



ANNUAL REPORT 2017

E.SUN FHC 2884



玉山金控 E.SUN FHC

www.esunfhc.com.tw

mops.twse.com.tw

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Information of Overseas Depositary Receipt

Global Depositary Receipt
Place of Trading: Luxembourg Stock Exchange
Website: http://www.bourse.lu



E.SUN FHC 16th



Hommage à Terpsichore
Salvador Dalí 1997 bronze with green and gold patina
Possession of E.SUN

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I. Letter to the Shareholders

2017 was a year of changes and challenges in the global political and economic environment. The overall economy maintained stable growth despite the new administration in the United States, elections in Europe, negotiations of Brexit, structural economic reform of China, and geopolitical risks of disputes in Korean Peninsula and the Middle East. Meanwhile, many innovative products and services were created along with FinTech developments, and posed challenges to our expertise and capabilities in information security, personal information protection, and international anti-money laundering.

Overall Performance Reaches New Heights

E.SUN Bank's overall performance reached new heights in 2017, not only being awarded the Best Bank in Taiwan from both The Asset and Global Finance, but also becoming the first in Taiwan's financial sector to be recognized as the Best Bank in Asia-Pacific by The Asian Banker. In terms of sustainability, E.SUN Bank's business performance continues to gain international recognition. E.SUN Bank was enlisted in the Dow Jones Sustainability Index (DJSI) for the 4th consecutive year, and was once again member of DJSI World. Moreover, MSCI ESG also upgraded rating of E.SUN to AA. E.SUN is the best performing company in both DJSI and MSCI ESG in Taiwan's financial sector. In terms of financial indicators, E.SUN Bank's net profit reached a record high at NT\$14.757 billion. EPS at NT\$1.49, ROE at 10.54%, ROA at 0.74%, and capital adequacy ratio at 143.69%. Asset quality maintained sound level with NPL ratio at 0.23% and NPL coverage ratio at 514.13%. In terms of credit rating, Moody's maintained a rating of Baa1/P-2/Stable for the Holding Company, and E.SUN Bank was rated A3/P-2/Stable.



In terms of business indicators, E.SUN FHC has total assets at NT\$2.07 trillion, total deposits at NT\$1.23 trillion, NTD current deposits at NT\$727.5 billion, and foreign currency deposits equivalent to NT\$532.7 billion; the 28.8% growth in foreign current deposits was number one in the market. Net interest income and net fee income have grown steadily. Net interest income grew 8.96% to NT\$20.25 billion and net fee income grew 1.45% to NT\$15.775 billion, in which revenues from wealth management fee was NT\$7.693 billion and revenues from credit card fee was NT\$4.8 billion. Furthermore, credit card consumption amount grew 12.03% to NT\$319 billion. E.SUN ranked first among private banks in SME lending, and has been the best partner of enterprises as it won the Excellent SME Credit Guarantee Partner Award for the 12th consecutive year.

As for corporate social responsibility, E.SUN Bank was ranked among the top 5% in the Corporate Governance Evaluation conducted by Taiwan Stock Exchange for the 3rd consecutive year, thanks to our continual efforts to improve corporate governance and functions of the Board of Directors. E.SUN Bank has been involved in environmental sustainability efforts for a long time, developing green finance and engaging in

responsible lending. Green bonds in the amount of US\$60 million were issued and the proceeds were entirely used to support renewable energy projects. This made E.SUN Bank the first bank to complete pricing and the largest issuer of green bonds in Taiwan. E.SUN Bank is dedicated to charity and continues to invest in academia and education. The E.SUN Golden Seed Project has built a total of 125 E.SUN libraries, an endeavor that has resonated among over 150 thousand World Card holders. E.SUN will continue work together with our employees, customers, and partners towards a better society.

Rapid Technological and Cross-border Developments

E.SUN Bank continues to invest in e-payment (third-party payment), e-services, and smart finance led by technological developments. In the field of e-payment (third-party payment), customers using E.SUN mobile payment can complete payments in any one of the four convenience store chains around Taiwan. Cross-border shopping services are also provided in cooperation with Japan's NTT DATA.

E.SUN Bank continues to develop digital financial services, such as e-loan, foreign currency, financial management, credit cards, and micro-business in the field of e-services, comprehensively improving user experience from mobile banking. As for smart finance, artificial intelligence semantic analysis technology is utilized to offer the E.SUN Chatbot i Personal Financial Advisor. Users can use natural language to gain advice on foreign currency, mortgages, and credit cards. E.SUN Bank was once again named the Best Digital Bank in Taiwan by The Asset, and was the only bank in Taiwan's financial sector to receive The Banker's Technology Projects of the Year Award.

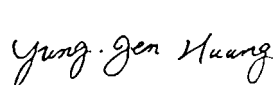
With regard to E.SUN Bank's presence in Asia,

following the opening of Tokyo Branch, there are currently 25 branches in 9 countries, including the Asia-Pacific financial hub Hong Kong, Singapore, Sydney, and Tokyo, which link to the United States, China, Cambodia, Vietnam, and Myanmar. E.SUN Bank is thus able to provide financial services in Taiwan, Hong Kong, and China, building a complete financial integrated platform in Asia.

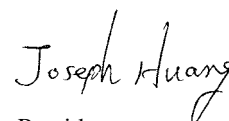
Towards a New Milestone

E.SUN believes that success is founded on a good corporate culture and core values. There are three important characteristics that E.SUN has been persistent in: the ability to stay concentrated over a long period of time, setting challenging goals, and pursuing a level of expertise that will differentiate from its competitors. An enterprise must be able to utilize the organization's collective wisdom and the power of its teams, formulate precise strategies and strong execution abilities, and properly implement three lines of defense, specifically risk management, regulatory compliance, and internal auditing. Only then will it be able to achieve rapid, effective, and disciplined growth in a severely competitive environment.

Outlooks on the future, E.SUN Bank will continue to incorporate CSR into its business strategies, remain honest and upright, pure and professional, grasp trends of FinTech and Asia's rise, and thereby create long-term value for shareholders and stakeholders. We are grateful to your support and encouragement over the years, and we will continue to work hard towards a new milestone. Best wishes for a wonderful future.



Chairman



President

Key Gauges for E.SUN FHC

Unit: NT\$ millions

Indicator	Item	2017/12	2016/12
Total Assets	E.SUN FHC	2,074,388	1,884,300
	E.SUN Bank (consolidated)	2,056,337	1,870,131
	E.SUN Securities	15,411	11,504
	E.SUN Venture Capital	3,419	3,657
Key Financial Ratios	E.SUN FHC Book Value Per Share (NT\$)	14.61	14.66
	Double Leverage Ratio	104.39%	104.80%
	E.SUN FHC CAR	143.69%	137.29%
Physical Channels	E.SUN Bank's Domestic Branches	138	137
	E.SUN Bank's Overseas Outlets	Subsidiaries: E.SUN(China), UCB, Cambodian Branches: Los Angeles, Hong Kong, Singapore, Australia, Tokyo, Vietnam, Myanmar Representative Office: Hanoi, Vietnam sites A total of 25 sites	
	E.SUN Securities' Branches	18	20
Earnings	Net Income (Attributable to owners of the parent company)	14,757	13,135
	EPS (NT\$)	1.49	1.50
	ROE	10.54%	10.35%
	ROA	0.74%	0.71%

Credit Ratings

E.SUN FHC

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	Baa1	P-2	Stable	2017.12
	S&P	BBB	A-3	Stable	2017.07
Domestic Ratings	Taiwan Ratings	twAA-	twA-1+	Stable	2017.07

E.SUN Bank

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	A3	P-2	Stable	2017.12
	S&P	BBB+	A-2	Stable	2017.07
Domestic Ratings	Taiwan Ratings	twAA	twA-1+	Stable	2017.07

II. Company Profile



1. Introduction

(1) E.SUN FHC

E.SUN FHC was established on January 28, 2002. Thanks to the prudent management and the dedicated efforts of all E.SUN colleagues, E.SUN FHC has developed into a business group with comprehensive financial services, subsidiaries includes E.SUN Commercial Bank, E.SUN Securities, and E.SUN Ventures, and providing banking, securities, insurance, and venture capital services. In addition, E.SUN has achieved a consistent performance both internationally and domestically in various domains, including corporate governance, business performance, service quality, risk management, and fulfillment of corporate social responsibilities. E.SUN will strive to work even more conscientiously, maintain our spirit of “Pure as Jade, Sturdy as Mountain,” and employ prudent strategies and team execution to provide high quality of financial services and optimize customer value.

E.SUN FHC was established in January 2002 by E.SUN Bank, E.SUN Securities, and E. SUN Bills Finance through the conversion of shares, and E.SUN Venture Capital was subsequently reinvestment established in October 2002 through reinvestment. E.SUN Insurance Brokers was established through reinvestment in 2003, and E.SUN Investment Trust was established in September 2003 through conversion of shares.

For the purpose of achieving higher economics of scale and overall synergy, and strengthen the E.SUN Group's capital structure in view of long- term development, E. SUN Bills Finance was merged with E.SUN Bank in December 2016.

Subsequently, in September 2008, 100% of subsidiary E.SUN Investment Trust's equity was assigned to Britain's Schrodgers Group after signing an investment trust equity purchase contract. In view of the leasing market environment, E.SUN Bank liquidated all of its investment in E.SUN Leasing in September 2008. And in order to expand economies of scale and reduce operating costs, on March 25, 2016 E.SUN Insurance Brokers was merged with E.SUN Bank, which has continued to provide integrated financial services.

Thanks to the devotion of all E.SUN colleagues, E.SUN FHC has been recognized by consumers as a trusted brand name of purity and professionalism. It will always uphold business philosophy of “professionalism, service, and responsibility,” continue to talent cultivation and strive for growth through innovation, thereby fulfilling our vision for pursuing long-term sustainability.

(2)Core subsidiary: E.SUN Bank

E.SUN Bank was established in 1992. At that time, Mr. Huang Yung-jen, the founder and current chairman of E.SUN FHC, called on a group of elite financial professionals to found a bank not controlled by entities affiliated with the government or conglomerates.. It has long called upon ourselves to meet the lofty standard of being “Pure as Jade, Sturdy as Mountain,” and are striving to make E.SUN the “best-performing and most respected bank.”

Seeking the optimal allocation of E.SUN FHC's overall resources and striving to boost

operating efficiency, subsidiary E.SUN Bank assumed the assets, liabilities, and operations of the Kaoshiung Business Bank on September 2004. Afterwards, E.SUN Bank assumed the assets, liabilities, and operations of Chiayi Forth Credit Cooperation and Chu Nan Credit-Cooperative Association in November 2012 and July 2011.

In order to expand overseas, E.SUN Bank purchased 70% of shares of Cambodia's Union Commercial Bank PLC.(joint commercial bank) on August 28, 2013, and increased its share to 75% on December 29, 2015. E.SUN Bank completed establishment of a subsidiary bank in Shenzhen, China in January 2016, and this was the first Taiwanese-owned subsidiary in southern China.

In order to expand use of financial technology, E.SUN Bank purchased 58.34% of the outstanding common stock of the BankPro e-Services Technology Co., Ltd. on January 11, 2016, and took over control of this company.

Channels are the key to development in the financial industry. E.SUN Bank has 137 domestic branches, a 24-hour customer service center, and virtual online and mobile banking channels. It is constantly innovating and improving, and provide our customers a comprehensive financial service network. With regard to overseas channels, it has established 25 operating sites across 9 countries or regions: China, Hong Kong, Singapore, Los Angeles, Vietnam, Cambodia, Myanmar, Japan, and Australia, E.SUN is actively establishing an Asian financial platform, integrating domestic and foreign service networks, and providing customers full-scale, convenient international financial services.

(3)Subsidiary: E.SUN Securities

Since the operation began on November 20, 2000, E.SUN Securities has striven to maintain its image as “E.SUN's fresh, new professional securities” . E.SUN Securities hopes to become customers' trusted securities dealer, and provide securities brokerage, proprietary trading, and underwriting services. With regard to our brokerage services, it has taken advantage of E.SUN's investment consulting and research resources by actively developing spot, futures, ETF, and overseas sub- brokerage services, and other services approved by the competent authority. E.SUN Securities continue to improve online trading platform while providing investors with superior service. As far underwriting services, thanks to our integration of financial holdings, banking, and securities service resources, it is ready to seize underwriting opportunities, and is continuing to enhance our fund-raising market reputation and service. E.SUN Securities' proprietary trading department has continued its balanced development, and it launched overseas securities unit (OSU) services in December 2014, creating business opportunity for expanding the overseas securities market.

(4)E.SUN Venture Capital

Established in 2002, E.SUN Venture Capital has built on its business foundation by increasing capital from NT\$1.0 billion to NT\$3.0 billion. E.SUN Venture Capital invests in a various of domains, including electronics, optical communications, energy conservation, cultural creativity, biotech pharmaceutical, and medical devices, and it is also actively expanding to various innovative emerging industries. It hopes to draw on E.SUN FHC's resources to support

startups and promote Taiwan's industrial transformation, and are making a contribution to Taiwan's industrial upgrading and development.

(5) Condition of Merger and Acquisition, Investment in Affiliates and Restructuring during period of 2012 and up till the printout date of 2012 annual report; Date of belonging to specified financial holding company; Mass transfer of shareholding form board members, supervisors or qualified persons who should report their shareholdings in accordance with Paragraph 7 and 8, Article 16 of Taiwan Financial Holding Company Act; Change of ownership; Significant change of business operation or business contents, and any other event and its impacts which would affect shareholders' rights:

- a. Subsidiary E.SUN Bank on March 18 signed an agreement with Chu Nan Credit-Cooperative Association to acquire the latter. The record date for the transaction was July 9, 2011, upon which E.SUN acquired Chu Nan's assets, liabilities and operations.
- b. Subsidiary E.SUN Bank on March 16, 2012 signed an agreement with Chiayi Fourth Credit Cooperation to acquire the latter. E.SUN acquired Chiayi Fourth's assets, liabilities and operations with the record date for the transaction of November 3.
- c. Subsidiary E.SUN Bank on Mar. 22, 2013, has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, the record date for the transaction was Aug. 28, 2013. Furthermore, on December. 29, 2015. E.SUN increased shareholding of UCB to 75%. Our Cambodia subsidiary now has 13 branches,

providing financial service including deposits, loans and credit card etc.

- d. On January 24, 2014, the subsidiary E.SUN Bank received approval from the Board of Directors to establish a subsidiary in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in Shenzhen of China. On January 12, 2016, the Beijing Banking Regulatory Commission officially approved the opening of E.SUN Bank (China), E.SUN Bank (China) Shenzhen Branch, E.SUN Bank (China) Dongguan Branch, and E.SUN Bank (China) Dongguan Chang'an Subbranch.
- e. On November 13, 2015, the subsidiary E.SUN Bank received approval from the Board of Directors to transfer its investment to BankPro e-Service Technology Co. Ltd., acquiring a total of 7,875,000 shares (accounting for 58.33% of the paid-in capital), which were transferred on January 11, 2016.
- f. The consolidation by merger of two subsidiaries, E.SUN Bank and E.SUN Insurance Brokers, was passed on August 21, 2015. E.SUN Bank would be the continuing company. The effective date was set on March 25, 2016.
- g. Others: None

★★★★★
Asiamoney
Best Bank in Taiwan

★★★★★
Dow Jones
Sustainability World
Index

★★★★★
The Asset
Best E-Bank in Taiwan

★★★★★
CommonWealth Magazine
Golden Service
Award

★★★★★
CommonWealth Magazine
Award of Excellence in
Corporate Social
Responsibilities



2. E.SUN's Glory

E.SUN Commercial Bank has always used a differentiated management approach that emphasizes freshness, professionalism, and services, which is why the Bank has received recognition and encouragement from government authorities, domestic and foreign professional institutions, as well as society. We will continue to leverage the strength of our teams and win the support of our customers, shareholders, and all sectors of our society. In the last three years, E.SUN Commercial Bank has achieved the following honors and recognition:

Overall Performance

- E.SUN FHC was included in Dow Jones Sustainability Emerging Market Index for the 4th consecutive year.
- E.SUN FHC was included in Dow Jones Sustainability World Index for two times.
- E.SUN Bank received Best Managed Bank in Asia Pacific (The Asian Banker)
- Mr. Joseph Huang, President of E.SUN FHC was chosen as Best CEO Leadership Achievement in Asia Pacific (The Asian Banker)
- E.SUN Bank received Best Domestic Bank in Taiwan for the 3rd consecutive year (The Asset)
- E.SUN Bank received Best Bank in Taiwan (Global Finance)
- E.SUN Bank received Best Private Bank in Taiwan (Asiamoney)
- E.SUN Bank received Best Bank for SMEs in Taiwan (Asiamoney)
- Mr. Joseph Huang, President of E.SUN FHC was chosen as the Best CEO in Taiwan for the 2nd consecutive year (FinanceAsia)
- Ms. Magi Chen, CFO of E.SUN FHC was chosen as the Best CFO in Taiwan for the 2nd consecutive year (FinanceAsia)
- E.SUN FHC ranked No.1 in Best IR Company in Taiwan for the 2nd consecutive year (FinanceAsia)
- E.SUN Bank received Best Payment Bank in Taiwan (The Asian Banker)
- Mr. Joseph Huang, President of E.SUN FHC received the award of Best Chief Executive Officer Award in Asia for the 3rd consecutive year (The Asset)
- E.SUN Bank received Best Initiatives Award in Asia for the 3rd consecutive year (The Asset)
- E.SUN FHC received Most Honored Company in Taiwan (Institutional Investor)
- E.SUN FHC received Best IR Companies Developed in Taiwan (Institutional Investor)
- Mr. Joseph Huang, President of E.SUN FHC was chosen as Best CEO in Taiwan (Institutional Investor)
- Ms. Magi Chen, CFO of E.SUN FHC was chosen as the Best CFO in Taiwan (Institutional Investor)
- E.SUN Bank received the award of Highly Commended: Best Private Banking in Taiwan for the 2nd consecutive year (Timetric)
- E.SUN Bank received Best Security Initiative in Asia (Timetric)
- E.SUN Bank received Best Wealth Management Bank award in Wealth Management Bank Survey (Business Today Magazine)
- E.SUN Bank received Best Financial consultant service award in Wealth Management Bank Survey (Business Today Magazine)
- E.SUN Bank received Best customer recommend award in Wealth Management Bank Survey (Business Today Magazine)
- E.SUN Bank received SME Partner Award for the 12th year (MOEA, Credit Guarantee Fund)
- E.SUN Bank received merit award of Financing of SMEs by Domestic Banks for four times (FSC)
- E.SUN Bank received the award for e-commerce lending of Financing of SMEs by Domestic Banks for the 2nd consecutive year (FSC)

Digital Innovation

- E.SUN Bank received Technology Project of the Year in Payments in the world (The Banker)
- E.SUN Bank received the award of Most Innovative Digital Cost Saving Initiative in Asia for the 2nd consecutive year (Gartner)
- E.SUN Bank received the award of Best E-Bank in Taiwan for the 2nd consecutive year (The Asset)
- E.SUN Bank received the award of e-solution partner bank in Taiwan for the 3rd consecutive year (The Asset)

- E.SUN Bank received the award of Best in Treasury and working capital -SME in Taiwan for the 5th consecutive year (The Asset)
- Mr. Bruce Lee, CDO of E.SUN FHC was chosen as Leadership in Innovation in Taiwan (The Asian Banker)
- E.SUN Bank received Best Cash Management Project in Taiwan (with TutorABC) (The Asian Banker)
- E.SUN Bank received Best IT Security and Risk Management Project in Taiwan (with Dynasafe)
- E.SUN Bank received Asia/Pacific Leader in E-commerce Integration (IDC)
- E.SUN Bank received DX-Leader- Omni-Experience-Innovation in Taiwan (IDC)
- E.SUN Bank received the award of Best Card Offering in North Asia for the 2nd consecutive year (Timetric)
- E.SUN Bank received Best Bank in Community Outreach Initiative in Asia (Timetric)
- E.SUN Bank received Highly Commended : Best Mortgage Offering in Asia (Timetric)
- E.SUN Bank received Best Merchant Ecommerce Solution in Asia (Timetric)
- E.SUN Bank received Highly Commended : Best Loan Offering in Asia (Timetric)
- E.SUN Bank received Highly Commended: Best Mobile Point-of-Sale (mPoS) Initiative in Asia (Timetric)
- E.SUN Bank received Highly Commended : Most Innovative Branch Offering in Asia (Timetric)
- E.SUN Bank received Highly Commended : Best Graduate Employment Scheme - Retail Banking in Asia (Timetric)
- E.SUN Bank received Highly Commended : Best Debit Card Product for Asia-Pacific (Timetric)

Sustainable Development

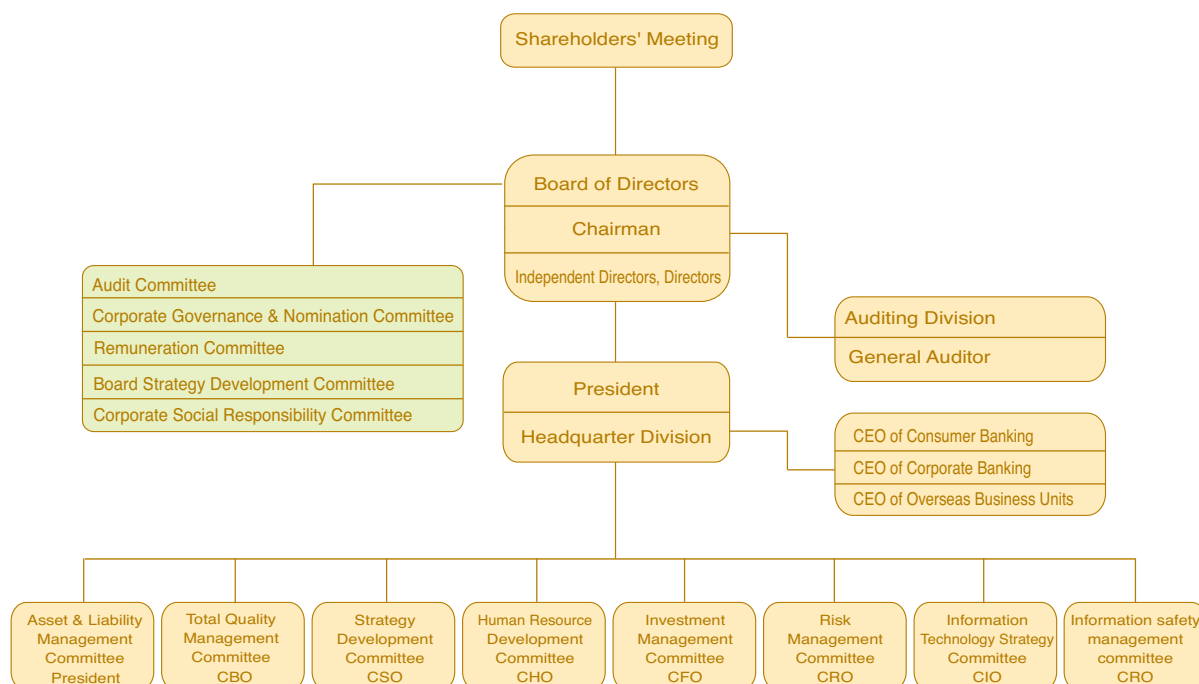
- E.SUN FHC ranked No.1 in financial institutions (and overall No.2 among large corporate) in the Award of Excellence in Corporate Social Responsibilities 10 times (CommonWealth Magazine)
- E.SUN FHC received Best CSR Award in Financial for the 2nd consecutive year (Global Views)
- E.SUN FHC ranked within top 5% of Corporate Governance Evaluation for the 3rd consecutive year (TWSE)
- E.SUN FHC ranked AA in MSCI ESG Leaders indexes
- E.SUN FHC received the Platinum Award for Excellence Management in Corporate Governance in Asia for the 8th consecutive year. (The Asset)
- E.SUN FHC received Best Managed Company in Taiwan for the 2nd consecutive year (FinanceAsia)
- E.SUN FHC received Best CSR in Taiwan for the 2nd consecutive year (FinanceAsia)
- E.SUN FHC received Most Committed in Corporate Governance in Taiwan for the 2nd consecutive year (FinanceAsia)
- E.SUN Bank received Best SRI (Social Impact Investing) in Taiwan (Euromoney)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best CSR for the 4th consecutive years (Wealth Magazine)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best Domestic Bank for the 3rd consecutive year (Wealth Magazine)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best Banking Product for the 4th consecutive year (Wealth Magazine)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best FinTech in Banking for the 2nd consecutive year (Wealth Magazine)
- E.SUN FHC received the Top 10 Most Sustainable Company Award for the 3rd consecutive year (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received the Gold medal in financial and insurance industry for Taiwan Top 50 Corporate Sustainability Report Awards for the 3rd consecutive year (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Innovation Development Awards for Taiwan Corporate Sustainability Awards for the 2nd consecutive year (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Transparency and Integrity Awards for Taiwan Corporate Sustainability Awards for the 2nd consecutive year (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Social Inclusion Awards for Taiwan Corporate Sustainability Awards for the 2nd consecutive year (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Talent Development Awards for Taiwan Corporate Sustainability Awards for the 2nd consecutive year (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received the Gold medal in financial and insurance industry for Taiwan Top 50 Corporate Sustainability Report Awards for the 3rd consecutive year (Taiwan Institute for Sustainable Energy)
- E.SUN Bank received the certificate for ISO 14064-1 : 2006 Greenhouse Gases Emissions Verification
- E.SUN Bank received the certificate for ISO 14064-3 : 2006 Greenhouse Gases Emissions Verification
- E.SUN Bank received the certificate for ISO 14046 : 2014 Water Footprint Verification
- E.SUN 2016 CSR Report has received ISAE 3000 standard certification
- E.SUN 2016 CSR Report received the AA1000 Assurance Standards and was deemed in accordance with the Level A+ of the Global Reporting Institute GRIG4 Guidelines
- E.SUN Bank received the merit certificate for Green Procurement the 9th consecutive year (Environmental Protection Administration)
- E.SUN Bank received the merit certificate for Green Procurement by Private-Sector Enterprise and Organization for the 9th consecutive years (Taipei City Government)
- E.SUN Bank received Bronze award of Sports Activists Awards for the 4th consecutive year (Sports Administration, Ministry of Education)

III. Corporate Governance

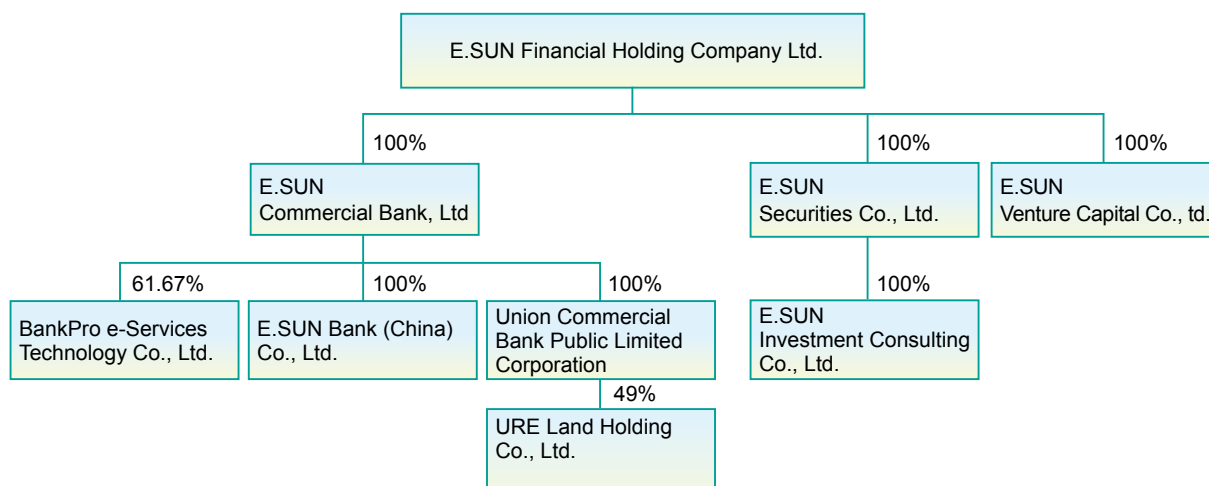


CHIEN CHANG-TA

1. Organization Chart



2. Shareholding Structure of E.SUN Financial Holding Company, Ltd.



Note 1: Actual invested amount on December 31, 2017

Note 2: Union Commercial Bank (UCB) Public Limited Corporation (PLC) holds 49% of shares for URE Land Holding Co., Ltd. However, according to the Company Charter of URE Land Holding Co., Ltd., UCB is entitled to control the composition of the Board of Directors of URE Land Holding Co., Ltd., and UCB PLC holds at least of 90% of economic benefits of URE Land Holding Co., Ltd. Thus, it has been listed as a subsidiary.

Note 3: UCB PLC initially invested US\$490 in URE Land Holding Co., Ltd.

Note 4: Subsidiary E.SUN Bank was approved by the Board of Directors on June 29, 2016 to acquire 25% stake in UCB PLC. This investment was completed on August 25, 2017, increasing E.SUN Bank's share from 75% to 100%.

Note 5: Subsidiary E.SUN Venture Capital holds 2.4% of shares for BankPro E-Service Technology Co., Ltd., totaling NT\$3,250,000. E.SUN Group holds 64.07% stake in BankPro E-Service Technology Co., Ltd.

3. Primary Duties of the Board of Directors functional committees

a. Audit Committee

- (i) Stipulation and amendment of internal control system in accordance with Article 14-1 of the Securities and Exchange Act
- (ii) Assessment of internal control system effectiveness.
- (iii) Stipulation or amendment of the handling procedure for acquisition or disposal of assets or derivative trading in accordance with Article 36-1 of the Securities and Exchange Act
- (iv) Matters involving the personal interests of the directors
- (v) Major asset or derivative trading
- (vi) Public offering, issuance, or private offering of equity securities.
- (vii) Appointment, discharge and remuneration of the certified public accountant
- (viii) Appointment and removal of chief officers of finance, accounting and internal audit
- (ix) Annual financial reports and semi-annual financial reports
- (x) Other significant matters stipulated by the Company or competent authorities.

b. Corporate Governance and Nomination Committee

- (i) Locate director and supervisor candidates for the company or subsidiaries, propose the list of director and supervisor candidates to the Board of Directors, review in advance director and supervisor candidate qualifications, and provide review results and a recommendation list of director and supervisor candidates to the shareholders as reference for election or appointment of appropriate directors after the resolution of the Board of Directors
- (ii) When nominating candidates as independent directors, attention should be paid to the nominees' qualifications, professionalism and integrity, which should comply with the criteria of independent directors set forth by laws and regulations.
- (iii) Nominate or audit the general managers of the Company and subsidiaries as well as the list of candidates of deputy general managers of the Company and subsidiary banks.
- (iv) Establishment and development of the organizational structure of the Board of Directors of the Company and subsidiaries as well as their committees.
- (v) Audit and assess the soundness of the organization and system of the Company's corporate governance and make recommendations to the Board of Directors.

- (vi) Review the governance relationship between the Company, its subsidiaries and other affiliates.

- (vii) Establish the policies of integrity management and prevention programs and supervise the implementation thereof:

- Assist the integration of integrity and moral values into the company's business strategies and stipulate preventive measures against corruption and malfeasance related to integrity management in accordance with laws and regulations.
- Establish courses of action to prevent dishonest acts and form business-related standard operating procedures and guidelines for each course of action.
- Formulate internal organization, structure and duties, provide reciprocal supervision, check and balance for business activities with higher risks of dishonesty within the scope of business.
- Promotion and coordination of integrity policy advocacy and training.
- Plan reporting systems to ensure the effectiveness of implementation.
- Assist the Board of Directors and management in auditing and assessing whether the preventive measures established for the implementation of integrity management work effectively, evaluate the compliance of relevant business procedures on a regular basis and compile into reports.

c. Remuneration Committee

- (i) Stipulate and regularly review the policies, systems, standards and structure of performance evaluation and remuneration of the directors and executives of the Company and the senior managers at the level of deputy general managers and above of the subsidiary banks and the general manager of other subsidiaries (hereinafter referred to as senior managers of the subsidiaries).
- (ii) Assess and establish the remuneration of the directors and executives and the senior managers of the subsidiaries.

d. Board Strategy Development Committee

- (i) Call for meetings on the strategy development goals of the Company and report to the Board of Directors. The content may include overall goals and short, mid and long-term development strategies.
- (ii) Report other major strategy-related matters that affect the development of the Company to the Board of Directors.

e. Corporate Social Responsibility Committee

- (i) Stipulate the annual plans and strategic directions of corporate social responsibility (CSR)

- (ii) Establishment of CSR projects and activity plans
- (iii) Follow up and review the implementation outcomes of annual plans, strategic directions, projects and activities
- (iv) Other decisions related to CSR.

C. Major duties of each main department

a. Headquarter Division

Implement matters resolved by the Board of Directors and handle communication, coordination and management related to the committees and subsidiaries in accordance with the instructions of the Chairperson and General Manager, and lead the formulation of overall strategies, finance and accounting, administrative affairs, stock affairs, etc.

b. Auditing Division

Check and evaluate whether the internal control system of the Company and subsidiaries are functioning effectively. Provide timely recommendations for improvement to ensure that the internal control system continues to be implemented effectively, and take charge of the execution of audit system, as well as the audit of business, finance, accounting and contracts. It is directly under the Board of Directors.

c. Asset & Liability Management Committee

Establish the asset allocation and risk limitation of the Company, follow-up, check and examine financial management and effectiveness of the subsidiaries as well as other matters related to major asset and liability management.

d. Total Quality Management Committee

Be in charge of formulation of the total quality management policies, establishment, operation and review of total quality management system, implementation and review of the promotion of total quality management education, review and recommendation on the performance of the total quality management activities as well as recommendations on other major decisions related to total quality management.

e. Strategy Development Committee

In charge of the development of the Company's short, mid and long-term strategies, overall goals, organizational structure of management, innovation and development strategies of financial products, advertisement and marketing strategies, advocacy and promotion of strategy development plan and planning of other major strategy developments.

f. Human Resource Development Committee

Be in charge of selection, appointment, assignment,

rotation system, training system, remuneration and bonus system, promotion and assessment of promotion, reward and punishment system, benefits, insurance, leave, travel system of employees and review of other regulations related to human resources as well as establishment of harmonious relationship among employees, handling of employees' complaints and satisfactory survey.

g. Investment Management Committee

Be in charge of the assessment and analysis of the Company's investment business, establishment of countermeasures, review of the Company's investment allocation, supervision and review of the subsidiaries' investment allocation, benefit analysis and other management matters related to important investment.

h. Risk Management Committee

Be in charge of the Company's risk management, risk assessment, risk supervision, review of risk management and implementation of each risk unit, exposure to risks, risk decision-making, follow-up of the compliance of risk management policies of each risk unit and promotion of risk management culture.

i. Information Technology Strategy Committee

Promotion of information integration services, review of strategies for application of information resources, review and follow-up of major information investment plan, review or proposal of business application ideas or operation improvement, and introduction of new technology knowledge.

j. Information safety management committee

Organize and examine the trends of domestic and foreign information security development, devise future information security strategies, decide and promote the Company's information security strategies, formulate information security management standards for the Company, supervise and manage the Company's information security risks, review resources used in information security related solutions, integrate and coordinate the Company's information security related matters, review of other material matters relating to information security, regularly check the information security governance policies for all of the Company's subsidiaries, and regularly keep the Board of Directors updated on an overview of the Company's information security governance.

(2) Directors and Independent Directors

2017.12.31 Unit: 1,000 shares; %

Position	Nationalities	Representative	Gender	Date of Election	Term	Date of First Elected	Shareholding when elected (Note1)		Current Shares (Note1)		Shareholdings of the spouses and minors (Note2)		Shareholding under other's name		Education (Experience) Relationship	Current positions within the company or other companies	Division chiefs, directors or supervisors are spouse or with in 2nd degree of consanguinity of each other		
							Shares	%	Shares	%	Shares	%	Shares	%					
Chairman	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Yung-Jen Huang	Male	2017.06.16	3 Years	2005.6.10 2001.12.10	26,325	0.278	30,342	0.298	7,855	0.077	0	0	Department of Cooperative Economics at National, Chung Hsing University	None	None	None	None
Director	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	Male	2017.06.16	3 Years	2005.6.10 2008.6.13	26,325	0.278	30,342	0.298	11,422	0.112	0	0	MBA of the City University of New York, 25 years in Financial Industry	President of E.SUN FHC President of E.SUN Bank, Chairman of E.SUN Bank(China) Director of Cho Pharma Inc.	None	None	None
Director	R.O.C.	Representative of E.SUN Foundation Gary K. L. Tseng	Male	2017.06.16	3 Years	2001.12.10 2010.5.14	14,531	0.154	16,543	0.162	3,225	0.032	0	0	Master of Public Administration at Harvard University, Director of Banking Bureau, Financial Supervisory Commission	Chairman of E.SUN Bank	None	None	None
Director	R.O.C.	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	Male	2017.06.16	3 Years	2001.12.10 2001.12.10	47,501	0.502	54,076	0.531	26,855	0.264	0	0	Kai-Nan Commercial & Technical High School	Chairman of Hsin Tung Yang Co., Ltd., Shang Yang Investment Co., Ltd., Ding Yang Investment Co., Ltd., Cheng Yang Investment Co., Ltd., Hsin Tung Yang Real Estate Broker Co., Ltd. Yuan Sheng Co., Ltd., Sheng Yang Construction Co., Ltd. and Sin Yang Investment Co., Ltd. Director of Hsin Tung Yang Construction Co., Ltd., Hua Yang Logistics Co., Ltd., Tao Garden Hotel, Shang Yang Development Co., Ltd. and Shang Yang International Development Co., Ltd. Managing Director of E.SUN Bank	None	None	None
Independent Director	R.O.C.	Chen -En Ko	Male	2017.06.16	3 Years	2004.6.11	0	0	0	0	0	0	0	0	PhD of Department of Accounting at University of Minnesota, Dean, College of Management, National Taiwan University	Honorary professor of Department of Accounting at National Taiwan University, Independent director of E.SUN Bank Independent director and member of remuneration committee of Chang Type Industrial Co., Ltd. Independent director and member of remuneration committee of Novatek Microelectron- ics Co. Independent director and member of remuneration committee of Everlight Electronics Co., Ltd. Member of remuneration committee of ATEN International Co., Ltd., Zhen Ding Tech. Co., Ltd. and E.SUN FHC	None	None	None
Independent Director	R.O.C.	Ji-Ren Lee	Male	2017.06.16	3 Years	2006.6.9	0	0	0	0	0	0	0	0	PhD of Business Administration, University of Illinois, USA	Professor of International Business at National Taiwan University Independent director of E.SUN Bank Independent director and member of remuneration committee of Acer Inc. Member of remuneration committee of Nien Hsing Textile Co., Ltd., Mediatek Inc. and E. SUN FHC. Independent director of Delta Electronic Inc. Director of Yu Hsin management consultant Co., Ltd.	None	None	None
Independent Director	R.O.C.	Chen-Chen Chang Lin	Female	2017.06.16	3 Years	2007.6.15	0	0	0	0	0	0	0	0	Master of Mathematics and Statistics of University of Michigan	Independent director and Managing director E.SUN Bank. Convener of remuneration committee of E.SUN FHC.	None	None	None
Independent Director	R.O.C.	Hsin-I Lin	Male	2017.06.16	3 Years	2008.6.13	0	0	0	0	0	0	0	0	Director of Yulon Motor Co., Ltd., China Motor Co., Ltd., Yan Ching-Ling Industrial Development Foundation, Acer Inc. and Acer Foundation. Bachelor of Department of Mechanical Engineering, National Cheng-Kung University	Chairman of Guang Yuan Investment Co., Ltd. Director of Shye Shyang Mechanical Industrial Co., Ltd. and Yulon Management Company Independent director of E.SUN Bank Member of remuneration committee of E.SUN FHC and Shihlin Electric&Engineering Corp.	None	None	None
Independent Director	R.O.C.	Chun-Yao Huang	Male	2017.06.16	3 Years	2017.6.16	0	0	0	0	0	0	0	0	PhD of Department of Marketing at London Business School	Professor of Department of Business Administration at National Taiwan University Independent director of E.SUN Bank Member of remuneration committee of E.SUN FHC	None	None	None
Director	R.O.C.	Representative of Fu-Yu- an Investment Co., Ltd. Ron-Chu Chen	Male	2017.06.16	3 Years	2014.06.20 2004.06.11	29,771	0.315	40,000	0.393	67	0.001	0	0	Chu Nan Junior High School	Chairman of Chen Chin-Po Culture and Education Foundation, Ron Yuan Investment Co., Ltd. and Fu Yuan Investment Co., Ltd. Director of E.SUN Bank and Jia Tien Sia Investment Co., Ltd.	None	None	None
Director	R.O.C.	Representative of Shang Li Car Co., Ltd. Chien- Li Wu	Male	2017.06.16	3 Years	2005.6.10 2005.6.10	40,000	0.423	45,537	0.447	0	0	0	0	Chung Jung High School	Chairman of Shang Li Car Co., Ltd., Ruen Li Transportation Co., Ltd., Shen Li Investment Co., Ltd., Shang Li Transportation Co., Ltd., Shan Ben Intl. Investment Co., Ltd. Sunlit Investment Pty. Ltd. and Shen Li Transportation Co., Ltd. Director of Guang Yuan Investment Co., Ltd., Genius Technology Co., Ltd., Keeper Technology Co., Ltd. Tong Lit Logistics Co., Ltd., Tong Chun Co., Ltd., E.SUN Bank and Yung Feng Shun Construction Co., Ltd. Supervisor of Jung Shing Wire Co., Ltd.	None	None	None
Director	R.O.C.	Representative of Shan Meng Investment Co., Ltd. Magi Chen	Female	2017.06.16	3 Years	2001.12.10 2014.06.20	19,274	0.204	21,941	0.215	1,916	0.019	0	0	EMBA, University of Tennessee, Knoxville., 40 years in Financial Industry	Deputy president and CFO of E.SUN FHC and E.SUN Bank, Director of E.SUN Bank	None	None	None
Director	R.O.C.	Representative of Sunlit Transportation Co., Ltd. Mao-Chin Chen	Male	2017.06.16	3 Years	2017.06.16	41,349	0.437	47,073	0.462	2,616	0.026	0	0	Master of Department of Economics at National Taiwan University, 26 years in Financial Industry	Deputy president of E.SUN FHC CEO of Corporate banking division CSO of E.SUN FHC and E.SUN Bank Chairman of Union Commercial Bank Plc.	None	None	None

Note 1: Shareholdings include trust accounts

Note 2: For institutional director, the term 'shareholdings of the spouse and minors' refer to the representative of the institution.

Note 3: Company's names in bold type are listed companies or OTC-listed companies.

(3) Professional Qualifications and Independence Analysis of Directors and Independent Directors

Name (Note)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other public com- panies in which the individual is concurrently serv- ing an Indepen- dent Director
		An Instructor or Higher Position in a Depart- ment of Commerce, Law, Finance, Account- ing, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	Being a judge, public pro- secutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Having work experience in commerce, law, finance, or ac- counting, or other areas necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Chairman Yung-Jen Huang			✓	✓	✓		✓		✓	✓	✓	✓	✓		0
Director Gary K.L. Tseng	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Director Joseph N.C. Huang			✓	✓			✓	✓	✓	✓	✓	✓	✓		0
Independent Director Chen-En Ko	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director Ji-Ren Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director Chen-Chen Chang Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Hsin-I Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Chun-Yao Huang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director Jackson Mai			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Director Rong-Chu Chen			✓	✓			✓	✓	✓	✓	✓	✓	✓		0
Director Chien-Li Wu			✓	✓			✓	✓	✓	✓	✓	✓	✓		0
Director Magi Chen			✓				✓	✓	✓	✓	✓	✓	✓		0
Director Mao-Chin Chen			✓				✓	✓	✓	✓	✓	✓	✓		0

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. Not applicable to members of the Remuneration Committee who exercise powers in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(4) Executive Officers



2018.03.20 Unit: 1,000 shares; %

Position	Nationalities	Name	Date of Taking Office	2017.12.31						Education (Experience) Position	Current position Held at other compan	Managers who are spouses or within the second degree of consanguinity		
				Shareholdings		Shares Held by Spouse and Children under 18		Shares Held Using Names of Other						
				Shares	%	Shares	%	Shares	%			Position	Name	Relationship
President	R.O.C.	Joseph N.C. Huang	2008.07.16	11,104	0.109	318	0.003	0	0	MBA of the City University of New York, 25 years in Financial Industry	Director of E.SUN FHC President & CEO of E.SUN FHC Managing Director of E.SUN Bank Chairman of E.SUN (China) Director of Cho Pharma Inc.	None	None	None
CFO	R.O.C.	Magi Chen	2004.02.13	1,916	0.019	0	0	0	0	EMBA, University of Tennessee, Knoxville, 40 years in Financial Industry	Director of E.SUN FHC Director of E.SUN Bank CFO and Deputy President of Treasury Division at E.SUN Bank	None	None	None
Deputy President	R.O.C.	Ben Chen	2014.01.24	3,902	0.038	1,195	0.012	0	0	Department of Business Administration at Soochou University, 28 years in Financial Industry	Director of E.SUN Bank CEO of Consumer Banking Division at E.SUN Bank	None	None	None
CSO	R.O.C.	Mao-Chin Chen	2016.01.29	1,518	0.015	1,099	0.011	0	0	Master of Department of Economics at National Taiwan University, 26 years in Financial Industry	Director of E.SUN FHC Director of E.SUN Bank CSO and CEO of Corporate Banking Division Chairman of UCB Bank, Cambodia	None	None	None
CHO	R.O.C.	Jyh-Cherng Wang	2002.01.28	2,644	0.026	1,382	0.014	0	0	Master of Agricultural Management at National Chung Hsing University, 29 years in Financial Industry	CHO and SEVP of Human Resource Division at E.SUN Bank Supervisor of Shen Meng Investment Co., Ltd.	SVP	Pei-Hwa Wang	Sister
CRO	R.O.C.	Oliver Shieh	2011.03.18	1,369	0.013	0	0	0	0	Master of Applied Finance center at Macquarie University, Australia, 24 years in Financial Industry	CRO and SEVP of Risk Management Division at E.SUN Bank	None	None	None
CIO	R.O.C.	Wan-Li Hsieh	2012.03.23	1,141	0.011	64	0.001	0	0	Department of ee and computer science at University of Chung Yung, 24 years in Financial Industry	CIO and SEVP of IT Division at E.SUN Bank	None	None	None
SEVP	R.O.C.	L.C. Lin	2018.01.31	620	0.006	741	0.007	0	0	Department of Public Administration at National Chung Hsing University, 29 years in Financial Industry	SEVP of Corporate Banking Division at E.SUN Bank Chairman of E.SUN Venture Capital	None	None	None
SEVP	R.O.C.	Wu-Ming Hsieh	2018.01.31	807	0.008	783	0.008	0	0	Master of Department of Business Development at Min Chiu University, 26 years in Financial Industry	SEVP of Consumer Banking Division at E.SUN Bank Director of E.SUN Securities	None	None	None
SEVP	R.O.C.	Louis Chang	2018.01.31	1,990	0.020	367	0.004	0	0	Master of Institute of Business & Management at National Chiao Tung University, 22 years in Financial Industry	SEVP of Wealth Management Division at E.SUN Bank	None	None	None
SEVP	R.O.C.	Shui-Chin Shen	2012.01.07	1,083	0.011	235	0.002	0	0	Master of Management at National Chung Hsing University, 40 years in Financial Industry	Chairman of E.SUN Securities	None	None	None
SEVP	R.O.C.	Jung-Hua Lin	2014.01.24	1,034	0.010	376	0.004	0	0	Master of Department of Business Development at National Chung Hsing University, 26 years in Financial Industry	SEVP of Credit Card & Payment Division. Director of EASYCARD Corporation Director of EASYCARD Investment Holdings Corporation	None	None	None
SEVP	R.O.C.	Cathy Kuo	2017.01.20	1,527	0.015	0	0	0	0	Master of Department of Economics at National Taiwan University, 25 years in Financial Industry	SEVP of Corporate Banking Division at E.SUN Bank Director of UCB Bank, Cambodia	None	None	None
SEVP	R.O.C.	Bruce Lee	2017.01.20	1,402	0.014	99	0.001	0	0	Department of Business Administration at Tamkang University, 23 years in Financial Industry	CDO and SEVP of Digital Banking Division at E.SUN Bank Director of BankPro e-Services Technology Co., Ltd	None	None	None
SEVP	R.O.C.	Pho-Suan HSU	2018.01.31	1,431	0.014	523	0.005	0	0	Department of Economics at Fu Jen University, 25 years in Financial Industry	Deputy CIO of E.SUN Bank Director of E.SUN Securities Supervisor of E.SUN (China) Director of BankPro e-Services Technology Co., Ltd.	None	None	None
SEVP	R.O.C.	Tseng Yi Hsin	2018.01.31	989	0.010	2	0.00002	0	0	Department of Department of Applied Mathematics at National Chung Hsing University, 31 years in Financial Industry	SEVP of E.SUN Securities	None	None	None
General Auditor	R.O.C.	Chih-Kuang Huang	2018.03.21	1,429	0.014	0	0	0	0	Department of Accounting at National Chung Hsing University, 38 years in Financial Industry	None	None	None	None
CCO	R.O.C.	Fion Ou Yang	2016.01.22	352	0.003	0	0	0	0	College of Law at National Chengchi University, 20 years in Financial Industry	Head of Legal Compliance at E.SUN Bank	None	None	None
CMO	R.O.C.	Bright Wen	2012.01.07	555	0.005	364	0.004	0	0	Master of Department of Economics at Soochou University, 22 years in Financial Industry	CMO and EVP of E.SUN Bank Supervisor of E.SUN Securities	None	None	None
CBO	R.O.C.	Daniel Tsai	2014.06.26	620	0.006	199	0.002	0	0	Master of Department of Management at National Taiwan University, 15 years in Financial Industry	Director of E.SUN Investment Consulting	None	None	None
CAO	R.O.C.	Jhy-Hung Ke	2017.07.31	71	0.001	0	0	0	0	Master of Department of Accounting at National Taiwan University, 16 years in Financial Industry	CAO and SVP, of Accounting Division at E.SUN Bank Supervisor of E.SUN VC	None	None	None

(5) Remuneration to Directors, Independent Directors, President and SEVP

a. Remuneration to Directors and Independent Director

2017.12.31 Unit NT\$ thousand

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
List below		8,747	19,344	0	0	106,000	125,111	1,820	2,960	0.79%	1.0%	20,212	47,084	0	0	2,400	0	5,217	0	0.94%	1.35%	None

※List of Directors: Chairman: Yung-Jen Huang(Representative for E.SUN volunteer & Social Welfare Foundation), Director: E.SUN volunteer & Social Welfare Foundation(Representative Joseph N.C. Huang), E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd.(Representative Jackson Mai), Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang (2017.6.16 elected), Fu-Yuan Investment Co.,Ltd. (Representative Rong-Chu Chen), Shang Li Car Co.,Ltd.(Representative Chien-Li Wu), Shan Meng Investment Co.,Ltd.(Representative Magi Chen), Sunlit Transportation Co.,Ltd. (representative Ben Chen was relieved and Mao Chin-Chen took directorship, effective 2017.6.16).

※Remuneration distributed to directors who are serving for year 2017.

※Besides above disclosure, remuneration to directors for providing service to companies include in the financial report in most recent year : None.

b. Remuneration Range table

Unit NT\$ thousand

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000				
NT\$2,000,000 ~ NT\$5,000,000	Sunlit Transportation Co.,Ltd. (Representative Ben Chen), Sunlit Transportation Co.,Ltd. (Representative Mao-Chin Chen), Chun-Yao Huang		Sunlit Transportation Co.,Ltd. (Representative Ben Chen), Sunlit Transportation Co.,Ltd. (Representative Mao-Chin Chen), Chun-Yao Huang	
NT\$5,000,000 ~ NT\$10,000,000	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Ben Chen), Shan Meng Investment Co.,Ltd. (Representative Magi Chen)	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Ben Chen), Shan Meng Investment Co.,Ltd. (Representative Magi Chen), Sunlit Transportation Co.,Ltd. (Representative Mao-Chin Chen)	E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Shan Meng Investment Co.,Ltd. (Representative Magi Chen),	E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd.
NT\$10,000,000 ~ NT\$15,000,000				Sunlit Transportation Co.,Ltd. (Representative Ben Chen)
NT\$15,000,000 ~ NT\$30,000,000	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), Chairman of E.SUN Bank, Gary K.L. Tseng	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), Chairman of E.SUN Bank, Gary K.L. Tseng, E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), Shan Meng Investment Co.,Ltd. (Representative Magi Chen), Sunlit Transportation Co.,Ltd. (Representative Mao-Chin Chen)
NT\$30,000,000 ~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	116,567	147,415	139,179	199,716

※The percentage of total profits distributed to directors as a whole as remuneration is based on regulations set forth in Article 36 of the Company's statute. The ratio and the adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 27-1 of the statute. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of compensation

c. Remuneration to President and SEVPs

Title	Name	Base Compensation(A)		Severance Pay(B)		Bonus and Allowance(C)		Profit Sharing – Employee Bonus (D)				Ratio of total remuneration (A+B+C+D) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
President	Joseph N.C. Huang							Cash	Stock	Cash	Stock			
CFO	Magi Chen													
Deputy President	Ben Chen													
CSO	Mao-Chin Chen													
CHO	Jyh-Cherng Wang													
CRO	Oliver Shieh													
CIO	Wan-Li Hsieh													
SEVP	L.C. Lin	9,453	51,412	0	0	15,765	47,323	2,400	0	9,497	0	0.19%	0.73%	None
SEVP	Wu-Ming Hsieh													
SEVP	Shui-Chin Shen													
SEVP	Jung-Hua Lin													
SEVP	Louis Chang													
SEVP	Cathy Kuo													
SEVP	Bruce Lee													
General Auditor	Chien-Hua Cheng													
CCO	Fion OuYang													

Remuneration Range table

Unit NTS thousand

Bracket	Name of Directors	
	The company	Companies in the consolidated financial statements
Under NTS 2,000,000	Mao-Chin Chen, Magi Chen, Ben Chen, Jyh-Cherng Wang, Shui-Chin Shen, L.C. Lin, Wu-Ming Hsieh, Jung-Hua Lin, Louis Chang, Cathy Kuo, , Bruce Lee, Oliver Shieh, Wan-Li Hsieh, Fion OuYang	Shui-Chin Shen
NTS2,000,000 ~ NTS5,000,000	Chien-Hua Cheng	Cathy Kuo, Bruce Lee, Oliver Shieh, Wan-Li Hsieh, Fion OuYang, Chien-Hua Cheng
NTS5,000,000 ~ NTS10,000,000		Ben Chen, Jyh-Cherng Wang, Mao-Chin Chen, L.C. Lin, Louis Chang, Wu-Ming Hsieh, Jung-Hua Lin
NTS10,000,000 ~ NTS15,000,000		Magi Chen
NTS15,000,000 ~ NTS30,000,000	Joseph N.C. Huang	Joseph N.C. Huang
NTS30,000,000 ~ NTS50,000,000		
NTS50,000,000 ~ NTS100,000,000		
Over NTS100,000,000		
Total	27,618	108,232

d. Compare of remuneration and the ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two years to Directors, Independent Directors, President and Senior Executive Vice President of the company, to the net profit after tax.

Unit NTS thousand

Year Title	2017						2016					
	The company			Companies in the consolidated financial statements			The company			Companies in the consolidated financial statements		
	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax
Directors	14	139,179	0.94%	14	199,719	1.35%	12	129,604	0.99%	12	175,516	1.34%
President and SEVP	16	27,618	0.19%	16	108,232	0.73%	12	25,609	0.19%	12	81,351	0.62%

Note: 2017 Net Profit for E.SUN FHC is NT\$14,756,556,000, 2016 Net Profit for E.SUN FHC is NT\$13,135,212,000.

e. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance

- The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 36 of the Company's statute. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 27-1 of the statute. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of this compensation.
- The performance review system and remuneration framework for managers is first screened by the Remuneration Committee, following which the board makes a final decision. Salaries of managers should reflect their professional experience, the Company's, counterparts' and market standards and 'Codes of Managers' remuneration for E.SUN FHC'. Meanwhile, the Company will issue bonuses based on overall operational results and individual performance. This enables a manager's compensation to be closely related to operational performance. Regularly assess and establish the remuneration of managers and implement a deferred bonus scheme so that the remuneration of managers is closely linked to the company's performance. A manager's bonus will be impacted if a major risk event occurs that impacts the Company's reputation, inappropriate internal management is seen, or other abuses are documented. At the same time, the Company will carry out stress tests and scenario analysis to evaluate possible risk in the future, and the Risk Management Committee each quarter will report to the board on the level of such risk.

4. Implement of Corporate Governance

(1) Board of Directors

A total of 12 meetings of the board of directors (A) were held in the previous period. Directors and Independent Directors attendance was as following

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B/A]	Remarks
Chairman	Representative of E.SUN Volunteer & Social welfare Foundation Yung-Jen Huang	12	0	100	Re-elected
Director	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	12	0	100	Re-elected
Director	Representative of E.SUN Foundation Gary K.L. Tseng	12	0	100	Re-elected
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	12	0	100	Re-elected
Independent Director	Chen -En Ko	12	0	100	Re-elected
Independent Director	Ji-Ren Lee	12	0	100	Re-elected
Independent Director	Chen-Chen Chang Lin	12	0	100	Re-elected
Independent Director	Hsin-I Lin	12	0	100	Re-elected
Independent Director	Chun-Yao Huang	7	0	100	Newly elected
Director	Representative of Fu -Yuan Investment Co.,Ltd. Rong-Chu Chen	11	1	91.67	Re-elected
Director	Representative of Shang Li Car Co.,Ltd. Chien-Li Wu	12	0	100	Re-elected
Director	Representative of Shan Meng Investment Co.,Ltd. Magi Chen	12	0	100	Re-elected
Director	Representative of Sunlit Transportation Co., Ltd. Mao-Chin Chen	7	0	100	Newly elected
Director	Representative of Sunlit Transportation Co., Ltd. Ben Chen	5	0	100	Relieved

Other mentionable items:

1. If there are the circumstances referred to the following issue, the Company should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion.

