



· **ANNUAL REPORT 2012** ·

E.SUN FHC 2884



**玉山金控** E.SUN FHC



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### Rating Agency

Name: Moody's Investors Service Inc.

Address: 7 World Trade Center 250 Greenwich Street, New York, NY 10007, U.S.A.

Telephone: 1 212 553 0300

### Auditing Certified Public Accountant

Certified Public Accountant: Lai Kwan-Chung, Chen Li Chi

Accounting Firm: Deloitte Taiwan

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### Information of Overseas Depository Receipt

Global Depository Receipt

Place of Trading: Luxembourg Stock Exchange

Website: <http://www.bourse.lu>



Have Taiwan Heard Worldwide  
Highlight E.SUN's Pride Everywhere

E.SUN FHC 11th



Reap a harvest of bliss with joy.

Mathurin Moreau  
Harvest, Marble  
Possession of E.SUN Bank

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# I. Letter to the Shareholders

Dear Shareholders,

We would like to first express our gratitude to our shareholders, clients, and all sectors of society for the longstanding support that had made 2012 a strong year for E.SUN, as well as, ended the first 20 years of our operation with splendid results. In 1992 E.SUN entered the industry with a refreshing group of upright professionals with the aim of running a bank up to a standard that only matches the latitude of Yushan, the highest mountain in Taiwan. The team dedicated its first decade to constructing the ground work for perpetual business. For the ensuing ten years, it developed a series of new products, such as mortgage, SME, credit card, etc., which were not only successful but also award and recognition winning from both governing authorities and client. In the hope of opening a new era in the next decade of a rising Asia, E.SUN will continue to operate under the discipline of the best business knowledge and judgments. We will further leverage our channels to grow targeted customers while refining product lines by boosting greater synergy and innovation momentum among the group subsidiaries. Last but not least, E. Sun will make social responsibility one of the top priorities as well

Total Asset of E.SUN FHC reached over NT\$1.2 trillion in 2012, and generated net profit of NT\$7,085 million, equivalent to Earning per share of NT\$1.46 and Return on equity and Return on asset are 10.03% and 0.59% respectively, besides, the Capital Adequacy Ratio fulfill Basel requirements. E.SUN Bank posted a net profit for the year of NT\$7,179 million. E.SUN Securities registered a net profit of NT\$13 million, E.SUN Venture Capital a net profit of NT\$17 million, and E.SUN Insurance Brokers a net profit of NT\$468 million. The NPL ratio of E.SUN Bank was 0.17% with 658% coverage ratio, maintains its superior asset quality while meet the regulator's requirement on 1% performing loan provision. With regarding the credit

rating, The rating agency Moody's shows its confidence in E.SUN's growth scale and keeping good asset quality in long-term by confirming E.SUN's global long/short rating of Baa2/Prime-2 on July 22, 2012. The core subsidiary, E.SUN's Bank's rating, is maintained at Baa1/Prime-2. All agencies assigned a stable outlook to FHC and Bank. Meanwhile, Fitch also maintain the rating of A(twn)/F1(twn) to E.SUN Securities on July 24, 2012.

E.SUN was named by The Banker one of top global 500 banking brands in 2013 for a brand value of US\$ 140 million. We believe the brand image will be strengthened further through our marketing focus on wealth management, SME, and credit card lines. In addition to advancing the quantitative measures (such as EPS, ROE, ROA, etc.), extra efforts will be made to improve non-quantitative measures (including but not limited to branding, service improvement, risk control, staff training, IT capacity, corporate governance, etc.) to drive further business growth. Meanwhile sales integration will be reinforced among all banking and securities subsidiaries by consolidating all physical, E-commerce, and mobile banking/trading channels, so as to maximize network value and achieve the goal of becoming the high performance and respectable company.

In terms of network Fourth, subsidiary E.SUN Bank acquired Chiayi Fourth Credit-Cooperative Association in 2012 via general acceptance, thereby adding in four more domestic branches to reach a banking network of 136 locations. To enhance the service quality and coverage, as well as, to embrace the rise of the emerging Asian market, E.SUN will keep extending their overseas presence in China and Asia from the existing foreign locations in Los Angeles, Hong Kong, Singapore, and Dongguan. Not only that, we will set up localized systems, provide employee training, and build up local information tank for fostering a cross-border networking effect and transferring our high-quality service overseas. For client management, we are

customer-oriented and will continue to focus on targeted customer development and growth through profile segmentation and offering various products under the FHC. We believe this strategy will magnify the value brought by our VIPs and create more MGM business opportunities, making Wealth Management E.SUN's strongest business line.

E.SUN has pioneered several products and services in the industry, including lobby receptionist, E.SUN Trade, the third-party payment platform, and Ubike, etc. This well corresponds to what Mr. Gary Hamel, the world's most prescient management expert, once said "Innovation is the only workable strategy to establish long-term value." Nevertheless, E.SUN has not yet called an end to staff training, system refinement, and new ideas makings. We want to imbed creativeness to every E.SUN employee to form a spontaneous but disciplined thinking working environment to inspire more in-house innovation. Meanwhile external learning from different industries will also be adopted to brainstorm for new business elements, in order to generate a second growth curve and take leadership in financial engineering.

A higher purpose of business entities is to make society better. Fulfillment of corporate social responsibility justifies the very existence of enterprises. Social responsibility has been an integral part of E.SUN's core strategies since its inception. It is an avid practitioner of environmental protection, energy conservation/carbon reduction, and green procurement. No wonder the Environmental Protection Administration (EPA) and Taipei City government cited E.SUN as one of the top-performing private enterprises and organizations in terms of green procurement for three years in a row. With holders of E.SUN Bank's World Card invited to join the cause, the E.SUN Golden Seed Project has to date helped establish 60 libraries for



Forward looking with hopes.

elementary school pupils in remote areas. Broader horizons are brought to a greater number of schoolchildren who now take up reading. In a similar vein, E.SUN volunteers have solicited donations from colleagues and launched the "Care for Schoolchildren Project." The objective is to join school teachers in helping schoolchildren who need help most. Meanwhile, E.SUN is an avid high school baseball sponsor and blood drive organizer. By pooling resources and taking action to honor its CSR, E.SUN believes our society will become even better as one good deed sends ripples far and wide.

Opportunities and challenges coexist in today's financial markets around the world. E.SUN will ready itself in every way to go up another rung. By building a greater presence across Asia, growing talent and inspiring innovation, we aim to make real our vision for "E.SUN's Great Leap Forward to an Innovative Future." Last but not least, our gratitude goes to those who have placed high expectations on us and prodded us on and to shareholders for their continued support. We would like to extend our sincerest wishes to all of you!

Chairman

*Yung-Gen Huang*

President

*Joseph Huang*

## II. Company Profile



A brilliant scene vibrant with charm.



# 1. Introduction

## 1.1. Establish date: 2002.1.28

## 1.2. History:

### (1)E.SUN FHC

E.SUN has now embarked on its third decade. Thanks to the management team's meticulous planning and concerted efforts of the entire workforce, E.SUN FHC has grown into a full-fledged financial group that offers banking, securities, insurance brokerage and venture capital services. Ours is an outstanding track record on all fronts: corporate governance, operating results, service quality, risk management and CSR. In the days ahead, we will work even harder to enforce total quality management and adapt to the ever-changing world and financial markets with strategies, teamwork and execution marked by speed and flexibility. We believe our success means provision of better-rounded financial services and greater customer value.

E.SUN FHC was established in January 2002 to integrate product operations and promote product development, maximize integrated marketing, reduce business costs, and pursue operational synergy. The FHC was established through a share swap between E.SUN Bank, E.SUN Securities, and E.SUN Bills Finance. In October of that year, E.SUN Venture Capital was founded, followed by E.SUN Insurance Brokers in July 2003. In September of the same year, E.SUN Investment Trust became part of the FHC through a share swap.

With a view to the most appropriate allocation of the FHC's resources and to seek to increase overall operational results, E.SUN Bank in September 2004 acquired the assets, liabilities and business of Kaohsiung Business Bank. Meanwhile, believing that E.SUN Bills Finance had achieved its designated mission, this unit was merged into E.SUN Bank in December 2006. In September 2008, E.SUN signed an agreement with Schroders to sell a 100% stake in E.SUN Securities Investment Trust Co. to that company, furthermore, considering the market environment of leasing industry, E.SUN settled E.SUN Leasing Co. which

invested by subsidiary E.SUN Bank at the same period. In an effort to effectively expand its network and operational value, in March 2011 subsidiary E.SUN Bank acquired the assets, liabilities and operations of Chu Nan Credit-Cooperative Association. Meanwhile, E.SUN Bank on November, 2012 acquired the assets, liability and operations of Chiayi Fourth Credit Cooperative. On Mar. 22, 2013, subsidiary E.SUN Bank has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, the transaction is subject to approval by the relevant regulatory authorities of both parties.

Since its establishment, E.SUN has emphasized its professional, top notch brand name image. It embraces the operational philosophies of professionalism, service, and responsibility. In addition, it seeks to implement its 3+1 corporate culture that stresses practicality, responsibility, strength, teamwork, harmony, happiness, honor, and gratitude both in the workplace and in life. The enthusiastic and differentiated service extended by E.SUN has created the foundation for E.SUN to become a long lasting, sustainable enterprise.

### (2)Core subsidiaries- E.SUN Bank

E.SUN Bank, established on Feb. 21, 1992, serves as the key component of the FHC. Its founder and former Chairman Huang Yung-jen and a group of banking professionals decided to found the Bank, Current Chairman Tseng Kuo-lie has abundant experience in industry, government, and academia, and has a considerable background in financial supervision as well as a broad international perspective. Mr. Tseng joined E.SUN's leadership in May 2010 and is committed to continuing to emphasize the Bank's core values and its unique qualities. He intends to make every effort to further enhance E.SUN's brand name and service value, and in the process solidify E.SUN's presence in Taiwan and operations overseas.

E.SUN FHC was established on January 28, 2002 via a share swap with E.SUN Bank. At present, E.SUN Bank has a comprehensive 132-strong

branch network that reaches all corners of Taiwan. Together with securities joint sales counters in bank branches, its electronic network, Internet bank, ATM, call center, insurance tele-marketing center, and promotion of an integrated cash flow platform, E.SUN has maximized leveraging of its network, thereby significantly boosting its value. At the same time, it stresses brand loyalty, working to create wider opportunities for contact and interaction with customers, which also helps to support growth. Meanwhile, E.SUN's strategic alliance with Prudential Plc has served to expand its bancassurance business. E.SUN presently has branches in Los Angeles(2000), Hong Kong(2002), Singapore(2012), Dongguan(2012) and has an representative office in Vietnam. In the future, E.SUN will continue to expand its presence in the overseas market, providing customers with a wider variety of financial services.

E.SUN encourages innovation in all areas of operations. It constantly strives to streamline procedures and engage in product innovation. Along with its information systems, E.SUN develops products and services that meet customer needs and that provide greater safety and efficiency, exhibiting its competitiveness. However, risk management is always in the forefront of all operations. E.SUN stresses risk management and has examined controls and procedures at each level. It has established a risk appetite mechanism and customer credit scoring models for each product line. These initiatives have helped create a top notch risk management system. This is another example of E.SUN taking steps that further enhance the foundation of the Group and that boost core competitiveness, and which generate even greater value for customers, shareholders, and the Group.

### (3)E.SUN Securities

Subsidiary E.SUN Securities reflects the best of E.SUN's corporate policies and culture. The Company, which has been in operation since November 20, 2000, seeks to provide innovative and professional services in the securities business. With its roots on Taiwan, E.SUN Securities has its sights set on the world, and the establishment of electronic services is its most important direction for

development. The establishment of the FHC on January 28, 2002 helped to hasten the integration of E.SUN's resources, and after a decade of work, innovation, the training of talent, and utilization of data, E.SUN Securities has developed a diversified array of transaction platforms, including its A+ trading platform, Internet-based electronic trading, as well as trading via voice recognition and mobile devices. This provides investors with a safe, stability and efficient investment environment. E.SUN Securities presently has 21 branches, and it has set up 86 cross-selling counters in E.SUN Bank branches, enabling it to engage in joint marketing and customer management in conjunction with E.SUN Bank. E.SUN has created a trustworthy brand name image via which the Company becomes the first choice for customers when placing an order.

In terms of brokerage services, we not only serve ESA investment accounts and provide the A+ online trading platform but also draw on the research resources of E.SUN Investment Consulting in promoting futures and sub-brokerage businesses. We have also taken the lead to incorporate smart trading into our services crucial to meeting the needs of highly differentiated VIP clients. Our "A+ Mobile Trading" app is a timely service catering perfectly to today's e-investment. In proprietary trading, priority is given to consolidating investment and research teams, closely keeping track of industry and market trends, and adopting a diversified approach toward creating profits. Meanwhile, we have a specialized underwriting team that operates by a clearly defined SOP in serving customers. Emphasis is placed on seeking out industries that hold great promise and undertaking meticulous evaluation of every business opportunity so that we can offer well-rounded capital market services.

E.SUN Securities pursues steady growth by building on what it has accomplished so far. Meanwhile, it is equally earnest to think outside the box and undertake organizational reform as it adopts an intelligent and methodic approach toward integrating E.SUN Bank's product lines into its own resources. In so doing, it expects not only to enhance operational efficiency but also to generate greater returns and value for the E.SUN family and its customers.



E.SUN Bank was chosen as the most trustworthy bank in 2 consecutive years, E.SUN FHC received the CSR award, which is the best in financial industry. E.SUN Bank received SME Credit Guarantee Fund Partner Award in 7 consecutive years.

#### (4) E.SUN Venture Capital

E.SUN Venture Capital was established in 2002, the company's paid-up capital is NT\$1.5 billion. At first, the Company mainly invested in the electronics industry, but this has expanded to optical, communication, alternative energy & energy conservation, medical devices and the development new medicines, consumer spending, and traditional industrial sectors that display a high degree of innovation ability.

#### (5) E.SUN Insurance Brokers

Since its inception in July 2003, E.SUN Insurance Broker has been committed to professionalism, service and responsibility. Creating customer value is considered its core value as it strives for sustainable development. A milestone was placed in 2004 when it forged a strategic alliance with Prudential plc. Against the intensified ups and downs of the world economy in recent years, insurance has increasingly become an essential instrument for people keen to better manage their wealth. In turn, E.SUN Insurance Broker has given priority to developing a full range of products as well as its own unique offerings so as to accommodate market trends and meet customer needs. Customer satisfaction is readily attained as what it offers is premium services covering both insurance and wealth management.

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

- (1) Subsidiary E.SUN Bank on March 18, 2011 signed an agreement with Chu Nan Credit-Cooperative Association to acquire the latter. The record date for the transaction was July 9 on the same year, upon which E.SUN acquired Chu Nan's assets, liabilities and operations.
- (2) Subsidiary E.SUN Bank on March 16, 2012 signed an agreement with Chiayi Fourth Credit Cooperation to acquire the latter. The record date for the transaction was Nov.3 on the same year, upon which E.SUN acquired Chiayi Fourth's assets, liabilities and operations.
- (3) Subsidiary E.SUN Bank on Mar. 22, 2013, has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, the transaction is subject to approval by the relevant regulatory authorities of both parties.
- (4) Others: None



## 1.4 E.SUN's Glory

As a brand and team of quality service, E.SUN has won the recognition and acclaim of the competent authority, specialized institutions both in Taiwan and abroad, and the general public. But we will never become complacent. We will stay proactive and modest and work even harder in the days ahead. Here are the accolades and glories we have won over the past three years:

### \* 2012

- E.SUN FHC ranked No. 5 (No. 1 in the group of Financial Institutions) in the Award of Excellence in Corporate Social Responsibility. (CommonWealth Magazine)
- E.SUN Bank received first prize of Best Customer Services Award. (The Business Today Magazine)
- E.SUN FHC received the Certificate of Corporate Governance Evaluation Certification - Advanced CG6007(TCGA).
- E.SUN FHC received Platinum Award in Excellence Management in Corporate Governance in Asia in 3 consecutive years. (The Asset Magazine)
- E.SUN Bank was rated tops for service among financial institutions in Golden Service Award in 2 consecutive years. (CommonWealth Magazine)
- E.SUN Bank received the merit certificate for Green Procurement by Private-Sector Enterprise and Organization in 3 consecutive years (Taipei City Government).
- E.SUN Bank received the merit certificate for Green Procurement (Environmental Protection Administration).
- E.SUN Bank received the Golden Quality Award. (JCIC)
- E.SUN FHC received the merit certificate in the performance assessment of "Save Energy & Reduce Carbon Emission Action Mark" campaign. (Environmental Protection Administration).
- E.SUN FHC was awarded with the highest transparency level A+ from the Assessment of Information Transparency and Disclosure in all TSE/

GTSM listed companies in 4 consecutive years. (Security & Future Institute)

- E.SUN Bank received SME Credit Guarantee Fund Partner Award for both categories of outstanding headquarters and outstanding branch managers (3) in 2011. (MOEA, Credit Guarantee Fund)
- E.SUN CSR Report received the AA1000 Assurance Standards and was deemed in accordance with the Global Reporting Institute G3.1 Guidelines in 2011
- E.SUN Bank received Youth Entrepreneurship Loan Award for both categories of outstanding headquarters and outstanding branches - Shwangho and Dali. (National Youth Commission, Executive Yuan)

### \* 2011

- E.SUN Bank was rated tops for service among financial institutions in 2011 Golden Service Award. (Commonwealth Magazine)
- E.SUN Bank received first prize in Most Trust-worthy Award (3 consecutive years), Best Teamwork of Financial Consultant and Best Performance Award in 2011. (The Business Today Magazine)
- E.SUN FHC received Platinum Award in 2010 Excellence Management in Corporate Governance in Asia in 2 consecutive year.(The Asset Magazine)
- E.SUN Bank received numerous awards from China Productivity Center to honor the long-term efforts E. Sun has devoted to customers. These first prize awards include Services Capital Award, Happiness Award, Hospitality Award (Corporate Banking), Corporate Culture Award, Business Strategy Award, Accountability Award and Customer Loyalty Award (Corporate & Personal Banking).





