & Touche	Terence Huang	Y.J. Wu	\$5,640	-	-	-	\$1,100	1,100	v		2005	

Note 1: Non-auditing fee is for the auditing service of the internal control system that is performed in accordance with "Enforcement regulations for bank internal audit control system" in 2005.

(2) The replacement of CPA Firm and the auditing fee paid during the year in which the change is made are lower than for the previous year: N/A

(3) The reduction of auditing fee is lower than for the previous year by 15%: None

2. Information on Replacement of CPA

The financial statements of the Union Bank of Taiwan were audited by CPAs Terence Huang and Z.Y. Chang of Deloitte & Touche. In response to the internal organizational adjustment of Deloitte & Touche, the 2005 financial statements of the Union Bank of Taiwan were audited by CPAs Terence Huang and Y.J. Wu.

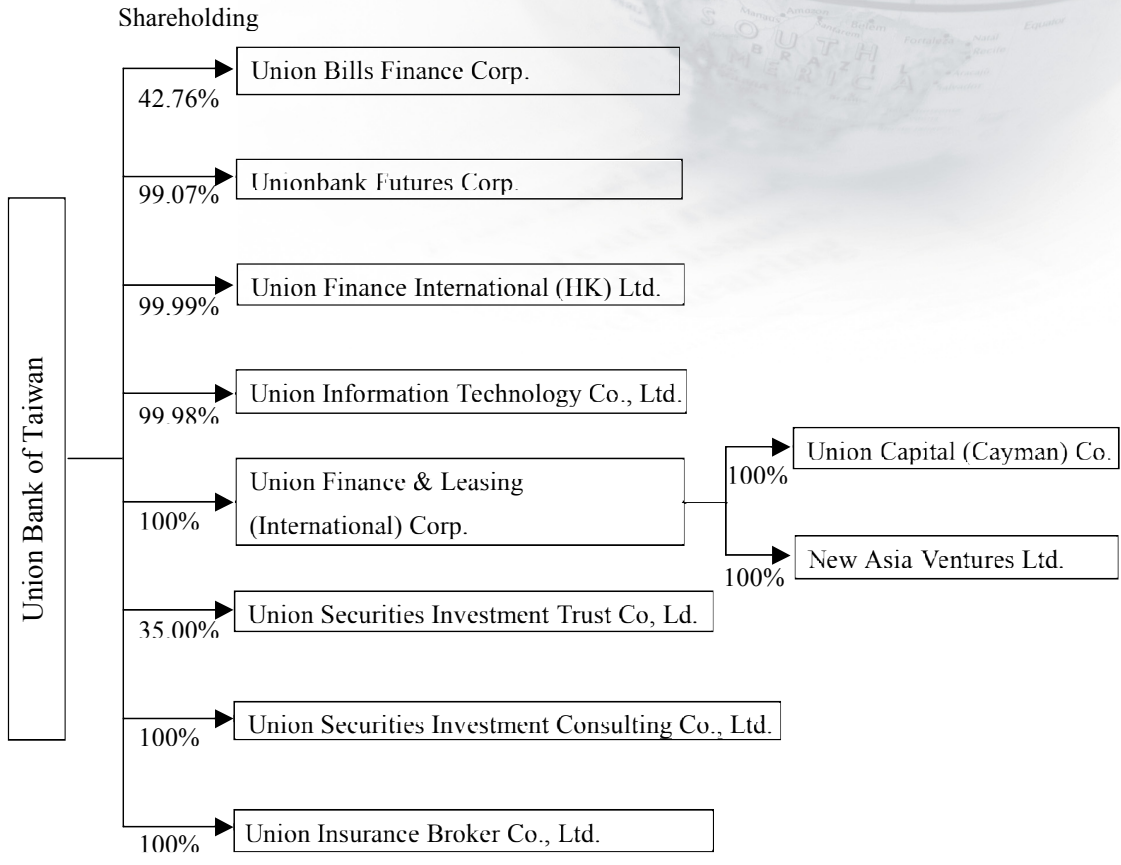
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1. Information Related to the Company Affiliates

(1) Information on affiliated enterprises

A. Organization chart of affiliated enterprises:

Date: December 31, 2005





B. Profiles of affiliates:

Unit: NT\$ In Thousand ; As of December 31, 2005

Enterprise	Date of Establishment	Address	Paid-in Capital	Scope of Business
Union Bills Finance Corp.	07.19.1995	15F, No.109, Sec. 3, Minsheng E. Road, Taipei, Taiwan	2,960,000	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
Union Finance & Leasing (International) Corp.	11.11.1996	9F, No.137, Sec. 2, Nanking E. Road, Taipei, Taiwan	1,000,000	Installment, leasing, and account receivable factoring
Unionbank Futures Corp.	07.03.1994	3F-1, No.137, Sec. 2, Nanking E. Road, Taipei, Taiwan	240,000	Futures brokerage
Union Finance International (HK) Ltd.	04.23.1996	Unit C & D, 8F, Entertainment Building, 30, Queen's Road Central, Hong Kong	106,589	Import and export accommodation
Union Securities Investment Trust Co., Ltd.	12.22.1998	6F, No.137, Sec. 2, Nanking E. Road, Taipei, Taiwan	300,000	Securities investment trust
Union Securities Investment Consulting Co., Ltd.	12.14.1999	6F-1, No.137, Sec. 2, Nanking E. Road, Taipei, Taiwan	10,000	Securities investment consulting
Union Insurance Broker Co., Ltd.	08.04.1997	1F, No.21, Alley 6, Lane 113, Sec. 3, Minsheng E. Road, Taipei, Taiwan	28,000	Personal insurance agency
Union Information Technology Co., Ltd.	08.20.1998	6F, No.399, Juikuang Road, Taipei, Taiwan	50,000	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
Union Capital (Cayman) Co.	07.23.1997	P.O. Box 1034, George Town, Grand Cayman, Cayman Islands, British West Indies.	1,644	Installment and leasing business
New Asian Ventures Ltd.	10.27.1997	Citco Building, Wickhams Cay, P.O. Box662 Road Town, Tortola, British Virgin Islands.	1	Investment, offshore financing, equipment leasing, installment selling and accounts receivable factoring