- (1) Article 14-3: Not applicable as the Company has set Audit Committee.
- (2) If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified: None

2. Recusals of Directors due to conflicts of interests

Directors	Motion	Reason for recusal	Voting participation situation
Joseph Huang, Magi Chen, Ben Chen	Top-level manager 2016 year-end bonus distribution and long term incentive distribution plan	Motion is related to the interests of the director	Recusal of Joseph Huang following the reporting of year-end bonus distribution for top-level managers below vice president. Magi Chen and Ben Chen did not participate in the discussion and voting of resolutions.
Yung-Jen Huang, Joseph Huang, Gary K.L. Tseng, Jackson Mai, Ron-Chu Chen, Chien-Li Wu, Magi Chen	Nomination for the Company's sixth term board of directors	Motion is related to the interests of the director	Recusal of Joseph Huang following the adjustment of salaries for vice presidents or below. Magi Chen and Ben Chen did not participate in the discussion and voting of resolutions. Did not participate in discussion and voting of resolution
Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin	Nomination for the Company's sixth term board of independent directors	Motion is related to the interests of the director	Did not participate in discussion and voting of resolution
Joseph Huang, Magi Chen, Ben Chen	Employee stock option cash capital increases for top-level managers of the Company and its subsidiaries	The agenda concerned the director's own interests	Recusal of Joseph Huang following the reporting of year-end bonus distribution for top-level managers below vice president. Magi Chen and Ben Chen did not participate in the discussion and voting of resolutions.
Yung-Jen Huang, Joseph Huang, Gary K.L. Tseng, Jackson Mai, Ron-Chu Chen, Chien-Li Wu, Magi Chen, Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin	The Board of Directors is requested to review the list of director candidates (including independent directors)	The agenda concerned the director's own interests	Did not participate in discussion and voting of resolution when the agenda concerned the director's own interests.
Yung-Jen Huang, Joseph Huang, Gary K.L. Tseng, Jackson Mai, Ron-Chu Chen, Chien-Li Wu, Magi Chen, Chen-En Ko, Ji-Ren Lee, Chun-Yao Huang, Chen-Chen Chang Lin, Hsin-I Lin, Mao-Chin Chen	Appointment of director and independent director (supervisor) representatives for subsidiaries	The agenda concerned the director's own interests	Did not participate in discussion and voting of resolution when the agenda concerned the director's own interests.
Joseph Huang, Magi Chen, Mao-Chin Chen	2016 employee bonus distribution plan for top-level managers of the Company and its subsidiaries	The agenda concerned the director's own interests	Recusal of Joseph Huang following the reporting of year-end bonus distribution for top-level managers below vice president. Magi Chen and Mao-Chin Chen did not participate in the discussion and voting of resolutions.
Joseph Huang, Magi Chen, Mao-Chin Chen	Salary adjustments for top-level managers of the Company	The agenda concerned the director's own interests	Recusal of Joseph Huang following the reporting of year-end bonus distribution for top-level managers below vice president. Magi Chen and Mao-Chin Chen did not participate in the discussion and voting of resolutions.
Joseph Huang, Magi Chen, Mao-Chin Chen	2017 year-end bonus and long term incentive distribution plan for top-level managers of the Company	The agenda concerned the director's own interests	Recusal of Joseph Huang following the reporting of year-end bonus distribution for top-level managers below vice president. Magi Chen and Mao-Chin Chen did not participate in the discussion and voting of resolutions.

3. Evaluation of the goals (e.g., set up an audit committee, enhance information transparency) and implementation status of strengthening the duties and functions of the Board of Director during the most recent year: To improve the corporate governance system, improve monitoring functions, and reinforce management functions, the Company has officially adopted the audit- ing committee system as of June 2008 following the reelection of directors in the shareholders' meeting. In 2006, a Remuneration Committee was established and the criteria for committee members were adjusted in advance in 2011 in accordance with the provisions specified in Article 6, Paragraph 1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. Thereafter in 2012, a CSR Committee was established to implement the CSR of the Company and its subsidiaries. The Company's Board of Directors will cooperate with all functional committee members and actively strength the responsibilities of the Board of Directors to implement corporate governance. In 2016, the item, "regular inspections of sustainability practices", was made one of the indicators in the board of directors performance evaluation process in the interest of creating short-, medium- and long-term value for the company and achieving sustainability. In 2017, the Corporate Governance Association in Taiwan was commissioned to conduct board performance evaluation. The professional agency examines the operation of the board of directors and functional committees. The evaluation committee's guidance and exchange provided the Company with professional and objective medical examination report. In 2017, the 6th Directors of the Company were elected at the shareholders' meeting. The Company spontaneously included one independent director. All five independent directors and directors of the board are equipped with the knowledge, skills, literacy and a general skill set necessary to perform their duties. In 2017, the Company organized two director training courses for a total of 6 hours, on "Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing" and "Opportunities, Challenges, and Risks in Digital Technologies." In addition, directors will be provided with a variety of external courses that help them to gain a better understanding of their fields and fulfill their duties of loyalty and due diligence as business decision makers and leaders. The Company actively incorporates corporate social responsibilities in its business strategy, referring to international trends in 2017 to adjust the composition of the Corporate Social Responsibility Committee to include directors and two independent directors.

(2) Audit Committee

A total of 9 Audit Committee (A) were held in the previous period. Independent director attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B/A]	Remarks
Independent Director	Chen-En Ko	9	0	100	Re-elected
Independent Director	Ji-Ren Lee	9	0	100	Re-elected
Independent Director	Chen-Chen Chang Lin	9	0	100	Re-elected
Independent Director	Hsin-I Lin	9	0	100	Re-elected
Independent Director	Chun-Yao Huang	5	0	100	Newly elected

1. Other details that warrant inclusion: In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the company's responses to the Audit Committee's opinions should be provided:

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

Date	Term	Issue to communicate	Result
2017.03.01	21st Session of 5th Board of Directors	2016 consolidated financial statements and business report	Audit Committee: The proposal was passed by a unanimous vote and submitted to the board of directors. Board of Directors: The proposal was passed by a unanimous vote.
		Capitalized earnings and employee compensation	
		Proposal of a cash issue of 700 million new shares	
		2016 Statement on the Internal Control System	
2017.03.24	22nd Session of 5th Board of Directors	Proposal of renewing contract with CPAs	
		Amendments to the company's "Asset Acquisition or Disposal Procedures"	
		Amendment of the company's "Shareholder Services Guidelines"	
2017.04.28	24th Session of 5th Board of Directors	Subscription of subsidiary E.SUN Bank's cash issue	
		Amendment of the Company's internal control system	
2017.06.23	3rd Session of 6th Board of Directors	Nomination of the Company's chief accounting officer/principal accounting officer	
2017.08.11	4th Session of 6th Board of Directors	Consolidated financial statement for the first half of 2017	
		Amendment of the Company's accounting system	
2017.11.02	5th Session of 6th Board of Directors	Proposal of the Company's 2018 audit plan	
2018.01.19	6th Session of 6th Board of Directors	Nomination of the Company's general auditor	
2018.03.16	6th Session of 6th Board of Directors	2017 consolidated financial statements	
		Capitalized earnings and employee compensation	
		2017 Statement on the Internal Control System	
		Amendment of the Company's accounting system	
		Amendment of Handling of Procedure for Transactions of Derivatives	

(2) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None

2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs, including the items, method and results of audits of corporate finance or operations, etc.

Date	Mode	Object	Issues to communicate	Result
2017.01.04	Audit Committee	CPA	Report the plan of audit work for 2016 financial reports.	Noted
		General Auditor	Report the results of audit work for fourth quarter of 2016	Noted
2017.03.01	Audit Committee	CPA	Report the results of audit work for year 2016	Noted
2017.04.26	Audit Committee	General Auditor	Proposal of audit work report for the first quarter of 2017.	Noted
2017.08.08	Audit Committee	CPA	Reporting of the evaluation of financial statements for the first half of 2017.	Noted
		General Auditor	Proposal of audit work report for the second quarter of 2017 and immediate reporting of bank's subsidiaries (overseas branches) to directors.	Noted
2017.11.01	Audit Committee	General Auditor	Proposal of audit work report for the third quarter of 2017 and immediate reporting of bank's subsidiaries (overseas branches) to directors.	Noted
			Proposal of the 2018 audit plan.	
2017.11.01	Meeting	General Auditor	Communication of internal auditing matters.	Accordance with recommendations
2017.12.13	Audit conference	CPA	Communicating meeting before planning of the 2017 E.SUN financial report evaluation.	Accordance with regulations
2018.01.16	Audit Committee	CPA	Reporting of the 2017 financial evaluation plan.	Noted
		General Auditor	Proposal of audit work report for the fourth quarter of 2017.	Noted
2018.03.08	Audit Committee	CPA	Reporting of the evaluation of financial statements of 2017	Noted

Note:

(1) General Auditor of the Company reports to the independent directors with regard to execution and result of internal audit, and matters to be followed.

(2) The General Auditor attends every board meeting.

(3) During audit of semi-annual and annual financial statement, the CPA would attend audit committee to explain method and scope of financial audit and updates of relevant regulations to facilitate a thorough communication with independent directors.

(4) The chief internal auditor, CPA, and independent directors shall maintain a unimpeded two-way communication, and each of the parties can contact one another directly, when it is deemed necessary.

(3) Items of disclosure according to corporate governance code for FHCs

Please refer to <https://www.esunfhc.com/zh-tw/corporate-governance>

(4) Status of the Company's implementation of corporate governance, any difference of such implementation from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference

Item	Status of implementation (Note 1)			Any departure from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such departure
	Yes	No	Summary	
<p>1. Implementing and Promoting Corporate Governance</p> <p>(1) Does the Company institute a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and suits, as well as act in accordance with the said procedures?</p> <p>(2) Does the Company have access to the identity of major shareholders who have actual control over the Company as well as that of their ultimate control persons?</p> <p>(3) Does the Company put in place internal regulations that bar insiders from trading securities based on information yet to be made public on the market?</p>	V		<p>(1) The Company has appointed a spokesperson and established an investor relations department as well as a department charged specifically with stock affairs. Meanwhile, contact information is fully disclosed on the Company's official website so that shareholders can express opinions over the phone, by email, or through leaving online messages. In turn, the Company is proactive to respond to and deal with them properly in accordance with pertinent internal procedures.</p> <p>(2) Major shareholders who own a stake of not less than 5% all report to the Company the status of their shareholdings in accordance with pertinent laws and regulations. For its part, the Company promotes awareness of such laws and regulations and offers related documents and forms on its official website.</p> <p>(3) To supervise the establishment and implementation of a risk management system across the Company and its subsidiaries, the Company has set up a Risk Management Committee that is responsible for implementing and supervising risk management policy, building a risk management culture, and laying down the Company's Risk Management Policy and Guiding Principles. Moreover, the Risk Management Committee is responsible for implementing risk management decisions made by the Board of Directors. The committee is also supposed to act as integrator when it comes to the review, supervision, and coordination of risk management mechanisms across the Company and its subsidiaries; it is also to establish defense mechanisms to uphold information security in business interaction, transactions, and information exchanges between the parent company and subsidiaries.</p> <p>To uphold asset quality and strengthen management of excessive risk concentration, the Company has enforced the Guidelines Governing Quota Management for Dealings Between E.SUN FHC and Subsidiaries. Separately, the Guidelines Governing E.SUN FHC Dealing With Interested Parties, Guidelines Governing E.SUN FHC Dealing With Subsidiaries, and Internal Regulations for E.SUN FHC and Subsidiaries to Conform to Article 45 of the Financial Holding Company Act are put in place to further bolster internal management across the E.SUN group.</p>	None
<p>2. Composition and Duties/ Responsibilities of the Board of Directors</p> <p>(1) Besides setting up the Remuneration Committee and Audit Committee according to law, does the Company voluntarily set up other functional committees?</p> <p>(2) Does the Company evaluate the independence of its CPA on a regular basis?</p>	V		<p>(1) The Company has also set up the Corporate Governance and Nominating Committee, Strategy Committee, and Corporate Social Responsibility Committee.</p> <p>(2) Pursuant to Article 29 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Company engages professional, responsible, and independent CPAs to audit its finances and internal control on a regular basis. Meanwhile, the Company's Audit Committee and Board of Directors are called upon to evaluate the suitability, independence, and fair pricing of the engaged CPA firm every six months (in the first and third quarters). For its part, the CPA firm is supposed to present a statement of independence (specifying that the CPAs responsible for audit and their spouses as well as dependent relatives have no major financial interests at stake involving the Company, either directly or indirectly, or have undermined independence in any other way). To effectively avoid conflicts of interest, the Company conducts an inspection in the first quarter of every year to make sure that the contracted CPAs are not interested parties referred to in Article 45 of the Financial Holding Company Act, do not enjoy more favorable terms and deposit/lending rates than for similarly situated customers while engaging in credit extension deals with the Bank's subsidiary E.SUN Bank, and do not hold shares in the Company.</p>	None
<p>3. Has E.SUN FHC established a full-time (or part-time) corporate governance position or person to bear responsibility corporate governance-related matters (including but not limited to providing directors and supervisor's information needed for the implementation of their duties, matters connected with the holding of board and shareholder's meetings in accordance with law, implementation of corporate registration and registration changes, and production of board and shareholders meeting minutes, etc.)?</p>	V		<p>The Company's financial holdings management section (legal affairs) is the Company's dedicated corporate governance unit and is responsible for corporate governance-related matters; it is under the oversight of the chief brand officer.</p> <p>Following are matters related to corporate governance:</p> <p>(1) Performing company registration and change of registration.</p> <p>(2) Preparing for matters for board and shareholders meetings in accordance with law, and helping the company comply with laws and regulations for board and shareholders' meetings.</p> <p>(3) Preparing for board and shareholders meeting minutes.</p> <p>(4) To assist the directors and independent directors in legal compliance, providing directors and independent directors with information needed for the performance of their duties, and updates to laws and regulations affecting the Company's operations.</p> <p>(5) Other matters determined in the Company's articles of incorporation or in contract.</p> <p>Proceedings of 2017 are as follows. Agenda that have been proposed to and resolved by the board:</p> <p>(1) Execution and fulfillment of fiduciary duty, including education and training, announcement of rules for compliance, and annual examination.</p> <p>(2) Held a 6-hours training session was offered to the directors; acquired appropriate liability insurance policy for directors and key staffs.</p> <p>(3) Mandated an external dedicated institution to evaluate on effectiveness of the board.</p> <p>(4) Developed "Code of Ethical Conducts for Directors", which governs the directors to follows applied laws, to avoid conflict of interests, to fulfill one's duty in confidentiality and loyalty, to prohibit unfair dealing and inside trading, and to protect and use the Company's property in a responsible manner.</p> <p>(5) Awarded and certified excellence in corporate governance evaluation.</p>	None
<p>4. Does the Company have in place channels for communicating with stakeholders and set aside an exclusive section for stakeholders on its website so that it can properly respond to major corporate social responsibility issues of concern to the latter?</p>	V		<p>The Company has appointed a spokesperson and set up an investor relations department for communicating with stakeholders. Shareholders and customers can fully express their opinions through the Company's stock affairs and customer service departments respectively. For their part, employees can take their complaints, if any, to the Company's human resources department. All problems can be solved properly and communication can proceed smoothly. Separately, the Company's website includes a special section for corporate social responsibility that not only makes public the Company's CSR report but also provides a channel for communicating with stakeholders.</p>	None

Item	Status of implementation (Note 1)			Any departure from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such departure
	Yes	No	Summary	
<p>5. Information Disclosure</p> <p>(1) Does the Company install a website for disclosing information on finances, operations, and corporate governance?</p> <p>(2) Does the Company resort to other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesman to communicate with the general public, making public the recordings of investor briefings on its website, etc.)?</p>	V		<p>(1)</p> <p>a. The Company has installed a website (https://www.esunfhc.com/zh-tw/investor-relations/company-overview/annual-reports) to disclose information on finances, operations, and corporate governance.</p> <p>b. Information to be disclosed includes that with regard to finances, operations, board resolutions, presentations at investor briefings, internal control, personnel designated for communicating with investors, etc.</p> <p>(2)</p> <p>a. The Company has installed an English website and designated personnel to collect and disclose material information.</p> <p>b. The Company has faithfully implemented a mechanism under which the position of spokesperson is taken by someone who has a thorough understanding of the financial holding company's finances and operations and is able to coordinate with all departments.</p> <p>The spokesperson's contact information is fully disclosed on the Company's website:</p> <p>Spokesperson Name: Joseph Huang Title: President, E.SUN FHC Telephone: (+886) 02-2175-1313 E-Mail: joseph@email.esunbank.com.tw</p> <p>Deputy Spokesperson Name: Magi Chen Title: CFO Telephone: (+886) 02-2175-1313 E-Mail: mgi@email.esunbank.com.tw</p> <p>Agency Handling Share Transfer Stock Service Dept., General Affairs Division, E.SUN FHC Address: 1F, Sec. 3, Ming-Sheng E. Road, Taipei, Taiwan Telephone: (+886) 02-2175-1313</p> <p>c. Presentation materials prepared for analyst meeting's briefings, along with audio files, are uploaded onto the Company's website. A dedicated unit is in charge of material maintenance.</p>	None
<p>6. Does the financial holding company have other crucial information that facilitates understanding the operation status of its corporate governance (including but not limited to situations regarding employee rights and interests, employee care, investor relations, the rights and interests of stakeholders, the continuing education of directors and supervisors, the implementation status of risk management policies and risk measuring standards, the implementation status of customer policies, the situation concerning the purchase of accountability insurance for directors and supervisors, and donations made to political parties, stakeholders, and public interest groups)?</p>	V		<p>(1) To boost the capacity of the Board of Directors for supervision and management, the Company has adopted the Rules of Procedure for Board Meetings that regulate the main agenda items, operational procedures, and mandatory contents of meeting minutes. Board meetings shall be held in accordance with these rules.</p> <p>(2) Board directors are asked to attend relevant training programs from time to time.</p> <p>(3) The Company has established the Risk Management Committee that is called upon to effectively implement risk control and management policy and compile risk management reports. A summary of the scope and characteristics of the Company's risk measurement system is as follows:</p> <p>a. Credit Risk Establish a systematic approach to managing credit risk associated with borrowers, counterparties in transactions, or asset portfolios: setting up a proper credit risk control environment; placing the credit risk of trading counterparties under control and management as well as producing credit ratings for the latter; setting conditions for the control and management of risk exposure and risk concentration associated with any individual product, industry, or business conglomerate.</p> <p>b. Market Risk For their on and off-balance sheet items, the Company and its subsidiaries shall establish mechanisms for assessing and controlling risk deriving from price, exchange rate, and interest rate fluctuations.</p> <p>c. Liquidity Risk Assess the composition of major assets and the liquidity risk facing them. Manage the risk based on the features of each industry and pertinent regulations set by the competent authority. Put in place a liquidity risk emergency plan.</p> <p>d. Operational Risk Establish a full range of operational processes, limits of authority for various operations, and processes for the control and management as well as audit of documents and certificates.</p> <p>e. Legal and Other Risk Manage legal and other risk by means of risk scenario stress testing as well as risk tolerance and capital adequacy evaluation.</p> <p>(4) The Company has always given priority to making sure that its subsidiaries offer quality customer service and implement a sound consumer protection policy. Their websites provide consumers with various channels of communication, including 24/7 customer service hotlines and sections reserved for online messages.</p> <p>(5) As part of its effort to establish a well-rounded corporate governance mechanism, the Company has provided board directors and key employees with comprehensive liability insurance so as to minimize the risk exposure of both itself and the personnel in question. The insured parties include the directors, supervisors, and managerial/ supervisory employees of E.SUN FHC and its subsidiaries. The coverage extends to damage compensation and litigation expenses deriving from damage claims filed against E.SUN FHC and its subsidiaries for charges in relation to securities or employment practices; against directors or independent directors for alleged management or employment malpractices; against directors and independent directors for charges in relation to labor safety and health.</p> <p>(6) Multiple channels are made available for employees of the Company to communicate with all levels of management and the human resources department. All problems can be solved properly and communication can proceed smoothly. Each year the Company will organize a "knowledge-sharing" seminar to inform employees of its vision, policy, and other employee-related matters. Videoconferences are also held for communicating with employees whenever warranted. Meanwhile, the Employee Welfare Committee is charged with the responsibility of caring for employees.</p> <p>(7) To encourage shareholders to get involved in corporate governance, the Company has adopted the Rules of Procedure for Shareholders' Meetings. Besides the appointment of a spokesperson, the Company has also set up a department responsible specifically for handling stock affairs. Shareholders can fully express their opinions, and designated personnel will handle such matters accordingly. Moreover, all information on finances and operations is fully and truthfully disclosed in the Company's annual report and on its website.</p> <p>(8) To uphold corporate governance and corporate social responsibility, the Company has adopted the Regulations on Handling Donations. A summary of the Company's donations to political parties, interested parties, and public welfare organizations during the latest year: none.</p> <p>(9) Status of implementation of resolutions adopted by shareholders' meetings: All reports and ratified proposals are handled according to law. When it comes to matters for deliberation, all revisions to the Articles of Incorporation and Regulations Governing the Acquisition and Disposal of Assets are handled according to law while resolutions on capitalization of retained earnings are reported to the competent authority in tandem with pertinent regulations, after which new shares are issued accordingly.</p>	
<p>7. Please explain improvements made pursuant to the Taiwan Stock Exchange Corporation Corporate Governance Center's corporate governance assessment results issued in the most recent year, and explain any matters and measures to be strengthened as a first priority in areas where improvements have not yet been made.</p> <p>The Company has actively promoted high standard of corporate governance, and has been included in top 5% of the Taiwan Stock Exchange's "corporate governance assessment" ranking for the 3rd consecutive year since 2015. It responds to the Company's emphasis on the rights and interests of shareholders and stakeholders, and shows the great efforts to establish a sound corporate governance system. In 2017, the Company has compiled the 2016 annual report based on the evaluation results, disclosing specific and explicit dividend policies. The Company continues to pay attention to and ensure the quality of information disclosure. In 2017, the 6th Directors of the Company were elected at the shareholders' meeting. The Company spontaneously included one independent director (for a total of 5 independent directors) and published the annual financial report in the shortest time possible without influencing the quality of the financial and audit reports. Following the completion of the 4th evaluation and disclosure of the evaluation results, the Company will include non-conforming indicators in the corporate governance priority for improvement plan. The company will be an active participant in the Corporate Governance Evaluation and devote itself to delivering the best overall performance and being the most respected company. The Company was awarded superior certification qualifications in the Taiwan Corporate Governance Association's CG6010 (2015) corporate governance system assessment. This certification is valid from Dec.22, 2016 to Dec.21, 2018 E.SUN will continue focusing on corporate governance which is in line with global standard, and set the milestone for Taiwan financial sector.</p>				

Note1: Regardless of the choice of "Yes" or "No" with regard to the status of implementation, a more detailed account is warranted in the summary column.

Note2: The said corporate governance self-evaluation report refers to one in which the Company reports on the status of its implementation of corporate governance in areas selected specifically for such evaluation.
Rationale for revision: Revise items of disclosure for the status of implementation of corporate governance in line with a revision to the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies.

(5) Composition, Duties, and Operation of the Remuneration Committee

a. Information concerning members of the Remuneration Committee

Status (Note 1)	Name	Criteria			Whether individual possesses for at least five years' work experience and the following professional qualifications								Complies with the requirement of independence (Note 2)								Number of compensation committees at other companies of which the individual is a member on a concurrent basis	Notes
		At least a lecturer in the business, law, finance, or accounting department or other department connected with corporate business needs of a public or private university	A judge, prosecutor, lawyer, CPA, or other professional or technical worker who has received national certification in an area needed by the Company	Possesses business, law, finances, accounting, or other work experience needed by the company	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8		
Independent director	Chen-En Ko	V		V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	5	Complying with the requirements of Paragraph 1, Article 6 of the Regulations Governing the Establishment of Compensation Committees and Exercise of their Powers at Companies Listed on a Securities Exchange or Traded at a Securities Dealer's Office
Independent director	Ji-Ren Lee	V		V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	3	
Independent director	Chen-Chen Chang Lin			V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	0	
Independent director	Hsin-I Lin			V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	1	
Independent director	Chun-Yao Huang	V		V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	0	

Note : Please mark "V" in the space below relevant criteria met by members during the two years prior to appointment and during their period of appointment.

(1) Not an employee of the Company or an affiliated enterprise.

(2) Not a director or supervisor of the Company or an affiliated enterprise. Independent directors appointed by the Company, its parent company, or its subsidiary according to security exchange law or other local laws are not subject to the restriction.

(3) The individual or individual's spouse or minor child or the individual under another name does not hold more than 1% of the Company's total issued shares and is not one of the Company's ten largest natural person shareholders.

(4) Not the spouse, relative within the 2nd degree of kinship, or blood relative within the 3rd degree of kinship of one of the persons listed in the three foregoing subparagraphs.

(5) Not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total issued shares, and is not the director, supervisor, or employee of one of the Company's five largest institutional shareholders in terms of shareholdings.

(6) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a specified company or organization with financial or business dealings with the Company.

(7) Not the chief officer, partner, director, supervisor, or manager, or spouse of such persons, of a sole proprietorship, company, or organization providing commercial, legal, financial, accounting, or consulting services to the Company or an affiliated enterprise.

(8) Not contain one of the requirements listed in the various subparagraphs of Article 30 of the Company Act.

b. Information concerning the Remuneration Committee's operations

(a) The Company's Remuneration Committee shall have 5 members.

(b) Period of appointment of current committee members: From June 16, 2017 to June 15, 2020; the Remuneration Committee met 6 times during the most recent year (A). The following are the members' qualifications and their meeting attendance:

Title	Name	Actual attendance (B)	Attendance by a representative	Actual attendance rate (%) (B/A) (Note)	Notes
Convener	Chen-Chen Chang Lin	6	0	100	Re-elected
Member	Chen-En Ko	6	0	100	Re-elected
Member	Ji-Ren Lee	6	0	100	Re-elected
Member	Hsin-I Lin	6	0	100	Re-elected
Member	Chun-Yao Huang	3	0	100	New appointment

Other matters that must be recorded:

I. In cases when the board of directors does not accept, or revises, a recommendation of the Remuneration Committee, clearly state the board meeting date, board number, resolution content, board resolution result, and the Company's handling of the Remuneration Committee's opinion (please clearly state the discrepancy and its reason of the salary compensation approved by the board was better than that recommended by the Remuneration Committee): none.

II. In cases when there is a record or written statement of members' opposition or qualified opinion concerning a resolution of the Remuneration Committee, please clearly state Remuneration Committee meeting date, committee period, resolution content, opinions of all members, and handling of members' opinions: None.

c. Information concerning the Corporate Governance & Nomination Committee's operations

(a) The Company's Corporate Governance & Nomination Committee shall have 8 members.

(b) Period of appointment of current committee members: From June 16, 2017 to June 15, 2020; the Corporate Governance & Nomination Committee met 4 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

Title	Name	Actual attendance (B)	Attendance by a representative	Actual attendance rate (%) (B/A)	Note
Convener	Ji-Ren Lee	4	0	100	Re-elected
Member	Chen-En Ko	4	0	100	Re-elected
Member	Chen-Chen Chang Lin	4	0	100	Re-elected
Member	Hsin-I Lin	4	0	100	Re-elected
Member	Chun-Yao Huang	2	0	100	New appointment
Member	Jackson Mai	4	0	100	Re-elected
Member	Yung-Jen Huang	4	0	100	Re-elected
Member	Gary K.L. Tseng	4	0	100	Re-elected

d. Information concerning the Board Strategy Development Committee's operations

(a) The Company's Board Strategy Development Committee shall have 11 members.

(b) Period of appointment of current committee members: From June 16, 2017 to June 15, 2020; the Board Strategy Development Committee met 3 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

Title	Name	Actual attendance(B)	Attendance by a representative	Actual attendance rate(%) (B/A)	Note
Convener	Yung-Jen Huang	3	0	100	Re-elected
Member	Joseph N.C. Huang	3	0	100	Re-elected
Member	Gary K.L. Tseng	3	0	100	Re-elected
Member	Jackson Mai	3	0	100	Re-elected
Member	Chen-En Ko	3	0	100	Re-elected
Member	Ji-Ren Lee	3	0	100	Re-elected
Member	Chen-Chen Chang Lin	3	0	100	Re-elected
Member	Hsin-I Lin	3	0	100	Re-elected
Member	Chun-Yao Huang	1	0	100	New appointment
Member	Ron-Chu Chen	3	0	100	Re-elected
Member	Chien-Li Wu	3	0	100	Re-elected

e. Information concerning CSR Committee's operations

(a) The Company's CSR Committee shall have 5 members

(b) Period of appointment of current committee members: From June 23, 2017 to June 15, 2020; the Board Strategy Development Committee met 4 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

Title	Name	Actual attendance(B)	Attendance by a representative	Actual attendance rate(%) (B/A)	Note
Convener	Yung-Jen Huang	4	0	100	Re-elected
Member	Joseph N.C. Huang	4	0	100	Re-elected
Member	Gary K.L. Tseng	3	0	100	New appointment
Member	Ji-Ren Lee	3	0	100	New appointment
Member	Chun-Yao Huang	3	0	100	New appointment

(6) Status of performance of social responsibility

Item	Status of implementation		Summary	Any departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, and the reasons for any such departure
	yes	No		
1. Promotion of corporate governance (1) The Company's setting of corporate social responsibility policies or systems, and review of status of implementation and results. (2) Does company provide regular training of CSR? (3) Status of operation of any units established by the Company with full (or concurrent) corporate social responsibility duties. (4) The Company's regular holding of corporate ethics education, training, and awareness events for directors, supervisors, and employees, linkage with the employee performance evaluation system, and establishment of clear and effective rewards and penalties.	V		(1) The Company has laid down a set of corporate governance best-practice principles to ensure our complying with laws and regulations, bolster internal management, strengthen the functions of the board, and protect the rights and interests of shareholders and stakeholders. With priority given to capital adequacy, asset quality and liquidity, management competence, profit capacity, and risk sensitivity, the Company is equally committed to honoring corporate social responsibility and making investment accordingly. Standing by our business ideals, we are set to strive for sustainable development and attain the long-term goal of benefiting society. Besides working on corporate governance, customer rights, employee welfare, the public good, and energy conservation/carbon reduction, we pledge to do more in humanities, the arts and environmental protection in our endeavors toward fulfilling CSR and thus generate a greater impact on the community. (2) The Company instills and realizes corporate ethics through publicity and examinations. (3) The Company has established the Corporate Social Responsibility Committee and laid down its organizational regulations accordingly. As an operating committee of the board, it is supposed to make sure that the Company and its subsidiaries faithfully fulfill their corporate social responsibility. (4) The Company's Board of Directors has adopted a set of Regulations Governing Compensation for Managers, specifying that their compensation shall be based on performance and linked to future risk and the incidence of major risk events. In the meantime, rewards and penalties shall be given in accordance with provisions laid out in a separate set of working regulations. E.SUN's employee performance evaluation is linked to its corporate social responsibility policy that covers corporate governance, public interest, and environmental sustainability. a. Endorsement of the Company's corporate culture, stringent ethical and behavioral self-discipline, and commitment to the ideals of professionalism, service and responsibility. b. Proactiveness for working with colleagues to create a sound working environment, support one another, and attain excellence as a team. c. Evaluation of personnel assigned to environmental management duties shall take account of their performance in undertaking activities with regard to environmental sustainability as well as the results thereof.	E.SUN's corporate culture and operational philosophies play a foremost role in establishing complete legal compliance and internal control system. Besides promoting professional operations and implementing corporate governance, E.SUN complies with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies. There is no discrepancy in the initiatives undertaken by E.SUN to promote corporate social responsibility
2. Environmentally sustainable development (1) The Company's efforts to enhance the efficiency of resource usage, and use of recycled materials with low environmental load. (2) The Company's establishment of an appropriate environmental management system reflecting the characteristics of its industry. (3) The Company's attention to the effect of climate change on its operational activities, and drafting of corporate energy conservation, carbon emission reduction, and greenhouse gas reduction strategies.	V		(1) The Company prioritizes the purchase and use of building materials, equipment, and tools bearing the Green Building Materials Mark or Green Mark, and also complying with relevant legal requirements. The Company makes extensive use of recycled materials and recyclable, low-pollution, energy-saving products, and avoids mechanical equipment with high energy consumption and products that are excessively packaged, harmful to the living environment, and not spontaneously decomposing. (2) The Company has adopted the ISO 14001 environmental management system and ISO50001 energy management system, and has established an environmental/energy management framework in accordance with the "E.SUN White Paper on Environmental Protection and Energy Conservation" in order to effectively implement carbon reduction, energy conservation, water conservation, and industrial waste management. (3) The Company has conducted ISO 14064-1 greenhouse gas inventories at the E.SUN headquarters building, Bao'an building, L&D center, and all branches in Taiwan. These inventories have enabled the Company to understand its carbon emissions and draft a greenhouse gas reduction action plan. (4) The corporate social responsibility committee has established and environmental sustainability committee to bear responsibility for the promotion of environmental/energy management policies, and maximize the efforts of the Company and individuals. E.SUN FHC headquarters' Administration Department bears responsibility for implementation. (5) The Company includes borrowing companies' implementation of environmental protection policies and degree of environmental pollution in items considered when lending, and hopes to induce external companies to protect the environment. The Company also strives to promote widespread use of online services, reduction in paper use, and conservation of power.	The Company seeks to promote environmentally sustainable development through a progressive approach, and complies with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies." There are no substantive discrepancies in the promotion of environmentally sustainable development.

Item	Status of implementation		Summary	Any departure from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, and the reasons for any such departure
	yes	No		
<p>3. Preserve Public Interest</p> <p>(1) Does the Company adopt an appropriate management policy and procedures in accordance with pertinent laws and regulations as well as international human rights conventions?</p> <p>(2) Does the Company establish a mechanism and channels for receiving and handling employee complaints properly?</p> <p>(3) Does the Company provide a safe and healthy work environment for its employees and periodically organize employee training on safety and health?</p> <p>(4) Does the Company establish a mechanism for communicating with employees on a regular basis and, by reasonable means, inform employees of operational changes that might have material impacts?</p> <p>(5) Does the Company establish effective training programs for employees to foster career skills?</p> <p>(6) Does the Company adopt a policy for protecting consumer rights and interests in relation to its R&D, procurement, and operational and service processes as well as put in place procedures for consumers to file complaints?</p> <p>(7) Does the Company abide by pertinent laws and regulations as well as international guidelines in marketing and labeling its products and services?</p> <p>(8) Does the Company check if a business has recorded any adverse effect on the environment and community before contracting it as a supplier?</p> <p>(9) Does the Company specify in contracts with major suppliers that it may terminate or cancel the contracts anytime if they are found to have violated its corporate social responsibility policy and have had a conspicuous impact on the environment and community?</p>	V		<p>(1) The Company considers people its core asset. Employee rights are upheld in accordance with pertinent laws and regulations. That is, the Company is committed to protecting and preserving employee rights prescribed by pertinent laws and regulations as well as implementing a nondiscriminatory employment policy, thereby creating a harmonious labor-management relationship.</p> <p>(2) We have long attached consequence to keeping open a wide range of channels for employees to say whatever they have to say. Listening to employees intently, we believe, should be both the best way to show how much we care and the basis for interacting with them. We welcome employee feedback verbally, on the Web, on the "Notes" platform, questionnaire, online HR platform and in the form of reports and suggestions in writing. As such, we collect employee opinions from multiple sources to seek out their needs and in turn rectify our deficiencies along the way.</p> <p>(3) The installation of an exclusive section designed specifically for them signifies the emphasis the Company places on providing employees with a safe and healthy working environment. Every business division is staffed with a responsible person charged with labor safety who organizes training and study sessions on a regular basis. Meanwhile, a set of guidelines on physical examination is laid down as the basis for employees to undergo health checkup regularly. The special section on labor safety and health is intended to keep employees up to date on this front. In addition to sessions intended specifically for novice employees, labor safety training and health examination are undertaken across the Company on a regular basis. On top of emergency care personnel, every place of business is equipped with a security system as well as security personnel so as to uphold the safety of the place, employees and customers.</p> <p>(4) The Company makes it a point to keep up two-way communication while organizing knowledge-sharing sessions, human resources improvement projects and across-the-board videoconferences. Employees are free to take their complaints to various levels of management and the human resources department, thereby creating a harmonious and happy working environment.</p> <p>(5) E.SUN has established a comprehensive training system and career roadmap reflecting its organizational strategy, and relies on "on-the-job learning," "learning through training," and "self-learning" models to ensure that colleagues grow together with E.SUN in a learning environment. Our training system includes three parts: new personnel training, management leadership training, and financial professional training. From new personnel to our management team, we arrange classes targeting the abilities needed at each stage. Apart from cultivating professional skills, we also strive to train "π-shaped" manpower, and rely on internal selection of talent, rotation through different departments, and second-specialization training to train, forge, cultivate, and promote outstanding all-round employees, which ensures that our manpower supply chain is unbroken and sufficiently flexible.</p> <p>(6) State of formulating and implementing consumer rights policies</p> <p>a. Formulation and publication of consumer rights policies</p> <p>(a) E.SUN has set forth systems that comply with consumer rights legislation. It provides standardized contractual agreements and designs products and services suitable for consumers.</p> <p>(b) E.SUN holds consumer rights-related education and training for its employees to emphasize the importance of consumer rights and encourage them to provide considerate service.</p> <p>(c) E.SUN discloses accurate and comprehensive consumer information, such as easy to understand pricing included in lending contracts (mortgages and credit loans), as well as schedules that detail handling fees. In addition, the Bank offers special explanatory information on mortgage loans and letters of rights and obligations, thereby enabling consumers to clearly understand products through examples. This offers another opportunity to remind customers of related conditions and the rights and obligations of both parties.</p> <p>b. Consumers complaint procedures: Customer disputes are uniformly resolved in accordance with the "E.SUN Commercial Bank Consumer Dispute Resolution Standard Operating Procedures," and we have established 24-hour complaint hotlines in the form of our "Smart Text Customer Service," "Online Phone Service," "Visitor Message Board," and "Telephone Customer Service," which allow consumers to initiate complaint procedures.</p> <p>(7) In terms of marketing and labeling products and services, the Company makes it a point to spell out related charges and risk reminders in pertinent texts. Product information is fully disclosed in brochures and prospectuses. Meanwhile, product information, calculation of charges, and campaign contents across the institutional banking, personal banking, wealth management, and credit card businesses are also made public through the Company's website, application forms, bills, DM and EDM, consumer manuals, contracts, and propaganda materials. Priority is given to enabling customers to understand methods of use and favorable terms, if any. Marketing events are organized in accordance with customer characteristics in a bid to create customer value.</p> <p>(8) While both new and existing suppliers are subject to evaluation and screening, the Company has spelled out a Statement of Commitment to Human Rights and Environmental Sustainability that covers such aspects as environmental integrity and occupational safety, labor management, fundamental human rights, and ethical guidelines. Both business partners and suppliers are invited to sign the said statement and join a common cause of striving for environmental sustainability.</p> <p>(9) The contract with coworkers includes Ethical Corporate Management Principles, which enacted that once one party violates the rule of corporate social responsibility and further suffers the community and environment, the other party shall be entitled to terminate this agreement.</p>	
4. Strengthening information disclosure Does the Company disclose relevant and reliable corporate social responsibility information.	V		At E.SUN, fulfillment of corporate social responsibility has long been considered both a mission and a commitment as it strives for sustainable development. CSR-related information is disclosed on the Company's website and in such publications as <i>Sunrise Magazine</i> and <i>Smile E.SUN</i> whenever warranted.	No difference
5. If the Company has drafted its corporate social responsibility rules on the basis of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," please status any discrepancy between implementation and the drafted rules: E.SUN has drafted its corporate social responsibility on the basis of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," upholds the spirit of prudence, pragmatism, and trust-worthy operation, relies on its business philosophy, corporate culture, and common vision as its core, fulfills its corporate social responsibility, and strives to promote sound corporate governance, develop environmental sustainability, maintain social welfare, and strengthen its disclosure of corporate social responsibility information. It has no substantive discrepancies connected with fulfillment of corporate social responsibility.				
6. Other important information facilitating understanding of implementation of corporate social responsibility. E.SUN fulfills its corporate social responsibility in the areas of environmental protection & energy conservation, community participation, social contribution and service, and protection of human rights. The following are some of the tangible results of E.SUN's fulfillment of its social responsibility: The Company has issued corporate social responsibilities reports annually throughout the six-year period since 2011. The chief content of these reports includes CSR performance, corporate governance, customer concern, environmental protection & energy conservation, community participation, social contribution and service, and the protection of human rights. Please refer to the corporate social responsibilities area of the Company website: https://www.esunfhc.com/zh-tw/csr/overview/csr .				

(7) Status of Ethical Corporate Management Implementation and Actions

Item	Status of implementation			Any discrepancies and reasons for such with Trustworthy Operations Best-Practice Principles for TSE/GTSM Listed Companies
	yes	No	Summary	
<p>1. Adoption of an ethical management policy and action plan</p> <p>(1) Does the Company specify its ethical management policy and measures in internal regulations and external documents, and does the Board of Directors and management honor their pledge to enforcing the aforesaid policy?</p> <p>(2) Does the Company adopt an unethical conduct prevention program in which operational procedures, behavioral guidelines, and a mechanism for punishment of and appeal for alleged violations are clearly defined, and enforce it without fail?</p> <p>(3) Does the Company adopt preventive measures against practices listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies or other business activities with higher risk of being linked to unethical conduct?</p>	V		<p>(1) Based on a board of director's resolution, the Company has established a set of "Ethical Corporate Management Principles, Operational Procedures and Guidelines (hereafter "Ethical Corporate Management Principles," applicable to the Company as well as its subsidiaries). It spells out E.SUN's ethical corporate management policy, which is specified through such channels as the corporate website, external documents and investor briefings. Meanwhile, it also specifies that the board of directors shall exercise the due care of a good administrator to urge the Company to prevent unethical conduct, always review the results of preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policy.</p> <p>(2) To effectively forestall unethical conduct, the Company makes ethical corporate management an integral part of its evaluation of employee performance and human resources policy. It has also established a clearly defined, effective system for setting rewards/penalties and handling complaints.</p> <p>(3) Standing by ethical principles and committed to honest business, the Company refrains from engaging in business activities within its business scope that may incur a higher risk of committing acts of unethical conduct, and makes it a point to strengthen preventive measures. Meanwhile, the Company refrains from offering political donations as it is set to uphold political neutrality.</p>	No difference
<p>2. Implementation of Ethical Management</p> <p>(1) Does the Company evaluate the records of ethical/unethical conduct of its business counterparties and explicitly spell out code of ethics provisions in contracts signed with the latter?</p> <p>(2) Does the Company establish a unit under the Board of Directors that is exclusively or concurrently responsible for promoting ethical management, and reports its status of implementation to the board on a regular basis?</p> <p>(3) Does the Company adopt a policy for avoiding conflicts of interest, provide appropriate means for reporting on any such conflict, and implement them without fail?</p> <p>(4) To enforce ethical management, does the Company establish effective accounting and internal control systems that are subject to regular inspection of an internal auditing department or audit by externally engaged CPAs?</p> <p>(5) Does the Company offer internal and external training with regard to ethical management on a regular basis?</p>	V		<p>(1) In the Ethical Corporate Management Principles, it is specified that the Company shall refrain from having any dealings with parties that have any records of unethical conduct. When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance.</p> <p>(2) The Company's Corporate Governance and Nomination Committee is charged with the duty of setting and enforcing its ethical management policy and program for prevention of unethical conduct. The committee is also responsible for mapping out, implementing, and interpreting behavioral guidelines; handling queries and consultations; and registering and archiving related reports. Meanwhile, the committee is supposed to report its status of implementation to the Board of Directors on a regular basis.</p> <p>(3) The Ethical Corporate Management Principles shall specify policies for preventing conflicts of interests and provide a viable communication and complaint system. Employees can file reports through a number of channels to management and the human resources department.</p> <p>(4) The Company has established an effective accounting system that prohibits any outside or secret accounts. On top of an effective internal control system, the Company has also established an internal audit unit under the board of directors; it is required to report to the audit committee and the board at least once each quarter.</p> <p>(5) The Company undertakes training with regard to ethical service principles and behavioral guidelines on a regular basis. All employees are required to take the said training courses and pass tests afterwards.</p>	No difference
<p>3. Status of the Company's implementation of its mechanism for handling informants and their information:</p> <p>(1) Does the Company establish a mechanism that incentivizes informants to step forward, put in place channels convenient for taking such action, and assign appropriate personnel to handle such cases?</p> <p>(2) Does the Company set a standard operating procedure (SOP) for handling reports from informants and adopt a mechanism for keeping confidentiality?</p> <p>(3) Does the Company adopt measures to make sure that informants do not undergo improper treatment because of their stepping forward?</p>	V		<p>(1) The Company has formulated the "Corporate Governance Best Practice Principles" and complied with the "Ethical Corporate Management Best Practice Principles" and "Ethical Management Procedure and Conduct Guide" to prevent unethical conducts and encourage internal and external whistleblowers to report unethical behaviors or misconducts. Business integrity has been integrated as part of the Company's employee appraisal and human resource policies, and is supported with clear and effective rewards, discipline, and communication channels that employees may use to report misconduct to the management and the human resource department. This reported misconduct is escalated through proper procedures and are handled by dedicated personnel within the Company. The Company has appointed its Group Administration Team (Legal Affairs) to be the handler of all reported misconduct. The Company has set up Stakeholders page on the company's website to provide an effective communication channel for employees, shareholders, stakeholders, and outsiders. The Company discloses the Audit Committee's (independent directors) personal e-mail address to provide a direct communication channel for internal employees, outsiders, and independent directors of the Audit Committee.</p> <p>(2) When handling allegations against unethical conduct performed by its employees, the Company shall abide by pertinent laws and regulations as well as internal rules and operating procedure while conducting investigations. Throughout the process, the identity of informants and content of their information shall be kept confidential.</p> <p>(3) The Company shall always keep the identity of any informant secret and offer personal protection so that the latter is not subject to mistreatment or targeted for revenge.</p>	No difference
<p>4. Strengthening of information disclosure</p> <p>Does the Company disclose the content and implementation status of its Principles for Ethical Management on its own website and the TSE's Market Observation Post System website?</p>	V		<p>The Company makes public its ethical corporate management principles and behavioral guidelines as well as other related measures both on its own website and on the TSE's Market Observation Post System website.</p>	No difference
<p>5. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe the Company's implementation of the principles and any discrepancy therein and explain why: none.</p>				
<p>6. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management (e.g., amending its own ethical corporate management principles):</p> <p>The rules and code of conduct of the Company will keep up with the times, and the Company's tangible result is regularly reviewed and revised in response to business integrity needs. Based on its spirit of "Pure as Jade, Sturdy as Mountain," the Company is constantly striving to be "a model for the financial industry and a service industry benchmark." E.SUN has actively realized its social concern, and dedicated to social commitment to Taiwan. E.SUN determined to become a respected company with superior overall performance. The following is a summary of the state of the Company's implementation of its business integrity policies in 2017:</p> <p>(1) Education and training</p> <p>The Company has planned a series of courses such as laws and regulations, auditing, risk management, anti-money laundering, E.SUN General Knowledge on Law, and E.SUN Employee Service Code of Conduct and Behavior Standards for each training class, providing a total of 415 hours of training. In the courses, the concept and practice of three lines of defense are reinforced through case studies in order to enable the employees to work together in prevention of unethical behaviors.</p> <p>(2) Legal compliance training:</p> <p>Legal compliance team is in charge of promoting the education for all employees. Taking "Implement the value of integrity for business sustainability" as the topic, we compiled our business integrity rules and major internal information processing regulations in 2017, and used videos and case studies to educate colleagues the requirements during the course of business.</p> <p>(3) Annual examinations:</p> <p>The Company and its subsidiaries conduct annual online examinations for all employees. The scope of examinations includes E.SUN FHC's business integrity rules, and E.SUN FHC's business integrity operating procedures and code of conduct. In 2017, the core issue was on business integrity in commercial activities, the prohibition of conduct violating business integrity and harming the interests of stakeholders, and the duty of maintaining the confidentiality of the Company's intellectual property rights.</p>				

(8) Methods of referencing corporate governance guidelines and related regulations

Please refer to <https://www.esunfhc.com/zh-tw/corporate-governance>

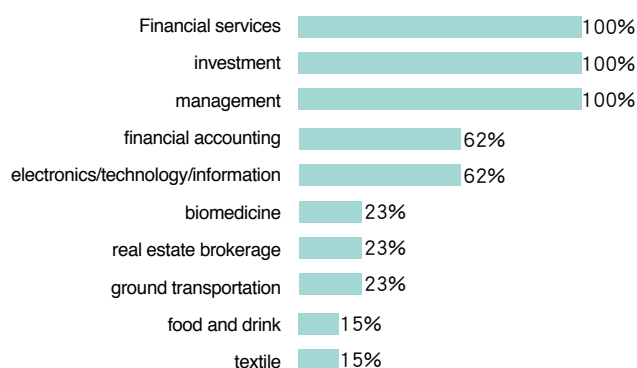
(9) Other important information enhancing understanding of the state of the Company's corporate governance

The Company prudently public information on corporate governance, and strives to ensure the correctness, integrity, and timeliness of reports and major news announced via the Market Observation Post System, the Company's website, news issued externally annual reports, and other information that must be disclosed in accordance with law. The responsible units are clearly required to regularly inspect and update all disclosed matters. If any major events or news occurs, the relevant subsidiaries must quickly report their responses, and the Company's spokesperson will supervise external information disclosure, such as media contact and the issuance of news or major information, by the responsible unit. Content including information concerning the board of directors, audit committee information, business integrity regulations, procedures for acquisition or disposition of assets, the internal audit organization and its operations, disclosure of major information, shareholders meeting status, allocation of dividends, and financial service information is disclosed in detail in the Company's annual report and on the Company's website. The Company discloses information concerning corporate governance in full, and has been listed in the top 5% of the Taiwan Stock Exchange's "corporate governance assessment" rankings since 2015.

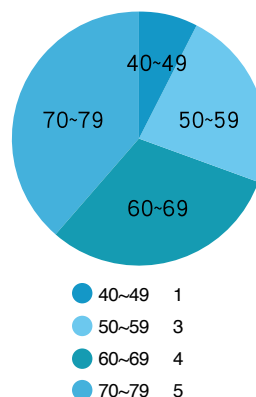
Five independent directors of the Company are experts in accounting auditing, strategy, information, digital banking, and management.

- Independent Director Chen-En Ko serves as the chair of the Audit Committee. With three major international certifications in the field of accounting, Director Ko specializes in financial accounting and corporate governance, with management capabilities in highly professional governance and financial operations.
- Independent Director Ji-Ren Lee specializes in corporate growth strategies and strategic innovation and transformation, and is one of the top experts on strategic management and human resources management in Taiwan.
- Independent Director Chen-Chen Chang Lin is an expert in information and has over the years focused on the development of financial information systems, with rich experience in financial technology and information security management.
- Independent Director Hsin-I Lin provides revealing insights on industry risk, performance management and corporate management.
- Independent Director Chun-Yao Huang specializes in digital marketing, new product development, and e-commerce applications, with a focus on the research domains of marketing quantity model, customer analysis, sales forecasting, and analysis of browsing behavior, and has years of experience as a market consultant for industries such as retail, finance, technology, and the Internet.