- E.SUN Bank received SME Credit Guarantee Fund Partner Award for both categories of outstanding headquarters and outstanding branch manager in 6 consecutive years. (MOEA, Credit Guarantee Fund)
- E.SUN FHC was awarded with the highest transparency level A+ from the Assessment of Information Transparency and Disclosure in all TSE/GTSM listed companies in 3 consecutive years. (Security & Future Institute)
- E.SUN Bank received Youth Entrepreneurship Loan Award for both categories of outstanding headquarters and outstanding branches-Dadun, Chihsien, Minsheng, Jhongli, and Dadun Branch also received the Best Performance Award. (National Youth Commission, Executive Yuan)
- E.SUN Bank received the merit certificate for Green Procurement by Private-Sector Enterprise and Organization in 2 consecutive years (Taipei City Government)
- E.SUN Bank received "Golden Quality award" to honor the support E.SUN has devoted to sports. (Sports Affairs Council, Executive Yuan)
- E.SUN volunteer foundation received award in social welfare. (Ministry of the Interior)
- E.SUN Foundation received award in social education. (Ministry of Education)

\* 2010

- E.SUN FHC received Corporate Social Responsibility Award in 3 consecutive years(Commonwealth magazine)
- E.SUN Bank received Best Social Responsibility award(Taiwan Academy of Banking and Finance )
- E.SUN received the certificate of corporate governance Advanced CG6005 (TCCA)
- E.SUN Bank ranked No.1 among all financial companies in service quality survey(Global View magazine)
- E.SUN Bank was chosen as the most trustworthy and

service quality bank in Wealth Management Business(Business Today)

- E.SUN Bank received SME Credit Guarantee Partner Award in 5 consecutive years(MOEA, Credit Guarantee Fund)
- E.SUN FHC was awarded with the highest transparency level A+ from the Assessment of Information Transparency and Disclosure in all TSE/GTSM listed companies in 3 consecutive years. (Security & Future Institute)
- E.SUN Bank received award of Best Contribution of the Year, Best Achiever: Gross Dollar Volume Advancement. (MasterCard)
- E.SUN Bank was awarded with the Best Visa Credit Card Growth Rate Issuer of Taiwan in Year 2010. (Visa)
- E.SUN Bank received Long Teng award for national online payment business in transaction numbers and financial XML award in business promotion and in business stability.(The Bankers Association)

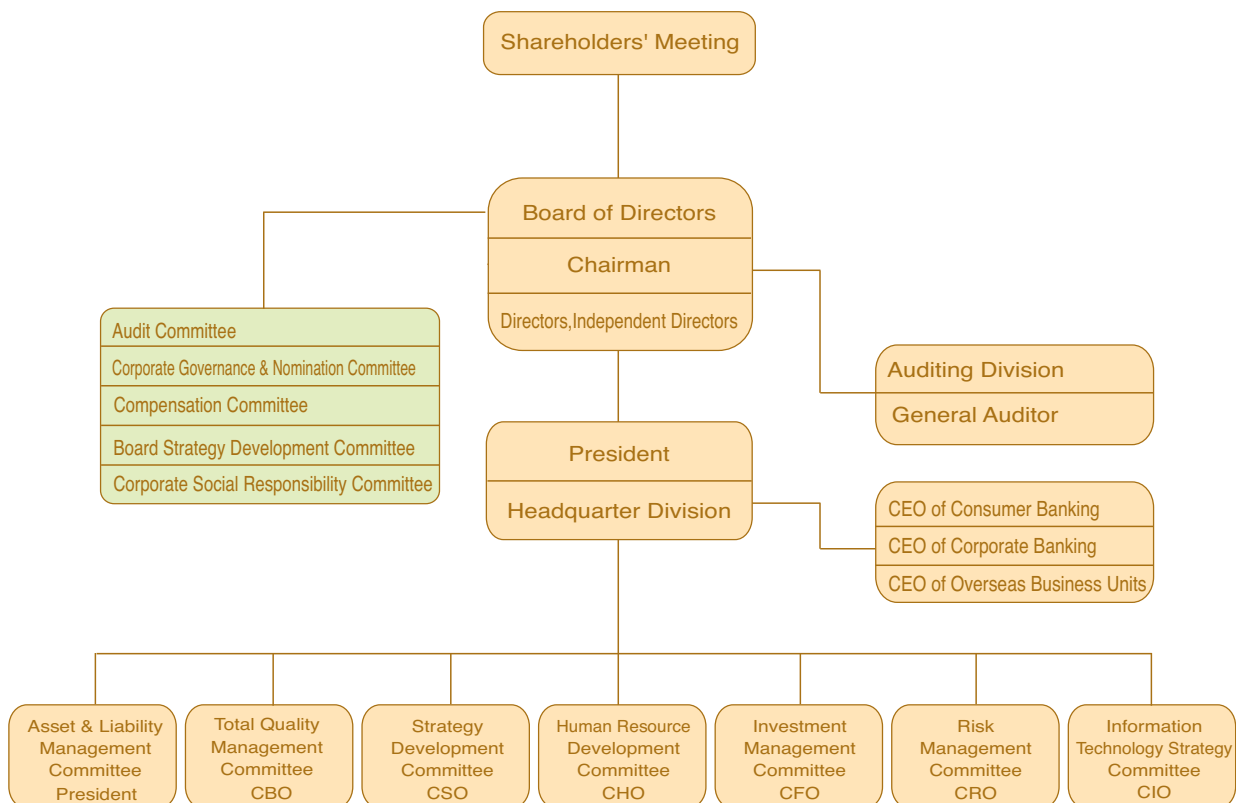
E.SUN is dedicated to establishing systems, cultivating talent and developing information, helping to generate core competitiveness in its brand name, service and team. The Group is consistently strengthening its corporate governance and fulfilling its corporate social responsibility, boosting value for the Group, customers, employees, shareholders and society. The honors we have won recognize our efforts and achievements, and we will intend to continue to provide highly professional service and exhibit our responsibility to society, creating a sustainable path for society and the Earth. At the same time, we are determined to institute R&D and innovation throughout our product lines and enhance service procedures so as to be the best performing and most respected enterprise.

## III. Corporate Governance

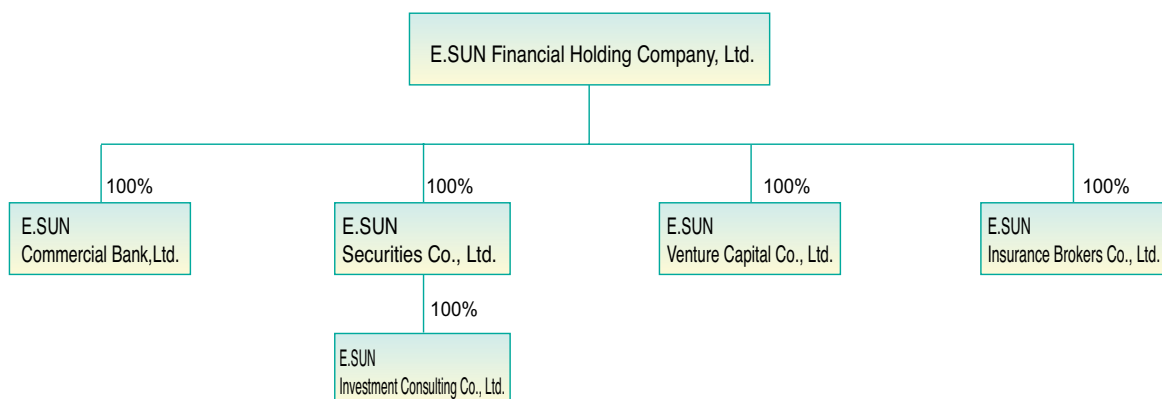


Nature's majesty—wind-swept clouds speeding by.

# 1. Organization Chart



## 2. Corporate Structure of E.SUN Financial Holding Company, Ltd.



## 3. Directors and Independent Directors



Steer with professionalism and insight.

### 3.1 Directors and Independent Directors

2012.12.31 Unit 1,000 shares

Position	Name/Representative	Date of Election	Term	Date of First Elected	Shareholding when elected		2011.12.31						Education (Experience)
							Shares		Shareholdings of the spouse and minors		Shareholding under other's name		
							Shares	%	Shares	%	Shares	%	
Chairman	Representative of E.SUN Volunteer & Social welfare Foundation Yung-Jen huang	2011.6.28	3 Years	2005.6.10 ----- 2001.12.10	8,644	0.227	14,806	0.295	5,629	0.112	0	0	Department of Cooperative Economics at National ChungHsing University
Director	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	2011.6.28	3 Years	2005.6.10 ----- 2008.6.13	8,644	0.227	14,806	0.295	3,919	0.078	0	0	MBA of the City University of New York, 20 years in Financial Industry
Director	Representative of E.SUN Foundation Kuo-Lieh Tseng	2011.6.28	3 Years	2001.12.10 ----- 2010.5.14	7,577	0.199	9,297	0.186	875	0.017	0	0	Master of Public Administration at Harvard University, Director of Banking Bureau, Financial Supervisory Commission
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	2011.6.28	3 Years	2001.12.10 ----- 2001.12.10	34,136	0.898	32,892	0.656	39,768	0.794	0	0	Kai-Nan Commercial & Technical High School
Director	Representative of Allcan Investment Co., Ltd. Chiu-Hsiong Huang	2011.6.28	3 Years	2001.12.10 ----- 2001.12.10	55,999	1.472	68,713	1.371	48,357	0.965	0	0	PhD of Business Administration at Dela Salle University
Independent Director	Chen -En Ko	2011.6.28	3 Years	2004.6.11	0	0	0	0	0	0	0	0	PhD of Department of Accounting at University of Minnesota
Independent Director	Ji-Ren Lee	2011.6.28	3 Years	2006.6.9	0	0	0	0	0	0	0	0	MBA, University of Illinois, USA
Independent Director	Chen-Chen Chang Lin	2011.6.28	3 Years	2007.6.15	0	0	0	0	0	0	0	0	Master of University of Michigan
Independent Director	Hsin-I Lin	2011.6.28	3 Years	2008.6.13	0	0	0	0	0	0	0	0	Bachelor of Department of Mechanical Engineering, National Cheng-Kung University
Director	Representative of Ron -Yuan Investment Co., Ltd. Chao-Kuo Chen	2011.6.28	3 Years	2004.6.11 ----- 2008.11.4	142,087	3.736	174,344	3.479	11,318	0.226	0	0	MBA, UCLA
Director	Representative of Shang Li Car Co., Ltd. Chien-Li Wu	2011.6.28	3 Years	2005.6.10 ----- 2005.6.10	17,900	0.471	24,150	0.482	0	0	0	0	Chung Jung High School
Director	Representative of Shan Meng Investment Co., Ltd., Wu- Lin Duh	2011.6.28	3 Years	2001.12.10 ----- 2005.6.10	10,050	0.264	12,331	0.246	4,263	0.085	0	0	EMBA of National Cheng Kung University, 41 years in Financial Industry
Director	Representative of Sunlit Transportation Co., Ltd. Suka Chen	2011.6.28	3 Years	2005.6.10 ----- 2008.6.13	11,200	0.294	20,400	0.407	1,422	0.028	0	0	Master of Department of Agricultural Economics at National Taiwan University, 24 years in Financial Industry

Note 1: For institutional director, the term 'shareholding of the spouse and minors' refer to the representative of the institution.



## 3.2 Professional Qualifications and Independence Analysis of Directors and Independent Directors

2012.12.31

Criteria Name (Note)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience
	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	Being a judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Having work experience in commerce, law, finance, or accounting, or other areas necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Chairman Yung-Jen Huang		✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	0
Director Kuo-Leih Tseng	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Director Joseph N.C. Huang			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Chen-En Ko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Independent Director Ji-Ren Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Chen-Chen Chang Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Hsin-I Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Director Chiu-Hsiong Huang		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Director Jackson Mai			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Director Chao-Kuo Chen			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Director Chien-Li Wu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Director Wu-Lin Duh			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Director Suka Chen			✓			✓	✓	✓	✓	✓	✓	✓	✓	0

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

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

### 3.3 Executive Officers



Work together toward a future of hope.

2013.3.30 Unit: 1,000 shares;%

Position	Name	Date of Taking Office	2011.12.31						Education (Experience) Position	Current position Held at other company	Managers who are spouses or within the second degree of consanguinity		
			Shareholdings		Shares Held by Spouse and Children under 18		Shares Held Using Names of Others				Position	Name	Relation
			Shares	Ratio	Shares	Ratio	Shares	Ratio					
President & CSO	Joseph N.C. Huang	2008.07.16	3,740	0.075	179	0.004	0	0	MBA of the City University of New York, 20 years in Financial Industry	Director of E.SUN FHC, President and Managing Director of E.SUN Bank	None	None	None
CBO	Wu-Lin Duh	2002.01.28	3,691	0.074	572	0.011	0	0	EMBA of National Cheng Kung University, 41 years in Financial Industry	Director of E.SUN FHC, Chairman of E.SUN Securities	None	None	None
Deputy President	Suka Chen	2012.01.07	1,368	0.027	54	0.001	0	0	Master of Department of Agricultural Economics at National Taiwan University, 24 years in Financial Industry	Director of E.SUN FHC, CEO of Consumer Banking, E.SUN Bank Director of E.SUN Securities	None	None	None
CFO	Magi Chen	2004.02.13	738	0.015	0	0	0	0	EMBA, University of Tennessee, Knoxville, 34 years in Financial Industry	Director of E.SUN Bank, CFO and SEVP of Treasury Division at E.SUN Bank	None	None	None
CHO	J.C. Wang	2002.01.28	1,680	0.034	585	0.012	0	0	Master of Agricultural Management at National Chung Hsing University, 24 years in Financial Industry	Director of E.SUN Bank, CHO and SEVP of Human Resource Division	VP	Pei-Hwa Wang	Sister
SEVP	Ben Chen	2012.01.07	2,024	0.040	671	0.013	0	0	Department of Business Administration at Soochow University, 23 years in Financial Industry	SEVP of Credit Card & Payment Division, Director of E.SUN Insurance Brokers	None	None	None
SEVP	Mao-Cin Chen	2012.01.07	1,157	0.023	5	0.0001	0	0	Master of Department of Economics at National Taiwan University, 21 years in Financial Industry	Director of E.SUN Bank, CEO of Corporate Banking	None	None	None
SEVP	Shui-Chin Shen	2012.01.07	713	0.014	78	0.002	0	0	Master of Management at National Chung Hsing University, 36 years in Financial Industry	SEVP of Wealth Management Division, E.SUN Bank Chairman of E.SUN Insurance Brokers	None	None	None
SEVP	L.C. Lin	2012.01.07	435	0.009	0	0	0	0	Department of Public Administration at National Chung Hsing University, 18 years in Financial Industry	SEVP of Corporate Banking Division, E.SUN Bank	None	None	None
CAO	Kuan-Her Wu	2002.01.28	313	0.006	0	0	0	0	Department of Accountancy at National Chung Hsing University, 37 years in Financial Industry	CAO and EVP of Accounting Division at E.SUN Bank; Supervisor of E.SUN VC	None	None	None
Executive Vice President	Scott Chou	2002.01.28	1,514	0.030	395	0.008	0	0	Department of Civil Engineering at National Taipei Institute of Technology, 33 years in Financial Industry	EVP of General Affairs Division at E.SUN Bank	None	None	None
Vice CFO	Joseph Shue	2005.07.01	510	0.010	0	0	0	0	Master of Department of Business Development at National Sun Yat-Sen University, 21 years in Financial Industry	Vice CFO and EVP of Treasury Division at E.SUN Bank	None	None	None
General Auditor	David H.C. Lien	2012.04.26	297	0.006	0	0	0	0	MBA of University of Southampton, 29 years in Financial Industry	None	None	None	None
CIO	Wan-Li Hsieh	2012.03.23	329	0.007	49	0.001	0	0	Department of ee and computer science at University of Chung Yung, 19 years in Financial Industry	CIO /EVP of IT Division at E.SUN Bank	None	None	None
CRO	Oliver Shieh	2011.03.18	580	0.012	0	0	0	0	Master of Applied Finance center at Macquarie University, Australia, 21 years in Financial Industry	CRO/EVP of Risk Management Division at E.SUN Bank	None	None	None
CMO	Bright Wen	2012.01.07	215	0.004	0	0	0	0	Master of Department of Economics at Soochow University, 18 years in Financial Industry	CMO/SVP of E.SUN	None	None	None
Head of Legal compliance	Fion OuYang	2012.05.04	32	0.001	0	0	0	0	College of Law at National Chengchi University, 15 years in Financial Industry	SVP and Head of Legal Compliance at E.SUN Bank	None	None	None

### 3.4 Remuneration of Directors, Independent Directors, President and SEVP

#### (1) Remuneration of Directors and Independent Director

2012.12.31 Unit:NT\$ thousand

Title	Name	Remuneration								Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)	Compensation paid to directors from an invested company other than the company's subsidiary							
		Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)		Amount of new shares of restricted stock meant for employees										
		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	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
List below		6,295	16,568	0	0	67,853	78,567	1,555	4,908	1.07%	1.42%	9,918	14,724	0	0	891	0	1,406	0	0	0	0	0	0	0	1.23%	1.65%	None

\* List of Directors : Chairman: Yung-Jen Huang(Representative for E.SUN volunteer & Social Welfare Foundation ) 、 Director: E.SUN volunteer & Social Welfare Foundation(Representative Joseph N.C. Huang) 、 E.SUN Foundation(Representative Kuo-Lieh Tseng) 、 Hsin Tung Yang Co.,Ltd. (Representative Jackson Mai) 、 Allcan Investment Co., Ltd.(Representative Chiu-Hsiung Huang) 、 Chen-En Ko 、 Ji-Ren Lee 、 Chen-Chen Chang Lin 、 Hisn-I Lin 、 Ron-Yuan Investment Co., Ltd.(Representative Chao-Kuo Chen) 、 Shang Li Car Co.,Ltd.(Representative Juan-Li Wu) 、 Shan Meng Investment Co.,Ltd.(Representative Wu-lin Duh) 、 Sunlit Transportation Co.,Ltd.(Representative Suka Chen).

\* Remuneration distributed to directors who are serving for year 2012.

#### Remuneration Range table

Unit NT\$ thousand

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000				
NT\$2,000,000 ~ 5,000,000	Ron-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Suka Chen), Shan Meng Investment Co.,Ltd. (Representative Wu-Lin Duh)	Ron-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Suka Chen)	Ron-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Suka Chen), Shan Meng Investment Co.,Ltd. (Representative Wu-Lin Duh)	Ron-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd.
NT\$5,000,000 ~ 10,000,000	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Foundation(Representative Kuo-Lieh Tseng), Hsin Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), , Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Shan Meng Investment Co.,Ltd. (Representative Wu-Lin Duh)	E.SUN Foundation(Representative Kuo-Lieh Tseng), Hsin Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin	Hsin Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Sunlit Transportation Co.,Ltd. (Representative Suka Chen), Shan Meng Investment Co.,Ltd. (Representative Wu-Lin Duh)
NT\$10,000,000 ~ 15,000,000				
NT\$15,000,000 ~ 30,000,000	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), E.SUN Foundation(Representative Kuo-Lieh Tseng)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Foundation(Representative Kuo-Lieh Tseng)
NT\$30,000,000 ~ 50,000,000				
NT\$50,000,000 ~ 100,000,000				
Over NT\$100,000,000				
Total		75,703	100,043	86,511
				116,173

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

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

Unit NTS thousand

Year Title	2012						2011					
	The company			Companies in the consolidated financial statements			The company			Companies in the consolidated financial statements		
	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax
Directors	13	75,703	1.07%	13	100,043	1.41%	13	40,087	1.15%	13	52,255	1.50%
President and SEVP	12	12,314	0.17%	12	73,048	1.03%	7	7,192	0.21%	7	57,035	1.64%

Note: 2012 Net Profit for E.SUN FHC is NT\$7,058,236 thousand, 2011 Net Profit for E.SUN FHC is NT\$3,484,348 thousand.

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

b. The performance review system and remuneration framework for managers is first screened by the Compensation Committee, following which the board makes a final decision. Salaries of managers should reflect their professional experience, the Company's, counterparts' and market standards and 'Codes of Managers' remuneration for E.SUN FHC'. Meanwhile, the Company will issue bonuses based on overall operational results and individual performance. This enables a manager's compensation to be closely related to operational performance. A manager's bonus will be impacted if a major risk event occurs that impacts the Company's reputation, inappropriate internal management is seen, or other abuses are documented. At the same time, the Company will carry out stress tests and scenario analysis to evaluate possible risk in the future, and the Risk Management Committee each quarter will report to the board on the level of such risk.



## 4. Implement of Corporate Governance

### 4.1 Board of Directors

A total of 9 meetings of the board of directors were held in the previous period. Directors and Independent Directors attendance was as following

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Chairman	Representative of E.SUN Volunteer & Social welfare Foundation Yung-Jen Huang	9	0	100	Re-elected
Director	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	9	0	100	Re-elected
Director	Representative of E.SUN Foundation Kuo-Lieh Tseng	9	0	100	Re-elected
Director	Representative of Allcan Investment Co.,Ltd. Chiu-Hsiung Huang	9	0	100	Re-elected
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	9	0	100	Re-elected
Independent Director	Chen -En Ko	9	0	100	Re-elected
Independent Director	Ji-Ren Lee	7	2	77.78	Re-elected
Independent Director	Chen-Chen Chang Lin	9	0	100	Re-elected
Independent Director	Hsin-I Lin	8	1	88.89	Re-elected
Director	Representative of Ron -Yuan Investment Co.,Ltd. Chao-Kuo Chen	8	1	88.89	Re-elected
Director	Representative of Shang Li Car Co.,Ltd. Chien-Li Wu	9	0	100	Re-elected
Director	Representative of Shan Meng Investment Co.,Ltd. Wu-Lin Duh	9	0	100	Re-elected
Director	Representative of Sunlit Transportation Co., Ltd. Suka Chen	8	1	88.89	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: None

2.If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

Director	Motions	Reasons for avoidance	Status of voting
Wu-Lin Duh Suka Chen	Motion concerning compensation standards for managers	Conflict of interest	Not involve in discussion and voting.
Wu-Lin Duh Suka Chen	Motion concerning performance evaluation for managers	Conflict of interest	Not involve in discussion and voting.
Suka Chen	Motion to promote and appoint SEVP of E.SUN FHC	Conflict of interest	Not involve in discussion and voting.
Wu-Lin Duh Suka Chen	Motion to appoint Directors and Supervisor for E.SUN Securities and E.SUN Insurance Brokers	Motion concerning the companies which the directors response for	Not involve in discussion and voting.
Joseph N.C.Huang Wu-Lin Duh Suka Chen	Motion concerning bonus distribution to senior managers for the company and its subsidiaries	Conflict of interest	Not involve in discussion and voting.
Kuo-Lieh Tseng Wu-Lin Duh Suka Chen	Motion concerning compensation standards for Directors	Conflict of interest	Not involve in discussion and voting.
Joseph N.C.Huang Wu-Lin Duh Suka Chen	Year-end bonus for senior managers	Conflict of interest	Not involve in discussion and voting.

3. Evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g. establishment of an audit committee and enhancement of information transparency), and measures taken toward achievement thereof: To strengthen corporate governance, enhance supervision and upgrade management, the Company established its Audit Committee after the AGM elected a new board in June 2008. In 2011, the Company set up its Remuneration Committee ahead of time in accordance with Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. It was followed by the establishment of the Corporate Social Responsibility Committee in 2012 to enable the Company and its subsidiaries to better fulfill their CSR. Having also established the Corporate Governance and Nomination Committee and Board Strategy Development Committee, the board is keen to foster cooperation across all these operating committees, thereby strengthening its own functions and enforcing corporate governance effectively.

### 4.2 Audit Committee

A total of 7 Audit Committee (A) were held in the previous period. Independent director attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【B/A】	Remarks
Independent Director	Chen-En Ko	7	0	100	Re-elected
Independent Director	Ji-Ren Lee	4	3	57.14	Re-elected
Independent Director	Chen-Chen Chang Lin	7	0	100	Re-elected
Independent Director	Shin-I Lin	7	0	100	Re-elected

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: None

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

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

Date	Mode	Object	Issues to communicate	Result
2012.03.15	Audit Committee	CPA	Report the results of audit work for 2011 financial reports	Noted
		General Auditor	Report the results of audit work for year 2011	Noted
2012.04.27	Audit Committee	General Auditor	Report the results of audit work for first quarter of 2012	Noted and agree with the suggestions
2012.08.14	Audit Committee	CPA	Report the results of audit work for 1H12 financial reports	Noted
		General Auditor	Report the results of audit work for first half of 2012	Noted
2012.11.15	Audit Committee	General Auditor	Report the results of audit work for third quarter of 2012	Noted
			Report the annual audit plan for year 2013	For Board's approval
2012.11.23	Auditor Forum	General Auditor and staff from Audit Division	How to enhance the audit function	Agree with the suggestions
2013.01.31	Audit Committee	CPA	Report the plan of audit work for 2012 financial reports	Noted
		General Auditor	Report the results of audit work for year 2012	Noted
2013.03.21	Audit Committee	CPA	Report the results of audit work for 2012 financial reports	Noted

### 4.3 Items of Disclosure According to Corporate Governance Code for FHCs

Please refer to <http://www.esunfhc.com.tw/info/>

## 4.4 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	State of Operation	Discrepancy with Listed Company Corporate Governance Enforcement Rules and reasons for such.
<p>1.Ownership structure and shareholders' equity of FHC</p> <p>(1)The manner in which the FHC handles shareholders' proposals or disputes</p> <p>(2)The ability of the FHC to identify its controlling shareholders and the ultimate person or persons behind such shareholders</p> <p>(3)The ways the FHC establishes firewalls and risk management mechanisms with respect to its affiliates</p>	<p>(1)The Company has appointed a spokesperson and set up investor relations and stock affairs departments. Channels of contact are fully disclosed on the Company's website so that shareholders can express opinions over the phone, by email, or by leaving guestbook messages. All of these will be properly handled accordingly.</p> <p>(2) The Company's major shareholders holding greater than a 5% stake have all reported their shareholdings to the Company according to law. The Company also discloses materials promoting pertinent regulations and forms on its website.</p> <p>(3)The Risk Management Committee is charged with the responsibility of supervising the establishment and implementation of a risk management system by the Company and its subsidiaries. In addition to enforcing and supervising risk management policy and building a risk management culture, it is also supposed to map out the Company's risk management policy and guidelines. That is, the committee is responsible for putting into force risk management decisions made by the board and consolidating the screening, supervision and coordinated implementation of the risk management mechanisms of both the Company and its subsidiaries. Moreover, the committee is supposed to establish an information security defense mechanism for business dealings and information exchanges among E.SUN subsidiaries.</p>	No difference
<p>2.Duties of Board of Directors</p> <p>(1)State of Company designating of independent director.</p> <p>(2)State of regularly evaluating independence of certifying CPA</p>	<p>(1)Four independent directors had been elected in AGM meeting on 28th of June, 2011. The Company has formulated guidelines delineating the responsibilities of independent directors to serve as a basis for these individuals in carrying out their jobs.</p> <p>(2) The Company annually commissions an accounting agency to carry out and approve financial- and tax-related audits. The Auditing Committee and board screen accounting agencies for professionalism, independence and reasonable fees, after which they appoint an agency to serve as the Company's auditing accountant.</p>	No difference
<p>3.State of establishing avenues of communication with interested parties.</p>	<p>The Company and its subsidiaries designate specific unit in charge of communication with interested parties.</p> <p>The Bank's customers can express their opinions through customer service units. Employee disputes will be handled by human resource departments. This ensures smooth communication channels for interested parties.</p>	No difference
<p>4. Disclosure of information</p> <p>(1)The FHC has set up website for the disclosure of financial information and its corporate governance practices.</p> <p>(2)Any other methods adopted by the FHC for the disclosure information (e.g., establishing English-version website, appointing persons responsible for gathering and disclosing Bank information, implementing a spokesperson system, and placing the record of analyst meeting on its website).</p>	<p>1.</p> <p>(1)Disclose status of Financial information, Business operation and Corporate governance in the website (<a href="http://www.esunfhc.com.tw/ir/ir.aspx">http://www.esunfhc.com.tw/ir/ir.aspx</a>)</p> <p>(2)Information disclosed includes financial information, business operation, and resolutions by board, material for analyst meeting, internal control and contact information.</p> <p>2.</p> <p>(1)The Company has already set up English and Chinese websites. Designated persons are responsible for collecting and posting information on those sites.</p> <p>(2)The FHC has already appointed a spokesman, who has comprehensive understanding of the financial performance and business operations of the company.</p> <p>Spokesman Name: Joseph N.C. Huang Position: President Telephone +8862-2175-1313#1399 Email:joseph@email.esunbank.com.tw</p> <p>Deputy Spokesman Name: Suka Chen Position: Deputy president Telephone: +8862-2175-1313 Email:suka@email.esunbank.com.tw</p> <p>Stock Transfer and Service Contact Stock Service Department Address: 1F, No.115 Sec.3 Ming-Sheng E. Road, Taipei Telephone: +8862-2719-1313 #1</p> <p>(3) The record of the analyst meeting has uploaded to E.SUN's website.</p>	No difference

Item	State of Operation	Discrepancy with Listed Company Corporate Governance Enforcement Rules and reasons for such.
5.The status of establishment and operation of functional committees, such as Nomination committee	<p>1.Audit Committee</p> <p>(1) Rules of Audit committee organization have been established.</p> <p>(2)The committee is compose with all independent directors, the committee has the following main objectives in its work:</p> <ol style="list-style-type: none"> <li>Ensuring the Company's financial statements is in proper form.</li> <li>Selecting (dismissing) certified Public Accountant (CPA),and to verifying CPA's independence and monitoring performance.</li> <li>Ensuring effective implementation of the Company's internal controls.</li> <li>Ensuring Company compliance with related rules and regulations</li> <li>Control the internal risk within the company</li> </ol> <p>(3) Others please refer to 4.2 Audit Committee</p> <p>2. Corporate governance and nomination committee.</p> <p>(1) Rules of Corporate governance and nomination committee organization have been established.</p> <p>(2) The committee meets at least once a year, an independent director is the convener and chairman of this committee, which assists the board of directors in the following tasks:</p> <ol style="list-style-type: none"> <li>Ensuring the integrity of corporate governance units and systems.</li> <li>To seek out, screen and nominate candidates for board directors.</li> <li>To establish and develop an organizational framework for the board of directors, ensuring the proper formation of the board.</li> <li>To screen or nominate candidates for president and SEVP for FHC and it's subsidiaries.</li> </ol> <p>(3) The committee has held 3 times in the most recent year.</p> <p>3.Compensation committee</p> <p>(1)Rules of Compensation committee organization have been established.</p> <p>(2) The committee meets at least twice a year, an independent director is the convener and chairman of this committee, with the following tasks:</p> <ol style="list-style-type: none"> <li>To assist the board in planning and evaluating the salary level for the chairman, and to set a salary framework for high-ranking managers at the level of vice president and above.</li> <li>To evaluate the compensation scheme for directors , manager and high-ranking managers of subsidiaries..</li> </ol> <p>4. Board Strategy development committee</p> <p>(1) Rules of Board Strategy development committee organization have been established.</p> <p>(2) The committee meets at least once a year, the chairman is the convener and chairman of this committee with following tasks:</p> <ol style="list-style-type: none"> <li>Convenes meetings regarding the Company's strategic development goals and report to the board of directors.</li> <li>Report to the board of directors on any other important strategic matters that could impact the Company's future development.</li> </ol> <p>(3) The committee has held once in most recent year.</p> <p>5. Corporate Social Responsibility Committee</p> <p>(1) Rule of Corporate Social Responsibility committee organization has been established.</p> <p>(2) The committee meets at least once a year, the chairman is the convener and choose the committee members with following tasks:</p> <ol style="list-style-type: none"> <li>Set the annual plan and strategies</li> <li>Organize the campaigns</li> <li>Review the performance of annual plan and strategies</li> <li>Establish and review the CSR report</li> <li>Decide media issues relate to CSR</li> <li>Others relate to CSR</li> </ol>	No difference

## 4.5 Social Responsibility

Item	State of Operation	Any discrepancies and reasons for such with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies
<p>1. Implementing and Promoting Corporate Governance</p> <p>(1)E.SUN has formulated policies and systems with respect to corporate social responsibility, and regularly examines the effectiveness of these measures.</p> <p>(2)E.SUN has created a unit responsible for promoting and monitoring the state of corporate social responsibility.</p> <p>(3)E.SUN regularly holds courses for directors, supervisors and employees in corporate ethics. This system is also linked to the performance review mechanism for employees. An effective reward and demerit system has been established to reflect related performance</p>	<p>(1) The Company has laid down a set of corporate governance best-practice principles to ensure our complying with laws and regulations, bolster internal management, strengthen the functions of the board, and protect the rights and interests of shareholders and stakeholders. With priority given to capital adequacy, asset quality and liquidity, management competence, profit capacity, and risk sensitivity, the Company is equally committed to honoring corporate social responsibility and making investment accordingly. Standing by our business ideals, we are set to strive for sustainable development and attain the long-term goal of benefiting society. Besides working on corporate governance, customer rights, employee welfare, the public good, and energy conservation/ carbon reduction, we pledge to do more in humanities, the arts and environmental protection in our endeavors toward fulfilling CSR and thus generate a greater impact on the community.</p> <p>(2) The Company has established the Corporate Social Responsibility Committee and laid down its organizational regulations accordingly. As an operating committee of the board, it is supposed to make sure that the Company and its subsidiaries faithfully fulfill their corporate social responsibility.</p> <p>(3) The Company instills and realizes corporate ethics through publicity and examinations.</p>	<p>E.SUN’s corporate culture and operational philosophies play a foremost role in establishing complete legal compliance and internal control system. Besides promoting professional operations and implementing corporate governance, E.SUN complies with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies. There is no discrepancy in the initiatives undertaken by E.SUN to promote corporate social responsibility</p>
<p>2. Developing a Sustainable Environment</p> <p>(1) The state of E.SUN striving to boost the utilization of resources and seeking to minimize its burden on the environment by using recycled items.</p> <p>(2) The state of E.SUN establishing environmental management systems appropriate for its industry.</p> <p>(3) The state of creating a unit (or designating personnel) responsible for environmental management and protecting the environment.</p> <p>(4) The state of monitoring the impact on E.SUN operations of climate change, and formulating strategies for energy conservation and reduction of carbon and greenhouse gases.</p>	<p>(1) E.SUN FHC and its subsidiaries make every effort to purchase and use materials, equipment, and devices with the green stamp of approval or that have been certified as environmentally friendly in accordance with legal requirements. It also uses recycled materials, low energy consumption articles, items generating low amounts of pollution and materials that can be recycled. E.SUN avoids products that are over-packaged, harm the environment, and don’t decompose naturally, as well as machinery or equipment that consumes large amounts of energy.</p> <p>(2) E.SUN has drafted the E.SUN Green Policy white paper and has established its environmental management system in accordance with the principles set forth in this document.</p> <p>(3) Subsidiary E.SUN Bank and the E.SUN Volunteers Foundation jointly promote the implementation of the policies stated in the white paper in an effort to both demonstrate the power of the Company and individuals in adopting practical methods to protect the environment.</p> <p>(4) E.SUN also considers the environmental protection policies of its corporate lenders and the degree of pollution generated by these clients in assessing whether to extend loans. This is aimed at boosting environmental awareness among the corporate sector. Meanwhile, the Bank strives to promote as many e-services as possible in order to reduce the amount of paper and minimize energy consumption</p>	<p>E.SUN complies with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies in an effort to forge a sustainable environment. There is no discrepancy in the initiatives undertaken by E.SUN to promote environmental protection. Efforts are detailed below:</p> <p>(1) Subsidiary E.SUN Bank first drafted Environmental Protection and Management Guidelines in 1996. In 2007, the Bank released the E.SUN Green Policy white paper, with the content of this document serving as the basis in setting forth policies, establishing a corporate culture stressing such, and working towards the objective of sustainable and environmentally friendly operations.</p> <p>(2) The Company has created energy conservation targets and has staged a thorough survey of greenhouse gases it generates to reduce emissions. In the meantime, it is mindful of reducing water, electricity, and gasoline use. E.SUN regularly announces the results of efforts by each department to reduce carbon, and engages in further examination of the situation, thereby boosting awareness. The headquarters also sets carbon reduction targets annually, forging a comprehensive effort to implement environmentally friendly policies</p>

Item	State of Operation	Any discrepancies and reasons for such with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies
<p>3. Social Services</p> <p>(1) The Company's establishment of proper methods and procedures and status of implementation thereof with regard to its complying with labor-related laws and regulations; honoring internationally accepted, basic labor rights; protecting the legal rights of employees; and adopting a nondiscriminatory employment policy</p> <p>(2) The state of providing employees with a safe and healthy working environment, and regularly providing employees with safety- and health-related education.</p> <p>(3) Status of the Company's establishment of a mechanism for communicating with employees on a regular basis as well as of a reasonable channel for notifying employees of changes in business operations that may have a material impact on them</p> <p>(4) The state of formulating and publicizing consumer rights policies, and offering transparent and effective procedures for consumers to file complaints regarding service or products.</p> <p>(5) The state of cooperation between E.SUN and suppliers, and joint efforts to boost corporate social responsibility.</p> <p>(6) The state of participation in community development and charitable organizations via its commercial activities, donations, volunteer services, or other professional services provided free of charge.</p>	<p>(1) The Company considers staff member its core asset. Employee rights are upheld in accordance with pertinent laws and regulations. That is, the Company is committed to protecting and preserving employee rights prescribed by pertinent laws and regulations as well as implementing a nondiscriminatory employment policy, thereby creating a harmonious labor-management relationship.</p> <p>(2) The installation of an exclusive section designed specifically for them signifies the emphasis the Company places on providing employees with a safe and healthy working environment. Every business division is staffed with a responsible person charged with labor safety who organizes training and study sessions on a regular basis. Meanwhile, a set of guidelines on physical examination is laid down as the basis for employees to undergo health checkup regularly. The special section on labor safety and health is intended to keep employees up to date on this front. In addition to sessions intended specifically for novice employees, labor safety training and health examination are undertaken across the Company on a regular basis. On top of emergency care personnel, every place of business is equipped with a security system as well as security personnel so as to uphold the safety of the place, employees and customers.</p> <p>(3) The Company makes it a point to keep up two-way communication while organizing knowledge-sharing sessions, human resources improvement projects and across-the-board videoconferences. Employees are free to take their complaints to various levels of management and the human resources department, thereby creating a harmonious and happy working environment.</p> <p>(4) State of formulating and implementing consumer rights policies</p> <p>1. Formulation and publication of consumer rights policies</p> <p>a.E.SUN has set forth systems that comply with consumer rights legislation. It provides standardized contractual agreements and designs products and services suitable for consumers.</p> <p>b.E.SUN holds consumer rights-related education and training for its employees to emphasize the importance of consumer rights and encourage them to provide considerate service.</p> <p>c.E.SUN discloses accurate and comprehensive consumer information, such as easy to understand pricing included in lending contracts (mortgages and credit loans), as well as schedules that detail handling fees. In addition, the Bank offers special explanatory information on mortgage loans and letters of rights and obligations, thereby enabling consumers to clearly understand products through examples. This offers another opportunity to remind customers of related conditions and the rights and obligations of both parties.</p> <p>2. Process of filing complaints</p> <p>Consumer disputes are handled in accordance with Standard Procedures for Handling Consumer Disputes at E.SUN Bank. The Bank also operates a 24-hour complaint hotline and an E.SUN Internet Bank visitor message board to provide consumers with avenues to file complaints.</p> <p>(5) Seasonal foods are purchased as much as possible by employee dining halls to reduce E.SUN's carbon footprint and reduce the amount of resources required to transport food. Meanwhile, E.SUN makes every effort to contract the production of gifts and commemorative items locally. Furthermore, E.SUN would invite its vendor to sign the statement of Commitment to Human Rights and Environmental Sustainability</p> <p>(6) E.SUN continues to hold Clean up the World activities to make Taiwan a cleaner place. Branches are encouraged to participate in various environmental protection and energy conservation activities held in cities and counties throughout Taiwan. In addition, the thirteenth day of each month is designated E.SUN Clean Up Day in which branch employees work to clean up the environment around their branches. This activity is catching on and is triggering clean-up initiatives in nearby neighborhoods, which is another example of E.SUN fulfilling its social responsibility as a top notch citizen.</p>	No difference
<p>4. Strengthening Disclosure of Information</p> <p>(1) Methods used to disclose reliable information related to corporate social responsibility.</p> <p>(2) State of drafting corporate social responsible reports and disclosing information related to promoting corporate social responsibility.</p>	<p>(1) At E.SUN, fulfillment of corporate social responsibility has long been considered both a mission and a commitment as it strives for sustainable development. CSR-related information is disclosed on the Company's website and in such publications as Sunrise Magazine and Smile E.SUN whenever warranted.</p> <p>(2) The Company's CSR Report includes an update of its business ideals and financial performance as well as endeavors in such areas as corporate governance, customer rights, employee welfare, environmental protection and the public good.</p>	No difference
<p>5. E.SUN has formulated corporate social responsibility guidelines in accordance with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies. Refer below to any discrepancies in E.SUN's practices in this regard: E.SUN moves forward in a methodical method in promoting innovative operations, its business philosophies and its corporate culture, which jointly constitute the company's core vision. The Bank seeks to ensure customer satisfaction and create customer value. It relies on its professional operations to promote corporate governance, develop an environment that ensures sustainable operations, promote social welfare, and strengthen its corporate social responsibility, disclosing information in each instance. It realizes its corporate social responsibility in compliance with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies.</p>		



