玉山二十七年
27th

E.SUN BANK 5847
https://www.esunbank.com.tw
http://mops.twse.com.tw
Printing Date：2019.3.20

ANNUAL REPORT 2018

107年年報

玉山銀行 E.SUN BANK

Pure as Jade, Sturdy as Mountain.

E.SUN Spokesman

Name: Magi Chen
Position: Deputy President
Telephone: +886 2 2175 1313
email: spokesperson@esunbank.com.tw

Deputy Spokesman

Name: Mao-Chin Chen
Position: CEO of Corporate Banking Division
Telephone: +886 2 2175 1313
email: spokesperson@esunbank.com.tw

Registered Office and Branches

Name	Address	Telephone	Website
Registered Office	No.115 & 117, Sec.3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	+886 2 2175 1313	www.esunbank.com.tw
Branches	Please refer to the back cover		

Stock Transfer and Service Contact

Name: Stock Service Department, General Affairs Division, E.SUN Bank
Address: No.115, Sec. 3, Minsheng E. Rd., Songshan District Taipei, Taiwan, R.O.C.
Website: www.esunbank.com.tw
Telephone: +886 2 2719 1313

Rating Agency

Name: Moody's Investors Service Inc.
Address: 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, U.S.A.
Telehone: +1 212 553 0300

Name: Taiwan Ratings Corporation
Address: 49F., Taipei 101 Tower No.7, Sec.5, Xinyi Rd., Taipei, Taiwan R.O.C.
Telehone: +886 2 8722 5800

Auditing Certified Public Accountant

Certified Public Accountant: Yin-Chou Chen, Rui-Chan Huang
Accounting Firm: Deloitte Taiwan
Address: 12F., No.156, Sec.3, Minsheng E. Rd., Taipei, Taiwan, R.O.C.
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Telephone: +886 2 2545 9988

The highest peak, the best bank.

E.SUN BANK 27th

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I. Letter to Shareholders

Dear Shareholders

2018 was a year characterized by international turmoil. Major economies wrestled for dominance in the midst of regional economic integration and trade protectionism, causing exacerbated volatility in the international financial market. Climate change has led to an increase in the occurrence of natural disasters in many regions as it tests countries' abilities to respond to environmental emergencies. Meanwhile, as technological advances create new business models, information security and privacy protection issues have emerged as a result. Macroeconomic conditions kept improving but were accompanied by many challenges. We face an increasingly complex environment that has many downsides, but we believe that this moment in time also provides us with the chance to rise as it becomes a turning point for our business. That is, we hold the opportunity to demonstrate careful planning, exercise competitive advantages and create change in order to build a different future.

Overall Performance Reaches New Heights

In 2018, E.SUN again excelled in terms of overall performance as the winner of many domestic and international honors and awards. We received the National Quality Award for the 4th time, thus attaining the best-ever record for a Taiwanese company. The Dow Jones Sustainability Index (DJSI) has included the Company for 5 consecutive years and the DJSI World for 3 years. The Bank has also been named as the best bank in Taiwan by The Banker, Asiamoney and The Asset. Other international recognitions include that given by Moody's, which has upgraded E.SUN Bank to an A2 rating and E.SUN FHC to an A3, making the two the highest rated private sector bank and financial holding company, respectively, in Taiwan.

In terms of financial indicators, E.SUN FHC reported another record-breaking after-tax earnings amount of NT$17,108 million, with EPS at NT$1.98, ROE at 11.20%, ROA at 0.80% and BIS ratio at 15.13%. In particular, E.SUN Bank reported the highest ROE among banks under

financial holding companies. Asset quality maintained at a sound level with an NPL ratio of 0.23% and an NPL coverage ratio of 523.85%.

As business indicators kept following an upward trend, the total assets of E.SUN FHC have reached NT$2.27 trillion while total deposits amounted to NT$1.89 trillion and total loans NT$1.35 trillion. Both foreign currency deposits and loans displayed steady growth. Total foreign currency deposits have increased by 20.69% to equivalent of NT$642.9 billion, while total foreign currency loans have increased by 21.9%, making E.SUN the market leader in terms of foreign currency deposit volume and growth. Fee revenues have also grown steadily. Net commissions and fee revenues reached NT$15,359 million, out of which NT$8,043 million came from wealth management fees, at a 4.5% growth, and NT$5,124 million from credit card fees, at a 6.8% growth.

As part of our business sustainability and corporate social responsibility campaigns, we enforce effective corporate governance practices and strengthen information disclosure. For this reason, E.SUN has ranked in the top 5% in the TWSE Corporate Governance Evaluation for 4 consecutive years. In terms of sustainable finance, E.SUN works actively to adopt international trends and implements responsible lending and investment principles. The Company's banking strengths enable customers, suppliers, and business partners to achieve environmental sustainability, while also assisting businesses in issuing NT$5 billion green bonds and approving the financing of 3 Equator Principles projects. In response to climate change, E.SUN has adopted internationally-accepted environmental protection standards and completed greenhouse gases

E.SUN Bank's Credit Ratings

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	A2	P-1	Stable	2018.11
	S&P	BBB+	A-2	Stable	2018.07
Domestic Ratings	Taiwan Ratings	twAA-	twA-1+	Stable	2018.07

and water resource inventories for all domestic and international offices. E.SUN has also become the first company within Taiwan's financial sector to build a LEED Gold-certified green computer facility to improve energy efficiency. As a proactive member of society, E.SUN continues to invest in academic education, support for the disadvantaged, and the arts and cultures. More than 13,000 children benefited from the Care for Schoolchildren Project in 2018. Thanks to the support of more than 170,000 E.SUN Bank World Card holders, 137 E.SUN Libraries in total have been established through the E.SUN Golden Seed Project while the aim is to reach 200 as we continue to plant more golden seeds in anticipation of the lush green forests of the future.

Leading in Cross-Border and Technological Services Development

The rise of Asian markets and technological advances have directed E.SUN's long-term expansionary strategies towards Asia and fintech. Two more overseas offices were added to our company network with the opening of the Brisbane Branch and Guangzhou Branch in 2018, bringing E.SUN's total number of 28 offices spanning 9 countries and regions. Having completed the current goal of stabilizing markets within the Asian region, E.SUN will focus more on developing integrated cross-border services, and work to expand foreign currency services and increase the proportion of international operations. Sustainability has become the most important issue for Taiwanese businesses. We plan to rely again on our banking strengths to help businesses achieve sustainability and steady development as the Bank transforms into a unique Asia Pacific banking platform.

With respect to fintech, E.SUN has chosen point-of-sale-scenario finance, inclusive finance, and smart banking to be the main focuses of development. In terms of scenario finance, E.SUN works with first-class business partners in various industries to provide convenient payment services, and was also the first within the industry to offer a credit card that can be linked to an electronic wallet service instantly upon approval. In terms of inclusive finance, E.SUN gives priority to mobile banking services that enable customers to meet most of their banking needs on their mobile phones. In addition, 24-hour service foreign currency ATMs have been installed to make it much easier for customers with travel plans to purchase foreign currencies. In terms of smart banking, E.SUN already employs data science and artificial intelligence in risk management, marketing, and process optimization to boost efficiency. In 2019, the Intelligent Banking Division was created as part of an effort to accelerate digital transformation.

We believe that no business operation can be considered beyond risk, and no service can be considered above the law. As such, E.SUN upholds a deeply entrenched culture of risk management and compliance, which is why we have utilized technology to strengthen our three lines of defense, ensure effective execution of international anti-money laundering and counter-terrorism practices and enhance information security protection. These methods and approaches allow E.SUN to keep creating value for customers and also for ourselves.

Creating a New Future

A closer look at the hidden champions around the world will always reveal three important characteristics: long-term commitment, pursuit of professional perfection, and the setting and surpassing of challenging goals. Since our foundation in 1992, E.SUN has remained committed to the values of integrity, honesty, and professionalism, and to the fulfillment of our corporate social responsibility while pursuing sustainability persistently. We are named after the highest mountain in Taiwan in hopes of becoming the best bank and the first choice for customers. We furthermore aspire that the E.SUN of today will one day become the E.SUN of the world. We would like to thank you for your continuous support and affirmation as we continue to achieve excellence and work together to build a better future.

Gary Tseng　　Joseph Huang

Gary K.L. Tseng
Chairman of the Board

Joseph N.C. Huang
President

II.Company Profile

1.Introduction

1.1 Date of Establishment : January 16, 1992

Date of Opening : February 21, 1992

1.2 Company Development

E.SUN Bank was founded on January 16 1992 and commenced its business on February 21 1992. Under the leadership of the founder and the incumbent Chairman of E.SUN Financial Holding Company, Mr. Yong Ren Huang, a team of financial elite had a shared vision– to build the best bank in Taiwan. In the name of Yushan mountain, the highest mountain in Taiwan, E.SUN orchestrated by professional bankers and managers, they are committed to render it the most respected bank with excellent overall performance.

Core Value and Sustainable Development

E.SUN is a highly self-disciplined company, who has upheld a long-term business philosophy of honesty and integrity, as well as fresh and professional brand image since the beginning. "Building system, cultivating talent, and developing IT" are the three main infrastructure for E.SUN's lasting mission. Striving towards to the goal as role model and benchmark for both financial and service industries, E.SUN actively takes part in encouraging technological development and providing professional and thoughtful service, in order to fulfill its deeply-rooted promise to employees, customers, shareholders and the land of Taiwan. From 2014 to 2018, E.SUN had been selected into Dow Jones Sustainability Emerging Market Index (DJSI) for the 5 consecutive years, setting a historical record in the Taiwanese financial industry.

Overseas Expansion on Strong Foundation in Taiwan

E.SUN aims to establish first choice financial platform in Asia, by continuously cultivating Taiwanese market, expanding business to other Asian countries and establishing connection with international market. Domestically, E.SUN has 139 branches to provide customer the most complete financial solution thru Omni- Channel strategy, digital innovation and FinTech application. When it comes to expanding abroad, the Bank has 28 operational sites in 9 countries and areas, connecting Asia-Pacific financial center, mainland China, Taiwan and Hong Kong, and ASEAN together. Its business has covered China, Hong Kong, Japan, Singapore, Vietnam, Cambodia, Myanmar, Australia and the United States, which intend to establish Asia's financial service network, to deliver prominent localized service and to meet customers' need for cross-border financial activities. A brief review of the Bank's history is as follows:

a.On January 28, 2002, E.SUN Bank became a subsidiary of E.SUN Financial Holding Co., Ltd..

b.In 2004, E.SUN Bank absorbed Kaohsiung Business Bank, setting a world record for the fastest consolidation of information and operational systems between two financial institutions.

c. On March 18, 2011, E.SUN Bank Chunan Credit Cooperative signed contracts on general transfer and assumption. Both parties agreed that July 9 of the same year would be the record date for the Bank's general assumption of the latter's assets, liabilities, and operations.

d. On March 16, 2012, E.SUN Bank Chiayi Fourth Credit Cooperative signed contracts on general transfer and assumption. Both parties agreed that November 3 of the same year would be the record date for the Bank's general assumption of the latter's assets, liabilities, and operations.

e. The board of directors approved the investing 70% shares in Union Commercial Bank PLC., Cambodia on March 22, 2013, and the record date for the Bank's general assumption of the latter's assets, labilities and operations was on the August 28, 2013. Furthermore, on December 29, 2015, E.SUN increased shareholding of UCB to 75%, on August 25, 2017, E.SUN increased shareholding of UCB to 100%. Our Cambodia subsidiary now has in total 14 branches, providing financial service including deposits, loans and credit cards etc..

f. 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 Sub-branch.

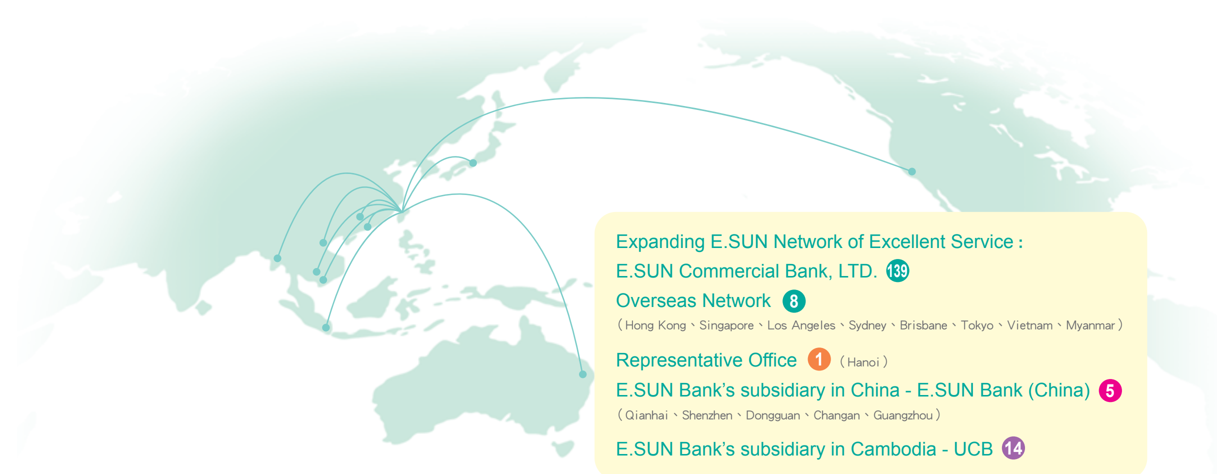
g. On November 13, 2015, the subsidiary E.SUN Bank received approval from the Board of Directors to transfer its investment to BankPro e-Service Technology Co. Ltd., acquiring a total of 7,875,000 shares (accounting for 58.33% of the paid-in capital), which were transferred on January 11, 2016.

h. 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.

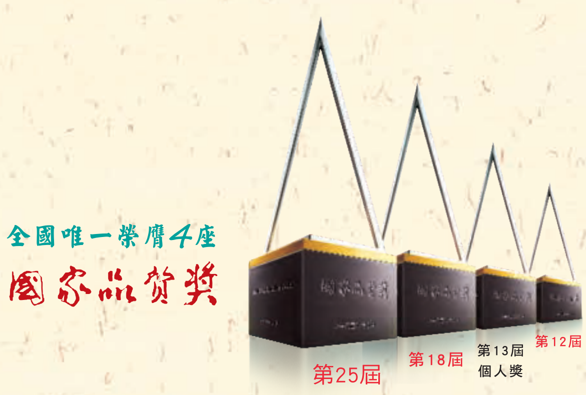
i. In July and November 2018, establishment of Brisbane Branch, Australia, and Guangzhou Branch in China subsidiary.

Sailing to the blue ocean and new future

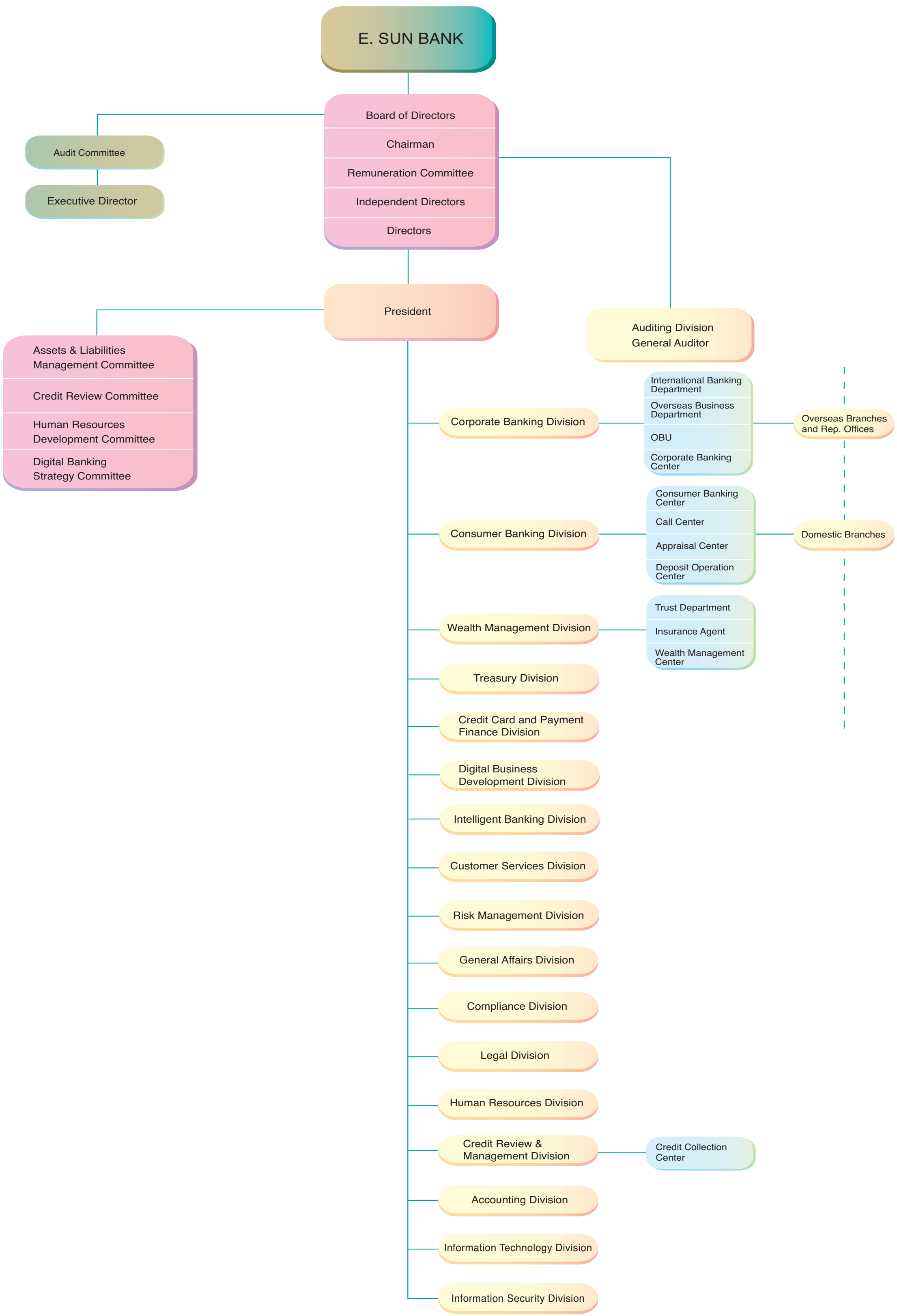
In response to trend and latest evolvement of technology development, cross-border platform, compliance, risk management, and AML, E.SUN will continue to focus on "tech, cross-border, and three lines of defense". In technology, by leveraging capability of IT, data analysis, and artificial intelligence, E.SUN will develop intelligent finance, inclusive finance, and various payment scenarios with customer needs as the center. In cross-border, through Asia financial platform, E.SUN offered cross-border cash management, asset management, enterprise succession services in multiple domicile. In three lines of defense, E.SUN strengthened effective internal control system to develop new technology and reg-tech to consolidate the financial safety net. E.SUN will strive to create differentiated factors and value, to integrate expertise in finance service with application of technology, and to add human touch into digitalization. With an anticipation to sail to the new blue ocean, E.SUN will create new future of financial service and for its customers.



III.Corporate Governance Report



1.Organization



2. Directors, Independent Directors and Management Team

2.1 Directors and Independent Directors

December 31, 2018 Unit:1,000 shares;%

Position	Nationality or place of incorporation	Representative (Name)	Gender	Date of Election	Term (years)	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC: Current Shareholdings		Shareholding in E.SUN FHC: Shareholdings of the spouse and minors		Shareholding in E.SUN FHC: Shareholdings under other's name		Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Member of the Management Team, Directors or Supervisors		
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Position	Name	Relation
Chairman	ROC	Representative of E.SUN Financial Holding Company Gary K.L. Tseng	M	2017.06.23	3	2010.5.14	8,637,000	100	8,637,000	100	0	0	0	0	Harvard University Master's in Public Administration, Director General of Banking Bureau, Financial Supervisory Commission	Chairman of E.SUN Bank	None	None	None
Executive Director & President	ROC	Representative of E.SUN Financial Holding Company Joseph N.C. Huang	M	2017.06.23	3	2008.6.13	8,637,000	100	8,637,000	100	0	0	0	0	MBA of the City University of New York, 25 years in Financial Industry	President of E.SUN FHC, President and Managing director of E.SUN Bank, Chairman of E.SUN Bank(China), Director of Cho Pharma Inc.	None	None	None
Executive Director	ROC	Representative of E.SUN Financial Holding Company Jackson Mai	M	2017.06.23	3	1991.12.16	8,637,000	100	8,637,000	100	0	0	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. and Hsin Tung Yang Real Estate Broker Co.,Ltd. Director of Hsin Tung Yang Constructio Co.,Ltd. Chairman of Yuan Sheng Co.,Ltd. Director of Hua Yang Logistics Co.,Ltd., Tao Garden Hotel, Shang Yang Development Co.,Ltd. and Shang Yang International Development Co.,Ltd. Chairman of Sheng Yang Construction Co.,Ltd. and Sin Yang Investment Co.,Ltd. Managing Director of E.SUN Bank	None	None	None
Independent Director (Executive Director)	ROC	Representative of E.SUN Financial Holding Company Chen-Chen Chang Lin	F	2017.06.23	3	2007.8.16	8,637,000	100	8,637,000	100	0	0	0	0	Master of Mathematical Statistics of University of Michigan	Independent director and Managing director or E.SUN Bank Convener of remuneration committee of E.SUN FHC.	None	None	None
Independent Director	ROC	Representative of E.SUN Financial Holding Company Chen-En Ko	M	2017.06.23	3	2007.8.16	8,637,000	100	8,637,000	100	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 Audit committee of Chang Type Industrial Co.,Ltd. Independent director and member of remuneration committee of Novatek Microelectronics Co. Director of Cho Pharma Inc. 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. Supervisor of Synovel Sciences Inc.	None	None	None

Position	Nationality or place of incorporation	Representative (Name)	Gen-der	Date of Election	Term (years)	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC						Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Member of the Management Team, Directors or Supervisors		
									Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name						
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Position	Name	Relation
Independent Director	ROC	Representative of E.SUN Financial Holding Company Ji-Ren Lee	M	2017.06.23	3	2007.8.16	8,637,000	100	8,637,000	100	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. and Wow Prime Group. 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	ROC	Representative of E.SUN Financial Holding Company Hsin-I Lin	M	2017.06.23	3	2008.6.13	8,637,000	100	8,637,000	100	0	0	0	0	Bachelor of Department of Mechanical Engineering, National Cheng-Kung University	Director of Yulon Motor Co.,Ltd., China Motor Co.,Ltd., Yan Ching-Ling Industrial Development Foundation, Acer Inc. and Acer Foundation. 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	ROC	Representative of E.SUN Financial Holding Company Chun-Yao Huang	M	2017.06.23	3	2017.06.23	8,637,000	100	8,637,000	100	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 FHC Member of remuneration committee of E.SUN FHC	None	None	None
Director	ROC	Representative of E.SUN Financial Holding Company Rong-Chu Chen	M	2017.06.23	3	2005.06.10 2008.11.04 Resigned	8,637,000	100	8,637,000	100	0	0	0	0	Junan Junior High School	Chairman of Chen Chin-Po Culture and Education Foundation, Ron Yuan Investment Co.,Ltd. and Fu Yuan Investment Co.,Ltd. Director or E.SUN Bank and Jia Tien Sia Investment Co.,Ltd.	None	None	None
Director	ROC	Representative of E.SUN Financial Holding Company Chien-Li Wu	M	2017.06.23	3	1995.4.17	8,637,000	100	8,637,000	100	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. Sun lit 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	ROC	Representative of E.SUN Financial Holding Company Magi Chen	F	2017.06.23	3	2011.07.07	8,637,000	100	8,637,000	100	0	0	0	0	MBA. The University of Tennessee, 40 years of experience in financial industry	Deputy president and CFO of E.SUN FHC and E.SUN Bank, Director of E.SUN Bank	None	None	None
Director	ROC	Representative of E.SUN Financial Holding Company Ben Chen	M	2017.06.23	3	2014.06.26	8,637,000	100	8,637,000	100	0	0	0	0	Department of Business Administration, Soochow University, 28 years experience in financial industr	Deputy president of E.SUN FHC, CEO of consumer banking division and Director of E.SUN Bank	None	None	None
Director	ROC	Representative of E.SUN Financial Holding Company Mao-Chin Chen	M	2017.06.23	3	2011.07.07	8,637,000	100	8,637,000	100	0	0	0	0	Master of Economics, National Taiwan University, 26 years of experience in financial industr	CEO of Corporate Banking Division of E.SUN Bank, CSO of E.SUN FHC and E.SUN Bank, Director of UCB	None	None	None

Major Shareholders of the Institutional Shareholders

December 31, 2018

Name of institutional shareholders	Major shareholders of the institutional shareholders
E.SUN Financial Holding Co., Ltd.	Ron-Yuan Investment Co.,Ltd. (3.27%) E.SUN Commercial Bank Trust Fiduciary trust account (3.16%) Morgan Stanley & Co. International Plc (2.49%) Chunghwa Post Co., Ltd. (2.44%) Government of Singapore (1.88%) Vanguard (1.51%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.47%) First State Investments (1.44%) Fidelity Funds (1.42%) Bank J. Safra Sarasin Ltd--Singapore Branch - For Clients' account (1.37%)

Professional Qualifications and Independent Analysis of Directors

Criteria / Name (note)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney. Certified Public Accountant, or Other Professional or Technical Specialist who has Passed a National Examination and been Awarded a Certifi ate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Chairman Gary K.L. Tseng	√	√	√	√		√	√		√	√	√	√		0
Managing Director Jackson Mai			√	√		√	√		√	√	√	√		0
Managing Director Joseph N.C. Huang			√			√	√		√	√	√	√		0
Independent Director/Managing Director Chen-Chen Chang Lin			√	√	√	√	√		√	√	√	√		0
Independent Director Chen-En Ko	√		√	√	√	√	√		√	√	√	√		3
Independent Director Ji-Ren Lee	√		√	√	√	√	√		√	√	√	√		3
Independent Director Hsin-I Lin			√	√	√	√	√		√	√	√	√		1
Independent Director Chun-Yao Huang	√		√	√	√	√	√		√	√	√	√		0
Director Ron-Chu Chen			√	√		√	√		√	√	√	√		0
Director Chien-Li Wu			√	√		√	√		√	√	√	√		0
Director Magi Chen			√			√	√		√	√	√	√		0
Director Ben Chen			√			√	√		√	√	√	√		0
Director Mao-Chin Chen			√			√	√		√	√	√	√		0

Note:Please tick the corresponding boxes if directors 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 bank or any of its affiliates.

(2)Not a director or supervisor of affiliates of the bank, except cases that the person serves as independent director of the bank or its parent company or its subsidiary according to the security exchange law or other local laws.

(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, or officer, 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 or accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse thereof. The restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.

(8)Not having a material 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.

2.2 Executive Officers

March 20, 2019 Unit: thousand shares; %

Departmen	Position	Nationality	Name	Gen-der	Date of Appointment	Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name		Experience (Education)	Current Position with E.SUN and Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Manager of the Company		
						Shares	%	Shares	%	Shares	%			Position	Name	Relation
Headquarter	President	Taiwan R.O.C.	Joseph N.C. Huang	M	2011.08.01	-	-	-	-	-	-	President of E.SUN, FHC	Director, President and CSO of E.SUN FHC; Director of ESB; Director of Kellong (International) Cosmetic Ltd. and Cho Pharma Inc.	none	none	none
Corporate Banking Division	Deputy President	Taiwan R.O.C.	Suka Chen	M	2012.01.07	-	-	-	-	-	-	CEO of Consumer Banking Division, ESB	President and Director of E.SUN Bank (China)	none	none	none
Corporate Banking Division	CEO of Corporate Banking Division	Taiwan R.O.C.	Mao-Chin Chen	M	2016.01.29	-	-	-	-	-	-	SEVP of Corporate Banking Division, ESB	CSO of E.SUN FHC; Director of E.SUN Bank; Director of UCB	none	none	none
Corporate Banking Division	SEVP	Taiwan R.O.C.	L.C. Lin	M	2012.01.07	-	-	-	-	-	-	EVP of Corporate Banking Division, ESB	SEVP of E.SUN FHC; Chairman of E.SUN Venture Capital	none	none	none
Corporate Banking Division	SEVP	Taiwan R.O.C.	Chi-Kan Chung	M	2015.02.06	-	-	-	-	-	-	EVP of Corporate Banking Division, ESB	Director and President of UCB	none	none	none
Corporate Banking Division	SEVP	Taiwan R.O.C.	Joseph Shu	M	2014.01.24	-	-	-	-	-	-	SEVP of Treasury Division, ESB	Deputy President and Director of E.SUN Bank (China)	none	none	none
Corporate Banking Division	SEVP	Taiwan R.O.C.	Cathy Kuo	F	2017.01.20	-	-	-	-	-	-	EVP of Corporate Banking Division, ESB	Director of UCB	none	none	none
Corporate Banking Division	SEVP	Taiwan R.O.C.	Kenneth Tsao	M	2016.12.16	-	-	-	-	-	-	General Manager of DBS	Deputy President of E.SUN Bank (China)	none	none	none

Departmen	Position	Nationality	Name	Gender	Date of Appointment	Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name		Experience (Education)	Current Position with E.SUN and Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Manager of the Company		
						Shares	%	Shares	%	Shares	%			Position	Name	Relation
Consumer Banking Division	CEO of Consumer Banking Division	Taiwan R.O.C.	Ben Chen	M	2015.02.06	-	-	-	-	-	-	Deputy President of Credit Card and Payment Finance Division, ESB	Deputy President and Director of E.SUN FHC; Director of ESB	none	none	none
Consumer Banking Division	SEVP	Taiwan R.O.C.	Wu-Ming Hsieh	M	2014.01.24	-	-	-	-	-	-	EVP of Consumer Banking Division, ESB	SEVP of E.SUN FHC; Director of E.SUN Securities	none	none	none
Consumer Banking Division	SEVP	Taiwan R.O.C.	Te-Ming Chung	M	2015.02.06	-	-	-	-	-	-	EVP of Consumer Banking Division, ESB	Director of E.SUN Venture Capital	none	none	none
Wealth Management Division	SEVP	Taiwan R.O.C.	Louis Chang	M	2015.02.06	-	-	-	-	-	-	EVP of Wealth Management Division, ESB	SEVP of E.SUN FHC; Director of E.SUN Bank	none	none	none
Treasury Division	CFO/Deputy President	Taiwan R.O.C.	Magi Chen	F	2014.01.24	-	-	-	-	-	-	SEVP of Treasury Division, ESB	E.SUN FHC; Director of E.SUN FHC and ESB	none	none	none
Credit Card and Payment Finance Division	SEVP	Taiwan R.O.C.	Jung-Hua Lin	M	2014.01.24	-	-	-	-	-	-	EVP of Credit Card and Payment Finance Division, ESB	SEVP of E.SUN FHC; Director of EasyCard Investment Holdings Co., Ltd. and EasyCard Corporation	none	none	none
Audit Division	General Auditor	Taiwan R.O.C.	Chung-Chen Sun	M	2012.04.26	-	-	-	-	-	-	EVP of Credit Review and Management Division, ESB	none	none	none	none
Headquarter	Chief Compliance Offi er	Taiwan R.O.C.	Fion Ouyang	F	2016.01.22	-	-	-	-	-	-	SVP of President Office, ESB	Chief Compliance Officer of E.SUN FHC	none	none	none
Legal Division	SVP	Taiwan R.O.C.	Mei-Cheng Chu	F	2014.01.24	-	-	-	-	-	-	VP of Legal Division, ESB	none	none	none	none
Accounting Division	CAO/EVP	Taiwan R.O.C	Jhy-Hung Ke	M	2017.07.31	-	-	-	-	-	-	EVP of Accounting Division, ESB	CAO of E.SUN FHC	none	none	none
IT Division	CIO/SEVP	Taiwan R.O.C.	Wan-Li Hsieh	M	2017.01.20	-	-	-	-	-	-	EVP of IT Division, ESB	CIO of E.SUN FHC	none	none	none
IT Division	Vice CIO/ EVP	Taiwan R.O.C.	Po-Hsuan Hsu	F	2016.01.22	-	-	-	-	-	-	EVP of IT Division, ESB	Supervisor of E.SUN Bank (China); Director of Bankpro e-Services Technology Co., Ltd.	none	none	none
Information Security Division	EVP	Taiwan R.O.C	Chun Jung Chen	M	2018.01.31	-	-	-	-	-	-	EVP of Information Security Division	none	none	none	none
Digital Business Development Division	Chief Digital Officer/ SEVP	Taiwan R.O.C.	Bruce Lee	M	2017.01.20	-	-	-	-	-	-	EVP of President Office, ESB	Director of Bankpro e-Services Technology Co., Ltd.	none	none	none
Digital Business Development Division	EVP	Taiwan R.O.C.	Mei-Ling Liu	F	2016.01.22	-	-	-	-	-	-	EVP of Digital Business Development Division	Director of Gash Pay; Supervisor of TWMP	none	none	none
HR Division	Head of HR/ SEVP	Taiwan R.O.C	J.C. Wang	M	2012.01.07	-	-	-	-	-	-	SEVP of HR Division, ESB	Head of HR of E.SUN FHC; Supervisor of Shan Meng Investment Co., Ltd.	none	none	none
Risk Management Division	CRO/EVP	Taiwan R.O.C	Oliver Hsieh	M	2017.01.20	-	-	-	-	-	-	EVP of Risk Management Division,ESB	CRO of E.SUN FHC	none	none	none

2.3 Remuneration of Directors (including Independent Directors), President and Senior Executive Vice President

(1) Remuneration of Directors (including Independent Directors)

December 31, 2018 Unit: NT$ thousand

Title	Name	Director 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)		Allowance (D)				Salary, Bonuses, and Allowance (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	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements	
List as following		8,711	11,253	0	0	104,000	104,000	1,560	1,560	0.67%	0.68%	31,897	31,897	0	0	3,250	0	3,250	0	0.87%	0.89%	None

＊ E.SUN FHC Representatives : Chairman Gary K.L. Tseng; Executive Directors: Jackson Mai, Chen-Chen Chang Lin (independent) ;
Independent Directors: Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chun-Yao Huang
Directors: Joseph N.C. Huang, Ron-Chu Chen, Chien-Li Wu, Magi Chen, Ben Chen, Mao-Chin Chen

＊ All Bonuses to Directors in Director Remuneration has been paid to E.SUN Financial Holding Company.