C. Relationships between business operations of affiliated enterprises: None

D. Information of Chairman, Directors, Supervisors, and Presidents of Affiliated Companies

Unit: Shares; % As of December 31, 2005

Enterprise	Title	Name (Representative)	Shareholding	
			Shares	%
Union Bank of Taiwan	Chairman	C.C. Huang	1,181,578	0.065%
	Managing Director	Zhen-Xong Jiang	4,597,043	0.252%
	Managing Director	Yu-Pang Co., Ltd. (Representative; Jia-Yi Wang)	18,962,581	1.039%
	Director and President	Shiang-Chang Lee	1,152,207	0.063%
	Director	Union Enterprise Construction Co., Ltd. (Representative: Jeff Lin)	71,684,310	3.927%
	Director	Chung Li Investment Co., Ltd. (Representative: Jin-Fu Liu)	35,454,283	1.942%
	Director	Chung Li Investment Co., Ltd. (Representative: Yao-Nan Lai)		
	Director	Union Entertainment Enterprise Co., Ltd. (Representative: Sue-Ere C. Lin)	26,577,782	1.456%
	Director	Si-Yong Lin	16,934,581	0.928%
	Resident Supervisor	Yu-Quan Development Co., Ltd. (Representative: Yu-Quan Lee)	8,807,889	0.483%
	Supervisor	Zhen-Lu Lin	287,308	0.016%
	Supervisor	Min-Hsing Ho	32,100	0.002%
Union Bills Finance Corp.	Chairman	Union Bank of Taiwan (Representative: Kuo-Chang Lee)	126,576,000	42.76%
	Managing Director	Union Bank of Taiwan (Representative: Jeff Lin)		
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)		
	Director	Union Bank of Taiwan (Representative: Hao-Sen Lee)		
	Resident Supervisor	Union Bank of Taiwan (Representative: Chung-Chieh Huang)		
	Supervisor	Union Bank of Taiwan (Representative: Zhen-Xong Jiang)		
	Managing Director	EnTie Commercial Bank (Representative: Quin-Tin Chang)	63,288,000	21.38%
	Director	EnTie Commercial Bank (Representative: Tzi Lee)		
	Director	EnTie Commercial Bank (Representative: Hong-Ben Chen)		
	Director	Union Enterprise Construction Co., Ltd. (Representative: Hong-Yao Lin)	12,404,448	4.19%
	Director	Hong-Kuo Construction Co., Ltd. (Representative: Ya-Jean Lin)	12,404,448	4.19%
	Supervisor	Yu-Pang Co., Ltd. (Representative; Wen-Ming Lee)	12,404,448	4.19%
	President	Min-Hsing Ho	88,000	0.03%
Union Finance & Leasing (International) Corp.	Chairman	Union Bank of Taiwan (Representative: Cheng-Juh Shieh)	100,000,000	100.00%
	Director	Union Bank of Taiwan (Representative: Jeff Lin)		
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)		
	Supervisor	Union Bank of Taiwan (Representative: Hao-Sen Lee)		
	President	Cheng-Juh Shieh	-	-
Unionbank Futures Corp.	Chairman	Union Bank of Taiwan (Representative: Chi-Chang Chen)	23,775,860	99.07%
	Director	Union Bank of Taiwan (Representative: Jeff Lin)		
	Director	Union Bank of Taiwan (Representative: Yao-Nan Lai)		
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)		
	Director	Union Bank of Taiwan (Representative: Yin-Jo Jiang)		
	Director	Union Bank of Taiwan (Representative: Jin-Fu Liu)		
	Director	Union Bank of Taiwan (Representative: Zhen-Xong Jiang)		
	Director	Union Bank of Taiwan (Representative: Si-Yong Lin)		
	Director	Union Bank of Taiwan (Representative: Zhen-Lu Lin)		
	Director	Union Bank of Taiwan (Representative: Chung-Chieh Huang)		
	Director	Union Bank of Taiwan (Representative: Tarsicio Tong)		
	Supervisor	Union Bank of Taiwan (Representative: Yu-Quan Lee)		
	Supervisor	Union Bank of Taiwan (Representative: Chuan-Zhong Chang)		
	President	Yuei-Kuei Wei	40,000	0.17%