## 4.6 State of E.SUN Achieving Trustworthy Operations and Related Measures

Item	State of Operation
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) The Company's explicit indication of its ethical corporate management policy in internal regulations and external documents; implementation of the pledge by its board of directors and management to enforce the policy rigorously and thoroughly.</p> <p>(2) The Company's establishment of its own ethical corporate management program designed to forestall unethical conduct; implementation of operational procedures, guidelines and training laid out in the program.</p> <p>(3) Status of the Company's adopting measures to prevent bribe taking and giving and provision of illicit political donations based on its ethical corporate management program designed to forestall unethical conduct, especially with regard to business activities within its business scope that may incur a higher risk of committing acts of unethical conduct.</p>	<p>(1) Based on a board of directors resolution, the Company has established a set of "Ethical Corporate Management Principles, Operational Procedures and Guidelines (hereafter "Ethical Corporate Management Principles," applicable to the Company as well as its subsidiaries). It spells out E.SUN's ethical corporate management policy, which is specified through such channels as the corporate website, external documents and investor briefings. Meanwhile, it also specifies that the board of directors shall exercise the due care of a good administrator to urge the Company to prevent unethical conduct, always review the results of preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policy.</p> <p>(2) To effectively forestall unethical conduct, the Company makes ethical corporate management an integral part of its evaluation of employee performance and human resources policy. It has also established a clearly defined, effective system for setting rewards/penalties and handling complaints.</p> <p>(3) Standing by ethical principles and committed to honest business, the Company refrains from engaging in business activities within its business scope that may incur a higher risk of committing acts of unethical conduct, and makes it a point to strengthen preventive measures. Meanwhile, the Company refrains from offering political donations as it is set to uphold political neutrality.</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) While engaging in commercial activities, the Company shall refrain from having any dealings with parties that have any records of unethical conduct. When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance.</p> <p>(2) Status of the Company's setting up a dedicated (concurrent) unit to be in charge of promoting ethical corporate management; status of oversight by the board of directors.</p> <p>(3) Status of the Company's promulgating policies for prevention of conflicts of interests and offering appropriate means for related personnel to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>(4) Status of the Company's establishment of effective accounting and internal control systems designed to ensure ethical corporate management; status of examination by internal auditors.</p>	<p>(1) In the Ethical Corporate Management Principles, it is specified that the Company shall refrain from having any dealings with parties that have any records of unethical conduct. When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance.</p> <p>(2) The regulatory compliance unit of the Company shall be responsible for amending and implementing the Ethical Corporate Management Principles and offering consultation and training; it is also supposed to compile reports on implementation results and submit them to the board of directors on a regular basis.</p> <p>(3) The Ethical Corporate Management Principles shall specify policies for preventing conflicts of interests and provide a viable communication and complaint system. Employees can file reports through a number of channels to management and the human resources department.</p> <p>(4) The Company has established an effective accounting system that prohibits any outside or secret accounts. On top of an effective internal control system, the Company has also established an internal audit unit under the board of directors; it is required to report to the audit committee and the board at least once each quarter</p>
<p>3. Status of the Company's establishment of a formal channel for receiving reports on unethical conduct and of a disciplinary and complaint system to handle violation of ethical corporate management regulations.</p>	<p>(1) The Company shall make ethical corporate management an integral part of its evaluation of employee performance and human resources policy and establish a clearly defined, effective system for setting rewards/penalties and handling complaints.</p> <p>(2) The Company shall remove or discharge, in accordance with related laws or internal regulations, employees who commit major acts of unethical conduct.</p> <p>(3) The Company makes it a point to offer a viable communication and complaint system under which both the identity of informers and content of their reports shall be kept confidential. Employees can file reports through a number of channels to management and the human resources department.</p>
<p>4. Enforcement of information disclosure</p> <p>(1) The Company's establishment of a corporate website to disclose information regarding its implementation of ethical corporate management.</p> <p>(2) The Company's other information disclosure channels (e.g. maintaining an English-language website; designating people to handle information collection and disclosure and to post information onto the corporate website).</p>	<p>(1) The Company has a corporate website, accessible in both Chinese and English, that discloses its Ethical Corporate Management Principles and ethical corporate management practices.</p> <p>(2) The Company discloses its ethical corporate management policy through a number of channels: internal regulations, annual reports, the corporate website and other promotional materials. It also specifies this policy in investor briefings among other public occasions so that business partners and other related entities and individuals can clearly understand the Company's ethical corporate management concepts and conventions.</p>
<p>5. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe the Company's implementation of the principles and any discrepancy therein and explain why: none.</p>	
<p>6. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management (e.g., status of the Company's getting across to business partners its resolve to implement ethical corporate management and related policies and its inviting the latter to participate in related training; status of the Company's reviewing and amending its own ethical corporate management principles); the Company's ethical corporate management principles and practices are subject to reexamination and readjustment whenever warranted. With "Pure as Jade, Stern as Mountain" as its hallmark, E.SUN is committed to making "a paradigm of the financial services industry and a bellwether of the service industry." Over the years E.SUN has taken action to show care for society and honor its commitment to Taiwan. To be sure, E.SUN aims to be recognized as not only the best-performing enterprise but also the most-respected one in Taiwan.</p>	

#### 4.7 Methods of referencing corporate governance guidelines and related regulations

Please refer to [http://www.esunfhc.com.tw/ir/about\\_cg.info](http://www.esunfhc.com.tw/ir/about_cg.info)

#### 4.8 Other important information enhancing understanding of the state of the Company's corporate governance

The corporate governance self-evaluate report has been produced and disclose on Market observation post system.

## 4.9 Internal control

### (1) Representation of Internal Control

#### E.SUN FINANCIAL HOLDING COMPANY, LTD.

#### Representation of Internal Control

To Financial Supervisory Commission, Executive Yuan

Mar. 22, 2013

On behalf of E.SUN Financial Holding Company, Ltd., we hereby certify that the company indeed complies with the “Enforcement Regulations for Financial Holding Company Internal Audit Control System” and the company’s internal control system and risk management mechanism for the fiscal year of 2012 have been implemented and audited by the independent internal auditors, and the internal audit reports are periodically presented to the company’s board of directors and supervisors.

Under due assessment, the internal controls and legal compliance of each department during 2011 are effectively in place. This representation will be a major part of our annual report and prospectus, and will also be released to the public. The existence of discrepancies or omissions in the content of this representation would constitute violations of Articles 20, 32, 171 and 174 of the Securities and Futures Exchange Act and entail relevant legal responsibility.

Sincerely yours,

Chairman



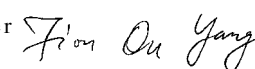
President



General Auditor



Compliance Officer



(2) Disclosure of any commissioned internal control review review carried out by CPA: None

## 4.10 Legal Infractions and Punishment and Major Shortfalls of the FHC and Subsidiaries and the State of Improvement over the Past Two Years

- (1) Litigation filed by prosecutors of E.SUN's managers or employees in the line of work: None.
- (2) Fines Levied by the FSC for Regulatory Violations:
- a. With respect to the control of real property for proprietary use, due to subsidiary E.SUN Bank's assumption of the lease agreement owned by Kaohsiung Business Bank in 2004, the area of certain buildings reserved for use by and only by the Bank falls under the legally-required percentage of 50% of the total area of the same building. The Bank conducted an overall review therein and improved the relevant procedure and operation.
  - b. With respect to the issuance of corporate bonds by the enterprise in which the person in charge of subsidiary E.SUN Bank's investments acts as a director and the underwriting of DCI with individual manager in the January 2009-January 2010 period, both of which were conducted in violation of the regulatory procedure governing transactions with interested parties due to certain procedural errors, the Bank has examined, reviewed and improved the relevant control procedures to prevent any subsequent operational errors.
- (3) Irregularities, if any, of which prompt correction is ordered by the Financial Supervisory Commission: None.
- (4) Adverse decision(s), if any, by the Financial Supervisory Commission under Article 54bis of the Banking Act:
- February 2004 of the information of certain customers of the Bank. The Bank took the initiative to handle of the matter. In compliance with the competent authority's order for the Bank to take necessary rectifying measures, the Bank strengthened the relevant internal control procedure and continues to conduct training and education programs on legal compliance.
- (5) Losses, if any, resulting from events of corruption of personnel, serious accidents or incidents of security failure due to failed compliance with the Security Maintenance Requirements of Financial Institutions, of which the amount incurred during the period or cumulative actual amount incurred exceeds NT\$50 million (where serious accidents means events of fraud, theft, misappropriation and embezzlement of company assets, false transactions, forgery of evidence and securities, acceptance of kickbacks, acts of Nature, external forces, computer hacking, theft of data and divulgence of trade secrets and customer information): None.
- (6) Other disclosures, if any, designated by the Financial Supervisory Commission: None.

## IV. Capital Overview



A verdant haven for dragons.



# 1. Capital and Dividend

## 1.1 Source of Capital

### (1) Issued Shares

2012.12.31 Unit: million shares NTS million

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Source	Source	Source	Others
2002.1.28	10	5,000	50,000	2,290	22,900	Share Conversion	-
2002.10.21(note 1)	10	5,000	50,000	2,470	24,700	Retained Earnings	-
2003.9.16	10	5,000	50,000	2,505	25,054	Share Conversion	-
2004.3.15	10	5,000	50,000	2,506	25,064	ECB Conversion	-
2004.5.20	10	5,000	50,000	2,584	25,842	ECB Conversion	-
2004.9.8	10	5,000	50,000	2,596	25,964	ECB Conversion	-
2004.10.11(note 2)	10	5,000	50,000	2,690	26,897	Retained Earnings	-
2004.11.26	10	5,000	50,000	2,768	27,679	ECB Conversion	-
2005.3.4	10	5,000	50,000	2,931	29,306	ECB Conversion	-
2005.9.14(note 3)	10	5,000	50,000	3,027	30,270	Retained Earnings	-
2006.4.3	10	5,000	50,000	3,230	32,304	ECB Conversion	-
2006.8.18(note 4)	10	5,000	50,000	3,303	33,033	Retained Earnings	-
2008.8.29	10	5,000	50,000	3,311	33,113	ECB Conversion	-
2008.9.4 (note 5)	10	5,000	50,000	3,451	34,514	Retained Earnings	-
2008.9.23	10	5,000	50,000	3,544	35,444	ECB Conversion	-
2009.9.7(note 6)	10	5,000	50,000	3,653	36,528	Retained Earnings	-
2010.9.9(note 7)	10	5,000	50,000	3,803	38,033	Retained Earnings	-
2011.9.15(note 8)	10	5,000	50,000	4,075	40,750	Retained Earnings	-
2011.9.19(note 9)	10	5,000	50,000	4,575	45,750	Rights offering	-
2012.9.18(note 10)	10	10,000	100,000	4,811	48,107	Retained Earnings	-
2012.11.6(note 11)	10	10,000	100,000	5,011	50,107	Rights offering	-

Note1: The Securities and Futures Committee to Ministry of Finance on Aug 13, 2002 granted approval for issuance in its letter Zidi 0910144848. In addition, the Ministry of Economic Affairs on October 21, 2002 approved amended registration in its letter Zidi 09101428420.

Note2: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 23, 2004 granted approval for issuance in its letter Zidi 0930133045. In addition, the Ministry of Economic Affairs on October 11, 2004 approved amended registration in its letter Zidi 09301193370.

Note3: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 20, 2005 granted approval for issuance in its letter Zidi 094012807. In addition, the Ministry of Economic Affairs on Sep. 14, 2005 approved amended registration in its letter Zidi 09401177000.

Note4: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 4, 2006 granted approval for issuance in its letter Zidi 0950126554. In addition, the Ministry of Economic Affairs on Aug 18, 2006 approved amended registration in its letter Zidi 09501182600.

Note5: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 9, 2008 granted approval for issuance in its letter Zidi 0970032910. In addition, the Ministry of Economic Affairs on Sep 4, 2008 approved amended registration in its letter Zidi 09701226150.

Note6: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 14, 2009 granted approval for issuance in its letter Zidi 0980033762. In addition, the Ministry of Economic Affairs on Sep. 7, 2009 approved amended registration in its letter Zidi 09801205090.

Note7: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 20, 2010 granted approval for issuance in its letter Zidi 0990036370. In addition, the Ministry of Economic Affairs on Sep. 9, 2010 approved amended registration in its letter Zidi 09901201760.

Note8: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 25, 2011 granted approval for issuance in its letter Zidi 1000033362. In addition, the Ministry of Economic Affairs on Sep. 15, 2011 approved amended registration in its letter Zidi 10001216150.

Note9: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 15, 2011 granted approval for issuance in its letter Zidi 1000031758. In addition, In addition, the Ministry of Economic Affairs on Sep. 19, 2011 approved amended registration in its letter Zidi 10001217300.

Note10: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July. 18, 2012 granted approval for issuance in its letter Zidi 1010030640; the Banking Bureau of the Executive Yuan's Financial Supervisory Committee on July 27, 2012 granted approval for effectiveness in its letter Zidi 10100218080. In addition, the Ministry of Economic Affairs on Sep. 18, 2012 approved amended registration in its letter Zidi 10101191510.

Note11: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Oct. 17, 2012 granted approval for issuance in its letter Zidi 1010045676. In addition, the Ministry of Economic Affairs on Nov. 6, 2012 approved amended registration in its letter Zidi 10101223560.

### (2) Type of Shares

2012.12.31 Unit: thousand shares

Share Type	Authorized Capital			Note
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	5,010,700	0	5,010,700	-

Note: The issued shares are listed shares

## 1.2 State of Shareholders

2012.12.31 Unit: thousand shares; %

Share Type	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	7	21	297	81,759	536	82,620
Shareholdings	1	575,854	1,112,622	1,314,050	2,008,174	5,010,700
Ownership	0.00001	11.49248	22.20492	26.22489	40.07771	100

## 1.3 Shareholding Distribution Status

Common Shares (The par value for each share is NT\$10)

Class of Shareholding (Unit : Share)	Number of Shareholders	2012.12.31 Unit Thousand Shares, %	
		Shareholding (Shares)	Percentage
1 ~ 999	34,373	7,481	0.15
1,000 ~ 5,000	24,938	55,557	1.11
5,001 ~ 10,000	7,250	51,054	1.02
10,001 ~ 15,000	4,367	52,956	1.06
15,001 ~ 20,000	1,720	30,174	0.60
20,001 ~ 30,000	3,955	95,571	1.91
30,001 ~ 50,000	1,921	74,503	1.49
50,001 ~ 100,000	1,671	115,465	2.30
100,001 ~ 200,000	1,023	141,481	2.82
200,001 ~ 400,000	581	160,832	3.21
400,001 ~ 600,000	207	100,980	2.02
600,001 ~ 800,000	119	82,033	1.63
800,001 ~ 1,000,000	68	60,133	1.20
1,000,001 ~	427	3,982,480	79.48
Total	82,620	5,010,700	100.00

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

## 1.4 List of Major Shareholders

Shareholding name	2012.12.31 Unit Thousand Shares, %	
	Shareholding	Percentage (%)
Saudi Arabian Monetary Agency	222,666	4.44
Cathay Life Insurance Co.,Ltd.	190,435	3.80
Ron-Yuan Investment Co.,Ltd.	174,344	3.48
PCA Life Assurance Co.,Ltd	170,230	3.40
E.SUN Commercial Bank Trust Fiduciary trust account	118,719	2.37
Hsin Kang Investment Co.,Ltd.	112,400	2.24
Morgan Stanley Apollo Holdings (Cayman)Ltd.	108,638	2.17
Public Service Pension Fund	82,295	1.64
New Labor Pension Fund	80,681	1.61
Nanshan Life Insurance Co.,Ltd.	76,465	1.53

Note: The list above shows the top 10 shareholders.

## 1.5 Dividend Policy and Implementation Status

### (1) Dividend Policy

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

### (2) Proposed Distribution of Dividend

The proposal for distribution of 2012 profits was passed at the Meeting of the Board of Directors. This proposal, a stock dividend of NT\$ 1.0 per share and a cash dividend of NT\$ 0.3 per share, will be discussed at the annual shareholders' meeting.

## 1.6 Impact on business performance and earnings per share of stock dividend payment proposed at the most recent shareholders' meeting

Item	Year	2012
Capital collected beginning of the period(NT\$1,000)		45,750,000
Stock dividend and cash dividend of the year	Cash dividend per share(NT\$)	0.3
	Capitalized retained earnings-stock dividend(share(	1.0
	Capitalized additional paid-in capital-stock dividend(share(	0
Change of Business Performance	Operating revenue (loss)(NT\$1,000)	8,353,919
	Operating revenue (loss) increase(decrease)from last year(%)	106.66%
	Net Income(loss)(NT\$1,000)	7,058,236
	Net Income(loss) increase (decrease) from last year(%)	102.57%
	Earnings(loss) per share(NT\$)	1.46
	Earning(loss) per share increase (decrease) from last year(%)	87.18%
	Annualized return on Investment(the reverse of Annualized Price / Earning ratio)	9.36%
Projected Earnings per Share and Price / Earnings ratio	Retained earnings are capitalized with cash dividend distributed	Projected Earnings per share Projected annualized return on Investment
	Additional paid-in capital is not capitalized	Projected Earnings per share Projected annualized return on Investment
	Additional paid-in capital is not capitalized and Capitalized retained earnings-cash dividend distributed	Projected Earnings per share Projected annualized return on Investment
		1.46
		9.36%
		-

a. The Company should explain the hypothesis made for each forecast or projected data.  
b. The projected Earnings per Share for the retained earnings capitalized and with cash dividend distributed = [ Net Income-interest accrual from cash dividend\*(1-tax rate) ] / [ total stock shares issued at the year end-stock dividend distributed for the capitalized retained earnings\*\* )  
Interest accrual from cash dividend = Capitalized retained earnings × annual loan interest rate  
Stock dividend distributed for the capitalized retained earnings\*\* : The stock shares increased from the stock dividend distributed the year before for the capitalized retained earnings.  
c. Price/Earnings Ratio = Average Market Closing Share Price / Earnings per Share of Current Fiscal Year  
Information applied in the table above :  
a. The auditing financial statements of 2012.  
b. The tax rate that is used to calculate the projected data is 17%.The annual loan interest rate of 2011 is based on the average loan interest rate 2.29% of E.SUN Bank, respectively.

## 1.7 Employee Bonus and Compensation for Directors

Unit: NTS

2011 Statement of profit allocation	
Balance at beginning of the period	165,415,419
Add: 2011 net profit	7,058,236,913
Add: Recovery of Appropriated R/E	705,823,691
Subtract: 10% Legal Reserved	386,930,867
Net Profit for distribution	390,849,508
Distribution :	
Shareholders' Bonus(NT\$0.50 Stock Dividend per share)	6,513,910,000
Shareholders' Bonus(NT\$0.20 Cash Dividend per share)	5,010,700,000
Total Shareholders' Bonus	1,503,210,000
Total Shareholders' Bonus	6,513,910,000
Undistributed Profits at the end of the period	0

Note: Employee Bonus is NT\$ 203,559,687 and Directors' compensation is NT\$67,853,229

## 1.8 Share Repurchase

2012.12.31

Term of the program	First Term	Second Term
Purpose	Transfer to employee	Transfer to employee
Period or the program	2008/10/13-2008/12/08	2010/03/17-2010/05/06
Price range	6.00-14.00	9.00-16.00
Types and amount of shares been repurchased	42,000,000 common shares	34,059,000 common shares
Total monetary amount of share repurchase	NT\$336,818,905	NT\$459,649,092
Group's capital adequacy ratio before program	104.67%(2007.12.31)	120.49%(2008.12.31)
Group's capital adequacy ratio after program	120.49%(2008.12.31)	114.98(2009.12.31)
Total amount of shares been transferred or cancelled	42,000,000 shares	34,059,000 shares
Total amount of shares accumulated	0	0
Accumulated shareholdings (%)	0	0
The execution process of transfer repurchase shares to employee	Finished	Finished
Limitation of failure to fully transfer within 3 years	No	No

## 2. Merger and Acquisition

**2.1** Subsidiary E.SUN Bank signed a purchase agreement on March 16 to acquire Chiayi Fourth Credit Cooperative, with the record date for the transaction set at November 3, 2012. E.SUN acquired the latter's assets, liabilities and operations.