＊ Besides what is disclosed above, renumeration paid to directors for one's service provided to any company included in the financial statement: none

Remuneration Bracket

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 (H	The Company	Companies in the financial statements(I
Under NT$ 2,000,000	Joseph N.C. Huang, Jackson Mai, Chen-Chen Chang Lin, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chun-Yao Huang, Ron-Chu Chen, Chien-Li Wu, Magi Chen, Mao-Chin Chen	Joseph N.C. Huang, Jackson Mai, Chen-Chen Chang Lin, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chun-Yao Huang, Ron-Chu Chen, Chien-Li Wu, Magi Chen	Joseph N.C. Huang, Jackson Mai, Chen-Chen Chang Lin, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chun-Yao Huang, Ron-Chu Chen, Chien-Li Wu	Joseph N.C. Huang, Jackson Mai, Chen-Chen Chang Lin, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Ron-Chu Chen, Chien-Li Wu, Chun-Yao Huang
NT$ 2,000,000 ~ 5,000,000		Mao-Chin Chen		
NT$ 5,000,000 ~ 10,000,000	Ben Chen	Ben Chen	Mao-Chin Chen	
NT$ 10,000,000 ~ 15,000,000				Mao-Chin Chen
NT$ 15,000,000 ~ 30,000,000	Gary K.L. Tseng	Gary K.L. Tseng	Gary K.L. Tseng, Magi Chen, Ben Chen	Gary K.L. Tseng, Magi Chen, Ben Chen
NT$ 30,000,000 ~ 50,000,000				
NT$ 50,000,000 ~ 100,000,000	E.SUN FHC	E.SUN FHC	E.SUN FHC	E.SUN FHC
Over NT$ 100,000,000				
Total	114,271	116,813	149,418	151,960

＊ The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 40 of the Company's Articles of Incorporation. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 22. 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.

(2) Comparison 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 Presidents of the Company, to the net profit after tax

Unit: NT$ thousands

Year / Title	2018						2017					
	The Company			Companies in the Consolidated Financial Statements			The Company			Companies in the Consolidated Financial Statements		
	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax
Directors	13	149,418	0.87%	13	151,960	0.89%	14	132,455	0.89%	14	134,341	0.9%
President and SEVP	23	130,347	0.76%	23	153,328	0.90%	22	110,211	0.74%	22	132,551	0.89%

Note: 2018 Bank Net Profit after tax was17,108,315 thousand dollars ; 2017 Bank Net Profit after tax was 14,886,870 thousand dollars.

(3) The Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance:

a. The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 40 of the Company's Articles of Incorporation. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 22. 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.

b. The performance review system and remuneration framework for high-level managers is first screened by Renumeration Committee of E.SUN FHC, following which the board makes a final decision. Salaries of managers should reflect their professional experience, and the Company's, counterparts' and market standards and be given in accordance with E.SUN FHC Management Salary Payment Policy. The company will periodically evaluate the linkage of individual performance, profitability, operation, potential risk and salary to incentivate managers to achieve the set goal of the company which enables a manager's compensation to be closely related to operational 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 and Auditing Committee on the level of such risk.

(4) Name of Managers who received dividend/bonus and the distribution thereof

Title	Name	Stock Amount	Cash Amount	Amount	Ratio of Amount to Net profit after tax (%)
President	Joseph N.C. Huang	0	11,138	11,138	0.07%
CEO of Corporate Banking Division	Mao-Chin Chen				
Deputy President	Magi Chen				
CEO of Consumer Banking Division	Ben Chen				
SEVP	J.C. Wang				
SEVP	L.C. Lin				
SEVP	Wu-Ming Hsieh				
SEVP	Louis Chang				
SEVP	Tony Wan				
SEVP	Wen-Cheng Cheng				
SEVP	Joseph Shu				
SEVP	Kenneth Tsao				
SEVP	Jung-Hua Lin				
SEVP	Yu-Kai Huang				
SEVP	Chi-Kan Chung				
SEVP	Cathy Kuo				
SEVP	Wan-Li Hsieh				
SEVP	Cheng-Kuo Li				
SEVP	Oliver Hsieh				
SEVP	Po-Hsuan Hsu				
Chief Compliance Officer	Fion Ouyang				
General Auditor	Chung-Chen Sun				

3. Implementation of Corporate Governance

3.1 Board of Directors

A total of 9 (A) meeting of the board of directors were held in the previous period. Director and supervisor attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%)【B / A】	Remarks
Chairman	E.SUN FHC representative Gary K.L. Tseng	9	0	100	Re-elected
Executive Director	E.SUN FHC representative Jackson Mai	9	0	100	Re-elected
Independent Director (Executive Director)	E.SUN FHC representative Chen-Chen Chang Lin	9	0	100	Re-elected
Independent Director	E.SUN FHC representative Chen-En Ko	9	0	100	Re-elected
Independent Director	E.SUN FHC representative Ji-Ren Lee	9	0	100	Re-elected
Independent Director	E.SUN FHC representative Hsin-I Lin	8	1	88.9	Re-elected
Independent Director	E.SUN FHC representative Chun-Yao Huang	9	0	100	Newly appointed
Director	E.SUN FHC representative Joseph N.C.Huang	9	0	100	Re-elected
Director	E.SUN FHC representative Ron-Chu Chen	9	0	100	Re-elected
Director	E.SUN FHC representative Chien-Li Wu	9	0	100	Re-elected
Director	E.SUN FHC representative Magi Chen	8	1	88.9	Re-elected
Director	E.SUN FHC representative Ben Chen	9	0	100	Re-elected
Director	E.SUN FHC representative Mao-Chin Chen	9	0	100	Re-elected

Other mentionable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors'opinion should be specified: Non

2.Practice of Directors' avoidance of motions in conflict of interes :

Director Name	Content of Motion	Cause of Avoidance	Voting
Joseph N.C. Huang, Magi Chen, Ben Chen, Mao Chin Chen	Motion on remuneration adjustment to senior managers	Motion concerning personal interests of the directors	Joseph N.C. Huang excused himself after reporting the agenda to SVPs and managers of lower ranks. Magi Chen, Ben Chen, and Chen Mao-chin refrained from participation in discussions and voting
Joseph N.C. Huang, Magi Chen, Ben Chen, Mao Chin Chen	Making of 2017 anuual bonus and Long Term Incentive Renumeration Practice	Motion concerning personal interests of the directors	Joseph N.C. Huang excused himself after reporting the agenda to SVPs and managers of lower ranks. Magi Chen, Ben Chen, and Chen Mao-chin refrained from participation in discussions and voting
Joseph N.C. Huang	Motion on deciding on an interbank lending quota for the Mainland China's subsidiary	Motion concerning a business in which the director serves as a responsible person	Refrained from participation in discussions and voting
Ron Chiu Chen	Lending to Nien Hsing Textile Co., Ltd.	Motion concerning a business of which the responsible person is related to the director	Refrained from participation in discussions and voting
Mao Chin Chen	Lending to UCB	Motion concerning personal interests of the directors	Refrained from participation in discussions and voting
Joseph N.C. Huang, Magi Chen, Ben Chen, Mao Chin Chen	Motion on 2017 employees remuneration	Motion concerning personal interests of the directors	Joseph N.C. Huang excused himself after reporting the agenda to SVPs and managers of lower ranks. Magi Chen, Ben Chen, and Chen Mao-chin refrained from participation in discussions and voting
Joseph N.C. Huang, Magi Chen, Ben Chen, Mao Chin Chen	Motion on remuneration adjustment to senior managers	Motion concerning personal interests of the directors	Joseph N.C. Huang excused himself after reporting the agenda to SVPs and managers of lower ranks. Magi Chen, Ben Chen, and Chen Mao-chin refrained from participation in discussions and voting
Magi Chen, Ben Chen, Mao Chin Chen, Louise Chang	Making of 2018 anuual bonus and Long Term Incentive Renumeration Practice	Motion concerning personal interests of the directors	Joseph N.C. Huang excused himself after reporting the agenda to SVPs and managers of lower ranks. Magi Chen, Ben Chen, and Chen Mao-chin refrained from participation in discussions and voting
Joseph N.C. Huang	The motion is related to making 30 million donation to the E.SUN Volunteer Foundation	Motion concerning a foundation chaired by the director	Refrained from participation in discussions and voting

3. Measures taken to strengthen the functionality of the Board: The Board of Directors has established Audit Committee, Corporate Governance and Nomination Committee, Compensation Committee and Board Strategy Development Committee in June, 2008 to assist the Board in carrying out its various duties.

The evaluation of Board performance is planned to be delegated to external independent institution for execution in 2018.

3.2 Audit Committee

A total of 9(A) Audit Committee meetings were held in the previous period. The attendances of Independent Directors were 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	8	1	88.9	Re-elected
Independent Director	Chen-Chen Chang Lin	9	0	100	Re-elected
Independent Director	Hsin-I Lin	8	1	88.9	Re-elected
Independent Director	Chun-Yao Huang	9	0	100	Newly appointed

Other mentionable items:

1. If there are the circumstances referred to in Article 14-5 of Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified:

Date	Terms	Agenda	Resolution
2018.01.19	5th meeting of the 10th term	30 million donation to E.SUN Volunteer Foundation	Audit Committee: Approved by committees attending the meeting and will be proposed to the Board of Directors. The Board of Directors: Approved by Directors attending the meeting. Some directors are excused from the meeting due to personal interest.
		Loan to NienHsing Textile Co. Ltd	
2018.03.16	6th meeting of the 10th term	Financial statement (standalone and consolidated) of 2017	
		Recapitalization by retained earnings	
		Amendment of accounting system	
		Statement of AML and anti-terrorism financing 2017	
		Statement of Internal control System of 2017	
2018.04.25	7th meeting of the 10th term	Amendment of Practice for Stock Affairs	
2018.08.10	9th meeting of the 10th term	Financial statement (standalone and consolidated) of 1H 2018	
		Amendment of internal control system	
		Amendment of Acquisition or Disposal of Properties.	
		Procurement of real estate properties in Taipei for the purpose of Mucha Branch operation	
		Chang of process for selection of contractor for Kaohsiung flagship building	
		Agreement with IBM for "IBM mainframe maintenance service"	
		Amendment of guidelines of strategies and operation for derivatives	
		Making of securities internal control system	
		Amendment of Internal Control System for the bank's cooperating insurance brokerage	
		Mandating internal control manager of cooperating security brokerage	
		Loan to Union Commercial Bank PLC.	
2018.10.02	10th meeting of the 10th term	Opening bidding for Kaohsiung flagship building construction	
2018.11.09	11th meeting of the 10th term	Amendment of Acquisition or Disposal of Properties	
		Increment of interbank line of credit for E.SUN China	
		Amendment of internal control system of custodian for overseas mutual fund	
		Disposal of real estate property in Kaohsiung	
		Procurement of surface right of land in Songshan District, Taipei for the purpose of construction for head-quarters expansion	
2019.01.18	12th meeting of the 10th term	Amendment of Acquisition or Disposal of Properties	
2019.03.15	13th meeting of the 10th term	Financial statement (standalone and consolidated) of 2018	
		Recapitalization by retained earnings	
		Mandate of CPA	
		Statement of status of information security execution	
		Statement of AML and anti-terrorism financing for the bank's cooperating insurance brokerage 2017	
		Statement of Internal control System	

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:

-Practice of Directors' avoidance of motions in conflict of interest: None.

3.Communications between the independent directors, the Company's Chief Internal Auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

Date	Method	Object of Communication	Subject of Communication	Result
2018.01.16	Audit Committee	Appointed accountant of E.SUN Bank	CPA report of the result for auditing of 2017 Financial Statements	Acknowledged
		General Auditor of E.SUN Bank	Report of the 2017 Q4 auditing work of E.SUN	Acknowledged
2018.03.08	Audit Committee	Appointed accountant of E.SUN Bank	CPA report of the result for auditing of 2017 Financial Statements	Acknowledged
2018.04.25	Audit Committee	General Auditor of E.SUN Bank	CPA report of the 2018 Q1 auditing work of E.SUN	Acknowledged
2018.08.07	Audit Committee	Appointed accountant of E.SUN Bank	CPA report of the 2018 1H auditing work of E.SUN	Acknowledged
		General Auditor and auditors of E.SUN Bank	Report of the 2018 Q2 auditing work of E.SUN	Acknowledged
2018.11.08	Committee	General Auditor and auditors of E.SUN Bank	Report of the 2018 Q3 auditing work of E.SUN	Acknowledged
			CPA report the 2019 auditing plan of E.SUN	Executed by the Board
2018.11.08	Audit Conference	General Auditor and auditors of E.SUN Bank	Discussion related to internal auditing work of E.SUN Bank	Executed with the suggested matter
2019.01.08	Meeting	Appointed accountant of E.SUN Bank	Report of the 2018 auditing work of E.SUN Discussion related to internal auditing work of E.SUN Bank	Acknowledged
2019.01.17	Audit Committee	Appointed accountant of E.SUN Bank	CPA report the 2018 auditing plan of E.SUN	Acknowledged
		General Auditor of E.SUN Bank	Report of the 2018 Q4 auditing work of E.SUN	Acknowledged
2019.03.14	Audit Committee	Appointed accountant of E.SUN Bank	CPA report of the result for auditing of 2018 Financial Statements	Acknowledged

3.3 Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at : https://www.esunbank.com.tw/bank/about/announcement/legal-disclaimers/report

3.4 Other Important Information Enhancing Understanding of the State of the Company's Corporate Governance

The parent company E.SUN FHC treats the disclosure of corporate governance information in prudent manner, and strives to ensure the correctness, integrity, and timeliness of all matters reported by subsidiaries' public information stations, major announced information, company websites, external news announcements, the production of annual reports, and various information that must be disclosed in accordance with law. Relevant disclosed matters are regularly reviewed and updated in accordance with the clearly-delineated duties of the responsible units. When major events or news are announced, the Bank will quickly report its response. The E.SUN FHC spokesperson shall oversee all external information disclosure, including responsible units' media contact, and issuance of news or important information. With regard to the disclosure of information concerning the board of directors and audit committee, business integrity guidelines, procedures for the acquisition or disposition of assets, the internal audit organization and its operation, and other major information, as well as shareholders meeting information, distribution of dividends, and financial service information, all such information shall be disclosed in detail in the E.SUN FHC annual report or website.

3.5 Internal Control

(1) Statement on Internal Control System

E.SUN COMMERCIAL BANK, LTD.

Statement on Internal Control System

March 15, 2019

On behalf of E.SUN Commercial Bank, 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, 2018. 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. Regarding securities and insurance agent businesses, according to criteria for evaluation of internal control systems required by the "Criteria for Establishment of Internal Control Systems by Securities and Futures Service Enterprises" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission and "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" promulgated by the Insurance Bureau of the Financial Supervisory Commission, our bank has carried out an evaluation of whether the design and implementation of our internal control system is effective. 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 Bank's Annual Report 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 Financial Supervisory Commission

Chairman Gary Tseng

President Joseph Huang

General Auditor Chung-Chen Sun

Chief Compliance Officer Fion Ou Yang

E.SUN Commercial Bank Matters Require Rectification in Internal Control System and Rectification Status (Record Date: December 31, 2018)

Matters Require Rectificatio	Rectification Measure	Expected Completion Time of Rectificatio
Related party lending, operations, and internal control.	Formulated "regulations of lending to related party" and amended "regulations of credit committee"	Has been rectified.
Incidence of failure to verify authenticity of loan application documents, to confirm if the deal is referred by agents and money flow.	Improved operation procedures and refined analysis of delinquent cases and money flow. Raised risk awareness of loan officers through education and training.	Has been rectified.
Failure to set limit for TLAC bond issued by the same financial institution and management of risk concentration.	Amended "regulations of country risk management and FI risk management". Continued to monitor changes of regulations related to TLAC bonds hereafter.	Has been rectified.
Conducting transaction by customer's oral instruction without authorization in written.	Case has been rectified	Has been rectified.
Providing relevant information to customer's family member without written consent by the customer.	Case has been rectified.	Has been rectified.
Disk array technical failure of wealth management WISE system.	Improved disk system inspection, framework of disk and optimized database.	Has been rectified.
Abnormality of credit card system backup mainframe.	1.Case has been rectified 2.Expected to complete system fixing by March 2019	Improvement will be completed in March 2019.
Certificate of bank's official website expired.	Case has been rectified	Has been rectified.

(2) Disclosure of Any Commissioned Internal Control Review Carried out by CPA: None

3.6 Penalties imposed against the Bank, the weaknesses found and improvements made in the last 2 years up to the printing date of the annual report. The following matters shall also be disclosed:

(1)Prosecution against the person-in-charge or staff for criminal conduct: None.

(2)Fines imposed by Financial Supervisory Commission (FSC) for violations:
E.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. E.SUN Bank completed improvements through data requisition, credit review, post loan management and corresponding penalty mechanisms, and operating procedure improvement.

(3)Corrections issued by the Financial Supervisory Commission:

(a) 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. 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.

(b) 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. 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.

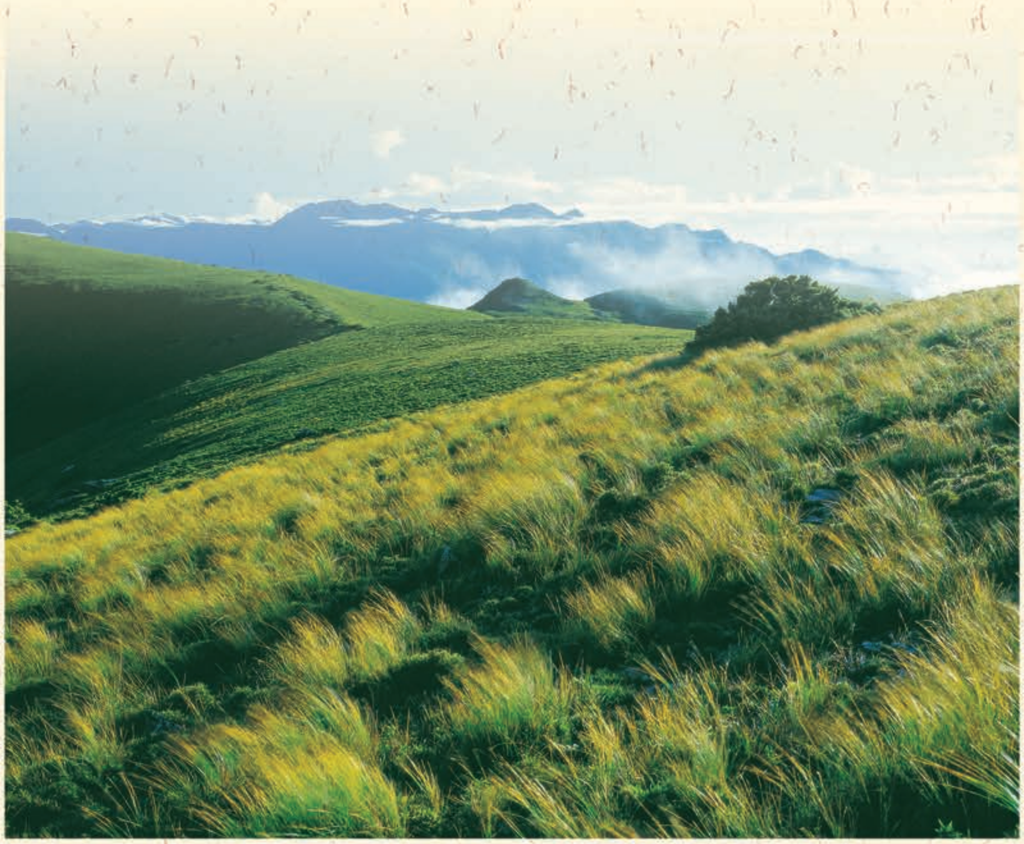
(c) E.SUN Bank's information system had inadequate security measures. E.SUN Bank had been given a warning by the competent authority. E.SUN Bank has implemented improvement and reinforcement measures, including strengthening the security measures of the testing environment, strengthening the network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

(4)Penalties imposed by the FSC in accordance with Paragraph 1 of Article 61 of the Financial Holding Company Act: The before mentioned administrative sanction point (2) also restrict the Bank from underwriting implicit FX put option derivative (including structured products). The restriction does not include transactions with counterparty who are professional institutional investors or high net worth investors, and stop-loss orders by existing clients. Flaws of the relevant business have been rectified and approved by FSC and the relevant business operation has resumed.

(5)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.

(6)Other matters specified by the FSC for disclosure:
According to administrative discretion by Taoyuan City Government 2018.9.19, the Bank was fined NT $20 thousand dollar for violation of Article 24 of Labor Standard Laws as a result of labor condition inspection. The Bank took action to improve immediately.

IV. Capital Overview



1. Shares and Dividends

1.1 Source of Capital

March 20, 2019 Unit: thousand shares, NT$ thousands

Month/Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Others
2007.1.1		2,890,991	28,909,905	2,890,991	28,909,905		
2007.6.5 (note1)	10	29,009	290,095	2,920,000	29,200,000	Retained Earnings	
2007.6.21 (note2)	20	200,000	2,000,000	3,120,000	31,200,000	Rights offering	
2009.6.26 (note3)	10	62,400	624,000	3,182,400	31,824,000	Retained Earnings	
2009.12.4 (note4)	14	180,000	1,800,000	3,362,400	33,624,000	Rights offering	
2010.6.3 (note5)	10	147,600	1,476,000	3,510,000	35,100,000	Retained Earnings	
2011.6.13 (note6)	10	210,600	2,106,000	3,720,600	37,206,000	Retained Earnings	
2011.11.22 (note7)	15	500,000	5,000,000	4,220,600	42,206,000	Rights offering	
2012.6.8 (note8)	10	151,900	1,519,000	4,372,500	43,725,000	Retained Earnings	
2012.11.30 (note9)	15.5	200,000	2,000,000	4,572,500	45,725,000	Rights offering	
2013.6.6 (note10)	10	412,500	4,125,000	4,985,000	49,850,000	Retained Earnings	
2014.3.21(note11)	15	140,000	1,400,000	5,125,000	51,250,000	Rights offering	
2014.5.19(note12)	10	435,000	4,350,000	5,560,000	55,600,000	Retained Earnings	
2014.5.23(note13)	16.6	576,000	5,760,000	6,136,000	61,360,000	Rights offering	
2015.5.25(note 14)	10	408,000	4,080,000	6,544,000	65,440,000	Retained Earnings	
2015.6.3(note 15)	17	140,000	1,400,000	6,684,000	66,840,000	Rights offering	
2016.5.27(note 16)	10	44,183	441,830	6,728,183	67,281,830	Share conversion	
2016.7.6(note 17)	10	534,700	5,347,000	7,262,883	72,628,830	Retained earnings	
2017.6.20(note 18)	17.38	604,000	6,040,000	7,866,883	78,668,830	Rights offering	
2017.6.20(note 18)	10	445,217	4,452,170	8,312,100	83,121,000	Retained earnings	
2018.6.15(note 19)	10	324,900	3,249,000	8,637,000	86,370,000	Retained earnings	

Note1 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 5, 2007 granted approval for issuance in its letter Zidi 0960027542.
Note2 : The Banking Bureau of the Financial Supervisory Committee on June 21, 2007 granted approval for issuance in its letter Zidi 09600256501.
Note3 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 26, 2009 granted approval for issuance in its letter Zidi 0980030711.
Note4 : The Banking Bureau of the Financial Supervisory Committee on December 4, 2009 granted approval for issuance in its letter Zidi 09800558761.
Note5 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 3, 2010 granted approval for issuance in its letter Zidi 0990027492.
Note6 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 13, 2011 granted approval for issuance in its letter Zidi 1000025959.
Note7 : The Banking Bureau of the Financial Supervisory Committee on November 22, 2011 granted approval for issuance in its letter Zidi 10000401021.
Note8 : The Securities and Futures Bureau of the Financial Supervisory Committee on June 8, 2012 granted approval for issuance in its letter Zidi 1010024779.
Note9 : The Banking Bureau of the Financial Supervisory Committee on November 30, 2012 granted approval for issuance in its letter Zidi 10100388601.
Note10 : The Banking Bureau of the Financial Supervisory Committee on June 6, 2013 granted approval for issuance in its letter Zidi 1020021282.
Note11 : Ministry of Economic Affair on March 21, 2014 granted approval for issuance in its letter Zidi 10301045950.
Note12: The Financial Supervisory Committee on May 19, 2014 granted approval for issuance in its letter Zidi 1030016610.
Note13: The Financial Supervisory Committee on May 23, 2014 granted approval for issuance in its letter Zidi 10300140571.
Note14: The Financial Supervisory Committee on May 18, 2015 granted approval for issuance in its letter Zidi 1040016102.
Note15: The Financial Supervisory Committee on May 22, 2015 granted approval for issuance in its letter Zidi 10400115520.
Note16: Ministry of Economic Affair on May 27, 2016 granted approval for issuance in its letter Zidi 10501108510.
Note17: Ministry of Economic Affair on July 6, 2016 granted approval for issuance in its letter Zidi 10501143410.
Note 18: Approved under Letter No. Jing-Shou-Shang-10601076060 issued by the Ministry of Economic Affairs on June 20, 2017; Approved under Letter No. Jin-Guan-Yin-Kong-10600164770 issued by the Financial Supervisory Commission on July 5, 2017.
Note 19: Approved under Letter No. Jing-Shou-Shang-10701062380 issued by the Ministry of Economic Affairs on June 15, 2018; Approved under Letter No. Jin-Guan-Yin-Kong-10702139000 issued by the Financial Supervisory Commission on July 10, 2018.

1.2 Type of Shares

March 20, 2019 Unit: Share

Type of Shares	Authorized Capital			Remark
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	8,637,000,000	0	8,637,000,000	

Note：The bank is a public company and the stock is not belong to listed or OTC stock.

1.3 Structure of Shareholders

The Bank is a wholly owned subsidiary of E.SUN FHC.

1.4 Shareholding Distribution Status

The Bank is a wholly owned subsidiary of E.SUN FHC.

1.5 List of Major Shareholders

The Bank is a wholly owned subsidiary of E.SUN FHC.

1.6 Dividend Policy and Implementation Status

(1) In order to achieve the goal of sound financial structure and to enhance the self-owned capital ratio, the policy of dividend distribution of the bank shall be primarily on the basis of stock dividend. In the event that at the year dividends proposed to be distributed the bank's BIS ratio after compilation of final financial statements is greater than the requirement by the regulatory agencies, the cash dividend may therefore be distributed but shall not be less than 10% of the total dividends. However, in case of the proposed distribution of cash dividend lower than NT$0.1 per share, the bank may, at its sole discretion, opt to make such distribution out of stock dividends.Before the legal reserve equals the total capital amount, the maximum cash distribution of profit shall not exceed fifteen percent of the total paid-up capital amount.

(2) It is proposed at the 2019 shareholders' meeting that shareholders would be entitled to a stock dividend of NT$0.476 per share, totaling NT$4,111,000,000, as well as a cash dividend of NT$0.870 per share, or a total of NT$ 7,514,402,000. Combined, the Company was to pay out NT$11,625,402,000, or NT$ 1.346 per common share in dividends, accounts for 99.96% of the profits available for distribution.

1.7 Impact on business performance and earnings per share of stock dividend payment proposed at the most recent shareholders' meeting: Not applicable.

1.8 Employee Remuneration and Compensation for Directors

According to the Article 40 of the Bank's Articles of Incorporation: The Bank in a given year (pretax profit before distribution of employee and director compensation) shall be reserved to cover the losses accumulated from previous years. 3% of the balance from the above shall be allocated as employee compensation, while not more than 0.6% shall be allocated as director compensation.

Recipients of employee compensation shall include employees of affiliate companies who fulfill certain criteria. Proposals of employee and director compensation distribution shall be presented to shareholders' meetings.

1.9 Information on Board-Approved Employee Remuneration and Compensation for Directors

(1) Employee bonus is NT$ 614,192,369 and Directors' compensation is NT$ 104,000,000. Employee bonus is NTD 4,920 less than the estimated amount, which difference has been incurred by changes in accounting estimations and shall be listed as losses for the 2019 fiscal year.

(2) Ratio between proposed stock remuneration given out to employees and capital increments from retained earnings: All distributed as cash bonus.

1.10 Share Repurchase: None.

2. Preferred Shares Issuance: None.
3. GDR Issuance: None.
4. Employee Stock Option and Status of New Shares: None.
5. Basic Information of Other Financial Institutions Acquired or Transferred: None.

V. Business Operation

1. Business Scope

Key business area	Key business services
Corporate banking services	Provide products and services for companies in need, including corporate lending, syndicated loans, trade finance, cash management, cross-border banking services,and corporate succession consultation.
Consumer banking services	Provide retail banking services, such as deposits in TWD and foreign currencies, foreign exchange, mortgage loans, and personal loans.
Wealth management services	Provide financial planning, asset planning, and family asset inheritance and planning services for high-net-worth customers, including trust, insurance, funds, bonds, and other financial products.
Credit card and payment services	Provide credit card related services such as issuing of credit cards, merchants accepting card payments, transaction authorization and settlement, as well as other payment services.
Digital banking services	Provide e-payment services and develop digital financial services.

Primary Business Indicators

Unit: NT$1 billion

Item	2018	Annual growth%	2017
Total deposits	1,859.8	9.7%	1,694.7
Demand deposits in TWD	761.4	1.9%	747.4
Deposits in foreign currency	615.5	20.0%	512.7
Total loans	1,320.1	10.1%	1,198.9
Loans in foreign currency	228.8	21.9%	187.7
Corporate loans	663.6	9.8%	604.2
SME loans	345.7	5.8%	326.6
Consumer loans	656.5	10.4%	594.7
Mortgage loan	271.6	14.0%	238.2
Unsecured personal loan	105.1	8.4%	97.0
Credit card revolving balance	12.8	5.0%	12.2
Credit cards			
Card in circulation (1,000 cards)	4,869.5	6.5%	4,573.2
Active cards (1,000 cards)	3,403.9	5.7%	3,218.9
Card consumption	336.7	6.5%	316.1
The assets of securities investment trust funds under custody	388.7	47.9%	262.9
Net income	46.6	9.4%	42.6
Net interest income	18.8	-1.1%	19.0
Net fee income	15.2	2.9%	14.8
Wealth management	8.1	4.9%	7.7
Credit card	5.1	6.8%	4.8
Foreign exchange, bond investments, and others	12.7	42.8%	8.8

Note 1: Above data are individual information of E.SUN Bank.

Note 2: Total deposits include demand deposits, fixed deposits, and deposits from Chunghwa Post.

2. Business Plan

Key business area	Annual business plan
Corporate banking services	To accomplish the vision, "First Choice for Businesses and Premier Cross border Platform", E.SUN Bank continues to attract customers of cross border services, follows the government's SME policies and the New Southbound Policy, supports returning Taiwanese businesses from overseas, and maintains asset quality. E.SUN Bank builds on IT and expert knowledge with the brand and the team at the center; utilizes integrated services and innovations to meet the demand for local financial services for international businesses; and helps businesses embrace cross border opportunities and ensure sustainable succession.
Consumer banking services	E.SUN Bank works to develop an omnichannel customer experience; builds up technological capacity of the channels; and improves the overall quality and efficiency of service. E.SUN Bank makes foreign deposit the focus of deposit services. Risk management is the top priority in consumer banking. E.SUN Bank achieves steady growth amid changing market conditions, implements O2O integration, and develops into the first consumer banking choice by providing professional advice and innovative digital services.
Wealth management services	To satisfy different customer needs, E.SUN Bank observes market trends and customers' risk attributes and selects suitable financial products. E.SUN Bank also builds up professional competencies of the financial planning teams on an ongoing basis, develops an overseas wealth management platform, introduces innovative digital financial tools, and provides one-stop wealth management services.
Credit card and payment services	E.SUN Bank works with strategic partners to raise market ability and expand the customer base. E.SUN Bank continues to explore and strengthen its presence in the channels and utilize new technologies and data to create a refined experience and increase customer loyalty. E.SUN Bank continues to develop its credit cards into the best choice for everyday spending and itself into consumers' favorite credit card brand.
Digital banking services	E.SUN Bank's progress in digital banking services focuses on scenario-based finance, financial inclusion, and smart banking. E.SUN Bank utilizes its technological capacity to lower the threshold for financial services users so that premium financial services can be enjoyed by more consumers. Furthermore, E.SUN Bank works with cross industry partners in making banking an integral part of the everyday life and creating a better living experience.

3. Market Analysis

3.1 Region

Key business area	Region
Corporate banking services	E.SUN Bank operates the services primarily in Taiwan. To meet the demand of Taiwanese businesses, E.SUN Bank provides cross border banking services in financial hubs in Asia Pacific, Greater China, and ASEAN countries. The network covers 28 offices in 9 countries, including the United States, Japan, Australia, Singapore, Hong Kong, China, Vietnam, Myanmar, and Cambodia, and offers services for Taiwanese businesses and local consumers.
Consumer banking services	E.SUN Bank operates the services primarily in Taiwan. It has 139 branches in the country. To meet the demand of customers overseas, E.SUN Bank tries to provide a wider range of consumer banking services at overseas offices.
Wealth management services	E.SUN Bank operates the services primarily in Taiwan. It is also developing wealth management services in Hong Kong, Singapore and other overseas branches to satisfy the needs of cross border banking customers.
Credit card and payment services	E.SUN Bank operates the services primarily in Taiwan. Meanwhile, the UCB subsidiary in Cambodia is developing a local credit card service.
Digital banking services	E.SUN Bank operates the services primarily in Taiwan. Cooperated with global partners such as PayPal, Ant Finance, Tencentand NTT Data to provide corss border financial service.

3.2 Future Opportunity of Market

Taiwanese manufacturers are tied closely to the global supply chain. They have built up a massive network of production facilities in China and Southeast Asia over the years. They have also created a large demand for financing, factory development, and mergers and acquisitions in foreign markets. To provide cross border banking services for cross border Taiwanese businesses, many financial institutions in Taiwan set up offices overseas to offer a complete range of cross border services, such as cross border syndicated loans, cross border financial planning, derivatives for hedging purposes, and cash management. The wrestle for dominance among regional economies around the world are prompting Taiwanese businesses to re-evaluate their international business strategies. The new wave of relocating Taiwanese businesses brings new challenges in resource re-allocation on a global scale. The companies and regions that can take control and create advantages will be the driver of the next wave of growth momentum.

Development in information technology, consumer behavior, and regulation is shaping the new face of financial services. Digital banking is advancing in three directions: (1) Scenario-based finance: making banking services a part of the everyday life - Taking the customer’s perspective, E.SUN Bank applies design concepts to digital marketing, eliminate pain points for customers, and create a new experience and scenario-based finance. (2) Smart banking: interactive and customized services through AI and social network - E.SUN Bank engages customers through AI and social network and identifies the needs of each customer in order to provide individually tailored financial services. (3) Financial inclusion: lower threshold for online users and improved efficiency and ease of use - E.SUN Bank adopts digital transformation and breaks away from traditional banking approaches. It utilizes the digital experience and design to reduce waiting time and the time cost of funds. Hence, customers are able to receive the most suitable financial services that they need the most anytime, anywhere.