Enterprise	Title	Name (Representative)	Shareholding	
			Shares	%
Union Finance International (HK) Ltd.	Director	Union Bank of Taiwan (Representative: Jeff Lin)	30,000,000	99.999994%
	Director	Union Bank of Taiwan (Representative: Roger Wang)		
	Director	Union Bank of Taiwan (Representative: Partick Jean)		
	Director	Shiang-Chang Lee	1	0.000003%
	Director & President	Amanda Lin	-	-
Union Securities Investment Trust Co., Ltd.	Chairman	Kuen-Jer Investment Co., Ltd. (Representative: Cheng-Juh Shieh)	2,500,000	8.30%
	Director	Kuen-Jer Investment Co., Ltd. (Representative: Chi-Hao Yuei)		
	Director	Kuen-Jer Investment Co., Ltd. (Representative: Hsiao-Yi Tsai)		
	Director	Kuen-Jer Investment Co., Ltd. (Representative: Frank Hsu)		
	Director	Kuen-Jer Investment Co., Ltd. (Representative: Wen-Min Lee)		
	Supervisor	Kuen-Jer Investment Co., Ltd. (Representative: Su-Huei Hsu)		
	Supervisor	Kuen-Jer Investment Co., Ltd. (Representative: Chaio-Chuan Tsai)		
	Director	Hong-Yi Investment Co., Ltd. (Representative: Shen-Mao Wu)	1,500,000	5.00%
	Director	Goldsun Computer Communication Co., Ltd. (Representative: Kuo-Hwa Lee)	3,000,000	10.00%
	President	Frank Hsu	-	-
Union Securities Investment Consulting Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Chaio-Lian Chien)	1,000,000	100.00%
	Director	Union Bank of Taiwan (Representative: Joy Tang)		
	Director	Union Bank of Taiwan (Representative: Yu-Lin Kuo)		
	Supervisor	Union Bank of Taiwan (Representative: Tiffany Yu)		
	President	Chaio-Lian Chien	-	-
Union Insurance Broker Co., Ltd.	Chairman	Union Bank of Taiwan (Representative: Chien-Kuo Kuei)	2,800,000	100.00%
	Director	Union Bank of Taiwan (Representative: Shiang-Chang Lee)		
	Director	Union Bank of Taiwan (Representative: Chung-Chieh Huang)		
	Supervisor	Union Bank of Taiwan (Representative: Hao-Sen Lee)		
	President	Chien-Kuo Kuei	-	-
Union Information Technology Co. Ltd.	Chairman	Union Bank of Taiwan (Representative: Qin-Ming Huang)	4,998,842	99.98%
	Director	Union Bank of Taiwan (Representative: Hao-Sen Lee)		
	Director	Union Bank of Taiwan (Representative: John Lee)		
	Supervisor	Union Bank of Taiwan (Representative: Maggie Chen)		
	President	Qin-Ming Huang	-	-
Union Capital (Cayman) Co.	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Shiang-Chang Lee)	50,000	100.00%
	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Shieh)		
New Asian Ventures Ltd.	Director	Union Finance & Leasing (International) Co., Ltd. (Representative: Cheng-Juh Shieh)	1	100.00%

E. Operating performance of affiliated enterprises

Unit: NT\$ in thousand, except earnings per share (NT\$)

Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit	Net Income (after tax)	EPS (NT\$) (after tax)	Remark
Union Bills Finance Corp.	2,960,000	35,090,254	31,704,921	3,385,333	881,052	363,827	329,961	1.11	
Union Finance & Leasing (International) Corp.	1,000,000	4,436,643	3,112,198	1,324,445	604,258	104,838	142,171	1.22	
Unionbank Futures Corp.	240,000	647,317	432,224	215,093	110,106	(19,465)	(24,907)	(0.42)	
Union Finance International (HK) Ltd.	106,589	434,548	233,693	200,855	34,052	7,168	5,140	0.17	HKD exchange rate was 4.2378 on December 30, 2005; HKD average exchange rate was 4.1461 on Jan-Dec, 2005
Union Securities Investment Trust Co., Ltd.	300,000	549,048	354,175	194,873	70,512	(18,676)	(145,910)	(4.86)	
Union Securities Investment Consulting Co., Ltd.	10,000	11,530	410	11,120	5,295	672	475	0.48	
Union Insurance Broker Co., Ltd.	28,000	78,318	13,416	64,902	212,063	36,431	26,287	9.39	
Union Information Technology Co., Ltd.	50,000	236,427	116,617	119,810	421,605	82,142	64,026	5.64	
Union Capital (Cayman) Corp.	1,644	450,267	30	450,237	3,306	(3,380)	7,524	150.48	USD exchange rate was 32.86 on December 30, 2005; USD average exchange rate was 32.24025 on Jan-Dec, 2005
New Asian Ventures Ltd.	1	191,251	56,934	134,317	4,072	3,236	11,509	1.56	USD exchange rate was 32.86 on December 30, 2005; USD average exchange rate was 32.24025 on Jan-Dec, 2005

(2) Union Bank of Taiwan and affiliated enterprises was not found with any financial difficulty in recent years and up to February 28, 2006.