- (1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: Not applicable.
- (2) State of mergers & acquisitions or sale of banking institutions over the past five years. Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter: Not applicable.
- (3) In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other banking institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: Not applicable.

**2.2** On Mar. 22, 213, subsidiary E.SUN Bank has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, the transaction is subject to approval by the relevant regulatory authorities of both parties.

- (1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: Not applicable.
- (2) State of mergers & acquisitions or sale of banking institutions over the past five years. Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter: Not applicable.
- (3) In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other banking institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: Not applicable.

## 3. Capital Utilization Plans

### 3.1 Plan

- (1) Up to the quarter prior to the printing of the annual report, any issuance or private placement of securities that has yet to be completed: None.
- (2) Programs completed in the most recent three years with beneficial results yet to assert themselves: None

### 3.2 Implementation Status

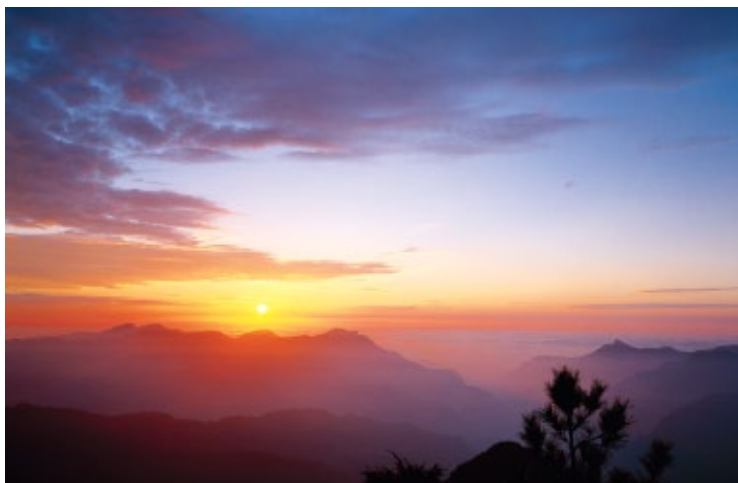
- (1) Issued NT\$ 3.8 billion subordinated debt on June 29th, 2012, to refinance the subordinated debt expired on Dec. 15, 2012.
- (2) On October 22, 2012, E.SUN completed a capital raise through Global Depository Receipt of US\$ 105,840,000, which is about NT\$ 3.1 billion. This has consequently raised the FHC's capital adequacy ratio from 136.04% at June-end 2012 to 141.02% at the end of the year. On December 3, subsidiary E.SUN Bank received an injection of NT\$3.1 billion, boosting its capital adequacy ratio from 12.37% at June-end to 12.79%. Meanwhile, its Tier I CAR rose from 8.80% to 9.22%.

## V. Business Operation



Twists and turns leading to the peak.

# 1. Business Scope



Diamond in the rough.

E.SUN Bank serves as the core of E.SUN FHC. Combined with securities, insurance broking and venture capital, E.SUN provides customers with a comprehensive array of financial services. E.SUN pursues balanced and stable development in each area of operations. The following are descriptions of the operational scope, business plans, industry status, research and development, and long- and short-term business development projects for the FHC and each subsidiary.

## 1.1 Scope of Operations

### (1) E.SUN FHC

#### a. Primary Operations

E.SUN FHC's expertise rests in investment and management. Its subsidiaries engage in a wide range of financial businesses including banking, credit cards, trust, insurance, securities, futures, venture capital, investment in foreign banking institutions as approved by regulatory agencies, investment in other financial-related businesses as designated by regulatory agencies, management of the aforementioned invested businesses, and investment in other businesses sanctioned by regulators.

### b. Composition of Operations

Unit NT\$ thousand

Item	Year		2012		2011	
	Amount	%	Amount	%	Amount	%
Interest Income	23,715,847	67.61	21,329,592	71.37		
Fee Income	8,832,777	25.18	7,312,585	24.47		
Others	2,530,704	7.21	1,244,068	4.16		
Total	35,079,328	100.00	29,886,245	100.00		

Note1: E.SUN FHC consolidated financial figures

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

### (2) E.SUN Bank

#### a. Primary Operations

##### (a) Commercial Bank Operations

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

##### (b) Foreign Exchange Operations

These operations include import and export negotiation, general inward and



outward remittance, foreign currency deposits, foreign currency loans, foreign currency guarantees, and exchange of foreign cash and travelers checks.

(c) Investment and Treasury Operations:

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

(d) Agency Operations and Other

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

b. Composition of Operations

Unit NT\$ thousand

Item \ Year	2012		2011	
	Amount	%	Amount	%
Interest Income	23,493,540	69.29	21,041,767	74.44
Fee Income	7,460,987	22.00	5,972,205	21.13
Others	2,945,863	8.71	1,254,090	4.43
Total	33,903,390	100.00	28,268,062	100.00

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

(3) E.SUN Securities

a. Primary Operations

(a) Brokerage

Buying and selling securities, futures and options for clients; sub-brokerage of foreign securities; settlement of securities; margin trading; electronic trading.

(b) Proprietary Trading:

Trading securities with the firm's own money on the stock exchange or over the counter, with emphasis placed on choosing targets meticulously and engaging in both long and short deals to ensure absolute positive returns.

(c) Underwriting:

Assisting companies in going public and undertaking IPO/SPOs; acting as financial advisor to companies and assisting them in assessing

and planning financial operations and M&As among others.

(d) Bonds

E.SUN engages in outright bond trading and repo trading. The Company serves as a government bond dealer and provides customers with bond-related investment information and advisory services.

(e) Financial Product

Warrant issuance and other derivatives research.

(f) Other operations approved by supervisory agencies.

b. Composition of Operations

Unit NT\$ thousand

Item \ Year	2012		2011	
	Amount	%	Amount	%
Fee Income	570,889	75.40	684,223	71.24
Interest Income	216,405	28.58	283,853	29.55
Gains from Securities Trading	(30,266)	(4.00)	(76,200)	(7.93)
Other Operating Income	153	0.02	68,624	7.14
Total	757,181	100.00	960,500	100.00

(4) E.SUN Insurance Brokers

a. Primary Operations

The business of E.SUN Insurance Brokers Co. includes two main areas, namely life insurance and property insurance. The Company strives to develop and offer a range of products that meet the functional needs of customers. Life insurance products offered include general life insurance, medical insurance, savings insurance, annuity insurance, injury insurance, and investment-oriented insurance. Meanwhile, non-life/property insurance products include automobile and motorcycle insurance, fire insurance, liability insurance and all types of commercial risk insurance. E.SUN's comprehensive product lines and insurance services fully meet the risk planning and asset allocation requirements of customers.

E.SUN cooperates with Prudential Plc, Mercuries Life Insurance, Nanshan Life Insurance, Tokyo

Marine Newa Insurance, and Taian Insurance, and it provides asset allocation and insurance planning services based on the various needs of its customers. In 2012, E.SUN Insurance Brokers established a greater number of service counters at E.SUN Bank. It also carried out increased telemarketing and expanded online insurance transactions, helping to generate balanced growth. The Company is striving to integrate resources with other FHC subsidiaries to provide customers with one-stop financial consulting and service, thereby yielding operational synergy.

#### b. Composition of Operations

Unit NTS thousand

Year		2012		2011	
		Fee Income	%	Fee Income	%
Life Insurance	Life and Health Insurance	1,425,651	92.63	644,834	87.61
	Investment-linked Insurance	19,617	1.28	14,544	1.97
	Accident Insurance and Other	83,118	5.40	64,748	8.80
Property Insurance		10,652	0.69	11,934	1.62
Total		1,539,038	100.00	736,060	100.00

### (5) E.SUN Venture Capital

#### a. Primary Operations

- (a) Invest in promising domestic and foreign stocks, either yet to list on stock exchanges or already registered on Taiwan's Emerging Stock Market.
- (b) Assist companies armed with sufficiently competitive core competence in transformation or reengineering.
- (c) Offer a platform for companies to forge strategic alliances or other forms of cooperation.

#### b. Composition of Operations

Unit NTS thousand

Year	2012		2011	
	Amount	Ratio	Amount	Ratio
Investment Income	105,364	98.2	161,685	97.1
Interest and other non-operating income	1,942	1.8	4,754	2.90
Total	107,306	100.00	166,439	100.00

## 1.2 Business Plan

### (1) E.SUN FHC

#### a. Build on Core Competence to Reach Higher Ground

The year 2013 marks the beginning of E.SUN's third decade. E.SUN FHC will draw on its brand name, service and teamwork as core competence as it strives to effectively implement short-, medium- and long-term strategies. Besides deepening and broadening its foundation in Taiwan, it aims to further expand overseas markets. As a new decade unfolds, E.SUN will stay steadfast and exercise wisdom and tactics as it seeks to meet and exceed targets.

#### b. Conduct Innovative R&D on Products and Services

For financial services, innovation is no less than a matter of life and death. To meet infinitely diverse customer needs, E.SUN pursues innovation in every aspect of business—products, services, brand name, management, organization and processes. Mechanisms are put in place to review customer needs for products and services on a regular basis and identify how E.SUN can differentiate itself from the products and services being offered by key rivals. Meanwhile, emphasis is placed on strengthening financial trading services, consolidating marketing channels and upgrading cash flow applications on the internet. Supplemented by a comprehensive network of financial services, meticulously calibrated services are rendered to win over more quality customers.

#### c. Maximize the Capacity for Cross-selling and Execution

E.SUN gives priority to Cross-selling the momentum and resources of all subsidiaries and

product lines and drawing on teamwork to get things done. The objective is to make sure that customers are offered total solutions and get whatever they want. By carrying out segmented marketing with precision, E.SUN believes it can meet the needs of all customer groups, enhance customer satisfaction and create greater value therein.

#### d. Expand Network of Overseas Branches

As financial markets across the Taiwan Strait become increasingly liberalized, E.SUN is keen to rely on its sound business, complete services and well-paced growth for making further inroads into mainland China and other overseas markets and thus providing customers with better-rounded international services. The 2012 establishment of branches in Singapore and Dongguan added to the existing lineup of branches in Los Angeles and Hong Kong as well as the representative office in Vietnam. Other overseas outposts are also being planned to further expand E.SUN's business reach.

#### e. Enhancing Risk Management, Corporate Governance and Realizing Corporate Social Responsibility.

E.SUN's foremost consideration in business development is controlling risk. The Company continues to establish a risk appetite mechanism, enabling clear risk amounts, controls and capital planning to be set forth in the strategic development of each area of business.

E.SUN has elected four independent directors to further boost its corporate governance system and strengthen the ability to manage and oversee the Company. This number of independent directors is above regulatory requirements. In addition to establishing the Auditing Committee, special function committees such as the Corporate Governance and Nominations Committee, the

Compensation Committee and the Board Strategy Development Committee have been set up. E.SUN's organic statute stipulates that independent directors serve as the conveners and participate in these committees, thereby strengthening the function of the board.

Our vision of "E.SUN employees making first-class citizens of the global community and E.SUN itself, a first-class citizen of the corporate world" is no mere lip service. We participate in all kinds of corporate social responsibility activities on a long-term basis. The E.SUN FHC CSR Report compiled in 2012 was certified by the British Standards Institution (BSI) as complying with both the AA1000 standards and the G3.1 Guidelines. The Report covers economic, social and environmental topics of concern to our stakeholders, including corporate governance, customer rights, employee welfare, environmental sustainability and the public good.

## (2) E.SUN Bank

In 2012, E.SUN Bank undertook expansion across the board, from domestic branches to overseas branches and representative offices. Together with its development of e-channels, R&D on new financial commodities, and cross-selling efforts in conjunction with E.SUN FHC, it was able to provide customers with a full range of services of consistent quality and thus bring about even brighter operating results. In 2013, the Bank will give priority to well-rounded risk control and management as it seeks to further satisfy customers with comprehensive financial services of extraordinary value. Drawing on innovative concepts, E.SUN is set to fully assert all the fine qualities it possesses as it pursues balanced development on all fronts in the long run.

### a. Corporate Banking

In its corporate banking operations, E.SUN will continue to emphasize that its professionalism makes it the best choice for companies when selecting a business partner. It will continue to be customer-driven and will seek to hone its relationships with customers. Corporate banking policies will be carried out in conjunction with government policy calling for increased leading to small- and medium-sized enterprises to promote their development. At the same time, E.SUN will offer self-liquidating financing and credit guarantee fund-related business, strengthen its risk mechanisms, and maintain its outstanding Tier 1 asset quality. E.SUN also emphasizes information technology, along with its brand name and professional team of employees. In the course of integrating the resources of the FHC and adopting joint marketing of various product lines, E.SUN creates value for customers. The Bank continues to strive to be the best brand for SMEs.

### b. Consumer Banking

With smart phones and other mobile devices rapidly gaining ground, E.SUN is keen to integrate

the virtual and the brick-and-mortar in its expansion of retail channels. To further enhance the service quality and efficiency of its 136 domestic and overseas branches, it will build a deeper understanding of customer needs and introduce top-of-the-line technology in creating an utterly exhilarating banking experience. Meanwhile, it will further upgrade the user interface, functions and security of its mobile and internet banking services so that customers can comfortably access E.SUN's full spectrum of financial services anytime, anywhere.

Top priority will be given to soliciting more demand deposits, in both the local and foreign currencies. Given the inherent risk of the property market, dynamic stability is the goal for our mortgage business. In terms of credit lending, we will keep up risk control as we pursue steady growth and maintain our leading position in the market. Drawing on an effectively supportive information system, we aim for a superior business performance complemented by excellent asset quality.



E.SUN salutes Taiwan's SMEs.



E.SUN helps you work toward a future of happiness.

### c. Wealth Management

In wealth management, E.SUN will not only continue strengthening risk management but also grow more quality talent. Special emphasis will be placed on further refining the expertise, skills and operational quality of wealth management consultants. The same goes for upgrading the functions of the trading and customer relationship management systems. A multiplatform approach will be adopted to provide customers with services of greater convenience. In the meantime, E.SUN will focus on nurturing VIP and potential clients, consolidating its teams of diverse services, and identifying and meeting customer needs. It will also do its best to provide customers with wealth management planning and asset allocation recommendations as well as other tailor-made products and services in a timely fashion. By creating customer value and ensuring customer satisfaction, E.SUN aims to become the most trusted brand name in Taiwan's wealth management industry.

### d. Credit Card

In 2012, the far from favorable economic conditions both at home and abroad kept a lid on Taiwan's credit card market. Cardholder spending and the numbers of active and effective cards only managed minor growth. But thanks to its focus on

target clients, E.SUN Bank was able to outperform the market. With 3.16 million circulation cards and 2.11 million active cards registered at the end of 2012, spending by its cardholders amounted to NT\$170.2 billion for the year. E.SUN Bank topped the market in terms of year-on-year growth on all three measures. Likewise, its NPL ratio of 0.22% was superior to the market average of 0.32%, attesting to the Bank's excellent asset quality.

To further grow its credit card business, E.SUN opts for a strategy devised mainly to attain an effective increase in target clients. It includes a wide variety of marketing campaigns that take special account of customer leanings. Special attention is also paid to enhancing market visibility, developing quality authorized stores and increasing cardholder spending. In addition to meeting customer needs and expanding market share, E.SUN believes this will help establish its credit cards as the favorite brand among its clientele.

## (3) E.SUN Securities

For the ever-changing securities market, the use of technology and balanced development of channel services are both indispensable. Likewise, integration of E.SUN FHC resources and innovation of financial commodities are equally important. To accommodate growing demand for specialized wealth management planning, the capacity for incisive analysis is crucial for offering quality solutions, in turn creating customer value and growing clients. This really holds the key to enhancing market share for the brokerage business and raising profitability. Emphasis will thus be placed on the following:

- a. In terms of system development, E.SUN has introduced mobile technology to provide



E.SUN Credit card brings convenience in daily life!



customers secure rapid and user-friendly order placement services amid the increasing popularity among customers of mobile transaction models. It is also adopting risk control mechanisms to enable it to operate soundly amid expanding business scale and changes in the international financial markets.

- b. Proprietary Trading: A more flexible approach will be adopted to better adapt to market changes. Carefully selected stocks that form a core portfolio are to be traded as price trends and patterns dictate. This will be supplemented by futures transactions of various sorts, such as swing trading and day trading, to generate profits.
- c. Underwriting: As is dictated by market developments, priority will be seeking out projects that hold promise. The objective is to develop a full range of capital market services that take account of both industry prospects and individual companies' credit risk
- d. Innovative R&D: Innovative research will always be upheld as our core value. Relentless improvement and innovation is the means through which we aim to push research quality up another rung. Research findings will not only facilitate our grasp of stocks essential to the building of asset management portfolios but also offer reference to our clients in making investment decisions. Meanwhile, these research results are also a valuable feature at our stock investment and wealth management briefings. Last but not least, our focus on deepening services designed specifically for VIP clients and business owners will also further foster business.



E.SUN A+ mobile trading platform.

#### (4) E.SUN Insurance Brokers

Since its establishment, E.SUN Insurance Brokers has devoted itself to providing outstanding insurance products to its customers. E.SUN cooperates with insurance companies that exhibit upstanding, trustworthy, and stable operations. In addition, it develops products in line with market trends that are desired by its customers. The Company will continue to strive to develop and provide a diverse and comprehensive range of insurance products, while further enhancing its after-sales service. Besides establishing counters at E.SUN Bank branches, E.SUN Insurance Brokers is also developing its telemarketing and Internet marketing networks, meeting the varied needs of its customers.

#### (5) E.SUN Venture Capital

Drawing on the E.SUN family's resources and a high-caliber investment team, the Company will focus on helping quality companies with growth potential seek a listing on the Taiwan Stock Exchange or GreTai Securities Market. Meanwhile, it is ready to expand its scope of business, in tandem with government policy and statutory easing, so as to maximize shareholder value and push its operating performance to higher ground.

## 1.3 Industry Outlook

### (1) FHC

Persistent concerns about the European sovereign debt crisis and the U.S. fiscal cliff continued to weigh on the already fragile world economy. While emerging markets experienced wild swings accordingly, BRIC economies—China, India and Brazil—suffered the steepest setback. The Taiwan economy was not immune as it lost steam both externally and internally. Lackluster exports meant a lack of growth momentum. With consumer spending also slowing, economic forecasts missed the mark wildly. The Directorate General of Budget, Accounting and Statistics (DGBAS) eventually had to slash its full-year growth projection to 1.16% from 3.91% estimated at the beginning of 2012.

Fierce competition leaves Taiwan's financial institutions no choice but to develop strategies that enable them to draw a distinction from rivals. Local financial holding companies, as such, share a common goal: development of diversified business lines and special competence in selected areas. Amid Asia's accelerating growth and closer exchanges across the Taiwan Strait, many are making inroads into Southeast Asia and mainland China with a view to building an early presence in trade finance and RMB businesses. Faced with such a brave new world, Taiwan's financial holding companies can be expected to persist with their focus on competitive differentiation so as to attract customers and create value.



The Most Trustworthy Wealth Management.

### (2) Bank

The Taiwan economy lost steam on all fronts in 2012 amid a still problematic world economy. It is clear that Taiwan needs to redefine and readjust its economic structure so as to regain growth momentum. First, priority should be given to introducing and developing green energy industries, thereby reigniting private investment and creating jobs. Second, efforts must be made to boost industries driven by domestic demand, thus stimulating private consumption and accommodating growing tourist inflows, especially those from mainland China. In so doing Taiwan will benefit from simultaneous growth in the output of industries driven by domestic demand and in the workforce of service industries.

In 2013, emerging economies led by Asian countries appear to be heading for faster growth. In Taiwan, banks are set to benefit from their launch of renminbi services. Above all, their superior asset quality provides a solid foundation for their sustained growth over the long haul. Last but not least, the low-interest global environment and long-term trend of population aging can only mean substantial demand for investment and wealth management. A rosy future must await the wealth management industry.