3.3 Challenges in the Future and in the External Environment

Challenges in the future and in the external environment
A.The rising popularity of fintech, new technologies, and new business models are rapidly changing the borders between industries and fueling coopetition between industries. B.Economic development around the world is exposed to the prevailing volatility, changes in cooperation and competition relationships among major economies, and geopolitical risks. C.Regulatory changes, anti-money laundering practices, privacy protection, and tax return filing requirements in different countries are leading to higher costs in cross border financial services and compliance.
Countermeasures and E.SUN's competitive advantages
A.Training banking professionals sharing the same vision, and develop long term core values B.Increase the degree of differentiation in service, expertise, and technology, and incorporate speed and flexibility into execution C.Develop sound corporate governance and strong risk management, and increase investment in technologies.

4. Financial Products R&D and Business Status

Key business activity	R&D Results in Last Two Years and Future Directions
Corporate banking services	A.Innovations in green finance: An offshore wind farm project team is assembled to study extensively the offshore wind industry and project funding models in order to make E.SUN Bank better equipped to participate in project funding and be invited to be the local financial advisor for renewable energy developers. B.Innovations in cross border financing: E.SUN Bank offers loans to fund cross border investment, factory and office, and working capital as well as money services to handle trade collection and payment and cross border exchange. E.SUN Bank also assists domestic businesses explore opportunities created by the Southbound Policy. E.SUN gained recognition from the competent authority when it ranked first in the first "Program to Strengthen Domestic Bank Participation in New Southbound Policy Targeted Country Lending Plan" in 2018.
Consumer banking services	A. Mobile services: E.SUN Bank is first in Taiwan to provide a mobile banking service that allows customers to make foreign exchange transactions exceeding NT$500,000. The service is available in 15 foreign currencies. With the E.SUN Bank mobile banking certificate, customers can sign an AML declaration and enjoy fast, secure digital services. B. Innovations in foreign currency ATMs: Foreign currency ATMs were installed in all branches in Taiwan in 2018. They offer foreign currency bills in USD, JPY, HKD, and CNY. These ATMs removes the time restriction for foreign exchange services, and add to a complete self-service banking experience. C. Combined innovation and customer need to launch the first facial recognition-enabled ATMs in the world, offering customers convenient financial service. D. Automated watchlist screening: In response to more stringent international AML regulations and risk management requirements, E.SUN Bank has automated watchlist screening in place to achieve more efficient system aided risk management. E.SUN Bank received The Banker's Tech Projects Award in 2018. It is the only bank in Taiwan to win the award.
Wealth management services	A.Development of private banking and private wealth management services. E.SUN Bank has launched the "Ultimate Wealth Management"program which integrated with different business units and cross border service to provide total solution for high net worth customers. B.Regarding wealth management services in other countries, E.SUN Bank received approval to launch wealth management services in Singapore in 2018. Going forward, E.SUN Bank looks to develop Taiwan into a hub that connects Hong Kong and Singapore and meets the demand for international asset allocation. C.Different innovative products: E.SUN Bank places equal emphasis on the investment interest of its customers and environmental sustainability related issues. It introduced Taiwan's first ESG-themed discretionary investment-linked insurance policy in 2018. D.Digital financial planning services: E.SUN Bank has launched E.SUN i-Insure mobile insurance service. It offers a better experience by enabling customers to sign policy applications and purchase policies on their financial advisors' iPads.
Credit card and payment services	A.Instant card-linking: E.SUN Bank was first to support instant card-linking in 2018. The feature enables customers to add their cards to a mobile payment app as soon as they receive the approval text message. It offers a better experience by allowing cardholders to use their cards without having to wait for them to arrive in the mail. The instant card-linking service was granted the instant card-linking patent in 2018. B.E.SUN e-Wallet: The E.SUN Wallet is an e-Wallet developed in-house by E.SUN Bank. In addition to supporting payment by NFC and barcode scan, the app continues to have more online card application and inquiry related features added to it. These features include spending notification, transaction history, and bonus point redemption. C.Integrated payment processing: E.SUN Bank provides a merchant service that supports credit cards, stored value cards, and e-wallets. The Integrated e-Wallet Merchant Service acts as an interface between cash registers and e-wallets. Furthermore, E.SUN Bank has completed the network that allows the four leading convenience store chains to accept credit cards and customers to use self-checkout machines in staffless Carrefour stores. Hence, E.SUN Bank is able to provide merchant services and money services in one place.

5. Short-term and Long-term business development plan

Long-term business development plan

Key business area	Long-term business development plan
Corporate banking services	Integrate cross-border banking platforms and improve product integration capabilities to expand the international customer base and provide diverse banking services. Expand overseas by resource integration; start locally in Taiwan and go forward and work with overseas offices to develop localized products to effectively meet local demands; and advance toward becoming a distinguished bank in Asia.
Consumer banking services	Combine resources of domestic and overseas offices to provide professional consumer banking services; and connect real branches and digital banking services to create more value for customers and service.
Wealth management services	E.SUN uphold its core value of "Pure as Jade, Sturdy as Mountain", building on three foundations of team work, risk management and technology to enhace customers' value.
Credit card and payment services	Start with customer needs and experience and employ technological innovations for larger-scale application; develop a more refined journey while working more closely with best strategic partners; and increase exposure of E.SUN Bank credit cards in the market and develop stronger relationships with customers to make E.SUN Bank credit cards the first choice of payment tool for everyday spending.
Digital banking services	E.SUN digital banking services focus on three dimensions: Financial inclusion, scenario-based finance and smart digital platform to build FinTech ecosystem. By doing so, customers can access to convenient financial services such as payment, foreign currency exchange, wealth management and lending.

Short-term business development plan

Key business area	Short-term business development plan
Corporate banking services	Offer one-stop banking services for corporate accounts; provide succession planning, tax consulting, acquisition financing, share transfer and other services for businesses; and invest in retention of high value customers on an ongoing basis. Improve risk management mechanisms; strengthen cross border and international risk management capabilities; and help businesses develop sound business practices and achieving success.
Consumer banking services	Deploy O2O integration and build around an omnichannel experience to provide professional advice and innovative digital services as the best choice for consumer banking.
Wealth management services	In order to develop private banking, high-end wealth management sercieand overseas wealth management platform, E.SUN enhance the capability of financial consultant and service quality through the leverage of FinTech.
Credit card and payment services	E.SUN keeps developing digital service such as online credit card application and electric bill to provide customers convenient and timely financial experience. It will deepen customers' connections with us.
Digital banking services	Focus on developing Bank 3.0, facilitate payment services, invest in fintech, and complete step by step the infrastructures for financial inclusion, scenario-based finance, and smart banking.

6. Human Resource

New Milestone for E.Sun and E.Sun Employees

2018 is a year in which the global economy is changing rapidly. A key challenge for business entities is maintaining business growth while striving toward sustainable operations in a deteriorating, fiercely competitive environment. As E.Sun steadily approaches its 27th year, the organization continues to strengthen its roots in Taiwan while taking progressive steps to expand into Asia. In recent years, E.SUN has actively focused on building tech team with the goal of leading the industry in financial innovation. By using technology as an accelerator for advancement, E.SUN is able to significantly improve its overall performance through cross-border integrated marketing. Talent is not only a leading indicator but also a key indicator. In addition to encouraging diverse talents to join E.SUN, we also cooperate with prestigious universities at home and abroad to recruit talents needed for the future, to offer diverse internship opportunities, and construct a complete chain of talent supply. E.SUN believes that only by building a strong cornerstone of human capitals can the organization steadily advance toward a new milestone, thereby taking E.SUN employees to a whole new level.

Becoming the Hidden Champion of Financial Industry by Continuously Cultivating Talent

E.SUN believes that the next generation is the power to make a difference in the world. By constantly seeking partners that share the same value with the organization, E.Sun has opened itself to innovative young talents of different professions. Its employee base currently has an average age of only 32.9 years; 25.6% of whom has at least a Master’s degree and 24.1% of them graduated from the nation's top-notch universities, such as NTU, NCCU, NTHU, NCTU, NCKU, NSYSU, NCU, CCU, NCHU, NTPU, etc. As part of our strategy to become the Fintech leader, E.SUN was the first financial institution to launch the Technology Management Associate (TMA) training program, which is coupled with a complete career development system. To date, we have trained a number of TMAs who are shouldering important responsibilities to help our tech team to maintain its leading advantage in digital banking.

E.SUN attaches a high level of importance to talent cultivation and development. We hope that each employee could develop the most extensive propsect at E.SUN. In 2018, the Bank held 256 internal training sessions of various topics, and assigned employees to 408 external training programs. Training enrollment count totaled 107,201, which means that each employee attended 13 training sessions on average. Regarding the development of key talents, E.SUN uses job rotation as a learning mechanism in which key talented employees rotate between jobs at the head office, different departments, and domestic or overseas offices. This mechanism allows for diverse learning opportunity and a broad scope of career development so that ambitious employees could pave the way to the future with their bare hands.

Integrated the Bank's corporate culture of "teamwork, harmony and joy” with the 3E philosophy for talent development, E.Sun Bank has built a top-performing teams and delivered an outstanding performance in 2018, a year of economic unrest. E.SUN will continue to improve its human resources system, create a friendlyand happy workplace where E.SUNer could fully demonstrate their passion and capability and sail together with E.SUN toward a new blue ocean.

6.1 E.SUN Bank Human Resource information

Item \ Year		Until to 2019.3.20	2018	2017
No. of Employees		8,278	8,314	8,442
Average Age		33	32.9	32.1
Average Years of Service		8	7.8	7.2
Educational Background (%)	Master's	25.6	25.6	24.2
	Bachelor's	69.3	69.3	70.6
	College	4.3	4.3	4.5
	High School (Vocational)	0.8	0.8	0.7
Number of Professional License	Bank	25,324	25,161	23,913
	Insurance	9,957	9,929	9,614
	Security	7,031	7,109	7,239
	Others	1,202	1,200	873

6.2 Continuing Education and Training for Employees

(1)In accordance with its employee training implementation guidelines, the Company systematically plans and implements training in accordance with the annual training plan.

(2)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.

(3)E.SUN derives its annual education and training development directions and methods from the fusion of its business philosophy of professionalism, service, and responsibility with its annual development strategies. As such, E.SUN develops comprehensive short-, mid-, and long-term career development training mechanisms for all employees. We are strengthening our information service risk consciousness, which emphasizes our three internal control lines of defense, and rely on digital classes for all colleagues from new hires to our management team to complete information security risk awareness education throughout the Company. We have also strengthened awareness of correct concepts and thinking, including those concerning the Consumer Protection Act, and arrange self-management and personal development talks and classes. Accordingly, E.SUN people have plenty of opportunities for personal and career growth and development.

(4)During 2018, the Company and its subsidiaries held a total of 256 internal training classes, and sent selected personnel to participate in 408 training classes at external financial professional organizations; total number of participants reached to 107,201 person-times.

(5)Education and training expense accounted for 0.67% of its earnings.

6.3 Number of Non-Managerial Level Staff, Their Average Expense on Welfare and the Difference Comparing to the previous year

E.SUN had 7,797 non-managerial employees in 2018, average benefit expenditures were 1.224 million per person, represented an increase of NT$29,120 compared with 2017, and the benefit expenditure growth rate was 2.44%.

6.4 Promotion and Realization of Employee Conduct or Ethics Guidelines

(1)All of the Company’s employees must sign and promise to implement the E.SUN employee service rules and code of conduct.

(2)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.

(3)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.

(4)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.

(5)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.Corporate Responsibility and Ethics

Corporate social responsibility has been one of the top priorities for E.SUN for years. E.SUN incorporates CSR into its business strategies and implements practices to follow international trends in sustainability. By making a long term commitment and adopting systematic methods to improve performance in the economic, environmental, and social aspects of its business activities, E.SUN takes real action and makes constant progress in business, social, and environmental sustainability.

7.1 Corporate Governance

(1)E.SUN builds its corporate governance practices on honesty, integrity and professionalism. Under the leadership of the management team, E.SUN has been rated "Excellent" in Corporate Governance Certification by Taiwan Corporate Governance Association, and ranked in the top 5% of TWSE Corporate Governance Evaluation for 4 consecutive years. E.SUN is also the first listed financial institution in Taiwan to create a corporate governance and nomination committee. It currently has 5 independent directors, who occupy more than 30% of board membership. E.SUN tries to make the board of directors better trained and more independent by having independent directors with different academia, industry, and government backgrounds.

(2)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.

7.2 Environmental Aspect

(1)LEED Gold certified Dengfeng Building and Hope Building house the first green server room in Taiwan's banking sector. The E.SUN baby essential sharing platform has received BS8001 circular economy certification. Meanwhile, E.SUN continues to work on the green building project and build solar powered branches. At the end of 2018, a total of 7 branches (Yuanlin, Toufen, Changhua, Annan, Taiping, East Tainan, and Shalu Branches) have received green building certification. The Hope Building received the Gold Grade Green Architecture Certificate, and 13 branches (Toufen, Daya, Dali, Taiping, Shalu, Changhua, Yuanlin, Douliu, Chiayi, Rende, East Tainan, Annan, and Jinhua Branches) became solar powered branches.

(2)E.SUN continues to implement the ISO14001 environmental management system and the ISO50001 energy management system and complete taking inventory of ISO14064-1:2006 greenhouse gases, ISO 14046:2014 water footprint assessment, and ISO 14064-3:2006 carbon emission (from employee commuting and business travel) for the Taipei headquarter building, Boai Building, Technology Building, Dengfeng Building, E.SUN Securities, and all offices in and outside Taiwan.

(3)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 at home and abroad by joining forces with the international community in the promotion of energy conservation and carbon reduction.

7.3 Social Aspect

(1)As part of its commitment to education, E.SUN continues to promote the E.SUN Gold Seedling Program. It has made contributions and donated more than 330,000 books to 137 E.SUN Libraries by the end of 2018. More than 80,000 students have benefited from the program. More than 180,000 E.SUN World Card holders have made contributions to the project. E.SUN will be moving on to building its next 100 E.SUN Libraries. The 14th Outstanding Management Talent Scholarship was rewarded to 112 outstanding students. The E.SUN Bank ASEAN Scholarship was rewarded to 5 students from ASEAN countries. E.SUN teams up with National Taiwan University, National Chengchi University, National Tsing Hua University, and National Chiao Tung University to offer the E.SUN Academic Award and help raise the standards of management research in the country. 26 teachers have received the award so far. For 4 years in a row, E.SUN has worked with the College of Management of National Taiwan University in running the Hope Seedling Program. The program is designed to train talent in digital banking and help students build up key skills in digital banking.

(2)In the area of sports, in order to promote the development of youth baseball in Taiwan, we have used systematic approach to establish the "E.SUN Youth Baseball Development Fund" and have planned a series of E.SUN Cup youth baseball development activities, including the E.SUN Cup National Youth Baseball Championship for the 12th consecutive year, 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.

(3)In addition, we are continuing to hold regular "One simple act of love can inspire others to love" blood donation drives and hold 12 "Accompanying Kids as the Grow" young child concern activities. Thanks to the commitment of E.SUN personnel and E.SUN volunteers nationwide, we are helping even more people in need and spreading love everywhere it is needed. We will continue to plant the seeds of love and concern throughout the country, and ensure that E.SUN volunteers can achieve even greater results.

8.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.

9. IT Facilities

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

9.1 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.

9.2 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 a deeper and broader insight into customer services. In 2019, E.SUN Bank engaged in the following projects to develop and setup IT systems:

(1)Information system integration

a.Corporate Banking, Consumer Banking, Wealth Management, Treasury, and Digital IT System Refinement

b.IT Infrastructure and Virtual Platform Extension

c.OA Platform Conversion

(2)e-Commerce and digital channel

a.Global Internet Banking System

b.Mobile Banking Function Improvement

c.Customer Service System Upgrade

d.Private Bank Project

(3)Overseas Related

a.Overseas Branch IT System Integration, Expansion, and Setup

b.Overseas Warehouse Improvement

(4)Data Use and Smart Decision Making

a.Information Service and Analysis Engineering

b.Smart Service Infrastructure Engineering and Building Machine Learning as a Service

(5)Regulation Technology

Trade Based Money Laundering Detection and Monitoring System

9.3 Emergency Backup and Security Protection Measure

(1)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.

(2)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.

(3)With respect to safety protection measures, E.SUN Bank adopts a multi-layered defense in depth structure, which is equipped with firewalls, anti-virus software, anti-spam system, APT intrusion detection and defense 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.

(4)The operation of information security management in 2018 emphasized the following 3 aspects:

a. Improvement of information security management at overseas units: Consistent assessment methods were employed in conjunction with regular contact, tracking of improved progress, and on-site information security inspection visits to effectively boost information security defense capacity at overseas units.

b.Development of information security technology: The Bank has been using new technology such as big data to establish forecasting models that are able to uncover potential threats and achieve advance prediction.

c. Training of professional information security talents: Monthly Information Security awareness bulletins, specialized classes, and information security workshops are boosting our colleagues' information security awareness within the Company and its subsidiaries.

(5)In the construction of the network architecture in 2018, E.SUN Bank continued to focus on the Hope Building and Technology Building to achieve the goal of providing uninterrupted 24-hour service in the dual center to comprehensively enhance internet availability. In addition, under the rapidly developing information requirements, SDN (Software Define Network) deployed in a software-defined network for automatic deployment is continuously implemented and the network environment can be completed more quickly and flexibly.

(6)Adoption of the international ISO27001 Information Security Management System: The Bank's Information System Division and Information Security Management Division completed a three-year review of ISO/IEC 27001: 2013 in May 2018, and passed BSI's half-year on-site review in November 2018. The Bank's credit card acquisition system received PCI DSS certification in August 2018. To ensure that customers enjoy the optimal protection of their data when using services, we will continue to perform verification on an annual basis.

10. Labor-Management Relations

10.1 Information on Labor-Management Relations

(1)Employee benefits and status of implementation

a.Care for employees' families and care in the workplace: We have established the E.SUN Baby Growth Fund, which encourages E.SUN people to raise an outstanding new generation by providing subsidies of NT$100,000 for each newborn baby. Likewise, we have established an infant product-sharing platform to enable parents to swap infant supplies and products. We promote maternal care in the workplace, and have produced a handbook designed specifically for new mothers, spelling out healthcare information and benefits available to them. We offer better family care leave and paternity leave than prescribed by the law so that colleagues can have more flexibility and time to care for family members. We have further established the E.SUN Family Care and Child Awards that honor extraordinary performance on the part of employees' children at school and in major competitions. Finally, we do our utmost to assist those E.SUN people who suffer from sickness or injury, unfortunate family events, and natural disasters.

b.Insurance and healthcare: Apart from purchasing labor and health insurance for employees in accordance with applicable regulations, the Company also provides employees with group insurance, group accident insurance, life insurance, major illness insurance, and hospitalization and accident medical insurance. As an example, when and if employees experience emergencies or accidents overseas, they can enjoy international support services. We further provide employees with business travel group insurance. All employees stationed or traveling overseas for business are covered by accident insurance, accidental injury medical insurance, overseas emergency hospitalization insurance, and overseas outpatient and emergency care insurance. Premiums for all group insurance (including business travel group insurance) are paid by the Company. The Company and its subsidiaries place great emphasis on employees' mental and physical health. Apart from the foregoing benefits, we also provide employees with free health check-ups. Proactively committed to creating a quality workplace, we take the initiative to care for employees.

c.Special leave: Our offer is superior to what is prescribed by the Labor Standards Law. Employees who have worked for more than three months enjoy a number of days off proportional to their length of service.

d.Employee Welfare Committee: The committee offers a full range of employee subsidies and benefits for such occasions as marriage, childbirth, children's education, major illness, hospitalization, and travel, as well as bonuses for the country's three most important traditional holidays.

e.Employee stock ownership trust: To encourage colleagues to perform retirement planning, E.SUN has established an employee savings club stock ownership trust. While employees set aside savings at their discretion each month, the Company provides an incentive contribution twice each year.

f.Supportive mortgages for home purchases and consumer loans.

(2)Retirement system and status of implementation

In accordance with the Labor Standards Act, Labor Pension Act, and other pertinent statutes, the Company and its subsidiaries provide a comprehensive retirement system. Monthly contributions are sent to the Bank of Taiwan under the old retirement reserve fund system. In the case of employees applicable to the new retirement system, the Company and its subsidiaries contribute the equivalent to 6% of their salaries to the Bureau of Labor Insurance on a monthly basis. To encourage employees to achieve outstanding performance, extra retirement incentives commensurate with extraordinary performance and special contributions are provided in addition to the prescribed retirement pensions.

(3)Status of labor-management agreements and measures taken to preserve employee rights and interests

The Company and its subsidiaries preserve the rights and interests of labor and management in accordance with applicable laws and regulations, regularly hold labor-management conferences, and issue notices with regard to employee complaints. Communication channels are easily accessible, employees' views are taken seriously, and labor-management relations are harmonious.

10.2 Losses Suffered due to Labor-Management disputes during the most recent year and up to the date of printing of this annual report, and the estimated amount expected to be incurred for the present and future as well as preventive measures thus planned:

In its written sanction issued on September 19, 2018, the Taoyuan City Government drew on its labor inspection findings and slapped a fine of NT$20,000 on the Company’s subsidiary E.SUN Bank for violating Article 24 of the Labor Standards Act. For its part, E.Sun Bank immediately implemented remedial measures.

10.3 Work Environment and Protective Measures for Preserving Employee Safety

(1)The Company and its subsidiaries have installed security systems and personnel throughout their business premises, and are continuing to strengthen training in an effort to effectively maintain workplace, employee, and customer safety.

(2)In order to promote the health and safety of all employees, the Company and its subsidiaries have drafted labor health and safety management plans and health and safety work rules, held labor health and safety committee meetings, implemented occupational health and safety policies, and secured occupational health and safety management system certification (OHSAS 18001 and ISO 45001). Meanwhile, arrangements are made for occupational health and safety executives, first aid personnel, and fire safety management personnel to undergo pertinent training. On top of education and training sessions designed specifically for new hires, all employees are required to receive general health and safety in-service training as part of our efforts to enhance employees' health and safety consciousness and achieve the goal of a zero-accident workplace.

(3)In accordance with the E.SUN FHC/Subsidiaries Guidelines for Addressing Prevention, Complaints, and Punishment of Sexual Harassment, we have installed a hotline to prevent the occurrence of sexual harassment and establish a welcoming work environment. We seek to eliminate hostility originating from sexual or gender factors in the workplace and protect employees and service recipients from the threat of sexual harassment. After investigation and verification, persons committing sexual harassment will receive appropriate punishment based on the severity of their actions.

VI. Financial Information

1. Condensed Financial Statements from 2014~2018

1.1 Condensed Balance Sheet (Consolidated)

Unit NT$ thousand

Item / Year		Financial data 2014-2018 (Note1)				
		2018(Note 3)	2017(Note 3)	2016 (Note 3)	2015 (Note 3)	2014 (Note 3)
Cash and cash equivalents, due from the central bank and call loans to other banks		132,378,411	131,042,367	99,446,114	103,947,460	89,599,108
Financial assets at fair value through profit or loss		471,874,547	407,970,461	366,077,137	348,549,110	291,623,957
Financial assets at fair value through other comprehensive income		183,206,425	0	0	0	0
Debt Instrument Investments Measured at Amortized Cost		8,165,004	0	0	0	0
Available-for-sale financial assets		0	170,204,638	141,099,283	129,776,329	84,815,997
Derivative financial assets for hedging		0	0	0	0	0
Securities purchased under resell agreements		0	0	173,470	896,844	152,758
Receivables, net		85,316,920	83,129,858	75,992,232	71,298,309	65,391,506
Current tax assets		11,644	5,054	0	0	138,082
Assets held for sale, net		0	0	0	0	0
Discounts and loans, net		1,333,277,269	1,211,071,275	1,118,148,669	1,021,994,720	934,613,524
Held-to-maturity financial assets, net		0	3,078,813	3,616,960	5,289,839	5,915,792
Investments accounted for using equity method, net		0	0	0	0	0
Restricted assets		0	0	0	0	0
Other financial assets, net		12,051,606	9,426,393	27,301,621	40,563,130	49,961,102
Properties and equipment, net		31,949,501	27,558,614	25,785,381	26,117,062	20,247,436
Investment properties, net		2,192,930	2,236,989	2,295,788	755,735	923,833
Intangible assets		6,045,548	6,138,716	6,162,335	5,881,172	5,622,067
Deferred tax assets, net		1,053,310	926,378	423,706	484,248	113,386
Other assets		4,814,375	3,547,241	3,608,695	4,847,412	2,825,666
Total assets		2,272,337,490	2,056,336,797	1,870,131,391	1,760,401,370	1,551,944,214
Due to the Central Bank and other banks		72,223,020	66,652,215	52,516,006	71,170,130	58,199,621
Funds borrowed from the Central Bank and other banks		0	0	0	0	0
Financial liabilities at fair value through profit or loss		50,277,088	43,359,847	42,091,703	35,836,236	22,494,142
Derivative financial liabilities for hedging		0	0	0	0	0
Securities sold under repurchase agreements		12,526,789	12,200,468	8,881,723	8,034,391	13,117,523
Payables		24,505,102	26,406,994	23,638,238	18,073,164	18,261,090
Current tax liabilities		880,576	1,382,186	1,235,474	890,912	863,108
Liabilities directly associated with assets held for sale		0	0	0	0	0
Deposits and remittances		1,887,658,287	1,713,175,352	1,559,551,047	1,459,086,105	1,284,727,612
Bonds payable		36,850,000	36,750,000	42,250,000	44,950,000	43,800,000
Preferred stock liabilities		0	0	0	0	0
Other financial liabilities		24,516,845	5,949,739	9,654,553	1,864,035	2,349,300
Provisions		824,373	474,835	417,808	471,382	313,599
Deferred tax liabilities		1,338,385	697,535	924,744	1,260,329	781,528
Other liabilities		2,466,805	2,029,857	1,935,565	1,639,584	1,528,846
Total liabilities	Before distribution	2,114,067,270	1,909,079,028	1,743,096,861	1,643,276,268	1,446,436,369
	After distribution	(Note 2)	1,915,555,185	1,747,715,861	1,646,130,536	1,449,572,305
Equity attributable to owners of the Company		158,146,891	147,144,538	126,370,891	116,391,310	104,722,892
Retained earnings	Before distribution	86,370,000	83,121,000	72,628,830	66,840,000	61,360,000
	After distribution	(Note 2)	86,370,000	77,081,000	72,187,000	65,440,000
Other equity		25,316,367	24,865,967	19,837,781	19,139,073	17,825,058
Total equity	Before distribution	45,794,293	38,794,234	33,861,600	29,012,240	24,505,503
	After distribution	(Note 2)	29,069,077	24,790,430	20,810,972	17,289,567
Other equity		666,231	363,337	42,680	1,399,997	1,032,331
Treasury stock		0	0	0	0	0
Non-controlling interests		123,329	113,231	663,639	733,792	784,953
Total equity	Before distribution	158,270,220	147,257,769	127,034,530	117,125,102	105,507,845
	After distribution	(Note 2)	140,781,612	122,415,530	114,270,834	102,371,909

Note1: All financial statements above have been audited and certified by accountants.
Note2: Earnings distribution of the year (ended December 31) 2018 shall be resolved in the shareholders' meeting.
Note3: Based on financial statements that have been audited and certified by accountants for previous years.

1.2 Condensed Statement of Comprehensive Income (Consolidated)

Unit:NT$ thousand, Except Earnings Per Share

Item \ Year	Financial data 2014-2018 (Note)				
	2018 (Note)	2017 (Note)	2016 (Note)	2015 (Note)	2014 (Note)
Interest revenue	37,003,677	32,656,734	29,530,082	29,636,188	26,830,870
Interest expenses	(16,972,375)	(12,641,898)	(11,111,075)	(12,385,430)	(11,544,801)
Net interest	20,031,302	20,014,836	18,419,007	17,250,758	15,286,069
Net revenues and gains other than interest	28,158,324	24,843,862	21,858,055	18,700,844	15,402,392
Total net revenues	48,189,626	44,858,698	40,277,062	35,951,602	30,688,461
Bad-debt expenses and provision for losses on guarantees	(3,209,215)	(3,868,941)	(3,462,064)	(3,565,789)	(2,033,689)
Operating Expenses	(24,652,636)	(24,036,459)	(21,383,523)	(18,622,875)	(16,560,024)
Income before income tax from continuing operations	20,327,775	16,953,298	15,431,475	13,762,938	12,094,748
Income tax (expenses) benefit	(3,204,365)	(2,167,696)	(2,171,365)	(1,791,726)	(1,813,652)
Net income from continuing operation	17,123,410	14,785,602	13,260,110	11,971,212	10,281,096
Net income (loss) from discontinued operations	0	0	0	0	0
Net income	17,123,410	14,785,602	13,260,110	11,971,212	10,281,096
Other comprehensive income (loss) for the year, net of tax	(416,560)	219,223	(1,586,945)	322,036	990,475
Total comprehensive income	16,706,850	15,004,825	11,673,165	12,293,248	11,271,571
Net income attributable to owners of the Company	17,108,315	14,886,870	13,411,351	11,908,600	10,204,320
Net income attributable to non-controlling interests	15,095	(101,268)	(151,241)	62,612	76,776
Total comprehensive income attributable to owners of the Company	16,691,577	15,141,299	11,839,399	12,197,962	11,149,304
Total comprehensive income attributable to non-controlling interests	15,273	(136,474)	(166,234)	95,286	122,267
Earnings per share (New Taiwan Dollars)	1.98	1.85	1.85	1.80	1.74

Note : 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.

1.3 Condensed Balance Sheet (Standalone)

Unit: NT$ thousand

Item \ Year		Financial data 2014-2018 (Note 1)				
		2018 (Note 3)	2017 (Note 3)	2016 (Note 3)	2015 (Note 3)	2014 (Note 3)
Cash and cash equivalents, due from the central bank and call loans to other banks		119,749,611	124,718,876	94,956,018	95,632,114	86,748,320
Financial assets at fair value through profit or loss		471,860,812	407,881,802	366,077,137	348,549,110	291,623,957
Financial assets at fair value through other comprehensive income		174,034,814	0	0	0	0
Debt Instrument Investments Measured at Amortized Cost		7,057,308	0	0	0	0
Available-for-sale financial assets		0	169,226,747	139,242,383	129,769,543	84,810,507
Derivative financial assets for hedging		0	0	0	0	0
Securities purchased under resell agreements		0	0	173,470	896,844	152,758
Receivables, net		84,447,741	82,575,221	75,532,825	71,276,123	65,358,517
Current tax assets		5,497	5,054	0	0	138,082
Assets held for sale, net		0	0	0	0	0
Discounts and loans, net		1,308,295,440	1,189,316,642	1,098,470,520	1,011,082,173	925,015,590
Held-to-maturity financial assets, net		0	1,946,538	2,475,695	5,289,839	5,915,792
Investments accounted for using equity method, net		12,784,006	12,626,308	12,115,047	7,772,615	2,465,142
Restricted assets		0	0	0	0	0
Other financial assets, net		12,013,815	5,102,429	23,301,821	40,061,689	50,748,101
Properties and equipment, net		29,225,436	25,108,061	23,525,277	21,878,315	19,737,442
Investment properties, net		472,228	401,360	389,753	728,099	923,833
Intangible assets		4,709,443	4,793,788	4,643,445	4,489,317	4,266,282
Deferred tax assets, net		813,234	571,230	238,352	456,760	113,045
Other assets		4,621,232	3,323,103	3,332,967	4,749,116	2,771,256
Total assets		2,230,090,617	2,027,597,159	1,844,474,710	1,742,631,657	1,540,788,624
Due to the Central Bank and other banks		67,786,230	61,027,434	51,419,462	69,855,781	57,462,374
Funds borrowed from the Central Bank and other banks		0	0	0	0	0
Financial liabilities at fair value through profit or loss		50,248,562	43,359,847	42,091,703	35,836,236	22,494,142
Derivative financial liabilities for hedging		0	0	0	0	0
Securities sold under repurchase agreements		8,587,909	12,200,468	8,881,723	8,034,391	13,117,523
Payables		23,468,429	25,490,692	23,037,241	17,763,734	17,972,885
Current tax liabilities		831,518	1,379,569	1,219,735	815,278	795,726
Liabilities directly associated with assets held for sale		0	0	0	0	0
Deposits and remittances		1,857,918,420	1,692,875,687	1,540,002,824	1,444,866,004	1,275,843,789
Bonds payable		36,850,000	36,750,000	42,250,000	44,950,000	43,800,000
Preferred stock liabilities		0	0	0	0	0
Other financial liabilities		21,921,658	4,334,330	6,200,448	761,451	1,966,844
Provisions		794,915	466,553	409,738	471,382	313,599
Deferred tax liabilities		1,262,298	694,053	913,495	1,254,631	780,031
Other liabilities		2,273,787	1,873,988	1,677,450	1,631,459	1,518,819
Total liabilities	Before distribution	2,071,943,726	1,880,452,621	1,718,103,819	1,626,240,347	1,436,065,732
	After distribution	(Note 2)	1,886,928,778	1,722,722,819	1,629,094,615	1,439,201,668
Equity attributable to owners of the Company		158,146,891	147,144,538	126,370,891	116,391,310	104,722,892
Capital stock	Before distribution	86,370,000	83,121,000	72,628,830	66,840,000	61,360,000
	After distribution	(Note 2)	86,370,000	77,081,000	72,187,000	65,440,000
Capital surplus		25,316,367	24,865,967	19,837,781	19,139,073	17,825,058
Retained earnings	Before distribution	45,794,293	38,794,234	33,861,600	29,012,240	24,505,503
	After distribution	(Note 2)	24,790,430	24,790,430	20,810,972	17,289,567
Other equity		666,231	363,337	42,680	1,399,997	1,032,331
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	158,146,891	147,144,538	126,370,891	116,391,310	104,722,892
	After distribution	(Note 2)	140,668,381	121,751,891	113,537,042	101,586,956

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

Note2: Earnings distribution of the year (ended December 31) 2018 shall be resolved in the shareholders' meeting.