(3) Consolidated financial statements of affiliated enterprises

Declaration of Consolidated Financial Statements

The companies that were to be included in the related party consolidated financial statements in 2005 according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Report and Consolidated Financial Statements of Affiliated Reports” and the companies that were to be included in the parent-subsubsidiary consolidated financial statement according to the “Statement of Financial Accounting Standards No. 7” were identical; moreover, the information to be disclosed in the related party consolidated financial statement was disclosed in the aforementioned parent-subsubsidiary consolidated financial statements; therefore, the related party consolidated financial statements will not be prepared separately.

Sincerely yours,

Union Bank of Taiwan

Chairman: C.C. Huang

February 24, 2006



Independent Auditors' Report

To: Union Bank of Taiwan

We have audited the accompanying consolidated balance sheet of Union Bank of Taiwan and its subsidiaries as of December 31, 2005, and the related consolidated income statement, consolidated changes in stockholders' equity, and consolidated cash flow for the period from January 1, 2005 till December 31, 2005. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express opinions on these consolidated financial statements based on our audits. For the business entities included in the consolidated financial statements, the financial statements of Union Finance International (HK) Ltd., Union Bills Finance Co., Ltd., Union Securities Investment Trust Co., Ltd., and Unionbank Futures Co., Ltd. were audited by other CPA Firms. Therefore, the information recognized and disclosed in the consolidated financial statements of Union Finance International (HK) Ltd., Union Bills Finance Co., Ltd., Union Securities Investment Trust Co., Ltd., and Unionbank Futures Co., Ltd. were based on the financial statements audited by other CPA firms. The assets and liabilities of the aforementioned business entities in the consolidated financial statements that were audited by other CPA firms on December 31, 2005 were for an amount of NT\$36,721,168 thousand and NT\$32,725,014 thousand, representing 10.14% and 9.58% of the total consolidated assets and liabilities. The operating revenues and net income in 2005 amounted to NT\$1,095,722 thousand and NT\$164,284 thousand, representing 5.60% and 4.89% of the total consolidated operating revenues and net income.

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

In our opinion, based on the results of our audits and the reports of other CPAs, the consolidated financial statements referred to in the preceding paragraph present fairly, in all material respects, the financial position of Union Bank of Taiwan and its subsidiaries as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years ended, in conformity with the Criteria Governing the Preparation of Financial Reports



by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Companies, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and generally accepted accounting principles in the Republic of China.

As stated in the Note 12 to financial statements, in 2005, Union Bank of Taiwan was informed by the Securities & Futures Bureau of Financial Supervisory Commission, Executive Yuan to realize, in conformity accounting principles generally accepted in the Republic of China, losses on the sale of its nonperforming loans instead of amortizing these losses.

As stated in the Note 35, on December 9, 2004, the Union Bank of Taiwan won a bid, which was held by the Executive Yuan's Resolution Trust Corporation Fund, and acquired all assets, liabilities and operating units of Chung Shing Bank on March 19, 2005.

As stated in the Note 2 to financial statements, Union Bank of Taiwan and its subsidiaries had consolidated financial statements reported and filed since 2005 in accordance with the requirement of Financial Supervisory Commission, Executive Yuan. The consolidated financial statements reported and filed for the first time could be presented for a single term.

Deloitte & Touche





Union Bank of Taiwan & Subsidiaries
Balance Sheet
December 31, 2005

Unit: In Thousand of New Taiwan Dollar, except par value

Code	Assets	Amount	%	Code	Liabilities & Stockholders' Equity	Amount	%
1100	Cash & cash equivalents (note 5 & 24)	\$ 8,494,245	2	2120	Due to banks (note 13 & 25)	\$ 11,104,429	3
1120	Deposits with Central Bank & other bank (Note 6 & 24)	12,651,986	3	2102	Short-term loan	1,411,551	-
1130	Securities purchased, net (note 2, 7, 24 & 25)	49,440,012	14	2105	Securities sold under repurchase agreements (note 2 & 26)	33,492,878	9
1220	Securities purchased under resell agreements (note 2 & 26)	8,786,677	2	2140	Payables and advance receipts (note 14 & 22)	7,619,418	2
1140	Receivables, net (note 2, 8, & 24)	45,968,402	13	2190	Promissory notes payable (note 15)	1,267,255	-
1250	Prepayments	742,791	-	2310	Deposits & remittances (note 16 & 24)	271,177,320	75
13XX	Bills purchased, discounts and loans, net (note 2, 9, & 24)	180,768,324	50	2370	Bank debentures (note 2 & 17)	12,320,000	3
144101	Long-term investments, net (note 2 & 10)	84,189	-	2500	Bond payable (note 18)	1,600,000	1
144102	Equity Method	1,482,294	-	28XX	Other liabilities (note 2)	1,739,762	1
1444	Bond investment	21,327,025	6	2XXX	Total liabilities	341,732,613	94
1457	Other long-term investments	2,394,634	1	3101	Parent company stockholders' equity	18,253,942	5
1440	Long-term investments, net	25,288,142	7		Capital stock - NT\$10 par value; 2005: 2,488,926 thousand shares authorized and 1,825,394 thousand shares issued		
1501	Property & equipment (note 2, 11, & 26)	3,509,236	1		Capital surplus	63,733	-
1521	Land	4,841,180	1		Retained earnings	1,380,978	-
1531	Buildings & improvements	1,673,614	1		Legal reserve	2,119,450	1
1541	Office equipment	201,521	-		Special reserve	(3,457,777)	(1)
1553	Transportation equipment	226,695	-		Unappropriated earnings (accumulated deficit)	(76,725)	-
15X1	Leasehold improvements	10,452,246	3		Unrealized loss on long-term equity investments	50,141	-
15X2	Accumulated depreciation	1,537,497	-		Cumulative translation adjustments	18,333,742	5
1570	Prepayments for equipment	8,914,749	3		Total shareholder's equity of parent company	2,042,441	1
15XX	Net property & equipment	158,359	-		Minority stock	20,376,183	6
1711	Goodwill (note 2 & 35)	2,757,500	1		Total stockholders' equity		
18XX	Other assets (note 2, 12, 22, 24, & 25)	18,137,609	5		Contingencies & commitments (note 25, 26, & 30)		
1XXX	Total	\$ 362,108,796	100		Total	\$ 362,108,796	100