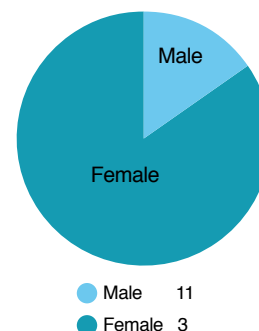
Directors by background



Directors by age



Directors by gender



(10) Training of Directors

Title	Name	Date of Election	Implementing organization	Training Course	Training hours	Does training meet regulations
Institutional director's representative	Yung-Jen Huang	2017.06.16	Taiwan Academy of Banking and Finance	Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3	Yes
			Taiwan Corporate Governance Association	Opportunities, Challenges, and Risks in Digital Technologies	3	
Institutional director's representative	Gary K.L.Tseng	2017.06.16	Taiwan Institute for Sustainable Energy Center for Corporate Sustainability	Local development to create a sustainable future	2	Yes
			Taiwan Academy of Banking and Finance	Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3	
			Taiwan Corporate Governance Association	Opportunities, Challenges, and Risks in Digital Technologies	3	
Institutional director's representative	Joseph N.C Huang	2017.06.16	Taiwan Corporate Governance Association	Corporate governance and securities laws	3	Yes
				Risk management and internal control	3	
			Taiwan Academy of Banking and Finance	How to strengthen board functions and director competency	2	
				Trust Supervisors (Including Current Personnel) Workshop	3	
				Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3	
Institutional director's representative	Jackson Mai	2017.06.16	Institute of Internal Auditors-Chinese Taiwan	Discover opportunities of sustainability from SDGs	3	Yes
				Case study of E.SUN tax planning in practice	3	
Independent director	Chen-En Ko	2017.06.16	Taiwan Corporate Governance Association	Family inheritance planning and implementation	3	Yes
				How to strengthen board functions and director competency	2	
				Case study of board of directors, business, and AB C business succession planning (lecturer)	3	
				Responsibilities of directors and supervisors in merger & acquisition	3	
				Director/supervisor supervision of corporate risk management and crisis management for stronger corporate governance	3	
Independent director	Ji-Ren Lee	2017.06.16	Taiwan Corporate Governance Association	Opportunities, Challenges, and Risks in Digital Technologies	3	Yes
				Age of the analytics of things: Trends in information security and personal information protection and director/supervisor liabilities	3	
Independent director	Chen-Chen Chang Lin	2017.06.16	Taiwan Corporate Governance Association	Recent development of anti-avoidance policies in Taiwan and corresponding responses	3	Yes
			Taiwan Academy of Banking and Finance	Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3	
Independent director	Hsin-I Lin	2017.06.16	Taiwan Corporate Governance Association	Opportunities, Challenges, and Risks in Digital Technologies	3	Yes
				Major reform in auditing reports	3	
Independent director	Chun-Yao Huang	2017.06.16	Taiwan Corporate Governance Association	Director/supervisor supervision of corporate risk management and crisis management	3	Yes
				How to effectively detect and prevent fraudulence for stronger corporate governance	3	
			Taiwan Academy of Banking and Finance	Director self-discipline for creating corporate value	3	
				The 13th International Corporate Governance Summit Forum	3	
Institutional director's representative	Rong Chu Chen	2017.06.16	Securities & Futures Institute	Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3	Yes
				Insider Trading Compliance Seminar for Public Listed Companies and Non-Public-Listed Companies	3	
Institutional director's representative	Chien-Li Wu	2017.06.16	Taiwan Corporate Governance Association	2017 Insider Trading and Corporate Social Responsibility Seminar	3	Yes
				Major reform in auditing reports	3	
Institutional director's representative	Magi Chen	2017.06.16	Taiwan Corporate Governance Association	Director/supervisor supervision of corporate risk management and crisis management	3	Yes
			Taiwan Academy of Banking and Finance	Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3	
Institutional director's representative	Mao-Chin Chen	2017.06.16	Taiwan Academy of Banking and Finance	Opportunities, Challenges, and Risks in Digital Technologies	3	Yes
			Taiwan Institute for Sustainable Energy Center for Corporate Sustainability	Local development to create a sustainable future	2	
			Taiwan Corporate Governance Association	Anti-Money Laundering and Strengthening Internal Control and Risk Management of Financial Institutions	3	
				Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3	
			Taiwan Corporate Governance Association	Board performance evaluation from directors' perspectives	3	
				How do directors fulfill their duties of loyalty	3	

(11) Training of Managers

Title	Name	Date appointed	Implementing organization	Training Course	Training hours
President & CEO	Joseph N.C. Huang	2008.07.16	Taiwan Academy of Banking and Finance	Trust Supervisors and Managers (Including Current Personnel) Workshop (English) (13th)	3
				Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
CFO	Magi Chen	2004.02.13	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
				Workshop on the operating practices of the board of directors and corporate governance: Opportunities, Challenges, and Risks in Digital Technologies	3
				Trust Supervisors and Managers (Including Current Personnel) Workshop (English) (14th)	3
				Trust Supervisors (Including Current Personnel) Workshop (554th)	3
				Trust Supervisors (Including Current Personnel) Workshop (555th)	3
				2017 Financial Derivative Workshop (411st, 443rd)	12
SEVP	Ben Chen	2014.01.24	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
				Workshop on the operating practices of the board of directors and corporate governance: Opportunities, Challenges, and Risks in Digital Technologies	3
				Taiwan Financial Forum Series: Seminar on Anti-Money Laundering and Strengthening Internal Control and Risk Management of Financial Institutions	3
				Trust Supervisors (Including Current Personnel) Workshop (546th)	6
CSO	Mao-Chin Chen	2016.01.29	Taiwan Academy of Banking and Finance	Taiwan Financial Forum Series: Seminar on Anti-Money Laundering and Strengthening Internal Control and Risk Management of Financial Institutions	3
				Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	6
CHO	Jyh-Cheng Wang	2002.01.28	Yushan National Park	2017 National Park Partnership Management Forum	6
			Chunghwa Post	Seminars by Chunghwa Post Training Center: Strategies for Cultivation of Business Talents	2
			Common Wealth Publishing Group	2017 Friedman Forum	3
			Sport Administration, Ministry of Education	The Sports Contribution Award ceremony	2
			Common Wealth Publishing Group	International Talent Cultivation	1
			Willis Towers Watson	Digital technology talent performance management training courses	16
			Environmental Protection Administration	Enterprises Environmental Protection Award ceremony	6
			Association for Talent Development	2017 Association for Talent Development Asia Pacific Conference and Exhibition	3
			Chinese Human Resources Social Responsibility Association	2017 Industry-Academia Cooperation workshop	3
			E.SUN Bank	Health seminar: Healthcare, medicine, and LOHAS ideals	2
CRO	Oliver Shieh	2011.03.18	Taiwan Academy of Banking and Finance	20th Anniversary in Implementation of the Money Laundering Control Act in Taiwan: Seminar on the implementation of the Money Laundering Control Act in Taiwan and problems faced by financial institutions	6
				Anti-money laundering and countering terrorism financing: Pre-service workshop (80th)	12
			E.SUN Bank	2017 Certified Anti-Money Laundering Specialist (CAMS) training course	8
CIO	Wan-Li Hsieh	2012.03.23	Willis Towers Watson	Digital technology talent development training courses	8
			Willis Towers Watson	Digital technology talent performance management training courses	8
			Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
SEVP	L.C Lin	2012.01.07	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	4.5
SEVP	Wu-Ming Hsieh	2014.1.24	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
				Workshop on the operating practices of the board of directors and corporate governance: Opportunities, Challenges, and Risks in Digital Technologies	3
			Taiwan Securities Association	Legal responsibilities and case analysis of corporate directors, supervisors, and chief financial and accounting officers	3
			Taiwan Academy of Banking and Finance	Case analysis of false director information	3
SEVP	Louis Chang	2015.02.06	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
SEVP	Shui-Chin Shen	2012.01.07	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
				Workshop on the operating practices of the board of directors and corporate governance: Opportunities, Challenges, and Risks in Digital Technologies	3
				Trends of cross-border transactions and anti-tax reform	3
			Taiwan Securities Association	Investigation of IFRS and the Business Mergers and Acquisitions Act	3
				2017 Securities Firm Executives Workshop	3
SEVP	Cathy Kuo	2017.01.20	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3

Title	Name	Date appointed	Implementing organization	Training Course	Training hours
SEVP	Bruce Lee	2017.01.20	Willis Towers Watson	Digital technology talent development training courses	3
			Willis Towers Watson	Digital technology talent performance management training courses	8
			Taiwan Academy of Banking and Finance	FinTech service innovation: Seminar on FinTech international strategies and technological applications	8
			Ministry of Economic Affairs	2017 Mix Taiwan Innovation Entrepreneurship Technology Forum	3
			Banking Bureau, Financial Supervisory Commission	Risks and challenges of innovation in banking industries	3.5
			Common Wealth Publishing Group	2017 Friedman Forum	3
			MGR Consulting	Embracing reform: Strategies for fostering digital experts	2
SEVP	Pho-Suan HSU	2018.03.31	Willis Towers Watson	Digital technology talent development training courses	8
			Willis Towers Watson	Digital technology talent performance management training courses	8
			Taiwan Academy of Banking and Finance	The 13th annual conference of Finance and Economic Policy	7
			Trust Association of R.O.C.	Workshop for Practices of board operation and study of corporate governance – AML and anti-terrorism laws and measures	6
			E.SUN Bank	2017 E.SUN Manager Advanced Courses (2nd)	11
SEVP	Tseng Yi Hsin	2018.03.31	E.SUN Bank	2017 E.SUN Manager Advanced Courses (3rd)	12.5
			Trust Association of R.O.C.	On-job training courses for managers of Trust and Custodian	12
General Auditor	Chih-Kuang Huang	2018.03.21	Taiwan Academy of Banking and Finance	Audit Supervisors Workshop (53rd)	13.5
			E.SUN Bank	2017 E.SUN Manager Advanced Courses (2nd)	11
CCO	Fion Ou Yang	2016.01.22	Taiwan Academy of Banking and Finance	Taiwan Financial Forum Series: Seminar on Anti-Money Laundering and Strengthening Internal Control and Risk Management of Financial Institutions	3
				Outlook of FinTech Supervisory and Cybersecurity Protection forums (1st)	3
				2017 Asian Financial Supervisors Summit Forum	3
				Financial Derivative Regulations Workshop	6
				2017 Financial Derivative Workshop	12
				Workshop on the Use of Market Risk Management Tools	6
CMO	Bright Wen	2012.01.07	Taiwan Academy of Banking and Finance	Workshop on the operating practices of the board of directors and corporate governance: Laws, Regulations, and Response Strategies for Anti-Money Laundering and Countering Terrorism Financing	3
			Financial Examination Bureau, Financial Supervisory Commission.	Window dressing and fraudulence in financial statements based on the perspective of problem enterprises	3
CBO	Daniel Tsai	2017.11.02	Taiwan Corporate Governance Association	Opportunities, Challenges, and Risks in Digital Technologies	3
CAO	Jhy-Hung Ke	2017.07.31	Taiwan Insurance Institute	Integration and maintenance of information security system	6
			Taiwan Academy of Banking and Finance	Advanced courses for risk managers, Series 6: Updates to the Basel Capital Accord and relevant regulations in Taiwan	6
			E.SUN Bank	2017 E.SUN Manager Advanced Courses (1st)	56.5

(12) Internal Control

a. statement of Internal Control

E.SUN FHC Statement of Internal Control System

Date: March 1, 2018

On behalf of E.SUN Financial Holding Co., Ltd., we hereby declare that the Company, pursuant to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, did establish an internal control system and conduct risk management from January 1 through December 31, 2017. In the meantime, an impartial and independent entity was called in to conduct audit and report its findings to the Company's Audit Committee and Board of Directors on a regular basis. Based on a meticulous review, we affirm that all departments of the Company had been able to effectively enforce internal control and compliance-related measures during the said period, except for matters listed in the table attached below. This Statement will be an integral part of E.SUN FHC's Annual Report for the year 2016 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the aforementioned items to be disclosed will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

To the Financial Supervisory Commission

Declarers

Chairman

Yung-Jen Huang

President

Joseph Huang

Chief Auditor

Chien-Hua Chang

Chief Compliance Officer

Fion Ou Yang

b.E.SUN FHC's Internal Control System- Items in Need of Improvement & Status of Improvement
(Record Date: December 31, 2017)

Matters Require Rectification	Rectification Measures	Expected Completion Time of Rectification
There is inconsistency in the presentation between the Company's financial reports and the secondary items in the consolidated comprehensive income statement publicized and declared by the Company.	The items in the consolidated comprehensive income statement are presented in net amounts and do not result in substantive inconsistency; nor do they affect the presentation of all financial ratios. The Company has rectified the aforementioned deficiencies and enhanced the operational procedures for control.	Has been Rectified.
Subsidiary E.SUN Commercial Bank When E.SUN Bank engages in the financial derivatives business, it shall properly review customers' minutes of Board of Directors meetings and financial data.	Relevant units have enhanced the operational procedures in regard to mechanisms of data provision, credit loan review, post-loan management and corresponding punishment.	Has been rectified.
Subsidiary E.SUN Commercial Bank When E.SUN Bank engages in operations involving information systems, it shall properly manage matters in regard to the intensity of security protection measures, internet environment and connection management, trail retention mechanism, and system administrator account and password management.	E.SUN Bank has conducted relevant rectification and enhancement measures, including enhancement of security protection intensity of testing environment, and strengthening of internet environment, connection and system administrator account and password management. It has also enhanced the trail retention mechanism.	Has been rectified.
Subsidiary E.SUN Commercial Bank Some employees were found to have kept customers' signed blank documents, which require rectification.	The case in question has been resolved and the subsidiary will exercise more intensive training and care in similar situations in the future.	Has been rectified.
Subsidiary E.SUN Commercial Bank, Hong Kong Branch E.SUN Bank shall establish internal control standards and internal audit units shall audit relevant procedures when local branches assist overseas branches (subsidiary banks) in the confirmation and transmission of customers' data, and signature verification and due diligence of the party involved required for business activities such as deposit, credit, etc.	E.SUN Bank has established "E.Sun Bank Cross-border Due Diligence Guidelines" as an internal control policy, and included cross-border due diligence as part of its internal audit focuses and conducted audits.	Has been rectified.
Subsidiary E.SUN Commercial Bank, Hong Kong Branch E.SUN Bank shall strengthen anti-money laundering and counter terrorism financing (AML and CTF) policy and procedures, which clearly elaborate on all aspects and facilitate the operations and implementation by branches based on AML policy.	1. E.SUN Bank has engaged an external consultant to carry out rectification schemes, and completed all modifications in January 2018. 2. E.SUN Bank has established a system to review customer risk on a regular basis and conduct a comprehensive review on customers of branches. 3. E.SUN Bank has assisted in the establishment of the GAML system, which is scheduled to be modified and released in March 2018.	It is expected to be completed in late March 2018.
Subsidiary E.SUN Commercial Bank, Hong Kong Branch Hong Kong Branch shall properly plan for a system of prudent measures on property mortgage loans and conduct control.	Hong Kong Branch has completed the establishment of supplementary operational standards and data inspection, which have been reviewed by the Head Office and so the case was closed.	Has been rectified.
Subsidiary E.SUN Securities When E.SUN Securities conducts AML and CTF operations, exercises customer due diligence practices or files suspicious transaction reports, it shall ensure compliance with laws, regulations and standards.	E.SUN Securities has amended internal rules and adjusted relevant control mechanisms in accordance with the latest laws, and strengthened its employees' capability to screen and determine suspicious transactions.	Has been rectified.
Subsidiary E.SUN Commercial Bank (China) E.SUN Commercial Bank (China) shall maintain its actual deposit reserve ratio in the deposit reserve account at the end of business day above the requirements set out by the regulator.	As for the deposit reserve, the Planning & Financial Dept. has passed the organizational learning and cultivation and strengthened re-examination and review mechanisms to improve the allocation procedures for the deposit reserve account.	Has been rectified.
Subsidiary Cambodia Union Commercial Bank PLC (UCB) A clerk was found to have violated the cash operational procedures when the acting branch manager took advantage of his/her duties and the opportunity arising from the deposit & remittance supervisor taking leaves.	1. To strengthen employees' awareness of the rule of law and training for ethical rules. 2. To adopt a dual authorization mechanism for transactions above a certain amount.	Has been rectified.

(13) Penalties imposed against the Company and subsidiaries, the weaknesses found and improvements made in the last 2 years

a. Prosecution against the person-in-charge or staff for criminal conduct: N/A.

b. Fines imposed by Financial Supervisory Commission(FSC) for violations:

Subsidiary SUN Bank failed to establish or implement an internal control mechanism for reviewing Board of Directors records of financial derivatives clients and clients' financial statements. The competent authority thus imposed a fine of NT\$ 4 million. Subsidiary E.SUN Bank completed improvements through data requisition, credit review, post loan management and corresponding penalty mechanisms, and operating procedure improvement.

The before mentioned administrative sanction also restricted E.SUN Bank from conducting new deals of implicit put FX option derivatives (including structured products). However, the restriction did not exclude new deals with new professional institutional investors and high net worth institutional investors, and stop loss orders from existing clients. The FSC has approved corrections and remedies that E.SUN Bank have made for the malpractice.

c. Corrections issued by the Financial Supervisory Commission:

(a) There were discrepancies between the 2015 Financial Report approved in the Company's 2016 shareholders meeting and the 2015 Financial Report that was announced and reported. The discrepancies were not announced and reported within 2 days of their occurrence and were corrected by the competent authority. The discrepancies were due to the version of the financial report that was announced and reported using net amount to express items, and do not affect the total of main items on the Company's financial statements. This will not cause readers of the Company's financial statements to be misled or make the wrong judgment. The Company thus made a checklist to include primary items and secondary items of the annual financial report and strictly control operating procedures.

(b) Subsidiary - E.SUN Bank was found to have failed to follow an appropriate sales process, business management and compliance procedure when handling derivative products and failed to implement adequate risk management mechanisms. E.SUN Bank had been given a warning by the competent authority. Subsidiary - E.SUN Bank reviewed the above findings again, amended relevant procedures and guidelines accordingly, and also implemented adequate risk management mechanisms and ensured they are effectively executed.

(c) Subsidiary - E.SUN Bank did not comply with Article 8 of the Trust Association of R.O.C Notes on Real Estate Development Trust and Escrow Trust of Pre-sale Houses when conducting real estate development trust. E.SUN Bank had been given a warning by the competent authority. Subsidiary - E.SUN Bank reviewed the weaknesses again and revised its practice manual accordingly, providing a basis for strengthening management operations, project control, and regulatory compliance. Improvements have been completed for current weaknesses.

(d) Subsidiary - E.SUN Bank failed to properly supervise anti-money laundering operations in its Hong Kong Branch, and did not establish adequate internal control procedures for domestic branches to help overseas branches carry out savings and credit businesses. E.SUN Bank had been given a warning by the competent authority. Subsidiary - E.SUN Bank commissioned an external consultant to implement an improvement plan, establish a system for periodically reexamining customer risk, comprehensively review branch customers, assist with the establishment of a GAML system, and establish the "E.Sun Bank Cross-border Due Diligence Guidelines" as an internal control policy, including cross-border due diligence as part of internal audits that are carried out.

(e) Subsidiary - E.SUN Bank's information system had inadequate security measures. E.SUN Bank had been given a warning by the competent authority. Subsidiary - E.SUN Bank has implemented improvement and reinforcement measures, including strengthening the security measures of the testing environment, strengthening the network environment, connections, and account and password of system administrators, and improving the tracking mechanism. Improvements have been completed for all weaknesses.

(f) Subsidiary - E.SUN Securities had weaknesses in its AML/CFT operations, customer due diligence, and procedures for reporting suspected money laundering. E.SUN Securities had been given a warning by the competent authority. Subsidiary - E.SUN Securities revised its internal regulations and adjusted control mechanisms in accordance with the latest laws, and strengthened the judgment of personnel for suspected money laundering.

d. Penalties imposed by the FSC in accordance with Paragraph 1 of Article 54 of the Financial Holding Company Act: None.

e. Losses, of any, resulting from events of corruption of personnel, serious accidents or incidents

For security incidents caused by employee fraud, material sporadic cases (fraud, theft, embezzlement, false transactions, falsified certificate or negotiable securities, receiving kickbacks, losses from natural disasters, losses from force majeure, data hacked or stolen, or leaking business secrets and client data), or failure to comply with the Notices for Financial Institution Security Maintenance resulting in actual losses exceeding NT\$50 million individually or in total, the nature of the security incident and the amount of losses shall be disclosed: None.

f. Other Disclosures, if any, designated by the Financial Supervisory Commission: None.

(14) Corporate governance implementation

Does the Company evaluate the performance of its Board of Directors on a regular basis (at least once a year) and disclose outcomes of such evaluation on the Company's website or annual report?

The Company has implemented the "E.SUN Financial Holding Board of Directors Performance Evaluation Policy" with the following evaluation procedures:

(a) Evaluation of board performance

- i. Each year, the Company evaluates board performance of the previous year using the board performance scorecard.
- ii. Board performance evaluations are reviewed by the Corporate Governance and Nomination Committee and subsequently resolved by the board of directors.

(b) Evaluation of functional committee performance

- i. Each year, the Company evaluates performance of various functional committees in the previous year using the committee performance scorecard.
- ii. Functional committee performance evaluations are internally reviewed by the respective functional committees and subsequently reported to the board of directors.

(c) Evaluation of director performance

- i. At the beginning of each year, directors are required to evaluate their own performance (self-assessment) and the performance of other directors (overall assessment) in the previous year, using a designated scorecard.
- ii. The agenda working group of the board of directors will consolidate directors' self-assessments and overall assessments to conclude the final performance score for each director. This result is subsequently presented for review by the Chairman.

The overall evaluation of the Company's board of directors covers the five following aspects (49 indicators): Degree of participation in the Company's operations; quality of board decisions; board composition and structure; selection of suitable board directors and continuing professional education; and internal control. Director performance evaluation encompasses the five following aspects (15 indicators): Participation and interaction; role of directors; quality of decisions; professional knowledge; and attendance and personal development. Company business strategy primarily combines three dimensions of Corporate Commitment, Social Engagement, and Environmental Policy.

Review of evaluation for 2017 board of directors, functional committees, and performance of directors:

- i. board of directors and functional committees: the overall functional operation was sound and met requirement for corporate governance. Every committee served its duty and effectively improved capability of the board. The fulfillment rate is 100%, of the 49 of indicators been evaluated.
- ii. The directors: in the performance evaluation, 95.86% are very agree in self-assessment, and 92.31% are very agree in overall assessment. All the results and information has been presented to the board.

The Company's board of directors performance evaluation shall be executed at least once every three years by an external professional independent institution or external expert scholar. In 2017, the Company commissioned the Corporate Governance Association in Taiwan to conduct board performance evaluation, which includes 30 items in 8 aspects: the composition of board of directors, direction, delegation, supervision, communication and discipline, and internal control and risk management. The evaluation was conducted by survey and on-site visit. 78.25% of the items examined are fully-complied, and 18% are partly-complied.

The professional agency examines the operation of the board of directors and functional committees. The evaluation committee's guidance and exchange provided the Company with professional and objective medical examination report.

5. Information on Fees for CPAs

CPA Firm	CPAs		Period of Audit	Note
Deloitte & Touche	Chen Yin-Chou	Huang Jui-Chan	2017	

Range of Fees for CPAs

Unit: NT\$ thousand

Item		Audit Fee	Non-Audit Fees	Total
1	Less than NT\$2,000		V	
2	NT\$2,000~4,000	V		
3	NT\$4,000~6,000			V
4	NT\$6,000~8,000			
5	NT\$8,000~10,000			
6	More than NT\$10,000			

Unit: NT\$1,000

CPA Firm	CPAs (Note 1)	Audit Fee	Non-Audit Fees					Period of Audit (Note 1)	Note
			System Design	Business Registration	Human Resources	Others (Note)	Subtotal		
Deloitte Deloitte & Touche	Huang Jui-chan	3,800	0	100	0	1,278	1,378	2017	
	Huang Jui-chan								

Note1: Due to the internal job adjustment from Deloitte & Touche, CPA has been changed from Huang Jui-chan and Lai Kwan-Chung to Lai Kwan-Chung and Chen Yin-Chou since the third quarter of 2016.

Note2: Other non-audit fees include issuing CSR report assurance, seeking administrative relief for fee- or tax-related cases, reviewing the checklists and basic information tables intended for capital increase applications as well as transfer pricing reports, and going over data in annual reports meant for shareholders' meetings.

6. Information on Changing CPAs: None.

7. Others

Where the Company's chairman, president, and managers responsible for financial or accounting affairs have within the last year held office in the Company's CPA firm or any of its affiliated enterprises: None.

IV. Capital Overview



1. Capital and Dividend

(1) Source of Capital

a. Issued Shares

2017.03.30 Unit: million shares, NT\$ million

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Others
2002.1.28	10	5,000	50,000	2,290	22,900	Share Conversion	-
2002.10.21(note 1)	10	5,000	50,000	2,470	24,700	Retained Earnings	-
2003.9.16	10	5,000	50,000	2,505	25,054	Share Conversion	-
2004.3.15	10	5,000	50,000	2,506	25,064	ECB Conversion	-
2004.5.20	10	5,000	50,000	2,584	25,842	ECB Conversion	-
2004.9.8	10	5,000	50,000	2,596	25,964	ECB Conversion	-
2004.10.11(note 2)	10	5,000	50,000	2,690	26,897	Retained Earnings	-
2004.11.26	10	5,000	50,000	2,768	27,679	ECB Conversion	-
2005.3.4	10	5,000	50,000	2,931	29,306	ECB Conversion	-
2005.9.14(note 3)	10	5,000	50,000	3,027	30,270	Retained Earnings	-
2006.4.3	10	5,000	50,000	3,230	32,304	ECB Conversion	-
2006.8.18(note 4)	10	5,000	50,000	3,303	33,033	Retained Earnings	-
2008.8.29	10	5,000	50,000	3,311	33,113	ECB Conversion	-
2008.9.4(note 5)	10	5,000	50,000	3,451	34,514	Retained Earnings	-
2008.9.23	10	5,000	50,000	3,544	35,444	ECB Conversion	-
2009.9.7(note 6)	10	5,000	50,000	3,653	36,528	Retained Earnings	-
2010.9.9(note 7)	10	5,000	50,000	3,803	38,033	Retained Earnings	-
2011.9.15(note 8)	10	5,000	50,000	4,075	40,750	Retained Earnings	-
2011.11.11(note 9)	10	5,000	50,000	4,575	45,750	Rights offering	-
2012.9.18(note 10)	10	5,000	50,000	4,811	48,107	Retained Earnings	-
2012.11.6(note 11)	10	5,000	50,000	5,011	50,107	Rights offering	-
2013.7.16(note 12)	10	10,000	100,000	5,524	55,243	Retained Earnings	-
2014.2.20(note 13)	10	10,000	100,000	5,763	57,643	ECB Conversion	-
2014.5.19(note 14)	10	10,000	100,000	6,463	64,634	Rights Offering	-
2014.9.12(note 15)	10	10,000	100,000	7,053	70,530	Retained Earnings	-
2015.05.21(note 16)	10	10,000	100,000	7,301	73,016	ECB Conversion	-
2015.08.24(note 17)	10	10,000	100,000	7,952	79,517	Retained Earnings	-
2016.08.16(note 18)	10	10,000	100,000	8,765	87,654	Retained Earnings	-
2017.05.19(note 19)	15	10,000	100,000	9,465	94,654	Rights offering	-
2017.08.28(note 20)	10	15,000	150,000	10,167	101,666	Retained Earnings	-
2017.08.28(note 20)	10	15,000	150,000	10,186	101,855	Employee Compensation	-

Note 1: The Securities and Futures Committee to Ministry of Finance on Aug 13, 2002 granted approval for issuance in its letter Zidi 0910144848. In addition, the Ministry of Economic Affairs on October 21, 2002 approved amended registration in its letter Zidi 09101428420.

Note 2: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 23, 2004 granted approval for issuance in its letter Zidi 0930133045. In addition, the Ministry of Economic Affairs on October 11, 2004 approved amended registration in its letter Zidi 09301193370.

Note 3: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 20, 2005 granted approval for issuance in its letter Zidi 094012807. In addition, the Ministry of Economic Affairs on Sep. 14, 2005 approved amended registration in its letter Zidi 09401177000.

Note 4: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 4, 2006 granted approval for issuance in its letter Zidi 0950126554. In addition, the Ministry of Economic Affairs on Aug 18, 2006 approved amended registration in its letter Zidi 09501182600.

Note 5: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 9, 2008 granted approval for issuance in its letter Zidi 0970032910. In addition, the Ministry of Economic Affairs on Sep 4, 2008 approved amended registration in its letter Zidi 09701226150.

Note 6: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 14, 2009 granted approval for issuance in its letter Zidi 0980033762. In addition, the Ministry of Economic Affairs on Sep. 7, 2009 approved amended registration in its letter Zidi 09801205090.

Note 7: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 20, 2010 granted approval for issuance in its letter Zidi 0990036370. In addition, the Ministry of Economic Affairs on Sep. 9, 2010 approved amended registration in its letter Zidi 09901201760.

Note 8: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 25, 2011 granted approval for issuance in its letter Zidi 1000033362. In addition, the Ministry of Economic Affairs on July. 25, 2011 approved amended registration in its letter Zidi 10001216150.

Note 9: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 15, 2011 granted approval for issuance in its letter Zidi 1000031758. In addition, The board has approved to issue 500,000,000 shares with NT\$15 per share(NT\$10 face value) on July. 29, 2011.

Note10: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Sep. 18, 2012 granted approval for issuance in its letter Zidi 1010030640. In addition, the Ministry of Economic Affairs on Sep. 18, 2012 approved amended registration in its letter Zidi 10101191510.

Note11: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Nov. 6, 2012 granted approval for issuance in its letter Zidi 1010045676. In addition, the Ministry of Economic Affairs on Nov. 6, 2012 approved amended registration in its letter Zidi 10101223560.

Note12: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 16, 2013 granted approval for issuance in its letter Zidi 1020026708. In addition, the Ministry of Economic Affairs on Sep. 4, 2013 approved amended registration in its letter Zidi 10201180450.

Note13: The Department of Commerce, Ministry of Economic Affairs on Feb. 20, 2014 granted approval for ECB conversion in its letter Zidi 10301030090 with total amount of NT\$ 2,390,794,320.

Note14: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Mar. 21, 2014 granted approval for issuance in its letter Zidi 1030007372. In addition, the Ministry of Economic Affairs on May 19, 2014 approved amended registration in its letter Zidi 10301089620.

Note15: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Jul. 22, 2014 granted approval for issuance in its letter Zidi 1030026909. In addition, the Ministry of Economic Affairs on Sep 12, 2014 approved amended registration in its letter Zidi 10301188300.

Note16: The Ministry of Economic Affairs on May. 21, 2015 approved amended registration in its letter Zidi 10401085930.

Note17: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Jul. 8, 2015 granted approval for issuance in its letter Zidi 1040024819. In addition, the Ministry of Economic Affairs on Aug 24, 2015 approved amended registration in its letter Zidi 10401171480.

Note18: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 6, 2016 granted approved the application, and the Ministry of Economic Affairs on Aug 16, 2016 approved amended registration in its letter Zidi 10501199620.

Note19: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on March 24, 2017 granted approved the application, and the Ministry of Economic Affairs on May 19, 2017 approved amended registration in its letter Zidi 10601063920.

Note20: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 6, 2016 granted approved the application, and the Ministry of Economic Affairs on Aug 28, 2017 approved amended registration in its letter Zidi 10601122040.

b. Types of Shares

2018.03.20 Unit: Thousand Shares

Share Type	Authorized Capital			Note
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	10,185,500,000	4,814,500,000	15,000,000,000	-

Note: The issued shares are listed shares

c. State of application for corporate bond: None

(2) State of Shareholders

2017.12.31 Unit thousand shares%

Share Type	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	15	493	193,912	810	195,233
Shareholdings	39,382	540,755	1,795,503	3,229,103	4,580,757	10,185,500
Ownership	0.39	5.31	17.63	31.70	44.97	100

(3) Shareholding Distribution Status Common Shares (The par value for each share is NT\$10)

2017.12.31 Unit Thousand Shares, %

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~999	54,559	11,362	0.11
1,000~5,000	74,794	170,419	1.67
5,001~10,000	21,954	156,992	1.54
10,001~15,000	11,896	143,200	1.41
15,001~20,000	6,144	107,318	1.06
20,001~30,000	7,276	176,360	1.73
30,001~50,000	7,427	287,155	2.82
50,001~100,000	5,341	370,947	3.64
100,001~200,000	2,959	403,599	3.96
200,001~400,000	1,421	392,895	3.86
400,001~600,000	470	229,246	2.25
600,001~800,000	225	153,990	1.51
800,001~1,000,000	120	108,764	1.07
1,000,001~	647	7,473,253	73.37
Total	195,233	10,185,500	100

Note: E.SUN FHC did not issued any preferred shares

(4) List of Major Shareholders

2017.12.31 Unit: thousand shares, %

name	Shareholding	Percentage (%)
First State Investments	464,825	4.56
Ron-Yuan Investment Co., Ltd.	333,600	3.28
Chunghwa Post Co., Ltd.	326,280	3.20
E.SUN Commercial Bank Trust Fiduciary trust account	302,305	2.97
Morgan Stanley & Co. International Plc	279,609	2.75
Vanguard Emerging Markets	170,439	1.67
Government of Singapore	158,315	1.55
Fidelity	144,081	1.41
Bank J. Safra Sarasin Ltd--Singapore Branch - For Clients' account	139,495	1.37
Vanguard Star Funds	131,279	1.29

Note: the list above shows the top 10 shareholders.

(5) Market Prices, book value, Earnings, and Dividends Per Share

Item	Year	2017	2016	Year to date (as of March 30, 2017) (Note 1)
Market Prices Per Share (Note 1)	Highest	19.75	19.90	19.65
	Lowest	17.70	15.85	18.40
	Average	18.54	17.99	19.34
book value Per Share (Note 2)	Weighted average number of shares (Note 9)	14.61	14.66	14.98
	Original EPS (Note 3)		14.13	-
EPS	Weighted average number of shares (Note 9)	9,920,844	9,410,587	10,185,500
	Original EPS (Note 3)	1.49	1.50	0.31
	Adjusted EPS (Note 8)		1.40	-
Dividend Per Share	Cash dividend (Note 8)	0.6126	0.491	-
	Distribution of bonus shares	Stock dividends from retained earnings (Note 9)	0.6126	0.741
		Stock dividends from capital reserve	-	-
	Accumulated unpaid dividends (Note 4)	-	-	-
Return on Investment	P/E ratio (Note 5)	12.44	12.85	-
	Ratio of dividend / price to dividend ratio (Note 6)	30.26	33.94	-
	Cash dividend yield (Note 7)	3.30	2.95	-

Note 1: The highest and lowest market prices in each given year; average market prices calculated by taking into account each year's market turnover value and amount.

Note 2: Based on the number of shares already issued as of the end of each given year and on earnings distribution approved by the shareholders' meeting of the following year. Note 3: Where there is need for retroactive adjustment due to distribution of bonus shares, earnings per share shall be reported for both before and after the said distribution.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 5: Price to earnings ratio = earnings per share divided by average closing price per share for a given year.

Note 6: Ratio of dividend/ Price to dividend ratio = average closing price per share divided by cash dividends per share for a given year. Note 7: Cash dividend yield = cash dividend per share divided by average closing price per share for a given year.

Note 8: Earnings distribution for 2016 yet to be approved by the 2017 shareholders' meeting

Note 9: Weighted average number of shares in 2015 was due to the retroactive adjustment distribution of bonus shares.

(6) Dividend Policy and Implementation Status

a. Dividend Policy

According to the Article 36-1 of the statute, the Company has a policy of mainly issuing dividends in the form of stock in order to improve its financial structure and raise its capital adequacy ratio. If the Company's capital adequacy ratio in a specific year exceeds the level mandated by supervisory authorities, the Company can pay dividends in cash. When such cash dividends are declared, they are to be no less than 10% of the total dividend paid for that year. In the event that the cash dividend is less than NT\$0.1, the dividend will be issued in stock.

To ensure shareholders' equity, shareholders shall have the right to receive the company's earnings. The Company's stock dividend shall be distributed at least 50% percent of undistributed earnings, and the past three-year stock dividend shall account for 60% of the surplus available for distribution.

b. Proposed Distribution of Dividend

It was proposed at the 2018 shareholders' meeting that shareholders would be entitled to a stock dividend of NT\$0.6126 per share, totaling NT\$6,239,800,000, as well as a cash dividend of NT\$0.6126 per share, or a total of NT\$6,239,474,600. Combined, the Company was to pay out NT\$12,479,274,600, or NT\$ 1.2252 per common share in dividends, accounts for 99.94% of the surplus available for distribution.

(7) The impact of the stock dividend distribution for the latest year on the Company's business performance and earnings per share:

In line with the Regulations Governing the Publication of Financial Forecasts of Public Companies and Criteria for the Compulsory Publication of Complete Financial Forecasts by TWSE-Listed Companies, the Company did not publish such forecasts for 2018. This item of disclosure is not applicable as the Company cannot disclose predictive information on its finances.

(8) Profit-Sharing for Employees and Compensation for Directors

a. Percentage or scope of employee compensation and directors' compensations specified in the Articles of Incorporation:

This Company shall, according to the actual profit earnings for the current year (pre-tax income prior to allocation of employee and directors' compensation), reserve in advance a portion of said earnings for the compensation of accumulated losses and deficiencies. In the event of surplus earnings, 2.70% shall be allocated as employee compensation, while directors' compensation shall not exceed 0.9%. Allocation of employee compensation shall include the employees of subsidiary companies who fulfill certain specific requirements. Employee and directors' compensation distribution proposals shall be presented at shareholders' meetings.

b. In the event current bases of estimation for employee and directors' compensation, share number calculation bases for allotment of stock compensation and actual allotted amounts are at variance with estimated amounts:

- Employee and directors' compensation shall be calculated according to the percentage of their pre-tax income as specified in the Articles of Incorporation prior to the allocation of employee and directors' compensation.
- Employee stock compensation share number calculations for this Company shall be determined by the closing price of Company shares one day prior to the board of directors resolution meeting in compliance with the January 30, 2016 Decree (Jin-Guan-Zheng-Shen-Zi-Di 1050001900) issued by the Financial Supervisory Commission.
- In the event actual allotted amounts are at variance with estimated amounts due to changes in estimation, resulting differences shall be listed as losses for the 2018 fiscal year.

c. Board of directors approved proposals for the allocation of employee compensation and other relevant information:

- Allocation of employee cash compensation, stock compensation, and amount of directors' compensation. Employee cash compensation is NTD 1,653,628, employee stock compensation is NTD 375,777,000, and directors' cash compensation is NTD 106,000,000. Directors' compensation is NTD 3,356 less than the estimated amount, which difference has been incurred by changes in accounting estimations and shall be listed as losses for the 2018 fiscal year.
- The proposed allocated amount of employee stock compensation accounts for 2.55% of total net income as specified in the individual financial statement for the current year and 99.56% of total employee compensations.

d. Actual allocations of employee compensation and directors' compensation for the preceding fiscal year:

This Company's surplus earnings allocation for the preceding year amount to NTD1,202,960 in employee cash compensation, NTD 351,888,200 in employee stock compensation, and NTD 99,000,000 in directors' compensation, or NTD 55,662 less than the estimated amount. This difference was incurred by changes in accounting estimations and has been listed as losses for the 2017 fiscal year.

2. Global Depositary Receipt

Date of Issue		Sept. 27, 2004 (1st issue)	Oct. 17, 2012 (2nd issue)
Date of Issue		Sept. 27, 2004	Oct. 17, 2012
Place of Issue & Listing		Outside the ROC (Taiwan); (Listed on the Luxembourg Stock Exchange)	
Amount		US\$98,600,000	US\$105,840,000
Issue Price		US\$14.50	US\$13.23
Number of GDSs Issued		6,800,000	8,000,000
Subject Shares		Common shares in E.SUN FHC held by E.SUN Bank	E.SUN FHC's newly issued common shares
Number of Shares Represented		170,000,000	200,000,000
Rights & Obligations of GDS Holders		<p>The rights and obligations of GDS holders shall be governed by ROC laws and decrees and the Deposit Agreements. Main points of the Deposit Agreements are as follows:</p> <p>(1) Exercise of Voting Rights: Pursuant to provisions of the Deposit Agreements and ROC laws and regulations, GDS holders shall be entitled to exercise voting rights for the common shares represented by their GDSs.</p> <p>(2) Dividend Distribution, New Shares Subscription & Other Rights: When E.SUN FHC distributes stock dividends or undertakes other forms of stock distribution, the depositary may grant additional GDSs to GDS holders in proportion to the common shares represented by their GDSs on hand pursuant to provisions of the Deposit Agreements. If it is permitted by law, the depositary may also increase the amount of common shares represented by each GDS. The depositary may also sell the stock dividends in question on behalf of GDS holders and distribute the proceeds among GDS holders proportionally after subtracting related expenses and tax payments.</p> <p>When E.SUN FHC undertakes a rights offer or similar exercise, the depositary should make available this right to GDS holders pursuant to provisions of the Deposit Agreements. The depositary may also sell the right in question on behalf of GDS holders and distribute the proceeds among GDS holders proportionally after subtracting related expenses and tax payments. But if neither option is feasible, the depositary may opt to waive its preemptive right pursuant to provisions of the Deposit Agreements.</p>	
Fiduciary		None	
Depositary		Citibank	
Custodian		Citibank Taiwan	
Unredeemed Balance (Number of GDSs)		637 (As of Dec. 31, 2017)	
Expenses for Duration of GDSs		<p>(1) Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, E.SUN Bank, lead underwriters and the depositary, all the cost and expenses of the GDS issue (including but not confined to fees for lawyers, CPAs, the listing agent and financial advisors as well as other expenses) shall be shouldered by E.SUN Bank.</p> <p>(2) Expenses Incurred After GDS Issue: Unless it is separately negotiated between E.SUN FHC and the depositary, all the expenses incurred over the duration of the GDSs (including annual fees for listing and fees for information disclosure and related items) shall in principle be shouldered by the issuer.</p>	<p>(1) Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, lead underwriters and the depositary, all the cost and expenses of the GDS issue (including but not confined to fees for lawyers, CPAs, the listing agent and financial advisors as well as other expenses) shall be shouldered by E.SUN FHC.</p> <p>(2) Expenses Incurred After GDS Issue: Unless it is separately negotiated between E.SUN FHC and the depositary, all the expenses incurred over the duration of the GDSs (including annual fees for listing and fees for information disclosure and related items) shall in principle be shouldered by the issuer.</p>
Key Provision in Deposit/Custodian Agreements		None	
Market Price Per GDS	Mar. 20 2018	High- est	US\$ 16,800
		Low- est	US\$ 15,800
		Avg	US\$ 16,456
	2017	High- est	US\$ 16,245
		Low- est	US\$ 13,221
		Avg.	US\$ 14,633

3. Merger and Acquisition

- (1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: Not applicable.
- (2) State of mergers & acquisitions or sale of banking institutions over the past five years.
- Subsidiary E.SUN Bank signed a purchase agreement on March 16 to acquire Chiayi Fourth Credit Cooperative, with the record date for the transaction set at November 3, 2012. E.SUN acquired the latter's assets, liabilities and operations.
 - On Mar. 22, 2013, subsidiary E.SUN Bank has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, The record date for the transaction was Aug. 28. 2013.
 - Subsidiary E.SUN Bank merged with E.SUN Insurance Brokers Co., Ltd. on March 25, 2016, consolidating all of the assets and liabilities of E.SUN Insurance Brokers by exchanging 1 ordinary share of E.SUN Insurance Brokers with 3.91 ordinary shares of E.SUN Bank.
 - Subsidiary E.SUN Bank was approved by the Board of Directors on June 29, 2016 to acquire 25% stake in Union Commercial Bank PLC. (UCB). This investment was completed on August 25, 2017, increasing E.SUN Bank's share from 75% to 100%.
- Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter: Not applicable.
- (3) In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other banking institutions in which the Board of Directors has approved such M&A or sale that involves the issuance of new shares: Not applicable.

Unit: NT\$1,000, EPS in NT\$

Name of financial institution		Union Commercial Bank PLC
Address of financial institution		UCB Building, No. 61, 130 Road, Sangkat Phsar Chas, Khan Daun Penh, Phnom Penh, Cambodia
Legal Representative		Mao-Ching Chen
Paid-in capital		1,123,613
Primary scope of business		Commerce Banking
Key Products		Corporate Banking, Consumer Banking, Foreign Exchange, Credit Card
Financial information for the most recent year	Total assets	16,813,075
	Total liabilities	13,524,408
	Total shareholders' equity	3,288,667
	Net interest income	531,427
	Net operating income	718,838
	Profit and loss before tax	(804,721)
	Current profit and loss	(643,016)
Earnings per share		(17,147.09)

4. Capital Utilization Plans

- (1) Plan: Programs completed in the most recent three years with beneficial results yet to assert themselves: None
- (2) Execution: None

V. Business Operation



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1. Business Scope



(1) Scope of Operations

a. E.SUN FHC

(a) Primary Operations

E.SUN FHC's expertise rests in investment and management. Its subsidiaries engage in a wide range of financial businesses including banking, credit cards, trust, insurance, securities, futures, venture capital, other businesses approved by regulators. Primary subsidiaries Three main subsidiaries include E.SUN Bank, E.SUN Securities and E.SUN Venture Capital, in which E.SUN Bank holds the sub- subsidiaries of E.SUN Bank (China), Union Commercial Bank PLC in Cambodia and BankPro e-Services Technology Co. Ltd.

(b) Composition of Operations

Unit NT\$ thousand

Item \ Year	2017		2016	
	Amount	%	Amount	%
Interest Income	33,008,486	54.36	29,823,991	55.11
Fee Income	17,636,179	29.04	17,360,305	32.08
Others	10,081,601	16.60	6,931,591	12.81
Total	60,726,266	100.00	54,115,887	100.00

Note1: E.SUN FHC consolidated financial figures

Note2: Others are net revenue exclude interest income and fee income

b. E.SUN Bank

(a) Primary Operations

i. Commercial Bank Operations

E.SUN Bank provides the following services: Accepts all types of deposits, engages in lending, discounting of bills/checks, syndicated loan, domestic remittances, commercial acceptances, issuance of domestic letters of credit, domestic guarantees, custodian services and warehousing, rental of safe deposit boxes and credit card operations.

ii. Foreign Exchange Operations

These operations include import and export negotiation, general inward and outward remittance, foreign currency deposits, foreign currency loans, foreign currency guarantees, and exchange of foreign cash and travelers checks.

iii. Investment and Treasury Operations:

Operations include investment in securities, short-term bills broking, dealing, trading of financial derivatives, wealth management, and trust operations approved under the law.

iv. Agency Operations and Other

Serves as an agent in issuance of debentures, collection and payment of various bills, underwriting securities, agent for the sale of gold ingots as well as gold and silver coins, agent for services of the National Treasury, providing fiscal advisory services, and dealing of corporate bonds and debentures.

(b) Composition of Operations

Unit NT\$ thousand

Item \ Year	2017		2016	
	Amount	%	Amount	%
Interest Income	32,656,734	55.12	29,530,082	55.60
Fee Income	16,654,704	28.11	16,667,049	31.38
Others	9,940,466	16.77	6,918,754	13.02
Total	59,251,904	100	53,115,885	100.00

Note: Others are net revenue exclude interest income and fee income

c. E.SUN Securities

(a) Primary Operations

i Brokerage:

Provide consigned trading of local and foreign securities and domestic futures and options, as well as settlement and credit transaction services. Extend into domestic and foreign markets to provide stocks, bonds, and other products and render convenient services offering diverse range of products in different countries. Provide simple, convenient, and efficient electronic/mobile ordering service by using diversified electronic trading platforms and ordering application software.

ii Proprietary Trading:

Gradually increase long-term investment profiles that generate interest income, and continue to develop trading model and allocation by using short-swing diverse trading strategies to secure absolute returns with long-term stability.

iii Financial product business: Issue call (put) warrant and manage other new financial product businesses approved by the competent authority and provide investors with diverse range of investment tools to increase source of income for companies.

iv Proprietary Innovative Financial Products: Issuance of call (put) warrants and other innovative financial

v Underwriting business: Assist listed and OTC companies to use different types of capital market tools to solicit the funds they need for long-term

development, with the goal of achieving stronger financial structure and expanded business operation; assist foreign and domestic enterprises to become listed on the TPEX and TWSE; and provide enterprises with a wide range of consulting services (e.g., financial planning and arrangements) to attain the goal of strategic development.

vi International business office: Integrate the business of Offshore Securities Unit (OSU) with consigned trading of foreign securities. Target customers include domestic and foreign investors, professional investors, and institutional persons. Provide equity products valued at foreign currency, fixed income products, and fund-based products, and simultaneously make plans on an OSU business platform to provide loans for any purpose and assistance for relevant units to develop offshore undertaking and proprietary securities trading businesses.

(b) Composition of Operations

Unit NT\$ thousand

Item \ Year	2017		2016	
	Amount	%	Amount	%
Fee Income	986,893	66.24	699,187	67.75
Interest Income	347,588	23.33	288,080	27.95
Gains from Securities Trading	158,205	10.62	44,123	4.36
Other Operating Income	(2,725)	(0.19)	(583)	(0.06)
Total	1,489,961	100.00	1,030,807	100.00

d. E.SUN Venture Capital

(a) Primary Operations

i Invest in domestic and foreign non-TWSE/TPEX-listed companies with development potentials.

ii Provide management and industry consulting services, and provide assistance and guidance in fund solicitation, merger and acquisition, and strategic cooperation.

iii Guide second-generation companies with core competitiveness to engage in transformation and restructuring

(b) Composition of Operations

Unit NT\$ thousand

Item \ Year	2017		2016	
	Amount	%	Amount	%
Investment Income	177,160	98.36	220,736	99.00
Interest and other operating income	2,955	1.64	2,511	1.00
Total	180,115	100	223,247	100.00

2. Business Plan



(1) Annual Business Plan

Named after the highest mountain in Taiwan, E.SUN endeavors to become a top-performing and most respected bank. E.SUN has developed a business philosophy of honesty and integrity, as well as a fresh, professional image over the years, paving the way to sustainable development. Following the rise of Asian and regional economies and the trend of digital finance, E.SUN is actively developing innovative financial services in order to establish strong roots in Taiwan while expanding business activities across Asia, with the aim to become a distinctive Asian bank.

a. Corporate Banking:

Adhering to the vision of building a professional team and offering strong support for business success, E.SUN continues to expand its customer in cross border and trade finance follow government policies in cultivating small and medium enterprises as well as cultural and creative industries, introduce SME Credit Guarantee Fund, Green energy and start up business collaborate with international insurers, and strengthen risk management mechanisms for overseas operational sites, thus maintaining asset quality. Information and expertise are E.SUN's foundations, and the brand and teamwork are E.SUN's core values. E.SUN will continue to develop the Asian markets based on these values, and enhance cross-border trading and overseas financial service platforms to develop innovative

products that meet diverse customer needs, thereby aiming to be the primary brand for SMEs and cross border platform.

b. Consumer Banking

The development of Bank 3.0 and FinTech have significantly influenced consumer behavior. Branch transformation increased the proportion of digital services and used scientific analysis to figure out customers' needs, providing the best experience to customers. With the upgrade of self-service functions, E.SUN provides all-round financial services through Omni-channel.

Foreign currency deposit is the main source of deposit growth for E.SUN, while NTD deposit level will be adjusted dynamically to respond to liquidity management and loan demand. With the rebound of real estate market, E.SUN will focus on exploring premium mortgage borrowers. E.SUN not only leverages digital channels to expand mortgage loan but also controls the risk. Credit loan business emphasizes on improving risk control and solidifying a leading position in the market through the growth in second lien loan secured by properties. Small business loan aims at robust growth and cooperates with different industries by localization. E.SUN builds up the first-choice consumer banking brand that offers professional and various financial services.



c. Wealth Management:

E.SUN stays true to its core value of being "Pure as Jade, Sturdy as Mountain", continues to provide innovative financial plans and services, and takes into account both risk management and operational processes to protect customer assets.

E.SUN construct a complete training and career development program that fosters the expertise and marketing capability of its financial teams as well as their ability to engage in customer development in order to build customer trust and confidence.

To become the pioneer in financial innovation, E.SUN actively develops its digital banking platform and provides diverse range of financial planning services through virtual and physical integration to enhance customer experience. Contingency mechanisms are also implemented to respond to major events and help customers to adjust their investment portfolios. E.SUN strives to be perceived by its customers as the most reliable leading wealth management brand.

d. Digital Banking Services:

E.SUN digital banking services are aimed at developing the three dimensions of finance:

- a. Scenario-based finance: Incorporating banking services into customers' daily lives. Starting from customers' perspective, we

combined design concepts into digital marketing to solve customers' problems, create new experiences, and establish scenario-based finance.

- b. Smart digital platform: Combining AI with social networks to afford interactive, customized services

E.SUN creates positive interactions with its consumers and precisely determines the needs of every customer to offer them personalized financial services.

- c. Financial inclusion: Reducing online service thresholds to enhance service efficiency and accessibility

Digital transformation rises above and beyond traditional banking concepts. Through providing digital experiences and designs, we were able to shorten customers' waiting time and fund acquisition time, and provide customers access to the best service wherever they are and whenever they need it the most.

e. Credit Card and Payment Services:

E.SUN fulfills the needs of different customer groups with a particular focus on customer experience. Through customer loyalty management, E.SUN increases customers' use of E.SUN credit cards and Wallet Share.

E.SUN World Card is ranked No. 1 position in Taiwan's top-tier credit card market in terms of the number of cards issued and amount of transactions made with the card. More than 4.1 million E.SUN ETC EasyCard Joint Credit Cards and 370,000 iCash joint credit cards have been issued, making E.SUN the largest sole provider of four major stored-value cards. E.SUN persists in developing new products and expanding the payment market to create maximal value for customers, merchants, and the bank. Thus, E.SUN credit cards can become the first choice and most favored credit card brand.

f. Securities Services

Brokerage business is focused on diverse products and digital applications. E.SUN actively promotes expansion into domestic and foreign stock markets and futures market, integrates financial holdings resources, and increases the number of products purchased by customers to expand customer reach and activate customers' assets. Regarding digital applications, E.SUN provides digital services and engages in cooperation with other industries to expand its securities ecosystem, combine new customer service system, and integrate online and offline channels to increase the number of e-ordering customers. Regarding proprietary trading, E.SUN gradually increases long-term investment profiles that generate interest income, and continues to develop trading model and allocation by using short-swing

diverse trading strategies to secure absolute returns with long-term stability. Underwriting business is centered on providing valuable services for corporate customers and building E.SUN's underwriting brand. The international business will be built on an OSU and consigned trading of foreign securities platform to establish a complete line of products that include offshore ETFs, overseas bonds, structured products, ETF, preference shares, and consigned trading of funds and to provide more comprehensive services for domestic and foreign customers.

g. Venture Capital Services

With integrated financial holding resources and professional investment teams, E.SUN establishes high-quality and promising enterprises that have not yet been listed and are not trading over the counter, provides management and industry consulting services, helps and guides investee companies to build a mechanism for sustainable management and a bridge for industrial cooperation, and utilizes financial holding resources to assist these companies to venture into the capital market and bolster their overall competitiveness. E. SUN simultaneously supports government policies, complies with international laws and regulations, steadily expands investment markets, and keep abreast of risk trends in a timely manner to maximize value for shareholders and deliver enhanced business performance.

3. Industry overview



(1) Financial holding companies and banks

The global economic growth in 2017 was better than expected, with further room for improvement in 2018. The IMF predicted an annual growth of 3.9%, higher than the historical average. The political uncertainties in 2018 should have lower impact on the economy compared with the past few years. However, attention must be paid to the potential risks that may result from changes in the central bank governor of major economies, the steering of monetary policies toward normalization, and inflation.

The enforcement of U.S. tax reform has led to fund inflow, thus boosting investment and consumption. The IMF predicts 2.7% growth for 2018. The electronics, petrochemicals, automobile parts industries in the United States will benefit from the tax reform and facilitate bolstering the long-term competitive edge for manufacturing industries in the United States. Despite an optimistic economic outlook, we must take heed of the uncertainties caused by the Trump administration, the Fed's interest hike, and worsening of financial deficits, which are future significant variables.

China's economic growth in 2017 was 6.95%, the first accelerated increase since 2010 as reflected by salary hike and increase in middle class, which is

conducive to the consumer industry. In addition, the Chinese government indicated that “clear waters and green mountains are as valuable as mountains of gold and silver,” which is beneficial for industries involved in environmental protection and resource recycling. However, massive debts and structural challenges remain a problem to overcome, and there are still pressure of merger and acquisition and replacement amidst the advocacy to cut production capacity and adjust the structures of the steel, cement, and plate glass industries.

Forecasting agencies in Taiwan believe that Taiwan's economy will continue to recover. The Directorate General of Budget, Accounting and Statistics predicts a 2.29% economic growth in 2018. Wage increase for general workers and civil servants is expected to boost spending. Global trade recovery will have a bearing on Taiwan's export. However, the increase in NTD currency exchange rate fluctuations will add to the uncertainties in export industries. The government's promotion of the prospective plan and the 5+2 Industrial Innovation Plan will benefit green energy and low-carbon transportation industries.

(2) Securities and Capital Markets

The year 2017 is a fruitful year for the global stock market, which has maintained a dramatic growth throughout the year, breaking the past record of entering correction territory of more than 1000 points every year. Last year, the market reached another record high following an oscillated correction within approximately only 500 points and even created a period of bull market of more than 10,000 points. Furthermore, after rising in the beginning of the year to almost 10,000 points at the end of March, the NTD currency has incurred currency loss to electronic and life insurance companies, dragging the index from 9,976 points down to 9,622 points. In the second half of the year, the American shares continued to turn in record-high performances under the Trump Administration's tax reduction policy. The reduction of production by OPEC promoted a rise in oil price, driving Taiwan stocks upward to a peak of 10,882 points. Thereafter the trend in the second half of the year exhibited detrended price oscillator of within 500 points primarily because in October the United States launched a wait-and-see approach to the votes for downscaling and tax reduction policy, causing correction from high points back to 10,322 points. In December, market indexes were affected by the enforcement of the tax reduction policy, closing at 10,642 points in 2017, which reflects a 15% increase throughout the year.

Regarding transactions in the stock exchange market, the daily average in 2017 was NT\$105.9 billion, a considerable increase of 37% from 2016, which is primarily due to beneficial incentives, including active fund flow in the stock market and day trading tax reduction in Taiwan. The daily average ETF transactions in 2017 were reduced to 5%; however, this decline is primarily attributed to an increase in large-cap fund inflow and considerable increase in transactions of Taiwan stock. Essentially, the transactions of all types of ETF products rose significantly, increasing the profitability of brokers as well.

Looking ahead of 2018, economic growth in Taiwan will maintain at 2.2% or more in each quarter. The constant growth of corporate profitability will likely push the index higher. Regarding venture capital, in response to the variations in the capital market, we will uphold our core value with cautious optimism, continue to foster promising enterprises and hidden industrial champions within our primary scope of investment, and extend our reach to high-speed computing, smart machinery, green energy technology, and artificial intelligence industries, with the expectation of venturing into leading industries that will play a major part in developing the future economy and creating excellent business performance.

4. Research and Development



(1) R&D Results in Last Two Years and Future Directions

E.SUN strongly believes that better financial services, including smarter and more considerate services as well as safer and more reliable transactions, can be provided through the use of technologies. We invest in the research and development of artificial intelligence combined with big data analytics, biometrics, and blockchain technologies and apply them in precise user settings to create better customer experiences.

a. Corporate Banking:

E.SUN have long been committed to assisting the development of SMEs, and have been continuously improving our financial service processes and efficiency, and developing customized products and services. Apart from winning the “Best SME Finance Award” (special excellence) in the 8th Taiwan Banking and Finance Best Practice Awards, E.SUN also awarded the SME Credit Guarantee Partner Award for the 12th consecutive time (2005-2016) in 2017—the only financial to reach this milestone. With the complete overseas presence, E.SUN will continue to cultivate cross-border and overseas customers, and to develop distinct syndication loan and project finance. In FX business, the service and operation quality both received high recognition and was presented with STP Award by international financial institution for the 10th consecutive year. E.SUN also pioneered among peers and joined GPI, a global payment innovation initiative led by SWIFT, to connect with the new international standard. Through development of system, procedure and refinement of processes, E.SUN will commit into AML and anti-terror actions.

b. Consumer Banking:

Customer behavior and technological reform instigate channel transformation with a focus on customer experience, precise operating process, and stronger risk control to create an interactive setting for customers and E.SUN Bank. E.SUN engages in self-service banking innovations to strive toward providing valuable digital and smart financial services. The primary R&D results are as follows:

- (a) In consumer banking development, technologies catalyze the process of business development, infusing loan services into the daily lives of customers through the use of innovative technologies. In wake of the digital trend, E.SUN has introduced diverse range of online loan services, including e-Click Personal Loan, e-Click Mortgage, and e-Click Loan Application, which have been recognized with many awards in Taiwan and overseas. In future, E.SUN's innovation of consumer banking will continue to center on customer experiences, integrate sophisticated professional consultation services and the strengths of a digital platform (i.e., speed and efficiency), and build a leading brand in consumer banking.
- (b) In terms of self-service-banking, E.SUN has launched “iPayment” service which makes 24/7 payment possible, providing innovative customer experience. In 2017, iPayment has received “The Best ATM& Kiosk Project in Taiwan” from The Asian Banker, making E.SUN leading brand in self-service-banking.
- (c) E.SUN e-Services adopts a human-machine service model that realizes the digital experience of using a comprehensive range of real-time services and bestows each customer with their own portable banking secretary. Heartwarming services are only an e-click away, providing customers easier access to banking service.

c. Wealth Management:

E.SUN provides professional consulting services, develops all-base-covered asset allocation plan for customers, and manages customer relations from multiple dimensions in conjunction with innovative digital banking tools to elevate customers' service experiences.

- (a) E.SUN continues to expand teams of financial specialists through modularized training courses, which purport to enhance the abilities of its financial advisors to manage customers and provide a comprehensive range of high-quality financial planning services while ensuring effective risk management, discipline and procedures, and compliance with laws and regulations.
- (b) E.SUN boasts a team of financial experts, integrates resources of E.SUN Bank, and provides comprehensive consulting services from customers' perspective.
- (c) When an emergency situation or incident arises in the market or if significant changes in a major economic indicator have occurred, E.SUN's wealth management team will activate its comprehensive management mechanism to respond to major incidents. Team members will meet immediately to develop any measures that should be taken and examine the asset states of customers whom we judge to be affected most by the incident. These customers will be notified within 24 hours by text.
- (d) E.SUN has introduced a diverse range of signature insurance products and established professional insurance allocation plans as well as complete after-sales services to fulfill customers' needs for protection and investment at different stages of their life. E.SUN is the first bank in Taiwan to provide online insurance services that enable customers to purchase insurance products conveniently and in real-time.
- (e) For the purpose of providing convenient digital transaction functions, efficient financial advisory services, and low-risk operations, E.SUN is the first in the industry to launch the "FES Financial Management" function. After customers have discussed an investment plan with their financial advisor, they can receive and confirm the recommended portfolio immediately.
- (f) The i-Instant Smart Finance Calculator is a 24-h online finance calculation service that uses artificial intelligence technologies. Combined with a simple and comprehensible map-based fund search web page—Fund World, this service enables customers to quickly and accurately search

for the investment targets that are suitable for their needs.

- (g) In 2017, E.Sun Bank is also the first in the banking industry to provide a fund-linked onshore structured investment product, which employs adequate leverage and separate tax to provide customized financial service. By developing overseas bonds, domestic and offshore structured products, E.Sun vies for business opportunities in managing the wealth of high-end customers.

d. Digital Banking R&D continues to take Bank 3.0 services and payment as its two main targets.