### (3) Securities

In 2012, Taiwan's stock market extended the theme of rangebound trading that prevailed throughout the second half of 2011. A stock runup amid heavy volume was recorded in the first quarter as investors took their lead from Taiwan's presidential election and a temporary relief from the European sovereign debt crisis. But April marked the start of a barrage of negative developments that depressed stocks: Taiwan's planning a capital gains tax for equities, hiking oil and electricity prices, and cutting growth projections more

than once; the world economy's being mired in doldrums; recurrence of the European sovereign debt crisis; and the specter of the U.S. fiscal cliff looming large. The average daily turnover of Taiwan's stock market contracted accordingly to NT\$83.2 billion, a 23.9% plunge from 2011's NT\$109.3 billion.

Securities houses sustained a decline in brokerage income as a result of contraction in market turnover. To counter, most brokerages resorted to consolidating retail outlets and keeping up reasonable profits for their proprietary trading business. To be sure, the wild market swings of 2011 incurred heavy losses for the industry's proprietary trading sector. Given this lower comparative base, a modest increase in profitability was recorded in 2012. Years of economic sluggishness have often proved conducive to M&As in the securities industry. The year 2012 was no exception as it witnessed the following deals: China Development Financial Holding Corp.'s acquisition of KGI Securities, SinoPac Securities's purchase of Pacific Securities, and Yuanta Securities's acquisition of Ding Fu Securities.

As 2013 unfolds, the U.S. economy should be able to start putting behind fiscal cliff worries in the second half. In Japan, the government is trying to induce a substantially weaker yen to stimulate exports. Hopefully the developed world will soon return to growth track. Meanwhile, China's urbanization initiative under a new leadership is likely to inspire revival of emerging economies. While Taiwan's economic growth is estimated to recover to 3-4% this year, stocks should be able to regain upward momentum in both price and volume. Business should return to normal for the securities industry as well.

#### (4) Insurance Brokers

The vibrant development of wealth management operations in recent years has created an increasing awareness and need among the public for insurance products. Statistics compiled by the ROC Life Insurance Association indicate that over 50% of premium income in the insurance market is derived from policies inked at bank branches. This highlights the importance of a bank branch network as an avenue to sell insurance. In contrast to the traditional insurance agent system, bank branch networks provide the ability to offer diversified financial products and services, while also offering expertise in the area of wealth management. E.SUN is striving to develop savings-oriented insurance and investment-oriented policies to meet the investment, protection, savings, and tax planning needs of its customers.

#### (5) Venture Capital

The year 2012 was disrupted by the European sovereign debt crisis, the Chinese economy's losing steam, and Taiwan's internal bicker over a capital gains tax for securities. Amid heightened investment risk, the investment business was bogged down by the difficulty in acquiring new cases.

But there is good reason to remain optimistic. Rapidly developing new technologies will continue to spur new consumer electronics devices. The growing popularity of mobile devices and digital homes means growing demand for greater bandwidth. While biotechnology ventures are burgeoning in Taiwan, mainland China holds great promise for industries driven by domestic demand. The booming of the aforementioned industries will surely breathe life and vigor into capital markets and thus foster the investment business.

## 1.4 Research and Development



E.SUN Trade, Pioneer in cross-strait on-line shopping platform.

### (1) E.SUN 's Future R&D Projects and anticipated R&D Expense

Innovation not only holds the key to survival but also leads the way to excellence. Pitted against today's competitive, challenging financial services industry, E.SUN knows the importance of innovative capacity. It is what one needs to hold firm and make headway in an environment of rapid change, complexity and uncertainty.

To deepen systematic innovation across the board, all E.SUN subsidiaries are required to stay up to date with market developments and remain proactive to bring new products to market. Moreover, the Company's interagency innovation team is called upon to draw from all employees' experiences, wisdom and insights with regard to processes, products and services, ecosystems, business models, and management. These are presented to its regular meetings for review and deliberation and in turn for reference of E.SUN FHC's innovative R&D projects. In other words, innovation is a companywide endeavor and a common source of nutrition for every business E.SUN is engaged in.

Information capability lies at the core of E.SUN endeavors toward innovation. On top of face-to-face services, E.SUN has channeled resources toward refining virtual services. These include an advanced

call center, electronic banking, internet banking for both corporations and individuals, and mobile banking. Meanwhile, it draws on a customer management information system to better understand customer needs and devise a great variety of financial solutions, thereby effectively meeting the needs thus identified and exceeding customer expectations.

To help local companies make inroads into mainland China, E.SUN FHC subsidiary E.SUN Bank took the lead to set up the E.SUN Trade platform. It is rightly the best channel through which made-in-Taiwan products can find their way into the gigantic market on the other side of the Taiwan Strait. Taking advantage of the growing popularity of smartphones, the Bank's mobile banking and "Good Calendar" apps come with such advanced features as the capacity for checking queues at branches and push services for account holders as well as a full array of fundamental trading and query services. Besides accommodating the latest technology advancement and customer needs at the same time, the Bank is rewarded with the greatest possible customer value generated by the most convenient financial services.

In addition to further expanding brick-and-mortar outlets, E.SUN FHC subsidiary E.SUN Securities pays

equal attention to building an advanced electronic trading platform, developing new products, and enhancing the quality of transactions and services. Its latest electronic offerings—A+ mobile trading and “Meow Housekeeper”—have won high regard among customers. E.SUN Securities is ready to introduce more R&D projects and channel more funding to stay competitive in this regard going forward.

Research expenditures for the last 3 years

Unit: NT\$ thousand

Year	2012	2011	2010
E.SUN Bank	703,408	556,922	482,385
E.SUN Securities	75,280	73,366	62,875

## (2) E.SUN’s R&D Investment Projects and State of Implementation

### a. Bolster the Competence of Retail Outlets:

E.SUN FHC subsidiary E.SUN Bank is set to continue expanding and setting up new outposts throughout Taiwan. Meanwhile, the virtual and the brick-and-mortar will be increasingly integrated to better serve customers by means of the Bank’s call center and online and mobile banking platforms. Furthermore, the Bank now operates four overseas branches in Los Angeles, Hong Kong, Dongguan and Singapore as well as 86 cross-selling counters set aside for securities services in Taiwan. Coupled with E.SUN Securities’s 21 branches and E.SUN Insurance Broker, customers are comfortably accorded one-stop financial services. To be truly recognized and valued as a member of the community, E.SUN is keen to create customer value in intangible aspects as well while always striving for better products and services. The aim is to ensure E.SUN’s being taken as the favorite among customers.

### b. Analyze Customer Risk and Value (CRV):

Business expansion calls for a bold while not reckless approach. Statistical tools ought to play a role in data analysis to clearly understand customer

behavior and preferences and create personalized solutions that effectively meet customer needs. Similarly, analytical powers should be called upon to help promote products with precision and have them stand out in the fiercely contested marketplace. With this in mind, E.SUN FHC has collaborated with an internationally acclaimed consulting company to usher in state-of-the-art knowhow and analytical models. The purpose is to enhance the competence of in-house data scientists, set up a variety of related databanks and introduce advanced analytical tools. It also aims to develop decision-making technology by funneling more resources toward quantitative analysis infrastructure projects. When it comes to risk management, models, analytical tools and monitoring mechanisms that closely match the real world are broadly applied to daily operations. These include credit assessment, mid-term management, risk warning, asset portfolio management, stress testing, etc.

Customer value and customer differentiation are taken into account for reference of segmented marketing. Based on differences in customer behavior patterns, suitable services are rendered to meet customer needs and in turn enhance customer contribution and loyalty. In terms of customer relationship management, priority is given to taking hold of elements crucial to the internet era, such as “online,” “real-time” and “interactive.” Operational analysis, customer segmentation, customer value assessment and consumer behavior models are adopted to clearly lay out “maps” of business opportunities and customer preferences. These are in turn supplemented by input of real-time information with regard to customer behavior. With support from a fully integrated network of virtual and brick-and-mortar outlets, customers are offered consistent, tailor-made services through every channel that goes into direct contact with them. Every fine experience of the sort brings customer satisfaction. As such, E.SUN is able to create a win-win situation in CRM by providing



customers with the products and services they need through proper channels at the right time.

c. Undertake Event-Based Marketing (EBM):

Drawing on an EBM initiative, the Company seeks to consolidate existing databanks of various units with a view to providing customers with a fully integrated package of services. A unified data system is thus installed for the use and analysis by marketing and R&D personnel covering all product lines. It is capable of automatically generating a meticulously sifted list of customers who hold promise for effective marketing, thereby enabling optimal allocation of marketing resources. For their part, E.SUN customers can thus expect to secure a full range of products and services that truly meet their requirements. Separately, the customer- and marketing-oriented “eTABS+” system provides front desk personnel with fully integrated instruments for serving customers. Coupled with simplified working processes and consolidated documents and forms, counter staff can thus further enhance their capacity for marketing and service. What this means is greater efficiency that benefits both E.SUN and its customers.

d. Establish a Performance Management Improvement (PMI) Team:

The PMI team is established with a view to enhancing the operating performance of E.SUN FHC and its subsidiaries and fostering a performance-gearred corporate culture. Given Basel III’s tightened capital requirements, emphasis is placed on raising

the efficiency of capital utilization. Meanwhile, a Risk Adjusted Performance Management (RAPM) system is put in place to include capital use and risk factors in the evaluation of operating performance. The PMI team will also continue to draw on well-rounded operational and financial performance management systems, logical principles for organizational functioning, and cross-examination of budget and performance, thereby bringing about a positive Plan-Do-Check-Act (PDCA) cycle. Meanwhile, it will inspect differences between E.SUN’s performance and that of peers and identify all areas that are still in need of improvement. Furthermore, it will make sure that the operating targets and results of all units are compatible with E.SUN FHC’s related strategies, thereby bringing out the financial holding company’s fullest potential.

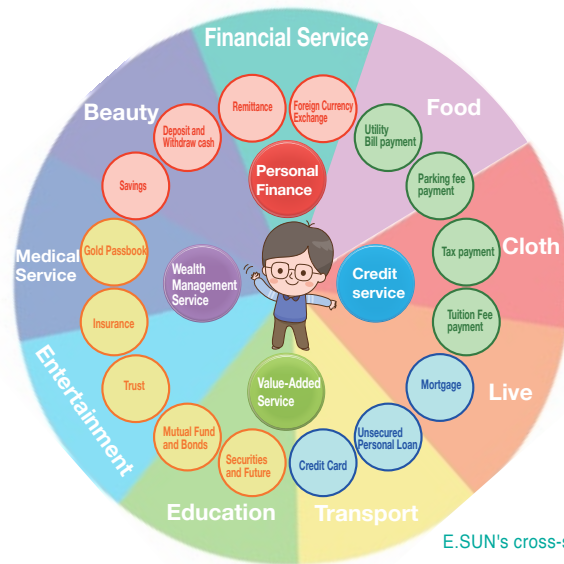
e. Maximize Research Resources:

E.SUN FHC adopts a systematic, organized and methodic approach toward collecting and analyzing information. A research team is formed by gathering dozens of specialists from the Company’s banking, securities, investment consulting and venture capital units. It is responsible for keeping track of changes in economic conditions and financial markets and following developments in industries and individual companies. It is supposed to present short-, medium- and long-term assessment of economic conditions for the reference of wealth management consultants, investment advisors and traders. It is also given the duty of keeping up with the latest on other related fronts for the reference of E.SUN’s investment decisions and asset allocation suggestions to customers. While sharing insights with one another and striving for self-enhancement all the time, these high-caliber specialists have come up with many precise, influential research reports of substantial value. These in turn have proven effective not only in consistently enhancing E.SUN’s investment returns but also in contributing to its winning over more business.



Teamwork is the key for Success.

## 2. Cross-Selling Synergy



E.SUN's cross-selling campaigns stay close to customers.

### (1) Always Customer-Driven

The needs of customers are always the foremost concern of E.SUN. The Company utilizes its full-service branches to bring integrated marketing efforts to the forefront. It is also strengthening its regional operation mechanism and is working to respond to the needs of customers from different product lines. This operational strategy forges close integration of product lines and subsidiary companies, enabling E.SUN to efficiently serve its customers and create value. E.SUN has established organizational and systematic methods to maximize customer value while at the same time generating business results for the Company.

### (2) Create a Unique Customer Experience

Oversupply is a norm rather than an exception in our time. A limited product mix can hardly expect to satisfy customers whose needs and options are increasingly diversified. For its part, E.SUN never stops listening to what customers want and always takes it seriously. This utmost attention to customer needs is made an inherent part in our rendering of services. Resources across product lines are consolidated so that customers can enjoy one-stop shopping at E.SUN. Moreover, E.SUN has launched a variety of unconventional marketing initiatives, such as artistic and cultural events, that bring customers a welcome surprise and spiritual

fulfillment. It is hardly surprising that many customers will thus take the initiative to act as E.SUN spokespersons and share with others their satisfaction with the brand.

### (3) Join Strategic Partners to Form an Ecosystem of Services

E.SUN believes that cross-sector cooperation and resources integration are essential to make its quality services as readily available as tap water and electricity in people's daily lives, thereby maximizing customer value. Therefore, E.SUN is keen to form strategic alliances under which innovative initiatives are adopted to create a comprehensive ecosystem of services. The purpose is to provide every customer with greater convenience in every aspect of their daily lives as well as the finest financial services.



E.SUN's Easy card with Ubike, an environmental friendly way to participate CSR.

### 3. Human Resource



In E.SUN, the future is on our hands!

People hold the key to how enterprises carry out their strategies. With this in mind, E.SUN seeks to innovate and refine its human resources system so as to stay aligned with international standards. Systematic training processes are adopted to nurture talent imbued with international insights and financial expertise. Through comprehensive, methodic training that aims for clearly defined goals, employees are given the opportunity to learn, grow and accumulate knowledge capital. Meanwhile, group learning and veteran-novice sharing are implemented to further unite the E.SUN workforce. This in turn surely further bolsters the foundation for E.SUN to expand globally, pursue sustainable development and make a proud name known worldwide.

Every employee is treasured as a member of the E.SUN family. In turn, every man and woman at E.SUN cares for one another and shares many key moments at work and in life. Together, they nurture a working environment of harmony and happiness where it is possible to balance work and family.

Whoever has the resolve to go up another rung at E.SUN is given the opportunity to chart his or her own future.

In 2012, E.SUN held a total of 286 internal workshops. In addition, employees were selected to attend 750 workshops held by outside institutions as total of 39,827 times. Each employee on average participated in 6.2 training courses, enabling E.SUN staff to grow through learning and enhance their expertise.

#### (1) E.SUN FHC and its subsidiaries

Item	Year	2013/3/30	2012	2011
No. of Employees		6,338	6,456	5,986
Average Age		32.5	31.4	31.3
Average Years of Service		6.4	6.1	5.9
Educational Background(%)	Master's	19.6	19.6	18.3
	Bachelor's	71.6	71.7	71.9
	College	7.9	7.8	8.8
	High School	0.9	0.9	1.0
Number of Professional License	Bank	17,314	16,695	13,884
	Insurance	6,260	6,036	4,785
	Securities	6,105	5,853	3,428
	Others	420	398	299

## (2) E.SUN Bank

Item \ Year	2013/3/30	2012	2011	
No. of Employees	5,753	5,862	5,301	
Average Age	32.5	31.4	31.4	
Average Years of Service	6.5	6.2	6.1	
Educational Background(%)	Master's	20.5	20.4	19.3
	Bachelor's	70.6	70.7	70.5
	College	8.1	8.0	9.2
	High School	0.8	0.9	1.0
Number of Professional License	Bank	16,721	16,134	13,264
	Insurance	5,974	5,765	4,415
	Securities	4,989	4,759	2,585
	Others	379	357	260

## (4) E.SUN Insurance Broker

Item \ Year	2013/3/30	2012	2011	
No. of Employees	17	17	124	
Average Age	29	28	27.7	
Average Years of Service	4.0	3.7	2.3	
Educational Background(%)	Master's	11.8	11.8	4.8
	Bachelor's	88.2	88.2	94.4
	College	0	0	0.8
Number of Professional License	Bank	18	13	87
	Insurance	27	19	148
	Securities	9	5	12
	Others	1	0	1

## (3) E.SUN Securities

Item \ Year	2013/3/30	2012	2011	
No. of Employees	548	557	540	
Average Age	32.6	31.6	31	
Average Years of Service	5.2	5.0	4.4	
Educational Background(%)	Master's	10.4	10.9	10.9
	Bachelor's	82.8	82.4	81.7
	College	5.7	5.6	6.3
	High School	1.1	1.1	1.1
Number of Professional License	Bank	567	529	494
	Insurance	259	251	218
	Securities	1,117	1,083	824
	Others	40	40	31

## (5) E.SUN Venture Capital

Item \ Year	2013/3/30	2012	2011	
No. of Employees	6	6	7	
Average Age	38.7	37.7	36.7	
Average Years of Service	8.6	8.3	8.4	
Educational Background(%)	Master's	50.0	50.0	57.1
	Bachelor's	50.0	50.0	42.9
Number of Professional License	Bank	8	8	11
	Insurance	0	0	3
	Securities	0	0	1
	Others	0	0	0

## 4. Corporate Responsibility and Ethical Behavior



May E.SUN's love and care light up every corner in need.

E.SUN has consistently embraced a vision and pledge of fulfilling its corporate social responsibility. As the Company develops, we are committed to participating in social welfare, environmental protection, academic and education, and youth baseball initiatives. At the same time, E.SUN continues to strengthen its corporate governance and expand the content of its products and services, hoping to generate and boost customer value.

In terms of serving the common good, the E.SUN Golden Seed Project is a long-term undertaking that aims to build libraries for elementary school pupils in remote areas around Taiwan. Besides improving the infrastructure for reading, it also takes up the duty of soliciting book donations and conducting upkeep over the long haul. Hopefully this

systematic, well-planned approach will help narrow the gap between city and countryside by making available more reading resources to schoolchildren in less accessible places. In turn, the schoolchildren can broaden their horizons and secure new opportunities by taking up reading. As of the end of 2012, E.SUN had donated funds toward the establishment of 60 such libraries. Committed to humanities and the arts all these years, E.SUN organized the “Painters Paint Yushan” campaign. The public was invited to appreciate the winning works—with their portrayals of Yushan and the beauty of nature and ecology—in the nationwide touring exhibition that followed. Separately, the “E.SUN Volunteer Passport” was issued to encourage employees to take action to serve the public good. Likewise, the “Care



for Schoolchildren Project” was introduced to help disadvantaged pupils and those adversely affected by major accidents, thus easing the financial burden on their households. Hopefully the beneficiary schoolchildren could thus focus on their studies and enjoy a happier childhood. As of the end of 2012, the project had donated funds to 2,500 pupils. “Giving Love to Elicit More Love” is a blood drive held on a regular basis. That is, people are urged to give love by giving blood. For E.SUN employees and volunteers, “Keeping Him Company for a While” is a long-term commitment to caring for children in orphanages around the country. They will take the orphans to professional baseball games, help them with their studies and cleanup of orphanages, tell them stories, and organize charity bazaars. By taking love and warmth to where it is most needed, E.SUN does its best to leave the orphans a tender and cheerful memory.