The accompanying notes are an integral part of the financial statements.
(With DELOITTE & TOUCHE audited report dated February 24, 2006)

Manager:

Chief Accountant:

Chairman:

Union Bank of Taiwan & Subsidiaries
Statements of Income
Year ended December 31, 2005

Unit: In Thousand of New Taiwan Dollar, except earnings (loss) per share

Code		Amount	%
	Operating revenues		
4501	Interest revenue (note 2 & 24)	\$14,621,663	75
4516	Service fee revenue (note 2 & 24)	2,575,822	13
4531	Income on securities, net (note 2)	1,026,572	5
4532	Gain from long-term equity investments under the equity method, net (note 2 & 10)	14,419	-
4534	Foreign exchange gain, net (note 2)	81,331	1
4558	Derivative product gain, net (note 2)	58,525	-
4609	Other operating revenue	<u>1,183,372</u>	<u>6</u>
4100	Total operating revenues	<u>19,561,704</u>	<u>100</u>
	Operating costs and expenses		
5501	Interest expense (note 2 & 24)	4,347,917	22
5516	Service charge expense (note 2)	959,127	5
5535	Provisions for credit and other losses (note 2, 8 & 9)	4,933,884	25
5609	Other operating costs (note 2 & 12)	7,667,400	39
5800	Operating & administrative expenses (note 2, 20, 21, & 24)	<u>6,410,820</u>	<u>33</u>
5100	Total operating costs and expenses	<u>24,319,148</u>	<u>124</u>
6100	Operating income (loss)	(4,757,444)	(24)
4999	Nonoperating income and gain	488,745	2
5999	Nonoperating expense and loss	<u>364,862</u>	<u>2</u>
6300	Income (loss) before income tax	(4,633,561)	(24)
6400	Income tax benefit (note 2 & 22)	<u>1,291,582</u>	<u>7</u>
	Net loss of continuing department	(\$ 3,341,979)	(17)
6700	Loss of discontinued department (net of NT\$0 income tax)	(17,418)	-
6900	Consolidated net loss	<u>(\$ 3,359,397)</u>	<u>(17)</u>
	Due to:		
6901	Parent company's shareholders	(\$ 3,457,777)	(18)
6902	Minority stock	98,380	1
		<u>(\$ 3,359,397)</u>	<u>(17)</u>
		<u>Before Tax</u>	<u>After Tax</u>
7000	Loss per share (note 23)		
	— Loss per share (basic)	(\$ 2.66)	(\$ 1.94)
	— Loss per share (diluted)	<u>(\$ 2.66)</u>	<u>(\$ 1.94)</u>

The accompanying notes are an integral part of the financial statements.
(With DELOITTE & TOUCHE audited report dated February 24, 2006)

Chairman:

Manager:

Chief Accountant:



Union Bank of Taiwan & Subsidiaries
Statements of Changes in Stockholders' Equity
Year ended December 31, 2005

Unit: In Thousand of New Taiwan Dollar, except issuance price of Common Stock)

	Capital Stock			Capital Surplus (note 2 & 19)			Retained earnings (note 2 & 19)			Unrealized loss on long-term Investments			Cumulative translation adjustment	Minority stock	Total Stockholder's Equity
	Shares (in thousand)	Amount	Additional paid-in capital	Donated capital	Treasury stock	Total	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	(Note 2)	(Note 2)			
Balance - January 1, 2005	1,517,129	\$ 15,171,292	\$ 23,972	\$ 1,398	\$ 32,413	\$ 57,783	\$ 901,090	\$ 999,713	\$ 1,599,625	\$ 3,500,428	\$ 21,433	\$ 20,190	\$ 1,988,607	\$ 20,719,353	
Appropriation of 2004 earnings	-	-	-	-	-	-	479,888	-	(479,888)	-	-	-	-	-	
Legal reserve	-	-	-	-	-	-	1,119,737	1,119,737	(1,119,737)	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Consolidated net loss in 2005	-	-	-	-	-	-	-	-	(3,457,777)	(3,457,777)	-	-	98,380	(3,359,397)	
Convertible bank debenture transferred to common stock	8,265	82,650	5,950	-	-	5,950	-	-	-	-	-	-	-	88,600	
Allowance for unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(56,535)	-	(56,535)	
Issuance of common stock for cash - NT\$10 per share	300,000	3,000,000	-	-	-	-	-	-	-	-	-	-	-	3,000,000	
Translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	28,708	-	(44,546)	28,708	
Minority stock exchange	-	-	-	-	-	-	-	-	-	-	-	-	2,042,441	(44,546)	
Balance - December 31, 2005	1,825,394	\$ 18,253,942	\$ 29,922	\$ 1,398	\$ 32,413	\$ 63,733	\$ 1,380,978	\$ 2,119,450	\$ 3,457,777	\$ 42,651	\$ 76,725	\$ 50,141	\$ 2,042,441	\$ 20,376,183	