The major R&D results are as follows:

- (a) New mobile banks apps: New mobile banking service provides an all-new user experience, individualized interface, intuitive design, and Smart Text customer service.
- (b) E.SUN Global Pass and E.SUN Trade: E.SUN Global Pass help stores in Taiwan safely collect funds in PayPal accounts. E.SUN Trade help superior Taiwanese firms to sell products online to consumers in China.
- (c) Cross-Border Shopping: This service, which is heavily used by younger consumers, lets consumers in Taiwan use their most familiar payment methods to shop on China's largest C2C and B2C websites such as Taobao and Tmall.
 - i. Cross-border online shopping services: This service is one of its kind, allowing Taiwanese consumers to shop and pay on popular international e-commerce platforms and travel platforms by using convenient, safe, and low-cost methods with which they are familiar.
 - ii. Multiple payment platforms: These platforms provide merchants with solutions that can quickly complete e-wallet transactions (Alipay, E.Sun Wallet, Jkos, and Gama Pay), provide convenient
 - iii. E.SUN Global Pass: E.SUN Bank engages in an exclusive partnership with PayPal, so that Taiwanese store owners can receive customer payments through PayPal, thereby enabling them to receive payments with ease.
 - iv. This App is aimed at creating mobile experiences for touch screen generations and reducing the threshold of traditional financial information. Device authentication and biometric technologies are incorporated to provide positive customer experiences.

e. Credit card and payment

This business is focused on developing innovative payment methods, including online credit card application, mobile payments, mPOS invoices, and other innovative applications. The major R&D results are as follows:

- (a) E.SUN Bank is the first in the industry to integrate international mobile payment platforms, Apple Pay, Samsung Pay, and Android Pay, while optimizing E.SUN Wallet, which integrates NFC sensing and QR code payment services that enable customers to experience using the most complete, safe, and convenient mobile payment service on their mobile device at hand.
- (b) To continue providing customers simple and convenient online credit card application service, E.SUN introduced the Citizen Digital Certificate and Credit Card Verification Service in January and August of 2017, respectively. With these services, new customers who do not bank with E.SUN are able to apply for E.SUN credit cards online.
- (c) E.SUN Bank is the largest provider of stored-value cards. E.SUN ETC EasyCard Joint Credit Card and E.SUN iCash Joint Credit Card both employ UUPON and OPENPOINT points to expand the scope of reward point redemption. By cooperating with Chunghwa Telecom, E.SUN integrates the Hami Wallet with iCash Joint Credit Card, allowing cardholders to pay for their fares on Taipei MRT and High Speed Rail, or to make micropayments.
- (d) An e-Wallet Ordering service is a payment platform connecting cash registers to various e-wallet apps and provides merchants with payment services that combine credit cards, stored-value cards, and various e-wallet apps. This platform is a one-stop solution for merchants that supports different payment methods and financial services.

f. Securities

As brokers venture into international markets and expand their business operations, E.Sun continues to expand its overseas markets, products, and customer groups and enhances its digital capacity to leverage the strengths of cross-industry partners and solicit new customer groups. The primary R&D results are as follows:

- (a) Brokerage services: E.SUN has integrated financial holding resources, focused on VIP customers, encouraged customers to purchase multiple products, and engaged in transformation and extension of settlement counter through physical channels to construct a multifunctional service counter that improves the ability of bank tellers to render marketing services. In addition, the Bank has developed a new API-based business model for cross-industry cooperation, established autonomous trading platforms and mobile services, and forged multifunctional digital securities investment services featuring optimized digital processes.
- (b) Financial product business: E.SUN has completed its self-developed warrant market maker trading system, with upgraded hardware and network applications, to provide investors with better market making quality and investment trading experiences and enable the company

to execute hedging transactions faster and more efficiently.

- (c) Underwriting service: E.SUN has strengthened its internal training programs and built a knowledge database. By combining different financial units, including investment consultation, corporate banking, and tax finance management, E.SUN provides suggestions for companies to trade in the stock exchange and raise funds in a capital market. Thus, companies are able to acquaint themselves with the ways and nature of fund-raising at different stages of development. E.SUN therefore became a trusted financial planner for these companies.
- (d) Established international business team:

In February 2018, E.Sun Securities established the Global Market Division, which integrates consigned trading of foreign securities and Offshore Securities Unit (OSU), to construct a complete overseas commodity platform that provides not only reference information regarding products of the Taiwan market but also comprehensive overseas investment services for domestic and foreign customers.

(2) R&D projects, progresses and expenditures

R&D projects at E.SUN Bank follow short-, medium, and long-term business plans. Investments are made on an ongoing basis, and results from each stage will provide the basis for R&D in the next stage. Appropriate adjustments are made according to application performance and future trends. Most of R&D expenditures are spent on project consulting services, system implementation, employee training, and planning and development manpower. The R&D projects, progresses and expenditures are as follows:

a. R&D expenses of recent 3 years

NTD, in thousands			
Year	2018(f)	2017	2016
E.SUN Bank	254,345	345,841	246,469
E.SUN Securities	57,800	48,300	33,190

b. Progress of on going R&D projects

Unit: NT\$thousand	
Projects	Estimated Time of Completion
Overseas GBS system (SG, LA)	2018
Upgrade open platform virtualization	2018
Wealth management system improvement project	2018
Information infrastructure expansion and virtual platform establishment project	2018
Blockchain cooperation project	2018
Metadata management improvement project	2018
Improvement of Personal Online Banking	2018
Global online banking system	2019
Singapore wealth management system	2019
New e-archive management system	2020

- (a) Ongoing R&D projects will require further investments of NT\$ 205,815 thousand, which will be amortized over the years.
- (b) Success of an R&D project depends primarily on changes in the laws and regulations and market trends and the commitment of consultants and project members.

5. Cross Sector Integration



(1) Customers' favorite and, most trusted bank

E.SUN Bank's professional team provides considerate, differentiated service to customers that not only meets customers' needs, but also exceeds customers' expectations. E.SUN has provided long-term support for outstanding artistic and cultural activities and feasts of knowledge, and shares interesting and spectacular things with VIP customers. E.SUN will continue to uphold our brand spirit of "Pure as Jade, Sturdy as a Mountain," and attentively protect our customers' assets. E.SUN hope to foster a fresh, new positive energy in society, and become customers' favorite and most trusted bank.

(2) Creating Wonderful User Experience with technology and Data

Taking experience, innovation, and data as fulcrums, creating data-driven living circles The digital and mobile revolutions have already changed people's lives. In this fast-changing financial environment, apart from quickly responding to the market's needs, the key to success will be providing an excellent user experience. E.SUN use innovative technology and precise data analysis to provide customers with comprehensive digital service experience, such as E.SUN Wallet turns people's cell phones into mobile wallets, e-Click online card applications with fast and simple online application, and digital wealth management. E.SUN will continue to make financial services as simple as water and electricity, and become a part of people's life.

6. Human Resources



Talent is E.SUN's most important asset for achieving excellence. A quarter of a century later, E.SUN remains committed to the nurturing of talents and caring of its employees. By building a happy workplace, E.SUN creates a place where employees can continue to learn during their career development, foster multidisciplinary skills, and realize their ideals and ambitions.

In response to the development of overseas cross-border businesses and innovative technologies in the financial sector, E.SUN continues to recruit high-caliber talents with expertise in digital banking, information technology, big data analytics, risk management, and anti-money laundering and cultivate them into outstanding financial experts who are able to engage in innovative thinking from an international perspective. In 2017, a total of 262 internal training courses were held and employees were sent to 738 seminars hosted by professional training agencies, providing employees the opportunity to learn continuously in their systematic, organized, and planned career path, to develop multidisciplinary skills, and to eventually become a highly literate and professional banker.

We endeavor to become the top-performing and most respected bank in Taiwan, with the hope of becoming the most favored bank among employees and customers. By fulfilling social responsibilities and caring for its employees, E.SUN strives to become the second happy home for every E.SUN employee, a place where our employees can work happily and devotedly without worries, thereby setting a new milestone for E.SUN employees and taking E.SUN to a whole new level.

(1) E.SUN FHC and its subsidiaries

Item \ Year		2018/3/20	2017	2016
No. of Employees		8,985	9,021	8,788
Average Age		32.5	32.3	31.8
Average Years of Service		7.4	7.3	6.8
Educational Background(%)	Master's	23.8	23.8	22.8
	Bachelor's	70.8	70.8	71.6
	College	4.6	4.7	4.9
	High School	0.8	0.7	0.7
Number of Professional License	Bank	24,710	24,417	23,762
	Insurance	9,891	9,823	9,243
	Securities	8,338	8,246	8,012
	Others	1,146	920	525

(2) E.SUN Bank

Item \ Year		2018/3/20	2017	2016
No. of Employees		8,400	8,442	8,197
Average Age		32.3	32.1	31.6
Average Years of Service		7.4	7.2	6.8
Educational Background(%)	Master's	24.2	24.2	23.1
	Bachelor's	70.5	70.6	71.3
	College	.5	4.5	4.9
	High School	0.8	0.7	0.7
Number of Professional License	Bank	24,180	23,913	23,227
	Insurance	9,674	9,614	9,023
	Securities	7,263	7,239	7,003
	Others	1,088	873	486

(3) E.SUN Securities

Item	Year	2017/3/20	2017	2016
No. of Employees		543	534	550
Average Age		34.5	34.4	33.7
Average Years of Service		7.5	7.4	6.8
Educational Background(%)	Master's	14.6	15	14.4
	Bachelor's	79.6	79	79.8
	College	4.9	5.1	4.9
	High School	0.9	0.9	0.9
Number of Professional License	Bank	488	462	493
	Insurance	210	202	213
	Securities	1,062	994	996
	Others	52	42	35

(4) E.SUN Venture Capital

Item	Year	2017/3/20	2017	2016
No. of Employees		8	8	7
Average Age		37.3	36.9	37.4
Average Years of Service		10.9	10.6	11.1
Educational Background(%)	Master's	75	75	71.4
	Bachelor's	25	25	28.6
Number of Professional License	Bank	18	18	18
	Insurance	5	5	5
	Securities	6	6	6
	Others	1	1	1

(5) Continuing education and training for employees

- In accordance with its employee training implementation guidelines, the Company systematically plans and implements training in accordance with the annual training plan.
- In accordance with its employee continuing education, study, and observation guidelines, the Company sends colleagues for domestic and overseas continuing education, observation, and study after recommendation by their executive and selection by the dedicated unit.
- Human resources are the key to E.SUN's sustainable development. In order to reinforce its human capital, the Company has established a human resources development center, which relies on a holistic training and development framework to train outstanding financial professional manpower.
- During 2017, the Company and its subsidiaries held a total of 262 internal training classes, and sent selected personnel to participate in 738 training classes at external financial professional organizations; total number of participants reached to 89,020 person-times.
- Education and training expense accounted for 0.88% of its earnings.

(6) Number of non-managerial personnel, average yearly benefit expenditures per employee, and difference from the previous year.

E.SUN had 8,326 non-managerial employees in 2017, average benefit expenditures were 1.165 million per person, represented an increase of NT\$54,113 compared with 2016, and the benefit expenditure growth rate was 4.87%.

(7) Promotion and realization of employee conduct or ethics guidelines

- All of the Company's employees must sign and promise to implement the E.SUN employee service rules and code of conduct.
- The Company discloses the E.SUN employee service rules and code of conduct on the Company's internal and external websites for convenient reference and familiarization by employees.
- Each unit's legal compliance officer regularly and when needed instructs employees concerning rules of conduct and relevant guidelines, ensuring that all managers and employees have a correct understanding of on-the-job tasks and conduct, and faithfully uphold rules of conduct.
- The Company holds online examinations concerning the E.SUN employee service rules and code of conduct on an annual basis, and all employees must take part. Employees are also asked to read online class materials on the Company's system, and each unit's legal compliance examination participation rate, examination scores, and state of make-up examination implementation is included in legal compliance performance assessment score calculations.
- Responding to the Personal Data Protection Act and the Financial Supervisory Commission's personal information file security maintenance regulations for designated non-government-agencies, E.SUN have strengthened management mechanisms in an effort to ensure the protection of personal information and information security.

7. IT Facilities



E.SUN Financial Holdings employs the IT facilities of its subsidiary E.SUN Bank. The content is described below.

(1) Major information system deployment

The operating systems used in E.SUN Bank's primary business activities (accounting, deposits, loans, remittance, foreign exchange, wealth management, treasury service, credit card service, and e-commerce service) and IT systems for managing customer relations, risks, and business intelligence are configured on z/OS, OS/400, UNIX, Linux, Windows, and other operating platforms according to the characteristics of business operations and the optimal system framework. Virtual platform framework and private cloud environment are provided for business applications. System hard/software maintenance agreements are signed to ensure the availability of the IT systems and satisfy the service standards of each business unit.

(2) Future development and purchase plans

In wake of global competitions, changes in the industrial environment, technical innovations, and the evolution of international management standards and business philosophy, E.SUN Bank will stay committed to system integration, e-commerce services, and digital banking development, play an active role in overseas expansion, and strengthen its information security management mechanism and financial supervisory technologies. The Bank will utilize big data integration and employ smart decision-making in depth to incorporate new information technologies and innovative FinTech applications, thereby gaining deeper and broader insight into customer services. In 2018, E.SUN Bank engaged in the following projects to develop and setup IT systems:

a. Information system integration

- (a) Corporate Banking, Consumer Banking, Wealth Management, and Treasury IT System Refinement
- (b) IT Infrastructure and Virtual Platform Extension
- (c) OA Platform Conversion

b. e-Commerce and digital channel

- (a) Global Internet Banking System
- (b) Personal Internet Banking Function Improvement
- (c) WEB ATM System Improvement and ATM System Upgrade

c. Overseas Related

- (a) Overseas Branch IT System Integration, Expansion, and Setup
- (b) Overseas Warehouse Improvement

d. Data Use and Smart Decision Making

- (a) Information Service and Analysis Engineering
- (b) Smart Service Infrastructure Engineering

(3) Emergency Backup and Security Protection Measure

- (a) The physical environments of E.SUN Bank's IT systems, including access control, fire safety, power supply, air conditioning, Internet, information security, obfuscated code operating procedure, and system information backup, comply with the ISO27001 and the IT System Security Requirements for Financial Institutions of the Bankers' Association.
- (b) With respect to measures for continuing business operation, except for local system backup, E.SUN Bank performs drills once a year in accordance with the remote backup and restoration procedures of the Bank's core business systems in order to ensure the effectiveness of the backup procedure and data validity.
- (c) With respect to safety protection measures, E.SUN Bank adopts multi-layered defense in depth structure, which is equipped with firewalls, anti-virus software, anti-spam system, APT intrusion detection and prevention system, online behavior management, and Internet management systems. The structure centralizes control over the operating systems and loophole repairs, regularly performs vulnerability scanning, penetration test, and social engineering rehearsals, and classifies information assets according to their level of importance and degree of influence. Furthermore, computer system information security evaluation is regularly conducted to ensure the stability and security of the IT systems.
- (d) In 2017, information security management will be focused on strengthening Internet control, defense against advanced persistent threat (APT), the depth of vulnerability scanning, and whitelist control. Furthermore, ISP against DDOS (Distributed Denial of Service attack) is incorporated and social engineering mail rehearsals are regularly performed to raise information security awareness, establish information security contingency procedures, and implement contingency simulations and rehearsals. E.SUN Bank continues to focus on overseas information security issues through active monitoring, regular information exchange, implementation of information security assessment, and strengthening of comprehensive defense capabilities.
- (e) Following the launch of the Hope Building and Technology Building in 2017, E.SUN Bank has successfully completed the relocation of the machine rooms for its Credit Card and Payment Service Division and Customer Service Center, after which the network infrastructures will provide uninterrupted 24-h services in order to comprehensively enhance Internet availability at E.SUN Bank.
- (f) E.SUN Bank's information security has been implemented in accordance with the ISO27001 Information Security Management System and has continued to receive BSI reviews semiannually and onsite inspections by certified assessment units.

8. Corporate responsibility and ethical conduct



E.SUN employs a “3i” strategy consisting of innovation, integration, and influence to fulfill its corporate social responsibilities, and is expanding its social participation through long-term commitment and systematic methods. At the same time, E.SUN is taking advantage of its financial expertise and active integration of internal and external resources to engage in social welfare, environmental sustainability, education, fitness, volunteer service, and art and culture activities. We hope to achieve sustainable corporate management and gradually realize our vision of making our employees “first-class citizens of the world.”

a. Corporate Governance

- (a) With regards to corporate governance, E.SUN has been an honest and upstanding company dedicated to integrity and professionalism. Thanks to the robust effort of its professional management team, E.SUN has received the highest rating (Excellent) in the Corporate Governance assessment by the Corporate Governance Association. The Company was ranked among Top 5% in the Corporate Governance Evaluation by TWSE for the third consecutive year, and it was also the listed company in the financial sector to setup a Corporate Governance and Nomination Committee. In 2017, E.SUN introduced an independent director, and it currently has five independent directors, accounting for more than 30% of the board composition. The diverse expertise of our independent directors from the

industrial, government, and academic sectors facilitates enhancing the professionalism and independence of E.SUN's board of directors.

- (b) A bank is a business that manages risks. Believing that no business operations can be considered beyond risk, E.SUN continues to reinforce the three lines of defense, establish a complete set of handbook and process, and implement them in a disciplined manner. E.SUN also strengthens its skills to combat money laundering and enhances its system surveillance. Our efforts in the efficient reporting of suspected money laundering transactions have attained international recognition, receiving the Best AML Implementation in Taiwan Award by the Asian Banker.

b. Environment

- (a) E.SUN continues to incorporate the ISO14001 Environmental Management System and ISO50001 Energy Management System. E.SUN has fully implemented the ISO14064 greenhouse gas inventory system and the ISO14046 organizational water footprint for E.SUN headquarters building, the Boai Building, Dengfeng Building, and all branches in Taiwan. E.SUN World Card and E.SUN ETC EasyCard Joint Credit Cards (including the Signature Card and Titanium Card) have received the Carbon Footprint and Carbon Reduction Labeling Certification.
- (b) In support of the government's green industry policy, E.SUN Bank has issued green financial bonds, becoming the first green bond issuing bank in Taiwan to have established the price of green bonds and issued the highest number of green

bonds. The Bank also responds actively to environmental protection events both domestically and abroad by joining forces with the international community in the promotion of energy conservation and carbon reduction.

- (c) E.SUN continues to sponsor the Organic Farming Program for Lamuan Tribe in Hualien, taking actions to support the farming activities of the agricultural industry in Taiwan.

c. Society

- (a) With respect to the academic sector, E.SUN has hosted the Make Taiwan Brighter event on its 25th anniversary during which tens of thousands of people, including E.SUN volunteers, participated in walking exercises and cycling across Taiwan in an effort to promote energy conservation and carbon reduction and to protect our beautiful land. E.SUN has also donated NT\$30 million for the Concern for Schoolchildren Program, which is aimed at helping disadvantaged children to study and grow up happily without worries. E.SUN continues to promote the E.SUN Golden Seed Project. By the end of 2017, E.SUN has established 125 libraries nationwide to the benefit of more than 70,000 school children and provided outstanding students with fair access to complete educational resources. To date, the 13th Outstanding Management Talent Scholarship has been rewarded to a total of 99 excellent-performing students. E.SUN has cooperated with the National Taiwan University, National Chengchi University, National Tsing Hua University and National Chiao Tung University to establish the E.SUN Academic Award, which is aimed at providing assistance to elevate Taiwan's management research standard and has been rewarded to a total of 24 teachers. For three consecutive years,

E.SUN has teamed up with the College of Management of National Taiwan University to collaborate in the Seeds of Hope Cultivation Project, which is aimed at fostering promising digital bankers and enhancing students' core competencies in digital banking.

- (b) With regard to sports, in order to promote the development of youth development in Taiwan, E.SUN has used systematic methods to establish the "E.SUN Youth Baseball Development Fund Account" and establish a series of E.SUN Cup Youth Baseball Development Activities, including the E.SUN Cup National Youth Baseball Championship, E.SUN Youth Baseball Training Camp, E.SUN High School Baseball Camp on Sports Injury Prevention and Rehabilitation, and Caring for Baseball Teams in Remote Areas. These activities have helped provide young baseball players in Taiwan with a stage on which they can strive to realize their dreams.
- (c) E.SUN has further continued to hold regular "One Simple Act of Love can Inspire Others to Love" blood drives and the "Caring for Children in Need" orphanage kids concern activity. Thanks to the commitment of E.SUN employees and volunteers, the Company has helped even more people in need, and spread love to every corner of the country. E.SUN will continue to give this land our unchanging love and concern, and help E.SUN volunteers make an even greater contribution!



9. Environmental protection expenditure information

During the most recent year and until the publication date of this annual report, losses (including compensation) and penalties due to environmental pollution totaled 0.

VI. Financial Information



HUANG YU-CHENG

1. Condensed Financial Statements from 2013 to 2017

(1) Condensed Balance Sheet(Consolidated)

Unit: NT\$1,000

Item	Year	Financial data for the most recent five years from 2013 to 2017(Note 1)				
		2017(Note 3)	2016(Note 3)	2015(Note 3)	2014(Note 3)	2013(Note 3)
Cash and cash equivalents, due from the central bank and call loans to other banks		131,175,124	99,544,974	104,112,647	89,637,708	79,251,859
Financial assets at fair value through profit or loss		408,918,355	366,689,364	349,603,244	292,870,111	283,646,429
Available-for-sale financial assets		170,745,924	141,645,924	131,281,637	86,030,495	72,049,774
Derivative financial assets for hedging		-	-	-	-	-
Securities purchased under resell agreements		-	173,470	896,844	152,758	-
Receivables, net		94,083,377	83,935,869	78,562,234	73,087,654	62,895,383
Current tax assets		5,054	33	104	335,260	563,776
Assets held for sale, net		-	-	-	-	-
Discounts and loans, net		1,211,071,275	1,118,148,669	1,021,944,720	934,613,524	828,238,170
Reinsurance assets		-	-	-	-	-
Held-to-maturity financial assets		3,078,813	3,616,960	5,289,839	5,915,792	8,593,699
Investments accounted for using equity method, net		-	-	-	-	-
Restricted assets		-	-	-	-	-
Other financial assets, net		13,571,397	31,009,269	43,697,797	52,810,267	17,578,354
Properties and equipment, net		28,209,309	26,439,666	26,792,354	21,106,105	19,373,142
Investment properties, net		1,960,511	2,033,334	461,799	421,270	544,587
Intangible assets, net		6,222,969	6,241,852	5,953,922	5,683,483	5,513,344
Deferred tax assets, net		954,988	438,264	500,739	123,932	343,935
Other assets		4,391,191	4,382,542	6,136,051	3,631,499	2,444,147
Total assets		2,074,388,287	1,884,300,190	1,775,283,931	1,566,419,858	1,381,036,599
Due to the Central Bank and other banks		66,652,215	52,516,006	71,170,130	58,199,621	47,645,621
Funds borrowed from the Central Bank and other banks		-	-	-	-	-
Financial liabilities at fair value through profit or loss		43,439,501	42,145,098	35,875,595	26,081,873	12,264,067
Derivative financial liabilities for hedging		-	-	-	-	-
Securities sold under repurchase agreements		12,200,468	8,881,723	8,034,391	13,117,523	6,254,291
Commercial paper issued		4,895,219	2,557,414	2,279,200	2,828,518	1,981,970
Payables		31,332,005	27,503,039	21,441,650	21,740,276	19,045,582
Current tax liabilities		1,948,106	1,636,966	1,144,949	853,016	505,654
Liabilities directly associates with assets held for sale		-	-	-	-	-
Deposits and remittances		1,712,278,637	1,557,116,388	1,456,393,949	1,280,691,771	1,150,790,905
Bonds payable		42,550,000	48,950,000	50,750,000	49,600,000	53,800,000
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		5,519,631	6,903,561	1,319,959	2,583,420	2,392,644
Provisions		505,300	442,271	499,097	337,069	400,265
Deferred tax liabilities		697,535	925,546	1,288,004	816,112	745,760
Other liabilities		3,421,239	5,540,820	3,426,109	1,909,313	1,854,517
Total liabilities	Before distribution	1,925,439,856	1,755,118,832	1,653,623,033	1,458,758,512	1,297,681,276
	After distribution	(Note2)	1,759,764,494	1,657,042,264	1,461,932,362	1,299,467,924
Equity attributable to owners of the Company		148,842,216	128,524,475	120,927,106	106,876,393	82,650,959
Capital stock	Before distribution	101,855,000	87,654,000	79,517,000	70,530,000	55,243,000
	After distribution	(Note2)	94,666,320	87,468,700	77,030,496	61,139,206
Capital surplus		24,529,129	20,658,669	20,501,164	19,375,697	14,497,390
Retained earnings	Before distribution	22,012,117	19,802,447	18,253,944	15,139,336	12,093,934
	After distribution	(Note2)	8,144,465	6,883,013	5,617,786	4,543,907
Other equity		445,970	409,359	2,654,998	1,831,360	816,635
Treasury stock		(Note2)	-	-	-	-
Non-controlling interests		106,215	656,883	733,792	784,953	704,364
Total equity	Before distribution	148,948,431	129,181,358	121,660,898	107,661,346	83,355,323
	After distribution	(Note2)	124,535,696	118,241,667	104,487,496	81,568,675

Note1: All financial statements above have been audited and certified by accountants.

Note2: Earnings distribution of the year (ended December 31)2017 shall be resolved in the shareholders' meeting.

Note3: Based on financial statements that have been audited and certified by accountants for previous years.

(2) Condensed Statement of Comprehensive Income (Consolidated)

Unit:NT\$1,000, Except Earnings Per Share

Item	Year	Financial data 2013-2017 (Note 1)				
		2017(Note 1)	2016(Note 1)	2015(Note 1)	2014(Note 1)	2013(Note1)
Interest revenue		33,008,486	29,823,991	29,981,181	27,147,256	22,573,791
Less: Interest expense		12,758,870	11,239,320	12,507,553	11,662,630	9,539,118
Net interest		20,249,616	18,584,671	17,473,628	15,484,626	13,034,673
Total net revenues and gains other than interest		25,857,573	22,480,161	21,015,701	17,269,893	13,712,753
Total net revenues		46,107,189	41,064,832	38,489,329	32,754,519	26,747,426
Bad-debt expenses and provision for losses on guarantees		4,055,371	3,463,088	3,566,430	2,033,689	1,706,522
Net changes in insurance liability reserve		-	-	-	-	-
Operating expenses		25,178,945	22,396,072	20,137,768	17,949,763	14,826,607
Income before tax from continuing operations		16,872,873	15,205,672	14,785,131	12,771,067	10,214,297
Income tax expense		(2,218,434)	(2,222,490)	(1,906,172)	(2,165,739)	(1,798,246)
Net income from continuing operations		14,654,439	12,983,182	12,878,959	10,605,328	8,416,051
Net income (loss) from discontinuing operations		-	-	-	-	-
Net income		14,654,439	12,983,182	12,878,959	10,605,328	8,416,051
Other comprehensive income for the year (net of tax)		(70,657)	(2,476,343)	783,746	1,127,093	819,198
Total comprehensive income		14,583,782	10,506,839	13,662,705	11,732,421	9,235,249
Net income attributable to owners of the company		14,756,556	13,135,212	12,816,347	10,528,552	8,416,145
Net income attributable to non-controlling interests		(102,117)	(152,030)	62,612	76,776	(94)
Total comprehensive income attributable to owners of the company		14,721,101	10,673,795	13,567,419	11,610,154	9,239,127
Total comprehensive income attributable to non-controlling interests		(137,319)	(166,956)	95,286	122,267	(3,878)
Earnings per share (NT\$)		1.49	1.5	1.63	1.56	1.53

Note 1: All financial statements above have been audited and certified by accountants, and are based on financial statements that have been audited and certified by accountants for previous years.

(3) CPAs' Auditing Opinion from 2013 to 2017

Huang Jui Chan, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2013, ended on December 31, and issued an unqualified opinion report ; Huang Jui Chan, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2014, ended on December 31, and issued an unqualified opinion report.; Huang Jui Chan, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2015, ended on December 31, and issued an unqualified opinion report.; Chen Yin Chou, CPA, and Huang Jui Chan, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2016, ended on December 31, and issued an unqualified opinion report; Chen Yin Chou, CPA, and Huang Jui Chan, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the years of 2017, ended on December 31, and issued modified unqualified opinion reports.

2. Financial data for the most recent five years

(1) Financial Analysis

Item		Year	Financial data for the most recent five years from 2013 to 2017				
			2017(Note 1)	2016(Note 1)	2015(Note 1)	2014 (Note 1)	2013(Note 1)
Operating ratio	Total assets turnover (Times)		0.02	0.02	0.02	0.02	0.02
	Loan to Deposit Ratio (E.SUN Commercial Bank) (%)		71.64	72.69	70.97	73.61	72.40
	NPL ratio (E.SUN Commercial Bank) (%) (Note 2)		0.23	0.19	0.13	0.18	0.20
	Average revenue per employee(NT\$ thousand)		4,898.25	4,583.13	4,617.24	4,266.02	3,733.59
	Average net income per employee(NT\$ thousand)		1,556.83	1,449.02	1,544.98	1,381.26	1,174.77
Profitability ratio	Ratio of return on total assets(%)		0.74	0.72	0.78	0.73	0.65
	Ratio of return on stockholders' equity(%)		10.54	10.35	11.23	11.11	10.65
	Profit margin ratio(%)		31.78	31.62	33.46	32.38	31.46
	Basic Earnings per share(NT\$)		1.49	1.50	1.63	1.56	1.53
Financial structure(%)	Ratio of debt to assets		92.82	93.14	93.15	93.13	93.96
	Ratio of debt to net worth		1,292.69	1,358.65	1,359.21	1,354.95	1,556.81
	Double Leverage Ratio (Note 3)		104.39	104.80	104.29	106.12	108.24
	According to Article 41 of Financial Holding Company Law		None	None	None	None	None
Leverage ratio(%)	Operating leverage ratio		1.24	1.23	1.24	1.16	1.17
	Financial leverage ratio (Note 3)		1.01	1.01	1.01	1.01	1.02
Ratio of growing(%)	Ratio of assets growing (Note 4)		10.09	6.14	13.33	13.42	10.84
	Ratio of income growing (Note 5)		10.96	2.84	15.68	25.03	22.53
Cash flow(%) (Note 2)	Cash flow ratio (Note 6)		14.72	0.18	14.14	6.12	-
	Cash flow adequacy ratio (Note 6)		127.66	86.80	178.85	106.18	397.79
	Cash flow content ratio		Note7	Note7	Note7	Note7	Note7
Operating Scale(%) (Note 3)	Market share of assets		3.95	3.92	3.90	3.75	3.58
	Market share of equity		4.01	3.85	3.88	3.64	3.19
	Market share of deposit (E.SUN Commercial Bank)		4.37	4.15	4.42	4.13	3.94
	Market share of assets loans(E.SUN Commercial Bank)		4.25	4.00	4.26	4.03	3.74
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank	15.01	13.71	12.95	12.72	12.27
		E.SUN Securities Co., Ltd. (Note 8)	377.76	535.17	596.44	427.41	430.85
		E.SUN Venture Capital Co., Ltd.	99.63	98.16	99.49	98.89	98.77
		E.SUN Insurance Brokers Co., Ltd.	-	-	88.46	84.29	91.70
	Qualified capital of subsidiaries (NT\$ thousand)	E.SUN Commercial Bank	194,484,051	174,936,955	154,838,582	135,002,479	112,353,658
		E.SUN Securities Co., Ltd.	4,026,967	3,908,927	3,921,842	3,846,516	2,787,055
		E.SUN Venture Capital Co., Ltd.	3,406,334	3,589,935	3,819,566	3,189,199	2,414,934
		E.SUN Insurance Brokers Co., Ltd.	-	-	1,133,244	717,777	620,434
	Net Group qualified capital(NT\$ thousand)		177,161,990	156,549,604	140,989,432	124,594,422	100,530,688
	Legal requirement of subsidiaries' capital	E.SUN Commercial Bank	119,861,902	110,066,610	95,640,422	84,875,568	73,232,988
		E.SUN Securities Co., Ltd. (Note 9)	1,599,005	1,095,615	986,316	1,349,952	970,311
		E.SUN Venture Capital Co., Ltd.	1,709,548	1,828,567	1,919,557	1,612,505	1,222,563
		E.SUN Insurance Brokers Co., Ltd.	-	-	640,531	425,778	338,298
	Legal requirement of group capital(NT\$ thousand)		123,297,429	114,029,344	99,480,031	88,513,217	75,912,225
	Group Capital Adequacy Ratio		143.69	137.29	141.73	140.76	132.43
	Endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law (NT\$ thousand)		862,476,469	610,572,634	605,641,651	465,447,379	384,979,752

Note 1: Based on financial statements compiled by accountants for previous years.

Note 2: The nonperforming loan ratio is higher compared to the previous year, mainly due to a higher total amount of overdue secured business loans and other secured consumer loans.

Note 3: Number of individual financial audits of E.SUN FHC by year

Note 4: The overall YOY asset growth is positive, mainly due to the increases in long term loans and assets at fair value through profit and loss.

Note 5: The YOY profit growth is positive, mainly due to increasing stable economic conditions and the company's steady growth in various areas.

Note 6: The cash flow ratio and the cash flow adequacy ratio cash flow are higher in 2017 than they were in 2016. The increase is mainly attributed to larger amounts of deposits and inward cash flows in the form of remittance than in 2016, which turned into a dramatic increase in the operating cash flow.

Note 7: The cash flow coverage ratio is negative, and therefore not included in the analysis herein.

Note 8: The capital adequacy ratio is lower than in previous year, mainly due to an increased transaction volume in the market, which leads to a stronger demand for regulatory capital.

Note 9: The stronger demand for regulatory capital is mainly attributed to increased credit and market risks in 2017.

1. Operating ratio
 - (1) Total assets turnover = Net income / Average assets
 - (2) Loan to Deposit Ratio = Total loans / Total deposits
 - (3) NPL ratio = Nonperforming loans / Total loans
 - (4) Average revenue per employee = Net revenues / employee
 - (5) Average net income per employee = Net income / employee
2. Profitability ratio
 - (1) Ratio of return on total assets = [Income after income tax + interest expenses × (1 - tax rate)] / Average assets
 - (2) Ratio of return on stockholders' equity = Income after income tax / Average stockholders' equity
 - (3) Profit margin ratio = Income after income tax / Net revenues
 - (4) Basic earnings per share = (Income and loss attributable to owners of the company - Dividends for preferred stocks) / Average issued shares
3. Financial structure
 - (1) Ratio of debt to assets = Total liabilities / Total assets
 - (2) Ratio of debt to net worth = Total liabilities / Total stockholders' equity
 - (3) Double Leverage Ratio = Equity investment for subsidiaries / Total stockholders' equity
4. Leverage ratio:
 - (1) Operating leverage ratio = (Net revenues - Variable expenses) / Income before income tax
 - (2) Financial leverage ratio = (Income before income tax + interest expenses) / Income before income tax
5. Ratio of growing:
 - (1) Ratio of assets growing = (Total assets - Last year total assets) / Last year total assets
 - (2) Ratio of income growing = (income before income tax - Last year income before income tax) / Last year income before income tax
6. Analyses for liquidity
 - (1) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities sold under repurchased issued + Current portion of Payables).
 - (2) Cash flow adequacy ratio = Net cash provided by operating activities (from 2012 to 2016) / from 2012 to 2016 (capital expenditure + Cash dividends).
 - (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities
7. Operating Scale
 - (1) Market share of assets = Total assets / Total assets of all Financial Holding Co., Ltd.
 - (2) Market share of equity = Total stockholders' equity / Total stockholders' equity of all Financial Holding Co., Ltd.
 - (3) Market share of deposit (%) (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business
 - (4) Market share of assets loans (%) (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business
8. Capital adequacy Ratio
 - (1) Net Group qualified capital = Qualified requirement of Financial Holding Company Law + (Shares hold in ratio of Financial Holding Company Law × Qualified capital of subsidiaries) - Deduction.
 - (2) Legal requirement of subsidiaries' capital = Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law × Legal requirement of subsidiaries.
 - (3) Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.
1. Operating ratio
 - (1) Total assets turnover = Net revenues / Average total assets
 - (2) Loan to Deposit Ratio = Total loans / Total deposits
 - (3) NPL ratio = Nonperforming loans / Total loans
 - (4) Average revenue per employee = Net revenues / employee
 - (5) Average net income per employee = Net income / employee
2. Profitability ratio
 - (1) Ratio of return on total assets = Income after income tax / Average total assets
 - (2) Ratio of return on equity = Income after income tax / Average total equity
 - (3) Profit margin ratio = Income after income tax / Net revenues
 - (4) Basic Earnings per share = (Income and loss attributable to owners of the company - Dividends for preferred stocks) / Average issued shares
3. Financial structure
 - (1) Ratio of debt to assets = Total liabilities / Total assets
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 - (3) Market share of deposit (%) (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business
 - (4) Market share of assets loans (%) (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business.
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 - (3) Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.

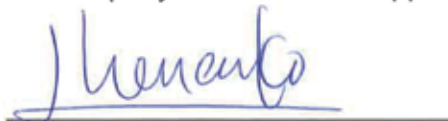
(2) Financial holding company and its subsidiaries should disclose the detail of impact when encounter financial difficulties for the latest complete financial year and year to date before the printing of annual report: None.

3. Audit Committees' Report

Audit Committee Report

To: E.SUN Financial Holding Company

The 2017 consolidated financial statements of E.SUN Financial Holding Company ("the Company") have been prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies", "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Guidelines Governing the Preparation of Financial Reports by Securities Firms", "Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants", "International Financial Reporting Standards", "International Accounting Standards", "IFRIC Interpretations" and "SIC Interpretations" endorsed by the Financial Supervisory Commission of the Republic of China. CPA Chen Yin Chou and CPA Huang Jui Chan of Deloitte & Touche have been appointed by the Company to audit the financial statements. After reviewing the financial statements, the Audit Committee has found them to meet the requirements of the applicable laws and guidelines. The report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of the Company for the Board's approval.



Chen-En Ko
Convener
Audit Committee
E.SUN Financial Holding Company

Date: March 8, 2018

VII. Risk Management



CHIEN CHANG-TA

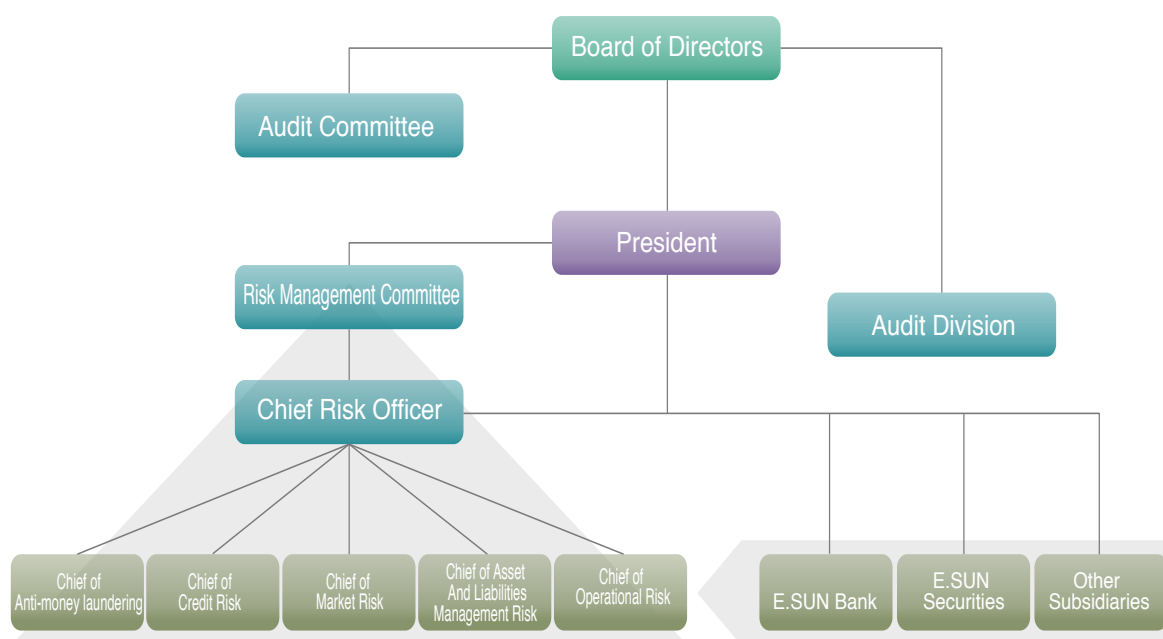
1. Risk Management

The goal of the Company's risk management is to ensure the safety of assets, enhance customer service quality, increase shareholder value, and achieve the goal of rationalization of risk and compensation. The development of business must uphold the highest guiding principles of risk management: safety and liquidity first, profitability second, growth next, and always concern the public interest.

(1) FHC's Risk Management Framework

The Company has established an independent and impartial risk management committee to take the responsibility for implementing risk management policies approved by the board, promoting risk management culture at E.SUN, and supervising each business unit's compliance with international regulations. The committee is headed by the general manager, who serves as chairman, the chief risk officer, who serves as executive secretary, the general managers of subsidiaries and the executives of bank's business units are ex officio members. The committee appropriately manages credit risk, market risk, operational risk, money laundering risk, liquidity risk, and other risk, and reports the state of risk management implementation to the board on a quarterly basis. At the same time, in accordance with the "E.SUN FHC Risk Management Policy and Guiding Principles," the Company and subsidiaries have determined relevant operational standards, which have greatly enhanced risk management quality by enabling the effective identification, assessment, supervision, and control of various risks.

At the same time, E.SUN is working to comply with the framework set forth in the Basel Accord. In order to pave the way for appropriate capital and asset risk allocation, E.SUN calculate risk-based capital charges under Pillar I. Furthermore, E.SUN strive to comply with Pillar II qualitative and quantitative standards. Moreover, for the purpose of establishing a risk sensitivity management framework, E.SUN followed the Pillar III disclosure requirements. The FHC's risk management organizational framework is shown in the following diagram.



E.SUN FHC's Risk Management Organizational Framework

(2) Risk Measurement and Control Methods, and Exposure-related Quantitative Information – Applicable to All Subsidiaries

a. Routine Disclosures

(a) Strategies and Procedures

i. Credit Risk Management

- (i) With regard to credit risk management goals and development strategies of the Company and subsidiaries, we comply with the competent authority's legal and regulatory system, and the board has drafted "Credit Risk Management Guidelines," which provides a basis for daily risk management. We continuously monitor and assess domestic and foreign economic and financial trends, and make revisions to our internal regulations at appropriate times. In addition, we are actively adopting internal credit rating tools, have implemented a verification mechanism aimed to ensure the effectiveness and stability of our credit rating model, and are continuing to establish comprehensive risk management procedures.
- (ii) According to rules set forth by regulators, restrictions are placed on the risk position of any single financial institution. Credit rating and operational status are also factors taken into consideration.
- (iii) E.SUN abides by regulations stipulated by regulators regarding and establishes the standards for a single enterprise and group of affiliates.
- (iv) E.SUN sets limits on the amount of lending and investment which are provided to a specific industry and acts in accordance with rules set by regulatory agencies in this regard. Considering the risk tolerance in business, the Company imposes lending limits on specific industries or targets as well as risk limits on individual countries and business conglomerates.

ii. Market Risk Management

- (i) The Company and its subsidiaries establish market risk management mechanisms to meet risk management needs, including tools to identify, measure, monitoring, and control risk, as well as procedures for handling unexpected events..
- (ii) E.SUN sets various limits of market risk and ensures each risk level is under control. When there is overdraft of the limit, E.SUN will run the procedure to reduce the risk and recheck the tolerance is still available.

- (iii) Overall review of financial asset holdings goes on a regular basis. After review is done, the analysis report is submitted to E.SUN FHC's risk management committee and board of directors to make them deeply and fully understand the risk exposure. This procedure revises the strategy if necessary and has the advantage of making better trading decisions.

iii Operational Risk Management

- (i) In order to effectively identify, assess, supervise, and control all operational risks that may be encountered, and promote sound management, the Company and its subsidiaries have determined "Operational Risk Management Guidelines" as a basis for operating risk management. In addition, the Company has determined "operational risk loss incident notification guidelines" and continues to collect operational risk loss incidents to assist in the improvement of operational risk management.
 - (ii) To well manage the operational risk, the company established the mechanisms base on actual needs. Then it uses the action plan to improve the high potential operation risk event for keeping up with changes in operational risk management.
 - (iii) The audit division shall examine the procedure of managing operational risk on a regular basis in order to ensure that both evaluation of such management and control and management processes are functioning properly.
- ##### iv. Anti-money laundering and counter terrorist financing
- (i) In order to manage the money laundering and financing of terrorism, the Company and its subsidiaries have determined the "E.SUN Commercial Bank Policy of Anti-Money Laundering and Counter Terrorism Financing" and have established control to ensure effective management of money laundering risk. The assessments for those risks have already been implemented as effort to reduce or prevent money laundering risk.
 - (ii) With regard to risk control measures, subsidiaries shall adopt different assessments which focus on various types of customers on the basis of their risk control plans, monitoring, and procedures.

(iii) In order, to ensure the implementation of control plans, the implementation of the annual control plan should be reported to the board annually.

The Company has put in place an internal control and regulatory compliance system. Setting out with the establishment of a sound operational system and promotion of operational risk awareness across the board, E.SUN FHC regards operational risk awareness as one of the point in corporate culture that gives priority to statutory compliance and enforce well-rounded internal control, thereby keeping operational risk in check. In addition to comprehensive on-the-job training, the Company has laid down a full range of regulations and guidelines that govern employee behavior, customer service (KYC included), product design, operational procedures, data security, system backup and emergency responses in order to prevent operational risk. In terms of risk deriving from external events, the Company is keen to stay alert to the latest changes in market environments, customer behavior, technologies, and laws and decrees to adapt in time and ensure the appropriateness of its internal regulations.

(b) Related Risk Management Systems Organization and Framework - Applicable to All Subsidiaries

The E.SUN FHC Risk Management Policies and Guiding Principles require each subsidiary to set forth risk management standards and rules. Each subsidiary must establish a credit review committee, an asset and liabilities management committee, and a risk management division and auditing division that carry out pricing of daily positions, tabulate the level of risk exposure and monitor external events. Meanwhile, each subsidiary is required to continue to enhance its customer value and risk analysis technology, along with internal control systems. This allows the FHC to recognize the accuracy of risk assessment and to ensure that management methods conform to international standards.

(c) Scope and Feature of Risk Reporting and Measurement Systems – Applicable to all Subsidiaries

i. Credit Risk Management

Risk control criteria have been determined on the basis of country, industry or counterparty and the level of risk concentration. E.SUN also perform regular inspection and review of the suitability of limits in order to achieve our goal of mitigate concentrated risk. E.SUN have established an appropriate credit risk control

environment, which includes credit approval procedures, credit management, and assessment and supervision procedures. E.SUN regularly report the state of credit risk control to management, the risk management committee, and the board.

ii. Market Risk Management

Relevant risk factors are included in the evaluation system for E.SUN's financial asset holdings, also reports are provided to decision-making management which contains the fair value, trading profits/losses of transactions, level of exposure and the adequacy of risk management assessment. These reports are also submitted periodically to the Risk Management Committee and the Board of Directors.

iii. Operational Risk:

Apart from regularly checking whether the implementation of business complies with operating guidelines, E.SUN also continues to track and improve the internal audits and internal control opinions concerning shortcomings in order to respond to risks. In accordance with the "Operational risk loss incident notification guidelines." E.SUN FHC's risk management unit regularly compiles the content of risk loss incident notification from subsidiaries, and reports to the risk management committee and board. With regard to major operating risk issues and state of risk exposure, The Company also complies regular summaries and reports to management, the risk management committee, and board in order to ensure continuous monitoring of operational risk management.

(d) Hedging and Risk Mitigation Policies; Strategies and Processes to Monitor the Continued Effectiveness of Risk Avoidance and Risk Mitigation Tools – Applicable to All Subsidiaries

E.SUN FHC and its subsidiaries seek collateral, third-party guarantees and trade credit derivative products to hedge against the risk. E.SUN will also use a trading counterparty's deposits to offset that party's liabilities. It also engages in asset securitization to transfer risk. E.SUN has set up internal risk control mechanisms and also complies with rules and systems set by regulatory agencies. E.SUN will adjust its measures based on the developments in the domestic and foreign economic and banking environment. These measures ensure the continued effectiveness of risk hedging and risk mitigation tools.

(3) Effect on the Company's finances and operations of important policies adopted and changes in the legal environment at home and abroad, and measures taken in response:

a. Implementation of system to control of money laundering and counter terrorism financing

(a) Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG). In order to re-establish cash flow order, enhance both government and private institution prevention of money laundering, strengthen Taiwan's anti-money laundering situation, and improve the international legal system collaboration, we amended the Anti Money Laundering Law on December 28, 2016 in accordance with the forty recommendations of the Financial Action Task Force (FATF) and international agreements and legislation. The Anti Money Laundering Law was put into effect on June 28, 2017. The Financial Supervisory Commission also established its Financial Institution Anti Money Laundering Guidelines according to the law.

(b) In order to recommendations and realize control of money laundering and counter recommendations, "E.SUN Bank revised the recommendations" in accordance and regulations on August 11, 2017. E.SUN Securities has begun revising internal regulations to facilitate the use of risk-based methods to confirm customers' identities and continuing review mechanisms, and verify the shareholder structures of institutional or trust customers and the actual beneficiaries. In accordance with our three lines of defense, we have confirmed the effectiveness of our plan to control money laundering and counter shareholder structures.

b. Implementing three internal control three lines of defense.

(a) The Financial Supervisory Commission amended and announced the Administration Directions for Financial Holding Companies and Bank Internal Control and Audit System Operation on March 22, 2017 to strengthen the board of directors for financial institutions and the Audit Commission's business management and regulatory compliance functions, ensuring that the three lines of defense are thoroughly carried out via internal controls.

(b) We have established the E.SUN Bank Internal Control System, E.SUN Bank Regulation Compliance Policy and Administration Directions for the E.SUN Bank

Regulation Compliance System in accordance with the Administration Directions for Financial Holding Companies and Bank Internal Control and Audit System Operation. We combine the concept and spirit of the three lines of defense in internal control system so that the board of directors and management can effectively maintain it. Furthermore, we require managers to take part in orientation and on-the-job training to ensure that the managers who are responsible for regulatory compliance are aware of the latest changes in regulations.

c. Enforcement of the Dodd-Frank Act

(a) Resolution plan: According to DFA Sec.165 rules, ESUN Financial Holdings' non-bank-related business total assets in the U.S. is under US\$100 billion; therefore, we have submitted a simplified clean-up and are required to complete the declaration to the Federal Reserve Bank and Federal Deposit Insurance Corporation before December 31, 2017. E.SUN Financial Holdings and our bank have submitted the clean-up project report to the board of directors, and the report was approved on November 2, 2017. We also completed the declaration to the FRB and the FDIC on December 14, 2017.

(b) Enhanced Prudential Standards (EPS). Also known as Regulatory YY, enhanced prudential standards (EPS) are prescribed by Article 165 of the Dodd-Frank Act, and require grading-type controls on financial institutions' capital requirements, leverage restrictions, liquidity requirements, stress testing, and risk management requirements. Since the Bank's current aggregate global assets have already exceeded US\$50 billion, it will report on risk management of its US branch organizations during the first quarter of 2017 in accordance with 2nd level regulations. In 2017, we have reported to FRB regarding our Risk Management Committee, capital stress test, Risk-Based and Leverage capital requirement, liquidity risk management, and internal liquidity stress test report.

d. Hong Kong Recovery Plan

Hong Kong Monetary Authority announced its Supervisory Policy Manual RE-1 (SPM RE-1) in 2014, requiring authorized financial institutions to submit recovery plans within a limited period once receiving the HKMA notice. The HKMA required institutions to divide the process into three parts. The first two parts of the recovery program are suitable for G-SIBs that apply the international system. HKMA announced the instructions for the third part in July 2017, which was designed for the banks in Hong Kong and smaller-scale financial institutions, requiring them to submit the recovery plans before the end of September 2018. We have begun to employ consultants who will assist us with designing the projects.

e. Implementation of the European Market Infrastructure Regulation (EMIR)

- (a) Derivative margin requirement: At its 2009 summit, the G20 resolved to perform monitoring of all OTC derivatives in order to reduce systemic risk and increase market transaction counterparty risk tolerance.
 - i. All standard derivatives must be cleared through central counterparty, and grading-type control of financial institutions must be performed. Since the Bank is subject to 2nd level regulations, it completed centralized clearing platform establishment and performed relevant matters.
 - ii. For non-standard derivatives, the Bank has affected the Variation Margin framework on March 2017 and also complete the revision of agreement of Variation Margin before the regulation take effect.

f. The Markets in Financial Instruments Directive (MiFID)

In order to enhance the transparency of international exchange markets and lower the potential risks in financial product exchange parties, the EU has established the Markets in Financial Instruments Directives (MiFID), requiring bonds, stocks, and derivative products in international exchange markets to comply with the following instructions:

- (a) Legal Entity Identifier (LEI): According to Trading

Transparency, which took effect on January 1, 2018 and required require all the financial participant to have a sole LEI, we applied for a LEI in 2014.

- (b) Eligible Counterparty: According to the MiFID, institutions are required to classify require all the financial participant such as according to registration (within the EU or not), financial institution insurance, investment banks, private funds, government institution, etc. As a non-EU bank, we will comply with related regulations.
- (c) Trade Venue: According to MiFID's Trading Obligation, financial product exchanges are allowed in multiple fields. Our current exchange fields include Regulated Market (RM), Multi-lateral trading Facility (MTF), Organised trading Facility (OTF), and Systematic Internalisers (SI). All of the above fields are EU-authorized trading venue.

g. Common Reporting Standard, (CRS)

- (a) The Organization for Economic Cooperation and Development (OECD) announced in July 2017 that it has developed a mutually beneficial tax information exchange system. The countries which participate in the system are required to establish or amend their local regulations, requiring their financial institutions to recognize account holders' tax identities and declare to local tax institutions in accordance with CRS's instructions, providing the tax institutions in other participating countries with their taxpayers' information.
- (b) Our overseas branch offices, including those in China, Hong Kong, Singapore, Japan, and Australia, have signed the tax agreement and employed consultants to help with organizing the programs. The branch offices in Hong Kong, Singapore, and Japan began the new account assessment process in January 2017 (the branch offices in Australia and China began in July 2017) and completed the assessment of the current high net worth accounts. Other account assessment will be completed before the end of 2018, and the first declaration will be carried out in May 2018.
- (c) The Ministry of Finance announced the Regulations for Financial Institution Joint Declaration and Due Diligence. We will begin our due diligence in 2019 and exchange information with other countries or regions for the first time in 2020. We will continue complying with the authorities' orders and organize related programs with the assistance of external consultants.

(4).Effect of technological changes and the industry's transformation on E.SUN FHC's financial services, and response measures

Multi-channel payments have become a new trend due to prosperous international e-commerce, cross-border consumption, and mobile payment, causing complicated fraudulent uses to increase. E.SUN Bank is aware of the increased credit card loading amounts caused by mobile payment and the management difficulties that card-issuing institutions face due to the enormous trading volumes. We have developed our own anti-fraud system through automatic model calculation, behavioral simulation, and prediction to replace manual assessment of exchange digits. The system can effectively detect suspicious and fraudulent exchanges which participate risks, resulting in a more efficient personnel arrangement and lowering the personnel cost in monitoring. The system enhances the efficiency and accuracy in detection, offering secured services and ensuring client rights. We have also established an anti-money laundering and information security monitoring group in order to collaborate with the Financial Supervisory Committee on preventing money laundering, criminals from laundering money with credit cards and providing a friendly and secure payment environment for our clients.

(5) Effect of reputation change on E.SUN FHC and subsidiaries' response measures

The Company and its subsidiaries are dedicated to establishing themselves as a model of corporate governance that provides one-stop financial services while adhering strictly to the laws, regulations and regulatory requirements, ensures transparency in disclosure of stakeholder transactions, avoids conflict of interest, and endeavors to protect shareholders' rights and interests. The Company is constantly refining the systems of risk management, education and training, and employee benefits in an effort to maintain a sound business practice. The Company is also a strong supporter of charitable causes and environmental campaigns. With respect to its corporate image, the Company will respond promptly to any incident that has led to a damaged or tarnished image and proceed with improvement in order to set an example for socially responsible corporations.

The Company's emphasis on its corporate social responsibilities and customer service has won the affirmation of the public and international organizations. In 2017, E.SUN FHC was included as a constituent stock in the Dow Jones Sustainability Index (DJSI), won its 10th consecutive Taiwan's Excellence in Corporate Social Responsibility Award from Commonwealth Magazine, and won Wealth Magazine's CSR Award in the financial holding company category, Brand Image Award (gold) in the banking category, and Customer Service and Product Award (gold) in the banking category. Both E.SUN Bank and E.SUN Securities received Wealth Magazine's newly-added Financial Technology Applications Innovation Award. In addition, the well-known The Asset, and Global Finance magazines honored E.SUN Commercial Bank as "Taiwan's Best Bank" on the basis of its financial performance and financial innovation.

In the future, E.SUN will continue to focus on customer's need through financial innovation. We aim to enhance overall performance by linking online to offline business, enhancing overall service quality and operation efficiency to win customers' trust and respect.

(6) Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures:None.

(7) Risks from Concentration of Operations, and Countermeasures

a. Business concentration

The Bank will continue to pay attention to macroeconomic trends and changes in the financial industry and other industries, adjust its business development strategies as needed, and monitor both risk and profitability.

b. Transaction counter party concentration

Determine risk limits on the basis of industry type and the group, and adjust risk limits in accordance with the state of the economy and the risk circumstances.

c. Concentration of secured business

(a) Determine risk limits based on the type of collateral, area, and maintain strict controls.

(b) In order to avoid excessive concentration of banks real estate loans, based on the need to control real estate credit risk, the Financial Supervisory Commission requires all banks to perform self-management of their real estate loan concentration percentage, and determine monitoring mechanisms and indicators.d. concentration of unsecured loan

d. Concentration of unsecured loan

In avoidance of overly concentrated in special loan cases, in which borrowers' are too elder, credit score too low, DBR (debt burden ratio) too high, E.SUN Bank has regulated credit limit for similar loan cases. The loan balance are monitored on a quarterly basis to effectively manage the credit risk.

(8) Impact of the Transfer of Stakes Held by Directors, Supervisors or Major Shareholders Holding Stakes Over 1 %, Possible Risks and Countermeasures

As of the end of 2017, no directors, supervisors or major shareholders with a stake of over 1% transferred stakes to another party.

(9) Influence of Changes in Ownership of the FHC ,Possible Risks and Countermeasures:

As of the end of 2017, there is no significant change in ownership.

(10) Litigious or Non-litigious Incidents: None.

(11) Other Major Risks and Countermeasures: None.