The E.SUN Green Policy is tantamount to a solemn pledge to strive for environmental protection. Taking action to honor that pledge, E.SUN has implemented an environmentally friendly lending policy, conserved energy by promoting e-services, and undertaken green procurement. To solicit more vigorous, concerted action on this front, it has also convinced business partners and major suppliers

to jointly sign a Statement of Commitment to Human Rights and Environmental Sustainability. Separately, E.SUN has continued its sponsorship of Yushan National Park’s trails to help promote environmental education. E.SUN and Yushan National Park also co-hosted the Yushan Highland Road Race that attracted 2,000 participants. When it comes to promoting ecological and environmental awareness, E.SUN organized the “Lucky Cat Loves Earth” campaign to advance waste sorting; it also assisted in making the documentary “Black Bear Forest” to enhance public attention to conserving and protecting nature. E.SUN takes pride in being a signatory to the voluntary energy conservation initiative launched by the Bureau of Energy, Ministry of Economic Affairs. Another initiative to help preserve environmental integrity is “One Tree a Lifetime,” a six-year reforestation project undertaken in conjunction with National Chung Hsing University’s Hsinhua Forest Station in Tainan County. Meanwhile, E.SUN is an equally avid participant in many other domestic and international endeavors toward energy conservation and carbon reduction: “Switch Off Lights on Summer Solstice,” “Lights Out for One Hour on Earth Day,” “Clean Up the World,” “Switch Off Lights on Mid-Autumn Festival,” International Car-Free Day, etc. Last but not

least, the 13th of each month is designated E.SUN Environmental Awareness & Education Day. Emphasis is placed on promoting energy conservation and carbon reduction concepts and practices in daily lives and at the workplace. Employees are thus called upon to take action and make environmental protection their way of life.

E.SUN has funneled corporate resources toward bettering the infrastructure of Taiwan's high school baseball since the inception of the E.SUN High School Baseball Development Fund. Among recipients of its funding are E.SUN Cup National High School Baseball Championship, E.SUN High School Baseball Camp on Sports Injury Prevention and Rehabilitation, E.SUN High School Baseball Camp for Pitchers and Catchers, and Care for Hinterland Baseball Teams. The latest addition in 2012 was E.SUN High School Baseball Camp on Strength and Conditioning. As of the end of 2012, E.SUN funding had helped a total



of 17 high schools, including Meiho Senior High School, Mailiao High School, Taichung Municipal Sinshe High School and Hsinchu Municipal Cheng Te High School, secure all the baseball gear they need. Moreover, MLB coaches were hired as instructors to help their local high school baseball counterparts learn about the latest training expertise on skills, strength and conditioning, and psychology. Hopefully more local players will thus carve a name for themselves and their country in the global arena.

In the academic sphere, E.SUN believes in the need to provide underprivileged but aspiring students with a fair opportunity to enjoy all the learning resources most of their peers take for granted. To date, a cumulative 57 students have been awarded the E.SUN Scholarship for Growing Outstanding Managers that marked its eighth anniversary in 2012. For its part, E.SUN hopes to help these students focus on their studies and move on to make an excellent manager in the future. Separately, E.SUN has joined National Taiwan University to establish the E.SUN Academic Awards as an incentive to upgrade local management research. Each year two local academicians are to be awarded for publishing their works in top-notch management periodicals around the world. On the other hand, E.SUN also teamed up with SAS Taiwan, a leader in business analytics software and services, to organize the "Campus Data Mining

Contest.” It was not only an endeavor to further enhance financial services technologically but also an act to honor the Bank’s corporate social responsibility. Meanwhile, E.SUN is also an avid participant in the Financial Supervisory Commission’s campaign to promote financial knowledge across campuses and communities. The purpose is to help people learn more about consumer banking and the right ways to manage wealth and debt.



Over the decades E.SUN has fulfilled its corporate social responsibility on all fronts: culture and the arts, environmental protection and employee welfare as well as the common good. In 2012, E.SUN FHC was rated by Commonwealth magazine as the local financial industry’s No. 1 recipient of its Commonwealth Corporate Citizen Award for the fourth consecutive year. The year also saw its subsidiary E.SUN Bank win a string of recognitions and awards: the CG6007 certification of Taiwan’s Corporate Governance

Association; citation by the Environmental Protection Administration (EPA) as a bellwether entity of “green procurement” and by Taipei City government as a bellwether entity of “green procurement in the private sector” for the third consecutive year; citation by the EPA as a premium winner of its certification mark for carbon emissions reduction; rating by the weekly Business Today as No. 1 winner of its Best Service Awards for the wealth management sector of Taiwan’s banking industry; rating by Commonwealth magazine as the local financial industry’s No. 1 recipient of its Gold Medal Service Awards; rating as A+ in the Securities and Futures Institute’s “Survey on Information Disclosure of TWSE/GTSM-Listed Companies” for the fourth consecutive year; the SME Credit Guarantee Partner Awards for both institutions and individuals from the Ministry of Economic Affairs for the sixth straight year—a record unmatched in the local financial services industry; rating by the National Youth Commission as a bank of excellence in providing loans for young people to start their own business; the Joint Credit Information Center’s Golden Award for the lending data segment. As can be verified by the accolades cited above, E.SUN not only provides customers with trustworthy financial services but also takes action to repay customers, shareholders and society.

## VI. Financial Information



Stand firm and proud.



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## 1. Condensed Financial Statements 2008 to 2012

### (1) Condensed Balance Sheet

Unit:NT\$1,000

Item	Year	Financial data 2008-2012				
		2012	2011	2010	2009	2008
Cash and cash equivalents due from the central bank and call loans to banks		5,514,101	7,212,192	6,782,379	5,054,646	7,246,319
Financial assets at fair value through profit or loss		7,780	-	-	1,011	303,324
Receivables		1,476,253	734,622	830,086	807,921	507,706
Equity investments under the equity method		81,135,789	70,828,510	60,799,227	57,006,584	50,886,052
Other financial assets		12,690	12,690	12,690	12,690	12,690
Properties		1,907	2,298	246	271	432
Intangible assets		16,568	2,987	1,848	1,934	2,021
Other assets		170,762	40,923	2,817	2,838	822,205
<b>Total assets</b>		<b>88,335,850</b>	<b>78,834,222</b>	<b>68,429,293</b>	<b>62,887,895</b>	<b>59,780,749</b>
Financial liabilities at fair value through profit or loss		5,447,115	5,241,495	5,138,932	4,798,424	4,967,559
Payables		1,408,974	504,454	445,235	459,415	375,316
Corporate bonds payable		6,300,000	7,500,000	7,500,000	5,500,000	5,500,000
Accrued pension cost		5,752	4,577	20,755	3,569	7,641
Other borrowings		0	0	0	0	0
Other liabilities		0	0	82,512	188,771	188,032
Total liabilities	Before distribution	13,161,841	13,250,526	13,187,434	10,950,179	11,038,548
	After distribution	Note 1	14,165,526	13,948,094	11,676,539	11,049,524
Capital Stock		50,107,000	45,750,000	38,033,000	36,528,000	35,443,511
Capital Surplus		14,420,331	13,327,677	10,578,871	10,451,904	10,407,577
Retained earnings	Before distribution	10,584,717	6,728,981	6,503,368	4,759,376	3,881,743
	After distribution	Note 1	3,526,481	3,080,398	2,580,296	3,991,219
Equity adjustments		61,961	(222,962)	126,620	198,436	(990,630)
Total stockholders' equity	Before distribution	75,174,009	65,583,696	55,241,859	51,937,716	48,742,201
	After distribution	Note 1	64,668,696	54,481,199	51,211,356	48,742,201

Note 1: Earnings distribution of the year(ended December 31)2012 shall be resolved in the shareholders' meeting.

## (2) Condensed Balance Sheet(Consolidated)

Unit : NT\$1,000

Year		Financial data 2008-2012					
		2012	2011	2010	2009	2008	
Cash and cash equivalents due from the central bank and call loans to banks		79,269,556	65,132,182	57,913,977	226,996,247	100,544,324	
Financial assets at fair value through profit or loss		61,300,358	52,303,140	55,517,279	40,126,282	74,377,362	
Securities purchased under resell agreements		210,863	29,789	1,439,552	3,384,993	353,252	
Receivables		48,564,037	46,576,283	41,833,788	37,147,658	32,607,482	
Discounts and loans		735,406,720	656,008,834	599,161,337	550,483,765	532,944,978	
Available-for-sale financial assets		76,668,039	53,524,008	48,242,365	37,300,338	42,884,680	
Held-to-maturity financial assets		211,168,563	253,283,859	254,655,585	18,278,241	14,241,499	
Equity investments under the equity method		-	-	-	-	-	
Other financial assets		6,137,744	5,143,502	4,331,568	7,279,134	9,194,423	
Properties		16,669,914	15,892,484	14,456,569	14,184,114	13,283,041	
Goodwill and Intangible assets		4,188,907	4,063,447	4,016,475	4,048,234	4,039,733	
Other assets		4,511,882	3,533,834	2,959,873	3,089,363	4,996,188	
Total assets		1,244,096,583	1,155,491,362	1,084,528,368	942,318,369	829,466,962	
Due to the central bank and other banks		46,652,824	38,052,926	38,869,814	39,051,957	21,168,220	
Commercial paper issued, net		781,772	951,708	2,503,224	1,344,707	-	
Financial liabilities at fair value through profit or loss		12,418,221	13,092,263	18,084,329	15,856,882	31,443,604	
Securities sold under repurchase agreements		4,957,725	13,247,387	17,394,242	14,518,968	23,161,468	
Payables		24,469,413	19,676,684	11,384,674	8,641,721	10,261,151	
Deposits and remittances		1,023,820,129	954,993,962	897,263,764	769,286,147	658,990,601	
Bonds payable		53,300,000	46,500,000	41,500,000	39,000,000	32,800,000	
Other borrowings		-	6,000	300,000	-	-	
Other financial liabilities		1,403,736	1,934,733	296,158	2,128,437	2,369,094	
Other liabilities		1,118,754	1,452,003	1,690,304	551,834	530,623	
Total liabilities		1,168,922,574	1,089,907,666	1,029,286,509	890,380,653	780,724,761	
Total stockholders' equity of parent company	Capital Stock	50,107,000	45,750,000	38,033,000	36,528,000	35,443,511	
	Capital Surplus	14,420,331	13,327,677	10,578,871	10,451,904	10,407,577	
	Retained earnings	Before distribution	10,584,717	6,728,981	6,503,368	4,759,376	3,881,743
		After distribution	Note 1	3,526,481	3,080,398	2,580,296	3,870,767
Equity adjustments	61,961	(222,962)	126,620	198,436	(990,630)		
Minority interest		-	-	-	-	-	
Total stockholders' equity	Before distribution	75,174,009	65,583,696	55,241,859	51,937,716	48,742,201	
	After distribution	Note 1	62,381,196	54,481,199	51,211,356	48,731,225	

Note 1: Earnings distribution of the year (ended December 31) 2012 shall be resolved in the shareholders' meeting.

**(3) Condensed Income Statement**

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

Item	Year	Financial data 2008-2012				
		2012	2011	2010	2009	2008
Income from equity investments under the equity method		7,677,165	3,781,342	4,720,551	2,272,699	950,646
Other revenues and gains		114,789	186,958	63,301	102,215	618,457
Loss from equity investments under the equity method		-	-	-	-	(63,663)
Operating expenses		(181,580)	(168,765)	(100,663)	(157,310)	(125,584)
Other expenses and losses		(684,731)	(345,992)	(965,093)	(352,815)	(217,367)
Income before income tax		6,925,643	3,453,543	3,718,096	1,864,789	1,162,489
Net income		7,058,236	3,484,348	3,923,072	1,928,338	1,025,003
Earnings per share (before income tax)		1.43	0.78	0.98	0.52	0.34
Earnings per share (after income tax)		1.46	0.78	1.04	0.53	0.30

**(4) Condensed Income Statement(Consolidated)**

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

Item	Year	Financial data 2008-2012				
		2012	2011	2010	2009	2008
Net interest		14,089,561	12,688,332	11,450,970	8,642,423	9,579,922
Total net revenues and gains other than interest		10,002,317	7,516,932	5,964,391	4,616,528	4,584,388
Bad-debt expenses		(2,019,962)	(4,540,035)	(2,732,257)	(2,116,940)	(3,536,372)
Operating expenses		(13,717,997)	(11,622,826)	(10,210,948)	(9,060,094)	(9,006,830)
Consolidated income before cumulative effect of changes in accounting principles		8,353,919	4,042,403	4,472,156	2,081,917	1,621,108
Consolidated income after cumulative effect of changes in accounting principles		7,058,236	3,484,348	3,923,072	1,928,338	1,025,003
Cumulative effect of changes in accounting principles (After income tax)		0	0	0	0	0
Consolidated net income attributable to	Attributable to parent company	7,058,236	3,484,348	3,923,072	1,928,338	1,025,003
	Attributable to minority interest	0	0	0	0	0
Basic earnings per share		1.46	0.78	1.04	0.53	0.30

**(5) CPAs' Auditing Opinion from 2008 to 2012**

Chang Ryh Yan, CPA, and Way Yung Do, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2008, ended on December 31, and issued modified unqualified opinion reports ; Wu Mei Hui, CPA, and Way Yung Do, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2009, ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Wu Mei Hui, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2010, each ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2011, ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2012, ended on December 31, and issued modified unqualified opinion reports.



## 2. Financial analysis from 2008 to 2012

Item	Year	Financial data 2008-2012				
		2012	2011	2010	2009	2008
Operating ratio	Total assets turnover (Times) (Note 1)	0.09	0.05	0.07	0.04	0.03
	Ratio of loans to deposits (E.SUN Commercial Bank)	72.25	68.87	66.65	71.49	80.51
	NPL ratio (E.SUN Commercial Bank)	0.17	0.20	0.39	0.67	0.90
	Average revenue per employee (Note 2) (Note 1)	1,203.20	662.93	926.74	405.72	270.09
	Average net income per employee (Note 2) (Note 1)	1,089.91	582.08	759.99	386.91	214.93
Profitability ratio	Ratio of return on total assets (%) (Note 1)	8.72	5.01	6.03	3.40	1.94
	Ratio of return on stockholders' equity (%) (Note 1)	10.03	5.77	7.32	3.83	2.12
	Profit margin ratio (%) (Note 1)	99.31	96.19	102.73	95.36	79.58
	Basic earnings(losses)per share (Before distribution) (Note 1)	1.46	0.82	1.04	0.53	0.30
	Basic earnings(losses)per share(After distribution) (Note 1)	1.39	0.79	1.04	0.51	0.19
Debt Repayment ability	Liquidity ratio	1.02	1.38	1.36	1.12	1.51
	Ratio of debt to assets	14.90	16.81	19.27	17.41	18.47
Financial structure	Ratio of debt to net worth	17.51	20.20	23.87	21.08	22.65
	Double Leverage Ratio	107.93	108.00	110.06	109.76	104.40
	According to Article 41 of Financial Holding Company Law	-	-	-	-	-
	Operating leverage ratio	1.00	1.00	1.00	1.00	1.00
Leverage ratio	Financial leverage ratio	1.04	1.01	1.01	1.11	1.19
	Ratio of assets growing (Note 1)	12.05	15.21	8.81	5.20	(4.51)
Ratio of growing	Ratio of income growing (Note 1)	100.54	(7.12)	99.38	60.41	(63.16)
	Cash flow ratio (Note 4)	6.86	20.79	5.15	-	289.89
Analyses for Liquidity	Cash flow adequacy ratio (Note 4)	18.89	17.01	17.64	32.16	38.99
	Cash flow content ratio	(15.10)	-	-	-	316.46
	Market share of assets (%)	3.53	3.49	3.75	3.48	3.39
Operating Scale	Market share of equity (%)	3.08	2.98	2.77	2.74	2.98
	Market share of deposit (%) (E.SUN Commercial Bank)	3.71	3.53	3.47	3.19	2.91
	Market share of assets loans (%) (E.SUN Commercial Bank)	3.44	3.09	3.03	2.98	2.90
	endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law (NT\$ thousand)	384,308,372	376,928,430	374,761,731	93,947,032	50,046,909

Note 1: The profit volatility of the Company and of its subsidiary reached 20% was due to E.SUN Bank's compliance to the differentiated management initiative of the regulator on provisioning, and took a one-time provision of NTD 2,461,981,000 at Q4 2011, which resulted in a significant reduction on the annual profit but boosted the total loan coverage ratio to 1%.

Note 2: The volatility reached 20% was due to the fine asset quality of the subsidiary.

Note 3: The number of employees represents the all employees within the FHC, but not includes the sub-subsidiary E.SUN Investment Consulting, Co., Ltd.

Note 4: The volatility reached 20% was due to the significant increase of net cash flow from the business operation.

Note 5: The increase of asset was due to the capital injection by cash of NTD 7.5 billion.

Note 6: Formula :

#### 1. Operating ratio

- (1) 2007-2011 Total assets turnover = Net revenues / Total assets
- (2) Ratio of loans to deposits = Total loans / Total deposits
- (3) NPL ratio = Nonperforming loans / Total loans
- (4) 2007-2011 Average revenue per employee = Net revenues / employee
- (5) Average net income per employee = Income after income tax / employee

#### 2. Profitability ratio

- (1) Ratio of return on total assets =  $(\text{Income after income tax} + \text{interest expenses} \times (1 - \text{tax rate})) / \text{Average assets}$
- (2) Ratio of return on stockholders' equity =  $\text{Income after income tax} / \text{Average stockholders' equity}$
- (3) 2007-2011 Profit margin ratio =  $\text{Income after income tax} / \text{Net revenues}$
- (4) Basic earnings per share =  $(\text{Income after income tax} - \text{Dividends for preferred stocks}) / \text{Average issued shares}$

#### 3. Debt repayment ratio = current asset/current liabilities

#### 4. Financial structure

- (1) Ratio of debt to assets = Total liabilities / Total assets
- (2) Ratio of debt to net worth = Total liabilities / Total stockholders' equity
- (3) Double Leverage Ratio =  $\text{Equity investment for subsidiaries} / \text{Total stockholders' equity}$

#### 5. Leverage ratio :

- (1) 2007-2011 Operating leverage ratio =  $(\text{Net revenues} - \text{Variable expenses}) / \text{Income before income tax}$
- (2) 2007-2011 Financial leverage ratio =  $(\text{Income before income tax} + \text{interest expenses}) / \text{Income before income tax}$

#### 6. Ratio of growing :

- (1) Ratio of assets growing =  $(\text{Total assets} - \text{Last year total assets}) / \text{Last year total assets}$
- (2) Ratio of income growing =  $(\text{income before income tax} - \text{Last year income before income tax}) / \text{Last year income before income tax}$

#### 7. Analyses for Liquidity (2007-2011 is to include E.SUN Financial Holding Company, Ltd.)

- (1) Cash flow ratio =  $\text{Net cash provided by operating activities} / (\text{Due to the bank} + \text{Commercial paper issued} + \text{Financial liabilities at fair value through profit of loss} + \text{Securities purchased under resell agreements} + \text{Current portion of Payables})$
- (2) Cash flow adequacy ratio =  $\text{Net cash provided by operating activities} (\text{from 2007 to 2011}) / \text{from 2007 to 2011} (\text{capital expenditure} + \text{Cash dividends})$
- (3) Cash flow content ratio =  $\text{Net cash provided by operating activities} / \text{Net cash provided by investing activities}$

#### 8. Operating Scale

- (1) Market share of assets =  $\text{Total assets} / \text{Total assets of all Financial Holding Co., Ltd.}$
- (2) Market share of equity =  $\text{Total stockholders' equity} / \text{Total stockholders' equity of all Financial Holding Co., Ltd.}$
- (3) Market share of deposit (%) (bank) =  $\text{Total deposits} / \text{Total deposits held by all financial institutions which are qualified in deposit and loan business}$
- (4) Market share of assets loans (%) (bank) =  $\text{Total loans} / \text{Total loans granted by all financial institutions which are qualified in deposit and loan business}$

### 3.Capital adequacy Ratio from 2008 to 2012

Item		Year	Financial data 2008-2012				
			2012	2011	2010	2009	2008
Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank		13.21	12.29	11.55	11.03	10.56
	E.SUN Securities Co., Ltd.		575.29	698.71	470.64	489.82	836.16
	E.SUN Venture Capital Co., Ltd.		99.61	98.77	98.91	99.51	99.74
	E.SUN Insurance Brokers Co., Ltd.		86.96	83.98	84.84	80.77	85.16
	E.SUN Securities Investment Trust Co., Ltd.		-	-	-	-	-
Qualified capital of subsidiaries (NT\$ thousand)	E.SUN Commercial Bank		103,424,675	82,305,147	67,348,487	58,053,242	54,793,876
	E.SUN Securities Co., Ltd.		2,676,825	2,688,919	2,861,533	2,747,070	2,685,422
	E.SUN Venture Capital Co., Ltd.		1,580,005	1,671,600	1,763,469	1,658,277	1,221,173
	E.SUN Insurance Brokers Co., Ltd.		724,644	662,396	516,834	365,951	209,900
	E.SUN Securities Investment Trust Co., Ltd.		-	-	-	-	-
Net Group qualified capital(NT\$ thousand)			93,421,814	73,991,095	60,134,186	51,201,061	52,911,643
Legal requirement of subsidiaries' capital (NT\$ thousand)	E.SUN Commercial Bank		62,646,252	53,565,372	46,655,136	42,098,339	41,504,878
	E.SUN Securities Co., Ltd.		697,949	577,263	912,020	841,247	481,742
	E.SUN Venture Capital Co., Ltd.		793,076	846,213	891,486	1,658,277	612,171
	E.SUN Insurance Brokers Co., Ltd.		416,652	394,369	304,586	365,951	123,235
	E.SUN Securities Investment Trust Co., Ltd.		-	-	-	-	-
Legal requirement of group capital (NT\$ thousand)			64,652,237	55,426,454	48,811,440	44,033,246	43,915,499
Group Capital Adequacy Ratio (%) (note 2)			144.50	133.49	123.20	116.28	120.49

Note 1 : Group Capital Adequacy Ratio=Net Group qualified capital+Legal requirement of group capital.