The accompanying notes are an integral part of the financial statements.
(With DELOITTE & TOUCHE audited report dated February 24, 2006)

Chairman:

Manager:


Chief Accountant:

Union Bank of Taiwan & Subsidiaries
Statements of Cash Flows
January 1 ~ December 31, 2005

Unit: NT\$ Thousand
Amount

Cash flows from operating activities	
Net income (loss)	(\$ 3,359,397)
Adjustment to determine net cash attributable to operating activities:	
Gain from long-term equity investments under the equity method	(14,419)
Cash dividend and remuneration to directors & supervisors recognized by the equity method	32,332
Depreciation and amortization	447,552
Amortization of loss from sales of nonperforming loans	6,761,482
Amortization of goodwill	551,500
Gain on disposal of properties, net	(29,429)
Gain on the disposal of long-term equity investment	(30,697)
Provision for credit and other losses	4,933,884
Provision for allowance for decline in market value of securities purchased	11,389
Reversal of allowance for decline in market value of collaterals assumed	(90,181)
Deferred income taxes	(1,428,755)
Increase in securities purchased – for trading purposes	(24,982,340)
Increase in receivables	(6,666,371)
Decrease in prepayments	564,086
Increase of promissory notes payable	1,267,255
Increase (decrease) in payables and advance receipts	2,868,499
Net cash used in operating activities	<u>(19,163,610)</u>
Cash flows from investing activities	
Decrease in securities purchased under resell agreements	393,378
Decrease (increase) in due from the Central Bank and other banks	(2,613,009)
Decrease in securities purchased – for investing purposes	1,002,880
Increase in bills purchased, discounts and loans	(23,783,676)
Increase in long-term bond investments	(12,316,326)
Increase in other long-term investments	(2,394,634)
Proceeds from disposal of long-term equity investment	86,136
Proceeds from capital deduction of long-term equity investment	19,759
Acquisition of property & equipment	(756,763)
Proceeds from disposal of property & equipment	86,625
Increase in other assets	(\$ 11,045,593)
Net payment of the acquisition of Chung Shing Bank	<u>(6,017,187)</u>
Net cash used in investing activities	<u>(57,338,410)</u>
Cash flows from financing activities	
Increase in short-term loan	1,411,551
Increase (decrease) in due to banks	6,390,461
Increase in securities sold under repurchase agreements	30,805,440





Increase in deposits and remittances	20,145,263
Increase in other liabilities	631,599
Increase in bank debenture	1,600,000
Issuance of common stock for cash	2,000,000
Reissuance of treasury stock	3,000,000
Net cash provided by financing activities	<u>65,984,314</u>
Effect of the subsidiary consolidated for the first time	1,285,607
Net increase (decrease) in cash and cash equivalent	(9,232,099)
Cash and cash equivalents, beginning of year	3,605,231
Cash and cash equivalents transferred from Chung Shing Bank – March 19, 2005	<u>14,121,113</u>
Cash and cash equivalents – end of year	<u>\$ 8,494,245</u>
Supplemental disclosure of cash flow information	
Interest paid	<u>\$ 3,865,533</u>
Income tax paid	<u>\$ 264,508</u>
Noncash investing and financing activities	
Convertible bond debenture transferred to common stock	<u>\$ 88,600</u>

The accompanying notes are an integral part of the financial statements.
(With DELOITTE & TOUCHE audited report dated February 24, 2006)

Chairman:

Manager:

Chief Accountant:



2. Enforcement of Internal Control System

(1) Statement of internal control

Union Bank of Taiwan
Statement of Internal Control

March 3, 2006

On behalf of Union Bank of Taiwan, we hereby state that from January 1, 2005 to December 31, 2005, we has duly complied with the “Enforcement Regulations for Bank Internal Audit Control System” in establishing its internal system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Supervisors. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the “Regulations Governing the Establishment of Internal Control Systems be Service Enterprises in Securities and Futures Markets”, promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, except for items listed in the schedule, the internal control and legal compliance systems of each department have been in effect during year, this Statement will be included as the main content of the Bank’s annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32,171, and 174 of the Securities and Exchange Law will be involved.

Financial Supervisory Commission

Declarers

Chairman:

President:

S. C. Lee

Chief Auditor:

Y. S. Chang

Compliance Officer:

(2) Union Bank of Taiwan did not have a CPA contracted to have the internal control system reviewed.



3. Directors or Supervisors, Dissenting Opinions about Resolutions Passed by the Board of Directors: None

4. Private Placement of Marketable Securities: None

5. Holding or Disposal of UBOT Shares by Subsidiaries: None

6. Major Resolutions Approved by the Board of Directors or Shareholders' Meeting:

(1) Important resolutions of the 2005 shareholders' meeting and enforcement

- A. Distribution of retained earnings of 2004: Resolution was passed and enforced completely.