2. Crisis Handling Mechanism

E.SUN FHC and its subsidiaries abide by standard operating procedures and rules set forth in the Guidelines on Emergency Response and Crisis Management. Staying alert all the time, they take a preemptive approach toward preventing occurrence of any crisis. In addition, drills are carried out regularly to ensure that the established crisis management measures are effective and to further enhance overall preparedness and responsiveness. A set of Operating Regulations for Emergency Responses to Personal Data Infringement is put in place as the framework for preventing, reporting and handling incidents of the sort as well as taking other precautionary measures. Separately, both E.SUN FHC and its subsidiaries have set up their crisis management task forces and assigned emergency liaison officers. In the event of an emergency or other abnormal incident, they are supposed to promptly decide on response measures that are to be implemented systematically and effectively. Timely reporting is also imperative to ward off escalation of a given crisis. Equally important is consistent review and improvement to help reduce response costs and strengthen preventive and responsive capabilities

3. Disclosure of Evaluation for Financial Products

For all the financial products underwrite by E.SUN, besides those whose value can be quoted from open market such as the closing price of future for commodities, other OTC derivatives, the value are calculated via the company's evaluation system.

4. Other Important Issues

Operational Procedures for Handling Material Information: The Company has adopted a set of Operational Procedures for Handling Material Information and made it known that this is meant to be observed by all employees and board directors alike.

Appendix

E.SUN Financial Holding Company, Ltd. and Subsidiaries
Consolidated Financial Statements for the Years Ended December 31, 2017 and 2014
and Independent Auditors' Report

Address: 14F, No.117 & 1F No.115, Sec.3, Minsheng E. Rd., Songshan District, Taipei, Taiwan
Telephone +8862 2175131

**E.SUN Financial Holding Company, Ltd.
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
E.SUN Financial Holding Company, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of E.SUN Financial Holding Company, Ltd. (ESFHC) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2017 are described as follows:

Allowances for Possible Losses on Loans

The Company is engaged principally in providing loans to customers. As of December 31, 2017, the net amount of discounts and loans of the Company is NT\$1,211,071,275 thousand, which represents approximately 58% of total consolidated assets, and is considered material to the consolidated financial statements as a whole. The Company's management performs loan impairment assessment through reviewing portfolios of loans per month and makes a judgement on whether to recognize impairment losses based on if any observable evidence indicates the possible occurrence of impairment events exists. The amount of impairment losses is the difference between the asset's carrying amount and the present value of estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate. Also, the allowance provision has to comply with relevant regulations issued by authorities. Impairment loss on loans is recognized by reducing its carrying amount through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. For accounting policies and relevant information about loan impairment assessment, please refer to Notes 4, 5, and 12 to the consolidated financial statements. We determined allowances for possible losses on loans to be a key audit matter for the year ended December 31, 2017 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

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

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Company's loan impairment assessment.
2. Sample individually assessed loans and assess the assumptions used to estimate future cash flows and the reasonableness of the value of collateral.
3. Obtain an understanding of and perform test on the assumptions for and critical factors of collectively assessed loans, including the possibility of the impairment and the recoverability of loan balances, used in the impairment assessment model to verify whether the real outcome of each loan portfolio can be reflected.
4. Test the classification of credit assets in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

Goodwill Impairment Assessment

The Company's management performs goodwill impairment assessment annually. When performing goodwill impairment assessment, the Company's management needs to determine the value in use of cash-generating units (CGUs) to which goodwill has been allocated. To determine value in use, the Company's management has to estimate the expected future cash flows generated from CGUs and applies the appropriate discount rate to those future cash flows. For accounting policies and relevant information about goodwill impairment assessment, please refer to Notes 4, 5, and 17 to the consolidated financial statements. We determined goodwill impairment assessment to be a key audit matter for the year ended December 31, 2017 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

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

1. Assess the methodology and assumptions used in goodwill impairment assessment applied by the Company's management.
2. Perform sensitivity analysis in order to assess the extent to which a change in the key assumptions could indicate the risk of an impairment.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2018

Notice to Readers

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

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 55,095,081	3	\$ 36,813,204	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	76,080,043	4	62,731,770	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 38)	408,918,355	20	366,689,364	20
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 38)	170,745,924	8	141,645,924	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 10)	-	-	173,470	-
RECEIVABLES, NET (Notes 4, 11, 37 and 38)	94,083,377	5	83,935,869	5
CURRENT TAX ASSETS (Notes 4 and 34)	5,054	-	33	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 37 and 38)	1,211,071,275	58	1,118,148,669	59
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4, 13 and 38)	3,078,813	-	3,616,960	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 14 and 28)	13,571,397	1	31,009,269	2
INVESTMENT PROPERTIES, NET (Notes 4 and 15)	1,960,511	-	2,033,334	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	28,209,309	1	26,439,666	1
INTANGIBLE ASSETS, NET (Notes 4 and 17)	6,222,969	-	6,241,852	-
DEFERRED TAX ASSETS (Notes 4 and 34)	954,988	-	438,264	-
OTHER ASSETS, NET (Notes 4, 18 and 27)	<u>4,391,191</u>	<u>-</u>	<u>4,382,542</u>	<u>-</u>
TOTAL	<u>\$ 2,074,388,287</u>	<u>100</u>	<u>\$ 1,884,300,190</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 19)	\$ 66,652,215	3	\$ 52,516,006	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 24)	43,439,501	2	42,145,098	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9 and 20)	12,200,468	1	8,881,723	1
COMMERCIAL PAPER ISSUED, NET (Note 21)	4,895,219	-	2,557,414	-
PAYABLES (Notes 4, 22 and 37)	31,332,005	2	27,503,039	1
CURRENT TAX LIABILITIES (Notes 4 and 34)	1,948,106	-	1,636,966	-
DEPOSITS AND REMITTANCES (Notes 23 and 37)	1,712,278,637	83	1,557,116,388	83
BOND PAYABLES (Note 24)	42,550,000	2	48,950,000	3
OTHER BORROWINGS (Note 25)	1,283,797	-	3,592,271	-
PROVISIONS (Notes 4, 26 and 27)	505,300	-	442,271	-
OTHER FINANCIAL LIABILITIES (Note 28)	5,519,631	-	6,903,561	-
DEFERRED TAX LIABILITIES (Notes 4 and 34)	697,535	-	925,546	-
OTHER LIABILITIES (Note 29)	<u>2,137,442</u>	<u>-</u>	<u>1,948,549</u>	<u>-</u>
Total liabilities	<u>1,925,439,856</u>	<u>93</u>	<u>1,755,118,832</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF ESFHC				
Capital stock				
Common stock	<u>101,855,000</u>	<u>5</u>	<u>87,654,000</u>	<u>5</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	21,146,645	1	17,276,185	1
From treasury stock transactions	<u>3,382,484</u>	<u>-</u>	<u>3,382,484</u>	<u>-</u>
Total capital surplus	<u>24,529,129</u>	<u>1</u>	<u>20,658,669</u>	<u>1</u>
Retained earnings				
Legal reserve	7,973,975	-	6,677,949	-
Special reserve	164,235	-	164,235	-
Unappropriated earnings	<u>13,873,907</u>	<u>1</u>	<u>12,960,263</u>	<u>1</u>
Total retained earnings	<u>22,012,117</u>	<u>1</u>	<u>19,802,447</u>	<u>1</u>
Other equity	<u>445,970</u>	<u>-</u>	<u>409,359</u>	<u>-</u>
Total equity attributable to owners of ESFHC	148,842,216	7	128,524,475	7
NON-CONTROLLING INTERESTS	<u>106,215</u>	<u>-</u>	<u>656,883</u>	<u>-</u>
Total equity	<u>148,948,431</u>	<u>7</u>	<u>129,181,358</u>	<u>7</u>
TOTAL	<u>\$ 2,074,388,287</u>	<u>100</u>	<u>\$ 1,884,300,190</u>	<u>100</u>

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 30 and 37)	\$ 33,008,486	72	\$ 29,823,991	72	11
INTEREST EXPENSE (Notes 4, 30 and 37)	<u>(12,758,870)</u>	<u>(28)</u>	<u>(11,239,320)</u>	<u>(27)</u>	14
NET INTEREST	<u>20,249,616</u>	<u>44</u>	<u>18,584,671</u>	<u>45</u>	9
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 31 and 37)	15,775,972	34	15,548,570	38	1
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 32)	1,057,940	2	5,287,454	13	(80)
Realized gains on available-for-sale financial assets (Note 4)	725,045	2	525,402	1	38
Foreign exchange gains, net (Note 4)	7,950,203	17	773,239	2	928
Impairment losses on assets (Notes 4, 14 and 15)	(50,107)	-	(7,009)	-	615
Gains on financial assets carried at cost, net (Note 4)	132,493	-	90,687	-	46
Other noninterest gains, net	<u>266,027</u>	<u>1</u>	<u>261,818</u>	<u>1</u>	2
Total net revenues and gains other than interest	<u>25,857,573</u>	<u>56</u>	<u>22,480,161</u>	<u>55</u>	15
TOTAL NET REVENUES	<u>46,107,189</u>	<u>100</u>	<u>41,064,832</u>	<u>100</u>	12
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON GUARANTEES (Notes 4 and 12)	<u>(4,055,371)</u>	<u>(9)</u>	<u>(3,463,088)</u>	<u>(8)</u>	17

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 4, 15, 16, 17, 27, 33 and 37)					
Employee benefits	\$ (11,228,792)	(24)	\$ (10,184,405)	(25)	10
Depreciation and amortization	(1,874,027)	(4)	(1,534,827)	(4)	22
General and administrative	<u>(12,076,126)</u>	<u>(26)</u>	<u>(10,676,840)</u>	<u>(26)</u>	13
Total operating expenses	<u>(25,178,945)</u>	<u>(54)</u>	<u>(22,396,072)</u>	<u>(55)</u>	12
INCOME BEFORE INCOME TAX	16,872,873	37	15,205,672	37	11
INCOME TAX EXPENSE (Notes 4 and 34)	<u>(2,218,434)</u>	<u>(5)</u>	<u>(2,222,490)</u>	<u>(5)</u>	-
NET INCOME FOR THE YEAR	<u>14,654,439</u>	<u>32</u>	<u>12,983,182</u>	<u>32</u>	13
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 27 and 34):					
Remeasurement of defined benefit plans	(58,617)	-	18,979	-	(409)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(42,931)	-	(46,523)	-	(8)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>34</u>	<u>-</u>	<u>574</u>	<u>-</u>	(94)
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>(101,514)</u>	<u>-</u>	<u>(26,970)</u>	<u>-</u>	276

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss (Notes 4 and 34):					
Exchange differences on the translation of financial statements of foreign operations	\$ (929,411)	(2)	\$ (1,509,489)	(4)	(38)
Unrealized gains (losses) on available-for-sale financial assets	861,454	2	(1,174,588)	(3)	173
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>98,814</u>	<u>-</u>	<u>234,704</u>	<u>1</u>	(58)
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>30,857</u>	<u>-</u>	<u>(2,449,373)</u>	<u>(6)</u>	101
Other comprehensive loss for the year, net of income tax	<u>(70,657)</u>	<u>-</u>	<u>(2,476,343)</u>	<u>(6)</u>	(97)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 14,583,782</u>	<u>32</u>	<u>\$ 10,506,839</u>	<u>26</u>	39
NET INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$ 14,756,556	32	\$ 13,135,212	32	12
Non-controlling interests	<u>(102,117)</u>	<u>-</u>	<u>(152,030)</u>	<u>-</u>	(33)
	<u>\$ 14,654,439</u>	<u>32</u>	<u>\$ 12,983,182</u>	<u>32</u>	13
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$ 14,721,101	32	\$ 10,673,795	26	38
Non-controlling interests	<u>(137,319)</u>	<u>-</u>	<u>(166,956)</u>	<u>-</u>	(18)
	<u>\$ 14,583,782</u>	<u>32</u>	<u>\$ 10,506,839</u>	<u>26</u>	39
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 35)					
Basic	<u>\$ 1.49</u>		<u>\$ 1.40</u>		
Diluted	<u>\$ 1.48</u>		<u>\$ 1.39</u>		

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

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of ESFHC										
	Other Equity										Total Equity
	Capital Stock (Note 36)					Retained Earnings (Notes 4, 36 and 48)		Exchange Differences on the Translation of Financial Statements of Foreign Operations (Notes 4 and 48)	Unrealized Gains on Available-for-sale Financial Assets (Notes 4 and 48)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss (Note 4)	
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 36)	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2016	7,951,700	\$ 79,517,000	\$ 20,501,164	\$ 5,409,976	\$ 164,235	\$ 12,679,733	\$ 1,096,236	\$ 1,703,695	\$ (144,933)	\$ 733,792	\$ 121,660,898
Appropriation of 2015 earnings											
Legal reserve	-	-	-	1,267,973	-	(1,267,973)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(3,419,231)	-	-	-	-	(3,419,231)
Stock dividends	795,170	7,951,700	-	-	-	(7,951,700)	-	-	-	-	-
Issuance of common stock from employees' compensation	18,530	185,300	157,505	-	-	-	-	-	-	-	342,805
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	97,662	97,662
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(7,615)	(7,615)
Net income for the year ended December 31, 2016	-	-	-	-	-	13,135,212	-	-	-	(152,030)	12,983,182
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(215,778)	(1,241,472)	(1,193,982)	189,815	(14,926)	(2,476,343)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	12,919,434	(1,241,472)	(1,193,982)	189,815	(166,956)	10,506,839
BALANCE AT DECEMBER 31, 2016	8,765,400	87,654,000	20,658,669	6,677,949	164,235	12,960,263	(145,236)	509,713	44,882	656,883	129,181,358
Appropriation of 2016 earnings											
Legal reserve	-	-	-	1,296,026	-	(1,296,026)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,645,662)	-	-	-	-	(4,645,662)
Stock dividends	701,232	7,012,320	-	-	-	(7,012,320)	-	-	-	-	-
Issuance of common stock from employees' compensation	18,868	188,680	163,208	-	-	-	-	-	-	-	351,888
Capital increase	700,000	7,000,000	3,500,000	-	-	-	-	-	-	-	10,500,000
Share-based payment for the subscription of new shares by employees	-	-	207,252	-	-	-	-	-	-	-	207,252
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(8,730)	(8,730)
Acquisition of interest in subsidiary	-	-	-	-	-	(830,475)	12,160	1,477	-	(404,619)	(1,221,457)
Net income for the year ended December 31, 2017	-	-	-	-	-	14,756,556	-	-	-	(102,117)	14,654,439
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(58,429)	(744,227)	810,226	(43,025)	(35,202)	(70,657)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	14,698,127	(744,227)	810,226	(43,025)	(137,319)	14,583,782
BALANCE AT DECEMBER 31, 2017	10,185,500	\$ 101,855,000	\$ 24,529,129	\$ 7,973,975	\$ 164,235	\$ 13,873,907	\$ (877,303)	\$ 1,321,416	\$ 1,857	\$ 106,215	\$ 148,948,431

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 16,872,873	\$ 15,205,672
Adjustments for:		
Depreciation expenses	1,271,592	1,060,439
Amortization expenses	602,435	474,388
Bad-debt expenses	4,049,208	3,499,818
Gains on financial assets and liabilities at fair value through profit or loss	(1,057,940)	(5,287,454)
Interest expense	12,758,870	11,239,320
Interest revenue	(33,008,486)	(29,823,991)
Dividend income	(336,702)	(261,555)
Provision (reversal of provision) for losses on guarantees	6,163	(36,730)
Salary expenses on share-based payments	584,629	353,146
Losses on disposal of properties and equipment	29,876	8,564
Gains on disposal of investments	(557,629)	(394,214)
Impairment losses on financial assets	50,452	6,884
Impairment losses on non-financial assets	-	125
Reversal of impairment losses on non-financial assets	(345)	-
Unrealized losses on foreign currency exchange	1,870	904
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	(12,748,087)	1,910,456
Increase in financial assets at fair value through profit or loss	(28,056,853)	(7,058,182)
Increase in available-for-sale financial assets	(30,526,311)	(13,847,782)
Decrease in securities purchased under resell agreements	140,934	755,910
Increase in receivables	(10,513,190)	(6,075,678)
Increase in discounts and loans	(96,024,898)	(99,950,321)
Decrease in held-to-maturity financial assets	501,592	1,528,142
Decrease in other financial assets	17,182,628	12,174,729
Decrease (increase) in other assets	(36,147)	538,319
Increase (decrease) in due to the Central Bank and other banks	14,136,209	(18,654,124)
Decrease in financial liabilities at fair value through profit or loss	(16,505,702)	(1,723,578)
Increase in securities sold under repurchase agreements	3,318,745	847,332
Increase in payables	3,409,999	5,386,304
Increase in deposits and remittances	155,162,249	100,722,439
Decrease in provision for employee benefits	(3,244)	(4,915)
Decrease in provisions	(1,411)	(859)
Increase (decrease) in other financial liabilities	(1,475,778)	5,575,519
Increase in other liabilities	25,946	85,249
Cash used in operations	(746,453)	(21,745,724)
Interest received	39,299,425	36,046,150
Dividend received	353,254	272,227
Interest paid	(13,015,804)	(12,532,875)
Income tax paid	(2,548,764)	(1,791,980)
Net cash generated from operating activities	23,341,658	247,798

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow on acquisition of subsidiary (Note 49)	\$ -	\$ (140,651)
Payments for properties and equipment	(3,239,211)	(2,670,682)
Proceeds from disposal of properties and equipment	1,008	51
Decrease in operating deposits	30,000	15,000
Increase in settlement fund	(2,016)	(1,710)
Decrease in settlement fund	137	13,922
Increase in refundable deposits	(65,499)	-
Decrease in refundable deposits	-	1,412,697
Payments for intangible assets	(480,719)	(425,101)
Payments for investment properties	-	(56,613)
Increase in other assets	<u>(4,346)</u>	<u>(5,480)</u>
Net cash used in investing activities	<u>(3,760,646)</u>	<u>(1,858,567)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(269,966)	(246,326)
Increase in commercial paper issued	2,338,841	278,167
Proceeds from issue of corporate bonds	1,100,000	900,000
Repayments of corporate bonds	(2,000,000)	-
Repayments of bank debentures	(5,500,000)	(2,700,000)
Proceeds from long-term borrowings	767,608	2,582,320
Repayments of long-term borrowings	(2,766,867)	-
Increase in guarantee deposits received	91,848	8,084
Cash dividends paid to owners of ESFHC	(4,645,662)	(3,419,231)
Capital increase	10,500,000	-
Cash dividends paid to non-controlling interests	(8,730)	(7,615)
Change in non-controlling interests (Note 48)	<u>(1,221,457)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,614,385)</u>	<u>(2,604,601)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>905,286</u>	<u>1,590,689</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,871,913	(2,624,681)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>39,178,703</u>	<u>41,803,384</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 58,050,616</u>	<u>\$ 39,178,703</u>

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	December 31	
	2017	2016
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2017 AND 2016		
Cash and cash equivalents in the consolidated balance sheets	\$ 55,095,081	\$ 36,813,204
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	2,955,535	2,332,963
Securities purchased under resell agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	-	32,536
Cash and cash equivalents at the end of the year	<u>\$ 58,050,616</u>	<u>\$ 39,178,703</u>

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

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

E.SUN Financial Holding Company, Ltd. (ESFHC) was established by E.SUN Commercial Bank, Ltd. (E.SUN Bank), E.SUN Bills Finance Corp. (E.SUN Bills) and E.SUN Securities Corp. (E.SUN Securities) through a share swap on January 28, 2002 based on the Financial Holding Companies Law and related regulations in the Republic of China (ROC). The ESFHC's shares have been listed on the Taiwan Stock Exchange (TSE) since January 28, 2002. After the share swap, E.SUN Bank, E.SUN Bills and E.SUN Securities became wholly owned subsidiaries of ESFHC.

ESFHC invests in and manages financial institutions.

E.SUN Bank engages in banking activities permitted by the Banking Law. The operations of E.SUN Bank's Trust Department consist of planning, managing and operating the trust business. These operations are regulated under the Banking Law and Trust Law of the ROC. As of December 31, 2017, E.SUN Bank had a business department, an international banking department, a trust department, a credit card and payment division, an offshore banking unit (OBU), an insurance agent department, 7 overseas branches, and 137 domestic branches.

To integrate resources, enhance operating effectiveness, strengthen E.SUN Bank's equity structure, and ensure its long-term development, the stockholders of E.SUN Bank and E.SUN Bills resolved E.SUN Bank's merger with E.SUN Bills on August 25, 2006, to have a merger with each other, with E.SUN Bank as the surviving entity. The effective date of this merger is December 25, 2006.

E.SUN Bank acquired the assets, liabilities, and business of Chiayi The Fourth Credit Cooperative and Chu Nan Credit-Cooperative Association on November 3, 2012 and July 9, 2011, respectively.

Union Commercial Bank PLC. (UCB) was founded in March 1994, under the Laws of the Kingdom of Cambodia. UCB is engaged in banking activities permitted by the Laws of the Kingdom of Cambodia. E.SUN Bank acquired 70% equity interest of UCB on August 28, 2013, and on December 29, 2015, E.SUN Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%. E.SUN Bank acquired residual 25% equity interest of UCB on August 25, 2017. Please refer to Note 48.

In January 2016, E.SUN Bank (China), Ltd. (ESBC) began its formal launch after acquiring the approval of the Financial Supervisory Commission (FSC) and the China Bank Regulatory Commission. The registered capital of ESBC is CNY2 billion, and ESBC has been opened on March 11, 2016. ESBC is engaged in banking activities permitted by the Laws of Mainland China.

E.SUN Securities, as an integrated securities firm, engages in underwriting, dealing and brokerage of securities. The FSC approved the brokerage of futures on January 28, 2010 and E.SUN Securities started the operating in brokerage of futures on June 7, 2010. In addition, the FSC approved the dealing of futures on June 4, 2014 and E.SUN Securities started the operating in dealing of futures on June 12, 2014.

E.SUN Venture Capital Co., Ltd. (ESVC) engages in venture capital investments.

E.SUN Insurance Broker Co., Ltd. (ESIB) is a life and property insurance broker.

To expand economies of scale, improve integrated marketing, reduce operating costs and develop operating synergy, the stockholders of E.SUN Bank and ESIB resolved E.SUN Bank's merger with ESIB on August 21, 2015, with E.SUN Bank as the surviving entity. The effective date of this merger is March 25, 2016.

To expand business in electronic commerce, E.SUN Bank's board of directors resolved the acquisition of 7,875 thousand common shares of BankPro E-Service Technology Co., Ltd. (BankPro) on November 13, 2015. This acquisition was approved by the authorities and settled on January 11, 2016, and BankPro was included in the consolidated financial statements from the acquisition date. Please refer to Note 49.

BankPro is engaged in retail sale of computer software, software design service, data processing service, digital information supply service and business consultant.

For the years ended December 31, 2017 and 2016, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,733 and 8,337, respectively. For the years ended December 31, 2017 and 2016, the average number of employees of ESBC, UCB and BankPro was 680 and 623, respectively.

The operating units of ESFHC and its subsidiaries (collectively, the Company) maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan Dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved and authorized for issue of the consolidated financial statements in their meeting on March 16, 2018.

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

- a. Influences of the Company initially applied amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related-party and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Please refer to Note 37.

- b. Influences of the Company had applied the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the New IFRSs endorsed and issued into effect by the FSC for application starting from 2018 and the amendments to IFRS 9 for early adoption starting from 2018

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 3)
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Note 3: The amendments to IFRS 9 are not yet endorsed by the FSC; however, the FSC permits that entities may elect to early adopt the amendments starting from 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

- IFRS 9 "Financial Instruments" and related amendment

Classification, measurement, and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value.

For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- 1) For debt instruments held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method; and
- 2) For debt instruments held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign currency exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company elects to early adopt the amendments to IFRS 9 "Prepayment Features with Negative Compensation" when applying IFRS 9 starting from 2018. The amendments stipulated that for the purpose of assessing whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the prepayment amount of a contractual term may include reasonable compensation that shall be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- 1) Equity investments classified as available-for-sale financial assets will be classified as financial assets measured at fair value through profit or loss, and the changes in fair value are recognized in profit or loss; or such equity investments will be designated as at fair value through other comprehensive income, and the gains or losses on the changes in fair value which are accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

Equity investments in unlisted shares carried at cost should be measured at fair value.

- 2) Debt investments classified as available-for-sale and debt instruments with no active market will be classified as at fair value through other comprehensive income because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.
- 3) Debt investments classified as held-to-maturity financial assets and measured at amortized cost will be classified as measured at amortized cost because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment of the Company’s application of the simplified approach to recognize full-lifetime expected credit losses for accounts receivables, contract assets and lease receivables. In relation to the debt instrument investments and the financial guarantee contracts, the Company will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in earlier recognition of credit losses for financial assets.

Transition of classification, measurement and impairment of financial assets

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss	\$ 408,918,355	\$ 3,826,968	\$ 412,745,323
Financial assets at fair value through other comprehensive income	-	171,368,506	171,368,506
Available-for-sale financial assets	170,745,924	(170,745,924)	-
Held-to-maturity financial assets	3,078,813	(3,078,813)	-
Financial assets measured at amortized cost	-	3,662,119	3,662,119
Due from banks	9,024,818	(583,900)	8,440,918
Financial assets carried at cost	3,092,395	(3,092,395)	-
Debt instruments with no active market	596,960	(596,960)	-
Receivables, net	94,083,377	<u>(1,024)</u>	94,082,353
Total effect on assets		<u>\$ 758,577</u>	
Deferred tax liabilities	697,535	\$ 112	697,647
Provision for losses on guarantees	129,547	3,005	132,552
Provision for financing commitments	-	<u>261,249</u>	261,249
Total effect on liabilities		<u>\$ 264,366</u>	
Retained earnings	22,012,117	\$ 172,331	22,184,448
Other equity	445,970	<u>321,880</u>	767,850
Total effect on equity		<u>\$ 494,211</u>	

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company has performed an assessment and found no significant impact on the Company's financial position and financial performance due to the application of other standards and interpretations.

- c. Not yet applied new IFRSs announced by IASB but not yet endorsed by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2021

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019 (Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; the interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities/assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of ESFHC, and the entities controlled by ESFHC, including E.SUN Bank, UCB (subsidiary of E.SUN Bank), ESBC (subsidiary of E.SUN Bank), BankPro (subsidiary of E.SUN Bank), E.SUN Securities, E.SUN Securities Investment Consulting Corp. (subsidiary of E.SUN Securities), ESVC, and ESIB.

The accounting policies of ESFHC and subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. E.SUN Bank's financial statements include the accounts of the Head Office, OBU, and all branches. All intra-bank transactions and balances have been eliminated.

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

For more information on the consolidated entities, please refer to Table 1 (attached).

Foreign-currency Transactions

Foreign-currency transactions of ESFHC, E.SUN Securities, ESVC and ESIB are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Losses or gains resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. The period-end balances of foreign-currency monetary assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as credits or charges to current income.

E.SUN Bank records foreign-currency transactions in the respective currencies in which these are denominated. Every month-end, foreign currency income and expenses are translated into New Taiwan dollars at the prevailing exchange rates. At month-end, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in profit or loss. Nonmonetary assets and liabilities measured at fair value are translated using the prevailing exchange rates at month-end. Translation differences on nonmonetary assets and liabilities measured at fair value are recognized in profit or loss, except for translation difference arising from nonmonetary items of which the change in fair values is recognized in other comprehensive income, in which case, the translation differences are also recognized directly in other comprehensive income. Nonmonetary assets and liabilities that are classified as carried at cost are recognized at the exchange rate on the transaction date.

In preparing the consolidated financial statements, foreign operations' financial statements are translated at the following rates: Assets and liabilities - the prevailing exchange rates on the balance sheet date; and income and expenses - at the average exchange rate for the period. Translation difference net of income tax is recorded as "other comprehensive income" and accumulated in equity, and is attributed to the owner of ESFHC and non-controlling interests.

Current and Noncurrent Assets and Liabilities

Since the operating cycle in the financial holding company and banking industry cannot be reasonably identified, accounts included in the financial statements of ESFHC, E.SUN Bank, UCB and ESBC are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by their liquidity.

Classification of accounts included in the financial statements of the other subsidiaries as current or noncurrent is as follows:

Current assets are assets held for trading purposes, assets expected to be converted to cash, sold or consumed within twelve months from the balance sheet date and cash and equivalents, excluding assets held for an exchange or held to settle a liability at more than twelve months after the balance sheet date and assets that are otherwise restricted. Properties and equipment, investment properties, intangible assets and other assets that are not classified as current are noncurrent assets. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within twelve months from the balance sheet date, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial reports are authorized for issue, or when it does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Liabilities that are not classified as current are noncurrent liabilities. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the banking industry accounts for the major parts of the consolidated accounts. Thus, accounts in the consolidated financial statements are instead categorized by nature and sequenced by their liquidity.

Cash and Cash Equivalents

In the consolidated balance sheet, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheet, due from the central bank, call loans to other banks and securities purchased under resell agreements that correspond to the definition of cash and cash equivalents in IAS 7 - "Statement of Cash Flows," as endorsed and issued into effect by the FSC.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

Financial assets

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

a. Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), available-for-sale (AFS) financial assets, held-to-maturity financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 41.

2) Available-for-sale (AFS) financial assets

AFS financial assets are nonderivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

AFS financial assets are stated at fair value at each balance sheet date. Fair value is determined in the manner described in Note 41.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed or is determined to be impaired.

Cash dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of investee's shares held.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit or loss.

3) Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intent and ability to hold to maturity.

After initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

4) Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, due from the central bank and call loans to other banks, receivables, debt instruments with no active market) are measured at amortized cost using the effective interest method less any impairment.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the asset issuer and debtor;
- The financial assets becoming overdue;
- Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Financial assets carried at amortized cost (loans and receivables) that are individually assessed had no objective evidence of impairment are further assessed collectively for impairment. Objective evidence of impairment for a portfolio of receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on financial assets.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

For AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For AFS debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

Impairment loss on financial asset is recognized by reducing its carrying amount through the use of an allowance account. When financial assets are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Under FSC guidelines, E.SUN Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectability highly doubtful and uncollectable, on the basis of the customers' financial position, valuation of collaterals and the length of time the principal repayments or interest payments have become overdue.

E.SUN Bank made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. Furthermore, the FSC stipulated that banks should make at least 1.5% provisions each before December 31, 2015 and December 31, 2016 for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

Credits deemed uncollectable may be written off if the write-off is approved by the board of directors.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received, receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

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

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

Financial liabilities

a. Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as at FVTPL.

A financial liability is classified as designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

- The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 41.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Company are not designated as at FVTPL and are subsequently measured at the higher of (a) the amount of the obligation under the contract, as determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; or (b) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with revenue recognition policies.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company’s obligations are discharged or cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

Derivatives embedded in nonderivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Overdue Loans

Under FSC guidelines, E.SUN Bank classifies loans and other credits (including accrued interest) that past due for at least six months as overdue loans.

Overdue loans (except other credits) are classified as discounts and loans, and the remaining are classified as other financial assets.

Purchase on Margin and Short Sale

E.SUN Securities recognizes margin loans as loans to customers for purchases on margin while providing financing to investors who buy stocks. Margin loans made by E.SUN Securities are generally collateralized by securities in the client’s account. These collateralized securities are not entered in E.SUN Securities’ books but are recorded using memorandum entries. After the security investors settle the margin loans, these pledged securities would be returned to investors.

On unsettled margin loans, if the collateral maintenance ratio is unmet even after E.SUN Securities disposes of the loan collaterals and the investors do not make supplementary payments on time, E.SUN Securities will recognize overdue receivables on these loans. If the securities in an investor's credit account cannot be disposed of, the security amount should be transferred from margin loans receivables to other receivables or overdue receivables.

E.SUN Securities requires a deposit from security investors for short sale services while providing short sale services to investors. This deposit is recorded under deposits on short-sale transactions. The amount collected from selling of short sale securities (net of securities transaction tax, brokerage fee and handling fee) is kept by E.SUN Securities as collateral and recorded as payables for short-sale transactions. The securities lent to clients as short sale are recorded using memorandum entries. The deposits on short-sale transactions and payables for short sale are returned to security investors after investors settle the short-sale transactions.

The margin deposited by securities firms to securities finance companies are recorded as loan from refinanced margin. The refinancing securities delivered to E.SUN Securities are recorded through memorandum entries as refinancing stock loans. A portion of the proceeds from the short-sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral and is recorded as refinancing deposits receivable.

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Guarantee Deposits Received on Futures Contracts and Customers' Equity Accounts - Futures

E.SUN Securities receive margin deposits from its customers (debited to guarantee deposits received on futures contracts and credited to customers' equity accounts - futures) for futures transactions as required by regulations. Margin deposit balances are calculated daily by marking to market the open position of each customer and determining the required margin levels. The debit balance of "customers' equity accounts - futures," which results from losses on futures transactions in excess of the margin deposit, is recorded as "accounts receivable - futures guarantee deposits." Customers' equity accounts - futures cannot be offset unless these accounts pertain to the same customers.

Customer margin accounts include deposits in bank, securities, the clearing balances of futures clearing house, which are described as follows:

- Deposits in bank represent the amounts of customers' margins and premiums deposited in banks.
- Securities are the instruments collected from futures traders for the margins and premiums when the futures merchants engage in brokerage of futures.
- The deposits held by futures commission merchants (FCMs) for futures transactions are transferred to a clearinghouse of the exchange of which the FCM is a member (a clearing FCM).
- The deposits held by non-member futures commission merchants (FCMs) for futures transactions are transferred to FCM, which is a member (a clearing FCM).

Investment Properties

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

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

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

Properties and Equipment

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

Land for self-use is not depreciated. Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss recognized on the disposal or retirement of an item of property and equipment is the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

Leasing

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

The Company as a lessor

Rental income from operating leases is recognized in revenues over the lease periods on a straight-line basis. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

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

The Company as a lessee

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

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

Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each cash-generating unit (CGU) that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with allocated goodwill arising from the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

Intangible Assets Other Than Goodwill

Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Company examines its estimates of the asset useful lives, residual values, and amortization method, with the effect of any changes in estimate accounted for on a prospective basis. Unless the Company expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero, with the effect of any changes in estimate accounted for on a prospective basis.

Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets (except goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Corporate assets are allocated to the individual CGUs on a reasonable and consistent basis of allocation. The recoverable amount is the higher of fair value less selling costs or value in use.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

Foreclosed Collaterals

Foreclosed collaterals (part of other assets) are recorded at the fair value on recognition and recorded at the lower of cost or net fair value as of the balance sheet date. Net fair value falling below book value indicates impairment, and impairment loss should be recognized. If the net fair value recovers, the recovery of impairment loss is recognized as gain. For foreclosed collaterals that should have been disposed of in the statutory term, unless the disposal period is prolonged, an additional provision for losses should be made and impairment loss should be recognized, as required under a FSC directive.

Provisions

Provision is the best estimate of the consideration required to settle a present obligation at the balance sheet date, taking into account the risks and uncertainties on the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Recognition of Revenue

Interest revenue on loans is recorded on an accrual basis. Under the guidance of the FSC, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection of the loans and credits.

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

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

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

Employee Benefits

Short-term employee benefits

Short-term and non-discounted employee benefits are recognized as expenses in the current period as services are rendered.

Post-employment benefits

Payments to defined contribution post-employment benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit post-employment benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Preferential interest deposits for employees

The preferential interest deposit for entitled employees is for deposits within a certain amount. The preferential rates for employees' deposits in excess of market rate should be treated as employee benefit.

Share-based Payment

The Company's employees subscribed for the reserved shares of E.SUN Financial Holding Company, Ltd., (ESFHC) in accordance with the Financial Holding Company Act, and the Company recognized the fair value of the stock options under salary expenses and under capital surplus for share-based payment on the grant date, i.e., the date when the Company and its employees made an agreement for the employees to subscribe for ESFHC's shares.

Taxation

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

Current income tax

Income tax at a rate of 10% of unappropriated earnings is expensed in the year when the stockholders resolve to retain the earnings.

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

Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences based on the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred taxes arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

ESFHC and subsidiaries elected to file consolidated tax returns. The difference between consolidated income tax payable and the sum of income tax payables of the entities included in consolidated tax return is considered as a tax consolidation adjustment which is shown on ESFHC's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as current tax assets or current tax liabilities.

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expenses as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income that is recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss of the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the Company's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Unless stated in other notes, the following are the critical judgments, assumptions and estimation uncertainty that the Company's management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Impairment losses on loans

The Company monthly assesses loans collectively. When determining whether an impairment loss should be recognized, the Company mainly seeks for observable evidence that indicates impairment. Objective evidence of impairment of a portfolio of loans and receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables. The management uses past loss experience on assets that have similar credit risk characteristics to estimate the expected future cash flows. The Company reviews the methods and assumptions of cash flow estimation regularly to eliminate the difference between expected and actual loss.

b. Impairment of goodwill

The assessment of impairment of goodwill requires the Company to estimate the value in use of the CGUs to which goodwill has been allocated. For calculating the value in use, management is required to estimate the future cash flows expected to arise from each CGU and the discount rate to be used in calculating present value. If the actual cash flow falls below expectation, an impairment loss might be incurred.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 11,906,639	\$ 11,442,996
Checks for clearing	10,495,503	9,731,186
Due from banks	32,590,752	15,627,501
Cash in transit	22,298	11,521
Cash equivalents	<u>79,889</u>	<u>-</u>
	<u>\$ 55,095,081</u>	<u>\$ 36,813,204</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2017 and 2016 are shown in the consolidated statements of cash flows.

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

	December 31	
	2017	2016
Deposit reserves - account A	\$ 22,725,604	\$ 16,177,847
Deposit reserves - account B	38,287,417	36,116,280
Reserves for deposits - foreign currency deposits	423,842	322,790
Due from the Central Bank - other	8,360,993	7,385,911
Deposit in the Central Bank - deposits of government agencies	6,284	7,507
Call loans to banks	4,843,647	2,129,228
Banks overdrafts	-	594,056
Trade finance advance - interbank	<u>1,492,400</u>	<u>-</u>
	76,140,187	62,733,619
Less: Allowance for possible losses	<u>(60,144)</u>	<u>(1,849)</u>
	<u>\$ 76,080,043</u>	<u>\$ 62,731,770</u>

As required by law, the deposit reserves are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts held by E.SUN Bank. The deposit reserves - account B is subject to withdrawal restrictions, but deposit reserves - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the “Directions for a National Treasury Agent Bank Acting on Behalf of the Central Bank of the Republic of China Handling National Treasury Matters,” E.SUN Bank redeposits 60% of the receipts of deposit of government agencies in the Central Bank of the Republic of China, and the amount is subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
<u>Held-for-trading financial assets</u>		
Negotiable certificates of deposits	\$ 237,642,004	\$ 232,198,142
Commercial paper	54,287,282	20,474,875
Currency swap contracts	3,038,019	4,157,975
Interest rate swap contracts	1,098,268	1,094,587
Currency option contracts	630,142	3,145,626
Forward contracts	443,540	630,755
Operating securities - hedging	422,860	137,045
Listed stocks	340,016	332,690
Futures exchange margins	219,884	321,314
Beneficial certificates	209,457	109,166
Bank debentures	88,659	-
Operating securities - underwriting department	30,420	8,232
Operating securities - dealing department	26,593	89,636
Non-deliverable forward contracts	17,135	4,765
Metal commodity swap contracts	11,441	6,045
Taiwan depositary receipts	1,918	2,430
Cross-currency swap contracts	148	3,253
Taiwan stock index option contracts	2	-
Treasury bills	-	499,064
	<u>298,507,788</u>	<u>263,215,600</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Corporate bonds	59,110,659	59,813,073
Bank debentures	49,740,994	42,858,597
Overseas government bonds	<u>1,558,914</u>	<u>802,094</u>
	<u>110,410,567</u>	<u>103,473,764</u>
	<u>\$ 408,918,355</u>	<u>\$ 366,689,364</u>
<u>Held-for-trading financial liabilities</u>		
Currency swap contracts	\$ 3,125,175	\$ 3,541,819
Interest rate swap contracts	926,432	1,767,733
Currency option contracts	867,889	2,709,738
Forward contracts	296,093	631,133
Stock warrants issued liabilities, net	76,980	24,067
Cross-currency swap contracts	63,193	36,574
Non-deliverable forward contracts	16,793	4,222
Metal commodity swap contracts	4,854	2,751
Payable on borrowing securities - hedging	<u>2,674</u>	<u>1,384</u>
	<u>5,380,083</u>	<u>8,719,421</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bank debentures (Note 24)	37,773,748	33,111,455
Structured products	<u>285,670</u>	<u>314,222</u>
	<u>38,059,418</u>	<u>33,425,677</u>
	<u>\$ 43,439,501</u>	<u>\$ 42,145,098</u>

The contract (nominal) amounts of derivative transactions by ESFHC as of December 31, 2017 and 2016, respectively, were as follows:

	December 31	
	2017	2016
Cross-currency swap contracts	\$ -	\$ 2,317,632

E.SUN Bank engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and hedge against its exchange rate and interest rate exposures as well as its credit risks as a bondholder.

The contract (nominal) amounts of derivative transactions by E.SUN Bank as of December 31, 2017 and 2016 were as follows:

	December 31	
	2017	2016
Currency swap contracts	\$ 471,503,214	\$ 308,819,971
Currency option contracts	93,223,864	294,641,208
Interest rate swap contracts	59,141,164	61,584,546
Forward contracts	26,408,762	29,544,383
Cross-currency swap contracts	910,525	1,613,950
Non-deliverable forward contracts	802,163	267,388
Metal commodity swap contracts	244,232	182,903

The open positions of futures transactions of E.SUN Bank as of December 31, 2017 and 2016 were as follows:

		December 31, 2017			
		Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	MCU	Sell	14	\$ 72,568	\$ 76,036
	MNI	Buy	12	24,903	26,507
	MNI	Sell	13	27,467	28,751
		December 31, 2016			
		Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	MCU	Buy	15	\$ 68,647	\$ 66,978
	MCU	Sell	31	135,688	138,381
	MNI	Sell	36	73,652	69,695

As of December 31, 2017 and 2016, the amounts of futures exchange margins receivable held by E.SUN Securities were \$184,321 thousand and \$264,182 thousand, respectively.

The open position of futures and option transactions of E.SUN Securities as of December 31, 2017 and 2016 were as follows:

		December 31, 2017			
Items	Products	Open Position		Contract Amounts or Premium Paid	Fair Values
		Buy/Sell	Number of Contracts	(Charged)	
Futures contracts	Stock Index Futures	Buy	45	\$ 47,926	\$ 48,028
	Stock Index Futures	Sell	11	20,757	20,859
	Single Stock Futures	Buy	163	46,928	47,702
	Single Stock Futures	Sell	259	64,421	64,536
Options contracts	Taiwan Stock Index	Buy	36	4	2
	Options - Put Options				

		December 31, 2016			
Items	Products	Open Position		Contract Amounts or Premium Paid	Fair Values
		Buy/Sell	Number of Contracts	(Charged)	
Futures contracts	Stock Index Futures	Sell	41	\$ 75,325	\$ 75,948
	Single Stock Futures	Sell	1	378	378

The gains or losses resulting from the futures and option contracts for the years ended December 31, 2017 and 2016 were as follows:

		For the Year Ended December 31			
		2017		2016	
		Gains (Losses) on Futures Contracts	Gains (Losses) on Option Transactions	Gains (Losses) on Futures Contracts	Losses on Option Transactions
Realized - non-hedge	\$ (2,753)	\$ 2,225	\$ 4,362	\$ (869)	
Unrealized - non-hedge	142	(2)	-	-	
Realized - hedged	(11,799)	(3)	(13,188)	-	
Unrealized - hedged	<u>1,140</u>	<u>-</u>	<u>(582)</u>	<u>-</u>	
	<u>\$ (13,270)</u>	<u>\$ 2,220</u>	<u>\$ (9,408)</u>	<u>\$ (869)</u>	

The fair values of stock warrants issued and repurchased by E.SUN Securities were as follows:

		December 31	
		2017	2016
Stock warrants issued liabilities		\$ 2,157,039	\$ 2,543,310
Gains on changes in fair value of stock warrants issued liabilities		<u>(840,799)</u>	<u>(1,481,348)</u>
		<u>1,316,240</u>	<u>1,061,962</u>
Repurchase of stock warrants issued liabilities		1,563,307	2,208,870
Losses on changes in fair value of repurchase of stock warrants issued liabilities		<u>(324,047)</u>	<u>(1,170,975)</u>
		<u>1,239,260</u>	<u>1,037,895</u>
Stock warrants issued liabilities, net		<u>\$ 76,980</u>	<u>\$ 24,067</u>

The expected life of stock warrants issued by E.SUN Securities is about six to ten months from the date becoming listed on exchange and will exercise by cash settlement.

Gains (losses) on stock warrants issued by E.SUN Securities in 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Gains on changes in value of stock warrants issued liabilities	\$ 1,251,568	\$ 2,651,067
Losses on changes in value of stock warrants repurchased	(1,179,522)	(2,597,982)
Gains (losses) on exercise stock warrants before expired	108	(135)
Gains on stock warrants expired	1,291	667
Expense of issuing stock warrants	<u>(11,980)</u>	<u>(14,987)</u>
	<u>\$ 61,465</u>	<u>\$ 38,630</u>

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Bank debentures	\$ 84,110,009	\$ 67,241,672
Government bonds	58,640,004	43,455,005
Corporate bonds	20,110,812	23,123,097
Stocks and exchange traded funds	6,631,102	5,047,018
Overseas bonds	1,253,997	928,816
Financial product	<u>-</u>	<u>1,850,316</u>
	<u>\$ 170,745,924</u>	<u>\$ 141,645,924</u>

As of December 31, 2017 and 2016, the available-for-sale financial assets, which amounted to \$12,773,443 thousand and \$9,190,252 thousand, respectively, had been sold under repurchase agreements.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$173,470 thousand under resell agreements as of December 31, 2016, will subsequently be sold for \$174,486 thousand.

11. RECEIVABLES, NET

	December 31	
	2017	2016
Receivables on credit cards	\$ 60,787,798	\$ 55,735,074
Accounts receivable factored without recourse	15,036,201	12,186,866
Margin loans receivable	6,699,372	5,454,815
Accrued interest	3,820,477	3,693,552
Accounts receivable	2,202,215	3,585,302
Acceptances	2,051,400	1,467,246
		(Continued)

	December 31	
	2017	2016
Settlements receivable	\$ 1,817,533	\$ 1,059,876
Securities business money lending	1,569,309	449,693
Settlement consideration	692,325	827,877
Others	<u>1,623,459</u>	<u>1,334,813</u>
	96,300,089	85,795,114
Less: Allowance for possible losses	<u>(2,216,712)</u>	<u>(1,859,245)</u>
	<u>\$ 94,083,377</u>	<u>\$ 83,935,869</u>
		(Concluded)

The allowances for possible losses on receivables assessed for impairment as of December 31, 2017 and 2016 were as follows:

Items		December 31, 2017		December 31, 2016	
		Receivable	Allowance for Possible Losses	Receivable	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$ 619,487	\$ 278,677	\$ 495,313	\$ 110,490
	Assessment for collective impairment	2,092,360	628,509	1,943,729	598,314
With no objective evidence of impairment	Assessment for collective impairment	91,133,884	1,309,526	81,146,637	1,150,441
Total		93,845,731	2,216,712	83,585,679	1,859,245

The changes in allowance for possible losses are summarized below:

	For the Year Ended December 31	
	2017	2016
Balance, January 1	\$ 1,859,245	\$ 1,837,986
Provision for possible losses	647,529	349,258
Write-offs	(728,890)	(839,389)
Recovery of written-off receivables	482,984	514,875
Effects of exchange rate changes and other changes	<u>(44,156)</u>	<u>(3,485)</u>
Balance, December 31	<u>\$ 2,216,712</u>	<u>\$ 1,859,245</u>

12. DISCOUNTS AND LOANS, NET

		December 31	
		2017	2016
Loans			
Short-term		\$ 288,611,551	\$ 280,567,425
Medium-term		300,039,994	277,467,837
Long-term		632,517,129	569,144,913
Overdue loans		2,433,082	2,901,553
Bills negotiated and discounts		<u>2,991,996</u>	<u>2,974,757</u>
		1,226,593,752	1,133,056,485
Less: Allowance for possible losses		(15,366,436)	(14,730,154)
Less: Adjustment of premium or discount		<u>(156,041)</u>	<u>(177,662)</u>
		<u>\$ 1,211,071,275</u>	<u>\$ 1,118,148,669</u>

As of December 31, 2017 and 2016, the loan and credit balances of E.SUN Bank, for which the accrual of interest revenues was discontinued, amounted to \$2,100,884 thousand and \$1,394,641 thousand, respectively. The unrecognized interest revenues on these loans and credits of E.SUN Bank were \$35,211 thousand and \$22,947 thousand for the years ended December 31, 2017 and 2016, respectively.

The allowances for possible losses on discounts and loans assessed for impairment as of December 31, 2017 and 2016 were as follows:

Items		December 31, 2017		December 31, 2016	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$ 3,326,059	\$ 1,153,393	\$ 2,491,806	\$ 940,790
	Assessment for collective impairment	4,677,777	1,668,516	6,011,972	2,346,063
With no objective evidence of impairment	Assessment for collective impairment	1,218,589,916	12,544,527	1,124,552,707	11,443,301
Total		1,226,593,752	15,366,436	1,133,056,485	14,730,154

The changes in allowance for possible losses are summarized below:

		For the Year Ended December 31	
		2017	2016
Balance, January 1		\$ 14,730,154	\$ 12,852,020
Provision for possible losses		3,348,067	3,153,096
Write-offs		(3,304,151)	(1,840,187)
Recovery of written-off credits		678,507	608,561
Effects of exchange rate changes and other changes		<u>(86,141)</u>	<u>(43,336)</u>
Balance, December 31		<u>\$ 15,366,436</u>	<u>\$ 14,730,154</u>

The bad-debt expenses and provision for losses on guarantees for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Provision (reversal of provision) for possible losses on call loans to other banks	\$ 53,655	\$ (2,544)
Provision for possible losses on receivables	647,529	349,258
Provision for possible losses on discounts and loans	3,348,067	3,153,096
Provision (reversal of provision) for possible losses on remittance	(43)	8
Provision (reversal of provision) for possible losses on guarantees	<u>6,163</u>	<u>(36,730)</u>
	<u>\$ 4,055,371</u>	<u>\$ 3,463,088</u>

The FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions. Thus, E.SUN Bank made this required minimum provision in 2015. As of December 31, 2017 and 2016, E.SUN Bank was in compliance with the FSC's provision requirement for both type of credit assets.

13. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Overseas bonds	\$ 1,871,918	\$ 2,072,989
Bank debentures	1,132,275	1,141,265
Overseas certificates of deposits	74,620	80,697
Corporate bonds	-	271,596
Government bonds	<u>-</u>	<u>50,413</u>
	<u>\$ 3,078,813</u>	<u>\$ 3,616,960</u>

In 2015, the Company disposed of some debt instruments because of the severe deterioration of debtors' credits and other concerns. However, the amount disposed of was only a small portion of the held-to-maturity financial assets, and the Company had no intention to reclassify the rest of these investments. As of December 31, 2017 and 2016, the accumulated disposal amounts from the past three years were both \$21,067 thousand; the accumulated realized losses on disposal were both \$2,154 thousand in each year; the accumulated disposal amounts were 0.68% and 0.58% of held-to-maturity financial assets, respectively.

14. OTHER FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Due from banks	\$ 9,024,818	\$ 26,198,722
Financial assets carried at cost, net	3,092,395	2,808,591
Guarantee deposits received on futures contracts	829,154	707,403
Debt instruments with no active market, net	596,960	1,291,160
Others	<u>28,070</u>	<u>3,393</u>
	<u>\$ 13,571,397</u>	<u>\$ 31,009,269</u>

Financial assets carried at cost were unlisted common stocks with no quoted market prices in an active market and with fair values that could not be reliably measured. Thus, these assets were measured at cost less accumulated impairment. Some investees had operating losses; thus, the Company recognized impairment losses of \$50,452 thousand and \$6,884 thousand on financial assets carried at cost in 2017 and 2016, respectively.

Debt instruments with no active market were as follows:

	December 31	
	2017	2016
Corporate bonds	\$ -	\$ 645,580
Bank debentures	<u>596,960</u>	<u>645,580</u>
	<u>\$ 596,960</u>	<u>\$ 1,291,160</u>

Guarantee deposits received on futures contracts were as follows:

	December 31	
	2017	2016
Deposits in bank	\$ 385,836	\$ 490,254
Deposits held by futures commission merchants as a clearing member	443,318	217,144
Securities	<u>-</u>	<u>5</u>
	<u>\$ 829,154</u>	<u>\$ 707,403</u>
Guarantee deposits received on futures contracts	\$ 829,154	\$ 707,403
Less: Commission revenue	594	486
Futures transaction tax	127	125
Temporary receipts	<u>526</u>	<u>73</u>
Customers' equity accounts - futures (Note 28)	<u>\$ 827,907</u>	<u>\$ 706,719</u>

Due from banks were collateral for loans from other financial institution, deposits for operating reserve, and time deposits with maturities longer than three months.

15. INVESTMENT PROPERTIES, NET

	December 31	
	2017	2016
Land	\$ 137,524	\$ 140,895
Buildings	<u>1,822,987</u>	<u>1,892,439</u>
	<u>\$ 1,960,511</u>	<u>\$ 2,033,334</u>

	Land	Buildings	Total
<u>Cost</u>			
Balance, January 1, 2017	\$ 140,906	\$ 1,909,120	\$ 2,050,026
Net exchange difference	(1,553)	(17,809)	(19,362)
Reclassification	<u>(1,829)</u>	<u>(1,053)</u>	<u>(2,882)</u>
Balance, December 31, 2017	<u>\$ 137,524</u>	<u>\$ 1,890,258</u>	<u>\$ 2,027,782</u>
Balance, January 1, 2016	\$ 416,519	\$ 51,502	\$ 468,021
Addition	-	56,613	56,613
Net exchange difference	(396)	(149,081)	(149,477)
Reclassification	<u>(275,217)</u>	<u>1,950,086</u>	<u>1,674,869</u>
Balance, December 31, 2016	<u>\$ 140,906</u>	<u>\$ 1,909,120</u>	<u>\$ 2,050,026</u>

Accumulated depreciation and impairment

Balance, January 1, 2017	\$ (11)	\$ (16,681)	\$ (16,692)
Depreciation expenses	-	(50,642)	(50,642)
Reversal of impairment losses	11	334	345
Net exchange difference	-	(617)	(617)
Reclassification	<u>-</u>	<u>335</u>	<u>335</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ (67,271)</u>	<u>\$ (67,271)</u>
Balance, January 1, 2016	\$ (7)	\$ (6,215)	\$ (6,222)
Depreciation expenses	-	(16,531)	(16,531)
Impairment losses	(4)	(121)	(125)
Net exchange difference	-	638	638
Reclassification	<u>-</u>	<u>5,548</u>	<u>5,548</u>
Balance, December 31, 2016	<u>\$ (11)</u>	<u>\$ (16,681)</u>	<u>\$ (16,692)</u>

Investment properties (except for land) are depreciated through 20 to 50 years on a straight-line basis.

As of December 31, 2017 and 2016, the fair values of investment properties were \$2,767,750 thousand and \$2,800,434 thousand, respectively. The fair values were based on the valuation of discounted cash flow analysis method from external real estate appraiser joint firm (that were not the Company's related parties), and the comparison of price of the comparable property from external appraisal company and the Company's appraisal center.