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

1.4 Condensed Statement of Comprehensive Income (Standalone)

Unit:NT$ thousand, Except Earnings Per Share

Item \ Year	Financial data 2014-2018 (Note)				
	2018 (Note)	2017 (Note)	2016 (Note)	2015 (Note)	2014 (Note)
Interest revenue	35,064,333	30,996,842	27,972,962	28,556,372	26,084,131
Interest expense	(16,267,268)	(11,989,563)	(10,390,621)	(11,908,824)	(11,201,430)
Net interest	18,797,065	19,007,279	17,582,341	16,647,548	14,882,701
Net revenues and gains other than interest	27,844,073	23,638,129	20,912,978	18,591,843	15,428,592
Total net revenues	46,641,138	42,645,408	38,495,319	35,239,391	30,311,293
Bad-debt expenses and provision for losses on guarantees	(3,023,936)	(2,605,817)	(2,364,936)	(3,482,751)	(2,033,204)
Operating Expenses	(23,488,690)	(22,811,076)	(20,412,394)	(18,106,068)	(16,323,527)
Income before income tax from continuing operations	20,128,512	17,228,515	15,717,989	13,650,572	11,954,562
Income tax (expense) benefit	(3,020,197)	(2,341,645)	(2,306,638)	(1,741,972)	(1,750,242)
Net income from continuing operation	17,108,315	14,886,870	13,411,351	11,908,600	10,204,320
Net income (loss) from discontinued operations	0	0	0	0	0
Net income (loss)	17,108,315	14,886,870	13,411,351	11,908,600	10,204,320
Other comprehensive income for the year, net of tax	(416,738)	254,429	(1,571,952)	289,362	944,984
Total comprehensive income	16,691,577	15,141,299	11,839,399	12,197,962	11,149,304
Net income attributable to owners of the Company	17,108,315	14,886,870	13,411,351	11,908,600	10,204,320
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to owners of the Company	16,691,577	15,141,299	11,839,399	12,197,962	11,149,304
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share (New Taiwan Dollars)	1.98	1.85	1.85	1.80	1.74

Note: 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.

2.CPAs' Auditing Opinion from 2014 to 2018

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 and 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, 2017 and 2018 ended on December 31, and issued an unqualified opinion report.

3.Financial Analysis from 2014 to 2018

3.1 Financial Analysis

(Consolidated)

Unit:NT$ thousand

Item		Financial data 2014-2018 (Note 1)				
	Year	2018	2017	2016	2015	2014
Operating ratio	Loan-to-Deposit Ratio (%)	71.56	71.64	72.69	70.97	73.61
	NPL ratio (%)	0.23	0.23	0.19	0.13	0.18
	Ratio of interest expenses to average deposit(%)(Note 3)	0.77	0.63	0.61	0.78	0.80
	Ratio of interest revenues to average loans(%)	2.21	2.17	2.17	2.33	2.32
	Total assets turnover (Times)	0.02	0.02	0.02	0.02	0.02
	Average revenue per employee	5,434	5,077	4,808	4,650	4,341
	Average net income per employee	1,931	1,674	1,583	1,548	1,454
Profitability ratio	Ratio of return on tier 1 capital (%)	12.20	11.51	12.27	12.85	13.67
	Ratio of return on total assets (%)	0.79	0.75	0.73	0.72	0.70
	Ratio of return on equity (%)	11.20	10.78	10.81	10.76	10.88
	Profit margin ratio (%)	35.53	32.96	32.92	33.30	33.50
	Basic earnings per share (New Taiwan Dollars)	1.98	1.85	1.85	1.80	1.74
Financial structure	Ratio of debt to assets (%)	93.03	97.23	96.01	99.21	99.03
	Ratio of properties and equipment to shareholders' equity (%)	20.19	18.71	20.30	22.30	19.19
Ratio of growing	Ratio of assets growing (%)	10.50	9.96	6.22	13.43	13.37
	Ratio of income growing (%) (Note4)	19.90	9.86	5.14	13.70	14.89
Cash Flow (Note 2)	Cash flow ratio (%)(Note5)	4.89	17.06	1.03	12.68	5.49
	Cash flow Adequacy ratio (%)	133.64	134.22	48.73	114.38	39.70
	Cash flow content ratio (%)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Ratio of liquidity preparation (%)		30.62	29.50	24.67	27.27	23.58
Secured loan balance of related-party		14,977,275	13,919,266	12,115,927	11,565,228	10,224,768
Ratio of secured loans balance of related-party (%)		1.08	1.10	1.07	1.12	1.08
Operating Scale	Market share of assets (%)	4.15	3.92	3.73	3.46	3.16
	Market share of equity (%)	4.09	4.02	3.64	3.42	3.35
	Market share of deposit (%)	4.67	4.37	4.15	4.42	4.13
	Market share of assets loans (%)	4.43	4.25	4.07	4.26	4.03

Please provide reasons for changes in financial ratios in last two years: N/A. (Optional if the change ratio is under 20%)

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

Note 2: The net cash outflow from investment activities is negative, and therefore not included in the analysis herein.

Note 3: The ratio of interest expense to average annual balance is higher compared to the previous year, mainly due to an increase in interest paid on deposit.

Note 4: The YOY profit growth is positive, mainly attributed to steady growth in loan businesses this year and increased return on investments in financial products.

Note 5: Cash flow ratio decreased compared to previous year, mainly due to this year's increase in long-term loan, resulting in decrease in net cash flow from operating activities.

1. Operating Ratio
   (1) Loan-to-Deposit Ratio = Total loans / Total deposits
   (2) NPL ratio = Nonperforming loans / Total loans
   (3) Interest expense to average total deposits = Total interest expense / Average total deposit.
   (4) Interest revenue to average total loans = Total interest revenue / Average total loans
   (5) Total assets turnover rate = Net income / Total asset
   (6) Average revenue per employee = Net revenues / Employee
   (7) Average net income per employee = Net income / Employee
2. Profitability ratio
   (1) Tier 1 capital ROE = Net income before tax / Average total tier 1 capital
   (2) Ratio of return on total assets = Income after income tax / Average total assets
   (3) Ratio of return on stockholders'equity = Income after income tax / Average stockholders'equity
   (4) Profit margin ratio = Income after income tax / Net revenues
   (5) 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 properties and equipment to shareholders' equity = Properties and equipment / Shareholders' equity.
4. 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
5. 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 agreements + Current portion of Payables)
   (2) Cash flow adequacy ratio = Net cash provided by operating activities(from 2014 to 2018) / from 2014 to 2018(capital expenditure + Cash dividends)
   (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities
6. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided
7. Operating Scale
   (1) Market share of assets = Total assets / Total assets of all financial institutions which are qualified in deposit and loan business.
   (2) Market share of equity = Total stockholders'equity / Total stockholders'equity of all financial institutions which are qualified in deposit and loan business.
   (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 loans(%)(bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business.

(Individual) Unit:NT$ thousand

Year / Item		Financial data 2014-2018 (Note 1)				
		2018	2017	2016	2015	2014
Operating ratio	Loan-to-Deposit Ratio (%)	71.32	71.17	72.24	70.90	73.35
	NPL ratio (%)	0.23	0.23	0.19	0.13	0.18
	Ratio of interest expenses to average deposit (%)(Note3)	0.77	0.62	0.58	0.75	0.78
	Ratio of interest revenues to average loans (%)	2.14	2.10	2.08	2.25	2.26
	Total assets turnover (Times)	0.02	0.02	0.02	0.02	0.02
	Average revenue per employee	5,707	5,229	4,965	4,821	4,483
	Average net income per employee	2,093	1,825	1,730	1,629	1,509
Profitability ratio	Ratio of return on tier 1 capital (%)	12.49	12.14	12.96	12.98	13.53
	Ratio of return on total assets (%)	0.80	0.77	0.75	0.73	0.70
	Ratio of return on equity (%)	11.20	10.89	11.00	10.77	10.89
	Profit margin ratio (%)	36,68	34.91	34.84	33.79	33.67
	Basic earnings per share (New Taiwan Dollars)	1.98	1.85	1.85	1.80	1.74
Financial structure	Ratio of debt to assets (%)	92.90	92.74	93.14	93.31	93.19
	Ratio of properties and equipment to shareholders' equity (%)	18.48	17.06	18.62	18.80	18.85
Ratio of growing	Ratio of assets growing (%)	9.98	9.93	5.83	13.10	13.29
	Ratio of income growing (%) (Note4)	16.83	9.61	7.92	14.09	13.70
Cash Flow (Note 2)	Cash flow ratio (%) (Note5)	-0.06	18.97	5.72	11.05	6.00
	Cash flow Adequacy ratio (%)	121.68	134.12	59.68	149.67	57.30
	Cash flow content ratio (%)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Ratio of liquidity preparation (%)		30.62	29.50	24.67	27.27	23.58
Secured loan balance of related-party		14,977,275	13,919,266	12,115,927	11,565,228	10,224,768
Ratio of secured loans balance of related-party (%)		1.10	1.13	1.09	1.13	1.09
Operating Scale (Note 4)	Market share of assets (%)	4.08	3.87	3.67	3.42	3.14
	Market share of equity (%)	4.08	4.05	3.62	3.40	3.33
	Market share of deposit (%)	4.59	4.31	4.10	4.38	4.11
	Market share of assets loans (%)	4.35	4.17	4.00	4.22	3.99

Please provide reasons for changes in financial ratios in last two years: N/A. (Optional if the change ratio is under 20%)

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

Note 2: The net cash outflow from investment activities is negative, and therefore not included in the analysis herein.

Note 3: The ratio of interest expense to average deposit balance increased compared to previous year, mainly attributed to increase in foreign deposit ratio.

Note 4: The YOY profit growth is positive, mainly attributed to steady growth in loan businesses this year and increased return on investments in financial products.

Note 5: Cash flow ratio decreased compared to previous year, mainly due to this year's increase in long-term loan, resulting in decrease in net cash flow from operating activities.

1. Operating Ratio

(1) Loan-to-Deposit Ratio = Total loans / Total deposits

(2) NPL ratio = Nonperforming loans / Total loans

(3) Interest expense to average total deposits = Total interest expense to deposits / Average total deposit.

(4) Interest revenue to average total loans = Total interest revenue from loans / Average total loans

(5) Total assets turnover rate = Net income / Total asset

(6) Average revenue per employee = Net revenues / Employee

(7) Average net income per employee = Net income / Employee

2. Profitability ratio

(1) Tier 1 capital ROE = Net income before tax / Average total tier 1 capital

(2) Ratio of return on total assets = Income after income tax / Average total assets

(3) Ratio of return on equity = Income after income tax / Average total equity

(4) Profit margin ratio = Income after income tax / Net revenues

(5) 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 properties and equipment to shareholders' equity = Properties and equipment / Shareholders' equity.

4. 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

5. 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 or loss + Securities sold under repurchased agreements + Current portion of Payables)

(2) Cash flow adequacy ratio = Net cash provided by operating activities(from 2014 to 2018) / from 2014 to 2018 (capital expenditure + Cash dividends)

(3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities

6. Liquidity Reserve Ratio = Current assets required by the CBC / Liabilities for which the various current reserve shall be provided

7. Operating Scale

(1) Market share of assets = Total assets / Total assets of all financial institutions which are qualified in deposit and loan business.

(2) Market share of equity = Total shareholders' equity / Total shareholders' equity of all financial institutions which are qualified in deposit and loan business.

(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 loans(%)(bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business.

3.2 Capital adequacy Ratio

Unit:NT$ thousand

Item			Financial data 2014-2018 (Consolidated) 2018	2017	2016	2015	2014
Eligible capital	Common equity		151,529,663	139,863,762	119,481,671	110,664,625	99,485,005
	Other Tier 1 capital		23,787,739	18,020,470	17,294,464	4,037,931	69,309
	Tier 2 capital		51,792,894	49,344,778	51,570,494	47,928,415	37,332,551
	Eligible capital		227,110,296	207,229,010	188,346,629	162,630,971	136,886,865
Risk-weighted assets	Credit risk	Standardized approach	1,352,101,364	1,232,233,279	1,232,534,478	1,136,426,589	988,942,372
		Internal ratings - based approach	-	-	-	-	-
		Securitization	-	-	-	8,025	282,960
	Operational risk	Basic indicator approach	-	-	-	-	58,324,925
		Standardized approach/alternative standardized approach	77,731,050	69,492,363	60,688,275	51,601,050	-
		Advanced measurement approach	-	-	-	-	-
	Market risk	Standardized approach	47,862,450	44,490,150	34,100,088	32,340,863	26,168,363
		Internal model approach	-	-	-	-	-
	Risk-weighted assets		1,477,694,864	1,346,215,792	1,327,322,841	1,220,376,527	1,073,718,620
Capital adequacy ratio			15.37%	15.39%	14.19%	13.33%	12.75%
Ratio of Tier 1 capital to risk-weighted assets			11.86%	11.73%	10.30%	9.40%	9.27%
Ratio of common equity to risk-weighted assets			10.25%	10.39%	9.00%	9.07%	9.27%
Leverage Ratio			7.22%	7.23%	6.84%	6.01%	5.78%

Note 1: Eligible capital = Common equity + other Tier 1 capital + Tier 2 capital.
Note 2: Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
Note 3: Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
Note 4: Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital / Risk-weighted assets.
Note 5: Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital / Risk-weighted assets.
Note 6: Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital / Risk-weighted assets.
Note 7: Ratio of common stock to total assets = Common stock / Total assets.

Unit:NT$ thousand

Item			Financial data 2014-2018 (Individual) 2018	2017	2016	2015	2014
Eligible capital	Common equity		149,446,951	137,835,715	117,217,039	109,386,814	99,069,970
	Other Tier 1 capital		20,368,923	14,647,495	14,031,679	1,894,276	-
	Tier 2 capital		44,371,239	42,000,841	43,688,237	43,557,492	35,932,509
	Eligible capital		214,187,113	194,484,051	174,936,955	154,838,582	135,002,479
Risk-weighted assets	Credit risk	Standardized approach	1,298,702,048	1,185,638,241	1,183,636,579	1,112,343,800	976,538,114
		Internal ratings - based approach	-	-	-	-	-
		Securitization	-	-	-	8,025	282,960
	Operational risk	Basic indicator approach	-	-	-	-	57,955,163
		Standardized approach/alternative standardized approach	74,177,125	66,504,500	58,867,763	50,812,588	-
		Advanced measurement approach	-	-	-	-	-
	Market risk	Standardized approach	42,608,000	43,661,600	33,630,263	32,340,863	26,168,363
		Internal model approach	-	-	-	-	-
	Risk-weighted assets		1,415,487,173	1,295,804,341	1,276,134,605	1,195,505,276	1,060,944,600
Capital adequacy ratio			15.13%	15.01%	13.71%	12.95%	12.72%
Ratio of Tier 1 capital to risk-weighted assets			12.00%	11.77%	10.28%	9.31%	9.34%
Ratio of common equity to risk-weighted assets			10.56%	10.64%	9.19%	9.15%	9.34%
Leverage Ratio			7.17%	7.11%	6.69%	5.89%	5.86%

Note 1: Eligible capital = Common equity + other Tier 1 capital + Tier 2 capital.
Note 2: Risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk x 12.5.
Note 3: Capital adequacy ratio = Eligible capital / Risk-weighted assets.
Note 4: Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital / Risk-weighted assets.
Note 5: Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital / Risk-weighted assets.
Note 6: Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital / Risk-weighted assets.
Note 7: Ratio of common stock to total assets = Common stock / Total assets.

4. Audit Committee Report

Audit Committee Report.

Audit Committee Report

To: E.SUN Bank

The 2018 consolidated financial statements of E.SUN Bank ("the Bank") have been prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Public Banks","Guidelines Governing the Preparation of Financial Reports by Securities Firms","International Financial Reporting Standards","International Accounting Standards","IFRIC Inter pretations" and "SIC Interpretations" endorsed by the Financial Supervisory Commission of the Republic of China. The 2018 standalone financial statements of the Bank have been prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Public Banks" and "Guidelines Governing the Preparation of Financial Reports by Securities Firms". CPA Chen Yin Chou and CPA Huang Jui Chan of Deloitte & Touche have been appointed by the Bank 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 Bank for the Board's approval.

Chen-En Ko
Convener
Audit Committee
E.SUN Bank

Date: March 14, 2019

VII. Risk Management

E.SUN's business development policies place security and liquidity first, followed by returns and then growth. E.SUN's main five business divisions including consumer banking, corporate banking, wealth management, treasury, credit card and payment finance division have all established risk management departments that are responsible for direct management of risk operations. Regarding product designation, operational procedures and business marketing, E.SUN is continuously engaging in risk identification, measurement, supervision and control tasks that are independent of the respective business operations.

Apart from each risk management department under different business divisions, E.SUN has established the Risk Management Division in order to centralize screening, supervision and coordination of the Bank's risk management mechanisms. The division is in charge of formulating risk management policies and principles that serve as guides for all business units. It also supervises and coordinates the operation of risk management mechanisms in these offices. In addition, E.SUN's risk management policies are linked with capital adequacy. Guidelines under the rule of Basel Capital Accord have been used as a basis in formulating rules and procedures that are intended to ensure an appropriate risk appetite, risk reporting lines, and capital adequacy. The aforementioned reports are reviewed regularly and reported to the board and Risk Management Committee of the E.SUN FHC as foundations for adjustment for risk management related policies and operational strategies.

1. Qualitative and Quantitative Information Concerning Risk Types

1.1 Credit Risk Management Institution and Capital Charges

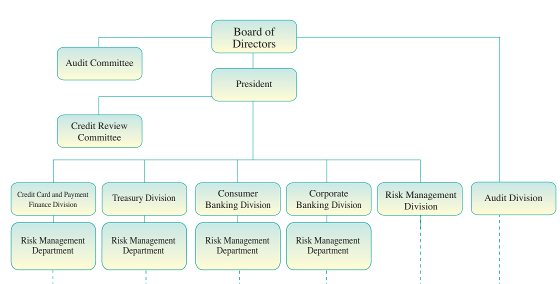
(1) Credit Risk Management Institution

a. Credit Risk Strategies, Goals, Policies and Processes

The objective of the Bank's credit risk management and development strategy is to comply with the supervisor and to establish "General Principles of Credit Risk Management", internal lending and transaction with counterparties' risk control mechanisms, thus continuing to assess and to follow with domestic and foreign economic and financial trends, make adjustments to internal criteria as appropriate. E.SUN complies with Basel Capital Accord, set up comprehensive credit management institution and adopt credit evaluation models. To effectively control credit risk concentration, E.SUN establish credit risk limits and counter parties limits according to different aspects, including nationality, industry, business conglomerate, and rating. Furthermore, we report to the authorities regularly and continue to strengthen our own risk management abilities, complying with the authorities' requirements.

b. Credit Risk Management Organization and Framework

Each main business division has established a risk management department to facilitate the identification and handling of risk on the business line, to establish acceptance risk limits, and create indicators for use in monitoring risk. In addition, E.SUN establish a Credit Committee to assess material credit risk. For its part, the Risk Management Division formulates risk management policies and principles, bears responsibility for assessing and monitoring Bank-wide risk management quality, and regularly reports to the board and the Risk Management Committee of the E.SUN FHC. E.SUN's credit risk management organization is shown in the schematic diagram below.



c. Scope and Features of Credit Risk Reporting and Measurement System

The objective of Bank departments responsible for establishing risk controls and managing risk, as well as credit risk assessment and management procedures, is to monitor credit risk, engage in credit rating, manage the level of credit extended, mid-term management, and monitor loans after they have been disbursed. Every departments which is responsible for risk management in E.SUN adopts various measures to effectively monitor such risk and regularly produces reports that detail its efforts to manage credit risk. The Bank also releases data that provide a true picture on all types of credit risk, including sovereign risk, counterparty credit risk, large amounts of exposure, concentration of credit in specific industries, and amount of credit extended to a single institution or conglomerate. This data is forwarded to managers instantaneously at all levels so they are aware of the level of risk exposure.

E.SUN has used existing historical customer data to develop the Internal Rating System, which is regarded as the Scientific framework of measuring credit risk and also has completed the roll-out of credit risk data mart, a consumer banking and corporate banking IRB model. The IRB rating model has been integrated with the Bank's credit processing system(CPS). In addition, reviews and improvements to the mechanisms are constantly being carried out, including credit risk control policies, measurement procedures, and credit development strategies.

d. Credit Risk Hedging or Risk Mitigation Policies; Strategies and Processes to Monitor the Continued Effectiveness of Risk Mitigation Tools

Credit risk mitigation refers to techniques used to reduce credit risk, thereby reducing total risk weighted assets and required capital charges. For instance, collateral, third-party guarantees, trading credit derivatives as a hedge, using the counterparty's deposits to offset its liabilities or asset securitization can be used to shift credit risk from the Bank. E.SUN's credit handbook explicitly states that in order to avoid losses associated with defaults by a counterparty, collateral must be provided by the counterparty or a third party. At the same time, E.SUN effectively reduces its credit risk by requiring guarantees from the Taiwan Small and Medium Enterprise Credit Guarantee Fund on lending to SMEs and credit insurance for personal credit loans.

e. Approach to Determining Regulatory Capital Charges: Standardized Approach.

The Standardized Approach to Credit Risk:
Exposure after Risk Mitigation and Capital Charges

2018.12.31 unit : NT$ thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charges
Sovereign	130,924,610	105,252
Public Sector (Non-central government)	4,191,216	67,059
Banks (including multilateral development banks)	200,564,406	7,020,394
Corporate (including securities and insurance companies)	583,988,642	44,707,365
Retail Bonds	581,275,858	37,748,750
Residential Real Estate	269,658,483	11,395,761
Equity Investments	176,827	14,146
Other Assets	56,266,978	2,837,437
Total	1,827,047,020	103,896,164

1.2 Operational Risk Management institution, Exposure and Capital Charges

(1) Operational Risk Management institution

a. Operational risks are resulting from inadequate or failed internal processes, people and systems or from external events. Regarding the prevention of internal operation risks, we establish a thorough operating system, cultivate employees risk awareness and develop a disciplined company culture. We also contain three lines of defense in internal control system to ensure the effectiveness of the design and execution of our internal control system. The first line of defense is each of our bank's departments and their business operations. Each department is responsible for the risks involved in its daily operation. They are in charge of recognizing and controlling such risks as well as organizing and operating effective internal control procedures within all of its business operations according to the risk characteristics. The second line of defense is independent from the functions and departments of the first and third lines of defense, including risk management, regulatory compliance, and other specialized departments. The second line of defense's main purpose is to assist and supervise the first line of defense while it recognizes and manages risks. The second line of defense is also in charge of designing the risk management policies of the entire bank and supervising its entire risk taking ability, evaluating the risk taking condition, and reporting the risk management progress to the board or higher-level management. The third line of defense is internal independent audit, who is responsible for assisting the board of directors and management to evaluate and review the effectiveness of risk management and internal control system and the operational efficiency. In addition, internal independent audit need to evaluates the risk monitor effectiveness of the first and second lines of defense and also reviews their compliance.In addition to providing extensive education and training to personnel, E.SUN has also drafted rules and regulations to guard against operational risk. In addition, in order to ensure protection against risk caused by external events, E.SUN continuously monitors the market environment, customer behavior, changes in technology, and laws and regulations. This enables it to be sensitive to any steps that need to be taken and react appropriately and immediately.

The Bank's operational risk management process consists of process analysis, risk identification, risk evaluation, risk measurement and monitoring. Among the tools adopted are Risk Control Self-Assessment, Key Risk Indicators (KRIs) and Operational Risk Loss Data Collection. Drawing on the management instruments cited above, the Bank is able to keep an across-the board update of operational risk and take corrective measures wherever greater risks are posed, thereby keeping operational risk under control.

E.SUN has established the Administration Direction for New Product (Service) Regulator Compliance and Risk Management, which requires each business management department to assess the regulator compliance and risk degree involved before offering or applying for re-offering any new product or service, in order to maintain the possible regulatory compliance and operational risks.

b. Operational Risk Management Organization and Framework

As the Bank's highest-ranking decision maker with regard to operational risk management, the board of directors is charged with setting operational risk management guidelines and risk appetite among other key decisions on this front in accordance with the Bank's operating strategy and business environment. That is, it is responsible to ensure that the Bank's operational risk management mechanism works effectively. In turn, the Risk Management Division is given the duty of designing and introducing the Bank's operational risk management mechanism, setting and revising operational risk management regulations, and tracking and monitoring operational risk management practices at all the business divisions. Besides presenting suggestions on corrective measures, it is also supposed to consolidate operational risk management information across the Bank and regualy report it to the board and Risk Management Committee. For their part, business units shall map out operational manuals and regulations as the basis of their supervising operating units' implementation of operational risk management. In accordance with the operational regulations laid down by business units, operating units are supposed to work with the former in identifying operational risk and undertake all the necessary risk management tasks prescribed by the Bank. It is the duty of the Auditing Division to evaluate and verify if every unit has adopted an effective operational risk management framework, process and systems on a regular basis.

c. Scope and Features of Operational Risk Reporting and Measurement System

The Bank has established Guidelines for Risk Control Self-Assessment, Guidelines for the Design and Reporting of Operational Risks and Key Risk Indicators, and Guidelines for the Collation of Operating risk-loss Events. By using the completed operating risk management system, the Bank regularly conducts risk control self-assessment and grades potential operational risk exposure into a number of levels, from slight to severe, and devises action plans accordingly. Meanwhile, KRIs are adopted to monitor operational risk changes and offer early warning; threshold values are set for these KRIs to serve as the basis for determining if countermeasures are warranted. When it comes to Operational Loss Data Collection, the Bank uses 8 categories of business types and 7 types of loss event to keep tracking operational risk as it occurs and comes up with an appropriate action plan to keep it under control.

The department of Operational Risk management in the head office will regularly disclose information detailing its monitoring of operational risk throughout the Bank. Operational risk data and other related information is compiled and presented in reports to senior management, the Risk Management Committee, and the board of directors.

d. Operational Risk Hedging or Mitigation Policies; Strategies and Processes to Monitor the Continued Effectiveness of Risk Avoidance and Risk Mitigation Tools

E.SUN has taken out general insurance to cover the daily operations of its branches. This insurance covers cash on hand, cash in transport, cash in automated machinery, machinery and asset in offices and employee fidelity. By outsourcing some operation and taking insurance, the Bank transferred some operational risks.

e. Approach to Determining Regulatory Capital Charges: Standardised Approach.

As of December 31,2018 unit:NT$ thousand

Year	Gross Income	Capital Charged
2016	38,450,145	-
2017	42,360,320	
2018	46,475,796	
Total	127,286,261	5,934,170

1.3 Market Risk Management System, Exposure and Capital Charges

(1) Market Risk Management institution

a. Market Risk Managerial Strategy and Processes

In order to avoid giant risk from fluctuations in the prices of equities, commodities, interest rates and foreign exchange rates, and from any correlation between these prices of these items, all financial transactions must be carried out in accordance with the Principle of Market Risk Management, Financial Product Evaluation Framework, Guidelines on Authorities of Handling Financial Transactions and Procedures for Handling Derivatives Transactions. In addition, VaR must be calculated in accordance with definitions set for by the Bank for International Settlements, besides, we have established the Financial Product's Price Check mechanism to monitoring whether the deal price is accurately marked to market, and we will report the result to the managers in an effort to control E.SUN's market risk.

To protect client rights in operating financial derivatives, we have established the Administration

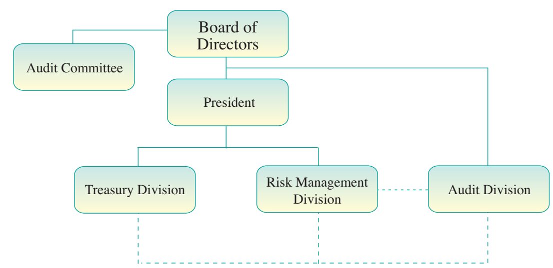
Direction for Client Operation in Financial Derivatives, specifying the prices of derivatives and basic complete price evaluation, risk costs, hedge costs, operating costs, and fair return, in order to carefully assess the rationality involving the prices of client financial derivatives.

The Bank also introduced a new valuation and risk management system of financial products to improve professional skill of the associates and market risk management capability of the Bank. Market risks associated with financial market fluctuations and investment or trading position are better controlled.

Regarding our market risk management procedure, including specifying the sources of market risks in various financial product exchanges, we apply suitable measurements to regulate each market risk limit, establish limits and exception management, report the market risk management information to higher-level management on a daily basis, and report the market risk distribution within the bank to the Financial Risk Management Committee and the board of directors regularly as a reference to decision making regarding risk management policies.

b. Market Risk Management Organization and Framework

We have established the Market Risk Management Guidelines. In terms of controlling responsibilities, the Risk Management Department is in charge of designing the market risk management system, establishing market risk management regulations and an internal control system, and operating the market risk management within the whole bank, including risk recognition, assessment, internal reporting, external disclosure, and regulation. Including financial product's market risk managements, evaluating the far value and limit control for counterparty and market risk. We will report our market risk exposure, stress test and the result of all market risk's limits control to the Risk Management Committee, and the board of directors regularly. With above systematized managements we can immediately and comprehensively handle the market risks. The figure below is the market risk management's framework:



c.Scope and Features of Market Risk Reporting and Measurement System

Regarding market risk management, E.SUN presently employs the Reuters Kondor+ system, Murex system, Numerix software with data mart of Bloomberg and reuters to evaluate and monitor trading positions and real-time pricing. The system also generates VaR for all investment and trading position carried out in the Bank , helping to monitor the risks. Besides, E.SUN Bank uses KGR and MLC system to manage real-time position limits, taking market volatility into consideration to manage market risk and counterparty limits.

d. Market Risk Hedging or Risk Mitigation Policies ; Strategies and Processes for Monitoring the Continued Effectiveness of Risk Avoidance and Risk Mitigation Tools

We employ our system to calculate risk factors of financial products, and use appropriate derivatives to hedge and reduce the Bank's risk exposure. We also signed ISDA and CSA contracts with counterparties, and obtain credit enhancement or strengthen security to reduce our counterparty risk through obtaining collateral, etc.

e. Approach to Determining Regulatory Capital Charges

(2) Market Risk Capital Charged

December 31,2018 unit : NT$ thousand

Risk Type	Capital Charged
Interest rate risk	2,345,681
Equity Securities risk	935,102
FX risk	121,726
Commodity Risk	6,131
Option based on simple method	0
Total	3,408,640

The capital charge for foreign exchange options positions of the Bank are calculated using sensitivity analysis (Delta-plus), for which E.SUN has been approved to do by the regulatory authority. All other financial products are calculated using the standard approach.

1.4. Program of Anti-Money Laundering and Counter Terrorism Financing

(1) Program of Anti-Money Laundering and Counter Terrorism Financing

a. Policies and procedures for Anti-Money Laundering and Counter Terrorism Financing. The problems of money-laundering and financing of terrorism have become a major threat to the international financial system. As a member of international financial society, the Bank is striving to Anti-Money Laundering and Counter Terrorism Financing by making policies and procedures aligned with the government's and competent authority's relevant laws and regulations, and consistent with international guidelines such as the Forty Recommendations issued by the Financial Action Task Force on Money Laundering (FATF). To abide with the Money Laundering Control Act and Guidelines for Anti-Money Laundering and Countering Terrorism Financing by Banking Enterprises, the Bank has promulgated the "E.SUN Commercial Bank policy to control money-laundering and counter the financing of terrorism," "E.SUN Commercial Bank guidelines to control money-laundering and counter the financing of terrorism," and other procedures and operating rules. These guidelines and policies clearly set forth principles and procedures for customer identification, establishment of business relationships, monitoring and reporting of suspicious transactions, and education and training. We are committed to preventing law-breakers from using banking services or operating activities to engage in money-laundering and fund terrorist activities. The Bank has promulgated the " E.SUN Bank Declaration of Money Laundering and Counter Terrorism Risk Appetite," E. SUN seeks to disclose the extent and types of ML/TF risks willing to undertake, as well as its broad framework and vision motivated by professionalism and integrity. E. SUN adopts the spirit that " No business is risk free " as the ultimate guiding principles for risk management.

b. Organization and framework

In order to effectively implement the Program of Anti-Money Laundering and Counter Terrorism Financing, we have implemented three independent lines of defense:

(a) We have designated a dedicated AML Responsible Officer for promoting, coordinating, and supervising the implementation of money-laundering control and anti-terrorism financing measures; this executive reports anti-money-laundering internal control measures and the state of implementation to the board of directors and audit committee at least semi-annually.

(b) We have assigned AML department of our Risk Management Division to serve as our dedicated unit in charge of determining money-laundering control and anti-terrorism financing policies and operating standards, monitoring suspected money-laundering transactions bank-wide, monitoring bank-wide money-laundering control reports, and managing money-laundering control work at overseas branch organizations (including branches and subsidiary banks). This dedicated unit must report the status and results of its money-laundering control actions to AML Responsible Officer at least semi-annually.

(c) The Audit Division determines relevant audit items in accordance with internal control measures and relevant regulations, and performs regular audits.

c. Money-laundering and terrorism financing risk management strategy

In order to fully implement the Bank's money-laundering controls and anti-terrorism financing policies and reduce risk, the Bank took the lead by establishing its own AML system in 2014 on the basis of international money-laundering control standards and continued to improve its suspicious transaction monitoring logic and relevant functions and ensure the effectiveness and safety of the system. At the same time, we encourage colleagues to improve their professional skills, and are promoting domestic and international professional licenses (such as Certified Anti-Money Laundering Specialist (CAMS) certification) recognized by the competent authority as well as multidimensional education and training, which has served to boost professional knowledge. As of the end of 2018, a total of 289 employees at the company had received CAMS certification and 463 employees had attend the ''Workshop on Preventing Money Laundering and Combating Terrorist'' held by Taiwan Academy of Banking and Finance and passed the examination. Prospect for the future, the bank continually follow the latest regulation of competent authority and internal standard to improve the AML/CTF control. AML department will be dedicating to build a bank-wide customer due diligence platform to overall manage the customer risk profile and to develop a trade-based money laundering system to improve work efficiency and reduce labor costs. Besides, the bank will apply big data and introduce artificial intelligence in the transaction monitoring system, focus on suspicious cases, and collect feedback from the Financial Intelligence Center (FIU) to analyze crime types to improve the accuracy of the data and enhance efficiency of reviewing. The Bank has also adopted a money-laundering and terrorism financing risk assessment program, and employs international standards to perform institutional risk assessment on money laundering and terrorism financing.

1.5 Information Security Risk

(1) Information Security Risk Governance

a.Information Security Risk Management Strategy

To ensure the effectiveness of our information security management, E. SUN Bank has adopted international standards as the basis for managing information systems, and has used those standards as guidelines to comply with domestic and foreign regulations. Currently, the Bank has acquired ISO/IEC 27001:2013 (Information Security Management System; ISMS), BS10012:2017, and PCI DSS certifications. The Bank has deployed relevant defense mechanisms and built vulnerability management system in response to the constantly changing hacking techniques. Each year, a third party is commissioned to conduct assessment on E. SUN Bank's information security. In addition, the Bank also works with external information security experts to conduct penetration tests and scenario-based attack/defense drills to measure the effectiveness of the Bank's defense mechanism and incident response plan. To handle information security incidents, the Bank has established incident response processes, including E.Sun Financial Holding Co., Ltd. and Subsidiaries Emergency Response and Crisis Management Procedures, E.Sun Financial Holding Co. Ltd. and Subsidiaries Emergency Response Rules for Personal Information Incidents, Major Information Security Incident Handling Process, and Guidelines for Information Security Incidents. When we receive information about a suspected information security incident, we first determine the level of severity, predict the outcome based on the level of severity, submit relevant assessment reports, and form an emergency incident response team to prepare analysis, minimize damages, and conduct investigations so to calm the crisis quickly and efficiently. E.SUN Bank believes that "No business activity shall take precedence over risk control and that all services shall comply with the regulation." Furthermore, we believe that information security practices should be incorporated into every aspect of our daily operations.

b.Information Security Risk Management Organization and Framework

Information Security Management Division has a Chief Officer and a Deputy Officer who are responsible for enforcing information security governance and risk management. Besides that, they also report regularly to the Board of Directors on the state of information security governance.

c.Information Security Risk Management Procedure

The Bank continues to strengthen its ISMS by defining standard operating procedures, documenting instruction manuals, having measures in place to control potential threats and vulnerabilities, developing risk assessment metrics, implementing and executing control mechanisms, and following the plan-do-check-act (PDCA) management method in making amendments. The PDCA method is as follows:

(a)Plan: Conduct risk assessment on threats, vulnerability, and existing control mechanisms that influence the security of information system.