(2) Important resolutions of the Board of Directors in 2005

- A. 2005 operating budget was approved in the 19th Board Meeting of the 5th year on March 24, 2005.
- B. The revision of organizational procedures of the Union Bank of Taiwan to establish the Wealth Management Department, Operation Center, Taipei and Kaohsiung Corporate Banking Center were passed in the 21st Board Meeting of the 5th year on June 6, 2005.
- C. The decision of having the CPA of Union Bank of Taiwan reappointed since the first half of 2005 was resolved in the 23rd Board Meeting of the 5th year on July 6, 2005.
- D. The decision of having a subordinate bank debenture issued for a term of 5.5~7 year for an amount of NT\$5 billion maximum was resolved in the 26th Board Meeting of the 5th year on October 26, 2005.
- E. The decision of having the loss of NPL amortized in a lump sum for an amount of NT\$4,542,807,000 at the end of 2005 in conformity with generally accepted accounting principle was resolved in the 29th Board meeting of the 5th year on December 30, 2005.

(3) Important resolutions of the Board of Directors in 2006

- A. 2006 business budget was approved in the 31st Board Meeting of the 5th year on February 22, 2006.
- B. The decision of Articles of Incorporation amendment was passed in the 32nd Board Meeting of the 5th year on March 15, 2006.
- C. The decision of the dissolution and liquidation of Unionbank Futures Corp. was passed in the 33rd Board Meeting of the 5th year on March 29, 2006.



7. Improvements made on Penalty caused by Legal Violations and Major Deficiencies during the Past two years:

(1) Any criminal charges pressed by prosecutors against the chairman or employee.

Disclosures	Nonconformity	Corrective action
A. Indictments of officials and employees for crimes committed in the performance of duty	None	None
B. Violations of the law resulting in the imposition of fines by the Financial Supervisory Commission	Union Capital (Cayman) Corp., the subsidiary of Union Bank of Taiwan, had the stock of USTC acquired and disposed on December 30, 2000 for an amount over NT\$300 million but failed to perform accordingly, a report is to be filed within two days in accordance with the requirement of "Governing rules for assets acquisition and disposition of public offering company" Article 7.	A. Union Bank of Taiwan had notice and filing completed on August 4, 2005. B. To be processed in accordance with regulations.
C. C.Deficiencies resulting in severe disciplinary action by the Financial Supervisory Commission	None	None
D. Punishments imposed by the Financial Supervisory Commission in accordance with Article 61.1 of the Banking Law	None	None
E. 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 NT50 million dollars	None	None
F. Other disclosures required by Financial Supervisory Commission, Executive Yuan	None	None

8. Supplementary Explanation: None

Directory of Head Office and Branches

Department/Branch	Address	Telephone
Head Office	3F., No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-27180001
⊙ International Banking Dept.	2F., No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-27180001
Trust Dept.	3F., No.137, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	02-25074066
Offshore Banking Unit	2F., No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-27180001
⊙ Business Dept.	No.105, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	02-25568500
Taipei Branch	No.109, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-27180001
Changchun Branch	No.328, Changchun Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-25455588
⊙ Nanking East Road Branch	No.137, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	02-25151333
⊙ East Taipei Branch	No.217, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-27530900
Chunghsiao Branch	2F., No.5, Lane 223, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	02-27733456
⊙ Yongchun Branch	No.453, Sec. 5, Jhongsiao E. Rd., Nangang District, Taipei City 115, Taiwan (R.O.C.)	02-2748-0188
Jenai Branch	No.401, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	02-27813366
Tungmen Branch	No.101, Sec. 2, Sinyi Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	02-23582345
Hoping Branch	No.68-2, Sec. 3, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	02-27352828
△ Chungshang Mini Branch	No.83, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	02-25717890
Kungkuan Branch	No.272, Sec. 3, Roosevelt Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	02-23692678
Sungchiang Branch	No.228, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	02-25616601
△ Breeze Center Mini Branch	No.39, Sec. 1, Fusing S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-87722858
Tunhwa Branch	No.209-1, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	02-87733588
Taan Branch	No.14, Sec.2, Tunhwa S. Road, Taipei City 105, Taiwan (R.O.C.)	02-27049588
△ Tonghwa Mini Branch	No.74, Tonghua St., Da-an District, Taipei City 106, Taiwan (R.O.C.)	02-27395888
Yungchi Branch	No.306, Yongji Rd., Nangang District, Taipei City 115, Taiwan (R.O.C.)	02-27480329
Neihu branch	No.399, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	02-26586121
Hsihu Branch	No.88, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	02-87971537
Tachin Branch	No.649, Mingshuei Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	02-25323836
Tienmu Branch	No.62, Sec. 1, Jhongcheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	02-28351818
△ Shihtung Mini Branch	No.1-1, Lane 91, Shihdong Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	02-28756161
Beitou Branch	No.68, Sec. 1, Jhongyang N. Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	02-28966333
Panchiao Branch	No.226, Mincyuan Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	02-29656600
Houpu Branch	No.77, Chongcing Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	02-29642777
Sanchung Branch	No.10, Sec. 3, Chongsin Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	02-29777666
North Sanchung Branch	No.245, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	02-29826226