The revenues generated from the investment properties are summarized as follows:

	For the Year Ended December 31	
	2017	2016
Rental income from investment properties	\$ 48,120	\$ 4,432
Direct operating expenses of investment properties that generate rental income	(46,193)	(2,236)
Direct operating expenses of investment properties that do not generate rental income	<u>(15,314)</u>	<u>(1,424)</u>
	<u>\$ (13,387)</u>	<u>\$ 772</u>

16. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2017	2016
<u>Carrying amount</u>		
Land	\$ 14,338,561	\$ 13,611,866
Buildings	9,614,858	7,230,073
Computers	2,099,581	1,999,707
Transportation equipment	325,351	233,810
Miscellaneous equipment	1,175,027	1,111,012
Prepayments for properties and equipment	<u>655,931</u>	<u>2,253,198</u>
	<u>\$ 28,209,309</u>	<u>\$ 26,439,666</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
<u>Cost</u>							
Balance, January 1, 2017	\$ 13,611,866	\$ 10,609,494	\$ 4,719,781	\$ 712,892	\$ 3,118,721	\$ 2,253,198	\$ 35,025,952
Addition	640,834	1,129,414	565,180	133,230	316,902	504,493	3,290,053
Disposal	-	-	(62,364)	(41,456)	(173,824)	-	(277,644)
Net exchange difference	(21,628)	(17,788)	(9,829)	(4,714)	(25,830)	(19,418)	(99,207)
Reclassification	<u>107,489</u>	<u>1,664,765</u>	<u>30,331</u>	<u>12,968</u>	<u>79,152</u>	<u>(2,082,342)</u>	<u>(187,637)</u>
Balance, December 31, 2017	<u>\$ 14,338,561</u>	<u>\$ 13,385,885</u>	<u>\$ 5,243,099</u>	<u>\$ 812,920</u>	<u>\$ 3,315,121</u>	<u>\$ 655,931</u>	<u>\$ 37,751,517</u>
Balance, January 1, 2016	\$ 13,258,990	\$ 8,507,353	\$ 4,258,839	\$ 665,558	\$ 2,789,328	\$ 5,300,627	\$ 34,780,695
Acquisition through business combination (Note 49)	-	-	6,661	-	9,164	-	15,825
Addition	83,184	693,237	831,477	68,942	285,095	753,023	2,714,958
Disposal	-	(6,720)	(379,718)	(23,016)	(53,114)	-	(462,568)
Net exchange difference	(5,525)	(1,488)	(13,091)	(2,052)	(19,204)	(101,160)	(142,520)
Reclassification	<u>275,217</u>	<u>1,417,112</u>	<u>15,613</u>	<u>3,460</u>	<u>107,452</u>	<u>(3,699,292)</u>	<u>(1,880,438)</u>
Balance, December 31, 2016	<u>\$ 13,611,866</u>	<u>\$ 10,609,494</u>	<u>\$ 4,719,781</u>	<u>\$ 712,892</u>	<u>\$ 3,118,721</u>	<u>\$ 2,253,198</u>	<u>\$ 35,025,952</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2017	\$ -	\$ (3,379,421)	\$ (2,720,074)	\$ (479,082)	\$ (2,007,709)	\$ (8,586,286)
Disposal	-	-	62,347	41,455	141,971	245,773
Depreciation expenses	-	(393,301)	(491,537)	(53,057)	(283,055)	(1,220,950)
Net exchange difference	-	2,029	4,946	3,115	8,699	18,789
Reclassification and others	<u>-</u>	<u>(334)</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>466</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ (3,771,027)</u>	<u>\$ (3,143,518)</u>	<u>\$ (487,569)</u>	<u>\$ (2,140,094)</u>	<u>\$ (9,542,208)</u>
Balance, January 1, 2016	\$ -	\$ (3,071,408)	\$ (2,689,408)	\$ (455,217)	\$ (1,772,308)	\$ (7,988,341)
Acquisition through business combination (Note 49)	-	-	(6,116)	-	(7,681)	(13,797)
Disposal	-	306	378,548	22,967	52,133	453,954
Depreciation expenses	-	(303,160)	(406,226)	(47,711)	(286,811)	(1,043,908)
Net exchange difference	-	389	3,128	1,043	6,958	11,518
Reclassification and others	<u>-</u>	<u>(5,548)</u>	<u>-</u>	<u>(164)</u>	<u>-</u>	<u>(5,712)</u>
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ (3,379,421)</u>	<u>\$ (2,720,074)</u>	<u>\$ (479,082)</u>	<u>\$ (2,007,709)</u>	<u>\$ (8,586,286)</u>

Depreciation is calculated by the straight-line method over service lives estimated as follows:

Buildings	
Main buildings	20-50 years
Equipment installed in buildings	10-15 years
Computers	3-8 years
Transportation equipment	4-10 years
Miscellaneous equipment	1.5-20 years

17. INTANGIBLE ASSETS, NET

	December 31	
	2017	2016
Goodwill	\$ 4,469,688	\$ 4,518,463
Computer software	1,139,299	998,648
Banking licenses	476,135	514,915
Core deposits	63,151	126,950
Developed technology	49,255	54,727
Customer relationship	<u>25,441</u>	<u>28,149</u>
	<u>\$ 6,222,969</u>	<u>\$ 6,241,852</u>

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2017	\$ 4,518,463	\$ 998,648	\$ 514,915	\$ 126,950	\$ 54,727	\$ 28,149	\$ 6,241,852
Separate acquisition	-	481,560	-	-	-	-	481,560
Amortization expenses	-	(531,359)	-	(57,531)	(5,472)	(2,708)	(597,070)
Reclassification	-	194,589	-	-	-	-	194,589
Net exchange difference	<u>(48,775)</u>	<u>(4,139)</u>	<u>(38,780)</u>	<u>(6,268)</u>	<u>-</u>	<u>-</u>	<u>(97,962)</u>
Balance, December 31, 2017	<u>\$ 4,469,688</u>	<u>\$ 1,139,299</u>	<u>\$ 476,135</u>	<u>\$ 63,151</u>	<u>\$ 49,255</u>	<u>\$ 25,441</u>	<u>\$ 6,222,969</u>
Balance, January 1, 2016	\$ 4,465,432	\$ 765,899	\$ 524,821	\$ 190,813	\$ -	\$ 6,957	\$ 5,953,922
Acquisition through business combination (Note 49)	65,490	467	-	-	60,200	23,900	150,057
Separate acquisition	-	442,158	-	-	-	-	442,158
Amortization expenses	-	(400,076)	-	(60,900)	(5,473)	(2,708)	(469,157)
Reclassification	-	191,233	-	-	-	-	191,233
Net exchange difference	<u>(12,459)</u>	<u>(1,033)</u>	<u>(9,906)</u>	<u>(2,963)</u>	<u>-</u>	<u>-</u>	<u>(26,361)</u>
Balance, December 31, 2016	<u>\$ 4,518,463</u>	<u>\$ 998,648</u>	<u>\$ 514,915</u>	<u>\$ 126,950</u>	<u>\$ 54,727</u>	<u>\$ 28,149</u>	<u>\$ 6,241,852</u>

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	3-10 years
Core deposits	5-16 years
Developed technology	11 years
Customer relationship	11-17 years

In testing assets for impairment, the Company uses as recoverable amounts (a) value in use for an operating segment defined as a CGU and (b) net fair value for an investment property. Goodwill on E.SUN Bank's acquisition of UCB (subsidiary of E.SUN Bank), BankPro (subsidiary of E.SUN Bank), the Kaohsiung Business Bank Co., Ltd., Chu Nan Credit-Cooperative Association and Chiayi The Fourth Credit Cooperative was allocated to operating segments (CGUs with allocated goodwill). The Company estimates the next five years' cash flows of a CGU by taking into consideration the actual performance of each CGU, business cycle, etc. under the going-concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs were determined using the capital asset pricing model (CAPM). The testing for asset impairment showed that no impairment losses had been incurred.

18. OTHER ASSETS, NET

	December 31	
	2017	2016
Refundable deposits, net	\$ 3,285,621	\$ 3,220,122
Operating deposits and settlement funds	585,579	613,700
Prepaid expenses	315,130	420,444
Collection of securities underwriting	101,523	13,996
Others	<u>103,338</u>	<u>114,280</u>
	<u>\$ 4,391,191</u>	<u>\$ 4,382,542</u>

19. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2017	2016
Call loans from banks	\$ 59,546,987	\$ 46,277,361
Deposits from Chunghwa Post Co., Ltd.	2,972,032	3,209,433
Due to banks	1,929,380	1,081,042
Call loans from the Central Bank	1,790,880	1,613,950
Banks overdrafts	387,339	304,446
Due to the Central Bank	<u>25,597</u>	<u>29,774</u>
	<u>\$ 66,652,215</u>	<u>\$ 52,516,006</u>

20. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$12,200,468 thousand and \$8,881,723 thousand under repurchase agreements as of December 31, 2017 and 2016, respectively, would subsequently be purchased for \$12,243,835 thousand and \$8,912,263 thousand, respectively.

21. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$4,897,000 thousand and \$2,558,000 thousand, and the annual discount rates were from 0.40%-0.53% and from 0.38%-0.74% as of December 31, 2017 and 2016, respectively. These financial instruments were accepted and guaranteed by financial institutions.

22. PAYABLES

	December 31	
	2017	2016
Checks for clearing	\$ 10,495,503	\$ 9,731,186
Accrued expenses	4,357,216	3,923,906
Settlements payable	2,492,126	1,837,834
Accrued interest	2,440,501	2,000,947
Acceptances	2,074,754	1,459,995
Factored accounts payable	1,981,765	2,553,922
Accounts payable	1,432,434	1,426,021
Payables for short-sale transactions	855,120	695,481
Deposits on short-sale transactions	795,837	637,616
Collections payable	622,563	565,672
Payable on credit cards	512,962	554,322
Tax payable	304,559	328,294
Others	<u>2,966,665</u>	<u>1,787,843</u>
	<u>\$ 31,332,005</u>	<u>\$ 27,503,039</u>

23. DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Deposits		
Checking	\$ 15,888,896	\$ 15,688,524
Demand	467,225,554	434,388,452
Savings - demand	488,482,280	465,727,536
Time	458,418,748	362,056,870
Negotiable certificates of deposits	1,856,070	6,981,600
Savings - time	269,859,324	262,825,365
Treasury deposits	9,444,465	8,753,254
Remittances	<u>1,103,300</u>	<u>694,787</u>
	<u>\$ 1,712,278,637</u>	<u>\$ 1,557,116,388</u>

24. BONDS PAYABLE

	December 31	
	2017	2016
Bank debentures	\$ 36,750,000	\$ 42,250,000
ESFHC's unsecured corporate bonds - first issue in 2010	-	2,000,000
ESFHC's unsecured corporate bonds - first issue in 2012	3,800,000	3,800,000
ESFHC's unsecured corporate bonds - first issue in 2016	900,000	900,000
ESFHC's unsecured corporate bonds - second issue in 2016	<u>1,100,000</u>	<u>-</u>
	<u>\$ 42,550,000</u>	<u>\$ 48,950,000</u>

On April 28, 2010, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$2,000,000 thousand and par value of \$10,000 thousand. The bonds will mature in seven years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 2.7%.

On June 29, 2012, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$3,800,000 thousand and par value of \$10,000 thousand. The bonds will mature in seven years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 1.75%.

On September 22, 2016, ESFHC made a first issue of unsecured corporate bonds with aggregate face value of \$900,000 thousand and par value of \$10,000 thousand. The bonds will mature in five years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 0.75%.

On January 20, 2017, ESFHC made a second issue of unsecured corporate bonds with aggregate face value of \$1,100,000 thousand and par value of \$10,000 thousand. The bonds will mature in five years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 1.10%.

Details of bank debentures issued by E.SUN Bank were as follows:

	December 31	
	2017	2016
Subordinated bonds issued on May 28, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date).	\$ -	\$ 3,000,000
Subordinated bonds issued on July 13, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date).	-	2,500,000
Subordinated bonds issued on May 24, 2011; 1.73% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,100,000	2,100,000
Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,900,000	2,900,000
Subordinated bonds issued on April 27, 2012; 1.58% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,280,000	2,280,000
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	2,720,000	2,720,000
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond; and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	8,000,000	8,000,000
Two types of subordinated bonds issued on May 24, 2013; interest rate at (a) 1.55% for type A bond; and (b) 1.70% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	2,300,000	2,300,000
Subordinated bonds issued on August 28, 2013; 1.75% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,700,000	2,700,000

(Continued)

	December 31	
	2017	2016
Two types of subordinated bonds issued on December 19, 2013; interest rate at (a) 1.75% for type A bond and (b) 1.85% for type B bond; interest payable annually for both bond types; principal repayable on maturity (5.5 years for type A bond and 7 years for type B bond after the issue date).	\$ 1,500,000	\$ 1,500,000
Two types of subordinated bonds issued on March 7, 2014; interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,500,000	3,500,000
Two types of subordinated bonds issued on April 30, 2015; interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	5,000,000	5,000,000
Two types of subordinated bonds issued on September 29, 2015; interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	<u>3,750,000</u>	<u>3,750,000</u>
	<u>\$ 36,750,000</u>	<u>\$ 42,250,000</u> (Concluded)

E.SUN Bank designated the bank debentures as at fair value through profit or loss, which are summarized below:

	December 31	
	2017	2016
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	\$ 2,884,604	\$ 2,937,252
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,430,415	2,552,508
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,158,563	2,172,550
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,310,496	1,326,842
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	8,134,900	8,207,951
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	6,777,596	7,385,711
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	2,799,052	2,776,330
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,719,679	2,816,048
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,786,618	2,936,263
Unsecured USD-denominated bonds issued on May 19, 2017	1,745,022	-
Unsecured USD-denominated bonds issued on November 21, 2017	<u>4,026,803</u>	<u>-</u>
	<u>\$ 37,773,748</u>	<u>\$ 33,111,455</u>

On August 27, 2014, E.SUN Bank issued bank debentures amounting to US\$300,000 thousand with a 20-year maturity and 0% interest rate. E.SUN Bank may either redeem the bonds at an agreed-upon price every August 27 after two years from the issue date, or make bond repayments on the maturity date. E.SUN Bank redeemed the bonds amounting to US\$300,000 thousand on August 29, 2016 under the terms of issuance.

On May 27, 2015, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$85,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On May 27, 2015, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$85,000 thousand with no maturity date and with a 4.97% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On October 28, 2015, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$63,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On October 28, 2015, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$43,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On January 22, 2016, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$240,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On January 22, 2016, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$240,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On June 6, 2016, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$95,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On June 6, 2016, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$95,000 thousand with no maturity date and with a 4.41% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On December 29, 2016, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$90,000 thousand with no maturity date and with a 4.85% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On May 19, 2017, E.SUN Bank issued unsecured bank debentures amounting to US\$60,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, E.SUN Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On November 21, 2017, E.SUN Bank issued unsecured bank debentures amounting to US\$135,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, E.SUN Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On February 12, 2018, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$200,000 thousand with no maturity date and with a 4.75% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

To hedge against its exposure to interest rate risk due to the issuance of the above bank debentures, E.SUN Bank entered into interest rate swap (IRS) contracts, which are measured at fair value. The changes in fair value of the IRS contracts are recognized in profit or loss. To eliminate an accounting mismatch, E.SUN Bank also designated the bank debentures as at fair value through profit or loss.

To enhance E.SUN Bank's working capital and to support business sustainable development and the government's green finance policy, E.SUN Bank applied for the issuance of unsecured bank debentures amounting to NT\$10,000,000 thousand (or foreign currency equivalent); and noncumulative perpetual subordinated bank debentures and long-term subordinated bank debentures amounting to NT\$10,000,000 thousand (or foreign currency equivalent). The applications were approved by the FSC on May 12, 2017 and December 11, 2017, respectively.

As of the date of the consolidated financial statements were authorized for issue, debentures amounting to NT\$4,000,000 thousand (or foreign currency equivalent) and NT\$10,000,000 thousand (or foreign currency equivalent) had not yet been issued.

To enhance E.SUN Bank's working capital, E.SUN Bank's board of directors approved the issuance of unsecured USD-denominated bank debentures amounting to US\$300,000 thousand on March 16, 2018. E.SUN Bank is going to apply for the approval of this issuance to the FSC.

25. OTHER BORROWINGS

	December 31			
	2017		2016	
	Amount	%	Amount	%
Short-term borrowings	\$ 29,848	1.97	\$ 299,813	1.15-3.90
Long-term borrowings	<u>1,253,949</u>	3.46-4.22	<u>3,292,458</u>	3.21-3.73
	<u>\$ 1,283,797</u>		<u>\$ 3,592,271</u>	

26. PROVISIONS

	December 31	
	2017	2016
Provision for employee benefits (Note 27)	\$ 345,809	\$ 292,484
Provision for losses on guarantees	129,547	124,146
Others	<u>29,944</u>	<u>25,641</u>
	<u>\$ 505,300</u>	<u>\$ 442,271</u>

27. POST-EMPLOYMENT BENEFIT PLAN

a. Defined contribution plan

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Under the Act, the Company makes monthly contribution equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

The Company recognized expenses of \$373,105 thousand and \$293,953 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The Company has a defined benefit pension plan for all regular employees. Under this plan, the pension is calculated on the basis of an employee's seniority accumulated since the hire date in accordance with the Labor Standards Act.

ESFHC makes monthly contributions, equal to 5.54% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan under management of Bureau of Labor Funds, Ministry of Labor (the Bureau).

E.SUN Bank makes monthly contributions, equal to 2% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the Supervisory Committee of Workers' Retirement Preparation Fund, which manages the fund. The difference between the contributions and the pension costs based on actuarial calculations for E.SUN Bank is deposited in a financial institution in the name of the employees' pension fund administration committee.

E.SUN Securities makes monthly contributions, equal to 4% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan under management of the Bureau. However, E.SUN Securities paused in making monthly contributions from January 2017 to December 2018 with the approval of Department of Labor, Taipei City Government.

Starting from July 1, 2005, the Company has made monthly contributions to the pension fund by the foregoing pension calculation for the employees that choose to continue being subject to the Labor Standards Act.

The pension fund is managed by the Bureau and the Company has no right to influence the investment policy and strategy. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay post-employment benefits for employees who conform to post-employment requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 1,935,612	\$ 1,806,164
Fair value of plan assets	<u>(1,622,806)</u>	<u>(1,548,206)</u>
Deficit	312,806	257,958
Net defined benefit asset (part of other assets - other)	<u>33,003</u>	<u>34,526</u>
Net defined benefit liability (part of provision for employee benefits)	<u>\$ 345,809</u>	<u>\$ 292,484</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	<u>\$ 1,745,135</u>	<u>\$ (1,464,257)</u>	<u>\$ 280,878</u>
Acquisition through business combination (Note 49)	<u>24,414</u>	<u>(19,646)</u>	<u>4,768</u>
Service cost			
Current service cost	22,857	-	22,857
Net interest expense (income)	<u>28,105</u>	<u>(23,964)</u>	<u>4,141</u>
Recognized in profit or loss	<u>50,962</u>	<u>(23,964)</u>	<u>26,998</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(27,257)	(27,257)
Actuarial gain - changes in financial assumptions	(25,439)	-	(25,439)
Actuarial loss - experience adjustments	<u>33,717</u>	<u>-</u>	<u>33,717</u>
Recognized in other comprehensive income	<u>8,278</u>	<u>(27,257)</u>	<u>(18,979)</u>
Contributions from the employer	<u>-</u>	<u>(35,707)</u>	<u>(35,707)</u>
Benefits paid	<u>(22,625)</u>	<u>22,625</u>	<u>-</u>
Balance at December 31, 2016	<u>1,806,164</u>	<u>(1,548,206)</u>	<u>257,958</u>
Service cost			
Current service cost	22,999	-	22,999
Net interest expense (income)	<u>30,346</u>	<u>(26,335)</u>	<u>4,011</u>
Recognized in profit or loss	<u>53,345</u>	<u>(26,335)</u>	<u>27,010</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(75,950)	(75,950)
Actuarial loss - changes in financial assumptions	93,979	-	93,979
Actuarial loss - experience adjustments	<u>40,588</u>	<u>-</u>	<u>40,588</u>
Recognized in other comprehensive income	<u>134,567</u>	<u>(75,950)</u>	<u>58,617</u>
Contributions from the employer	<u>-</u>	<u>(30,779)</u>	<u>(30,779)</u>
Benefits paid	<u>(58,464)</u>	<u>58,464</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 1,935,612</u>	<u>\$ (1,622,806)</u>	<u>\$ 312,806</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rate	1.00%-1.50%	1.25%-1.80%
Expected rates of return on plan assets	1.35%-1.50%	1.40%-1.80%
Expected rates of future salary increase	2.25%-3.00%	2.00%-3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	2016
Discount rate(s)		
0.25% increase	<u>\$ (66,055)</u>	<u>\$ (64,124)</u>
0.25% decrease	<u>\$ 69,089</u>	<u>\$ 67,167</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 66,977</u>	<u>\$ 65,315</u>
0.25% decrease	<u>\$ (64,422)</u>	<u>\$ (62,724)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

As of December 31, 2017 and 2016, the expected contributions to the plan for the next year were \$29,858 thousand and \$36,263 thousand, respectively; the average durations of the defined benefit obligation were 7 to 19 years and 8 to 19.79 years, respectively.

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Principal of structured products	\$ 3,949,340	\$ 5,896,546
Customers' equity accounts - futures	827,907	706,719
Guarantee deposits received	392,144	300,296
Financial products	<u>350,240</u>	<u>-</u>
	<u>\$ 5,519,631</u>	<u>\$ 6,903,561</u>

29. OTHER LIABILITIES

	December 31	
	2017	2016
Advance receipts	\$ 1,466,166	\$ 1,280,089
Deferred revenue	554,529	630,325
Collection of securities underwriting	101,511	13,996
Others	<u>15,236</u>	<u>24,139</u>
	<u>\$ 2,137,442</u>	<u>\$ 1,948,549</u>

30. NET INTEREST

	For the Year Ended December 31	
	2017	2016
Interest revenue		
From discounts and loans	\$ 26,322,802	\$ 23,851,293
From investments	3,148,720	2,626,756
From revolving interests of credit cards	1,977,215	1,759,801
From due from banks and call loans to banks	1,328,915	1,330,817
Others	<u>230,834</u>	<u>255,324</u>
	<u>33,008,486</u>	<u>29,823,991</u>
Interest expense		
From deposits	(10,248,071)	(9,188,575)
From due to the Central Bank and other banks	(1,299,786)	(872,573)
From issuing bonds payable	(808,895)	(936,541)
Others	<u>(402,118)</u>	<u>(241,631)</u>
	<u>(12,758,870)</u>	<u>(11,239,320)</u>
	<u>\$ 20,249,616</u>	<u>\$ 18,584,671</u>

31. SERVICE FEE AND COMMISSION INCOME, NET

	For the Year Ended December 31	
	2017	2016
Service fee and commission income		
From credit cards	\$ 5,732,714	\$ 5,252,193
From insurance	4,068,879	5,134,541
From trust business	3,429,709	2,806,871
From loans	1,440,767	1,471,176
From brokerage	972,666	694,147
Others	<u>1,991,444</u>	<u>2,001,377</u>
	<u>17,636,179</u>	<u>17,360,305</u>
Service charge and commission expenses		
From agency	(731,149)	(690,523)
From cross-bank transactions	(336,753)	(317,282)
From computer processing	(217,635)	(320,575)
Others	<u>(574,670)</u>	<u>(483,355)</u>
	<u>(1,860,207)</u>	<u>(1,811,735)</u>
	<u>\$ 15,775,972</u>	<u>\$ 15,548,570</u>

32. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31, 2017				
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Held-for-trading financial assets	\$ 49,344	\$ 1,452,057	\$ 14,967,697	\$ (1,006,885)	\$ 15,462,213
Financial assets designated as at fair value through profit or loss	-	4,204,392	158,375	3,183	4,365,950
Held-for-trading financial liabilities	-	-	(17,654,924)	1,070,494	(16,584,430)
Financial liabilities designated as at fair value through profit or loss	<u>-</u>	<u>(1,622,662)</u>	<u>465</u>	<u>(563,596)</u>	<u>(2,185,793)</u>
	<u>\$ 49,344</u>	<u>\$ 4,033,787</u>	<u>\$ (2,528,387)</u>	<u>\$ (496,804)</u>	<u>\$ 1,057,940</u>
	For the Year Ended December 31, 2016				
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Held-for-trading financial assets	\$ 55,344	\$ 1,530,632	\$ 14,636,087	\$ (5,181,928)	\$ 11,040,135
Financial assets designated as at fair value through profit or loss	-	3,364,736	37,627	170,115	3,572,478
Held-for-trading financial liabilities	-	-	(12,386,738)	3,127,835	(9,258,903)
Financial liabilities designated as at fair value through profit or loss	<u>-</u>	<u>(1,619,437)</u>	<u>(1,857)</u>	<u>1,555,038</u>	<u>(66,256)</u>
	<u>\$ 55,344</u>	<u>\$ 3,275,931</u>	<u>\$ 2,285,119</u>	<u>\$ (328,940)</u>	<u>\$ 5,287,454</u>

33. EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2017	2016
Employee benefit		
Salaries	\$ 9,458,849	\$ 8,566,403
Insurance	650,384	572,865
Excessive interest from preferential rates	176,596	165,084
Post-employment benefits	400,115	320,951
Others	542,848	559,102
Depreciation expenses	1,271,592	1,060,439
Amortization expenses	602,435	474,388

Under the Articles of Incorporation of ESFHC, ESFHC accrued employees' compensation and remuneration of directors at the rates 2.7% and no higher than 0.9%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). For the year ended December 31, 2017 and 2016, the employees' compensation were \$377,434 thousand and \$353,147 thousand, respectively; and the remuneration of directors were \$106,000 thousand and \$99,000 thousand, respectively.

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded in the next fiscal year as a change in the accounting estimate.

The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 which have been approved by ESFHC's board of directors on March 16, 2018 and March 1, 2017, respectively, were as follows:

	2017	2016
Employees' compensation - cash	\$ 1,654	\$ 1,203
Employees' compensation - stock	375,777	351,888
Remuneration of directors - cash	106,000	99,000

ESFHC announced the distribution of 19,420 thousand and 18,868 thousand shares as employees' compensation for 2017 and 2016, respectively, which were determined by the closing price (NT\$19.35 and NT\$18.65) of the day before the board of directors approved the distribution.

The differences between the approved amounts of employees' compensation and remuneration of directors and the amounts recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015, respectively, were resulted from a change in the accounting estimate. The differences recognized in profit or loss for 2017 and 2016, respectively, were as follows:

	2016		2015	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved by ESFHC's board of directors	<u>\$ 353,091</u>	<u>\$ 99,000</u>	<u>\$ 342,877</u>	<u>\$ 97,000</u>
Amounts recognized in the consolidated financial statements	<u>\$ 353,147</u>	<u>\$ 99,000</u>	<u>\$ 342,877</u>	<u>\$ 109,000</u>

Information on the approved amounts of employees' compensation and remuneration of directors is available at the website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

34. INCOME TAX

Under Article 49 of the Financial Holding Company Act, a financial holding company (FHC) can elect to file consolidated income tax returns for the regular corporate income tax as well as the 10% income tax on undistributed earnings for FHC and its domestic subsidiaries if the FHC holds more than 90% of the domestic subsidiaries' outstanding shares in the entire tax year; for other taxation issues, ESFHC and domestic subsidiaries should conduct separately.

ESFHC and subsidiaries started to file consolidated tax returns since 2003.

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
Current year	\$ 2,908,614	\$ 2,259,338
Additional 10% income tax on unappropriated earnings	1,870	24,117
Prior year's adjustments	<u>(33,484)</u>	<u>5,249</u>
	<u>2,877,000</u>	<u>2,288,704</u>
Deferred tax		
Current year	(649,925)	(67,472)
Prior year's adjustments	<u>(8,641)</u>	<u>1,258</u>
	<u>(658,566)</u>	<u>(66,214)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,218,434</u>	<u>\$ 2,222,490</u>

A reconciliation of accounting profit and current income tax expenses was as follows:

	For the Year Ended December 31	
	2017	2016
Income before tax from continuing operations	<u>\$ 16,872,873</u>	<u>\$ 15,205,672</u>
Income tax expense at the 17% statutory rate	\$ 2,868,388	\$ 2,584,964
Nondeductible expenses in determining taxable income	226,217	171,883
Tax-exempt income	(1,009,039)	(853,123)
Additional income tax under the Alternative Minimum Tax Act	-	13,762
Additional 10% income tax on unappropriated earnings	1,870	24,117
Unrecognized deductible temporary differences	68,323	181,108
Effect of different tax rate of overseas branches operating in other jurisdictions	104,800	93,272
Adjustments for prior year's income tax	<u>(42,125)</u>	<u>6,507</u>
Income tax expense recognized in profit or loss	<u>\$ 2,218,434</u>	<u>\$ 2,222,490</u>

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by \$106,139 thousand and \$93,501 thousand, respectively, in 2018.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
<u>Deferred tax</u>		
Recognized in other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plans	\$ (34)	\$ (574)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	(149,638)	(254,116)
Unrealized gains or losses on available-for-sale financial assets	<u>50,824</u>	<u>19,412</u>
	<u>(98,814)</u>	<u>(234,704)</u>
 Total income tax benefit recognized in other comprehensive income	 \$ <u>(98,848)</u>	 \$ <u>(235,278)</u>

c. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	\$ -	\$ 33
Prepaid taxes	<u>5,054</u>	<u>-</u>
	<u>\$ 5,054</u>	<u>\$ 33</u>
 Current tax liabilities		
Income tax payable	<u>\$ 1,948,106</u>	<u>\$ 1,636,966</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 133,661	\$ 159,708	\$ -	\$ -	\$ -	\$ 293,369
Allowance for possible losses	24,965	17,906	-	(1,873)	-	40,998
Available-for-sale financial assets	-	-	5,128	80	-	5,208
Other financial assets	6,922	(820)	-	-	-	6,102
Investment properties	57	(57)	-	-	-	-
Properties and equipment	4,205	2,104	-	(38)	-	6,271
Foreclosed collaterals	2,133	-	-	-	-	2,133
Other assets	107	-	-	-	-	107
Payable for annual leave	48,844	12,935	-	-	-	61,779
Other liabilities	26,285	5,029	-	-	-	31,314
Exchange differences on foreign operations	30,587	-	149,638	-	-	180,225
Deferred revenue	19	(3)	-	-	-	16

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
Defined benefit plans	\$ 1,414	\$ 4	\$ 34	\$ -	\$ -	\$ 1,452
Unrealized foreign exchange loss	-	332	-	-	-	332
Lease incentives	189	(152)	-	-	-	37
Payable for long-term compensation of employees	-	1,254	-	-	-	1,254
Others	2,550	717	-	(171)	-	3,096
	281,938	198,957	154,800	(2,002)	-	633,693
Unused loss carryforward	156,326	176,159	-	(11,190)	-	321,295
	<u>\$ 438,264</u>	<u>\$ 375,116</u>	<u>\$ 154,800</u>	<u>\$ (13,192)</u>	<u>\$ -</u>	<u>\$ 954,988</u>

Deferred tax liabilities

Temporary differences

Financial instruments at fair value through profit or loss	\$ 270,621	\$ (270,621)	\$ -	\$ -	\$ -	\$ -
Available-for-sale financial assets	19,607	170	55,952	(249)	-	75,480
Properties and equipment	3,994	(3,763)	-	(231)	-	-
Intangible assets	520,781	(8,105)	-	-	-	512,676
Unrealized foreign exchange gains	19,681	(779)	-	(33)	-	18,869
Provision of land revaluation increment tax	90,510	-	-	-	-	90,510
Gains on stock warrants issued	352	(352)	-	-	-	-
	<u>\$ 925,546</u>	<u>\$ (283,450)</u>	<u>\$ 55,952</u>	<u>\$ (513)</u>	<u>\$ -</u>	<u>\$ 697,535</u>

(Concluded)

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 114,830	\$ 18,831	\$ -	\$ -	\$ -	\$ 133,661
Allowance for possible losses	266,220	(241,245)	-	(10)	-	24,965
Available-for-sale financial assets	8,298	-	(8,298)	-	-	-
Other financial assets	15,230	(8,308)	-	-	-	6,922
Investment properties	36	21	-	-	-	57
Properties and equipment	3,996	209	-	-	-	4,205
Foreclosed collaterals	2,133	-	-	-	-	2,133
Other assets	107	-	-	-	-	107
Payable for annual leave	41,443	7,200	-	-	201	48,844
Other liabilities	20,070	6,215	-	-	-	26,285
Exchange differences on foreign operations	-	-	30,587	-	-	30,587
Deferred revenue	16	3	-	-	-	19
Defined benefit plans	194	4	574	-	642	1,414
Lease incentives	678	(489)	-	-	-	189
Others	526	1,653	-	(11)	382	2,550
	473,777	(215,906)	22,863	(21)	1,225	281,938
Unused loss carryforward	26,962	132,487	-	(3,123)	-	156,326
	<u>\$ 500,739</u>	<u>\$ (83,419)</u>	<u>\$ 22,863</u>	<u>\$ (3,144)</u>	<u>\$ 1,225</u>	<u>\$ 438,264</u>

Deferred tax liabilities

Temporary differences

Financial instruments at fair value through profit or loss	\$ 381,598	\$ (110,977)	\$ -	\$ -	\$ -	\$ 270,621
Available-for-sale financial assets	8,837	(18)	11,114	(326)	-	19,607
Properties and equipment	4,521	(443)	-	(84)	-	3,994
Intangible assets	517,400	3,381	-	-	-	520,781
Unrealized foreign exchange gains	20,326	(645)	-	-	-	19,681
Provision of land revaluation increment tax	90,510	-	-	-	-	90,510
Exchange differences on foreign operations	223,529	-	(223,529)	-	-	-
Share of profit or subsidiaries, accounted for using the equity method	40,726	(40,726)	-	-	-	-
Gains on stock warrants issued	557	(205)	-	-	-	352
	<u>\$ 1,288,004</u>	<u>\$ (149,633)</u>	<u>\$ (212,415)</u>	<u>\$ (410)</u>	<u>\$ -</u>	<u>\$ 925,546</u>

- e. Unrecognized deferred tax assets:

	December 31	
	2017	2016
Deductible temporary difference	<u>\$ 4,723,856</u>	<u>\$ 3,771,785</u>

- f. Imputed tax credit is summarized as follows:

	ESFHC	E.SUN Bank	E.SUN Securities	ESVC
Balance of the imputation credit account (ICA)				
December 31, 2017	Note	Note	Note	Note
December 31, 2016	\$ 37,009	\$ 68,042	\$ 6,527	\$ 5,043
Actual creditable ratio for distributing the 2016 earnings	14.21%	0.70% (Cash dividend) 0.69% (Stock dividend)	8.86%	24.28%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

- g. As of December 31, 2017 and 2016, the balance of unappropriated earnings generated before January 1, 1998, was zero.
- h. The years which income tax returns have been assessed by the tax authorities were as follows:

ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
2013	2013	2013	2013	2013

35. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
<u>For the year ended December 31, 2017</u>			
Basic earnings per share	\$ 14,756,556	9,920,844	<u>\$ 1.49</u>
Effect of dilutive common shares:			
Employees' compensation	<u>-</u>	<u>23,020</u>	
Diluted earnings per share	<u>\$ 14,756,556</u>	<u>9,943,864</u>	<u>\$ 1.48</u>
<u>For the year ended December 31, 2016</u>			
Basic earnings per share	\$ 13,135,212	9,410,587	<u>\$ 1.40</u>
Effect of dilutive common shares:			
Employees' compensation	<u>-</u>	<u>23,432</u>	
Diluted earnings per share	<u>\$ 13,135,212</u>	<u>9,434,019</u>	<u>\$ 1.39</u>

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The earnings per share after income tax were retrospectively adjusted as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.50</u>	<u>\$ 1.40</u>
Diluted earnings per share	<u>\$ 1.50</u>	<u>\$ 1.39</u>

ESFHC can elect to distribute compensation to employees by stock or by cash. If the compensation is in the form of cash or shares, ESFHC should presume that the entire amount of the compensation will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating diluted earnings per share (EPS) if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the compensation by the closing price of the shares on the balance sheet date. The dilutive effects of the potential shares need to be included in the calculation of diluted EPS until the number of shares to be distributed to employees resolved in the following year.

36. EQUITY

a. Capital stock

Common stock

	December 31	
	2017	2016
Authorized number of shares (in thousands)	<u>15,000,000</u>	<u>10,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<u>\$ 100,000,000</u>
Number of shares issued (in thousands)	<u>10,185,500</u>	<u>8,765,400</u>
Common stock issued	<u>\$ 101,855,000</u>	<u>\$ 87,654,000</u>

Common stock issued has a NT\$10 par value. Each share has one voting right and the right to receive dividends.

In 2016, the stockholders of ESFHC resolved to use \$7,951,700 thousand from the 2015 unappropriated earnings as stock bonus to stockholders and \$342,805 thousand from the compensation to employees by stock. The appropriation and compensation, which were a total of 813,700 thousand shares, were approved by the FSC. The issuance was approved by the Ministry of Economic Affairs (MOEA).

On March 1, 2017, the board of directors of ESFHC resolved to increase its capital by issuing 700,000 thousand shares at NT\$15.00 per share. The issuance was approved by the MOEA.

In 2017, the stockholders of ESFHC resolved to use \$7,012,320 thousand from the 2016 unappropriated earnings as stock bonus to stockholders and \$351,888 thousand from the compensation to employees by stock, and thereby resolved to increase authorized capital to \$150,000,000 thousand. The appropriations and compensation, which were a total of 720,100 thousand shares, were approved by the FSC. The issuance was approved by the MOEA.

To dispose of ESFHC's shares held by E.SUN Bank and to increase its capital by issuing common stocks for the issuance of Global Depositary Shares (GDS), ESFHC issued 14,800 thousand units of GDS (one unit represents 25 common shares), which equaled 370,000 thousand common shares, on the Luxembourg Stock Exchange.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of underlying common shares, and the common shares can be traded in the domestic stock exchange market. As of December 31, 2017, ESFHC issued 502 thousand units (equal to 12,528 thousand shares) because of capital increase, the deposit agents reissued 5,379 thousand units (equal to 134,477 thousand shares), and the GDS holders had canceled 20,680 thousand units (equal to 516,989 thousand shares). Therefore, the outstanding GDSs were 1 thousand units, which were equal to 16 thousand shares, or 0.0002% of ESFHC's total outstanding common shares.

b. Capital surplus

Under the related regulations, capital surplus may be used to offset deficit except capital surplus arising from the issuance of shares (issuance in excess of par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be used to distribute as cash dividends or transferred to common stock on the basis of the percentage of shares held by the stockholders. However, any capital surplus transferred to common stock should be within a certain percentage of paid-in capital prescribed by law.

Under related regulations, capital surplus arising from equity investments under the equity method should not be distributed for any purpose.

For the FHC, if the capital surplus due from stocks convert of financial intuition is from unappropriated retained earnings before convert, according to the regulatory, the FHC could implement distributing cash dividends or the capital increase in entre year, furthermore, the proportion of capital increase is not restricted by Securities and Exchange Act Article 41 point 2 and Securities and Exchange Act Enforcement Rules Article 8. The distribution of unappropriated retained earnings without restriction above, is the amount after recognizing legal reserve or special reserve.

The subsidiaries' unappropriated retained earnings before stock conversion amounted to \$2,919,727 thousand, which was already stated as ESFHC's capital surplus as of its establishment date. In 2002, the stockholders resolved to increase ESFHC's capital by \$1,800,000 thousand through the issuance of stock dividends from capital surplus.

As of December 31, 2017, the capital surplus came from treasury stock transactions and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources

From subsidiaries

Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	<u>2,919,727</u>
	6,219,524
Total capital stock of subsidiaries in excess of ESFHC's issuance	<u>600,000</u>
Balance on January 28, 2002	6,819,524
	(Continued)

From E.SUN Securities Investment Trust Corp. (ESSIT) which became a 100% subsidiary of ESFHC in 2003 through a share swap

Legal reserve	\$ 4,350
Unappropriated earnings	<u>7,861</u>
	6,831,735
Corporate bonds converted into capital stock	7,407,345
Treasury stock transactions recognized from subsidiaries	3,015,943
Transferring of shares to employees by subsidiaries	483
Cash dividends from ESFHC received by subsidiaries	208,161
Transferring of shares to employees by ESFHC	157,897
The difference between par value and issue price for the issuance of common stock from bonus to employees	401,166
The difference between par value and issue price for the issuance of common stock from employees' compensation	320,713
Additional paid-in capital from ESFHC's share issuance in excess of par value	10,562,422
Share-based payment for the subscription for ESFHC's new shares by the employees of ESFHC and its subsidiaries	<u>672,153</u>
	29,578,018

Uses

Remuneration of directors and supervisors and bonus to employees by subsidiaries	(156,458)
Issuance of ESFHC's stock dividends in 2002	(1,800,000)
Offset of deficit in 2003	(3,091,451)
Difference between par value and issue price for the issuance of common stock from bonus to employees in 2009	<u>(980)</u>
	<u>\$ 24,529,129</u>
	(Concluded)

c. Special reserve

Under FSC guidelines, ESFHC reclassified the trading loss reserve and default loss reserve made before 2010 to special reserve. This special reserve must be used to offset deficit except if ESFHC has no deficit and the special reserve exceeds 50% of its paid-in capital, half of the excess may be used to issue new shares. Furthermore, when the special reserve exceeds ESFHC's paid-in capital, ESFHC may, under the FSC's approval, reclassify the excess back to unappropriated earnings. The special reserve from equity investments under the equity method was \$164,235 thousand as of December 31, 2017.

d. Appropriation of earnings

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. ESFHC made consequential amendments to ESFHC's Articles of Incorporation, which were approved in the stockholders' meeting on June 8, 2016. For information about the accrual basis of employees' compensation and remuneration of directors and the actual distributions, please refer to Note 33.

Under the ESFHC's amended Articles of Incorporation, where the ESFHC made profit in a fiscal year, the profit shall be first utilized for paying all taxes, offsetting deficit of previous years, setting aside a legal reserve and special reserve in accordance with related regulations, setting aside a special reserve if needed, and then any remaining profit together with reversal of special reserve and prior years' unappropriated earnings, the board of directors shall draw up the appropriation of earnings motion for the approval of stockholders.

Under ESFHC's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen ESFHC's financial structure. This policy is also intended to improve ESFHC's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. However, when dividends are declared, cash dividends must be at least 10% of total dividends declared, unless the resulting cash dividend per share falls below NT\$0.10.

Under the Company Act, legal reserve should be appropriated until the reserve equals ESFHC's paid-in capital. This reserve should only be used to offset deficit. When the reserve exceeds 25% of ESFHC's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section (such as exchange differences on the translation of financial statements of foreign operations and unrealized gain or loss on available-for-sale financial assets). The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated. Afterward, if there is any reversal of the decrease in other stockholders' equity, ESFHC is allowed to appropriating retained earnings from the reversal amount.

According to Income Tax Act, except non-resident stockholders, other stockholders allow obtaining the amount of the imputation credit regard to tax deduction ratio on dividend distribution date while ESFHC appropriating earning.

The appropriations from the earnings of 2016 and 2015 were approved in the stockholders' meetings on June 16, 2017 and June 8, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2016	2015	2016	2015
Legal reserve	\$ 1,296,026	\$ 1,267,973		
Cash dividends	4,645,662	3,419,231	\$ 0.491	\$ 0.430
Stock dividends	7,012,320	7,951,700	0.741	1.000

The appropriation of earnings for 2017 had been proposed by ESFHC's board of directors on March 16, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,387,391	
Cash dividends	6,239,475	\$0.6126
Stock dividends	6,239,800	0.6126

The appropriation of earnings for 2017 are subject to the resolution of the stockholders' meeting. Information on earnings appropriation or deficit offsetting is available at the website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance, January 1	\$ 656,883	\$ 733,792
Addition on acquisition of BankPro	-	97,662
Cash dividends distributed by subsidiary	(8,730)	(7,615)
Acquisition of non-controlling interests of UCB (Note 48)	(404,619)	-
Attributable to non-controlling interests:		
Net loss	(102,117)	(152,030)
Exchange differences on the translation of financial statements of foreign operations	(35,546)	(13,900)
Unrealized gains (losses) on available-for-sale financial assets	404	(18)
Remeasurement of defined benefit plans	<u>(60)</u>	<u>(1,008)</u>
Balance, December 31	<u>\$ 106,215</u>	<u>\$ 656,883</u>

37. RELATED-PARTY TRANSACTIONS

ESFHC is the ultimate controller of the E.SUN Group. All transactions, balances, income and expenses between the parent company (ESFHC) and the subsidiaries (related parties of the Company) are eliminated on a consolidated basis. In addition to those mentioned in Table 2 and in other notes, the significant related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Company
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	One third of the funds are donated by E.SUN Bank
Others	Key management of the Company and other related parties

b. Significant transactions between the Company and related parties

1) Loans and deposits

a) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
<u>For the year ended December 31, 2017</u>				
Key management	\$ 248,822	\$ 221,517	\$ 2,871	
Others	<u>2,145,714</u>	<u>2,005,722</u>	<u>27,751</u>	
	<u>\$ 2,394,536</u>	<u>\$ 2,227,239</u>	<u>\$ 30,622</u>	1.36-2.10
<u>For the year ended December 31, 2016</u>				
Key management	\$ 197,037	\$ 154,195	\$ 2,542	
Others	<u>1,895,580</u>	<u>1,753,167</u>	<u>23,852</u>	
	<u>\$ 2,092,617</u>	<u>\$ 1,907,362</u>	<u>\$ 26,394</u>	1.29-2.24

b) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2017</u>				
Key management	\$ 1,156,291	\$ 478,610	\$ 1,745	
Others	<u>2,257,041</u>	<u>1,085,211</u>	<u>13,902</u>	
	<u>\$ 3,413,332</u>	<u>\$ 1,563,821</u>	<u>\$ 15,647</u>	0-6.62
For the year ended <u>December 31, 2016</u>				
Key management	\$ 648,768	\$ 457,607	\$ 2,231	
Others	<u>1,506,948</u>	<u>944,652</u>	<u>13,029</u>	
	<u>\$ 2,155,716</u>	<u>\$ 1,402,259</u>	<u>\$ 15,260</u>	0-6.76

Note: The sum of the respective highest balances of each account for the years ended December 31, 2017 and 2016.

2) Directors as credit guarantors

	Amount	Interest Rate (%)	Rate of Guarantee Service Fee (%)
December 31, 2017	<u>\$ -</u>	-	-
December 31, 2016	<u>\$ 11,000</u>	1.38	-
		December 31	
		2017	2016

3) Interest receivable (part of receivables)

Key management	\$ 105	\$ 82
Others	<u>1,286</u>	<u>1,067</u>
	<u>\$ 1,391</u>	<u>\$ 1,149</u>

4) Interest payable (part of payables)

Key management	\$ 275	\$ 221
Others	<u>1,128</u>	<u>1,031</u>
	<u>\$ 1,403</u>	<u>\$ 1,252</u>

For the Year Ended December 31	
2017	2016

5) Donation (part of general and administrative expenses)

E.SUN Volunteer & Social Welfare Foundation	\$ 45,302	\$ 50,362
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The above donation is for E.SUN Volunteer & Social Welfare Foundation's social welfare charity.

- 6) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to E.SUN Bank. E.SUN Bank charged \$167 thousand and \$209 thousand (part of service fee and commission income, net) accordingly for the years ended December 31, 2017 and 2016, respectively.

The interest rates shown above were similar to, or approximate, those offered to third parties. However, the interest rates for deposits given to managers of E.SUN Bank were the same as the interest rates of employees' savings deposits within a certain amount.

Under the Banking Law, except for consumer loans and government loans, credits extended by E.SUN Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

- c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand

1) E.SUN Bank (ESIB included)

a) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2017				
Subsidiaries	\$ 3,475,102	\$ 3,269,508	\$ 34,918	
Sister companies	479,500	-	20	
Key management	247,834	221,070	2,861	
Others	<u>2,106,260</u>	<u>1,967,374</u>	<u>27,200</u>	
	<u>\$ 6,308,696</u>	<u>\$ 5,457,952</u>	<u>\$ 64,999</u>	1.38-4.33
For the year ended December 31, 2016				
Subsidiaries	\$ 2,747,879	\$ 1,460,517	\$ 22,225	
Sister companies	281,400	-	14	
Key management	195,468	153,207	2,524	
Others	<u>1,855,180</u>	<u>1,714,313</u>	<u>23,326</u>	
	<u>\$ 5,079,927</u>	<u>\$ 3,328,037</u>	<u>\$ 48,089</u>	1.29-5.82

b) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended <u>December 31, 2017</u>				
ESFHC	\$ 15,565,947	\$ 120,902	\$ 1,790	
Subsidiaries	80,688	38,535	70	
Sister companies	3,813,992	1,748,078	10,465	
Key management	1,151,377	477,484	1,741	
Others	<u>2,241,450</u>	<u>1,077,443</u>	<u>13,879</u>	
	<u>\$ 22,853,454</u>	<u>\$ 3,462,442</u>	<u>\$ 27,945</u>	0-6.62
For the year ended <u>December 31, 2016</u>				
ESFHC	\$ 4,709,130	\$ 1,378,818	\$ 1,113	
Subsidiaries	50,723	817	1	
Sister companies	2,399,596	2,023,318	9,634	
Key management	601,643	410,681	1,982	
Others	<u>1,492,232</u>	<u>937,331</u>	<u>13,009</u>	
	<u>\$ 9,253,324</u>	<u>\$ 4,750,965</u>	<u>\$ 25,739</u>	0-6.76

Note: The sum of the respective highest balances of each account for the years ended December 31, 2017 and 2016.

	December 31	
	2017	2016
c) Call loans to banks (part of due from the Central Bank and call loans to other banks) - ESBC	<u>\$ 8,222,552</u>	<u>\$ 3,712,085</u>
d) Due to banks (part of due to the Central Bank and other banks)		
Subsidiaries	<u>\$ 368,135</u>	<u>\$ 692,533</u>
e) Consolidated tax returns payable (part of current tax liabilities) - ESFHC	<u>\$ 1,202,813</u>	<u>\$ 1,117,741</u>

The consolidated tax return receivables and payables refer to ESFHC's filed consolidated corporate tax returns from 2003.

For the Year Ended December 31		
	2017	2016
f) Interest revenue from banks and call loans to banks - ESBC	\$ 150,233	\$ 34,132
g) Others (part of employee benefits and general and administrative expenses)		
ESFHC	\$ 86,000	\$ 71,000
Subsidiaries	14,626	2,497
Sister companies	14,539	14,539
	<u>\$ 115,165</u>	<u>\$ 88,036</u>

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for deposits given to managers of E.SUN Bank are the same as the interest rates of employees' savings deposits within a certain amount.

Under the Banking Law, except for consumer loans and government loans, credits extended by E.SUN Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those extended to third parties.

2) E.SUN Securities

- a) Deposits each amounting to more than \$100,000 thousand in E.SUN Bank as of December 31, 2017 and 2016:

December 31		
	2017	2016
Deposit - others	\$ 198,218	\$ 75,272
Deposit - futures exchange margins	\$ 131,334	\$ 175,195
Operating deposits	\$ 465,000	\$ 495,000
Deposit - collection of securities underwriting	\$ 101,523	\$ 13,996
Restricted assets - current	\$ 209,000	\$ 199,000

- b) E.SUN Securities entrusted to E.SUN Bank the deal settlement of securities and applied for a guarantee for overdraft amounting to \$3,500,000 thousand and \$3,000,000 thousand as of December 31, 2017 and 2016. For this overdraft, E.SUN Securities provided time deposits and real estate to E.SUN Bank as collaterals. Other financial institutions provided guarantee for the overdraft. As of December 31, 2017 and 2016, there was no overdraft amount.
- c) For its business needs, E.SUN Securities applied for a short-term loan up to \$200,000 thousand from E.SUN Bank. The balances and interest expenses for the short-term loan were as follows:

	Highest Balances	Ending Balances	Interest Rate (%)	Interest Expense
For the year ended December 31, 2017	\$ 35,000	\$ -	1.20	\$ 20
For the year ended December 31, 2016	35,000	-	1.20-1.28	14

- d) Under cooperation arrangement for cross-selling transactions, E.SUN Bank paid E.SUN Securities amounting to \$102,109 thousand and \$86,431 thousand for the years ended December 31, 2017 and 2016, respectively.

3) ESVC

	December 31	
	2017	2016
Deposits - E.SUN Bank	<u>\$ 481,195</u>	<u>\$ 900,992</u>

d. Compensation of key management

The compensation of the directors and other key management for the years ended December 31, 2017 and 2016 are summarized as follows:

	For the Year Ended December 31	
	2017	2016
Salaries and other short-term employment benefits	\$ 278,061	\$ 215,493
Post-employment benefits	2,217	1,611
Interest arising from the employees' preferential rates in excess of normal rates	<u>383</u>	<u>257</u>
	<u>\$ 280,661</u>	<u>\$ 217,361</u>

38. PLEDGED ASSETS

- a. In addition to those mentioned in other notes, pledged assets were as follows:

	December 31	
	2017	2016
Financial assets at fair value through profit or loss (face value)	\$ 24,200,000	\$ 25,000,000
Held-to-maturity financial assets (face value)	1,351,950	1,537,567
Available-for-sale financial assets (face value)	1,173,454	2,763,840
Receivables (face value)	<u>-</u>	<u>3,200</u>
	<u>\$ 26,725,404</u>	<u>\$ 29,304,607</u>

As of December 31, 2017 and 2016, the foregoing bonds and securities, with aggregate face value of \$19,200,000 thousand and \$20,000,000 thousand, respectively, had been provided as collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS). The unused overdraft amount at day's end can also be treated as E.SUN Bank's liquidity reserve. For covering its call loans from the CB, E.SUN Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand as of December 31, 2017 and 2016. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

- b. To expand its capital sourcing and enhance its liquidity position, E.SUN Bank's Los Angeles Branch obtained access privileges at the Discount Window of the Federal Reserve Bank of San Francisco. For this access, the Branch pledged the following assets:

(In Thousands of U.S. Dollars)

Date	Outstanding Loan Balance	Collateral Value
December 31, 2017	<u>\$ 35,860</u>	<u>\$ 23,816</u>
December 31, 2016	<u>\$ 33,000</u>	<u>\$ 24,756</u>

39. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the contingencies and commitments were as follows:

a. E.SUN Bank

- 1) Lease agreements on premises occupied by E.SUN Bank's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2017, refundable deposits on these leases totaled \$890,166 thousand. Minimum future annual rentals were as follows:

	December 31	
	2017	2016
Within one year	\$ 880,362	\$ 833,099
Over one to five years	1,957,136	1,993,659
Over five years	<u>25,766</u>	<u>758,108</u>
	<u>\$ 2,863,264</u>	<u>\$ 3,584,866</u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	\$ 728,705	\$ 674,802
Contingent rentals	<u>238</u>	<u>1,243</u>
	<u>\$ 728,943</u>	<u>\$ 676,045</u>

- 2) Lease agreements on investment properties owned by E.SUN Bank and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2017, refundable deposits on these leases totaled \$837 thousand. Minimum future annual rentals were as follows:

	December 31	
	2017	2016
Within one year	\$ 2,422	\$ 2,711
Over one to five years	<u>5,969</u>	<u>4,620</u>
	<u>\$ 8,391</u>	<u>\$ 7,331</u>

- 3) Agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by E.SUN Bank's branches amounted to approximately \$1,282,139 thousand. As of December 31, 2017, the remaining unpaid amount was approximately \$756,712 thousand.

b. Union Commercial Bank (UCB)

- 1) Lease agreements on premises occupied by UCB are operating lease. As of December 31, 2017, refundable deposits on these leases totaled \$12,609 thousand. Minimum future annual rentals were as follows:

	December 31	
	2017	2016
Within one year	\$ 15,419	\$ 16,835
Over one to five years	20,746	60,065
Over five years	<u>63,636</u>	<u>20,950</u>
	<u>\$ 99,801</u>	<u>\$ 97,850</u>

- 2) Decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately \$732,003 thousand. As of December 31, 2017, the remaining unpaid amount was approximately \$211,557 thousand.

c. E.SUN Bank (China), Ltd. (ESBC)

- 1) Lease agreements on premises occupied by ESBC are operating lease. As of December 31, 2017, refundable deposits on these leases totaled \$28,321 thousand. Minimum future annual rentals were as follows:

	December 31	
	2017	2016
Within one year	\$ 120,438	\$ 163,030
Over one to five years	292,746	390,168
Over five years	<u>218,121</u>	<u>237,564</u>
	<u>\$ 631,305</u>	<u>\$ 790,762</u>

- 2) Lease agreements on investment properties owned by ESBC and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2017, refundable deposits on these leases totaled \$11,219 thousand. Minimum future annual rentals were as follows:

	December 31, 2017
Within one year	\$ 42,073
Over one to five years	270,982
Over five years	<u>154,811</u>
	<u>\$ 467,866</u>

d. BankPro E-Service Technology Co., Ltd. (BankPro)

Lease agreements on premises occupied by BankPro are operating lease. As of December 31, 2017, refundable deposits on these leases totaled \$2,835 thousand. Minimum future annual rentals were as follows:

	December 31	
	2017	2016
Within one year	\$ 2,327	\$ 9,307
Over one to five years	<u>-</u>	<u>3,102</u>
	<u>\$ 2,327</u>	<u>\$ 12,409</u>

e. E.SUN Securities

There are renewable operating lease agreements on premises occupied by E.SUN Securities' branches. Rentals are calculated on the basis of the leased areas and are payable monthly or quarterly. As of December 31, 2017, refundable deposits on these leases totaled \$13,347 thousand. Minimum annual rentals were as follows:

	December 31	
	2017	2016
Within one year	\$ 56,762	\$ 61,523
Over one to five years	90,272	128,167
Over five years	<u>4,669</u>	<u>-</u>
	<u>\$ 151,703</u>	<u>\$ 189,690</u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payments	<u>\$ 59,019</u>	<u>\$ 62,419</u>

40. E.SUN BANK'S AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Year Ended December 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents and other				
financial assets - due from banks	\$ 33,091,645	2.10	\$ 39,844,265	2.36
Call loans to banks	18,723,291	1.42	10,171,982	0.74
Due from the Central Bank	37,493,521	0.33	36,515,257	0.36
Held-for-trading financial assets - bonds	8,045	2.35	1,674,082	3.35
Held-for-trading financial assets - bills	274,604,774	0.53	273,102,409	0.54
Financial assets designated as at fair value through profit or loss - bonds	104,419,547	4.03	99,493,783	3.37
Securities purchased under resell agreements	24,967	2.28	602,251	1.85
Accounts receivable factored without recourse	8,551,049	2.05	9,239,972	2.35
Discounts and loans	1,158,314,793	2.13	1,039,083,500	2.13
Receivables on credit cards	26,008,972	7.55	23,474,219	7.38
Available-for-sale financial assets - bonds	149,172,631	2.01	127,152,821	1.93
Held-to-maturity financial assets	2,036,053	1.31	4,599,937	1.67
Debt instruments with no active market	1,054,084	4.23	1,262,056	4.16
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	77,164,222	1.35	73,068,765	1.15
Financial liabilities at fair value through profit or loss	32,815,088	4.96	33,856,974	4.80
Securities sold under repurchase agreements	12,034,384	1.49	6,834,695	1.38
Demand deposits	430,230,545	0.14	411,269,563	0.16
Savings - demand deposits	482,632,186	0.20	448,990,458	0.24
Time deposits	406,098,117	1.40	333,509,091	1.17
Savings - time deposits	270,375,857	1.05	267,524,611	1.17
Negotiable certificates of deposits	2,655,807	0.92	1,824,761	0.46
Bank debentures	39,304,795	1.82	44,001,909	1.85
Principal of structured products	6,462,035	1.61	3,279,728	0.88

41. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

Except as detailed in the following table, the management considered the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or that the fair values cannot be reasonably measured.

	December 31			
	2017		2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 3,078,813	\$ 2,960,498	\$ 3,616,960	\$ 3,616,072
Debt instruments with no active market	596,960	667,353	1,291,160	1,295,901
<u>Financial liabilities</u>				
Bonds payable	42,550,000	43,450,706	48,950,000	49,914,760

The hierarchies of the fair value measured above were as follows:

Fair value hierarchy as of December 31, 2017

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 2,960,498	\$ 2,960,498	\$ -	\$ -
Debt instruments with no active market	667,353	-	667,353	-
<u>Financial liabilities</u>				
Bonds payable	43,450,706	-	43,450,706	-

Fair value hierarchy as of December 31, 2016

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 3,616,072	\$ 3,263,778	\$ 352,294	\$ -
Debt instruments with no active market	1,295,901	-	1,295,901	-
<u>Financial liabilities</u>				
Bonds payable	49,914,760	-	49,914,760	-

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

- b. The valuation techniques and assumptions the Company uses for determining fair values are as follows:

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. When market prices are not available, valuation techniques are applied. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments.