(b)Do: Design, build, and implement a control mechanism based on the assessment results.

(c)Check: Regularly conduct internal audits on information security ensure that the ISMS is validand make sure practices are executed as expected through Senior managers' review

(d)Act: Implement correction and prevention measures based on auditing results, improve and implement control mechanism, and provide information security awareness training to employees.

1.6 Asset and Liability Management

(1) Liquidity Risk Management

The Risk Management Department is in charge of designing a liquidity risk management system, establishing related regulations and an internal control system, and carrying out all the liquidity risk management tasks, including risk recognition, assessment, internal reporting, external disclosure, and regulation. E.SUN has drafted liquidity risk management policy, asset and liabilities management policy, interest rate risk management procedure and principles for liquidity risk management. Various control factors are monitored on a daily basis, and Bank wide liquidity risk is regularly subjected to stress tests to ensure the expected impact on the liquidity is within the acceptable level, and regularly reported to Asset-Liability Management Committee, Risk Management Committee and the board.

(2) Asset and Liability Maturity Analysis :

TWD Maturity Term Structure Analysis

December 31,2018 unit : NT$ thousand

	Total	Time to maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	more than 1 year
money inflo	1,805,518,735	207,555,376	163,032,287	127,059,389	146,137,691	163,309,053	998,424,939
money outflo	2,166,123,108	107,623,400	111,009,647	229,180,650	234,082,199	381,039,872	1,103,187,340
term gap	(360,604,373)	99,931,976	52,022,640	(102,121,261)	(87,944,508)	(217,730,819)	(104,762,401)

USD Maturity Term Structure Analysis

December 31,2018 unit : $ thousand

	Total	Time to maturity				
		0~30 days	31~90 days	91~180 days	181~365 days	more than 1 year
money inflo	28,268,588	9,360,708	4,900,541	3,726,816	2,290,484	7,990,039
money outflo	32,378,540	8,865,754	7,578,817	5,578,578	6,423,755	3,931,636
term gap	(4,109,952)	494,954	(2,678,276)	(1,851,762)	(4,133,271)	4,058,403

2. Important policies adopted and changes in the legal environment at home and abroad, their effect on the Bank's finances and operations, and measures taken in response:

2.1 Execution of anti-money laundry and anti-terrorism

(1) 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, Taiwan amended the Anti Money Laundering Law on December 28, 2016 in accordance with the forty instructions 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.

(2) The Bank has amended the Notice of Anti-Money Laundry and Anti-Terrorism according to the newly passed law on November 9th, 2018, in order to prevent the criminal operations. It has adopted the risk base approach to confirm identity of customers and continuous checking mechanism. In addition, it also verifies shareholding structure and beneficiary owner of corporate or trust clients. The effectiveness of anti-money laundry and anti-terrorism can be ensured by three lines of defense model of internal control system.

2.2 Amendment of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries

(1) Amended by the Financial Supervisory Commission on March 31, 2018. The Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries was amended to stipulate that banks should establish compliance risk management and supervision framework, construct an internal whistleblowing system for financial institutions, and increase awareness on information security.

(2) The Bank has established a compliance risk management and supervision framework. The framework details the principles of the framework and regulations on responsibilities, including the establishment of a compliance risk framework, independent compliance unit and responsibilities, and implementation of compliance report and supervision to effectively manage compliance risks. For the purpose of creating an honest and transparent corporate culture that embraces the promotion of sound management practices, the Procedure For Handling Whistleblowing Reports covers details about an independent units that oversees the handling and investigation of whistleblowing reports. In order to raise awareness on information security, the Bank has set up an Information Security Management Division. The Division oversees information security governance, information security risk monitoring and management, and matters related to the promotion and implementation of information security, constructs a consistent information security governance platform that helps to improve the bank's information security protection capability, and strengthens employees' awareness on information security.

2.3 Follow up on execution of the Dodd-Frank Act

In 2018, the U.S. Government amended relevant laws and regulations and adjusted the reporting threshold of its resolution plan to US$150 billion. Unless changes are made to the threshold in the future, reporting of resolution plans is no longer required in accordance with existing laws and regulations. We will continue to track our asset status and changes in America's supervisory situation.

2.4 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 planed to make this requirement implemented by three stages. The first two stages of the recovery plan applies to G-SIBs. HKMA announced the instructions for the third stage 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 consulted consulting agency to assist us to design, launch and implement recovery plan, which have been approved by the board of directors in August 2018. The recovery plan along with independent review report have been submitted to the HKMA. We are checking and waiting for a response from regulatory authorities. With respect to daily operation, Hong Kong branch has completed establishing daily monitoring mechanism.

2.5 Margin Requirement

In response to the financial crisis in 2008, G20 leaders pledged at the Pittsburgh summit in 2009 to supervise OTC derivatives markets based on product types and capital size to reduce systemic risks and increase the risk tolerance of counterparties in the market. Nonstandardized products are subject to margin requirements, including variation margin and initial margin. Using a category-based control system, the Bank has exchanged variation margin with counterparties in December 2016 and plans to exchange initial margin in September 2020.

2.6 Common Reporting Standard (CRS)

(1) The Organization for Economic Cooperation and Development (OECD) announced CRS in July 2017 that it has developed a mutually beneficial tax information exchange system. The countries participating 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.

(2) Our overseas branch offices, including those in China, Hong Kong, Singapore, and Tokyo started the new account due diligence process in January 2017 (Australia branch and China subsidiary started in July 2017) and completed the account due diligence of the current high net worth accounts. Other account due diligence will be completed before the end of 2018, and the first declaration will be carried out in May 2015.

(3) 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 has conducted due diligence on new individual and physical accounts since 2019. We will complete the review of individual high-worth accounts, low-asset accounts, and existing physical accounts by the end of 2019 and 2020. Subsequently, We plan to exchange information with other countries or regions for the first time in June 2020.

3. Effect of developments in science and technology as well as industrial change on the Bank's finances and operations, and measures taken in response

Information security has become a crucial risk management issue in response to the rapid development of FinTech applications. To build a stronger wall of defense for information security, E.SUN has deployed various protection measures, including intrusion prevention/detection systems, web application firewall (WAF), data loss prevention (DLP) tool, Anti-DDoS systems, and advanced persistent threat (APT) systems, etc. In addition, by regularly providing information security trainings and conducting social engineering attack drills, E. SUN Bank has increased employees' information security awareness. We have evaluated our information security management implementation from three dimensions: compliance, audit, and trend. To ensure that information security governance and supervision are properly executed, improvement plans are required to be presented at Board meetings.

4. Impact of Changes in the Bank's Image on the Company's Risk Management, and Countermeasures

The Company's emphasis on its corporate social responsibilities and customer service has won the affirmation of the public and international organizations. E.SUN Bank has inherently managed physical and virtual channels and integrated digital service capacities in an effort to providing quality services that combine friendliness, speed and accuracy. The Bank insists on starting from a customer's perspective and building on excellent teamwork and ongoing financial innovation to create sensational brand experiences for customers. We seek to refine our service attitude, operating efficiency, and hardware environment, integrate technological capacity to increase the depth of our services, and provide excellent service quality and customer experience in order to prevent negative effects on our public image.

5. Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures: None.

6. Anticipated Benefits and Possible Risks of Expansion, and Countermeasures

Through 2018, we have established 167 branch offices (139 domestic branch offices; and branch offices in Los Angeles, Hong Kong, Tokyo, Singapore, Sydney, Brisbane, Dong Nai in Vietnam, Yangon in Myanmar, and China; and the Cambodia UCB Branch office, 28 in total). In recent years, E.SUN is actively expanding its global presence, particularly in Asian financial centers such as Hong Kong, Singapore, Sydney, and Tokyo to interconnect major economic entities in Asia and build a complete cross-border financial service platform that offers customized financial services to our customers in Taiwan and overseas. Information technology and digital banking are rapidly development. Increasingly stringent requirements are imposed on money laundering activities. By using technologies, E.SUN enhances its risk control, develops biometric recognition and account warning prediction model, as well as other AI technological applications to keep its customers' information secure. While increasing the value of its branches, E.SUN Bank is also committed to developing a complete range of self-banking services, so that customers could access heartwarming financial services anytime and anywhere and experience using the most secure omnichannel services without interruption.

7. Anticipated Benefits and Possible Risks from Concentration of Operations, and Countermeasures.

7.1 Concentration of Operations

Monitor any changes in the financial industry, stay abreast of macroeconomic and industrial trends, and adjust business strategies when warranted.

7.2 Concentration of Counterparties

The Bank regulates risk acceptance limits reflecting industry type and group, and makes adjustments based on the prevailing economic conditions and risk conditions. The Bank also performs regular review of the appropriateness of lending criteria in the case of risk-warning accounts, and faithfully implements mid-term management. This has ensured that the chief risks encountered in the Bank's business development remain within an acceptable scope.

8. Influence of Changes in Ownership of the Bank, Possible Risks and Countermeasures

E.SUN Commercial Bank, a 100% owned subsidiary of E.SUN Financial Holding Company at the end of 2018, had no major change in managerial authority.

9. Effect upon and risk to the Bank in the event a major quantity of shares belonging to director(s) or shareholder(s) holding greater than 1% stake in the Bank has been transferred or has other wise changed hands, and mitigation measures:

Up till the end of 2018, none of the Bank's director or shareholders holding greater than 1% stake in the Bank had transferred a major quantity of shares or had it change hands otherwise.

10. Litigious or Non-litigious Incidents: None.

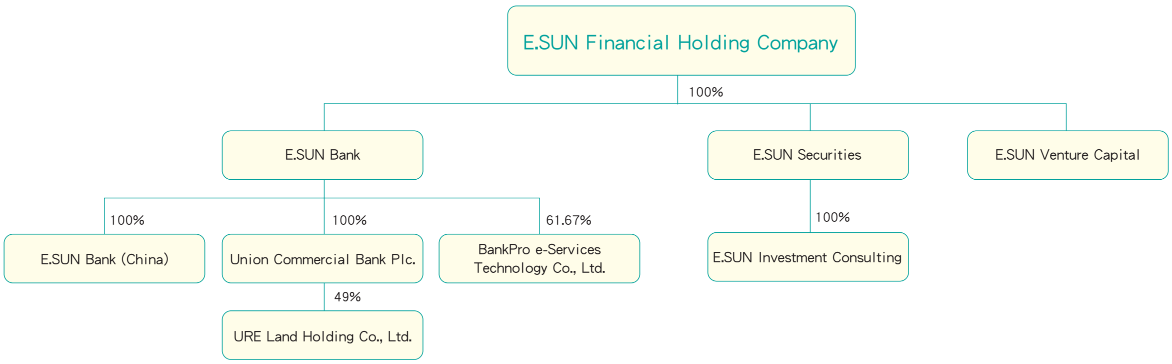
11. Other Major Risk Countermeasures: None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

1.1 Consolidated Operating Report on Affiliated Companies

(1) Organization Chart of Affiliated Companies



(2) Operation Status of Affiliated Companies

December 31,2018 Unit: Thousands of New Taiwan Dollars

Investee Company Name	Date of Incorporation	Address	Total Amount of Paid-in Capital	Main Businesses and Products
E.SUN Financial Holding Co., Ltd.	2002.01.28	14F, No.115 & No.117, Sec. 3, Min-sheng E. Rd., Song-shan District, Taipei, Taiwan	108,289,000	Investment and investment management.
E.SUN Securities Co., Ltd.	2000.08.02	6F, No.158, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	4,000,000	Underwriting, brokering, dealing securi-ties and operating in brokerage of futures
E.SUN Venture Capital Co., Ltd.	2002.10.07	6F, No.115, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	3,093,000	Investment
E.SUN Secu-rities Investment Consulting Co., Ltd.	2003.03.11	6F, No.158, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	50,000	Security consulting
UnionCommercial Bank Public Limit-ed Corporation	1994.03.31	No. 61, Street 130, Phnom Penh, the Kingdom of Cambo-dia.	2,408,026	Corporate Banking, Consumer Banking, Foreign Exchange, Credit Card
URE Land Holding Co., Ltd.	2013.07.25	No. 61, Street 130, Phnom Penh, the Kingdom of Cambo-dia.	30	Real estate leasing and management
BankPro E-Service Technology Co., Ltd.	2000.10.07	7F., No.261, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City 10550, Taiwan	135,000	Retail sale of computer software, soft-ware design service, data processing service, digital information supply service and business consultant.
E.SUN Bank (China), Ltd.	2016.01.13		10,038,248	Deposit, Lending, and Remittance

(3) Range of Operations of E.SUN Bank and Affiliates

Business includes banking operations and investment in domestic and overseas banking-related businesses as approved by regulatory agencies and investment mangement, broking, underwriting and dealing of securities, venture capital, life insurance broking, non-life insurance broking, securities investment consulting, and lease, sales and purchase of real estate. Each affiliate is an independent institution and each carries out its respective line of business.

1.2 Report on Affiliation

As of December 31,2018

Name of Controlling Company	Reason of Control	Shareholding and Pledge status of Controlling Company			Representation of Directors, Independent Directors or Managers of Controlling Company
		No. of Shareholding	Shareholding Ratio	Pledged Share Number	
E.SUN Financial Holding Company	100% shareholding	8,637,000,000 shares	100%	0 share	Title and name as following note

*Note:
Chairman: Kuo-Lieh Tseng
Managing Directors: Jackson Mai, Chen-Chen Chang Lin (also being Independent Director)
Independent Directors: Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chun-Yao Huang
Directors: Joseph N.C. Huang, Ron-Chu Chen, Chien-Li Wu, Magi Chen, Ben Chen, Mao-Chin Chen

1.3 Other Important Transaction:

The Company charged 228 thousand for the co-used info system with E.SUN FHC.

1.4 Guarantee for Affiliated Companies: None

2. Representation of Consolidated Financial Statements of Affiliated Enterprises

Representation

March 15, 2019

On behalf of E.SUN Commercial Bank, Ltd., we hereby declare that the company's 2018 Affiliation Report (Period from Jan.1, 2018 to Dec. 31, 2018) followed the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises". There is no material discrepancy with the information disclosed in the notes of financial report for the said period.

E.SUN Commercial Bank, Ltd.
Chairman

3.Private Placement Securities and Financial Debentures in the Most Recent Years:

None

4.The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

None

5.Other Required Supplementary Disclosure:

None

E.SUN Commercial Bank, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors’ Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the combined financial statements of E.SUN Commercial Bank, Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, E.SUN Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

E.SUN COMMERCIAL BANK, LTD.

By

____

Gary K. L. Tseng
Chairman

March 15, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
E.SUN Commercial Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of E.SUN Commercial Bank, Ltd. (the Bank) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, 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 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, 2018. 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, 2018 are described as follows:

Allowances for Possible Losses on Loans

The Company is engaged principally in providing loans to customers. As of December 31, 2018, the net amount of discounts and loans of the Company is NT$1,333,277,269 thousand, which represents approximately 59% 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 making judgements to measure the loss allowance at an amount equal to 12-month expected credit losses or the lifetime expected credit losses. 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, 2018 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. Perform test on the reasonableness of key assumptions for the expected credit loss model.

3. Perform test on the reasonableness of the calculation of expected credit losses for selected loans.

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 18 to the consolidated financial statements. We determined goodwill impairment assessment to be a key audit matter for the year ended December 31, 2018 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.

Other Matter

We have also audited the financial statements of E.SUN Commercial Bank, Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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 Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, 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.

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, 2018 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 15, 2019

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

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 COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 55,690,036	3	$ 54,962,324	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	76,688,375	3	76,080,043	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 37)	471,874,547	21	407,970,461	20
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 37 and 40)	183,206,425	8	-	-
INVESTMENTS IN DEBT INTRUMENTS AT AMORTIZED COST (Notes 4, 10, 37 and 40)	8,165,004	-	-	-
RECEIVABLES, NET (Notes 4, 11 and 36)	85,316,920	4	83,129,858	4
CURRENT TAX ASSETS (Notes 4 and 33)	11,644	-	5,054	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 36 and 37)	1,333,277,269	59	1,211,071,275	59
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 13 and 37)	-	-	170,204,638	8
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4, 14 and 37)	-	-	3,078,813	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	12,051,606	1	9,426,393	1
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	31,949,501	1	27,558,614	1
INVESTMENT PROPERTIES, NET (Notes 4 and 17)	2,192,930	-	2,236,989	-
INTANGIBLE ASSETS, NET (Notes 4 and 18)	6,045,548	-	6,138,716	-
DEFERRED TAX ASSETS (Notes 4 and 33)	1,053,310	-	926,378	-
OTHER ASSETS, NET (Notes 4, 19, 36 and 38)	4,814,375	-	3,547,241	-
TOTAL	$ 2,272,337,490	100	$ 2,056,336,797	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 20)	$ 72,223,020	3	$ 66,652,215	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 24)	50,277,088	2	43,359,847	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 13 and 21)	12,526,789	1	12,200,468	1
PAYABLES (Notes 22 and 36)	24,505,102	1	26,406,994	1
CURRENT TAX LIABILITIES (Notes 4, 33 and 36)	880,576	-	1,382,186	-
DEPOSITS AND REMITTANCES (Notes 23 and 36)	1,887,658,287	83	1,713,175,352	84
BANK DEBENTURES (Note 24)	36,850,000	2	36,750,000	2
OTHER FINANCIAL LIABILITIES (Notes 25, 36 and 38)	24,516,845	1	5,949,739	-
PROVISIONS (Notes 4, 26 and 27)	824,373	-	474,835	-
DEFERRED TAX LIABILITIES (Notes 4 and 33)	1,338,385	-	697,535	-
OTHER LIABILITIES (Notes 28 and 36)	2,466,805	-	2,029,857	-
Total liabilities	2,114,067,270	93	1,909,079,028	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock				
Common stock	86,370,000	4	83,121,000	4
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	24,863,052	1	24,495,245	1
From treasury stock transactions	483	-	483	-
Others	452,832	-	370,239	-
Total capital surplus	25,316,367	1	24,865,967	1
Retained earnings				
Legal reserve	28,840,418	1	24,638,417	1
Special reserve	219,180	-	149,147	-
Unappropriated earnings	16,734,695	1	14,006,670	1
Total retained earnings	45,794,293	2	38,794,234	2
Other equity	666,231	-	363,337	-
Total equity attributable to owners of the Bank	158,146,891	7	147,144,538	7
NON-CONTROLLING INTERESTS	123,329	-	113,231	-
Total equity	158,270,220	7	147,257,769	7
TOTAL	$ 2,272,337,490	100	$ 2,056,336,797	100

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 29 and 36)	$ 37,003,677	77	$ 32,656,734	73	13
INTEREST EXPENSE (Notes 4, 29 and 36)	(16,972,375)	(35)	(12,641,898)	(28)	34
NET INTEREST	20,031,302	42	20,014,836	45	-
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 30 and 36)	15,358,658	32	14,903,396	33	3
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 31)	18,445,289	38	1,011,060	2	1,724
Realized gains on available-for-sale financial assets (Note 4)	-	-	632,356	1	(100)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	742,868	1	-	-	-
Foreign exchange gains (losses), net (Note 4)	(6,702,816)	(14)	7,959,848	18	(184)
Reversal of impairment losses (impairment losses) on assets (Notes 4 and 17)	(5,990)	-	345	-	(1,836)
Other noninterest gains, net (Notes 4 and 36)	320,315	1	336,857	1	(5)
Total net revenues and gains other than interest	28,158,324	58	24,843,862	55	13
TOTAL NET REVENUES	48,189,626	100	44,858,698	100	7
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 12)	(3,209,215)	(7)	(3,868,941)	(9)	(17)

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 4, 16, 17, 18, 27, 32 and 36)					
Employee benefits	$ (11,035,497)	(23)	$ (10,720,018)	(24)	3
Depreciation and amortization	(1,924,358)	(4)	(1,780,653)	(4)	8
General and administrative	(11,692,781)	(24)	(11,535,788)	(25)	1
Total operating expenses	(24,652,636)	(51)	(24,036,459)	(53)	3
INCOME BEFORE INCOME TAX	20,327,775	42	16,953,298	38	20
INCOME TAX EXPENSE (Notes 4 and 33)	(3,204,365)	(6)	(2,167,696)	(5)	48
NET INCOME FOR THE YEAR	17,123,410	36	14,785,602	33	16
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 27 and 33):					
Remeasurement of defined benefit plans	61,826	-	(52,783)	-	217
Unrealized losses on investments in equity instrument at fair value through other comprehensive income	(541,589)	(1)	-	-	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	78,430	-	(42,931)	-	283
Income tax relating to items that will not be reclassified subsequently to profit or loss	(3,177)	-	34	-	(9,444)
Items that will not be reclassified subsequently to profit or loss, net of income tax	(404,510)	(1)	(95,680)	-	323

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss (Notes 4 and 33):					
Exchange differences on the translation of financial statements of foreign operations	$ 365,742	1	$ (928,030)	(2)	139
Unrealized gains on available-for-sale financial assets	-	-	1,144,119	2	(100)
Unrealized losses on investment in debt instruments at fair value through other comprehensive income	(365,278)	(1)	-	-	-
Reversal of impairment losses on investments in debt instruments at fair value through other comprehensive income	5,210	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(17,724)	-	98,814	-	(118)
Items that may be reclassified subsequently to profit or loss, net of income tax	(12,050)	-	314,903	-	(104)
Other comprehensive income (loss) for the year, net of income tax	(416,560)	(1)	219,223	-	(290)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 16,706,850	35	$ 15,004,825	33	11
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 17,108,315	36	$ 14,886,870	33	15
Non-controlling interests	15,095	-	(101,268)	-	115
	$ 17,123,410	36	$ 14,785,602	33	16
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 16,691,577	35	$ 15,141,299	34	10
Non-controlling interests	15,273	-	(136,474)	(1)	111
	$ 16,706,850	35	$ 15,004,825	33	11

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 34)					
Basic	$1.98		$1.78		

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank											
							Other Equity					
	Capital Stock (Note 35)			Retained Earnings (Notes 4, 39 and 35)								
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 35)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations (Note 4)	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 9)	Unrealized Gains on Available-for-sale Financial Assets (Note 4)	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)	Non-controlling Interests (Notes 4 and 44)	Total Equity
BALANCE AT JANUARY 1, 2017	7,262,883	$ 72,628,830	$ 19,837,781	$ 20,721,566	$ 83,866	$ 13,056,168	$ (143,277)	$ -	$ 141,075	$ 44,882	$ 663,639	$ 127,034,530
Appropriation of 2016 earnings												
Legal reserve	-	-	-	3,916,851	-	(3,916,851)	-	-	-	-	-	-
Special reserve	-	-	-	-	65,281	(65,281)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,619,000)	-	-	-	-	-	(4,619,000)
Stock dividends	445,217	4,452,170	-	-	-	(4,452,170)	-	-	-	-	-	-
Capital increase	604,000	6,040,000	4,460,000	-	-	-	-	-	-	-	-	10,500,000
Share-based payment arrangements involving ESFHC's common stock	-	-	568,186	-	-	-	-	-	-	-	-	568,186
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(9,315)	(9,315)
Acquisition of interest in subsidiary	-	-	-	-	-	(830,475)	12,160	-	1,477	-	(404,619)	(1,221,457)
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	94	-	-	-	(94)	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	14,886,870	-	-	-	-	(101,268)	14,785,602
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(52,685)	(742,846)	-	1,092,891	(42,931)	(35,206)	219,223
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	14,834,185	(742,846)	-	1,092,891	(42,931)	(136,474)	15,004,825
BALANCE AT DECEMBER 31, 2017	8,312,100	83,121,000	24,865,967	24,638,417	149,147	14,006,670	(873,963)	-	1,235,443	1,857	113,231	147,257,769
Effect of retrospective application	-	-	-	-	-	(253,907)	-	1,825,883	(1,235,443)	-	-	336,533
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	8,312,100	83,121,000	24,865,967	24,638,417	149,147	13,752,763	(873,963)	1,825,883	-	1,857	113,231	147,594,302
Appropriation of 2017 earnings												
Legal reserve	-	-	-	4,202,001	-	(4,202,001)	-	-	-	-	-	-
Special reserve	-	-	-	-	70,033	(70,033)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,476,157)	-	-	-	-	-	(6,476,157)
Stock dividends	324,900	3,249,000	-	-	-	(3,249,000)	-	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	450,400	-	-	-	-	-	-	-	-	450,400
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(5,175)	(5,175)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(192,465)	-	192,465	-	-	-	-
Transfer of changes in the fair value attributable to change in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	1,331	-	-	-	(1,331)	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	17,108,315	-	-	-	-	15,095	17,123,410
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	61,942	324,333	(881,443)	-	78,430	178	(416,560)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	17,170,257	324,333	(881,443)	-	78,430	15,273	16,706,850
BALANCE AT DECEMBER 31, 2018	8,637,000	$ 86,370,000	$ 25,316,367	$ 28,840,418	$ 219,180	$ 16,734,695	$ (549,630)	$ 1,136,905	$ -	$ 78,956	$ 123,329	$ 158,270,220

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 20,327,775	$ 16,953,298
Adjustments for:		
Depreciation expenses	1,328,670	1,215,688
Amortization expenses	595,688	564,965
Expected credit losses/bad-debt expenses	3,123,098	3,862,778
Gains on financial assets and liabilities at fair value through profit or loss	(18,445,289)	(1,011,060)
Interest expense	16,972,375	12,641,898
Interest revenue	(37,003,677)	(32,656,734)
Dividend income	(363,563)	(272,771)
Provision for losses on guarantees	85,605	6,163
Salary expenses on share-based payments	450,400	568,186
Losses (gains) on disposal of properties and equipment	(85,519)	29,878
Gains on disposal of investments	(379,305)	(409,443)
Impairment losses on non-financial assets	149	-
Reversal of impairment losses on non-financial assets	-	(345)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	476,628	(12,748,087)
Financial assets at fair value through profit or loss	(29,677,634)	(27,718,286)
Financial assets at fair value through other comprehensive income	(13,658,532)	-
Investments in debt instruments at amortized cost	(5,064,613)	-
Securities purchased under resell agreements	-	140,934
Receivables	(1,628,813)	(7,317,622)
Discounts and loans	(125,426,376)	(96,024,898)
Available-for-sale financial assets	-	(30,535,217)
Held-to-maturity financial assets	-	501,592
Other financial assets	(3,777,767)	17,798,466
Other assets	57,052	27,119
Due to the Central Bank and other banks	5,570,805	14,136,209
Financial liabilities at fair value through profit or loss	(19,771,420)	(16,605,172)
Securities sold under repurchase agreements	326,321	3,318,745
Payables	(3,027,124)	2,264,077
Deposits and remittances	174,482,935	153,624,305
Other financial liabilities	17,887,652	(1,596,966)
Provision for employee benefits	(2,163)	(2,011)
Other liabilities	420,383	18,859
Cash generated from (used in) operations	(16,206,259)	774,548
Interest received	43,328,820	38,971,531
Dividend received	404,719	289,268
Interest paid	(16,722,922)	(12,872,727)
Income tax paid	(3,320,623)	(2,647,631)
Net cash generated from operating activities	7,483,735	24,514,989

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (5,854,596)	$ (3,204,058)
Proceeds from disposal of properties and equipment	136,105	1,008
Increase in refundable deposits	(1,280,879)	(12,405)
Payments for intangible assets	(421,791)	(448,984)
Increase in other assets	-	(2,701)
Net cash used in investing activities	(7,421,161)	(3,667,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(161,395)
Proceeds from issue of bank debentures	5,100,000	-
Repayments of bank debentures	(5,000,000)	(5,500,000)
Proceeds from long-term borrowings	-	767,608
Repayments of long-term borrowings	(886,330)	(2,766,867)
Increase in financial liabilities designated as at fair value through profit or loss	5,880,000	-
Proceeds from guarantee deposits received	1,564,307	92,056
Cash dividends paid to owners of the Bank	(6,476,157)	(4,619,000)
Capital increase	-	10,500,000
Cash dividends paid to non-controlling interests	(5,175)	(9,315)
Change in non-controlling interests (Note 45)	-	(1,221,457)
Net cash generated from (used in) financing activities	176,645	(2,918,370)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,551,067	908,537
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,790,286	18,838,016
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	57,917,859	39,079,843
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 59,708,145	$ 57,917,859

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
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, 2018 AND 2017		
Cash and cash equivalents in the consolidated balance sheets	$ 55,690,036	$ 54,962,324
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”	4,018,109	2,955,535
Cash and cash equivalents at the end of the year	$ 59,708,145	$ 57,917,859

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

1. ORGANIZATION AND OPERATIONS

E.SUN Commercial Bank, Ltd. (the Bank) engages in banking activities permitted by the Banking Law.

As of December 31, 2018, the Bank had 152 units, including 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, 8 overseas branches, and 138 domestic branches.

The operations of the Bank's Trust Department consist of planning, managing and operating a trust business. These operations are regulated under the Banking Law and Trust Law of the Republic of China (ROC).

On December 10, 2001, the Bank's stockholders resolved the establishment of E.SUN Financial Holding Company, Ltd. (ESFHC) through a share swap. Thus, ESFHC acquired the shares of the Bank, E.SUN Bills Finance Corp. (E.SUN Bills) and E.SUN Securities Corp. (E.SUN Securities). The board of directors designated January 28, 2002 as the effective date of the related share swap. After the share swap, the Bank became a 100% subsidiary of ESFHC. Also, on January 28, 2002, the trading of the Bank's stock on the Taiwan Stock Exchange (TSE) was stopped, and ESFHC's stock started to be traded on the TSE.

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

The 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.

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

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. The Bank acquired 70% equity interest of UCB on August 28, 2013, and on December 29, 2015, the Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%. The Bank acquired residual 25% equity interest of UCB on August 25, 2017.

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 CNY two billion, and ESBC has been opened on March 11, 2016. ESBC is engaged in banking activities permitted by the Laws of Mainland China.

To expand business in electronic commerce, the 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.

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

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

For the years ended December 31, 2018 and 2017, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,173 and 8,155, respectively. For the years ended December 31, 2018 and 2017, the average number of employees of ESBC, UCB and BankPro was 695 and 680, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors of the Bank approved and authorized for issue of the consolidated financial statements in their meeting on March 15, 2019.

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 Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, 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, and the early adoption of the amendments to IFRS 9

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

IFRS 9 "Financial Instruments" and related amendments (including the amendment of early adoption)

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. As of January 1, 2018, the changes of the measurement categories and carrying values determined under IAS 39 and IFRS 9 for each category of financial assets are summarized as follows:

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Amortized cost (loans and receivables)	Amortized cost	$ 54,962,324	$ 54,962,324
Due from the Central Bank and call loans to other banks	Amortized cost (loans and receivables)	Amortized cost	76,080,043	76,080,043
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	407,970,461	407,970,461
Receivables, net	Amortized cost (loans and receivables)	Amortized cost	83,129,858	83,128,834
Discounts and loans, net	Amortized cost (loans and receivables)	Amortized cost	1,211,071,275	1,211,071,275

(Continued)

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9
Available-for-sale financial assets, net	Fair value through other comprehensive income	Fair value through profit or loss	$ 1,075,289	$ 1,075,289
	Fair value through other comprehensive income	Fair value through other comprehensive income	169,129,349	169,129,349
Held-to-maturity financial assets, net	Amortized cost	Amortized cost	3,078,813	3,078,219
Other financial assets, net	Amortized cost (loans and receivables)	Amortized cost	8,291,918	8,291,918
	Financial assets measured at cost	Fair value through other comprehensive income	537,515	1,069,639
	Amortized cost (debt instruments with no active market)	Fair value through other comprehensive income	596,960	667,353
Other assets, net	Amortized cost (refundable deposits)	Amortized cost	3,216,828	3,216,828

(Concluded)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 407,970,461			$ 407,970,461			1)
Add: Reclassification from available-for-sale (IAS 39) Required reclassification	-	$ 1,075,289	$ -	1,075,289	$ 62,345	$ (62,345)	2)
	407,970,461	1,075,289	-	409,045,750	62,345	(62,345)	
FVTOCI	-			-			
Debt instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	164,114,822	-	164,114,822	(55,976)	55,864	3)
Add: Reclassification and remeasurement from debt instruments with no active market (IAS 39)	-	596,960	70,393	667,353	(304)	70,697	3)
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	5,014,527	-	5,014,527	-	-	2)
Add: Reclassification and remeasurement from other financial assets (IAS 39)	-	537,515	532,124	1,069,639	5,900	526,224	2)
	-	170,263,824	602,517	170,866,341	(50,380)	652,785	
Amortized cost	-			-			
Add: Reclassification and remeasurement from held-to-maturity (IAS 39)	-	3,078,813	(594)	3,078,219	(594)	-	4)
	-	3,078,813	(594)	3,078,219	(594)	-	
Total	$ 407,970,461	$ 174,417,926	$ 601,923	$ 582,990,310	$ 11,371	$ 590,440	

1) The Company held debt instrument investments amounting to $110,410,567 thousand, of which previously designated as at fair value through profit or loss. When transitioning to IFRS 9, the investments are classified at fair value through profit or loss on the basis of the Company's business model.

2) The Company elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. As a result, the related other equity - unrealized gains on available-for-sale financial assets was reclassified to increase retained earnings in the amount of $62,345 thousand and to increase other equity - unrealized gains on financial assets at FVTOCI in the amount of $357,891 thousand.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $532,124 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gains on financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $5,900 thousand in other equity - unrealized gains on financial assets at FVTOCI and an increase of $5,900 thousand in retained earnings on January 1, 2018.

3) Investments in debt instruments previously classified as available-for-sale financial assets and debt instruments with no active market were classified as at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result of retrospective application, the related adjustments comprised an increase in deferred tax liabilities of $112 thousand, a decrease in retained earnings of $56,280 thousand and an increase in other equity - unrealized gains on financial assets at FVTOCI of $126,561 thousand on January 1, 2018.