Department/Branch	Address	Telephone
Luchou Branch	No.80, Jhongjheng Rd., Lujhou City, Taipei County 247, Taiwan (R.O.C.)	02-28485577
Chungho Branch	No.50, Jian 1st Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.)	02-82265168
△North Chungho Mini Branch	No.122, Sec. 3, Jhongshan Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.)	02-22219698
Shuanho Branch	No.222, Jhongjheng Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	02-29459898
Yungo Branch	No.137, Sec. 2, Yonghe Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	02-86600808
Hsintien Branch	No.100, Mincyuan Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	02-22199989
Hsinchung Branch	No.601, Sihyuan Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	02-85227799
Hsisheng Branch	No.26, Hougang 1st Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	02-22052299
△Chungkung Mini Branch	No.308, Jhonggang Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	02-22769678
Shulin Branch	No.275, Jhonghua Rd., Shulin City, Taipei County 238, Taiwan (R.O.C.)	02-86858939
Hsichih Branch	No.159, Sec. 1, Sintai 5th Rd., Sijhih City, Taipei County 221, Taiwan (R.O.C.)	02-86425289
⊙Taoyuan Branch	No.332, Sianfu Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	03-3395300
North Taoyuan Branch	No.191, Yong-an Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	03-3395300
Taoying Branch	No.343, Taoying Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	03-3779797
Chungli Branch	No.62, Sec. 1, Jhongyang W. Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	03-4265111
North Chungli Branch	No.222, Yuanhua Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	03-4261133
Neili Branch	No. 258, Sec. 1, Jhonghua Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	03-4351288
Chenshin Branch	No.95, Sec. 2, Longgang Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	03-4280808
Nankan Branch	No.137, Jhongjheng Rd., Lujhu Township, Taoyuan County 338, Taiwan (R.O.C.)	03-3229699
Hueilong Branch	No.253, Sec. 1, Wanshou Rd., Gueishan Township, Taoyuan County 333, Taiwan (R.O.C.)	02-82090808
Lungtan Branch	No.245, Jhongjheng Rd., Longtan Township, Taoyuan County 325, Taiwan (R.O.C.)	03-4709188
Tayuan Branch	No.56, Jhongjheng E. Rd., Dayuan Township, Taoyuan County 337, Taiwan (R.O.C.)	03-3850505
Hsinchu Branch	No.107, Jhongjheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	03-5249966
⊙Taichung Branch	No.9-5, Sec.2, Chungkang Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	04-23285666
North Taichung Branch	No.13, Sec. 3, Wunsin Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	04-23118555
Wenhsin Branch	No.208-1, Sec. 4, Wunsin Rd., North District, Taichung City 404, Taiwan (R.O.C.)	04-22980808
Beitun Branch	No.701, Sec. 4, Wunsin Rd., North District, Taichung City 404, Taiwan (R.O.C.)	04-22452636
Minchuan Branch	No.135, Mincyuan Rd., North District, Taichung City 404, Taiwan (R.O.C.)	04-22206789
Hsitun Branch	No.277, Sec. 2, Situn Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	04-27022152
Singchung Branch	No.406, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan (R.O.C.)	04-22614040
Yuanlin Branch	No.785, Sec. 1, Jhongshan Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	04-8347666
South Yuanlin Branch	No.37, Sanmin St., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	04-8326388



Department/Branch	Address	Telephone
Chiayi Branch	No.285, Jhongshan Rd., Chiayi City 600, Taiwan (R.O.C.)	05-2285908
East Chiayi Branch	No.372-1, Gongming Rd., Chiayi City 600, Taiwan (R.O.C.)	05-2293922
Tainan Branch	No.271, Sec. 4, Simen Rd., North District, Tainan City 704, Taiwan (R.O.C.)	06-2513377
Fucheng Branch	No.92, Jhongheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	06-2290866
Chihkan Branch	No.156, Sec. 2, Yongfu Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	06-2228111
Fuchiang Branch	No.15, Sec. 3, Dongmen Rd., East District, Tainan City 701, Taiwan (R.O.C.)	06-2601268
Kaiyuan Branch	No.229, Kaiyuan Rd., North District, Tainan City 704, Taiwan (R.O.C.)	06-2354445
South Tainan Branch	No.379, Sec. 1, Jinhua Rd., South District, Tainan City 702, Taiwan (R.O.C.)	06-2655663
⊙Kaohsiung Branch	No.204, Guanghua 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	07-2265353
Lingya Branch	No.30, Sihwei 4th Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	07-3386033
Sanmin Branch	No.73, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	07-3890258
Chiuju Branch	No.495, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	07-3118871
North Kaohsiung Branch	No.548, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	07-3223699
Fengshan Branch	No.224, Kaisyuan Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	07-7638185
Wuchia Branch	No.173, Nanhua Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	07-7215866
Pingtung Branch	No.172, Minzu Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	08-7326777
Ho Chi Minh Representative Office	No.8,Nguyen Hue St., Dist.1, Ho Chi Minh City, Vietnam	848-8250407
Hong Kong Representative Office	8F, Unit C-D, Entertainment Building, No.30,Queen's Road Central, Hong Kong	852-25211678

⊙ Appointed Foreign Exchange offices to handle international banking business.

△ Mini Branch

⊙ Branch to be opened in 2006.

UNION BANK OF TAIWAN

A stylized, handwritten signature in black ink, appearing to read 'C. L. Wang', positioned centrally below the bank's name.

Chairman