The Company estimated the fair value of each forward contract on the basis of the exchange rates quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the discounted cash flow method, unless the fair values of these two types of contracts are provided by counterparties. Fair values of currency option contracts are based on estimates made using the Black Scholes model, binomial method or Monte Carlo simulation. The fair values of futures contracts are calculated using the prices quoted by the futures exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollar, U.S. dollar, etc.) to be used for payments. As of December 31, 2017 and 2016, the discount rates used ranged from 0.184% to 1.655% and from 0.174% to 1.870%, respectively, for the New Taiwan dollar and from 1.400% to 2.531% and from 0.670% to 2.602%, respectively, for the U.S. dollar.

If there are trade prices or prices quoted by major market players, the latest trade prices and quoted prices are used as the basis for evaluating the fair value of debt instruments with no active market, which are classified as other financial assets; otherwise, the Company uses the foregoing valuation techniques to determine fair value.

- c. The fair value hierarchies of the Company's financial instruments, which were measured at fair value on a recurring basis, as of December 31, 2017 and 2016 were as follows:

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks and exchange traded funds	\$ 778,793	\$ 778,793	\$ -	\$ -
Debt instruments	118,964	118,964	-	-
Others	292,138,743	209,457	291,929,286	-
Financial assets designated as at fair value through profit or loss	110,410,567	2,449,946	107,960,621	-
Available-for-sale financial assets				
Stocks and exchange traded funds	6,631,102	6,631,102	-	-
Debt instruments	164,114,822	130,456,416	33,658,406	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	38,062,092	2,674	38,059,418	-

(Continued)

December 31, 2017				
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 5,471,288	\$ 232,595	\$ 5,238,693	\$ -
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	5,377,409	76,980	5,300,429	-
				(Concluded)

December 31, 2016				
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 554,338	\$ 554,338	\$ -	\$ -
Debt instruments	8,232	8,232	-	-
Others	253,281,247	109,166	253,172,081	-
Financial assets designated as at fair value through profit or loss	103,473,764	11,137,503	92,336,261	-
Available-for-sale financial assets				
Stocks and exchange traded funds	5,047,018	5,045,164	-	1,854
Debt instruments	134,748,590	95,437,414	39,311,176	-
Others	1,850,316	-	1,850,316	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	33,427,061	1,384	33,425,677	-

Derivative financial instruments

<u>Assets</u>				
Financial assets at fair value through profit or loss	9,371,783	328,777	9,043,006	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	8,718,037	24,067	8,693,970	-

- d. Other information on financial assets and liabilities in Level 3 for the years ended December 31, 2017 and 2016 was as follows:

For the year ended December 31, 2017

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Issuance	Transfer to Level 3	Sale or Disposal	Transfer from Level 3	
<u>Assets</u>								
Available-for-sale financial assets	\$ 1,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,854	\$ -

For the year ended December 31, 2016

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Issuance	Transfer to Level 3	Sale or Disposal	Transfer from Level 3	
Assets								
Available-for-sale financial assets	\$ 16,038	\$ -	\$(10,936)	\$ -	\$ 12,790	\$ 16,038	\$ -	\$ 1,854

- e. Information on financial liabilities designated as at fair value through profit or loss was as follows:

	December 31	
	2017	2016
Difference between carrying amounts and the amounts due on maturity		
Fair value	\$ 38,059,418	\$ 33,425,677
Amounts due on maturity	<u>38,956,926</u>	<u>34,931,749</u>
	<u>\$ (897,508)</u>	<u>\$ (1,506,072)</u>
	Change in Fair Values Resulting from Credit Risk Variations	
Change in amount in the period		
For the year ended December 31, 2017		<u>\$ 42,931</u>
For the year ended December 31, 2016		<u>\$ 46,523</u>
Accumulated amount of change		
As of December 31, 2017		<u>\$ (1,857)</u>
As of December 31, 2016		<u>\$ (44,882)</u>

The change in fair value of bank debentures and structured products resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations of these financial instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair values of bank debentures and structured products are the present values of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates of the debt issuers' borrowings with similar maturities.

- f. Information on financial risk management

1) ESFHC

a) Risk management

ESFHC established the Risk Management Committee, of which the convener is the general manager and the executive secretary is the chief risk officer, to draw up the principles and policies of risk management to be followed by each subsidiary, to coordinate and monitor the enforcement of risk management policies of each subsidiary and to deliberate whether proposals brought up by each risk-based unit focusing on a variety of individual issues are suitable for the Company.

b) Market risk

ESFHC set up the “Market Risk Management Principle of E.SUN Financial Holding Company” as the guideline for market risk management.

It monitors and controls the market risk of ESFHC and subsidiaries, and sets up the risk limit of ESFHC and subsidiaries, including the value at risk (VaR) limit, Position-limit and Stop Loss Limit. ESFHC also makes a risk evaluation report, which covers the taking of risk exposure by each risk-based unit and the adequacy of the current risk management system, to the board of directors quarterly.

The operation of ESFHC involves currencies different from its functional currency, i.e., foreign currencies; thus, ESFHC is exposed to foreign-exchange risks. As of December 31, 2016, the carrying amount, currency and spot rate of ESFHC’s monetary assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands			
December 31, 2016			
	Assets	Liabilities	Exchange Rate
USD	\$ 2,138	\$ -	32.279

The influence of the fluctuations in exchange rates for foreign-currency assets and liabilities on profit or loss is limited; thus, ESFHC expects the risk from exchange rate fluctuations to be immaterial.

c) Credit risk

To maintain good asset quality, ESFHC’s subsidiaries have established independent credit review divisions and set up fair credit approval processes. ESFHC and subsidiaries also set up management policies and requirements of counterparties’ credit rating, default risk, settlement risk, and risk concentration pertaining products, industries, and affiliates.

d) Liquidity risk

ESFHC set up the “Liquidity Risk Management Guideline of E.SUN Financial Holding Company” as the guideline for liquidity risk management. It monitors and asks ESFHC and subsidiaries to maintain appropriate liquidity, payment ability, financial stability, and to improve urgent situation handling ability. ESFHC and subsidiaries also follow the requirements of authorities, adopt numeral management, and compile cash flow gap analysis report regularly. Additionally, ESFHC and subsidiaries set up liquidity risk management index and monitor it strictly.

2) E.SUN Bank and its subsidiaries

a) Risk management

E.SUN Bank established the Risk Management Division to draw up the principles and policies of risk management to be followed by each department, to coordinate and monitor the enforcement of risk management policies of each department and to deliberate whether proposals brought up by each risk-based unit to deal with a variety of issues are suitable for E.SUN Bank.

b) Credit risk

Credit risk refers to E.SUN Bank and its subsidiaries' exposure to financial losses due to inability of customers or counterparties to meet the contractual obligations on financial instruments. Credit risk exists in both on- and off- balance sheet items. The on-balance sheet exposure to credit risks is mainly in loans and the credit card business, due from other banks, call loans to other banks, investment in debt instrument and derivatives. The off-balance sheet exposure to credit risks is mainly in financial guarantees, acceptance, letter of credits and loan commitments.

To ensure its credit risk falls within the acceptable range, E.SUN Bank and its subsidiaries have stipulated in the Guidelines for Credit Risk Management that for all the products provided and businesses conducted, including all on- and off-balance sheet transactions in the banking and trading books, E.SUN Bank and its subsidiaries should make a detailed analysis to identify existing and potential credit risks. Before launching new products or businesses, E.SUN Bank and its subsidiaries ensure compliance with all applicable rules and regulations and identify relevant credit risks. For sophisticated credit extensions, such as accounts receivable factored without recourse and credit derivative instruments, etc., E.SUN Bank and its subsidiaries also require the use of a certain risk management system described in related rules and guidelines. The assessment of asset qualities and provision for possible losses of the overseas operating units, unless regulated by the local authorities, are in accordance with E.SUN Bank and its subsidiaries' risk management policies and guidelines.

The measurement and management of credit risks from E.SUN Bank and its subsidiaries' main businesses are as follows:

i. Loans and credit card business (including loan commitment and guarantees):

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. E.SUN Bank and its subsidiaries also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

For risk management purposes, E.SUN Bank and its subsidiaries rate credit qualities (by using an internal rating model for credit risk, a credit score table, etc.) in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, E.SUN Bank and its subsidiaries have developed a credit rating model for clients. E.SUN Bank and its subsidiaries review the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result. Except the petit credit and residential mortgage, which are assessed by using the credit rating model, consumer loans are assessed individually for default risks.

E.SUN Bank and its subsidiaries classify the credit qualities of corporate loans as strong, medium and weak.

E.SUN Bank and its subsidiaries evaluate the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, E.SUN Bank and its subsidiaries annually conduct validity test and back testing on the models using data on customers' actual defaults.

ii. Due from and call loans to other banks

E.SUN Bank and its subsidiaries evaluate the credit status of counterparties before deals are closed. E.SUN Bank and its subsidiaries grant different limits to the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes.

iii. Investment in debt instruments and derivatives

E.SUN Bank and its subsidiaries identify and manage credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which E.SUN Bank and its subsidiaries conduct derivative transactions are mostly considered investment grade. E.SUN Bank and its subsidiaries monitor the credit limits (including lending limits) by counterparties. The credits extended to counterparties that are not rated as investment grade are assessed case by case. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

E.SUN Bank and its subsidiaries classify the debt instruments and derivatives into different categories, which are mainly based on the credit ratings provided by external credit agencies (Moody's, S&P, Fitch or Taiwan Ratings).

E.SUN Bank and its subsidiaries have a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the debt, E.SUN Bank and its subsidiaries manage and assess the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, E.SUN Bank and its subsidiaries stipulate the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that E.SUN Bank and its subsidiaries reserve the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in E.SUN Bank and its subsidiaries in order to reduce the credit risks. The requirements for collaterals for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collaterals.

To avoid the concentration of credit risks, E.SUN Bank and its subsidiaries have included credit limits for a single counterparty and for a single group in its credit-related guidelines. E.SUN Bank and its subsidiaries have also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, E.SUN Bank and its subsidiaries set credit limits by industry, conglomerate, country, transactions collateralized by stocks, and other categories and integrated within one system the supervision of concentration of credit risk in these categories.

E.SUN Bank and its subsidiaries settle most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

The maximum exposures of assets on the consolidated balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

	December 31	
	2017	2016
Irrevocable loan commitments issued	\$ 96,299,743	\$ 108,392,752
Credit card commitments	357,259,135	334,179,541
Letters of credit issued and yet unused	9,527,165	9,769,959
Other guarantees	16,619,110	16,258,818

The management of E.SUN Bank and its subsidiaries believe their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of credit extended and the periodic reviews of these credits.

The maximum exposures of consolidated balance sheet items (recognized as financial assets), collateral, master netting arrangements and other credit enforcement instruments are as follows:

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Financial assets at fair value through profit or loss				
Held-for-trading financial assets- derivatives	\$ 1,796,421	\$ 1,919,496	\$ -	\$ 3,715,917
Receivables				
Credit cards	8,501	-	-	8,501
Accounts receivable factored	-	-	2,799,928	2,799,928
Acceptances	522,093	-	-	522,093
Discounts and loans	900,105,246	-	-	900,105,246

Off-balance sheet items

Irrevocable loan commitments issued	45,604,349	-	-	45,604,349
Letters of credit issued and yet unused	1,762,976	-	-	1,762,976
Other guarantees	7,761,705	-	-	7,761,705
Credit card commitments	57,221	-	-	57,221

December 31, 2016

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Financial assets at fair value through profit or loss				
Held-for-trading financial assets- derivatives	\$ 2,032,973	\$ 4,340,857	\$ -	\$ 6,373,830
Securities purchased under resell agreements	174,017	-	-	174,017
Receivables				
Credit cards	6,762	-	-	6,762
Accounts receivable factored	-	-	1,326,048	1,326,048
Acceptances	415,474	-	-	415,474
Discounts and loans	819,348,956	-	-	819,348,956
<u>Off-balance sheet items</u>				
Irrevocable loan commitments issued	49,491,677	-	-	49,491,677
Letters of credit issued and yet unused	2,169,973	-	-	2,169,973
Other guarantees	6,657,668	-	-	6,657,668
Credit card commitments	131,566	-	-	131,566

Concentration of credit risk exists when counterparties to financial transactions 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. There are no transactions concentrating on individual client or trading counterpart. Group or industry, regions and collaterals that were 10% or more of total outstanding loans were as follows:

Credit Risk Profile by Group or Industry	December 31			
	2017		2016	
	Amount	%	Amount	%
Natural person	\$ 594,148,968	48	\$ 554,763,993	49
Manufacturing	249,323,099	20	229,067,836	20
Wholesale, retail and restaurants	126,482,725	10	113,556,830	10

Credit Risk Profile by Regions	December 31			
	2017		2016	
	Amount	%	Amount	%
Domestic	\$ 1,058,755,015	86	\$ 986,540,905	87

Credit Risk Profile by Collaterals	December 31			
	2017		2016	
	Amount	%	Amount	%
Unsecured	\$ 334,576,667	27	\$ 325,011,987	29
Secured				
Real estate	785,800,905	64	711,642,885	63

Some financial assets held by E.SUN Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have rather high credit ratings.

In addition to the above assets, credit quality analyses on other financial assets were as follows:

a) Credit quality analysis on discounts, loans and receivables

December 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 57,523,070	\$ 1,251,706	\$ 2,013,022	\$ 60,787,798	\$ 600,032	\$ 384,435	\$ 59,803,331
Others	23,819,581	38,128	508,532	24,366,241	116,862	922,852	23,326,527
Discounts and loans	1,212,221,079	6,368,837	8,003,836	1,226,593,752	2,821,909	12,544,527	1,211,227,316

December 31, 2016	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 52,386,852	\$ 1,513,193	\$ 1,835,029	\$ 55,735,074	\$ 568,648	\$ 674,668	\$ 54,491,758
Others	21,434,076	72,555	603,313	22,109,944	139,456	470,014	21,500,474
Discounts and loans	1,117,494,302	7,058,405	8,503,778	1,133,056,485	3,286,853	11,443,301	1,118,326,331

b) Credit quality analysis on discounts and loans neither past due nor impaired (based on credit ratings of clients)

December 31, 2017	Neither Past Due Nor Impaired			
	Strong	Medium	Weak	Total
Consumer loans				
Residential mortgage	\$ 129,752,064	\$ 146,714,413	\$ 6,711,314	\$ 283,177,791
Petit credit	56,852,913	33,454,930	2,725,889	93,033,732
Others	96,677,813	109,316,401	5,000,576	210,994,790
Corporate loans				
Secured	148,880,172	148,838,682	15,063,438	312,782,292
Unsecured	212,837,167	90,364,197	9,031,110	312,232,474
Total	\$ 645,000,129	\$ 528,688,623	\$ 38,532,327	\$ 1,212,221,079

December 31, 2016	Neither Past Due Nor Impaired			
	Strong	Medium	Weak	Total
Consumer loans				
Residential mortgage	\$ 124,616,769	\$ 142,470,018	\$ 6,736,042	\$ 273,822,829
Petit credit	48,047,529	37,241,203	2,070,412	87,359,144
Others	85,180,608	97,384,027	4,726,489	187,291,124
Corporate loans				
Secured	120,192,251	139,442,726	10,413,459	270,048,436
Unsecured	206,002,064	84,375,246	8,595,459	298,972,769
Total	\$ 584,039,221	\$ 500,913,220	\$ 32,541,861	\$ 1,117,494,302

c) Credit quality analysis on securities

December 31, 2017	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	Above A+	A - BBB-	Below BB+	Subtotal (A)					
Available-for-sale financial assets									
Bonds	\$ 96,893,679	\$ 66,618,772	\$ 602,371	\$ 164,114,822	\$ -	\$ -	\$ 164,114,822	\$ -	\$ 164,114,822
Equities	852,811	2,973,154	2,263,851	6,089,816	-	-	6,089,816	-	6,089,816
Held-to-maturity financial assets									
Bonds	3,004,193	-	-	3,004,193	-	-	3,004,193	-	3,004,193
Others	-	74,620	-	74,620	-	-	74,620	-	74,620
Other financial assets									
Bonds	-	596,960	-	596,960	-	-	596,960	-	596,960
Equities	-	-	519,344	519,344	-	24,071	543,415	5,900	537,515

December 31, 2016	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	Above A+	A - BBB-	Below BB+	Subtotal (A)					
Available-for-sale financial assets									
Bonds	\$ 84,824,597	\$ 49,417,642	\$ 506,351	\$ 134,748,590	\$ -	\$ -	\$ 134,748,590	\$ -	\$ 134,748,590
Equities	733,040	2,602,960	1,164,377	4,500,377	-	-	4,500,377	-	4,500,377
Others	1,850,316	-	-	1,850,316	-	-	1,850,316	-	1,850,316
Held-to-maturity financial assets									
Bonds	3,264,668	-	-	3,264,668	-	305,488	3,570,156	33,893	3,536,263
Others	-	80,697	-	80,697	-	-	80,697	-	80,697
Other financial assets									
Bonds	322,790	968,370	-	1,291,160	-	-	1,291,160	-	1,291,160
Equities	-	-	519,710	519,710	-	24,071	543,781	5,900	537,881

The processing delays by the borrowers and other administrative reasons may cause financial assets to become past due but not impaired. As defined in the internal rules governing E.SUN Bank and its subsidiaries' risk management, financial assets past due within 90 days are not deemed as impaired, unless there are other evidences that indicate impairment.

The vintage analysis of financial assets that are past due but not impaired was as follows:

Item	December 31, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 1,003,849	\$ 247,857	\$ 1,251,706
Others	21,959	16,169	38,128
Discounts and loans			
Consumer loans			
Residential mortgage	1,517,362	398,557	1,915,919
Petit credit	1,626,814	384,455	2,011,269
Others	745,044	147,918	892,962
Corporate loans			
Secured			
E.SUN Bank	947,185	219,951	1,167,136
Subsidiaries	-	127,134	127,134
Unsecured			
E.SUN Bank	221,350	33,062	254,412
Subsidiaries	-	5	5

Item	December 31, 2016		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 1,244,532	\$ 268,661	\$ 1,513,193
Others	24,759	47,796	72,555
Discounts and loans			
Consumer loans			
Residential mortgage	1,356,390	421,189	1,777,579
Petit credit	1,538,085	338,928	1,877,013
Others	894,845	237,333	1,132,178
Corporate loans			
Secured			
E.SUN Bank	709,076	161,422	870,498
Subsidiaries	-	283,150	283,150
Unsecured			
E.SUN Bank	1,003,598	114,389	1,117,987
Subsidiaries	-	-	-

c) Market risk

Market risk refers to the risk of fluctuation in the fair values or the future cash flows of the on- and off-balance sheet instruments held by E.SUN Bank and its subsidiaries because of market price changes. The risk factors which cause market price changes usually include interest rates, exchange rates, and the prices of equity securities and commodities. Changes in these risk factors will cause risk of fluctuation in the net income or in the value of investment portfolio of E.SUN Bank and its subsidiaries.

The main market risks E.SUN Bank and its subsidiaries face are the risks on equity securities, interest rates, and exchange rate risks. The equity securities exposed to market risks mainly include stocks listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market and stock index futures in Taiwan; the instruments exposed to interest rate risk mainly include bonds and interest rate derivatives such as the fixed-for-floating interest rate swap; and the instruments exposed to exchange rate risk mainly include the consolidated positions of the investment held by E.SUN Bank and its subsidiaries, such as the derivatives denominated in foreign currency and foreign-currency bonds.

E.SUN Bank monitors the market risk positions and the tolerable loss of E.SUN Bank in accordance with the goals of risk management and the amount limits authorized by the board of directors. E.SUN Bank has set up market risk information systems to effectively monitor the management of amount limits on financial instruments, to evaluate the profit and loss, to conduct sensitivity analysis, stress test and calculation of value at risk (VaR), etc. The result is reported in the meetings of risk management and to the board of directors as their reference for making managerial decisions.

E.SUN Bank and its subsidiaries mainly divide the positions exposed to market risks into investment portfolios held for trading and investment portfolios not held for trading. The portfolios are monitored by the Risk Management Division, and the management results are reported regularly to the board of directors and the supervisors of each division.

The business units and the risk management units both identify market risk factors for E.SUN Bank and its subsidiaries' exposed positions in order to measure market risks. Market risk factors refer to the factors that affect interest rates, exchange rates and values of held financial instruments such as equity securities, etc. E.SUN Bank and its subsidiaries analyze the impact of risk factors on their holding positions, profit and loss, negative result of stress test, sensitivity, VaR, etc., and measure the levels within which the investment portfolios and equity securities might suffer from interest rate risks, exchange rate risks, etc.

The Risk Management Division reports regularly to the board of directors the achievement of management objectives on market risks, the control of holding positions and profit and loss, the sensitivity analysis, the stress test, the value at risk of equity securities, etc. for their understanding of E.SUN Bank's market risk control. E.SUN Bank also has sound mechanisms for reporting and set limits and stop-loss regulations for all the transactions. If a trade reaches the stop-loss limit, the stop-loss will be executed immediately. Trades that do not follow the stop-loss rule should be reported to the management for their approval, and the reasons for their noncompliance as well as corresponding strategies should also be presented to the management.

E.SUN Bank uses the VaR model and stress tests to evaluate risks on investment portfolios for trading. E.SUN Bank also assesses market risks and evaluates the maximum expected loss of positions through making assumptions on changes in various market conditions. The board of directors set amount limits based on VaR. The whole risk management process is monitored daily by the Risk Management Division.

VaR statistically estimates the potential loss of the positions due to adverse market movements. It is the “maximum potential loss” E.SUN Bank may suffer within a certain confidence interval (99%), so it is still probable that the actual loss is larger than the VaR to some extent. VaR model assumes that E.SUN Bank holds the positions at least for the minimum holding periods (10 days) before they can be settled, and that the market fluctuation in these 10 days is similar to that in the past.

E.SUN Bank evaluates historical market fluctuation based on historical data in the past two years. It evaluates the VaR of its holding positions using the variance/covariance method. The computation will be used for periodic examinations and verification of assumptions and parameters used. However, this evaluation method cannot prevent losses from significant market fluctuations.

Information on the VaR of E.SUN Bank was as follows:

For the year ended December 31, 2017

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2017
<u>By risk type</u>				
Currency	\$ 3,092,682	\$ 2,627,503	\$ 3,819,267	\$ 3,060,009
Interest	1,818,284	378,101	3,086,222	378,101
Equity	245,980	198,639	272,771	201,507
Risk diversification	<u>(1,982,887)</u>	-	-	<u>(497,068)</u>
Total risk exposure	<u>\$ 3,174,059</u>			<u>\$ 3,142,549</u>

For the year ended December 31, 2016

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2016
<u>By risk type</u>				
Currency	\$ 2,604,185	\$ 1,677,783	\$ 4,182,141	\$ 2,656,274
Interest	2,096,177	1,510,370	4,143,083	2,381,397
Equity	253,788	184,081	287,871	255,435
Risk diversification	<u>(1,636,908)</u>	-	-	<u>(2,146,491)</u>
Total risk exposure	<u>\$ 3,317,242</u>			<u>\$ 3,146,615</u>

Stress test is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenarios. It is performed by the Risk Management Division, and it includes (a) a stress test on risk factors, in which the stress test is applied to all kinds of risks; and (b) a temporary stress test, in which the stress test is applied to special investment positions or specific investment areas, for example, areas where exchange rates fluctuate dramatically. The results of stress tests are reported to the senior management.

For the information on the foreign-currency financial assets and liabilities with significant effect, please refer to Table 3.

d) Liquidity risk

Liquidity risk refers to the possibility of financial loss resulting from the shortage of funds in meeting the needs of asset acquisition or debt repayment on maturity. Examples are the depositors' withdrawal of deposits before maturity, difficulty in raising funds from other banks or worsening funding conditions due to the fluctuations in specific markets, unstable recovery of money due to credit defaults, deterioration of the convertibility of financial instruments, early termination of interest-sensitive instruments, etc. These situations might result in decrease of cash inflows from loans, trades and investments. In some extreme cases, lack of liquidity may cause decrease of asset values in balance sheets, disposal of assets or other situations in which loan commitments cannot be met. Liquidity risks exist in all banking operations, and are influenced by specific events from industries or markets, including but not limited to credit events, mergers and acquisitions, systematic risks in the industry or natural disasters.

Liquidity risk management is done by the Money Market Division and monitored by the Risk Management Division. The procedures include (a) maintaining daily money market operations and monitoring future cash flows to ensure the meeting of liquidity requirements; (b) holding an appropriate amount of readily convertible and highly liquid assets to prevent from unpredictable events that disrupt cash flows; (c) monitoring the liquidity ratios for the balance sheets in accordance with internal and external policies; and (d) managing security products during their remaining maturity periods. Liquidity risk monitoring and reporting are based on the valuation and prediction of future cash flows from different terms to maturity (maturity gap is used by E.SUN Bank as a tool to manage liquidity risk). The prediction of cash flows involves the cash outflows at the maturity date of the financial liabilities and the cash inflows at the receipt date of financial assets.

For maintaining solvency and meeting the needs of emergency assistance arrangements, E.SUN Bank and its subsidiaries hold cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets, and debt instruments with no active market, etc.

The liquidity reserve ratios of E.SUN Bank for December 2017 and 2016 were 30.14% and 24.99%, respectively.

E.SUN Bank and its subsidiaries disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet date. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 31,491,209	\$ 29,607,999	\$ 3,343,548	\$ 2,209,459	\$ -	\$ 66,652,215
Nonderivative financial liabilities at fair value through profit or loss	-	507	-	406,112	38,550,307	38,956,926
Securities sold under repurchase agreements	9,736,682	1,633,753	873,400	-	-	12,243,835
Payables	22,175,932	545,392	384,229	996,148	1,981,449	26,083,150
Deposits and remittances	561,541,261	149,043,743	165,837,687	278,269,266	558,483,395	1,713,175,352
Bank debentures	-	-	2,100,000	2,900,000	31,750,000	36,750,000
Other items of cash outflow on maturity	3,989,496	114,488	-	195,597	1,650,158	5,949,739

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 21,209,757	\$ 28,444,885	\$ 1,804,692	\$ 1,050,022	\$ 6,650	\$ 52,516,006
Nonderivative financial liabilities at fair value through profit or loss	-	22,835	-	369,522	34,539,392	34,931,749
Securities sold under repurchase agreements	6,838,396	1,411,493	662,374	-	-	8,912,263
Payables	22,489,698	327,790	121,072	266,479	90,663	23,295,702
Deposits and remittances	448,668,686	154,088,003	167,685,515	282,563,601	506,545,242	1,559,551,047
Bank debentures	-	-	3,000,000	2,500,000	36,750,000	42,250,000
Other items of cash outflow on maturity	5,874,586	183,608	-	-	3,596,359	9,654,553

E.SUN Bank and its subsidiaries assessed the maturity date of contracts to understand the basic elements of all derivative financial instruments shown in the consolidated balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

a) Derivative financial liabilities to be settled at net amount

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ -	\$ -	\$ 15,979	\$ 821	\$ -	\$ 16,800

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ -	\$ -	\$ 4,224	\$ -	\$ -	\$ 4,224

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 172,197,830	\$ 141,828,519	\$ 81,518,742	\$ 98,429,982	\$ 2,557,970	\$ 496,533,043
Cash inflow	172,585,155	142,911,456	81,802,372	98,856,171	2,582,760	498,737,914
Interest derivatives						
Cash outflow	726,906	120,185	775,661	719,801	8,100,609	10,443,162
Cash inflow	1,315,405	30,779	808,527	377,520	8,104,394	10,636,625
Total cash outflow	172,924,736	141,948,704	82,294,403	99,149,783	10,658,579	506,976,205
Total cash inflow	173,900,560	142,942,235	82,610,899	99,233,691	10,687,154	509,374,539
Net cash outflow (inflow)	\$ (975,824)	\$ (993,531)	\$ (316,496)	\$ (83,908)	\$ (28,575)	\$ (2,398,334)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 107,637,548	\$ 89,441,644	\$ 74,484,014	\$ 62,761,398	\$ 2,710,220	\$ 337,034,824
Cash inflow	107,989,523	89,910,907	74,581,216	63,130,544	2,752,164	338,364,354
Interest derivatives						
Cash outflow	154,482	85,338	107,267	360,716	10,345,145	11,052,948
Cash inflow	330,974	12,073	236,418	207,568	10,170,448	10,957,481
Total cash outflow	107,792,030	89,526,982	74,591,281	63,122,114	13,055,365	348,087,772
Total cash inflow	108,320,497	89,922,980	74,817,634	63,338,112	12,922,612	349,321,835
Net cash outflow (inflow)	\$ (528,467)	\$ (395,998)	\$ (226,353)	\$ (215,998)	\$ 132,753	\$ (1,234,063)

E.SUN Bank and its subsidiaries conducted the maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet date. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 4,469,581	\$ 8,778,373	\$ 16,343,608	\$ 32,253,627	\$ 34,454,554	\$ 96,299,743
Credit card commitments	5,830,199	906,125	3,283,007	15,077,029	332,162,775	357,259,135
Letters of credit issued and yet unused	2,638,818	4,805,525	873,469	396,607	812,746	9,527,165
Other guarantees	2,105,513	3,248,890	5,969,419	3,569,925	1,725,363	16,619,110

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 3,997,690	\$ 8,379,961	\$ 13,811,075	\$ 35,180,819	\$ 47,023,207	\$ 108,392,752
Credit card commitments	2,328,163	2,919,419	9,067,451	24,335,280	295,529,228	334,179,541
Letters of credit issued and yet unused	3,191,780	4,435,885	932,091	393,550	816,653	9,769,959
Other guarantees	2,441,565	2,541,693	2,110,398	3,642,203	5,522,959	16,258,818

g. Transfers of financial assets

Most of the transferred financial assets of the Company that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right on cash flow of the transferred financial assets would be transferred to other entities and the associated liabilities of the Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Company is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

December 31, 2017					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Available-for-sale financial assets - securities sold under repurchase agreements	\$ 12,773,433	\$ 12,200,468	\$ 12,773,433	\$ 12,200,468	\$ 572,965

December 31, 2016					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Available-for-sale financial assets - securities sold under repurchase agreements	\$ 9,190,252	\$ 8,881,723	\$ 9,190,252	\$ 8,881,723	\$ 308,529

h. Offsetting financial assets and financial liabilities

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 5,274,257	\$ -	\$ 5,274,257	\$ (1,919,496)	\$ (1,796,421)	\$ 1,558,340
Settlements	136,334	(71,956)	64,378	(15,626)	-	48,752
	<u>\$ 5,410,591</u>	<u>\$ (71,956)</u>	<u>\$ 5,338,635</u>	<u>\$ (1,935,122)</u>	<u>\$ (1,796,421)</u>	<u>\$ 1,607,092</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 5,300,429	\$ -	\$ 5,300,429	\$ (1,919,496)	\$ (1,661,175)	\$ 1,719,758
Resell agreements	12,220,125	-	12,220,125	(12,220,125)	-	-
Settlements	71,214	(29,538)	41,676	(15,626)	-	26,050
	<u>\$ 17,591,768</u>	<u>\$ (29,538)</u>	<u>\$ 17,562,230</u>	<u>\$ (14,155,247)</u>	<u>\$ (1,661,175)</u>	<u>\$ 1,745,808</u>

December 31, 2016

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 9,100,138	\$ -	\$ 9,100,138	\$ (4,340,857)	\$ (2,032,973)	\$ 2,726,308
Resell agreements	174,017	-	174,017	(174,017)	-	-
Settlements	109,367	(53,891)	55,476	-	-	55,476
	<u>\$ 9,383,522</u>	<u>\$ (53,891)</u>	<u>\$ 9,329,631</u>	<u>\$ (4,514,874)</u>	<u>\$ (2,032,973)</u>	<u>\$ 2,781,784</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 8,693,970	\$ -	\$ 8,693,970	\$ (4,340,857)	\$ (1,345,262)	\$ 3,007,851
Repurchase agreements	8,896,315	-	8,896,315	(8,896,315)	-	-
Settlements	36,138	(5,099)	31,039	-	-	31,039
	<u>\$ 17,626,423</u>	<u>\$ (5,099)</u>	<u>\$ 17,621,324</u>	<u>\$ (13,237,172)</u>	<u>\$ (1,345,262)</u>	<u>\$ 3,038,890</u>

42. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

Under cooperation arrangements, E.SUN Bank and E.SUN Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

	E.SUN Bank	E.SUN Securities	Total	Allocation Method
For the year ended <u>December 31, 2017</u>				
Broadcasting and security systems	\$ 72	\$ 72	\$ 144	50% each
Others	716	618	1,334	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$ 788</u>	<u>\$ 690</u>	<u>\$ 1,478</u>	
For the year ended <u>December 31, 2016</u>				
Broadcasting and security systems	\$ 72	\$ 71	\$ 143	50% each
Others	723	627	1,350	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$ 795</u>	<u>\$ 698</u>	<u>\$ 1,493</u>	

The cross-selling transactions between E.SUN Bank and E.SUN Securities were as follows (the amounts below refer to E.SUN Bank):

	<u>For the Year Ended December 31</u>	
	2017	2016
Revenue	<u>\$ 5,388</u>	<u>\$ 5,907</u>
Expense	<u>\$ 102,109</u>	<u>\$ 86,431</u>

43. CAPITAL MANAGEMENT

ESFHC's objective of capital management is to sustain the eligible capital of the Group at an amount that meets the requirements for legal capital and minimum group capital adequacy ratio (CAR). To ensure that there is sufficient capital to undertake a variety of risks, ESFHC assesses the risk portfolios by their characteristics. The calculation of group eligible capital and minimum requirement of legal capital is in conformity with the rules enacted by the authorities.

The Group CAR is managed by the Financial Management Division. The Financial Management Division ensures that ESFHC's group CAR meets both its internal requirements and external requirements by the authorities, and the timely report to the authorities every half year. ESFHC has set up a warning signal mechanism that gives alarm when the CAR falls below the standard, and asks relevant units to bring up improvement strategies to deal with it.

Under the Financial Holding Company Act and related regulations, ESFHC should maintain a group CAR at no lower than 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or other assets will be restricted, and the authorities may discipline ESFHC, depending on the situation.

The Banking Law and related regulations require that E.SUN Bank maintains both stand-alone and consolidated ratios of regulatory capital to risk-weighted assets (including ratio of the common equity to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and capital adequacy ratio) should comply with the minimum ratio requested by authorities.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authority may impose certain restrictions on a firm's operations. The CARs of E.SUN Securities were 378% and 535% as of December 31, 2017 and 2016, respectively.

Please refer to related information in Table 13 (attached).

44. E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES' ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. E.SUN Bank's asset quality: Table 4 (attached).

b. E.SUN Bank's concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

December 31, 2017				December 31, 2016		
Rank (Note 1)	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity
1	Group A Ocean transportation	\$ 6,248,664	4.25	Group A Ocean transportation	\$ 6,919,876	5.48
2	Group B Real estate brokers	4,863,522	3.31	Group K Smelting and refining of iron and steel	6,092,623	4.82
3	Group C Manufacture of computers	4,845,824	3.29	Group L Activities of head offices	5,851,503	4.63
4	Group D Wholesale of computers, computer peripheral equipment and software	4,627,383	3.14	Group E Wired telecommunications activities	5,776,779	4.57
5	Group E Wired telecommunications activities	4,603,560	3.13	Group C Manufacture of computers	4,822,651	3.82
6	Group F Activities of head offices	4,341,597	2.95	Group F Activities of head offices	4,657,864	3.69
7	Group G Manufacture of liquid crystal panel and components	4,247,555	2.89	Group D Wholesale of computers, computer peripheral equipment and software	4,469,393	3.54
8	Group H Manufacture of computers	4,208,262	2.86	Group J Retail sale of computers, computer peripheral equipment and software	4,291,393	3.40
9	Group I Real estate development	4,155,897	2.82	Group I Real estate development	4,173,044	3.30
10	Group J Retail sale of computers, computer peripheral equipment and software	3,914,337	2.66	Group M Merchandise Brokers	3,781,547	2.99

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the Group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. E.SUN Bank's interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,252,931,710	\$ 32,214,598	\$ 37,982,689	\$ 98,074,142	\$ 1,421,203,139
Interest rate-sensitive liabilities	304,988,151	791,160,851	72,759,219	38,196,622	1,207,104,843
Interest rate sensitivity gap	947,943,559	(758,946,253)	(34,776,530)	59,877,520	214,098,296
Net worth					137,499,335
Ratio of interest rate-sensitive assets to liabilities					117.74
Ratio of interest rate sensitivity gap to net worth					155.71

December 31, 2016

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,163,048,139	\$ 26,512,574	\$ 39,134,410	\$ 72,854,863	\$ 1,301,549,986
Interest rate-sensitive liabilities	272,585,531	775,342,591	83,214,259	49,823,985	1,180,966,366
Interest rate sensitivity gap	890,462,608	(748,830,017)	(44,079,849)	23,030,878	120,583,620
Net worth					118,796,803
Ratio of interest rate-sensitive assets to liabilities					110.21
Ratio of interest rate sensitivity gap to net worth					101.50

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of E.SUN Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)

(In Thousands of U.S. Dollars, %)

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 10,234,659	\$ 245,564	\$ 56,656	\$ 1,077,846	\$ 11,614,725
Interest rate-sensitive liabilities	12,859,330	1,535,050	1,477,999	1,259,171	17,131,550
Interest rate sensitivity gap	(2,624,671)	(1,289,486)	(1,421,343)	(181,325)	(5,516,825)
Net worth					234,112
Ratio of interest rate-sensitive assets to liabilities					67.80
Ratio of interest rate sensitivity gap to net worth					(2,356.49)

December 31, 2016

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,160,386	\$ 273,841	\$ 157,871	\$ 985,896	\$ 9,577,994
Interest rate-sensitive liabilities	8,554,635	915,992	1,154,962	1,135,953	11,761,542
Interest rate sensitivity gap	(394,249)	(642,151)	(997,091)	(150,057)	(2,183,548)
Net worth					112,849
Ratio of interest rate-sensitive assets to liabilities					81.43
Ratio of interest rate sensitivity gap to net worth					(1,934.93)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of E.SUN Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

d. Profitability

1) E.SUN Financial Holding Company, Ltd. and subsidiaries

Unit: %

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.85	0.83
	After income tax	0.74	0.71
Return on equity	Before income tax	12.13	12.12
	After income tax	10.54	10.35
Net income ratio		31.78	31.62

2) E.SUN Financial Holding Company, Ltd.

Unit: %

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	10.02	9.90
	After income tax	10.03	9.89
Return on equity	Before income tax	10.64	10.55
	After income tax	10.64	10.53
Net income ratio		97.86	98.09

3) E.SUN Bank (Note 5)

Unit: %

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.89	0.88
	After income tax	0.77	0.75
Return on equity	Before income tax	12.60	12.89
	After income tax	10.89	11.00
Net income ratio		34.91	34.84

4) E.SUN Securities

Unit: %

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	2.10	0.73
	After income tax	1.74	0.50
Return on equity	Before income tax	5.87	1.75
	After income tax	4.87	1.19
Net income ratio		15.70	5.44

Note 1: $\text{Return on total assets} = \text{Income before (after) income tax} / \text{Average total assets}$.

Note 2: $\text{Return on equity} = \text{Income before (after) income tax} / \text{Average equity}$.

Note 3: $\text{Net income ratio} = \text{Income after income tax} / \text{Total net revenues}$.

Note 4: Income before (after) income tax represents income from January to each period-end date.

Note 5: E.SUN Bank merged with ESIB on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank restated prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements; hence, the profitability was calculated with the restated amounts concluding financial results of ESIB for the period from January 1, 2016 to March 25, 2016.

e. E.SUN Bank's maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

December 31, 2017

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,650,199,551	\$ 389,699,265	\$ 83,599,219	\$ 91,199,421	\$ 93,174,035	\$ 106,966,600	\$ 885,561,011
Main capital outflow on maturity	1,985,853,350	82,158,139	111,425,641	198,925,457	201,115,368	332,174,382	1,060,054,363
Gap	(335,653,799)	307,541,126	(27,826,422)	(107,726,036)	(107,941,333)	(225,207,782)	(174,493,352)

December 31, 2016

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,486,184,432	\$ 332,323,100	\$ 89,891,073	\$ 127,067,152	\$ 142,140,794	\$ 234,795,288	\$ 559,967,025
Main capital outflow on maturity	1,817,730,144	63,556,835	90,787,921	179,322,020	199,375,758	307,637,311	977,050,299
Gap	(331,545,712)	268,766,265	(896,848)	(52,254,868)	(57,234,964)	(72,842,023)	(417,083,274)

Note: The above amounts included only New Taiwan dollar amounts held by E.SUN Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

December 31, 2017

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 23,816,942	\$ 7,716,085	\$ 3,694,241	\$ 2,953,161	\$ 2,828,607	\$ 6,624,848
Main capital outflow on maturity	27,840,699	6,953,177	6,503,639	4,854,481	6,048,192	3,481,210
Gap	(4,023,757)	762,908	(2,809,398)	(1,901,320)	(3,219,585)	3,143,638

December 31, 2016

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 16,935,131	\$ 5,183,464	\$ 2,373,940	\$ 2,205,021	\$ 1,679,379	\$ 5,493,327
Main capital outflow on maturity	21,030,407	4,171,298	5,242,162	4,184,679	5,406,242	2,026,026
Gap	(4,095,276)	1,012,166	(2,868,222)	(1,979,658)	(3,726,863)	3,467,301

Note: The above amounts included only U.S. dollar amounts held by E.SUN Bank.

45. E.SUN BANK'S TRUST BUSINESS UNDER THE TRUST LAW

- a. Trust-related items, as shown in the following balance sheet, statements of income and trust property list

The trust-related items shown below were managed by E.SUN Bank's Trust Department. However, these items were not included in the Company's consolidated financial statements.

Balance Sheets of Trust Accounts December 31, 2017 and 2016

Trust Assets	2017	2016	Trust Liabilities	2017	2016
Cash in banks	\$ 6,467,320	\$ 5,706,463	Accounts payable		
Investments	212,142,200	190,438,106	on securities		
Receivables	1	-	under custody	\$ 263,371,825	\$ 210,773,685
Real estate	5,612,113	4,741,097	Trust capital		
Securities under			Cash	218,238,361	243,490,153
custody	<u>263,371,825</u>	<u>210,773,685</u>	Securities	1,963,495	2,562,752
			Real estate	5,217,391	4,836,967
			Reserves and		
			accumulated		
			deficit	(8,735,833)	(51,777,033)
			Net income	<u>7,538,220</u>	<u>1,772,827</u>
Total assets	<u>\$ 487,593,459</u>	<u>\$ 411,659,351</u>	Total liabilities	<u>\$ 487,593,459</u>	<u>\$ 411,659,351</u>

Trust Property List December 31, 2017 and 2016

	2017	2016
Cash in E.SUN Bank	\$ 6,467,168	\$ 5,706,426
Cash in other banks	152	37
Stocks	6,195,188	4,747,414
Mutual funds	176,915,356	161,164,955
Bonds	24,808,927	21,164,127
Structured products	3,484,049	3,100,610
Beneficial certificates pending settlement	738,680	261,000
Receivables	1	-
Real estate	5,612,113	4,741,097
Securities under custody	<u>263,371,825</u>	<u>210,773,685</u>
	<u>\$ 487,593,459</u>	<u>\$ 411,659,351</u>

**Statements of Income on Trust Accounts
For the Years Ended December 31, 2017 and 2016**

	2017	2016
<u>Revenues</u>		
Interest	\$ 15,850	\$ 18,609
Cash dividend	6,012,912	5,145,103
Realized capital gain - common stock	2,829	807
Realized capital gain - bond	-	329
Unrealized capital gain - common stock	17,479	-
Unrealized capital gain - funds	72	-
Property gain	3,553,717	1,947,174
Realized capital gain	1,744,408	1,097,067
Revenues from beneficial certificates	5,312	2,816
Revenues from rent for stocks	<u>1,433</u>	<u>943</u>
	<u>11,354,012</u>	<u>8,212,848</u>
<u>Expenses</u>		
Management fees	239,189	248,122
Supervisor fees	105	70
Service fees	265	1,866
Property loss	3,465,945	5,982,814
Income tax	1,032	1,191
Tax expenditures	15,432	1,283
Other expenses	9,980	13,875
Realized capital loss	83,590	190,800
Unrealized capital loss	<u>254</u>	<u>-</u>
	<u>3,815,792</u>	<u>6,440,021</u>
Net income	<u>\$ 7,538,220</u>	<u>\$ 1,772,827</u>

b. Nature of trust business operations under the Trust Law: Note 1.

46. ESFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES

Please refer to Table 5 (attached).

47. BUSINESS SEGMENT FINANCIAL INFORMATION

Please refer to Table 6 (attached).

48. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 25, 2017, E.SUN Bank acquired from non-controlling interests for additional 25% shares of UCB, which increased its continuing interest from 75% to 100%.

The above transaction was accounted for as equity transaction because E.SUN Bank did not cease to have control over the subsidiary.

	UCB
Cash consideration paid	\$ 1,221,457
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(404,619)
Reattribution of other equity from non-controlling interests	
Exchange differences on the translation of the financial statements of foreign operations	12,160
Unrealized gains on available-for-sale financial asset	<u>1,477</u>
Differences arising from equity transaction (reduced retained earnings)	<u>\$ 830,475</u>

49. BUSINESS COMBINATIONS

a. Subsidiary acquired by E.SUN Bank

			Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
	Principal Activity	Date of Acquisition		
BankPro E-Service Technology Co., Ltd.	E-commerce application service	January 11, 2016	58.34	<u>\$ 224,437</u>

BankPro was founded in October 2000. BankPro is engaged in retail sale of computer software, software design service, data processing service, digital information supply service and business consultant. The Company had originally obtained 5.73% of BankPro's outstanding shares. To expand business applying economies of scale, on January 11, 2016, E.SUN Bank had acquired 58.34% of outstanding shares of BankPro, and gained control over BankPro.

b. Considerations transferred

Under the share purchase arrangement, E.SUN Bank had paid the seller \$224,437 thousand.

Acquisition-related costs were excluded from the consideration transferred and recognized as an expense in the year of acquisition.

c. Assets acquired and liabilities assumed at the date of acquisition

	BankPro
Cash and cash equivalents	\$ 83,786
Receivables, net	184,511
Other financial assets, net	1,000
Properties and equipment, net	2,028
Intangible assets, net	84,567
Deferred tax assets	1,225
Other assets, net	31,287
Payables	(102,829)
Current tax liabilities	(1,255)
Provisions	(4,768)
Other liabilities	<u>(7,710)</u>
	<u>\$ 271,842</u>

The accounts receivable acquired in the combination had a fair value of \$184,511 thousand; the gross contractual amount was \$184,511 thousand.

d. Non-controlling interests

The non-controlling interests recognized at the acquisition date were measured by the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

e. Goodwill arising on acquisition

	Amount
Consideration transferred	\$ 224,437
Plus:	
Fair value of BankPro's shares held before acquisition date	15,233
Non-controlling interests	97,662
Less: Fair value of identifiable net assets acquired	<u>(271,842)</u>
Goodwill arising on acquisition	<u>\$ 65,490</u>

Goodwill arose in the acquisition of BankPro because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow on acquisition of subsidiary

	For the Year Ended December 31, 2016
Consideration paid in cash	\$ 224,437
Less: The balance of acquired cash and cash equivalents under IAS 7	<u>83,786</u>
	<u>\$ 140,651</u>

g. Impact of acquisition on the results of the Company

The profits recognized for the year ended December 31, 2016 due to the Company's evaluation to the 5.73% holding equity of BankPro prior to the combination were \$7,483 thousand (part of other noninterest gains, net).

From the acquisition date, the business results from BankPro were as follows:

	For the Period from January 11, 2016 to December 31, 2016
Net revenue	<u>\$ 74,826</u>
Net income	<u>\$ 27,260</u>

50. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 14 (attached).

51. E.SUN SECURITIES' FINANCIAL RATIOS OF FUTURES BUSINESS

The financial ratios of E.SUN Securities were in compliance with the requirements of the Regulations Governing Futures Commission Merchants. Please refer to Table 16 (attached).

52. FUTURES BROKERAGE AND DEALING BUSINESS RISK

a. Futures brokerage business

Customers have to deposit an initial margin at a percentage of the amount of transaction when entering into futures contracts with the futures department of E.SUN Securities. Customers' gains or losses result from the leverage on the margin deposits. For the protection of E.SUN Securities from harm arising from customers' huge losses, the margin accounts of customers are reevaluated daily on the basis of the market prices of the outstanding futures contracts. When the customers' margin accounts fall below an agreed level (the maintenance margin), E.SUN Securities will ask its customers to deposit additional margins immediately. If the customers fail to do so, E.SUN Securities settles their position by making offsets against their contracts.

b. Futures dealing business

E.SUN Securities has to deposit an initial margin at a percentage of the amount of transaction when dealing with futures contracts. Also, E.SUN Securities has to deposit an initial margin at a percentage of the amount of transaction when dealing with put option contracts. E.SUN Securities reevaluates daily the margin accounts on the basis of the market prices of the outstanding futures and option contracts. When the margin accounts fall below an agreed level (the maintenance margin), E.SUN Securities will deposit additional margins immediately or settle its position by making offsets against its contracts.

53. ADDITIONAL DISCLOSURES

Following are additional disclosures for ESFHC and its investees:

a. Significant transactions and investees:

- 1) Financing provided: ESFHC, E.SUN Bank, UCB and ESBC - not applicable; investee - none.
- 2) Endorsement/guarantee provided: ESFHC, E.SUN Bank, UCB and ESBC - not applicable; investee - none.
- 3) Marketable securities held: ESFHC, E.SUN Bank, UCB, ESBC and E.SUN Securities - not applicable; investee - Table 7 (attached).
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (ESFHC, E.SUN Bank, UCB and ESBC disclosed its investments acquired or disposed of): E.SUN Securities - not applicable; ESFHC and investee - Table 8 (attached).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 9 (attached).
- 6) Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 7) Financial asset securitization: None.
- 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 9) Sale of nonperforming loans by subsidiaries: None.
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 10 (attached).
- 11) Related information and proportionate share in investees: Table 15 (attached).
- 12) Derivative transactions: Notes 8 and 41 to the consolidated financial statements.
- 13) Other significant transactions which may affect the decisions of users of financial reports: None.

b. Investment in Mainland China

The information on major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - is shown in Table 11 (attached).

c. Business relationship and significant transactions among the parent company and subsidiaries: Table 12 (attached).

54. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

- a. Corporate banking unit, which handles corporate loans, foreign exchange business, and financial banking operations;
- b. Individual banking unit, which handles residential mortgage, unsecured personal loans (UPLs), wealth management, and credit cards;
- c. Overseas branches and subsidiaries, including overseas branches and subsidiaries' business; and
- d. Others, including other performance units except for the above operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenues, expenses and related information of the Company's reportable segments were as follows:

(In Millions of New Taiwan Dollars)

	For the Year Ended December 31, 2017				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 9,125</u>	<u>\$ 12,516</u>	<u>\$ 3,032</u>	<u>\$ (4,423)</u>	<u>\$ 20,250</u>
Total net revenues	\$ 17,463	\$ 21,594	\$ 4,532	\$ 2,518	\$ 46,107
Bad-debt expenses and provision for losses on guarantees	(926)	(998)	(1,570)	(561)	(4,055)
Operating expenses	<u>(3,884)</u>	<u>(11,417)</u>	<u>(1,965)</u>	<u>(7,913)</u>	<u>(25,179)</u>
Income (loss) before income tax	<u>\$ 12,653</u>	<u>\$ 9,179</u>	<u>\$ 997</u>	<u>\$ (5,956)</u>	<u>\$ 16,873</u>

	For the Year Ended December 31, 2016				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 7,730</u>	<u>\$ 11,157</u>	<u>\$ 2,423</u>	<u>\$ (2,725)</u>	<u>\$ 18,585</u>
Total net revenues	\$ 13,855	\$ 19,909	\$ 3,694	\$ 3,607	\$ 41,065
Bad-debt expenses and provision for losses on guarantees	(1,225)	(676)	(1,547)	(15)	(3,463)
Operating expenses	<u>(3,725)</u>	<u>(9,616)</u>	<u>(1,590)</u>	<u>(7,465)</u>	<u>(22,396)</u>
Income (loss) before income tax	<u>\$ 8,905</u>	<u>\$ 9,617</u>	<u>\$ 557</u>	<u>\$ (3,873)</u>	<u>\$ 15,206</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
DECEMBER 31, 2017 AND 2016

Entities Included in the Consolidated Financial Statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2017	December 31, 2016	
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	100.00	
	E.SUN Securities Co., Ltd.	Taipei	Underwriting, brokering, dealing securities and operating in brokerage of futures	100.00	100.00	
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	100.00	
E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	Mainland China	Banking	100.00	100.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	Information software	61.67	61.67	
E.SUN Venture Capital Co., Ltd.	BankPro E-Service Technology Co., Ltd.	Taipei	Information software	2.40	2.40	
E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	Cambodia	Banking	100.00	75.00	
Union Commercial Bank PLC.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	Note
E.SUN Securities Co., Ltd.	E.SUN Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	100.00	100.00	

Note: Union Commercial Bank PLC. holds a 49% interest in URE Land Holding Co., Ltd. In the Articles of Incorporation of URE Land Holding Co., Ltd., Union Commercial Bank PLC. has power to control the composition of the board of directors and owns at least 90% of economic benefit of URE Land Holding Co., Ltd.; hence, URE Land Holding Co., Ltd. is deemed as a subsidiary of Union Commercial Bank PLC.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Loans

December 31, 2017

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2017 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	150	\$ 85,507	\$ 54,641	\$ 54,641	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	322	1,577,896	1,299,269	1,299,269	-	Land and buildings	None
Other loans	Other loans	1,222,517	873,329	873,329	-	Land, buildings, and plant	None

December 31, 2016

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2016 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	115	\$ 54,872	\$ 37,417	\$ 37,417	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	277	1,311,475	1,096,866	1,096,866	-	Land and buildings	None
Other loans	Other loans	931,506	773,079	773,079	-	Land, buildings, plant and other properties	None

Note: The sum of the respective highest balances of each account for the years ended December 31, 2017 and 2016.