4) Investments in debt instruments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, the related adjustments comprised an increase in the loss allowance of $594 thousand and a decrease in retained earnings of $594 thousand on January 1, 2018.

b. The Company had not yet applied the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and the New IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 2)
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

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

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose underlying asset is of low value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The anticipated impact on assets, liabilities and equity as of January 1, 2019 is set out as follows:

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 2,729,311	$ 2,729,311
Other assets, net	$ 4,814,375	(94,115)	$ 4,720,260
Total effect on assets		$ 2,635,196	
Lease liabilities	$ -	$ 2,657,756	$ 2,657,756
Provisions	$ 824,373	2,475	$ 826,848
Payables	$ 24,505,102	(50,881)	$ 24,454,221
Total effect on liabilities		$ 2,609,350	
Retained earnings	$ 45,794,293	$ 25,846	$ 45,820,139
Total effect on equity		$ 25,846	

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 and issued into effect by the FSC

The New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

The Company assessed the application of the standards above would not have any material impact on the Company's financial position and financial performance. 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

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities/assets that 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:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) 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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (UCB (including UCB's subsidiary), ESBC, and BankPro).

The accounting policies of the Bank and subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The 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 the Bank 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).

d. Foreign-currency transactions

The 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 the Bank and non-controlling interests.

e. 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 the 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 12 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 12 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 12 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.

f. 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.

g. 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.

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured 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.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables and discounts and loans, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
ii) Financial asset that are not credit-impaired on purchase or origination but has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at 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.

i. 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:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) 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

iii) 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.

ii. 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.

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.

iii. 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.

iv. 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

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit loss (i.e. ECL) for accounts receivables and lease receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

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:

i. Significant financial difficulty of the asset issuer and debtor;
ii. The financial assets becoming overdue;
iii. 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 using 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.

2017 and 2018

Under FSC guidelines, the 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.

The 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 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 might 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 recognizes a collateralized borrowing for the proceeds received.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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. Before 2018, the difference between the carrying amount allocated to the part that is 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. Starting from 2018, the difference between the carrying amount allocated to the part that is derecognized and the sum of the consideration received for the part derecognized is treated in the same way as when the financial asset is derecognized in entirety. 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 derecognized on the basis of the relative fair values of those parts.

2) 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.

3) Financial liabilities

a) Subsequent measurement

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

i. 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:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) 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; or

iii) 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.

ii. Financial guarantee contracts

<u>2018</u>

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

i) The amount of the loss allowance reflecting expected credit loss; and

ii) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies.

<u>2017</u>

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 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.

4) 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

h. Overdue loans

Under FSC guidelines, the 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.

i. 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.

j. 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.

k. 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.

l. 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.

1) 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.

2) 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.

m. 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 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 goodwill allocated in 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.

n. Intangible assets other than goodwill

1) 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. Effect of any changes in estimate accounted for on a prospective basis.

2) 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.

3) 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.

o. 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.

p. 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.

q. 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.

r. 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 and provided that it is probable that the economic benefits will flow to the Company and that 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.

s. Employee benefits

1) Short-term employee benefits

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

2) 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.

3) 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.

t. 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.

u. Taxation

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

1) Current income tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) 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 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.

3) 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 acquisition of a subsidiary, the tax effect is included in the accounting for the business combination/investments in the subsidiary.

ESFHC and subsidiaries elected to file consolidated tax returns for periods starting in 2003. However, since the Bank applied the accounting treatment mentioned in the preceding paragraph to income tax, any distribution of cash payments and receipts among the consolidated group members is recorded as current tax assets or current tax liabilities.

v. 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.

w. 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, 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.

a. Estimated impairment of loans - 2018

The provision for impairment of loans is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment losses on loans - 2017

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.

c. 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	
	2018	**2017**
Cash on hand	$ 14,393,133	$ 11,905,579
Checks for clearing	8,685,830	10,495,503
Due from banks	32,580,039	32,538,944
Cash in transit	37,501	22,298
	55,696,503	54,962,324
Less: Allowance for possible losses	(6,467)	-
	$ 55,690,036	$ 54,962,324

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2018 and 2017 are shown in the consolidated statements of cash flows.

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

	December 31	
	2018	2017
Deposit reserves - account A	$ 22,218,598	$ 22,725,604
Deposit reserves - account B	39,784,413	38,287,417
Reserves for deposits - foreign currency deposits	460,995	423,842
Due from the Central Bank - other	9,613,040	8,360,993
Deposit in the Central Bank - deposits of government agencies	7,054	6,284
Call loans to banks	4,645,774	4,843,647
Trade finance advance - interbank	-	1,492,400
	76,729,874	76,140,187
Less: Allowance for possible losses	(41,499)	(60,144)
	$ 76,688,375	$ 76,080,043

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. 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," the 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	
	2018	2017
Held-for-trading financial assets		
Negotiable certificates of deposits	$ -	$ 237,642,004
Commercial paper	-	54,287,282
Currency swap contracts	-	3,038,019
Interest rate swap contracts	-	1,098,268
Currency option contracts	-	630,142
Forward contracts	-	443,540
Listed stocks	-	267,693
Bank debentures	-	88,659
Futures exchange margins	-	35,563
Non-deliverable forward contracts	-	17,135
Metal commodity swap contracts	-	11,441
Cross-currency swap contracts	-	148
	-	297,559,894
Financial assets designated as at fair value through profit or loss		
Corporate bonds	-	59,110,659
Bank debentures	-	49,740,994
Overseas government bonds	-	1,558,914
	-	110,410,567

(Continued)

	December 31	
	2018	2017
Financial assets mandatorily classified as at fair value through profit or loss		
Negotiable certificates of deposits	280,550,446	-
Commercial paper	50,697,502	-
Corporate bonds	66,809,958	-
Bank debentures	66,773,345	-
Listed stocks	361,445	-
Currency swap contracts	4,528,238	-
Interest rate swap contracts	1,144,186	-
Currency option contracts	635,170	
Forward contracts	266,692	-
Futures exchange margins	53,602	-
Non-deliverable forward contracts	42,808	-
Cross-currency swap contracts	10,697	-
Metal commodity swap contracts	404	-
Credit default swap contracts	54	-
	471,874,547	-
	$ 471,874,547	$ 407,970,461
Held-for-trading financial liabilities		
Interest rate swap contracts	$ 2,735,167	$ 926,432
Currency swap contracts	2,040,257	3,125,175
Currency option contracts	679,429	867,889
Forward contracts	268,393	296,093
Non-deliverable forward contracts	40,813	16,793
Cross-currency swap contracts	6,138	63,193
Metal commodity swap contracts	-	4,854
	5,770,197	5,300,429
Financial liabilities designated as at fair value through profit or loss		
Bank debentures (Note 24)	44,258,039	37,773,748
Structured products	248,852	285,670
	44,506,891	38,059,418
	$ 50,277,088	$ 43,359,847

(Concluded)

The Company 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 the Company as of December 31, 2018 and 2017 were as follows:

	December 31	
	2018	2017
Currency swap contracts	$ 577,726,058	$ 471,503,214
Currency option contracts	106,997,086	93,223,864
Interest rate swap contracts	102,273,937	59,141,164
Forward contracts	26,179,084	26,408,762
Non-deliverable forward contracts	4,648,966	802,163
Cross-currency swap contracts	4,339,105	910,525
Metal commodity swap contracts	18,812	244,232
Credit default swap contracts	34,530	-

The open positions of futures transactions of the Company as of December 31, 2018 and 2017 were as follows:

		December 31, 2018			
		Open Position		Contract Amounts or Premium Paid	
Items	Products	Buy/Sell	Number of Contracts	(Charged)	Fair Values
Futures contracts	Commodity future	Buy	30	$ 139,384	$ 138,042
	Commodity future	Sell	28	133,323	128,795
	Interest rate future	Buy	150	3,167,014	3,176,517
	Interest rate future	Sell	200	5,973,573	5,990,015

		December 31, 2017			
		Open Position		Contract Amounts or Premium Paid	
Items	Products	Buy/Sell	Number of Contracts	(Charged)	Fair Values
Futures contracts	Commodity future	Buy	12	$ 24,903	$ 26,507
	Commodity future	Sell	27	100,035	104,787

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity instruments at FVTOCI	$ 6,421,118
Investments in debt instruments at FVTOCI	176,785,307
	$ 183,206,425

a. Investments in equity instruments at FVTOCI

	December 31, 2018
Listed shares	$ 5,493,425
Unlisted shares	927,693
	$ 6,421,118

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI. These investments in equity instruments were classified as available-for-sale financial assets and other financial assets under IAS 39. Refer to Note 3, Note 13 and Note 15 for information relating to their reclassification and comparative information for 2017.

In 2018, the Company sold shares of stocks for $1,084,573 thousand for the return on investment positions and risk management. The related other equity - unrealized loss on financial assets at FVTOCI of $192,465 thousand was transferred to retained earnings.

Dividends income of $363,563 thousand were recognized in profit or loss for the year ended December 31, 2018. The dividends related to investments held at the end of the reporting period were $318,217 thousand.

b. Investments in debt instruments at FVTOCI

	December 31, 2018
Bank debentures	$ 90,543,845
Government bonds	59,774,281
Corporate bonds	22,698,299
Overseas bonds	450,181
Negotiable certificates of deposit	2,293,744
Discounted note	1,024,957
	$ 176,785,307

1) As of December 31, 2018, the investments in debt instruments at FVTOCI, which amounted to $11,839,947 thousand, had been sold under repurchase agreements.

2) Refer to Note 40 for information relating to their credit risk management and impairment.

3) Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST - 2018

	December 31, 2018
Overseas bonds	$ 5,441,147
Bank debentures	2,339,671
Corporate bonds	308,244
Overseas certificates of deposits	76,832
	8,165,894
Less: Allowance for impairment loss	(890)
	$ 8,165,004

As of December 2018, the investments in debt instruments at amortized cost, which amounted to $1,059,315 thousand, had been sold under repurchase agreements.

Refer to Note 40 for information relating to their credit risk management and impairment.

Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

11. RECEIVABLES, NET

	December 31	
	2018	2017
Receivables on credit cards	$ 64,606,766	$ 60,787,798
Accounts receivable factored without recourse	13,442,092	15,036,201
Accrued interest	4,421,148	3,716,759
Accounts receivable	1,785,903	2,221,198
Acceptances	1,440,849	2,051,400
Others	1,637,135	1,340,683
	87,333,893	85,154,039
Less: Allowance for possible losses	(2,016,973)	(2,024,181)
	$ 85,316,920	$ 83,129,858

Reconciliation of the balances of allowance for possible losses recognized under the incurred loss model of IAS 39 and under the expected loss model of IFRS 9 is stated below.

	Allowance for the Possible Losses Under IAS 39	Remeasurement	Allowance for the Possible Losses Under IFRS 9
Receivables	$ 2,024,181	$ 1,024	$ 2,025,205

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

Items		December 31, 2017	
		Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	$ 429,195	$ 88,385
	Assessment for collective impairment	2,092,360	628,509
With no objective evidence of impairment	Assessment for collective impairment	80,178,126	1,307,287
Total		82,699,681	2,024,181

The changes in allowance for possible losses and gross carrying amount of receivables for the year ended December 31, 2018 were as follows:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 105,551	$ 26,465	$ 823,947	$ 955,963	$ 1,069,242	$ 2,025,205
Changes of financial instruments recognized at the beginning of the current year						
Transfers to						
Lifetime ECL	(233)	567	(334)	-	-	-
Credit-impaired financial assets	(1,661)	(9,184)	10,845	-	-	-
12-month ECL	10,866	(7,582)	(3,284)	-	-	-
Derecognition of financial assets in the current year	(6,062)	(9,024)	(70,028)	(85,114)	-	(85,114)
New financial assets purchased or originated	13,225	1,065	384,118	398,408	-	398,408
Difference of impairment loss under regulations	-	-	-	-	(221,964)	(221,964)
Write-offs	-	-	(852,538)	(852,538)	-	(852,538)
Recovery of written-off receivables	-	-	489,916	489,916	-	489,916
Change in model or risk parameters	(12,220)	20,419	236,105	244,304	-	244,304
Change in exchange rates or others	70	8	(12,026)	(11,948)	30,704	18,756
Balance at December 31, 2018	$ 109,536	$ 22,734	$ 1,006,721	$ 1,138,991	$ 877,982	$ 2,016,973

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 80,294,864	$ 2,469,906	$ 2,389,269	$ 85,154,039
Transfers to				
Lifetime ECL	(125,836)	127,224	(1,388)	-
Credit-impaired financial assets	(659,017)	(57,083)	716,100	-
12-month ECL	99,374	(90,387)	(8,987)	-
Derecognition of financial assets in the current year	(16,219,278)	(2,314,514)	(101,516)	(18,635,308)
New financial assets purchased or originated	20,761,681	61,550	844,797	21,668,028
Write-offs	-	-	(852,538)	(852,538)
Change in exchange rates or others	(727)	252	147	(328)
Balance at December 31, 2018	$ 84,151,061	$ 196,948	$ 2,985,884	$ 87,333,893

The changes in allowance for possible losses for the year ended December 31, 2017 were as follows:

	For the Year Ended December 31, 2017
Balance, January 1	$ 1,852,786
Provision for possible losses	461,099
Write-offs	(728,890)
Recovery of written-off receivables	482,984
Effects of exchange rate changes and other changes	(43,798)
Balance, December 31	$ 2,024,181

12. DISCOUNTS AND LOANS, NET

	December 31 2018	December 31 2017
Loans		
Short-term	$ 297,266,947	$ 288,611,551
Medium-term	331,187,808	300,039,994
Long-term	717,060,406	632,517,129
Overdue loans	2,390,377	2,433,082
Bills negotiated and discounts	2,365,176	2,991,996
	1,350,270,714	1,226,593,752
Less: Allowance for possible losses	(16,865,753)	(15,366,436)
Less: Adjustment of premium or discount	(127,692)	(156,041)
	$ 1,333,277,269	$ 1,211,071,275

As of December 31, 2018 and 2017, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to $2,107,074 thousand and $2,100,884 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were $47,558 thousand and $35,211 thousand for the years ended December 31, 2018 and 2017, respectively.

The allowances for possible losses of discounts and loans assessed for impairment as of December 31, 2018 and 2017 were as follows:

Items		December 31, 2017 Discounts and Loans	December 31, 2017 Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	$ 3,326,059	$ 1,153,393
	Assessment for collective impairment	4,677,777	1,668,516
With no objective evidence of impairment	Assessment for collective impairment	1,218,589,916	12,544,527
Total		1,226,593,752	15,366,436

The changes in allowance for possible losses and gross carrying amount of discount and loans for the year ended December 31, 2018 were as follows:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 844,210	$ 637,296	$ 3,325,298	$ 4,806,804	$ 10,559,632	$ 15,366,436
Changes of financial instruments recognized at the beginning of the current year						
Transfers to						
Lifetime ECL	(5,344)	28,958	(23,614)	-	-	-
Credit-impaired financial assets	(2,757)	(28,369)	31,126	-	-	-
12-month ECL	547,311	(461,805)	(85,506)	-	-	-
Derecognition of financial assets in the current year	(350,841)	(117,913)	(398,312)	(867,066)	-	(867,066)
New financial assets purchased or originated	498,025	16,435	508,363	1,022,823	-	1,022,823
Difference of impairment loss under regulations	-	-	-	-	1,511,952	1,511,952
Write-offs	-	-	(2,524,665)	(2,524,665)	-	(2,524,665)
Recovery of written-off credits	-	-	1,228,466	1,228,466	-	1,228,466
Change in model or risk parameters	(708,421)	18,174	1,769,541	1,079,294	-	1,079,294
Change in exchange rates or others	(1,104)	59	(747)	(1,792)	50,305	48,513
Balance at December 31, 2018	$ 821,079	$ 92,835	$ 3,829,950	$ 4,743,864	$ 12,121,889	$ 16,865,753

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 1,170,145,601	$ 47,877,032	$ 8,571,119	$ 1,226,593,752
Transfers to				
Lifetime ECL	(2,774,973)	2,875,482	(100,509)	-
Credit-impaired financial assets	(3,049,270)	(1,711,665)	4,760,935	-
12-month ECL	35,423,344	(35,021,328)	(402,016)	-
Derecognition of financial assets in the current year	(486,995,168)	(9,833,596)	(1,984,074)	(498,812,838)
New financial assets purchased or originated	623,302,057	644,584	962,172	624,908,813
Write-offs	-	-	(2,524,665)	(2,524,665)
Change in exchange rates or others	103,718	1,493	441	105,652
Balance at December 31, 2018	$ 1,336,155,309	$ 4,832,002	$ 9,283,403	$ 1,350,270,714

The changes in allowance for possible losses for the year ended December 31, 2017 were as follows:

	For the Year Ended December 31, 2017
Balance, January 1	$ 14,730,154
Provision for possible losses	3,348,067
Write-offs	(3,304,151)
Recovery of written-off credits	678,507
Effects of exchange rate changes and other changes	(86,141)
Balance, December 31	$ 15,366,436

The bad-debt expenses and provision for losses on commitments and guarantees for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Provision for possible losses on due from banks	$ 6,353	$ -
Provision (reversal of provision) for possible losses on call loans to other banks	(19,164)	53,655
Provision for possible losses on receivables	335,634	461,099
Provision for possible losses on discounts and loans	2,747,003	3,348,067
Reversal of provision for possible losses on remittance	-	(43)
Provision for possible losses on guarantees	85,605	6,163
Provision for possible losses on financing commitments	53,784	-
	$ 3,209,215	$ 3,868,941

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. As of December 31, 2018 and 2017, the Bank was in compliance with the FSC's provision requirement for both type of credit assets.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017
Bank debentures	$ 84,110,009
Government bonds	58,640,004
Corporate bonds	20,110,812
Listed stocks	6,089,816
Overseas bonds	1,253,997
	$ 170,204,638

As of December 31, 2017, the available-for-sale financial assets, which amounted to $12,773,433 thousand had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31, 2017
Overseas bonds	$ 1,871,918
Bank debentures	1,132,275
Overseas certificates of deposits	74,620
	$ 3,078,813

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, the accumulated disposal amounts from the past three years was $21,067 thousand, and the accumulated realized losses on disposal was $2,154 thousand; the accumulated disposal amounts was 0.68% of held-to-maturity financial assets.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2018	2017
Due from banks	$ 12,051,606	$ 8,291,918
Debt instruments with no active market-bank debentures	-	596,960
Financial assets carried at cost, net	-	537,515
	$ 12,051,606	$ 9,426,393

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.

Due from banks were deposits for operating reserve and time deposits with maturities longer than three months.

16. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2018	2017
Carrying amount		
Land	$ 14,417,236	$ 13,987,410
Buildings	10,474,749	9,507,383
Computers	2,379,333	1,975,247
Transportation equipment	351,130	324,236
Miscellaneous equipment	1,303,721	1,112,706
Prepayments for properties and equipment	3,023,332	651,632
	$ 31,949,501	$ 27,558,614

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
Cost							
Balance, January 1, 2018	$ 13,987,410	$ 13,186,065	$ 4,817,154	$ 809,813	$ 3,067,041	$ 651,632	$ 36,519,115
Addition	465,502	981,226	902,643	82,195	438,735	2,949,625	5,819,926
Disposal	(34,862)	(38,009)	(110,545)	(20,812)	(93,836)	-	(298,064)
Net exchange difference	7,773	(12,768)	(740)	1,285	6,140	146	1,836
Reclassification and others	(8,587)	487,095	1,869	2	-	(578,071)	(97,692)
Balance, December 31, 2018	$ 14,417,236	$ 14,603,609	$ 5,610,381	$ 872,483	$ 3,418,080	$ 3,023,332	$ 41,945,121
Cost							
Balance, January 1, 2017	$ 13,278,624	$ 10,409,031	$ 4,301,117	$ 709,785	$ 2,874,095	$ 2,242,411	$ 33,815,063
Addition	640,834	1,129,414	547,633	133,230	304,607	488,536	3,244,254
Disposal	-	-	(46,622)	(41,456)	(155,521)	-	(243,599)
Net exchange difference	(21,628)	(17,788)	(9,829)	(4,714)	(25,830)	(19,418)	(99,207)
Reclassification and others	89,580	1,665,408	24,855	12,968	69,690	(2,059,897)	(197,396)
Balance, December 31, 2017	$ 13,987,410	$ 13,186,065	$ 4,817,154	$ 809,813	$ 3,067,041	$ 651,632	$ 36,519,115

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
Accumulated depreciation and impairment						
Balance, January 1, 2018	$ -	$ (3,678,682)	$ (2,841,907)	$ (485,577)	$ (1,954,335)	$ (8,960,501)
Disposal	-	27,335	107,815	20,812	92,803	248,765
Depreciation expenses	-	(474,428)	(496,286)	(55,383)	(249,542)	(1,275,639)
Net exchange difference	-	102	(670)	(1,205)	(3,285)	(5,058)
Reclassification and others	-	(3,187)	-	-	-	(3,187)
Balance, December 31, 2018	$ -	$ (4,128,860)	$ (3,231,048)	$ (521,353)	$ (2,114,359)	$ (9,995,620)
Balance, January 1, 2017	$ -	$ (3,293,520)	$ (2,435,662)	$ (477,480)	$ (1,823,020)	$ (8,029,682)
Disposal	-	-	46,605	41,455	123,669	211,729
Depreciation expenses	-	(388,148)	(458,596)	(52,667)	(263,683)	(1,163,094)
Net exchange difference	-	2,029	4,946	3,115	8,699	18,789
Reclassification and others	-	957	800	-	-	1,757
Balance, December 31, 2017	$ -	$ (3,678,682)	$ (2,841,907)	$ (485,577)	$ (1,954,335)	$ (8,960,501)

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

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

17. INVESTMENT PROPERTIES, NET

	December 31	
	2018	2017
Land	$ 372,223	$ 342,425
Buildings	1,820,707	1,894,564
	$ 2,192,930	$ 2,236,989

	Land	Buildings	Total
Cost			
Balance, January 1, 2018	$ 342,425	$ 1,984,850	$ 2,327,275
Net exchange difference	-	(42,377)	(42,377)
Reclassification	29,802	16,140	45,942
Balance, December 31, 2018	$ 372,227	$ 1,958,613	$ 2,330,840
Balance, January 1, 2017	$ 327,898	$ 2,004,353	$ 2,332,251
Net exchange difference	(1,553)	(17,809)	(19,362)
Reclassification	16,080	(1,694)	14,386
Balance, December 31, 2017	$ 342,425	$ 1,984,850	$ 2,327,275
Accumulated depreciation and impairment			
Balance, January 1, 2018	$ -	$ (90,286)	$ (90,286)
Depreciation expenses	-	(53,031)	(53,031)
Impairment losses	(4)	(145)	(149)
Net exchange difference	-	2,369	2,369
Reclassification	-	3,187	3,187
Balance, December 31, 2018	$ (4)	$ (137,906)	$ (137,910)
Balance, January 1, 2017	$ (11)	$ (36,452)	$ (36,463)
Depreciation expenses	-	(52,594)	(52,594)
Reversal of impairment losses	11	334	345
Net exchange difference	-	(617)	(617)
Reclassification	-	(957)	(957)
Balance, December 31, 2017	$ -	$ (90,286)	$ (90,286)

Investment properties (except for land) are depreciated through 36 to 50 years on a straight-line basis.

As of December 31, 2018 and 2017, the fair values of investment properties were $3,261,608 thousand, and $3,360,214 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	
	2018	2017
Rental income from investment properties	$ 80,292	$ 63,786
Direct operating expenses of investment properties that generate rental income	(55,117)	(50,129)
Direct operating expenses of investment properties that do not generate rental income	(574)	(15,314)
	$ 24,601	$ (1,657)

18. INTANGIBLE ASSETS, NET

	December 31	
	2018	2017
Goodwill	$ 4,487,600	$ 4,469,844
Computer software	976,598	1,054,890
Banking licenses	490,253	476,135
Core deposits	24,581	63,151
Developed technology	43,782	49,255
Customer relationship	22,734	25,441
	$ 6,045,548	$ 6,138,716

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2018	$ 4,469,844	$ 1,054,890	$ 476,135	$ 63,151	$ 49,255	$ 25,441	$ 6,138,716
Separate acquisition	-	428,238	-	-	-	-	428,238
Amortization expenses	-	(545,810)	-	(38,980)	(5,473)	(2,707)	(592,970)
Reclassification	-	40,200	-	-	-	-	40,200
Net exchange difference	17,756	(920)	14,118	410	-	-	31,364
Balance, December 31, 2018	$ 4,487,600	$ 976,598	$ 490,253	$ 24,581	$ 43,782	$ 22,734	$ 6,045,548
Balance, January 1, 2017	$ 4,518,619	$ 918,975	$ 514,915	$ 126,950	$ 54,727	$ 28,149	$ 6,162,335
Separate acquisition	-	453,114	-	-	-	-	453,114
Amortization expenses	-	(495,270)	-	(57,531)	(5,472)	(2,708)	(560,981)
Reclassification	-	182,210	-	-	-	-	182,210
Net exchange difference	(48,775)	(4,139)	(38,780)	(6,268)	-	-	(97,962)
Balance, December 31, 2017	$ 4,469,844	$ 1,054,890	$ 476,135	$ 63,151	$ 49,255	$ 25,441	$ 6,138,716

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

Computer software	3 to 10 years
Core deposits	5 to 16 years
Developed technology	11 years
Customer relationship	11 to 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 the acquisition of UCB (the subsidiary), BankPro (the subsidiary), 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.

19. OTHER ASSETS, NET

	December 31	
	2018	2017
Refundable deposits, net	$ 4,497,707	$ 3,216,828
Prepaid expenses	222,408	267,473
Others	94,260	62,940
	$ 4,814,375	$ 3,547,241

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	2017
Call loans from banks	$ 63,712,441	$ 59,546,987
Due to banks	3,638,576	1,929,380
Deposits from Chunghwa Post Co., Ltd.	2,687,937	2,972,032
Call loans from the Central Bank	1,536,650	1,790,880
Banks overdrafts	374,082	387,339
Due to the Central Bank	273,334	25,597
	$ 72,223,020	$ 66,652,215

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $12,526,789 thousand and $12,200,468 thousand under repurchase agreements as of December 31, 2018 and 2017, respectively, would subsequently be purchased for $12,572,637 thousand and $12,243,835 thousand, respectively.

22. PAYABLES

	December 31	
	2018	2017
Checks for clearing	$ 8,685,830	$ 10,495,503
Accrued expenses	3,852,931	3,827,710
Accrued interest	3,560,552	2,393,252
Factored accounts payable	2,351,823	1,981,765
Acceptances	1,482,874	2,074,754
Accounts payable	913,026	1,354,121
Payable on credit cards	614,995	512,962
Collections payable	340,101	608,050
Tax payable	334,201	304,187
Others	2,368,769	2,854,690
	$ 24,505,102	$ 26,406,994

23. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	$ 15,905,628	$ 15,902,709
Demand	463,539,893	467,668,455
Savings - demand	508,532,868	488,482,280
Time	588,044,997	458,858,749
Negotiable certificates of deposits	11,219,755	1,856,070
Savings - time	288,840,651	269,859,324
Treasury deposits	10,765,922	9,444,465
Remittances	808,573	1,103,300
	$ 1,887,658,287	$ 1,713,175,352

24. BANK DEBENTURES

Details of bank debentures issued by the Bank were as follows:

	December 31	
	2018	2017
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
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
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	
	2018	2017
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).	3,750,000	3,750,000
Two types of subordinated bonds issued on March 30, 2018; interest rate at (a) 1.30% for type A bond and (b) 1.55% 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).	4,000,000	-
Bonds issued on April 24, 2018; interest rate at 0.66%; interest payable annually; principal repayable on maturity (2 years after the issue date).	1,100,000	-
	$ 36,850,000	$ 36,750,000

(Concluded)

The Bank designated the bank debentures as fair value through profit or loss, which are summarized below:

	December 31	
	2018	2017
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	$ 3,065,878	$ 2,884,604
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,353,576	2,430,415
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,250,454	2,158,563
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,239,340	1,310,496
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	8,323,252	8,134,900
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	6,711,081	6,777,596

(Continued)

	December 31	
	2018	2017
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	$ 2,979,170	$ 2,799,052
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,704,771	2,719,679
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,677,115	2,786,618
Unsecured USD-denominated bonds issued on May 19, 2017	1,766,846	1,745,022
Unsecured USD-denominated bonds issued on November 21, 2017	4,026,898	4,026,803
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	6,159,658	-
	$ 44,258,039	$ 37,773,748

(Concluded)

On May 27, 2015, the 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, the 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, the 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, the Bank may redeem all the bonds after 15 years from the issue date.

On October 28, 2015, the 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, the 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, the 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, the Bank may redeem all the bonds after 15 years from the issue date.

On January 22, 2016, the 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, the 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, the 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, the Bank may redeem all the bonds after 15 years from the issue date.

On June 6, 2016, the 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, the 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, the 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, the Bank may redeem all the bonds after 15 years from the issue date.

On December 29, 2016, the 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, the Bank may redeem all the bonds after 15 years from the issue date.

On May 19, 2017, the 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, the 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, the 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, the 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, the 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, the 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, the 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, the Bank also designated the bank debentures as at fair value through profit or loss.

To enhance the Bank’s working capital and to strengthen its capital structure, the Bank applied for the issuance of unsecured bank debentures amounting to US$200,000 thousand; 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 17, 2018 and December 11, 2017, respectively.

On March 13, 2019, the Bank issued unsecured bank debentures amounting to US$10,000 thousand with a 10-year maturity and with a 3.8% interest payable annually on March 13. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after three months from the issue date and each three months afterward, or make bond repayments on the maturity date.

As of the date of the consolidated financial statements were authorized for issue, debentures amounting to US$190,000 thousand had not yet been issued.

25. OTHER FINANCIAL LIABILITIES

	December 31 2018	December 31 2017
Principal of structured products	$ 22,187,234	$ 3,949,340
Guarantee deposits received	1,960,517	396,210
Long-term borrowing	369,094	1,253,949
Financial products	-	350,240
	$ 24,516,845	$ 5,949,739

26. PROVISIONS

	December 31 2018	December 31 2017
Loan commitments	$ 316,855	$ -
Provision for employee benefits	256,227	320,215
Provision for losses on guarantees	218,541	129,547
Others	32,750	25,073
	$ 824,373	$ 474,835

The remeasurement of provision for losses on guarantees and financing commitments under IFRS 9 as of December 31, 2017 are summarized below:

	IAS 39	Remeasurement	IFRS 9
Provision for losses on guarantees	$ 129,547	$ 3,005	$ 132,552
Provision for losses on financing commitment	$ -	$ 261,249	$ 261,249

The changes in provision for losses on guarantees and financing commitments for the year ended December 31, 2018 are summarized below:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 249,190	$ 14,573	$ 6,306	$ 270,069	$ 123,732	$ 393,801
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(52)	53	(1)	-	-	-
Credit-impaired financial instruments	(122)	(52)	174	-	-	-
12-month ECL	13,547	(13,285)	(262)	-	-	-
Derecognition of financial instruments in the current reporting period	(88,877)	(1,102)	(3,818)	(93,797)	-	(93,797)
New financial instruments purchased or originated	105,218	95	146	105,459	-	105,459
Difference of impairment loss under regulations	-	-	-	-	160,542	160,542
Change in model or risk parameters	(34,311)	1,338	158	(32,815)	-	(32,815)
Change in exchange rates or others	(75)	-	-	(75)	2,281	2,206
Balance at December 31, 2018	$ 244,518	$ 1,620	$ 2,703	$ 248,841	$ 286,555	$ 535,396

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 $316,155 thousand and $351,444 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, 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.

The Company 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 is deposited in a financial institution in the name of the employees' pension fund administration committee. 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 of Labor Funds, Ministry of Labor (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	
	2018	**2017**
Present value of defined benefit obligation	$ 1,921,235	$ 1,857,580
Fair value of plan assets	(1,665,008)	(1,537,365)
Net defined benefit liability (part of provision for employee benefits)	$ 256,227	$ 320,215

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2017	$ 1,734,591	$ (1,465,148)	$ 269,443
Service cost			
Current service cost	22,909	-	22,909
Net interest expense (income)	29,201	(24,916)	4,285
Recognized in profit or loss	52,110	(24,916)	27,194
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(76,560)	(76,560)
Actuarial loss - changes in financial assumptions	87,998	-	87,998
Actuarial loss - experience adjustments	41,345	-	41,345
Recognized in other comprehensive income	129,343	(76,560)	52,783
Contributions from the employer	-	(29,205)	(29,205)
Benefits paid	(58,464)	58,464	-
Balance at December 31, 2017	1,857,580	(1,537,365)	320,215
Service cost			
Current service cost	23,319	-	23,319
Net interest expense (income)	24,827	(20,724)	4,103
Recognized in profit or loss	48,146	(20,724)	27,422
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(127,870)	(127,870)
Actuarial loss - changes in financial assumptions	62,747	-	62,747
Actuarial loss - experience adjustments	3,297	-	3,297
Recognized in other comprehensive income	66,044	(127,870)	(61,826)
Contributions from the employer	-	(29,584)	(29,584)
Benefits paid	(50,535)	50,535	-
Balance at December 31, 2018	$ 1,921,235	$ (1,665,008)	$ 256,227

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	
	2018	2017
Discount rate	0.75%-1.10%	1.00%-1.35%
Expected rates of return on plan assets	1.10%	1.35%
Expected rates of future salary increase	2.50%-3.00%	2.50%-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	
	2018	2017
Discount rate(s)		
0.25% increase	$ (62,733)	$ (63,481)
0.25% decrease	$ 65,516	$ 66,398
Expected rate(s) of salary increase		
0.25% increase	$ 63,235	$ 64,311
0.25% decrease	$ (60,920)	$ (61,856)

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, 2018 and 2017, the expected contributions to the plan for the next year were $28,303 thousand and $28,316 thousand, respectively; the average durations of the defined benefit obligation were 6 to 13.52 years and 7 to 14.15 years, respectively.