TABLE 3**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2017 AND 2016****(In Thousands)**

	December 31					
	2017			2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
USD	\$ 14,560,562	29.8480	\$ 434,603,662	\$ 12,354,538	32.2790	\$ 398,792,132
CNY	11,206,307	4.5795	51,319,282	12,695,174	4.6218	58,674,555
AUD	1,869,017	23.261	43,475,204	1,432,714	23.3180	33,408,025
HKD	5,487,895	3.8189	20,957,721	3,199,479	4.1622	13,316,871
JPY	23,767,972	0.2650	6,298,513	18,246,547	0.2758	5,032,398
EUR	151,976	35.6740	5,421,608	113,946	33.9250	3,865,618
SGD	150,963	22.3310	3,371,155	102,691	22.3150	2,291,550
NZD	6,331	21.2070	134,262	31,420	22.4310	704,782
GBP	15,364	40.2170	617,894	14,141	39.6320	560,436
CHF	2,597	30.5600	79,364	7,444	31.5720	235,022
ZAR	1,571,245	2.4215	3,804,770	731,694	2.3681	1,732,725
CAD	9,434	23.7780	224,322	5,143	23.9330	123,087
SEK	8,829	3.6197	31,958	5,704	3.5429	20,209
THB	70,996	0.9157	65,011	20,744	0.9019	18,709
MXN	23,149	1.5151	35,073	3,786	1.5588	5,902
VND	534,225,677	0.0013	694,493	349,659,483	0.0014	489,523
MMK	7,194,410	0.0219	157,558	75,552	0.0237	1,791
<u>Financial liabilities</u>						
USD	19,832,468	29.8480	591,959,512	14,464,577	32.2790	466,902,081
CNY	15,778,691	4.5795	72,258,515	11,971,485	4.6218	55,329,809
AUD	1,290,870	23.261	30,026,927	1,082,102	23.3180	25,232,454
HKD	3,558,981	3.8189	13,591,392	2,141,253	4.1622	8,912,323
JPY	58,914,811	0.2650	15,612,425	36,905,999	0.2758	10,178,675
EUR	197,925	35.6740	7,060,792	257,837	33.9250	8,747,120
SGD	57,243	22.3310	1,278,293	63,079	22.3150	1,407,608
NZD	187,956	21.2070	3,985,983	109,904	22.4310	2,465,257
GBP	55,567	40.2170	2,234,738	89,994	39.6320	3,566,642
CHF	5,846	30.5600	178,654	7,207	31.5720	227,539
ZAR	2,827,578	2.4215	6,846,980	2,323,844	2.3681	5,503,095
CAD	71,724	23.7780	1,705,453	124,587	23.9330	2,981,741
SEK	13,279	3.6197	48,066	19,342	3.5429	68,527
THB	23,919	0.9157	21,903	12,325	0.9019	11,116
MXN	39,970	1.5151	60,559	20,981	1.5588	32,705
VND	551,006,738	0.0013	716,309	351,553,135	0.0014	492,174
MMK	3,175,037	0.0219	69,533	37,984	0.0237	900

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2017					December 31, 2016				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured	\$ 907,153	\$ 305,278,205	0.30	\$ 3,387,901	373.47	\$ 411,832	\$ 258,887,774	0.16	\$ 2,847,198	691.35
	Unsecured	217,153	303,256,415	0.07	3,627,197	1,670.34	219,654	297,017,890	0.07	3,459,253	1,574.86
Consumer Banking	Housing mortgage (Note 4)	568,475	285,657,415	0.20	4,115,717	723.99	489,821	276,059,502	0.18	3,969,853	810.47
	Cash card	72	2,769	2.60	1,175	1,631.94	188	3,767	4.99	1,596	848.94
	Small-scale credit loans (Note 5)	507,310	97,270,544	0.52	1,147,356	226.16	601,347	91,293,797	0.66	1,098,611	182.69
	Secured	581,049	205,747,555	0.28	2,145,817	369.30	362,778	181,905,038	0.20	1,859,213	512.49
Loan	Unsecured	39,676	6,762,733	0.59	77,790	196.06	26,871	6,785,699	0.40	69,561	258.87
		2,820,888	1,203,975,636	0.23	14,502,953	514.13	2,112,491	1,111,953,467	0.19	13,305,285	629.84
				Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards		142,747	60,652,043	0.24	973,592	682.04	147,276	55,698,347	0.26	1,232,146	836.62
Accounts receivable factored without recourse (Note 7)		-	15,036,201	-	200,219	-	177	12,186,866	-	148,566	83,935.59
Amounts of executed contracts on negotiated debits not reported as nonperforming loans (Note 8)				17,631					23,148		
Amounts of executed contracts on negotiated debits not reported as nonperforming receivables (Note 8)				71,945					88,011		
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)				1,131,029					996,008		
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)				1,333,008					1,190,354		

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

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

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

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

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

Note 6: Other consumers’ banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debits that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 5**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****ESFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS
OF COMPREHENSIVE INCOME OF SUBSIDIARIES
DECEMBER 31, 2017 AND 2016**

1. ESFHC's financial statements

E.SUN Financial Holding Company, Ltd.**Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)**

Assets	2017	2016	Liabilities and Equity	2017	2016
Cash and cash equivalents	\$ 106,021	\$ 467,794	Financial liabilities at fair value through profit or loss	\$ -	\$ 27,944
Receivables	89,114	80,694	Payables	571,838	560,107
Current tax assets	1,271,565	1,141,297	Current tax liabilities	1,768,490	1,518,813
Investments under the equity method	155,472,333	134,674,970	Corporate bonds payable	5,800,000	6,700,000
Other financial assets	12,690	912,690	Provisions	22,468	20,566
Property and equipment, net	26,084	33,099	Deferred tax liabilities	-	318
Intangible assets	14,454	11,714	Total liabilities	<u>8,162,796</u>	<u>8,827,748</u>
Deferred tax assets	975	5,206	Equity		
Other assets	<u>11,776</u>	<u>24,759</u>	Capital stock	101,855,000	87,654,000
			Capital surplus	24,529,129	20,658,669
			Retained earnings	22,012,117	19,802,447
			Other equity	<u>445,970</u>	<u>409,359</u>
			Total equity	<u>148,842,216</u>	<u>128,524,475</u>
Total	<u>\$ 157,005,012</u>	<u>\$ 137,352,223</u>	Total	<u>\$ 157,005,012</u>	<u>\$ 137,352,223</u>

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Comprehensive Income
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017	2016
Revenues and gains		
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 15,226,667	\$ 13,475,775
Other revenues and gains	<u>92,820</u>	<u>74,666</u>
Total revenues and gains	<u>15,319,487</u>	<u>13,550,441</u>
Expenses and losses		
Operating expenses	325,653	238,043
Other expenses and losses	<u>240,043</u>	<u>159,860</u>
Total expenses and losses	<u>565,696</u>	<u>397,903</u>
Income before income tax	14,753,791	13,152,538
Income tax benefit (expense)	<u>2,765</u>	<u>(17,326)</u>
Net income for the year	14,756,556	13,135,212
Other comprehensive loss	<u>(35,455)</u>	<u>(2,461,417)</u>
Total comprehensive income for the year	<u>\$ 14,721,101</u>	<u>\$ 10,673,795</u>
Earnings per share (New Taiwan dollars)		
Basic	<u>\$ 1.49</u>	<u>\$ 1.40</u>
Diluted	<u>\$ 1.48</u>	<u>\$ 1.39</u>

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Changes in Equity
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	Other Equity										Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Total Equity
	Capital Stock			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains on Available-for-sale Financial Assets				
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2016	7,951,700	\$ 79,517,000	\$ 20,501,164	\$ 5,409,976	\$ 164,235	\$ 12,679,733	\$ 1,096,236	\$ 1,703,695	\$ (144,933)	\$ 120,927,106		
Appropriation of 2015 earnings	-	-	-	1,267,973	-	(1,267,973)	-	-	-	-		
Legal reserve	-	-	-	-	-	(3,419,231)	-	-	-	(3,419,231)		
Cash dividends	795,170	7,951,700	-	-	-	(7,951,700)	-	-	-	-		
Stock dividends	-	-	-	-	-	-	-	-	-	-		
Issuance of common stock from employees' compensation	18,530	185,300	157,505	-	-	-	-	-	-	342,805		
Net income for the year ended December 31, 2016	-	-	-	-	-	13,135,212	-	-	-	13,135,212		
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(215,778)	(1,241,472)	(1,193,982)	189,815	(2,461,417)		
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	12,919,434	(1,241,472)	(1,193,982)	189,815	10,673,795		
BALANCE AT DECEMBER 31, 2016	8,765,400	87,654,000	20,658,669	6,677,949	164,235	12,960,263	(145,236)	509,713	44,882	128,524,475		
Appropriation of 2016 earnings	-	-	-	1,296,026	-	(1,296,026)	-	-	-	-		
Legal reserve	-	-	-	-	-	(4,645,662)	-	-	-	(4,645,662)		
Cash dividends	701,232	7,012,320	-	-	-	(7,012,320)	-	-	-	-		
Stock dividends	-	-	-	-	-	-	-	-	-	-		
Issuance of common stock from employees' compensation	18,868	188,680	163,208	-	-	-	-	-	-	351,888		
Capital increase	700,000	7,000,000	3,500,000	-	-	-	-	-	-	10,500,000		
Share-based payment for the subscription of new shares by employees	-	-	207,252	-	-	-	-	-	-	207,252		
Acquisition of interest in subsidiary	-	-	-	-	-	(830,475)	12,160	1,477	-	(816,838)		
Net income for the year ended December 31, 2017	-	-	-	-	-	14,756,556	-	-	-	14,756,556		
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(58,429)	(744,227)	810,226	(43,025)	(35,455)		
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	14,698,127	(744,227)	810,226	(43,025)	14,721,101		
BALANCE AT DECEMBER 31, 2017	10,185,500	101,855,000	24,529,129	7,973,975	164,235	13,873,907	(877,303)	1,321,416	1,857	148,842,216		
										(Continued)		

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities		
Income before income tax	\$ 14,753,791	\$ 13,152,538
Adjustments for:		
Depreciation and amortization expenses	14,435	10,796
Losses on financial assets and liabilities at fair value through profit or loss	133,123	36,621
Interest expense	102,030	122,368
Interest revenue	(1,792)	(1,151)
Dividend income	(878)	(856)
Salary expenses on share-based payments	4,119	801
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(15,226,667)	(13,475,775)
Unrealized losses on foreign currency exchange	1,870	904
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	-	152,367
Decrease (increase) in receivables	(8,427)	2,845
Decrease (increase) in other financial assets	900,000	(900,000)
Decrease in other assets	6,629	2,522
Decrease in financial liabilities at fair value through profit or loss	(161,067)	(4,864)
Increase (decrease) in payables	10,462	(16,856)
Decrease in provision for employee benefits	<u>(1,276)</u>	<u>(1,274)</u>
Cash generated from (used in) operations	526,352	(919,014)
Interest received	1,799	1,144
Dividend received	4,661,578	3,450,837
Interest paid	(127,250)	(120,500)
Income tax refund	<u>126,086</u>	<u>244,919</u>
Net cash generated from operating activities	<u>5,188,565</u>	<u>2,657,386</u>
Cash flows from investing activities		
Acquisition of investments under equity method	(10,500,000)	(653,140)
Payments for properties and equipment	-	(12,480)
Payments for intangible assets	<u>(2,806)</u>	<u>(2,050)</u>
Net cash used in investing activities	<u>(10,502,806)</u>	<u>(667,670)</u>
Cash flows from financing activities		
Proceeds from issue of corporate bonds	1,100,000	900,000
Repayments of corporate bonds	(2,000,000)	-
Cash dividends paid	(4,645,662)	(3,419,231)
Capital increase	<u>10,500,000</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>4,954,338</u>	<u>(2,519,231)</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(1,870)</u>	<u>(904)</u>
Net decrease in cash and cash equivalents	(361,773)	(530,419)
Cash and cash equivalents at the beginning of the year	<u>467,794</u>	<u>998,213</u>
Cash and cash equivalents at the end of the year	<u>\$ 106,021</u>	<u>\$ 467,794</u>

(Continued)

2. Subsidiaries' condensed balance sheets

E.SUN Commercial Bank, Ltd.

Condensed Balance Sheets December 31, 2017 and 2016 (In Thousands of New Taiwan Dollars)

Assets	2017	2016	Liabilities and Equity	2017	2016
Cash and cash equivalents	\$ 48,835,912	\$ 32,880,573	<u>Liabilities</u>		
Due from the Central Bank and call loans to other banks	75,882,964	62,075,445	Due to the Central Bank and other banks	\$ 61,027,434	\$ 51,419,462
Financial assets at fair value through profit or loss	407,881,802	366,077,137	Financial liabilities at fair value through profit or loss	43,359,847	42,091,703
Securities purchased under resell agreements	-	173,470	Securities sold under repurchase agreements	12,200,468	8,881,723
Receivables, net	82,575,221	75,532,825	Payables	25,490,692	23,037,241
Current tax assets	5,054	-	Current tax liabilities	1,379,569	1,219,735
Discounts and loans, net	1,189,316,642	1,098,470,520	Deposits and remittances	1,692,875,687	1,540,002,824
Available-for-sale financial assets, net	169,226,747	139,242,383	Bank debentures	36,750,000	42,250,000
Held-to-maturity financial assets, net	1,946,538	2,475,695	Other financial liabilities	4,334,330	6,200,448
Investments under equity method, net	12,626,308	12,115,047	Provisions	466,553	409,738
Other financial assets, net	5,102,429	23,301,821	Deferred tax liabilities	694,053	913,495
Properties and equipment, net	25,108,061	23,525,277	Other liabilities	1,873,988	1,677,450
Investment properties, net	401,360	389,753	Total liabilities	<u>1,880,452,621</u>	<u>1,718,103,819</u>
Intangible assets, net	4,793,788	4,643,445	<u>Equity</u>		
Deferred tax assets	571,230	238,352	Capital stock	83,121,000	72,628,830
Other assets, net	<u>3,323,103</u>	<u>3,332,967</u>	Capital surplus	24,865,967	19,837,781
			Retained earnings	38,794,234	33,861,600
			Other equity	<u>363,337</u>	<u>42,680</u>
			Total equity	<u>147,144,538</u>	<u>126,370,891</u>
Total	<u>\$ 2,027,597,159</u>	<u>\$ 1,844,474,710</u>	Total	<u>\$ 2,027,597,159</u>	<u>\$ 1,844,474,710</u>

E.SUN Securities Co., Ltd.

Condensed Balance Sheets December 31, 2017 and 2016 (In Thousands of New Taiwan Dollars)

Assets	2017	2016	Liabilities and Equity	2017	2016
Current assets	\$ 14,215,212	\$ 10,329,905	<u>Liabilities</u>		
Investments under equity method	58,156	58,343	Current liabilities	\$ 10,479,657	\$ 6,782,348
Properties and equipment	342,616	346,509	Deferred tax liabilities	-	352
Intangible assets	69,954	67,960	Noncurrent liabilities	<u>5,958</u>	<u>2,508</u>
Deferred tax assets	21,731	2,997	Total liabilities	<u>10,485,615</u>	<u>6,785,208</u>
Other noncurrent assets	<u>695,798</u>	<u>690,289</u>	<u>Equity</u>		
			Capital stock	4,000,000	4,000,000
			Capital surplus	69,116	57,703
			Retained earnings	851,050	655,061
			Other equity	<u>(2,314)</u>	<u>(1,969)</u>
			Total equity	<u>4,917,852</u>	<u>4,710,795</u>
Total	<u>\$ 15,403,467</u>	<u>\$ 11,496,003</u>	Total	<u>\$ 15,403,467</u>	<u>\$ 11,496,003</u>

(Continued)

E.SUN Venture Capital Co., Ltd.

**Condensed Balance Sheets
December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars)**

Assets	2017	2016	Liabilities and Equity	2017	2016
Current assets	\$ 175,800	\$ 505,603	<u>Liabilities</u>		
Available-for-sale financial assets	399,918	542,692	Current liabilities	\$ 11,028	\$ 65,598
Other financial assets	2,837,385	2,602,389	Deferred tax liabilities	-	132
Properties and equipment	44	32	Other liabilities	<u>1,734</u>	<u>1,468</u>
Deferred tax assets	5,717	6,185	Total liabilities	<u>12,762</u>	<u>67,198</u>
Other noncurrent assets	<u>232</u>	<u>232</u>	<u>Equity</u>		
			Capital stock	3,000,000	3,000,000
			Capital surplus	79,444	78,533
			Retained earnings	241,943	142,754
			Other equity	<u>84,947</u>	<u>368,648</u>
			Total equity	<u>3,406,334</u>	<u>3,589,935</u>
Total	<u>\$ 3,419,096</u>	<u>\$ 3,657,133</u>	Total	<u>\$ 3,419,096</u>	<u>\$ 3,657,133</u>

3. Subsidiaries' condensed statements of comprehensive income

E.SUN Commercial Bank, Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

Items	2017	2016
Interest revenue	\$ 30,996,842	\$ 27,972,962
Less: Interest expense	<u>(11,989,563)</u>	<u>(10,390,621)</u>
Net interest	19,007,279	17,582,341
Net revenues and gains other than interest	<u>23,638,129</u>	<u>20,912,978</u>
Total net revenues	42,645,408	38,495,319
Bad-debt expenses and provision for losses on guarantees	(2,605,817)	(2,364,936)
Operating expenses	<u>(22,811,076)</u>	<u>(20,412,394)</u>
Income before income tax	17,228,515	15,717,989
Income tax expense	<u>(2,341,645)</u>	<u>(2,306,638)</u>
Net income for the year	14,886,870	13,411,351
Other comprehensive income (loss)	<u>254,429</u>	<u>(1,571,952)</u>
Total comprehensive income for the year	<u>\$ 15,141,299</u>	<u>\$ 11,839,399</u>
Earnings per share		
Basic	<u>\$ 1.85</u>	<u>\$ 1.74</u>

Note: E.SUN Commercial Bank, Ltd. (E.SUN Bank) merged with E.SUN Insurance Broker Co., Ltd. on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements.

(Continued)

E.SUN Securities Co., Ltd.

Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	2017	2016
Income	\$ 1,489,961	\$ 1,030,807
Service charge	(108,829)	(82,070)
Employee benefit expenses	(496,897)	(446,164)
Share of profit of subsidiaries accounted for using equity method	1,783	2,729
Operating expenses	(713,169)	(509,469)
Other profits and losses	<u>109,828</u>	<u>86,915</u>
Income before income tax	282,677	82,748
Income tax expense	<u>(48,274)</u>	<u>(26,373)</u>
Net income for the year	234,403	56,375
Other comprehensive loss	<u>(2,759)</u>	<u>(2,351)</u>
Total comprehensive income for the year	<u>\$ 231,644</u>	<u>\$ 54,024</u>
Earnings per share		
Basic	<u>\$ 0.59</u>	<u>\$ 0.14</u>

E.SUN Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2017 and 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	2017	2016
Operating revenue	\$ 177,160	\$ 220,736
Operating costs	(50,452)	(197,765)
Operating expenses	<u>(16,946)</u>	<u>(13,760)</u>
Operating income	109,762	9,211
Non-operating income and expenses	<u>62</u>	<u>2,227</u>
Income before income tax	109,824	11,438
Income tax expense	<u>(4,694)</u>	<u>(6,805)</u>
Net income for the year	105,130	4,633
Other comprehensive loss	<u>(283,942)</u>	<u>(887,627)</u>
Total comprehensive loss for the year	<u>\$ (178,812)</u>	<u>\$ (882,994)</u>
Earnings per share		
Basic	<u>\$ 0.35</u>	<u>\$ 0.02</u>

(Concluded)

TABLE 6**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

For the year ended December 31, 2017

Business Segment Items	Banking	Securities	Others	Consolidated
Net interest	\$ 20,026,866	\$ 324,799	\$ (102,049)	\$ 20,249,616
Net revenues and gains other than interest	24,818,490	1,054,053	(14,970)	25,857,573
Total net revenues	44,845,356	1,378,852	(117,019)	46,107,189
Bad-debt expenses and provision for losses on guarantees	(3,868,941)	(186,430)	-	(4,055,371)
Operating expenses	(23,833,811)	(1,003,931)	(341,203)	(25,178,945)
Income (loss) before income tax	17,142,604	188,491	(458,222)	16,872,873
Income tax expenses	(2,167,696)	(48,274)	(2,464)	(2,218,434)
Net income (loss)	14,974,908	140,217	(460,686)	14,654,439

For the year ended December 31, 2016

Business Segment Items	Banking	Securities	Others	Consolidated
Net interest	\$ 18,429,608	\$ 277,701	\$ (122,638)	\$ 18,584,671
Net revenues and gains other than interest	21,832,590	659,288	(11,717)	22,480,161
Total net revenues	40,262,198	936,989	(134,355)	41,064,832
Bad-debt expenses and provision for losses on guarantees	(3,462,064)	(1,024)	-	(3,463,088)
Operating expenses	(21,211,553)	(934,048)	(250,471)	(22,396,072)
Income (loss) before income tax	15,588,581	1,917	(384,826)	15,205,672
Income tax expenses	(2,171,365)	(26,373)	(24,752)	(2,222,490)
Net income (loss)	13,417,216	(24,456)	(409,578)	12,983,182

Note: E.SUN Commercial Bank, Ltd. (E.SUN Bank) merged with E.SUN Insurance Broker Co., Ltd. on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements.

TABLE 7

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2017			Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value
E.SUN Venture Capital Co., Ltd.	Stocks	-	Financial assets at fair value through profit or loss	382	\$ 70,670	0.15	\$ 70,670
	TaiMed Biologics Co., Ltd.	-	Financial assets at fair value through profit or loss	67	1,652	0.13	1,652
	Forcecon Technology Co., Ltd.	-	Available-for-sale financial assets	195	8,821	0.61	8,821
	ShengHua Entertainment Communication Co., Ltd.	-	Available-for-sale financial assets	390	40,512	0.79	40,512
	Turvo International Co., Ltd.	-	Available-for-sale financial assets	90	3,898	0.17	3,898
	Ledlink Optics, Inc.	-	Available-for-sale financial assets	856	14,386	1.60	14,386
	Xu Yuan Packing Technology Co., Ltd.	-	Available-for-sale financial assets	1,339	201,523	0.78	201,523
	OBI Pharma, Inc.	-	Available-for-sale financial assets	100	3,280	0.10	3,280
	Enterex International Limited	-	Available-for-sale financial assets	170	3,035	0.19	3,035
	Uniflex Technology Inc.	-	Available-for-sale financial assets	1,644	124,463	0.76	124,463
	Tanvex BioPharma Inc.	-	Available-for-sale financial assets	1,889	26,264	5.55	55,697
	Epoch Chemtronics Corp.	-	Financial assets carried at cost	1,700	-	6.07	-
	Sam Lam Technology Co., Ltd.	-	Financial assets carried at cost	1,776	23,419	5.26	4,190
	Beyond Innovation Technology Co., Ltd.	-	Financial assets carried at cost	2,867	22,704	13.07	19,899
	Solidlite Co., Ltd.	-	Financial assets carried at cost	1,562	24,549	1.00	31,512
	MOSA Industrial Corporation	-	Financial assets carried at cost	1,220	56,000	2.19	20,850
	Orgchem Technologies Inc.	-	Financial assets carried at cost	42	-	0.51	-
	Exploit Technology Co., Ltd.	-	Financial assets carried at cost	600	18,000	1.90	5,319
	MCM Stamping Co., Ltd.	-	Financial assets carried at cost	1,891	25,600	2.84	25,835
	Wieson Technologies Co., Ltd.	-	Financial assets carried at cost	400	10,000	1.38	7,485
	Prince Pharmaceutical Co., Ltd.	-	Financial assets carried at cost	446	-	3.88	-
	Mesotek Corporation	-	Financial assets carried at cost	10,000	100,000	2.86	97,371
	KHL IV Venture Capital Co., Ltd.	-	Financial assets carried at cost	2,250	-	5.79	-
	Chuan Shih Industrial Co., Ltd.	-	Financial assets carried at cost	1,140	1,156	9.12	2,598
	Crowningtek Inc.	-	Financial assets carried at cost	1,500	20,000	11.32	13,397
	Taiwan Advanced Nanotech Inc.	-	Financial assets carried at cost	500	-	0.43	-
	Gloria Solar International Holding, Inc.	-	Financial assets carried at cost	1,500	31,500	2.04	34,449
	Chien Shing Harbour Service Co., Ltd.	-	Financial assets carried at cost	232	12,000	1.59	3,888
	Jason's Entertainment Co., Ltd.	-	Financial assets carried at cost	56	-	0.93	-
	Starchips Technology Inc.	-	Financial assets carried at cost	500	11,000	1.04	1,191
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets carried at cost	2,305	31,895	4.88	25,954
	Vactronics Technologies Inc.	-	Financial assets carried at cost	389	12,013	1.40	4,381
	Fuho Technology Co., Ltd.	-	Financial assets carried at cost	1,200	-	0.57	-
	Auria Solar Co., Ltd.	-	Financial assets carried at cost	3,000	24,815	12.18	28,978
	Mercury Electronic Industrial Co., Ltd.	-	Financial assets carried at cost	1,500	20,250	14.72	11,558
	Awini Diamond Technology Corporation	-	Financial assets carried at cost	627	5,658	1.49	1,320
	Chipsip Technology Co., Ltd.	-	Financial assets carried at cost				

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Innovation & Infinity Global Corp.	-	Financial assets carried at cost	2,724	\$ -	2.75	\$ -	-
	Danotech Co., Ltd.	-	Financial assets carried at cost	1,500	24,600	3.22	4,372	Note 2
	Suntek Precision Corp.	-	Financial assets carried at cost	1,117	-	2.93	-	-
	Arclite Optronics Corporation	-	Financial assets carried at cost	413	4,795	8.62	3,109	Note 3
	Kham Inc.	-	Financial assets carried at cost	330	18,000	1.58	6,699	Note 3
	Biodenta Corporation	-	Financial assets carried at cost	57	1,279	0.71	-	Note 2
	Tera Xtal Technology Co., Ltd.	-	Financial assets carried at cost	206	-	0.11	-	-
	Jochu Xtal Technology Co., Ltd.	-	Financial assets carried at cost	175	4,012	0.21	6,950	Note 3
	Win Win Precision Technology Co., Ltd.	-	Financial assets carried at cost	1,122	50,474	2.47	15,935	Note 3
	Fountain Biopharma Inc.	-	Financial assets carried at cost	3,515	65,000	1.16	52,479	Note 3
	UUPON Inc.	-	Financial assets carried at cost	4,000	60,000	11.14	12,473	Note 2
	O'Pay FinTech Co., Ltd.	-	Financial assets carried at cost	503	7,480	0.34	3,240	Note 2
	Air-Bag Packing Co., Ltd.	-	Financial assets carried at cost	1,000	10,000	4.00	11,421	Note 2
	Vizionfocus Inc.	-	Financial assets carried at cost	2,500	50,000	6.80	27,039	Note 2
	Fusheng Precision Co., Ltd.	-	Financial assets carried at cost	900	110,250	0.76	19,166	Note 2
	Procrystal Technology Company Limited	-	Financial assets carried at cost	3,360	40,000	2.69	16,979	Note 2
	Robospark Technology Inc.	-	Financial assets carried at cost	670	-	2.72	-	-
	TBI Motion Technology Co., Ltd.	-	Financial assets carried at cost	1,775	35,267	2.08	33,208	Note 2
	Tapollop Technology Co., Ltd.	-	Financial assets carried at cost	666	-	8.67	-	-
	Caremed Supply Inc.	-	Financial assets carried at cost	1,418	37,139	5.21	13,246	Note 2
	Tekho Marine Biotech Co., Ltd.	-	Financial assets carried at cost	1,808	28,801	8.97	12,317	Note 3
	Life + Co., Ltd.	-	Financial assets carried at cost	2,975	29,750	9.02	19,167	Note 2
	Taiwan Silicones Technology Co., Ltd.	-	Financial assets carried at cost	2,880	28,800	11.86	17,146	Note 2
	CHO Pharma Inc.	-	Financial assets carried at cost	7,224	200,658	4.00	122,318	Note 3
	ICP Technology Co., Ltd.	-	Financial assets carried at cost	666	9,990	2.53	7,011	Note 2
	Fashionguide Co., Ltd.	-	Financial assets carried at cost	324	11,800	1.93	5,571	Note 2
	Asia Carbons & Technology Inc.	-	Financial assets carried at cost	69	1,980	0.15	256	Note 2
	Excetek Technologies Co., Ltd.	-	Financial assets carried at cost	301	6,780	2.05	3,282	Note 2
	Vision Application Tech Corp.	-	Financial assets carried at cost	782	7,818	5.28	2,791	Note 2
	Advanced Material Systems Corporation	-	Financial assets carried at cost	1,164	39,116	4.20	10,009	Note 2
	Applied Green Light Taiwan, Inc.	-	Financial assets carried at cost	96	-	2.24	-	-
	XPEC Art Center Inc.	-	Financial assets carried at cost	87	9,600	0.39	1,036	Note 3
	KHL Investment Advisors Ltd.	-	Financial assets carried at cost	9,100	91,001	5.95	106,248	Note 2
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets carried at cost	388	31,500	0.36	25,064	Note 3
	Brim Biotechnology, Inc.	-	Financial assets carried at cost	1,100	19,800	2.17	8,843	Note 2
	3D Global Biotech Inc.	-	Financial assets carried at cost	2,000	20,000	4.00	17,739	Note 2
	Topray Mems Inc.	-	Financial assets carried at cost	1,393	15,895	3.22	6,616	Note 2
	Remotek Corporation	-	Financial assets carried at cost	506	7,588	2.32	5,653	Note 3
	Amaran Biotechnology, Inc.	-	Financial assets carried at cost	346	29,408	0.50	5,074	Note 2
	ACHB Enterprise Co., Ltd.	-	Financial assets carried at cost	333	9,990	3.68	6,124	Note 2
	Twoway Communications Inc.	-	Financial assets carried at cost	600	9,000	0.74	7,184	Note 3
	Gama Pay Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	8.33	31,730	Note 2
	KHL II Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	5.00	53,567	Note 2
	Pet Pharm Biotech Co., Ltd.	-	Financial assets carried at cost	627	11,588	2.59	2,439	Note 2
	9splay Entertainment Technology Co., Ltd.	-	Financial assets carried at cost	55	3,255	0.32	1,037	Note 3
	World Known MFG (Cayman) Limited	-	Financial assets carried at cost	1,500	51,000	5.00	31,815	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	IKALA Global Online Corp. Natural Polymer International Corporation Celestial Talent Limited Transound Electronics Co., Ltd. Amaryllo Inc. Arrowspan Inc. (preferred stock) VPON Ltd. Bioresource International, Inc. (preferred stock) Gogogro Inc. (preferred stock) Shanghai Vpon Ltd. Taiwan depositary receipts Digital China Holdings Limited Foreign fund Delos Capital Fund Delos Capital Fund 2	- - - - - - - - - - -	Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets carried at cost Financial assets at fair value through profit or loss Financial assets carried at cost Financial assets carried at cost	7,143	\$ 7,530	1.11	\$ 436	Note 2
				591	24,188	2.36	4,457	Note 2
				1,457	25,828	2.41	12,377	Note 2
				1,200	30,000	3.40	23,650	Note 2
				290	9,750	1.98	970	Note 2
				264	-	1.36	-	-
				1,186	15,021	0.98	210	Note 2
				815	46,422	4.22	17,041	Note 2
				1,429	150,698	1.67	137,468	Note 2
				38,615	38,615	8.93	10,147	Note 2
				200	1,918	0.01	1,918	Note 1
				-	235,741	7.63	218,374	Note 2
				-	47,804	7.46	39,917	Note 2

Note 1: Market value of listed stocks was based on the closing price as of December 31, 2017.

Note 2: Unlisted company. The amounts are based on the investee’s latest unaudited or unreviewed financial statements.

Note 3: Unlisted company. The amounts are based on the investee’s latest audited or reviewed financial statements.

Note 4: Unlisted company. The amounts are based on the investee’s industry market comparison method.

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL (ESFHC, E.SUN BANK, ESVC AND ESBC DISCLOSED ITS INVESTEE'S ACQUIRED OR DISPOSED OF) FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars/In Thousands of shares)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Investments under the equity method	-	-	7,262,883	\$ 126,370,891	1,049,217 (Note 1)	\$ 27,047,947 (Notes 2 and 5)	-	\$ -	\$ 6,274,300 (Notes 2 and 5)	\$ -	8,312,100	\$ 147,144,538 (Note 5)
E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	Investments under the equity method	Mr. Ren, Mr. Ren	-	28	2,310,299	52 (Note 3)	2,507,749 (Notes 4 and 5)	-	-	1,529,381 (Notes 4 and 5)	-	80	3,288,667 (Note 5)

Note 1: Consisting of 604,000 thousand shares issuance for cash and 445,217 thousand shares of stock dividends.

Note 2: Acquisition consists of \$10,500,000 thousand due to capital increase, \$568,186 thousand due to equity increase in share-based payment, \$14,886,870 thousand as the net gain from equity investment under the equity method, and \$1,092,891 thousand as the unrealized gains on available for sale financial assets from equity investment under the equity method; disposal consists of \$742,846 thousand as the exchange differences on the translation of financial statements of foreign operations from equity investment under the equity method, \$42,931 thousand as changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss from equity investment under the equity method, \$52,685 thousand of remeasurement of defined benefit plans, \$4,619,000 thousand of cash dividends, and \$816,838 thousand as the adjustment of equity transaction from equity investment under the equity method.

Note 3: Consisting of 9 thousand shares from acquisition of non-controlling interests and 43 thousand shares issuance for cash. The amendment to the Article of Incorporation related to capital increase is still awaiting for approval of authorities in Cambodia.

Note 4: Acquisition consists of \$1,221,457 thousand acquisition costs, \$1,284,414 thousand due to capital increase, and \$1,878 thousand as the unrealized gains on available for sale financial assets from equity investment under the equity method; disposal consists of \$528,421 thousand as the net loss from equity investment under the equity method, \$184,122 thousand as the exchange differences on the translation of financial statements of foreign operations from equity investment under the equity method, and \$816,838 thousand as the adjustment of actual acquisition of interest in subsidiary.

Note 5: When preparing the consolidated financial statements, the amount had been eliminated.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Property	Transaction Date	Transaction Amount	Payment Term/Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty			Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date			
E.SUN Commercial Bank, Ltd.	Construction of new building for the operation of credit card and payment division	2013.06.21 2016.06.29	\$ 1,592,000 (Note 1)	\$1,592,000 has been paid as of December 31, 2017	Hsin Tung Yang Construction Co., Ltd.	-	-	-	-	Bid	For the operation of E.SUN Bank's credit card and payment division after construction completed	None
Union Commercial Bank PLC.	Construction of new building for the operation of UCB's head office	2014.12.18	US\$ 21,835 thousand	US\$15,151 thousand has been paid as of December 31, 2017	LBL International	-	-	-	-	Negotiation	For the operation of UCB's head office	None
E.SUN Commercial Bank, Ltd.	Construction of new building for Yiwen branch of E.SUN Bank	2015.06.12 2017.11.28	402,195 (Note 2)	\$371,420 has been paid as of December 31, 2017	Zhonglu Construction Co., Ltd., Mr. Lee, Mr. Lin	-	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None
E.SUN Commercial Bank, Ltd.	Land in Lingzhou section, Kaohsiung	2017.03.22	490,000	\$490,000 has been paid as of December 31, 2017		-	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None
E.SUN Commercial Bank, Ltd.	Wen Hsin Branch	2017.11.01	416,000	\$49,920 has been paid as of December 31, 2017	Chuan Mu Construction Development Inc.	-	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None

Note 1: The initial transaction amount was \$1,498,000 thousand, and an additional amount of \$94,000 thousand was added to the construction on June 29, 2016.

Note 2: The initial transaction amount was \$410,800 thousand and \$8,605 thousand was decreased due to the adjustment of actual construction area.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Subsidiary	\$ 1,288,813 (Notes 1 and 2)	-	\$ -	-	\$ -	\$ -

Note 1: The receivables come from remuneration of directors and receivables related to consolidated tax returns.

Note 2: When preparing the consolidated financial statements, the receivables have been eliminated.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

a. E.SUN Commercial Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow					
E.SUN Bank (China) Ltd.	Deposits, loans, import and export, exchange and foreign exchange business	\$ 9,758,742 (Note 1)	Direct	\$ 9,758,742	\$ -	\$ -	\$ 9,758,742 (Note 1)	100	\$ (346,969)	\$ 9,092,284	\$ -

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$ 9,758,742 (Note 1)	\$ 9,758,742 (Note 1)	\$ 88,354,661

(Continued)

b. E.SUN Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Transound Electronics (Dongguan) Co., Ltd.	Innovation, R&D, manufacture and selling in new electronic components, and establish R&D institution	\$ 237,987	Invest in Mainland China through the third-party company (Note 3)	\$ 30,000 (Note 1)	\$ -	\$ -	\$ 30,000 (Note 1)	\$ 46,370	3.40	\$ -	\$ 30,000	\$ -
Shanghai Vpon Ltd.	Data analysis and developing software	210,190	Direct	-	38,615 (Note 1)	-	38,615 (Note 1)	(141,649)	8.93	-	38,615	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 4)
\$ 68,615 (Note 1)	\$ 68,615 (Note 1)	\$ 2,043,800

Note 1: Translation into New Taiwan dollars at the spot rates on the dates of investment outflow from Taiwan.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to the larger of 60% of E.SUN Bank's net asset value or 60% of E.SUN Bank and subsidiaries' consolidated net asset value.

Note 3: The subsidiary of ESHFC invested in Transound Electronics (Dongguan) Co., Ltd. through Transound Electronics Co., Ltd.

Note 4: Based on the Investment Commission's "Regulation on Examination of Investment or Technical Cooperation in Mainland China," investments are limited to 60% of E.SUN Venture Capital Co., Ltd.'s net asset value.

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)		
				Financial Statement Account	Amounts	Trading Terms Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Cash and cash equivalents	\$ 106,021	Note 4 0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Deposits and remittances	106,021	Note 4 0.01
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Receivables on consolidated tax returns	1,202,813	Note 4 0.06
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Payables on consolidated tax returns	1,202,813	Note 4 0.06
2	E.SUN Securities Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents, other financial assets	258,218	Note 4 0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Securities Co., Ltd.	c	Deposits and remittances	258,218	Note 4 0.01
3	E.SUN Venture Capital Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents, other financial assets	481,195	Note 4 0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Venture Capital Co., Ltd.	c	Deposits and remittances	481,195	Note 4 0.02
1	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	c	Due to the Central Bank and other banks	337,254	Note 4 0.02
4	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	337,254	Note 4 0.02
1	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	c	Discounts and loans	3,269,508	Note 4 0.16
4	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	c	Other financial liabilities	3,269,508	Note 4 0.16
1	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	c	Due from the Central Bank and call loans to other banks	8,222,552	Note 4 0.40
5	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	c	Due to the Central Bank and other banks	8,222,552	Note 4 0.40
1	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	c	Interest revenue	150,248	Note 4 0.33
5	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	c	Interest expense	150,248	Note 4 0.33

(Continued)

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary;
- b. From subsidiary to parent company; and
- c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the transaction companies and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding \$100,000 thousand.

(Concluded)

TABLE 13**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****CAPITAL ADEQUACY RATIO
DECEMBER 31, 2017 AND 2016**

1. E.SUN Financial Holding Company, Ltd.'s capital adequacy ratio

Unit: In Thousands of New Taiwan Dollars, %

	December 31, 2017			December 31, 2016		
	Pro-portionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Pro-portionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
E.SUN Financial Holding Company, Ltd.		\$ 149,586,787	\$ 155,611,997		\$ 130,027,556	\$ 135,726,213
E.SUN Commercial Bank, Ltd.	100	194,484,051	119,861,902	100	174,936,955	110,066,610
E.SUN Securities Co., Ltd.	100	4,026,967	1,599,005	100	3,908,927	1,095,615
E.SUN Venture Capital Co., Ltd.	100	3,406,334	1,709,548	100	3,589,935	1,828,567
Deduction		(174,342,149)	(155,485,023)		(155,913,769)	(134,687,661)
Total		177,161,990	123,297,429		156,549,604	114,029,344
Group capital adequacy ratio		143.69			137.29	

Note 1: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

Note 2: Group capital adequacy ratio = Group's net eligible capital ÷ Group's statutory capital requirement.

2. E.SUN Financial Holding Company, Ltd.'s eligible capital

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2017	December 31, 2016
Common stock	\$ 101,855,000	\$ 87,654,000
Capital instruments, which conform to the terms of bank's other Tier 1 capital	-	-
Other preferred stocks and subordinated debts	760,000	1,520,000
Capital collected in advance	-	-
Capital surplus	24,529,129	20,658,669
Legal reserve	7,973,975	6,677,949
Special reserve	164,235	164,235
Cumulative earnings	13,873,907	12,960,263
Equity adjustments	445,970	409,359
Less: Capital deduction	15,429	16,919
Total eligible capital	149,586,787	130,027,556

Note: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

(Continued)

3. E.SUN Commercial Bank, Ltd.'s capital adequacy ratio

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	December 31, 2017		
				Standalone	Consolidated	
Eligible capital	Common equity		\$	137,835,715	\$	139,863,762
	Other Tier 1 capital			14,647,495		18,020,470
	Tier 2 capital			42,000,841		49,344,778
	Eligible capital			194,484,051		207,229,010
Risk-weighted assets	Credit risk	Standardized approach		1,185,638,241		1,232,233,279
		Internal ratings-based approach		-		-
		Securitization		-		-
	Operational risk	Basic indicator approach		-		-
		Standardized approach/alternative standardized approach		66,504,500		69,492,363
		Advanced measurement approach		-		-
	Market risk	Standardized approach		43,661,600		44,490,150
		Internal model approach		-		-
	Risk-weighted assets			1,295,804,341		1,346,215,792
	Capital adequacy ratio (%)				15.01	
Ratio of common equity capital to risk-weighted assets (%)				10.64		10.39
Ratio of Tier 1 capital to risk-weighted assets (%)				11.77		11.73
Ratio of leverage (%)				7.11		7.23

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year	December 31, 2016	
				Standalone	Consolidated
Eligible capital	Common equity		\$	117,217,039	\$ 119,481,671
	Other Tier 1 capital			14,031,679	17,294,464
	Tier 2 capital			43,688,237	51,570,494
	Eligible capital			174,936,955	188,346,629
Risk-weighted assets	Credit risk	Standardized approach		1,183,636,579	1,232,534,478
		Internal ratings-based approach		-	-
		Securitization		-	-
	Operational risk	Basic indicator approach		-	-
		Standardized approach/alternative standardized approach		58,867,763	60,688,275
		Advanced measurement approach		-	-
	Market risk	Standardized approach		33,630,263	34,100,088
		Internal model approach		-	-
	Risk-weighted assets			1,276,134,605	1,327,322,841
	Capital adequacy ratio (%)				13.71
Ratio of common equity capital to risk-weighted assets (%)				9.19	9.00
Ratio of Tier 1 capital to risk-weighted assets (%)				10.28	10.30
Ratio of leverage (%)				6.69	6.84

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

(Continued)

Note 2: Formulas used were as follows:

- a) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- b) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- c) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- d) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- e) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- f) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

(Concluded)

TABLE 14**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF
THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, %)**

December 31, 2017

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 237,642,004	159.66
Ministry of Finance, ROC	56,755,179	38.13
Tai Power Co., Ltd.	15,763,792	10.59
Societe Generale	13,736,201	9.23
Corsair Finance Jersey (International), Ltd	11,430,309	7.68
CPC Corporation, Taiwan	10,783,243	7.24
Goldman Sachs International	10,437,954	7.01
Hong Kong & Shanghai Banking Corp.	10,412,607	7.00
Libretto Capital PLC	10,203,198	6.86
Morgan Stanley	10,034,186	6.74
Bank of China Taipei Branch	9,252,932	6.22
Citi Bank	8,525,396	5.73
Wells Fargo Bank	8,099,903	5.44
Credit Agricole CIB	7,328,318	4.92
Nomura Holdings, Inc.	6,803,109	4.57
Bank of America Corp.	6,702,758	4.50
Deutsche Bank	6,043,374	4.06
JP Morgan Chase Bank N.A	5,784,520	3.89
BNP Paribas	5,046,348	3.39
Hon Hai Precision Co., Ltd	4,971,612	3.34
JP Morgan Structure Products BV	4,520,674	3.04
Nan Ya Plastic Co., Ltd.	4,342,928	2.92
Iris Spv PLC	4,212,428	2.83
Mizuho Bank	4,210,593	2.83
Dragon Steel Corporation	4,110,087	2.76
Chong Hong Construction	4,026,728	2.71
China Steel Corporation	3,963,414	2.66
The Bank of Tokyo - Mitsubishi UFJ, Ltd.	3,845,220	2.58
Synnex Technology International Corporation	3,724,906	2.50
Clevo Co.	3,641,272	2.45

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
Cathay Financial Holdings Co., Ltd. Royal Bank of Scotland Industrial and Commercial Bank of China Wealth Media Technology Co., Ltd.	\$ 3,586,923 3,467,030 3,152,610 3,072,509	2.41 2.33 2.12 2.06
2. Same related parties		
Li	15,776,692	10.06
Lin	10,901,001	7.32
3. Same affiliate		
Hong Kong & Shanghai Banking Corporation and related parties	11,413,743	7.67
Goldman Sach and related parties	11,042,344	7.42
Bank of China and related parties	10,869,752	7.30
China Steel Corporation and related parties	10,332,210	6.94
Citi Bank and related parties	8,527,521	5.73
Hon Hai Precision Co., Ltd. and related parties	7,369,149	4.95
Fubon and related parties	6,948,485	4.67
Eva Airway Corporation and related parties	6,267,654	4.21
Mitac-synnex Group and related parties	6,134,453	4.12
Deutsche Banking Co. and related parties	6,045,257	4.06
JP Morgan Chase Bank and related parties	5,924,893	3.98
Sinyi Realty Inc. and related parties	4,929,392	3.31
Chicony Technology Co. and related parties	4,642,037	3.12
Formosa Plastics Corp., Ltd. and related parties	4,592,153	3.09
Nan Ya Plastic Co., Ltd. and related parties	4,453,986	2.99
AUO Co., Ltd. and related parties	4,188,227	2.81
Chong Hong Construction and related parties	4,155,897	2.79
Cathay Co., Ltd. and related parties	3,956,325	2.66
Kinpo Co., Ltd. and related parties	3,914,401	2.63
Far Eastern New Century Corporation and related parties	3,753,546	2.52
Ruentex Industries Ltd. and related parties	3,635,405	2.44
Walsin Lihwa Corporation and related parties	3,397,481	2.28
WPG Holdings Co. and related parties	3,334,830	2.24
Powertech Technology Inc. and related parties	3,200,833	2.15
Uni-President Enterprises Co. and related parties	3,134,537	2.11

(Continued)

December 31, 2016

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
<p>1. Same person</p> <p>Central Bank of the Republic of China (ROC)</p> <p>Ministry of Finance, ROC</p> <p>Tai Power Co., Ltd.</p> <p>Libretto Capital PLC</p> <p>Bank of China Taipei Branch</p> <p>Hong Kong & Shanghai Banking Corp.</p> <p>E.SUN Bank (China), Ltd.</p> <p>Corsair Finance Jersey (International), Ltd</p> <p>Douro Finance B.V.</p> <p>JP Morgan Chase Bank N.A.</p> <p>Wells Fargo Bank</p> <p>Citi Bank</p> <p>Morgan Stanley</p> <p>Societe Generale</p> <p>Hon Hai Precision Co., Ltd.</p> <p>Nomura Holdings, Inc.</p> <p>Credit Agricole CIB</p> <p>Iris Spv PLC</p> <p>Goldman Sachs International</p> <p>Bank of America Corp.</p> <p>Chong Hong Construction</p> <p>Mizuho Bank</p> <p>Royal Bank of Scotland</p> <p>Clevo Co.</p> <p>Dragon Steel Corporation</p> <p>Taipei Fubon Commercial Bank Co., Ltd.</p> <p>Wealth Media Technology Co., Ltd.</p> <p>Taiwan Semiconductor Manufacturing Co., Ltd.</p> <p>BNP Paribas</p>	<p>\$ 227,095,979</p> <p>42,264,601</p> <p>14,614,307</p> <p>12,649,224</p> <p>12,171,177</p> <p>11,078,692</p> <p>9,537,135</p> <p>8,138,014</p> <p>7,276,460</p> <p>7,089,267</p> <p>6,793,121</p> <p>6,564,440</p> <p>6,088,180</p> <p>6,018,005</p> <p>6,008,812</p> <p>5,978,155</p> <p>5,807,323</p> <p>5,547,231</p> <p>4,629,940</p> <p>4,300,932</p> <p>4,095,000</p> <p>3,639,427</p> <p>3,564,502</p> <p>3,387,869</p> <p>3,386,658</p> <p>3,342,174</p> <p>3,240,541</p> <p>3,186,021</p> <p>3,040,012</p>	<p>176.69</p> <p>32.88</p> <p>11.37</p> <p>9.84</p> <p>9.47</p> <p>8.62</p> <p>7.42</p> <p>6.33</p> <p>5.66</p> <p>5.52</p> <p>5.29</p> <p>5.11</p> <p>4.74</p> <p>4.68</p> <p>4.68</p> <p>4.65</p> <p>4.52</p> <p>4.32</p> <p>3.60</p> <p>3.35</p> <p>3.19</p> <p>2.83</p> <p>2.77</p> <p>2.64</p> <p>2.64</p> <p>2.60</p> <p>2.52</p> <p>2.48</p> <p>2.37</p>

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
2. Same related parties		
Liu	\$ 3,010,736	2.34
3. Same affiliate		
Bank of China and related parties	12,856,933	10.00
Hong Kong & Shanghai Banking Corporation and related parties	12,598,425	9.80
Fubon and related parties	9,778,490	7.61
Hon Hai Precision Co., Ltd. and related parties	9,550,778	7.43
China Steel Corporation and related parties	8,549,729	6.65
JP Morgan Chase Bank and related parties	7,377,990	5.74
Eva Airway Corporation and related parties	7,041,931	5.48
Citi Bank and related parties	6,567,473	5.11
Ruentex Industries Ltd. and related parties	6,261,704	4.87
Societe General and related parties	6,041,873	4.70
Nomura Holdings and related parties	5,978,155	4.65
Credit Agricole Corporation & Investment Bank and related parties	5,819,022	4.53
Formosa Plastics Corp., Ltd. and related parties	5,215,351	4.06
Yuen Foong Yu Paper Mfg. Co., Ltd. and related parties	5,060,840	3.94
Mitac-synnex Group and related parties	4,679,519	3.64
Goldman Sach and related parties	4,629,940	3.60
Chicony Technology Co. and related parties	4,598,896	3.58
Kinpo Co., Ltd. and related parties	4,386,388	3.41
Bank of America and related parties	4,304,576	3.35
Chong Hong Construction and related parties	4,173,044	3.25
Far Eastern New Century Corporation and related parties	3,882,259	3.02
WPG Holdings Co. and related parties	3,782,062	2.94
AUO Co., Ltd. and related parties	3,717,521	2.89
Mizuho Financial Group, Inc. and related parties	3,684,762	2.87
Formosa Chemicals and Fiber Corporation and related parties	3,604,235	2.80
Formosa Petrochemical Co., Ltd. and related parties	3,307,860	2.57
Walsin Lihwa Corporation and related parties	3,284,379	2.56
Taiwan Semiconductor Manufacturing Corporation and related parties	3,224,237	2.51
BNP Paribas S.A. and related parties	3,070,329	2.39

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	The Proportionate Share of the Company and its Affiliates in Investees (Note 1)			Note	
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)		Percentage of Ownership
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	\$ 147,144,538	\$ 14,886,870	8,312,100	-	8,312,100	100.00	3
	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in brokerage of futures	100.00	4,917,852	234,403	400,000	-	400,000	100.00	3
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	3,409,943	105,394	300,000	-	300,000	100.00	3

Note 1: Shares or pro forma shares held by the Company, directors, supervisors, president, vice president and affiliates in accordance with the Company Act have been included.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.

b. Equity-based securities are covered by Article 11 of the “Securities and Exchange Law Enforcement Rules,” such as convertible bonds and warrants.

c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Accounting Standards 39.

Note 3: When preparing the consolidated financial statements, it has been eliminated.

E.SUN SECURITIES CO., LTD.

FINANCIAL RATIOS OF FUTURES BUSINESS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

Requirement: The Regulations Governing Futures Commission Merchants.

Rule No.	Formula	December 31, 2017		December 31, 2016		Standard	Status of Compliance with Standard (Met/Unmet)
		Formula	Ratio	Formula	Ratio		
17	Equities	1,061,679	22.59	1,033,165	19.45	≥ 1	Met
	Total liabilities minus customers' equity accounts - futures	(874,902-827,907)		(759,827-706,719)			
17	Current assets	1,661,813	1.99	1,498,320	2.11	≥ 1	Met
	Current liabilities	834,543		710,555			
22	Equities	1,061,679	113.55%	1,033,165	110.50%	≥ 60% ≥ 40%	Met
	Capital stock	935,000		935,000			
22	Adjusted net capital	1,070,944	408.31%	1,006,137	560.13%	≥ 20% ≥ 15%	Met
	Client and proprietary account	262,288		179,624			



Gratefulness for Glorious Moments

E.SUN's glories and honors in 2017

- Achievement Award, Best Bank in Asia Pacific (The Asian Banker)
- The only Taiwanese financial institute to be included in DJSI for the 4th consecutive year
- Third time winner of Best Bank in Taiwan (The Asset)
- Best Bank in Taiwan (Global Finance)
- Tenth time winner of CSR Award and No. 1 in financial sector (Wealth Magazine)
- Third time winner of CSR Award in financial sector (Global View Magazine)

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Yung-Jen Huang

Chairman



March 30, 2018 Printed

E.SUN of Taiwan, as E.SUN of the World.

Service Network of E.SUN Bank

Branch	phone	Branch	phone	Branch	phone
Head Office Business Division	+886 2 2719 1313	SinBan District Branch	+886 2 2954 1313	Caotun Branch	+886 4 9238 1313
Customer Service Division	+886 2 2175 1313	Guangfu Branch	+886 2 2957 1313	Changhua Branch	+886 4 728 1313
International Banking Department/OBU	+886 2 2175 1313	Sanchung Branch	+886 2 2280 1313	Yuanlin Branch	+886 4 836 1313
Trust Department	+886 2 2175 1313	Chongsin Branch	+886 2 2984 1313	Douliou Branch	+886 5 532 1313
Credit Card and Payment Division	+886 2 8512 1313	Er-Chong Branch	+886 2 2278 1313	Chiayi Branch	+886 5 223 1313
Nanching East Road Branch	+886 2 2760 1313	East Sanchung Branch	+886 2 2971 1313	East Chiayi Branch	+886 5 216 1313
Chengjhong Branch	+886 2 2389 1313	Tucheng Branch	+886 2 2274 1313	Puzih Branch	+886 5 379 1313
Chengtung Branch	+886 2 2504 1313	SouthTucheng Branch	+886 2 2267 1313	Tainan Branch	+886 6 241 1313
Hsinyi Branch	+886 2 8789 1313	Shulin Branch	+886 2 8675 1313	East Tainan Branch	+886 6 289 1313
Keelungroad Branch	+886 2 2378 1313	Hueiilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Tienmu Branch	+886 2 2835 1313	Wugu Branch	+886 2 2290 1313	Annan Branch	+886 6 357 1313
Minsheng Branch	+886 2 2509 1313	Sindian Branch	+886 2 2916 1313	Chiali Branch	+886 6 721 1313
Songjiang Branch	+886 2 2562 1313	Beisin Branch	+886 2 8911 1313	Yanhang Branch	+886 6 253 1313
Fuhsing Branch	+886 2 2771 1313	Sanxia Branch	+886 2 8970 6613	Yungkang Branch	+886 6 201 1313
Tunnnan Branch	+886 2 2754 1313	Lujhou Branch	+886 2 2848 1313	South Yungkang Branch	+886 6 313 1313
Changchun Branch	+886 2 2546 1313	Taishan Branch	+886 2 2297 1313	Rende Branch	+886 6 270 6613
Chungshan Branch	+886 2 2537 1313	Xizhi Branch	+886 2 2647 6613	Sinying Branch	+886 6 656 8813
Neihu Branch	+886 2 2659 1313	Taoyuan Branch	+886 3 332 1313	Kaohsiung Branch	+886 7 336 1313
Chenggong Branch	+886 2 2791 8813	South Taoyuan Branch	+886 3 337 1313	Dashun Branch	+886 7 727 1313
Songshan Branch	+886 2 3765 1313	Taoyin Branch	+886 3 375 1313	Lingya Branch	+886 7 716 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Cianjhen Branch	+886 7 761 1313
Mingyuan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	Chihsien Branch	+886 7 235 1313
Jhonglun Branch	+886 2 2731 1313	Bade Branch	+886 3 367 1313	Zuoying Branch	+886 7 559 1313
Daan Branch	+886 2 2755 1313	Yiwen Branch	+886 3 357 1313	Nanzih Branch	+886 7 364 1313
Guting Branch	+886 2 2364 1313	Zhongyuan Branch	+886 3 428 1313	North Kaohsiung Branch	+886 7 350 1313
Beitou Branch	+886 2 2895 1313	Jhongli Branch	+886 3 427 1313	Dachang Branch	+886 7 341 1313
Donghu Branch	+886 2 2632 1313	Lisin Branch	+886 3 492 1313	Chengcing Branch	+886 7 386 1313
Xinhu Branch	+886 2 8791 6613	Yangmei Branch	+886 3 488 1313	Siaogang Branch	+886 7 807 1313
Shilin Branch	+886 2 2834 1313	Hsinchu Branch	+886 3 523 1313	Fongshan Branch	+886 7 743 1313
Mujha Branch	+886 2 2936 1313	Guanghua Branch	+886 3 533 1313	Gangshan Branch	+886 7 621 1313
Jhongsiao Branch	+886 2 8772 1313	Juke Branch	+886 3 564 1313	Linyuan Branch	+886 7 643 1313
Dongmen Branch	+886 2 2321 1313	JhuBei Branch	+886 3 554 1313	Houjhuang Branch	+886 7 702 1313
Jiancheng Branch	+886 2 2556 1313	Sinfong Branch	+886 3 557 1313	Pingtung Branch	+886 8 733 1313
Nangang Branch	+886 2 2789 1313	Lioujia Branch	+886 3 658 9013	Donggang Branch	+886 8 835 1313
Renai Branch	+886 2 2708 1313	Jhunan Branch	+886 3 746 1313	Keelung Branch	+886 2 2427 1313
Taipei Branch	+886 2 2507 1313	Toufen Branch	+886 3 766 3571	Luodong Branch	+886 3 957 1313
Ruiguang Branch	+886 2 2797 8813	Houlong Branch	+886 3 773 1313	Hualien Branch	+886 3 831 1313
Hsinchuang Branch	+886 2 2202 1313	Taichung Branch	+886 4 2254 1313	Taitung Branch	+886 8 936 1313
North Hsinchuang Branch	+886 2 2997 1313	Wunsin Branch	+886 4 2291 1313	Penghu Branch	+886 6 927 1313
Sinshu Branch	+886 2 2203 1313	Dadun Branch	+886 4 2320 1313	Los Angeles Branch	+1 626 810 2400
Shwangho Branch	+886 2 2923 1313	Nantun Branch	+886 4 2380 1313	Hong Kong Branch	+852 3405 6168
Yonghe Branch	+886 2 2949 1313	Situn Branch	+886 4 2461 1313	Singapore Branch	+65 6533 1313
Jixian Branch	+886 2 8283 1313	Daya Branch	+886 4 2568 1313	Dong Nai Branch	+84 61 367 1313
Yung An Branch	+886 2 8921 1313	Fongyuan Branch	+886 4 2512 1313	Yanong Branch	+95 1 9345186~190
Jhonghe Branch	+886 2 2222 1313	Jhonggong Branch	+886 4 2350 8913	Sydney Branch	+61 2 9295 1399
Liancheng Branch	+886 2 8228 1313	Beitun Branch	+886 4 2241 6813	Tokyo Branch	+81 3 6213 1301
Nanshijiao Branch	+886 2 2942 8813	Shalu Branch	+886 4 2662 1813	Hanoi City Representative Office	+84 4 35551313
Taihe Branch	+886 2 2242 1313	Dali Branch	+886 4 2418 1313	E.SUN Bank (China)	+86 755 8898 1313
Banciao Branch	+886 2 8257 1313	Wuquan Branch	+886 4 2377 1313	Shenzhen Branch	+86 755 8360 1313
Puchain Branch	+886 2 2963 1313	Taiping Branch	+886 4 2270 8813	Dongguan Branch	+86 769 2868 1313
Banhsin Branch	+886 2 8952 1313	Wurih Branch	+886 4 2260 8813	Dongguan Changan Sub-branch	+86 769 2330 8813
				Union Commercial Bank Plc.	+855 23 427 995

E.SUN Securities Co., Ltd.

Headquarters	+886 2 5556 1313	Banciao Branch	+886 2 2951 9913
Brokerage HQ	+886 2 2713 1313	Taoyuan Branch	+886 3 336 6813
Nanching East Road Branch	+886 2 2765 1313	Hsinchu Branch	+886 3 666 9913
Songjiang Branch	+886 2 2562 1313	Taichung Branch	+886 4 2258 9913
Taida Branch	+886 2 8369 1313	Dali Branch	+886 4 2407 9813
Chengjhong Branch	+886 2 2382 1313	Chiayi Branch	+886 5 216 9913
Shinlin Branch	+886 2 2833 1313	Tainan Branch	+886 6 269 9913
Shwangho Branch	+886 2 8923 1313	Kaohsiung Branch	+886 7 397 1313
Hsinchuang Branch	+886 2 2998 1313	Zuoying Branch	+886 7 558 6613

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