28. OTHER LIABILITIES

	December 31	
	2018	2017
Advance receipts	$ 1,800,374	$ 1,471,482
Deferred revenue	662,574	554,434
Others	3,857	3,941
	$ 2,466,805	$ 2,029,857

29. NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest revenue		
From discounts and loans	$ 29,301,826	$ 25,975,267
From investments	3,705,145	3,148,720
From revolving interests of credit cards	2,077,081	1,977,215
From due from banks and call loans to banks	1,532,128	1,324,966
Others	387,497	230,566
	37,003,677	32,656,734
Interest expense		
From deposits	(13,933,034)	(10,260,122)
From due to the Central Bank and other banks	(1,820,803)	(1,299,786)
From issuing bank debentures	(667,599)	(706,865)
Others	(550,939)	(375,125)
	(16,972,375)	(12,641,898)
	$ 20,031,302	$ 20,014,836

30. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2018	2017
Service fee income		
From credit cards	$ 6,077,629	$ 5,732,714
From insurance	4,408,206	4,068,879
From trust business	3,388,090	3,429,709
From loans	1,388,528	1,440,767
Others	2,028,768	1,982,635
	17,291,221	16,654,704
Service charge		
From agency	(815,079)	(731,149)
From cross-bank transactions	(349,597)	(336,753)
From computer processing	(244,233)	(217,635)
Others	(523,654)	(465,771)
	(1,932,563)	(1,751,308)
	$ 15,358,658	$ 14,903,396

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

	For the Year Ended December 31, 2018				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	$ 41,156	$ 7,171,782	$ 31,644,900	$ 1,330,527	$ 40,188,365
Held-for-trading financial liabilities	-	-	(20,995,008)	(561,746)	(21,556,754)
Financial liabilities designated as at fair value through profit or loss	-	(2,075,466)	(8,358)	1,897,502	(186,322)
	$ 41,156	$ 5,096,316	$ 10,641,534	$ 2,666,283	$ 18,445,289

	For the Year Ended December 31, 2017				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Held-for-trading financial assets	$ 16,497	$ 1,452,057	$ 14,868,474	$ (1,003,901)	$ 15,333,127
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	-	-	(17,471,329)	969,105	(16,502,224)
Financial liabilities designated as at fair value through profit or loss	-	(1,622,662)	465	(563,596)	(2,185,793)
	$ 16,497	$ 4,033,787	$ (2,444,015)	$ (595,209)	$ 1,011,060

32. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Employee benefits		
Salaries	$ 9,378,156	$ 9,037,894
Insurance	633,027	608,994
Excessive interest from preferential rates	182,367	176,596
Post-employment benefits	343,577	378,638
Others	498,370	517,896
Depreciation expenses	1,328,670	1,215,688
Amortization expenses	595,688	564,965

Under the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors at the rates 3% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). Accrued employees' compensation were $614,187 thousand and $508,282 thousand in 2018 and 2017, respectively; and the remuneration of directors were $104,000 thousand and $86,000 thousand in 2018 and 2017, 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, 2018 and 2017 that have been approved by the Bank's board of directors on March 16, 2018 and March 1, 2017, respectively, were as follows:

	For the Year Ended December 31			
	Amounts Approved		Amounts Recognized	
	2017	2016	2017	2016
Employees' compensation - cash	$ 508,278	$ 475,961	$ 508,282	$ 476,023
Remuneration of directors - cash	86,000	80,000	86,000	80,000

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, 2017 and 2016, respectively, were resulted from a change in the accounting estimate. The differences were recognized in profit or loss for 2018 and 2017, respectively.

The employees' compensation to employees and the remuneration of directors for 2018, which were approved by the Bank's board of directors on March 15, 2019, were as follows:

	2018
Employees' compensation - cash	$ 614,192
Remuneration of directors - cash	104,000

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).

33. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
Current period	$ 2,702,138	$ 2,824,230
Additional 10% income tax on unappropriated earnings	3,443	1,245
Prior year's adjustments	(4,897)	(14,067)
	2,700,684	2,811,408
Deferred tax		
Current period	479,246	(635,071)
Prior year's adjustments	-	(8,641)
Effect of change in tax rate	24,435	-
	503,681	(643,712)
Income tax expense recognized in profit or loss	$ 3,204,365	$ 2,167,696

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 20,327,775	$ 16,953,298
Income tax expense calculated at the statutory rate	$ 4,065,555	$ 2,882,061
Nondeductible expenses in determining taxable income	37,124	115,099
Tax-exempt income	(1,180,505)	(974,444)
Additional 10% income tax on unappropriated earnings	3,443	1,245
Unrecognized deductible temporary differences	172,018	61,643
Effect of different tax rate of overseas branches operating in other jurisdictions	87,192	104,800
Effect of change in tax rate	24,435	-
Adjustments for prior year's income tax	(4,897)	(22,708)
Income tax expense recognized in profit or loss	$ 3,204,365	$ 2,167,696

In 2017, the applicable corporate income tax rate used by the Company in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the appropriation of 2018 earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate	$ (32,025)	$ -
In respect of the current period		
Income tax relating to items that will not be reclassified subsequently to profit or loss		
Fair value changes of financial assets at fair value through other comprehensive income	3,390	-
Remeasurement of defined benefit plans	8	(34)
Income tax relating to items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	73,131	(149,638)
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	(23,603)	-
Unrealized gains or losses on available-for-sale financial assets	-	50,824
Income tax expense (benefit) recognized in other comprehensive income	$ 20,901	$ (98,848)

c. Current tax assets and liabilities

	December 31	
	2018	**2017**
Current tax assets		
Prepaid taxes	$ 11,644	$ 5,054
Current tax liabilities		
Consolidated tax return payables	$ 566,329	$ 1,202,813
Income tax payable	314,247	179,373
	$ 880,576	$ 1,382,186

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
Deferred tax assets						
Temporary differences						
Financial instruments at fair value through profit or loss	$ 293,369	$ 220,865	$ -	$ (69)	$ -	$ 514,165
Investments in debt instruments at fair value through other comprehensive income	-	-	34,551	-	-	34,551
Allowance for possible losses	22,772	115,623	-	(527)	-	137,868
Available-for-sale financial assets	5,208	-	(5,185)	(23)	-	-
Other financial assets	1,003	177	-	-	-	1,180
Investment properties	-	29	-	-	-	29
Properties and equipment	5,833	(954)	-	22	-	4,901
Foreclosed collaterals	2,133	377	-	-	-	2,510
Other assets	107	19	-	-	-	126
Payable for annual leave	57,870	10,220	-	-	-	68,090
Other liabilities	31,314	15,004	-	-	-	46,318
Defined benefit plans	1,250	-	213	-	-	1,463
Exchange differences on foreign operations	180,225	-	(41,327)	-	-	138,898
Payable for long-term compensation of employees	1,254	4,966	-	-	-	6,220
Others	2,745	(100)	-	72	-	2,717
	605,083	366,226	(11,748)	(525)	-	959,036
Unused loss carryforward	321,295	(231,247)	-	4,226	-	94,274
	$ 926,378	$ 134,979	$ (11,748)	$ 3,701	$ -	$ 1,053,310
Deferred tax liabilities						
Temporary differences						
Available-for-sale financial assets	$ 75,480	$ -	$ (75,500)	$ 20	$ -	$ -
Properties and equipment	-	397	-	7	-	404
Financial instruments at fair value through profit or loss	-	544,351	-	-	-	544,351
Investments in debt instruments at fair value through other comprehensive income	-	-	79,464	(545)	-	78,919
Investments in equity instruments at fair value through other comprehensive income	-	-	5,189	36	-	5,225
Intangible assets	512,676	90,472	-	-	-	603,148
Unrealized foreign exchange gains	18,869	3,440	-	42	-	22,351
Provision of land revaluation increment tax	90,510	-	-	-	(6,523)	83,987
	$ 697,535	$ 638,660	$ 9,153	$ (440)	$ (6,523)	$ 1,338,385

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
Deferred tax assets						
Temporary differences						
Financial instruments at fair value through profit or loss	$ 128,911	$ 164,458	$ -	$ -	$ -	$ 293,369
Allowance for possible losses	24,965	(320)	-	(1,873)	-	22,772
Available-for-sale financial assets	-	-	5,128	80	-	5,208
Other financial assets	1,003	-	-	-	-	1,003
Investment properties	57	(57)	-	-	-	-
Properties and equipment	3,844	2,027	-	(38)	-	5,833
Foreclosed collaterals	2,133	-	-	-	-	2,133
Other assets	107	-	-	-	-	107
Payable for annual leave	45,722	12,148	-	-	-	57,870
Other liabilities	26,285	5,029	-	-	-	31,314
Defined benefit plans	1,216	-	34	-	-	1,250
Exchange differences on foreign operations	30,587	-	149,638	-	-	180,225
Payable for long-term compensation of employees	-	1,254	-	-	-	1,254
Others	2,550	366	-	(171)	-	2,745
	267,380	184,905	154,800	(2,002)	-	605,083
Unused loss carryforward	156,326	176,159	-	(11,190)	-	321,295
	$ 423,706	$ 361,064	$ 154,800	$ (13,192)	$ -	$ 926,378
Deferred tax liabilities						
Temporary differences						
Available-for-sale financial assets	$ 19,607	$ 170	$ 55,952	$ (249)	$ -	$ 75,480
Properties and equipment	3,994	(3,763)	-	(231)	-	-
Financial instruments at fair value through profit or loss	270,621	(270,621)	-	-	-	-
Intangible assets	520,781	(8,105)	-	-	-	512,676
Unrealized foreign exchange gains	19,231	(329)	-	(33)	-	18,869
Provision of land revaluation increment tax	90,510	-	-	-	-	90,510
	$ 924,744	$ (282,648)	$ 55,952	$ (513)	$ -	$ 697,535

e. Unrecognized deferred tax assets

	December 31 2018	December 31 2017
Deductible temporary difference	$ 4,694,638	$ 4,393,728

f. The income tax returns through 2013 have been assessed by the tax authorities.

g. In 2017 and prior years, the parent company ESFHC issued shares to the employees of the Bank and the Bank accounted for the shares as salary expenses on share-based payments. However, the Bank excluded the salary expenses on share-based payments in its income tax returns to comply with the guidelines of the Ministry of Finance of the ROC (MOF) issued on April 20, 2011 and recognized the additional taxes derived from such transactions. On December 28, 2018, the MOF issued guidelines stating that if a company compensates the services of the employees of its subsidiary by issuing new shares or giving its own shares or other equity instruments, and the subsidiary measures and recognizes expenses for the services of the employees during the vesting period, the subsidiary can then recognize the expenses as salary expenses in the income tax returns. The Bank believes the MOF guidelines on December 28, 2018 are applicable to the shares issued by ESFHC to the employees of the Bank, and the shares should be accounted for as salary expenses in the income tax returns of the Bank. Accordingly, the Bank will file an administrative remedy or apply for tax authority's review and reassessment of the tax returns from 2010 to 2017 in view of the December 28, 2018 guidelines. While the final result is subject to the examination of the taxation administration, the Bank will continue to follow through the development of the issues and evaluate the impact on the taxation of the Bank.

34. 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)
For the year ended December 31, 2018			
Basic earnings per share			
Net income	$ 17,108,315	8,637,000	$ 1.98
For the year ended December 31, 2017			
Basic earnings per share			
Net income	$ 14,886,870	8,368,762	$ 1.78

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The basic earnings per share after income tax were retrospectively adjusted as followings:

Unit: NT$ Per Share

	For the Year Ended December 31, 2017	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.85	$ 1.78

35. EQUITY

a. Capital stock

Common stock

	December 31	
	2018	2017
Authorized number of shares (in thousands)	8,637,000	8,312,100
Authorized capital	$ 86,370,000	$ 83,121,000
Number of shares issued (in thousands)	8,637,000	8,312,100
Common stock issued	$ 86,370,000	$ 83,121,000

Common stock issued has a NT$10 par value. Each share has one voting right and the right to receive dividends.

On April 28, 2017, the board of directors of the Bank resolved to increase its capital by $10,500,000 thousand through private placement, to issue 604,000 thousand shares at NT$17.384106 per share. ESFHC subscribed for all the new shares. This issuance was approved by MOEA.

The stockholders resolved to use the 2016 unappropriated earnings of $4,452,170 thousand as stock dividends consisting of 445,217 thousand shares on April 28, 2017. This issuance was approved by MOEA.

The stockholders resolved to use the 2017 unappropriated earnings of $3,249,000 thousand as stock dividends consisting of 324,900 thousand shares on April 25, 2018, and thereby resolved to increase authorized capital to $86,370,000 thousand. This issuance was approved by MOEA.

b. Capital surplus

In their meeting on March 1, 2017, ESFHC's board of directors resolved to increase its capital by issuing new shares and reserved 15% of the new shares for the subscription by the employees of ESFHC and its subsidiaries. The Bank recognized $199,279 thousand, the fair value of the options on the grant date, under salary expenses for share-based payment and under capital surplus for the year ended December 31, 2017.

Under the Articles of Incorporation of ESFHC, the employees of ESFHC's subsidiaries could be included in the distribution of employees' compensation. Thus, the Bank recognized the estimated distribution of shares to the Bank's employees under both salary expenses and capital surplus at $452,832 thousand and $370,239 thousand for the years ended December 31, 2018 and 2017, respectively. Material differences between the estimated amounts and the amounts approved by ESFHC's board of directors before the date the annual consolidated financial statements are authorized for issue are adjusted in the year which the amounts is recognized. If there is a change in the approved amounts after the annual consolidated financial statements were authorized for issue, the differences are recognized in the next fiscal year as a change in accounting estimate. The distributions of employees' stock compensation of 2017 and 2016 approved by the ESFHC's board of directors to the Bank's employees was $367,807 thousand and $345,844 thousand under both salary expenses and capital surplus, respectively. The differences resulted from a change in the accounting estimate was adjusted in profit or loss for the years ended December 31, 2018 and 2017, respectively.

Under related regulations, capital surplus must 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 cash dividends or transfer to common stock. 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.

c. Special reserve

Under FSC guidelines, the Bank reclassified the trading loss reserve of $83,866 thousand accrued until December 31, 2010 to special reserve. This special reserve must be used to offset deficit except if the Bank has no deficit and the special reserve exceeds 50% of the Bank's paid-in capital, half of the excess may be used to issue new shares. Furthermore, when the special reserve exceeds the Bank's paid-in capital, the Bank may, under the FSC's approval, reclassify the excess back to unappropriated earnings.

According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology. As of December 31, 2018, the special reserve, which amounted to $135,314 thousand, had been appropriated under the stipulation.

d. Appropriation of earnings

Under the Bank's Articles of Incorporation, where the Bank 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 the Bank's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen the Bank's financial structure. This policy is also intended to improve the Bank's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. 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$0.1. However, cash dividends should not be more than 15% of paid-in capital if legal reserve is less than the total paid-in capital.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset deficit. When the reserve exceeds 25% of the Bank's paid-in capital, the excess may be used to issue new shares or distribute cash dividends. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

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 gains or losses on financial assets at fair value through other comprehensive income). 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, the Bank is allowed to appropriating retained earnings from the reversal amount.

The appropriations of earnings for 2017 and 2016 approved in the stockholders' meetings on April 25, 2018 and April 28, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 4,202,001	$ 3,916,851		
Special reserve	70,033	65,281		
Cash dividends	6,476,157	4,619,000	$0.780	$0.636
Stock dividends	3,249,000	4,452,170	0.391	0.613

The appropriation of earnings for 2018 had been proposed by the Bank's board of directors on March 15, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 5,020,408	
Special reserve	83,673	
Cash dividends	7,514,402	$0.870
Share dividends	4,111,000	0.476

The appropriation of earnings for 2018 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	
	2018	2017
Balance, January 1	$ 113,231	$ 663,639
Cash dividends distributed by subsidiary	(5,175)	(9,315)
Acquisition of non-controlling interests of UCB (Note 45)	-	(404,619)
Attributable to non-controlling interests:		
Net income	15,095	(101,268)
Exchange differences on the translation of financial statement of foreign operations	82	(35,546)
Unrealized gains on available-for-sale financial assets	-	404
Remeasurement of defined benefit plans	96	(64)
Balance, December 31	$ 123,329	$ 113,231

36. RELATED-PARTY TRANSACTIONS

E.SUN Financial Holding Company, Ltd. (ESFHC) is the parent company of the Bank and the ultimate controller of the E.SUN Group. All transactions, balances, income and expenses between the Bank and the subsidiaries (related parties of the Bank) 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 Financial Holding Company, Ltd. (ESFHC)	Parent company
E.SUN Securities Co., Ltd. (E.SUN Securities), E.SUN Venture Capital Co., Ltd. (ESVC) and E.SUN Securities Investment Consulting Corp.	Sister companies
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	One third of the funds are donated by the Bank
Others	Key management of the parent company (ESFHC) and the Bank and other related parties

b. Significant transactions between the Company and related parties

1) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2018				
Sister companies	$ 341,000	$ -	$ 12	
Key management	272,735	208,451	3,147	
Others	2,478,307	2,190,974	31,841	
	$ 3,092,042	$ 2,399,425	$ 35,000	1.38-2.10

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2017				
Sister companies	$ 479,500	$ -	$ 20	
Key management	247,834	221,070	2,861	
Others	2,106,260	1,967,374	27,200	
	$ 2,833,594	$ 2,188,444	$ 30,081	1.38-2.10

2) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2018				
ESFHC	$ 6,790,062	$ 386,336	$ 640	
Sister companies	3,073,188	1,599,449	10,740	
Key management	1,021,838	796,226	2,271	
Others	2,237,468	1,186,558	15,805	
	$ 13,122,556	$ 3,968,569	$ 29,456	0-6.62
For the year ended December 31, 2017				
ESFHC	$ 15,565,947	$ 120,902	$ 1,790	
Sister companies	3,813,992	1,748,078	10,465	
Key management	1,151,377	477,484	1,741	
Others	2,241,450	1,077,443	13,879	
	$ 22,772,766	$ 3,423,907	$ 27,875	0-6.62

Note: The sum of the respective highest balances of each account for the years ended December 31, 2018 and 2017.

	December 31	
	2018	2017
3) Accounts receivable (part of receivables)		
Sister companies	$ 9,812	$ 41,475
4) Interest receivable (part of receivables)		
Key management	$ 93	$ 105
Others	1,366	1,256
	$ 1,459	$ 1,361

	December 31	
	2018	2017
5) Refundable deposit (part of other assets)		
Sister companies	$ 1,086	$ 1,086
6) Prepaid expense (part of other assets)		
Sister companies	$ 2,131	$ 2,423
7) Payable (part of payables)		
Sister companies	$ 14,858	$ 15,626
8) Interest payable (part of payables)		
Parent company	$ 1	$ -
Sister companies	634	576
Key management	399	275
Others	1,472	1,127
	$ 2,506	$ 1,978
9) Remuneration of directors (part of payables)		
Parent company	$ 104,000	$ 86,000
10) Consolidated tax return payables (part of current tax liabilities)		
Parent company	$ 566,329	$ 1,202,813
11) Guarantee deposits received (part of other financial liabilities)		
Parent company	$ 1,472	$ 1,472
Sister companies	2,104	2,594
	$ 3,576	$ 4,066
12) Unearned revenue (part of other liabilities)		
Parent company	$ 534	$ 505
Sister companies	1,075	1,075
	$ 1,609	$ 1,580

The Bank's parent company, ESFHC, has filed consolidated corporate tax returns, i.e., including the Bank's income tax return, from 2003, as allowed by certain tax regulations.

	For the Year Ended December 31	
	2018	2017
13) Service fee income (part of service fee income, net)		
Parent company	$ -	$ 28
14) Rental revenue (part of other noninterest gains, net)		
Parent company	$ 6,214	$ 6,203
Sister companies	8,143	9,462
	$ 14,357	$ 15,665
15) Rental income from operating assets (part of other noninterest gains, net)		
Parent company	$ 218	$ 107
Sister companies	3,323	4,185
	$ 3,541	$ 4,292
16) Donation (part of general and administrative expenses)		
E.SUN Volunteer & Social Welfare Foundation	$ 77,733	$ 45,302
17) Other (part of employee benefits, general and administrative expenses)		
Parent company	$ 104,000	$ 86,000
Sister companies	14,618	14,539
	$ 118,618	$ 100,539

The above donation is for E.SUN Volunteer & Social Welfare Foundation's social welfare charity.

18) There is no directors as credit guarantors as of December 31, 2018 and 2017, respectively.

19) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged $209 thousand and $167 thousand (part of service fee income, net) accordingly for the years ended December 31, 2018 and 2017, respectively.

The Bank has operating lease contracts with related parties, which cover certain office spaces within the Bank's building. The monthly or quarterly rentals, which had been prepaid by the lessees, were based on rentals for buildings near the Bank.

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for saving deposits given to managers of the 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 the 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. Compensation of key management

The compensation of the directors and other key management for the years ended December 31, 2018 and 2017 are summarized as follows:

	For the Year Ended December 31	
	2018	2017
Salaries and other short-term employment benefits	$ 304,368	$ 258,977
Post-employment benefits	2,401	2,203
Interest arising from the employees' preferential rates in excess of normal rates	672	661
	$ 307,441	$ 261,841

37. PLEDGED ASSETS

a. In addition to those mentioned in other notes, the pledged assets were as follows:

	December 31	
	2018	2017
Financial assets at fair value through profit or loss (face value)	$ 24,200,000	$ 24,200,000
Investments in debt instruments at amortized cost (face value)	2,175,927	-
Investments in debt instruments at fair value through other comprehensive income (face value)	1,118,976	-
Held-to-maturity financial assets (face value)	-	1,351,950
Available-for-sale financial assets (face value)	-	1,173,454
	$ 27,494,903	$ 26,725,404

As of December 31, 2018 and 2017, the foregoing bonds and securities, with aggregate face value of $19,200,000 thousand at each period end, 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 the Bank's liquidity reserve. For covering its call loans from the CB, the Bank had provided collaterals consisting of securities with aggregate face values of $5,000,000 thousand as of December 31, 2018 and 2017. 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, the 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, 2018	$ 26,000	$ 18,199
December 31, 2017	$ 35,860	$ 23,816

38. 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 the 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, 2018, refundable deposits on these leases totaled $617,668 thousand (part of refundable deposits). Minimum future annual rentals were as follows:

	December 31	
	2018	**2017**
Within one year	$ 900,299	$ 883,030
Over one to five years	1,676,012	1,957,136
Over five years	66,429	25,766
	$ 2,642,740	$ 2,865,932

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2018	**2017**
Minimum lease payments	$ 810,383	$ 733,244
Contingent rentals	902	238
	$ 811,285	$ 733,482

2) Lease agreements on investment properties owned by the 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, 2018, refundable deposits on these leases totaled $5,122 thousand (part of guarantee deposits received). Minimum future annual rentals were as follows:

	December 31	
	2018	**2017**
Within one year	$ 22,007	$ 18,136
Over one to five years	17,885	33,061
	$ 39,892	$ 51,197

3) As of December 31, 2018, agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank's branches amounted to approximately $8,391,329 thousand, and the remaining unpaid amount was approximately $5,489,479 thousand.

b. Union Commercial Bank (UCB)

1) Lease agreements on premises occupied by UCB are operating lease. As of December 31, 2018, refundable deposits on these leases totaled $13,861 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 20,485	$ 15,419
Over one to five years	37,925	20,746
Over five years	10,280	63,636
	$ 68,690	$ 99,801

2) As of December 31, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately $945,296 thousand, and the remaining unpaid amount was approximately $138,450 thousand.

c. E.SUN Bank (China), Ltd. (ESBC)

1) Lease agreements on premises occupied by ESBC are operating lease. As of December 31, 2018, refundable deposits on these leases totaled $31,212 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 141,813	$ 120,438
Over one to five years	288,252	292,746
Over five years	155,398	218,121
	$ 585,463	$ 631,305

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, 2018, refundable deposits on these leases totaled $10,966 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 49,347	$ 42,073
Over one to five years	282,883	270,982
Over five years	83,940	154,811
	$ 416,170	$ 467,866

3) As of December 31, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately $14,929 thousand, and the remaining unpaid amount was approximately $14,929 thousand.

d. BankPro E-Service Technology Co., Ltd. (BankPro)

Lease agreements on premises occupied by BankPro are operating lease. As of December 31, 2018, refundable deposits on these leases totaled $3,184 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 10,521	$ 2,327
Over one to five years	2,864	-
	$ 13,385	$ 2,327

39. THE 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			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents and other financial assets - due from banks	$ 35,590,177	2.33	$ 33,091,645	2.10
Call loans to banks	19,466,197	2.02	18,723,291	1.42
Due from the Central Bank	39,075,569	0.33	37,493,521	0.33
Financial assets mandatorily classified as at fair value through profit or loss - bonds	125,630,547	4.37	-	-
Financial assets mandatorily classified as at fair value through profit or loss - bills	310,056,058	0.54	-	-
Held-for-trading financial assets - bonds	-	-	8,045	2.35
Held-for-trading financial assets - bills	-	-	274,604,774	0.53
Financial assets designated as at fair value through profit or loss - bonds	-	-	104,419,547	4.03
Securities purchased under resell agreements	-	-	24,967	2.28
Accounts receivable factored without recourse	9,143,584	2.84	8,551,049	2.05
Discounts and loans	1,254,514,140	2.21	1,158,314,793	2.13
Receivables on credit cards	27,510,313	7.50	26,008,972	7.55
Debt instruments at fair value through other comprehensive income	149,377,649	2.29	-	-
Available-for-sale financial assets - bonds	-	-	149,172,631	2.01

(Continued)

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Investments in debt instruments at amortized cost	$ 4,190,118	1.79	$ -	-
Held-to-maturity financial assets	-	-	2,036,053	1.31
Debt instruments with no active market	-	-	1,054,084	4.23
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	85,868,508	2.04	77,164,222	1.35
Financial liabilities at fair value through profit or loss	42,784,677	4.88	32,815,088	4.96
Securities sold under repurchase agreements	10,090,557	1.69	12,034,384	1.49
Demand deposits	451,223,036	0.19	430,230,545	0.14
Savings - demand deposits	507,287,591	0.20	482,632,186	0.20
Time deposits	491,669,116	1.82	406,098,117	1.40
Savings - time deposits	278,769,965	1.05	270,375,857	1.05
Negotiable certificates of deposits	4,658,660	1.07	2,655,807	0.92
Bank debentures	38,759,315	1.72	39,304,795	1.82
Principal of structured products	9,592,381	1.74	6,462,035	1.61

(Concluded)

40. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

Except as detailed in the following table, the management considers 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			
	2018		2017	
	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
Debt instruments with no active market	-	-	596,960	667,353
Investments in debt instruments at amortized cost	8,165,004	8,121,714	-	-
<u>Financial liabilities</u>				
Bank debentures	36,850,000	37,621,627	36,750,000	37,598,007

Fair value hierarchy as of December 31, 2018

	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortized cost	$ 8,121,714	$ 8,121,714	$ -	$ -
Financial liabilities				
Bank debentures	37,621,627	-	37,621,627	-

Fair value hierarchy as of December 31, 2017

	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 2,960,498	$ 2,960,498	$ -	$ -
Debt instruments with no active market	667,353	-	667,353	-
Financial liabilities				
Bank debentures	37,598,007	-	37,598,007	-

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 fair value of the unlisted stocks held by the Company is determined by using market approach or asset approach.

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 future 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 dollars, U.S. dollars, etc.) to be used for payments. As of December 31, 2018 and 2017, the discount rates used ranged from 0.264% to 1.415% and 0.184% to 1.655%, respectively, for the New Taiwan dollars and from 2.250% to 3.030% and 1.400% to 2.531%, respectively, for the U.S. dollars.

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 investments in debt instruments at amortized cost and other financial assets; otherwise, the Company uses the foregoing valuation techniques to determine fair value.

The Company takes credit/debit valuation adjustments into consideration in order to reflect the credit risk resulted from counterparties and the credit quality of the Company when determining fair values of the financial instruments.

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, 2018 and 2017, were as follows:

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Derivative instruments	$ 6,681,851	$ 53,602	$ 6,628,249	$ -
Equity instruments	361,445	361,445	-	-
Debt instruments	133,583,303	-	133,583,303	-
Others	331,247,948	-	331,247,948	-
Financial assets at fair value through other comprehensive income				
Equity instruments	6,421,118	5,493,425	-	927,693
Debt instruments	176,785,307	83,809,704	92,975,603	-
Financial liabilities at fair value through profit or loss				
Derivative instruments	5,770,197	-	5,770,197	-
Financial liabilities designated as at fair value through profit or loss	44,506,891	-	44,506,891	-

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 267,693	$ 267,693	$ -	$ -
Debt instruments	88,659	88,659	-	-
Others	291,929,286	-	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	6,089,816	6,089,816	-	-
Debt instruments	164,114,822	130,456,416	33,658,406	-
Liabilities				
Financial liabilities at fair value through profit or loss	38,059,418	-	38,059,418	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	5,274,256	35,563	5,238,693	-
Liabilities				
Financial liabilities at fair value through profit or loss	5,300,429	-	5,300,429	-

The Company remeasures the classification of fair value hierarchy at the end of each reporting period to determine whether there is a transfer between levels of the fair value hierarchy.

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

d. Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2018

	Financial Assets at Fair Value Through Other Comprehensive Income
Balance at January 1 under IAS 39	$ -
Adjustment on retrospective application of IFRS 9	1,069,639
Balance at January 1 under IFRS 9	1,069,639
Valuation losses recognized in other comprehensive income	(126,946)
Capital reduction and cash distribution	(15,000)
Balance at December 31	$ 927,693

e. Valuation process on fair value in Level 3

The Company's risk management division is responsible for conducting independent fair value verification, using independent source data to bring the valuation results close to market conditions, confirming that the data sources are independent, reliable, consistent with other data messages, and representing executable prices, and regularly calibrating valuation models and updating input values and data required for the model, as well as any other necessary fair value adjustments, to ensure that the valuation results are reasonable.

f. Quantitative information on significant unobservable input (Level 3) in fair value

The significant unobservable inputs of the fair value of financial instruments classified in Level 3 on a recurring basis are as follows:

December 31, 2018

	Fair value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	$ 898,713	Market approach	Lack of liquidity discount	10%	The higher the lack of liquidity, the lower the fair value is
	28,980	Asset approach	Lack of liquidity discount; allowance of minority interest	10%; 10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

g. Sensitivity analysis of fair value hierarchy classified in Level 3

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if the parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current period are as follow:

December 31, 2018

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	**Unfavorable Changes**
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	$ 92,769	$ (92,769)

h. Information on financial liabilities designated as at fair value through profit or loss was as follows:

	December 31	
	2018	**2017**
Difference between carrying amounts and the amounts due on maturity		
Fair value	$ 44,506,891	$ 38,059,418
Amounts due on maturity	47,372,532	38,956,926
	$ (2,865,641)	$ (897,508)

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period	
For the year ended December 31, 2018	$ (78,430)
For the year ended December 31, 2017	$ 42,931
Accumulated amount of change	
As of December 31, 2018	$ (78,956)
As of December 31, 2017	$ (1,857)

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.

i. Information on financial risk management

1) Risk management

The 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 the Bank.

2) Credit risk

Credit risk refers to the Company's 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 risks fall within the acceptable range, the Company has 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, the Company should make a detailed analysis to identify existing and potential credit risks. Before launching new products or businesses, the Company ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factored without recourse and credit derivative instruments, etc., the Company also requires 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 the Company's risk management policies and guidelines.

The measurement and management of credit risks from the Company's main businesses are as follows:

a) Loans and credit card business (including loan commitment and guarantees)

On each reporting date, the Company assesses the change in the default risk of financial assets, as well as consider reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situation, credit investigation result, announcement of dishonored checks and negotiation of the debts from other financial institutions, or the debtor has reorganized or is likely to reorganize to determine whether the credit risk has increased significantly.

The Company adopts the 12-month ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Company considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

"PD" refers to the borrower's probability to default and "LGD" refers to losses caused by the default. The Company applies the "PD" and "LGD" to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information, then calculate by applying the progressive one factor model respectively.

The Company estimates the account balance based on the ways in repayment, and considers the possible survival rate to calculate the EAD. In addition, the Company estimates the 12-month ECLs and lifetime ECLs of loan commitments by considering the portion of the loan commitments expected to be used within 12 months after the reporting date and within expected lifetime based on the guidelines issued by the Bank's Association and Basel Accords to determine the amount of "EAD" for calculating expected credit losses.

The Company uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days, or the credit investigation appears to be abnormal, the Company determines that the financial assets are defaulted and credit-impaired.

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. The Company 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, the Company rates 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, the Company has developed a credit rating model for clients. The Company reviews the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result. Except the petit credits and residential mortgages, which are assessed by using the credit rating model, consumer loans are assessed individually for default risks.

The Company classifies the credit qualities of corporate loans as strong, medium and weak.

The Company evaluates 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, the Company annually conducts validity test and back testing on the models using data on customers' actual defaults.

b) Due from and call loans to other banks

The Company evaluates the credit status of counterparties before deals are closed. The Company grants different limits to the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes.

c) Investments in debt instruments and derivatives

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 176,203,204	$ 8,165,894	$ 184,369,098
Less: Allowance for impairment loss	(59,297)	(890)	(60,187)
Amortized cost	176,143,907	$ 8,165,004	184,308,911
Adjustment to fair value	641,400		641,400
	$ 176,785,307		$ 184,950,311

The Company only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the investment was recognized.

In order to minimize credit risk, the Company has tasked a team to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the team uses other publicly available financial information to rate the debtors.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Company's current credit risk grading framework comprises the following categories:

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount at December 31, 2018
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0%-0.94%	$ 184,369,098

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost grouped by credit rating is reconciled as follows:

Allowance for Impairment Loss	Credit Rating Performing (12-month ECL)
Balance at January 1, 2018 under IAS 39	$ -
Effect of retrospective application of IFRS 9	56,874
Balance at January 1, 2018 under IFRS 9	56,874
New financial assets purchased	31,186
Derecognition	(25,302)
Change in exchange rates or others	(2,571)
Balance at December 31, 2018	$ 60,187

The Company identifies and manages credit risks from debt instruments through using external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparties risks.

The other banks with which the Company conducts derivative transactions are mostly considered investment grade. The Company monitors 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.

The Company classifies 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).

The Company has 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, the Company manages and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, the Company stipulates the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that the Company reserves 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 the Company 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, the Company has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Company has 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, the Company 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.

The Company settles 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, 2018

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	$ 1,011,444,375	$ 339,654	$ 2,318,603	$ -	$ 1,014,102,632
Allowance for possible losses	(244,518)	(1,620)	(2,703)	-	(248,841)
Difference of impairment loss under regulations	-	-	-	(286,555)	(286,555)
	$ 1,011,199,857	$ 338,034	$ 2,315,900	$ (286,555)	$ 1,013,567,236

	December 31, 2017
Irrevocable loan commitments issued	$ 96,299,743
Credit card commitments	357,259,135
Letters of credit issued and yet unused	9,527,165
Other guarantees	16,619,110

The management of the Company believes 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, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Credit-impaired financial assets					
Receivables					
Credit cards	$ 2,459,743	$ 261	$ -	$ -	$ 261
Other	526,141	21,184	-	-	21,184
Discounts and loans	9,283,403	5,523,815	-	-	5,523,815

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

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. The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. 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 2018 Amount	2018 %	2017 Amount	2017 %
Natural person	$ 656,316,326	48	$ 594,148,968	48
Manufacturing	271,418,138	20	249,323,099	20
Wholesale, retail and restaurants	128,255,014	9	126,482,725	10

Credit Risk Profile by Regions	December 31 2018 Amount	2018 %	2017 Amount	2017 %
Domestic	$ 1,152,581,148	85	$ 1,058,755,015	86

Credit Risk Profile by Collaterals	December 31 2018 Amount	2018 %	2017 Amount	2017 %
Unsecured	$ 361,993,163	27	$ 334,576,667	27
Secured				
Real estate	859,586,036	63	785,800,905	64

Some financial assets held by the Company, 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) The credit quality of discounts and loans evaluation on a 12-month expected credit loss basis

	December 31, 2018
Credit rating	
Strong	$ 667,463,737
Medium	617,982,739
Weak	50,708,833
Carrying value	1,336,155,309
Allowance for possible loss	(821,079)
	$ 1,335,334,230

b) 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

c) 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	15,063,437	312,782,291
Unsecured	212,837,167	90,364,198	9,031,110	312,232,475
Total	$ 645,000,129	$ 528,688,624	$ 38,532,326	$ 1,212,221,079

d) 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

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 the Company’s risk management, financial asset that are 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 were 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			
The Bank	947,185	219,951	1,167,136
Subsidiaries	-	127,134	127,134
Unsecured			
The Bank	221,350	33,062	254,412
Subsidiaries	-	5	5

3) 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 the Company because of market price changes. The risk factors that 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 the Company.

The main market risks the Company faces 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 the Company, such as the derivatives denominated in foreign currency and foreign-currency bonds.

The Bank monitors the market risk positions and the tolerable loss of the Bank in accordance with the goals of risk management and the amount limits authorized by the board of directors. The 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.

The Company mainly divides 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 the Company's 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. The Company analyzes the impact of risk factors on its holding positions, profit and loss, negative result of stress test, sensitivity, VaR, etc., and measures 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 the Bank's market risk control. The 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.

The Bank uses the VaR model and stress tests to evaluate risks on investment portfolios for trading. The 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. The Bank may suffer the "maximum potential loss" 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 the 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. The Bank evaluates historical market fluctuation based on historical data in the past two years. The Bank 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 the Bank was as follows:

For the year ended December 31, 2018

Historical Values at Risk (99%, 10-day)	**Average**	**Minimum**	**Maximum**	**December 31, 2018**
By risk type				
Currency	$ 3,180,602	$ 2,673,423	$ 3,684,856	$ 3,567,715
Interest	440,903	301,397	1,055,463	436,484
Equity	49,672	26,819	76,545	31,421
Risk diversification	(470,051)	-	-	(474,839)
Total risk exposure	$ 3,201,126			$ 3,560,781

For the year ended December 31, 2017

Historical Values at Risk (99%, 10-day)	**Average**	**Minimum**	**Maximum**	**December 31, 2017**
By risk type				
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	(1,982,887)	-	-	(497,068)
Total risk exposure	$ 3,174,059			$ 3,142,549

Stress test is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenarios. The Risk Management Division performs it, 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.

4) 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 the 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, the Company holds 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 the Bank for December 2018 and 2017 were 29.02% and 30.14%, respectively.

The Company 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, 2018	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	$ 43,493,224	$ 27,091,412	$ 1,116,801	$ 521,583	$ -	$ 72,223,020
Nonderivative financial liabilities at fair value through profit or loss	73	678	-	564,135	46,807,646	47,372,532
Securities sold under repurchase agreements	10,273,828	1,853,233	445,576	-	-	12,572,637
Payables	18,483,395	849,642	1,375,960	823,283	2,598,652	24,130,932
Deposits and remittances	651,544,989	152,705,821	178,741,750	334,126,196	570,539,531	1,887,658,287
Bank debentures	-	-	3,280,000	4,500,000	29,070,000	36,850,000
Other items of cash outflow on maturity	5,212,642	1,098,168	76,833	705,095	17,424,107	24,516,845

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

The Company 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, 2018	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	$ 4,087	$ 2,066	$ 4,180	$ 30,604	$ -	$ 40,937

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

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2018	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	$ 233,176,525	$ 172,015,357	$ 109,332,162	$ 83,007,963	$ 499,635	$ 598,031,642
Cash inflow	233,642,737	170,783,269	108,277,549	82,087,132	483,352	595,274,039
Interest derivatives						
Cash outflow	3,399,080	768,880	761,303	583,582	33,180,228	38,693,073
Cash inflow	3,755,348	494,715	902,636	568,453	38,697,942	44,419,094
Total cash outflow	236,575,605	172,784,237	110,093,465	83,591,545	33,679,863	636,724,715
Total cash inflow	237,398,085	171,277,984	109,180,185	82,655,585	39,181,294	639,693,133
Net cash outflow (inflow)	$ (822,480)	$ 1,506,253	$ 913,280	$ 935,960	$ (5,501,431)	$ (2,968,418)

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 inflow	$ (975,824)	$ (993,531)	$ (316,496)	$ (83,908)	$ (28,575)	$ (2,398,334)

The Company 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, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 6,129,093	$ 13,116,992	$ 24,749,332	$ 49,144,044	$ 41,000,142	$ 134,139,603
Credit card commitments	987,084	2,924,299	5,551,364	12,267,547	351,405,171	373,135,465
Letters of credit issued and yet unused	3,224,312	4,813,478	765,211	303,282	662,520	9,768,803
Other guarantees	4,388,627	2,874,257	10,774,196	5,930,608	2,324,723	26,292,411

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

j. 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, 2018					
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**
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	$ 11,839,947	$ 11,484,694	$ 11,839,947	$ 11,484,694	$ 355,253
Investments in debt instruments at amortized cost - securities sold under repurchase agreement	1,059,315	1,042,095	1,045,427	1,042,095	3,332

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

k. 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, 2018

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: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amounts
Derivatives	$ 6,681,851	$ -	$ 6,681,851	$ (1,699,049)	$ (2,621,941)	$ 2,360,861

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	$ 5,770,197	$ -	$ 5,770,197	$ (1,699,049)	$ (3,307,130)	$ 764,018
Repurchase agreements	12,551,682	-	12,551,682	(12,551,682)	-	-
	$ 18,321,879	$ -	$ 18,321,879	$ (14,250,731)	$ (3,307,130)	$ 764,018

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	41,475	-	41,475	(15,626)	-	25,849
	$ 5,315,732	$ -	$ 5,315,732	$ (1,935,122)	$ (1,796,421)	$ 1,584,189

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
Repurchase agreements	12,220,125	-	12,220,125	(12,220,125)	-	-
Settlements	15,626	-	15,626	(15,626)	-	-
	$ 17,536,180	$ -	$ 17,536,180	$ (14,155,247)	$ (1,661,175)	$ 1,719,758

41. CAPITAL MANAGEMENT

The two main objectives of capital management of the Bank are (a) meeting the requirements for legal capital set by the authorities and building an effective system for capital management and (b) balancing risk control and business development under the premise of "undertaking risks and earning returns on capital" and maximizing the stockholders' profits.

The Banking Law and related regulations require that the Bank maintains both standalone 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 (CAR)) should comply with the minimum ratio requested by authorities.

The capital of the Bank is jointly managed by the Capital Management Team and the Risk Management Division. The management process starts from the evaluation and adjustments to plans or budgets by using different quantitative methods that consider risks, returns and growth rates. Subsequently, the evaluation and adjustments are used to confirm the total amount of capital requirement and is eventually used to allocate the capital to the respective branches and operating units. The whole process takes into consideration the quantitative risk assessment, plans and budgets, capital balance and allocation of economic capitals to corresponding units on the basis of risk appetite. The process is a combination of risk appetite, capital management, risk management, managerial decisions and performance assessment.

Information on the Bank's CAR was as follows:

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year: December 31, 2018 Standalone	Consolidated
Eligible capital	Common equity		$ 149,446,951	$ 151,529,663
	Other Tier 1 capital		20,368,923	23,787,739
	Tier 2 capital		44,371,239	51,792,894
	Eligible capital		214,187,113	227,110,296
Risk-weighted assets	Credit risk	Standardized approach	1,298,702,048	1,352,101,364
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	74,177,125	77,731,050
		Advanced measurement approach	-	-
	Market risk	Standardized approach	42,608,000	47,862,450
		Internal model approach	-	-
	Risk-weighted assets		1,415,487,173	1,477,694,864
Capital adequacy ratio (%)			15.13	15.37
Ratio of common equity to risk-weighted assets (%)			10.56	10.25
Ratio of Tier 1 capital to risk-weighted assets (%)			12.00	11.86
Leverage ratio (%)			7.17	7.22

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	15.39
Ratio of common equity to risk-weighted assets (%)			10.64	10.39
Ratio of Tier 1 capital to risk-weighted assets (%)			11.77	11.73
Leverage ratio (%)			7.11	7.23

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."

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

42. THE BANK'S ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Asset quality: Table 4 (attached).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2018			December 31, 2017		
	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 Air transport	$ 10,923,358	6.91	Group A Ocean transportation	$ 6,248,664	4.25
2	Group B Other activities auxiliary to financial service activities not elsewhere classified	9,762,558	6.17	Group B Real estate agencies activities	4,863,522	3.31
3	Group C Manufacture of computers	5,758,388	3.64	Group D Manufacture of computers	4,845,824	3.29
4	Group D Manufacture of computers	5,690,617	3.60	Group K Wholesale of computers, computer peripheral equipment and software	4,627,383	3.14
5	Group E Manufacture of liquid crystal panel and components	4,779,849	3.02	Group G Wired telecommunications activities	4,603,560	3.13
6	Group F Activities of head offices	4,761,637	3.01	Group F Activities of head offices	4,341,597	2.95
7	Group G Wired telecommunications activities	4,479,713	2.83	Group L Manufacture of liquid crystal panel and components	4,247,555	2.89
8	Group H Retail sale of computers, computer peripheral equipment and software	4,053,270	2.56	Group C Manufacture of computers	4,208,262	2.86
9	Group I Manufacture of computers	3,880,375	2.45	Group M Real estate development	4,155,897	2.82
10	Group J Manufacture of electric wires and cables	3,866,539	2.44	Group H Retail sale of computers, computer peripheral equipment and software	3,914,337	2.66

Note 1: The list shows top 10 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. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,341,983,782	$ 57,512,457	$ 62,017,752	$ 81,124,178	$ 1,542,638,169
Interest rate-sensitive liabilities	349,468,414	794,930,758	91,586,531	49,853,991	1,285,839,694
Interest rate sensitivity gap	992,515,368	(737,418,301)	(29,568,779)	31,270,187	256,798,475
Net worth					147,289,659
Ratio of interest rate-sensitive assets to liabilities					119.97
Ratio of interest rate sensitivity gap to net worth					174.35

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

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the 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, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 12,020,982	$ 563,137	$ 189,732	$ 1,077,799	$ 13,851,650
Interest rate-sensitive liabilities	15,123,128	2,225,585	1,755,486	1,463,821	20,568,020
Interest rate sensitivity gap	(3,102,146)	(1,662,448)	(1,565,754)	(386,022)	(6,716,370)
Net worth					247,470
Ratio of interest rate-sensitive assets to liabilities					67.35
Ratio of interest rate sensitivity gap to net worth					(2,714.01)

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)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the 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

Unit: %

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.95	0.89
	After income tax	0.80	0.77
Return on equity	Before income tax	13.17	12.60
	After income tax	11.20	10.89
Net income ratio		36.68	34.91

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

Note 2: Return on equity = Income before (after) income tax/Average equity

Note 3: Net income ratio = Income after income tax/Total net revenues

Note 4: Income before (after) income tax represents income from January to each period-end date.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

December 31, 2018

	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	$ 1,805,518,735	$ 207,555,376	$ 163,032,287	$ 127,059,389	$ 146,137,691	$ 163,309,053	$ 998,424,939
Main capital outflow on maturity	2,166,123,108	107,623,400	111,009,647	229,180,650	234,082,199	381,039,872	1,103,187,340
Gap	(360,604,373)	99,931,976	52,022,640	(102,121,261)	(87,944,508)	(217,730,819)	(104,762,401)

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)

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

December 31, 2018

	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	$ 28,268,588	$ 9,360,708	$ 4,900,541	$ 3,726,816	$ 2,290,484	$ 7,990,039
Main capital outflow on maturity	32,378,540	8,865,754	7,578,817	5,578,578	6,423,755	3,931,636
Gap	(4,109,952)	494,954	(2,678,276)	(1,851,762)	(4,133,271)	4,058,403

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

Note: The above amounts included only U.S. dollar amounts held by the Bank.

43. 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 the Bank's Trust Department. However, these items were not included in the Company's consolidated financial statements.

Balance Sheets of Trust Accounts
December 31, 2018 and 2017

Trust Assets	2018	2017	Trust Liabilities	2018	2017
Cash in banks	$ 4,520,486	$ 6,467,320	Accounts payable on securities under custody	$ 389,009,330	$ 263,371,825
Investments	228,445,903	212,142,200	Other liabilities	4	-
Receivables	-	1	Trust capital		
Real estate	4,005,567	5,612,113	Cash	232,898,840	218,238,361
Securities under custody	389,009,330	263,371,825	Securities	1,787,807	1,963,495
			Real estate	3,608,130	5,217,391
			Reserves and accumulated deficit	(8,272,004)	(8,735,833)
			Net income	6,949,179	7,538,220
Total assets	$ 625,981,286	$ 487,593,459	Total liabilities	$ 625,981,286	$ 487,593,459

Trust Property List
December 31, 2018 and 2017

	2018	2017
Cash in banks	$ 4,514,719	$ 6,467,168
Cash in other banks	5,767	152
Stocks	6,811,210	6,195,188
Mutual funds	189,204,786	176,915,356
Bonds	27,135,778	24,808,927
Structured products	4,744,202	3,484,049
Beneficial certificates pending settlement	549,927	738,680
Receivables	-	1
Real estate	4,005,567	5,612,113
Securities under custody	389,009,330	263,371,825
	$ 625,981,286	$ 487,593,459

Statements of Income on Trust Accounts
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Interest	$ 17,572	$ 15,850
Cash dividend	7,654,572	6,012,912
Realized capital gain - common stocks	7,932	2,829
Unrealized capital gain - common stocks	12,221	17,479
Unrealized capital gain - funds	-	72
Property gain	2,687,509	3,553,717
Realized capital gain	2,035,467	1,744,408
Revenues from beneficial certificates	6,055	5,312
Revenues from rent for stocks	1,247	1,433
Total revenues	12,422,575	11,354,012
Expenses		
Management fees	262,354	239,189
Supervisor fees	60	105
Service fees	126	265
Property loss	4,727,962	3,465,945
Income tax	1,189	1,032
Tax expenditures	14,440	15,432
Other expenses	12,111	9,980
Realized capital loss	443,634	83,590
Unrealized capital loss	11,520	254
Total expenses	5,473,396	3,815,792
Net income	$ 6,949,179	$ 7,538,220

b. Nature of trust business operations under the Trust Law: Note 1.

44. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and E.SUN Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

	Bank	E.SUN Securities	Total	Allocation Method
For the year ended December 31, 2018				
Broadcasting and security systems	$ 15	$ 15	$ 30	50% each
Others	1,901	1,677	3,578	Utilities - 50% each Building maintenance fee - based on space actually occupied
	$ 1,916	$ 1,692	$ 3,608	
For the year ended December 31, 2017				
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
	$ 788	$ 690	$ 1,478	

The cross-selling transactions between the Bank and E.SUN Securities were as follows (the amounts below refer to the Bank):

	For the Year Ended December 31	
	2018	2017
Revenue	$ 4,224	$ 5,388
Expense	$ 65,396	$ 102,109

45. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 25, 2017, the 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, since the 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	1,477
Differences arising from equity transaction (reduced retained earnings)	$ 830,475

46. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2018

			Non-cash Changes		
	Opening Balance	Cash Inflows (Outflows)	Fair Value Adjustment (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Bank debentures	$ 36,750,000	$ 100,000	$ -	$ -	$ 36,850,000
Long-term borrowings	1,253,949	(886,330)	-	1,475	369,094
Financial liabilities designated as at fair value through profit or loss	37,773,748	5,880,000	(1,974,629)	2,578,920	44,258,039
Guarantee deposits received	396,210	1,564,307	-	-	1,960,517
	$ 76,173,907	$ 6,657,977	$ (1,974,629)	$ 2,580,395	$ 83,437,650

47. ADDITIONAL DISCLOSURES

a. Significant transactions and b. investees:

1) Financing provided: The Bank, UCB and ESBC are not applicable. Other investees: None.

2) Endorsement/guarantee provided: The Bank, UCB and ESBC are not applicable. Other investees: None.

3) Marketable securities held: The Bank, UCB and ESBC are not applicable. Other investees: None.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital (the Bank disclosed its investments acquired or disposed of): None.

5) Acquisition of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: Table 5 (attached).

6) Disposal of individual real estates 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) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: None.

10) Sale of nonperforming loans: None.

11) Other significant transactions that may affect the decisions of users of financial reports: None.

12) Related information and proportionate share in investees: Table 6 (attached).

13) Derivative transactions: Notes 8 and 40 to the consolidated financial statements.

c. 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 year-end, the remitted investment profits and the limit on the amount of investment in Mainland China - is shown in Table 7 (attached).

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 8 (attached).

48. 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, etc.;

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 the head office and 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, 2018				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 10,352	$ 13,517	$ 3,816	$ (7,654)	$ 20,031
Total net revenues (expenses)	$ 22,034	$ 23,529	$ 6,162	$ (3,535)	$ 48,190
Bad-debt expenses and provision for losses on commitments and guarantees	(713)	(831)	(780)	(885)	(3,209)
Operating expenses	(4,540)	(12,398)	(2,069)	(5,646)	(24,653)
Income (loss) before income tax	$ 16,781	$ 10,300	$ 3,313	$(10,066)	$ 20,328

	For the Year Ended December 31, 2017				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 9,125	$ 12,516	$ 3,032	$ (4,658)	$ 20,015
Total net revenues	$ 17,463	$ 21,594	$ 4,532	$ 1,270	$ 44,859
Bad-debt expenses and provision for losses on guarantees	(926)	(998)	(1,570)	(375)	(3,869)
Operating expenses	(3,884)	(11,417)	(1,965)	(6,771)	(24,037)
Income (loss) before income tax	$ 12,653	$ 9,179	$ 997	$ (5,876)	$ 16,953

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
DECEMBER 31, 2018 AND 2017

Entities included in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2018	December 31, 2017	
E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	China	Banking	100.00	100.00	
	Union Commercial Bank PLC.	Cambodia	Banking	100.00	100.00	
	BankPro E-Service Technology Co., Ltd	Taipei	Information software	61.67	61.67	
Union Commercial Bank PLC.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	Note

Entities did not include in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2018	December 31, 2017	
None						

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.

TABLE 2

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Loans

December 31, 2018

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2018 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	124	$ 70,350	$ 46,260	$ 46,260	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	331	1,820,030	1,564,451	1,564,451	-	Land and buildings	None
Other loans	Others	1,035,027	788,714	788,714	-	Land, buildings and plant	None
Other loans	E.SUN Securities	3,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	30,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	17,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	25,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	20,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	28,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None

(Continued)

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	147	$ 83,826	$ 53,553	$ 53,553	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	318	1,562,984	1,285,134	1,285,134	-	Land and buildings	None
Other loans	Other loans	1,197,983	849,757	849,757	-	Land, buildings and plant	None
Other loans	E.SUN Securities	28,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	21,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	16,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	31,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	18,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	14,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	9,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	3,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	31,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	27,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	13,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	7,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	8,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	20,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	14,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	15,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	2,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	15,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	25,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None

Note: The sum of the respective highest balances of each account for the years ended December 31, 2018 and 2017.

(Concluded)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2018 AND 2017
(In Thousands)

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
USD	$ 17,077,979	30.7330	$ 524,857,529	$ 14,560,562	29.8480	$ 434,603,662
CNY	14,693,635	4.4760	65,768,710	11,206,307	4.5795	51,319,282
AUD	3,131,603	21.6820	67,899,416	1,869,017	23.2610	43,475,204
HKD	5,350,264	3.9239	20,993,901	5,487,895	3.8189	20,957,721
JPY	41,968,938	0.2785	11,688,349	23,767,972	0.2650	6,298,513
EUR	227,952	35.2260	8,029,837	151,976	35.6740	5,421,608
SGD	217,522	22.4990	4,894,027	150,963	22.3310	3,371,155
NZD	7,291	20.6310	150,421	6,331	21.2070	134,262
GBP	97,744	38.9020	3,802,437	15,364	40.2170	617,894
CHF	3,514	31.2330	109,753	2,597	30.5600	79,364
ZAR	1,213,692	2.1292	2,584,193	1,571,245	2.4215	3,804,770
CAD	7,768	22.5890	175,471	9,434	23.7780	224,322
SEK	343	3.4251	1,175	8,829	3.6197	31,958
THB	33,601	0.9491	31,891	70,996	0.9157	65,011
MXN	86,000	1.5608	134,229	23,149	1.5151	35,073
VND	485,238,497	0.0013	630,810	534,225,677	0.0013	694,493
MMK	10,391,935	0.0200	207,839	7,194,410	0.0219	157,558
Financial liabilities						
USD	24,682,192	30.7330	758,557,807	19,832,468	29.8480	591,959,512
CNY	19,470,075	4.4760	87,148,056	15,778,691	4.5795	72,258,515
AUD	2,387,535	21.6820	51,766,534	1,290,870	23.2610	30,026,927
HKD	2,591,545	3.9239	10,168,963	3,558,981	3.8189	13,591,392
JPY	57,591,755	0.2785	16,039,304	58,914,811	0.2650	15,612,425
EUR	253,421	35.2260	8,927,008	197,925	35.6740	7,060,792
SGD	50,798	22.4990	1,142,904	57,243	22.3310	1,278,293
NZD	74,352	20.6310	1,533,956	187,956	21.2070	3,985,983
GBP	95,526	38.9020	3,716,152	55,567	40.2170	2,234,738
CHF	4,982	31.2330	155,603	5,846	30.5600	178,654
ZAR	3,466,387	2.1292	7,380,631	2,827,578	2.4215	6,846,980
CAD	90,298	22.5890	2,039,742	71,724	23.7780	1,705,453
SEK	40,343	3.4251	138,179	13,279	3.6197	48,066
THB	19,621	0.9491	18,622	23,919	0.9157	21,903
MXN	131,396	1.5608	205,083	39,970	1.5151	60,559
VND	503,966,060	0.0013	655,156	551,006,738	0.0013	716,309
MMK	8,559,257	0.0200	171,185	3,175,037	0.0219	69,533

TABLE 4

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2018					December 31, 2017				
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		$ 869,455	$ 332,158,212	0.26	$ 3,833,811	440.94	$ 907,153	$ 305,278,205	0.30	$ 3,387,901	373.47
	Unsecured		370,791	336,061,699	0.11	4,032,433	1,087.52	217,153	303,256,415	0.07	3,627,197	1,670.34
Consumer Banking	Residential mortgage (Note 4)		610,348	323,664,541	0.19	4,694,128	769.09	568,475	285,657,415	0.20	4,115,717	723.99
	Cash card		47	2,102	2.24	896	1,906.38	72	2,769	2.60	1,175	1,631.94
	Small-scale credit loans (Note 5)		529,067	105,333,892	0.50	1,220,470	230.68	507,310	97,270,544	0.52	1,147,356	226.16
	Other (Note 6)	Secured	679,717	225,240,618	0.30	2,331,802	343.05	581,049	205,747,555	0.28	2,145,817	369.30
		Unsecured	21,002	2,098,910	1.00	23,302	110.95	39,676	6,762,733	0.59	77,790	196.06
Loan			3,080,427	1,324,559,974	0.23	16,136,842	523.85	2,820,888	1,203,975,636	0.23	14,502,953	514.13
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			150,184	64,469,570	0.23	988,894	658.45	142,747	60,652,043	0.24	973,592	682.04
Accounts receivable factored without recourse (Note 7)			-	13,255,273	-	170,253	-	-	15,036,201	-	200,219	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			13,322					17,631				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			58,550					71,945				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,182,831					1,131,029				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,471,050					1,333,008				

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 debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

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).

E.SUN COMMERCIAL BANK, 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, 2018
(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	Amount			
Union Commercial Bank Plc.	Construction of new building for the operation of UCB's head office	2014.12.18 2018.07.04	US$ 23,834 thousand (Note 1)	US$22,472 thousand has been paid as of December 31, 2018	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 Commercial Bank, Ltd.	2015.06.12 2017.11.28	$ 402,195 (Note 2)	$402,195 has been paid as of December 31, 2018	Zhonglu Construction Co., Ltd., Mr. Lee, Mr. Lee	-	-	-	-	-	Appraisal	The new branch had been officially opened	None
	Construction of new building for Wen Hsin Branch of E.SUN Commercial Bank, Ltd.	2017.11.01 2018.09.21	421,380 (Note 3)	$421,380 has been paid as of December 31, 2018	Chuan Mu Construction Development Inc.	-	-	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None
	Construction of new building for the operation of Kaohsiung building	2018.11.09	707,000	It has not been paid as of December 31, 2018	Chun Yuan Construction Co., Ltd.	-	-	-	-	-	Tender	For the operation of the branch of E.SUN Bank	None
	Construction of new building for the head office of E.SUN Commercial Bank, Ltd.	2018.11.09	6,392,400	$2,556,960 has been paid as of December 31, 2018	Kindom Construction Corp.	-	-	-	-	-	Appraisal	For relocating the head office of E.SUN Bank	None

Note 1: The initial transaction amount was US$21,835 thousand and additional decoration amount of US$1,999 thousand.

Note 2: The initial transaction amount was $410,800 thousand and $8,605 thousand was decreased due to the adjustments of actual construction area.

Note 3: The initial transaction amount was $416,000 thousand and $5,380 thousand was increased due to the adjustments of actual construction area.

E.SUN COMMERCIAL BANK, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Income	Proportionate Share of the Bank and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
E.SUN Commercial Bank, Ltd. (The Bank)	Finance-related business										
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	$ 10,427	$ 720	160	-	160	0.81	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	0.45	225,841	5,177	1,503	-	1,503	0.45	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.28	358,640	31,470	11,876	-	11,876	2.28	
	Taiwan Asset Management Corporation	Taipei	Acquisition of delinquent loans	0.57	57,600	4,854	6,000	-	6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	51,650	350	5,000	-	5,000	2.94	
	Taiwan Finance Corp.	Taipei	Bills financing	0.41	17,024	1,187	2,120	-	2,120	0.41	
	Sunny Asset Management Co.	Taipei	Acquisition of delinquent loans	4.35	4,598	338	261	-	261	4.35	
	Taiwan Mobile Payment Co.	Taipei	Information service	3.00	12,060	-	1,800	-	1,800	3.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	E-commerce application service	61.67	258,198	21,010	8,650	-	8,650	64.07	
	Union Commercial Bank Plc.	Phnom Penh Cambodia	Commercial banking	100.00	3,377,060	(11,859)	80	-	80	100.00	
	E.SUN Bank (China), Ltd.	Shenzhen, China	Commercial banking	100.00	9,148,748	35,387	-	-	-	100.00	
	Non-finance-related business										
	Taiwan Incubator Small & Medium Enterprises Development Co., Ltd.	Taipei	Small and medium enterprise incubation	3.44	15,955	-	2,425	-	2,425	3.44	
	EASYCARD Investment Holding Co., Ltd.	Taipei	Investment	4.82	158,518	5,342	5,013	-	5,013	4.82	
	Alliance Digital Tech Co.	Taipei	Information service	2.16	2,355	-	900	-	900	2.16	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates have been included in accordance with the Company Act.

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 Article 74 of the Banking Law.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of "Securities and Exchange Law Enforcement Rules."

c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

E.SUN COMMERCIAL BANK, LTD.

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					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	$ 35,387	$ 9,148,748	$ -

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$9,758,742 (Note 1)	$9,758,742 (Note 1)	$94,962,132

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 larger of 60% of the Bank's net assets value or 60% of the Company's consolidated net assets value.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	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 Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	$ 2,157,341	Note 4	0.09
1	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	2,157,341	Note 4	0.09
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Due to the Central Bank and other banks	247,056	Note 4	0.01
1	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Cash and cash equivalents	247,056	Note 4	0.01
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Due from the Central Bank and call loans to other banks	7,875,534	Note 4	0.35
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Due to the Central Bank and other banks	7,875,534	Note 4	0.35
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Interest revenue	222,857	Note 4	0.46
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Interest expense	222,857	Note 4	0.46

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company: 0
b. Subsidiaries are numbered in an order starting 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.

Service Network of E.SUN Bank

Branch	phone	Branch	phone	Branch	phone
Head Office Business Division	+886 2 2719 1313	Guangfu Branch	+886 2 2957 1313	Changhua Branch	+886 4 728 1313
Customer Service Division	+886 2 2175 1313	Sanchung Branch	+886 2 2280 1313	Yuanlin Branch	+886 4 836 1313
International Banking Department/OBU	+886 2 2175 1313	Chongsin Branch	+886 2 2984 1313	Douliou Branch	+886 5 532 1313
Trust Department	+886 2 2175 1313	Er-Chong Branch	+886 2 2278 1313	Chiayi Branch	+886 5 223 1313
Credit Card and Payment Division	+886 2 8512 1313	East Sanchung Branch	+886 2 2971 1313	East Chiayi Branch	+886 5 216 1313
Nanching East Road Branch	+886 2 2760 1313	Tucheng Branch	+886 2 2274 1313	Puzih Branch	+886 5 379 1313
Chengjhong Branch	+886 2 2389 1313	SouthTucheng Branch	+886 2 2267 1313	Tainan Branch	+886 6 241 1313
Chengtung Branch	+886 2 2504 1313	Shulin Branch	+886 2 8675 1313	East Tainan Branch	+886 6 289 1313
Hsinyi Branch	+886 2 8789 1313	Hueilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Keelungroad Branch	+886 2 2378 1313	Wugu Branch	+886 2 2290 1313	Annan Branch	+886 6 357 1313
Tienmu Branch	+886 2 2835 1313	Sindian Branch	+886 2 2916 1313	Chiali Branch	+886 6 721 1313
Minsheng Branch	+886 2 2509 1313	Beisin Branch	+886 2 8911 1313	Yanhang Branch	+886 6 253 1313
Songjiang Branch	+886 2 2562 1313	Sanxia Branch	+886 2 8970 6613	Yungkang Branch	+886 6 201 1313
Fuhsing Branch	+886 2 2771 1313	Lujhou Branch	+886 2 2848 1313	South Yungkang Branch	+886 6 313 1313
Tunnan Branch	+886 2 2754 1313	Taishan Branch	+886 2 2297 1313	Rende Branch	+886 6 270 6613
Changchun Branch	+886 2 2546 1313	Xizhi Branch	+886 2 2647 6613	Sinying Branch	+886 6 656 8813
Chungshan Branch	+886 2 2537 1313	East Linkou Branch	+886 2 2606 9813	Kaohsiung Branch	+886 7 336 1313
Neihu Branch	+886 2 2659 1313	Taoyuan Branch	+886 3 332 1313	Dashun Branch	+886 7 727 1313
Chenggong Branch	+886 2 2791 8813	South Taoyuan Branch	+886 3 337 1313	Lingya Branch	+886 7 716 1313
Songshan Branch	+886 2 3765 1313	Taoyin Branch	+886 3 375 1313	Cianjhen Branch	+886 7 761 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Chihsien Branch	+886 7 235 1313
Mincyuan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	Zuoying Branch	+886 7 559 1313
Jhonglun Branch	+886 2 2731 1313	Bade Branch	+886 3 367 1313	Nanzih Branch	+886 7 364 1313
Daan Branch	+886 2 2755 1313	Yiwen Branch	+886 3 357 1313	North Kaohsiung Branch	+886 7 350 1313
Guting Branch	+886 2 2364 1313	Zhongyuan Branch	+886 3 428 1313	Dachang Branch	+886 7 341 1313
Beitou Branch	+886 2 2895 1313	Jhongli Branch	+886 3 427 1313	Chengcing Branch	+886 7 386 1313
Donghu Branch	+886 2 2632 1313	Lisin Branch	+886 3 492 1313	Siaogang Branch	+886 7 807 1313
Xinhu Branch	+886 2 8791 6613	Yangmei Branch	+886 3 488 1313	Fongshan Branch	+886 7 743 1313
Shilin Branch	+886 2 2834 1313	Hsinchu Branch	+886 3 523 1313	Gangshan Branch	+886 7 621 1313
Mujha Branch	+886 2 2936 1313	Guanghua Branch	+886 3 533 1313	Linyuan Branch	+886 7 643 1313
Jhongsiao Branch	+886 2 8772 1313	Juke Branch	+886 3 564 1313	Houjhuang Branch	+886 7 702 1313
Dongmen Branch	+886 2 2321 1313	JhuBei Branch	+886 3 554 1313	Pingtung Branch	+886 8 733 1313
Jiancheng Branch	+886 2 2556 1313	Sinfong Branch	+886 3 557 1313	Donggang Branch	+886 8 835 1313
Nangang Branch	+886 2 2789 1313	Lioujia Branch	+886 3 658 9013	Keelung Branch	+886 2 2427 1313
Renai Branch	+886 2 2708 1313	Jhunan Branch	+886 3 746 1313	Luodong Branch	+886 3 957 1313
Taipei Branch	+886 2 2507 1313	Toufen Branch	+886 3 766 3571	Hualien Branch	+886 3 831 1313
Ruiguang Branch	+886 2 2797 8813	Houlong Branch	+886 3 773 1313	Taitung Branch	+886 8 936 1313
Hsinchuang Branch	+886 2 2202 1313	Taichung Branch	+886 4 2254 1313	Penghu Branch	+886 6 927 1313
North Hsinchuang Branch	+886 2 2997 1313	Wunsin Branch	+886 4 2291 1313	Los Angeles Branch	+1 626 810 2400
Sinshu Branch	+886 2 2203 1313	Dadun Branch	+886 4 2320 1313	Hong Kong Branch	+852 3405 6168
Shwangho Branch	+886 2 2923 1313	Nantun Branch	+886 4 2380 1313	Singapore Branch	+65 6533 1313
Yonghe Branch	+886 2 2949 1313	Situn Branch	+886 4 2461 1313	Dong Nai Branch	+84 61 367 1313
Jixian Branch	+886 2 8283 1313	Daya Branch	+886 4 2568 1313	Yangon Branch	+95 1 9345186~190
Yung An Branch	+886 2 8921 1313	Fongyuan Branch	+886 4 2512 1313	Sydney Branch	+61 2 9295 1399
Jhonghe Branch	+886 2 2222 1313	Jhonggong Branch	+886 4 2350 8913	Brisbane Branch	+61-7-3033-8813
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 24 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	Guangzhou Branch	+86-20-6199-1313
Banhsin Branch	+886 2 8952 1313	Wurih Branch	+886 4 2260 8813	Dongguan Branch	+86 769 2868 1313
SinBan District Branch	+886 2 2954 1313	Caotun Branch	+886 4 9238 1313	Dongguan Changan Sub-branch	+86 769 2330 8813
				Union Commercial Bank Plc.	+855 23 427 995

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