Note 2 : Financial data 2007 and 2008,E.SUN Commercial Bank' s amount is for E.SUN Commercial Bank and E.SUN Bills Finance Corp.consolidated .

Note 3 : Capital adequacy ratio is one of the KPIs of E.SUN Financial Holding Company.

### 4.One of the KPIs of E.SUN Financial Holding Company

: Capital adequacy ratio.

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



## 6. Audit Committees' Report

### Audit Committee Report

To: E.SUN Financial Holding Company

The 2012 consolidated financial statements of E.SUN Financial Holding Company ("the Company") have been produced in accordance with the regulations of "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" and GAAP (Generally Accepted Accounting Principles), and CPA Chen Li-Chi and CPA Lai Kwan Chung of Deloitte & Touche have been appointed by the Company to audit the financial statements. After reviewing the financial statements, the Audit Committee has found them to meet the requirements of the applicable laws and regulations. The report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of the Company for the Board's approval.



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

Date: March 21, 2013

## 7.Independent Auditors' Report



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### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of E.SUN Financial Holding Company, Ltd. and subsidiaries (collectively, the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of E.SUN Financial Holding Company, Ltd. and subsidiaries as of December 31, 2012 and 2011 and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Reports by Securities Firms, Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 9 to the consolidated financial statements, following the Financial Supervisory Commission's letter dated November 21, 2011 (Ref. No. 10010006830), E.SUN Commercial Bank, Ltd., a wholly owned subsidiary of E.SUN Financial Holding Company, Ltd., raised the coverage ratio of allowance for possible losses on loans to over 1% in the last quarter of 2011.

*PricewaterhouseCoopers*

March 22, 2013

Notice to Readers

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

*For the convenience of readers, the 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 auditors' report and consolidated financial statements shall prevail.*



## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

	2012	2011	Percentage
	Amount	Amount	Increase (Decrease) %
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS (Notes 2 and 4)	\$23,413,593	\$20,115,766	16
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 5)	55,855,963	45,016,416	24
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET (Notes 2, 6 and 33)	61,300,358	52,303,140	17
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 7)	210,863	29,789	608
RECEIVABLES, NET (Notes 2, 8 and 33)	48,564,037	46,576,283	4
DISCOUNTS AND LOANS, NET (Notes 2, 9, 32 and 33)	735,406,720	656,008,834	12
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 10, 11 and 33)	76,668,039	53,524,008	43
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 2, 12 and 33)	211,168,563	253,283,859	(17)
OTHER FINANCIAL ASSETS, NET (Notes 2, 13 and 33)	6,137,744	5,143,502	19
PROPERTIES, NET (Notes 2 and 14)	16,669,914	15,892,484	5
INTANGIBLE ASSETS, NET (Notes 2 and 15)	4,188,907	4,063,447	3
OTHER ASSETS, NET (Notes 2, 16 and 26)			
Idle assets, net	829,168	345,993	140
Rentable assets, net	1,443,721	952,434	52
Refundable deposits, net	1,310,973	1,246,880	5
Operating deposits and settlement funds	707,330	698,058	1
Others	<u>220,690</u>	<u>290,469</u>	(24)
Total other assets, net	<u>4,511,882</u>	<u>3,533,834</u>	28
TOTAL	<u>\$1,244,096,583</u>	<u>\$1,155,491,362</u>	8

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 22, 2013)

	2012	2011	Percentage Increase (Decrease)
	Amount	Amount	%
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 17)	\$46,652,824	\$38,052,926	23
COMMERCIAL PAPER ISSUED, NET (Note 18)	781,772	951,708	(18)
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 22)	12,418,221	13,092,263	(5)
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 6, 10, 12 and 19)	4,957,725	13,247,387	(63)
PAYABLES (Notes 2 and 20)	24,469,413	19,676,684	24
DEPOSITS AND REMITTANCES (Notes 21 and 32)	1,023,820,129	954,993,962	7
BONDS PAYABLE (Notes 2 and 22)	53,300,000	46,500,000	15
OTHER BORROWINGS (Note 23)	-	6,000	(100)
OTHER FINANCIAL LIABILITIES (Note 24)	1,403,736	1,934,733	(27)
OTHER LIABILITIES (Notes 2, 25, 26 and 29)	<u>1,118,754</u>	<u>1,452,003</u>	(23)
Total liabilities	<u>1,168,922,574</u>	<u>1,089,907,666</u>	7
Capital stock			
Common stock - NT\$10.00 par value, authorized 10,000,000 thousand shares in 2012 and 5,000,000 thousand shares in 2011; issued and outstanding 5,010,700 thousand shares in 2012 and 4,575,000 thousand shares in 2011	<u>50,107,000</u>	<u>45,750,000</u>	10
Capital surplus			
Additional paid-in capital from share issuance in excess of par value	11,037,847	9,945,193	11
From treasury stock transactions	<u>3,382,484</u>	<u>3,382,484</u>	-
Total capital surplus	<u>14,420,331</u>	<u>13,327,677</u>	8
Retained earnings			
Legal reserve	2,809,899	2,461,465	14
Special reserve	551,166	328,204	68
Unappropriated earnings	7,223,652	<u>3,939,312</u>	83
Total retained earnings	<u>10,584,717</u>	<u>6,728,981</u>	57
Equity adjustments			
Cumulative translation adjustments	(228,429)	(5,960)	3,733
Unrealized valuation gains (losses) on financial instruments	295,035	(214,460)	238
Net loss not recognized as pension cost	(4,645)	<u>(2,542)</u>	83
Total equity adjustments	<u>61,961</u>	<u>(222,962)</u>	128
Total stockholders' equity	<u>75,174,009</u>	<u>65,583,696</u>	15
CONTINGENCIES AND COMMITMENTS (Notes 2 and 34)			
TOTAL	<u>\$1,244,096,583</u>	<u>\$1,155,491,362</u>	8



## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012	2011	Percentage Increase (Decrease)
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 32)	\$ 23,715,847	\$ 21,329,592	11
INTEREST EXPENSE (Notes 2 and 32)	<u>(9,626,286)</u>	<u>(8,641,260)</u>	11
NET INTEREST	<u>14,089,561</u>	<u>12,688,332</u>	11
NET REVENUES AND GAINS OTHER THAN INTEREST			
Service fee and commission income, net (Notes 2 and 27)	7,471,613	6,272,864	19
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	498,581	(287,483)	273
Realized gains on available-for-sale financial assets (Notes 2 and 11)	1,615,732	169,198	855
Foreign exchange gains, net (Note 2)	266,720	894,706	(70)
Impairment losses on assets (Notes 2, 13 and 16)	(61,140)	(63,265)	(3)
Gains on financial assets carried at cost, net (Note 2)	129,767	385,186	(66)
Rental income, net	23,328	13,538	72
Gains on disposal of assets, net (Note 2)	26,164	109,910	(76)
Other noninterest gains, net	<u>31,552</u>	<u>22,278</u>	42
Total net revenues and gains other than interest	<u>10,002,317</u>	<u>7,516,932</u>	33
TOTAL NET REVENUES	<u>24,091,878</u>	<u>20,205,264</u>	19
BAD-DEBT EXPENSES (Notes 2 and 9)	<u>(2,019,962)</u>	<u>(4,540,035)</u>	(56)
OPERATING EXPENSES (Notes 2, 26, 28 and 32)			
Personnel	(6,131,377)	(5,347,605)	15
Depreciation and amortization	(885,632)	(874,937)	1
General and administrative	<u>(6,700,988)</u>	<u>(5,400,284)</u>	24
Total operating expenses	<u>(13,717,997)</u>	<u>(11,622,826)</u>	18
CONSOLIDATED INCOME BEFORE INCOME TAX	8,353,919	4,042,403	107
INCOME TAX EXPENSE (Notes 2 and 29)	<u>(1,295,683)</u>	<u>(558,055)</u>	132
CONSOLIDATED NET INCOME	<u>\$7,058,236</u>	<u>\$ 3,484,348</u>	103
ATTRIBUTABLE TO:			
Parent company	<u>\$7,058,236</u>	<u>\$ 3,484,348</u>	103
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 30)			
Basic	\$ 1.43	\$ 1.46	\$ 0.82
Diluted	<u>\$ 1.37</u>	<u>\$ 1.39</u>	<u>\$ 0.75</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated March 22, 2013)

## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	Stockholders' Equity of Parent Company									
	Capital Stock (Note 31)			Retained Earnings (Notes 2 and 31)			Equity Adjustments			Total Stockholders' Equity
	Shares (in Thousands)	Common Stock	Capital Surplus (Notes 2 and 31)	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gains (Losses) on Financial Instruments (Note 2)	Net Loss Not Recognized as Pension Cost (Note 2)	
<b>BALANCE, JANUARY 1, 2011</b>	3,803,300	\$38,033,000	\$10,578,871	\$2,069,158	\$163,969	\$4,270,241	\$(128,172)	\$274,295	\$(19,503)	\$55,241,859
Appropriation of prior year's earnings (Note)										
Legal reserve	-	-	-	392,307	-	(392,307)	-	-	-	-
Dividend	-	-	-	-	-	(760,660)	-	-	-	(760,660)
Cash	-	-	-	-	-	-	-	-	-	-
Stock	266,231	2,662,310	-	-	-	(2,662,310)	-	-	-	-
Balance after appropriation	4,069,531	40,695,310	10,578,871	2,461,465	163,969	454,964	(128,172)	274,295	(19,503)	54,481,199
Issuance of common stock from bonus to employees	5,469	54,690	48,674	-	-	-	-	-	-	103,364
Reclassification of subsidiaries' trading loss reserve and default loss reserve in place until December 31, 2010 to special reserve	-	-	-	-	164,235	-	-	-	-	164,235
Capital increase in September 2011	500,000	5,000,000	2,500,000	-	-	-	-	-	-	7,500,000
Share-based payment for the subscription of new shares by employees	-	-	200,132	-	-	-	-	-	-	200,132
Consolidated net income in 2011	-	-	-	-	-	3,484,348	-	-	-	3,484,348
Change in cumulative translation adjustments	-	-	-	-	-	-	122,212	-	-	122,212
Change in unrealized valuation losses on financial instruments	-	-	-	-	-	-	-	(488,755)	-	(488,755)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	16,961	16,961
<b>BALANCE, DECEMBER 31, 2011</b>	4,575,000	45,750,000	13,327,677	2,461,465	328,204	3,939,312	(5,960)	(214,460)	(2,542)	65,583,696
Appropriation of prior year's earnings (Note)										
Legal reserve	-	-	-	348,434	-	(348,434)	-	-	-	-
Special reserve	-	-	-	-	222,962	(222,962)	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	(915,000)	-	-	-	(915,000)
Stock	228,750	2,287,500	-	-	-	(2,287,500)	-	-	-	-
Balance after appropriation	4,803,750	48,037,500	13,327,677	2,809,899	551,166	165,416	(5,960)	(214,460)	(2,542)	64,668,696
Issuance of common stock from bonus to employees	6,950	69,500	30,232	-	-	-	-	-	-	99,732
Capital increase in October 2012	200,000	2,000,000	1,062,422	-	-	-	-	-	-	3,062,422
Consolidated net income in 2012	-	-	-	-	-	7,058,236	-	-	-	7,058,236
Change in cumulative translation adjustments	-	-	-	-	-	-	(222,469)	-	-	(222,469)
Change in unrealized valuation gains on financial instruments	-	-	-	-	-	-	-	509,495	-	509,495
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	(2,103)	(2,103)
<b>BALANCE, DECEMBER 31, 2012</b>	5,010,700	\$50,107,000	\$14,420,331	\$2,809,899	\$551,166	\$7,223,652	\$(228,429)	\$295,035	\$(4,645)	\$75,174,009

Note: For the years ended December 31, 2011 and 2010, the remunerations to directors of \$33,360 thousand and \$35,656 thousand, respectively, and bonuses to employees of \$100,078 thousand (\$99,732 thousand in common stock and \$346 thousand in cash) and \$106,968 thousand (\$103,364 thousand in common stock and \$3,604 thousand in cash), respectively, were deducted from the consolidated income statements. The accompanying notes are an integral part of the consolidated financial statements (With Deloitte & Touche audit report dated March 22, 2013)

## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$7,058,236	\$3,484,348
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization expenses	885,632	874,937
Salary expenses on share-based payment	211,900	290,115
Impairment losses on assets	61,140	63,265
Bad-debt expenses	2,019,962	4,540,035
Recovery of written-off credits and reserve for losses on guarantees	1,049,639	1,050,011
Gains on valuation of financial instruments	(173,284)	(128,431)
Realized losses on the sale of financial instruments designated as at fair value through profit or loss	272,055	29,911
Realized gains on the sale of available-for-sale financial assets	(1,599,846)	(119,486)
Gains on the sale of properties, idle assets, rentable assets and foreclosed collaterals, net	(19,620)	(105,850)
Realized gains on the sale of financial assets carried at cost	(67,202)	(330,316)
Amortization of premium or discount on bonds	375,773	213,941
Deferred income tax	(247,323)	(6,040)
Others	(888)	13,846
Net changes in operating assets and liabilities		
Held-for-trading financial assets	(8,242,964)	7,140,548
Held-for-trading financial liabilities	307,583	715,720
Receivables	(2,797,369)	(6,089,955)
Other financial assets - guarantee deposits received on futures contracts	(78,131)	(124,907)
Other assets	30,735	58,943
Securities brokerage accounts, net	24,729	(3,726)
Payables	4,643,987	8,078,973
Other liabilities	(163,493)	(146,662)
Net cash provided by operating activities	<u>3,551,251</u>	<u>19,499,220</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from the Central Bank and call loans to other banks	(10,839,547)	3,360,996
Decrease (increase) in securities purchased under resell agreements	(181,074)	1,409,763
Increase in discounts and loans	(81,386,242)	(52,242,124)
Increase in financial assets designated as at fair value through profit or loss	(1,571,772)	(4,001,070)
Acquisition of available-for-sale financial assets	(110,952,600)	(62,423,819)
Return of principal on or proceeds of the sale of available-for-sale financial assets	89,170,677	57,817,551
Acquisition of held-to-maturity financial assets	(1,585,963,414)	(2,292,538,229)



## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	2012	2011
Return of principal on or proceeds of the sale of held-to-maturity financial assets	\$1,627,819,799	\$2,293,857,076
Acquisition of financial assets carried at cost	(158,891)	(364,535)
Return of principal on or proceeds of the sale of financial assets carried at cost	122,879	560,167
Acquisition of debt instruments with no active market	(3,215,217)	(2,216,350)
Return of principal on or proceeds of the sale of debt instruments with no active market	2,251,906	796,500
Acquisition of properties and intangible assets	(2,601,133)	(2,116,601)
Proceeds of the sale of properties	1,259	46,121
Proceeds of the sale of rentable assets, idle assets and foreclosed collaterals	113,967	232,429
Decrease in other financial assets	5,001	579,809
Decrease (increase) in other assets	(73,973)	3,166
Payment for the acquisition of Chiayi The Fourth Credit Cooperative	(110,000)	-
Increase in cash arising from the acquisition of Chiayi The Fourth Credit Cooperative on November 2, 2012	1,640,113	-
Payment for the acquisition of Chu Nan Credit-Cooperative Association	-	(1,834,000)
Increase in cash arising from the acquisition of Chu Nan Credit-Cooperative Association on July 9, 2011	-	5,444,168
Net cash used in investing activities	<u>(75,928,262)</u>	<u>(53,628,982)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term debts	(6,000)	(294,000)
Increase (decrease) in due to the Central Bank and other banks	8,599,898	(816,888)
Decrease in commercial paper issued	(169,936)	(1,551,516)
Decrease in financial liabilities designated as at fair value through profit or loss	(300,000)	(5,344,250)
Decrease in securities sold under repurchase agreements	(8,289,662)	(4,146,855)
Increase in deposits and remittances	66,929,471	42,159,584
Increase (decrease) in other financial liabilities	(531,149)	1,635,717
Proceeds of the issuance of bank debentures	13,000,000	5,000,000
Repayment of bank debentures	(5,000,000)	-
Proceeds of the issuance of corporate bonds	3,800,000	-
Repayment of corporate bonds	(5,000,000)	-
Capital increase	3,062,422	7,500,000
Cash dividends paid	(915,000)	(760,660)
Net cash provided by financing activities	<u>75,180,044</u>	<u>43,381,132</u>
EFFECTS OF EXCHANGE RATE CHANGES	494,794	(320,328)
INCREASE IN CASH AND CASH EQUIVALENTS	\$3,297,827	\$8,931,042
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,115,766</u>	<u>11,184,724</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$23,413,593</u></u>	<u><u>\$20,115,766</u></u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid	<u>\$9,440,754</u>	<u>\$8,289,412</u>
Income tax paid	<u>\$672,181</u>	<u>\$549,745</u>

The accompanying notes are an integral part of the consolidated financial statements  
(With Deloitte & Touche audit report dated March 22, 2013)



## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

### 1. ORGANIZATION AND OPERATIONS

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

ESFHC invests in and manages financial institutions.

E.SUN Bank engages in commercial banking activities permitted by the Banking Law. The operations of E.SUN Bank’s Trust Department consist of planning, managing and operating the trust business. These operations are regulated under the Banking Law and Trust Law of the ROC. As of December 31, 2012, E.SUN Bank had a business department, international banking department, trust department, credit card and payment division, an offshore banking unit (OBU), 4 overseas branches (Los Angeles, Hong Kong, Singapore and Dongguan), 131 domestic branches and 1 representative office (in Ho Chi Minh City, Vietnam).

To integrate resources, enhance operating effectiveness, strengthen E.SUN Bank’s equity structure, and ensure its long-term development, the stockholders of E.SUN Bank and E.SUN Bills resolved on August 25, 2006, to have a merger with each other, with E.SUN Bank as the surviving entity. The Financial Supervisory Commission (FSC) approved this merger on November 10, 2006.

E.SUN Bank acquired the assets and liabilities and businesses of Chiayi The Fourth Credit Cooperative and Chu Nan Credit-Cooperative Association on November 3, 2012 and July 9, 2011, respectively. Please refer to Note 46 to the consolidated financial statements.

E.SUN Securities engages in underwriting, dealing and brokerage of securities. The FSC approved the brokerage of futures on January 28, 2010 and E.SUN Securities started the operating in brokerage of futures in June 2010.

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

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

The above consolidated entities are hereinafter referred to collectively as the “Company.” Please see Table 2 (attached) for more information on the consolidated entities.

As of December 31, 2012 and 2011, ESFHC and its subsidiaries had 6,476 and 6,009 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Reports by Securities Firms, Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail.

The Company’s significant accounting policies are summarized as follows:

#### Consolidation

ESFHC’s consolidated financial statements as of and for the years ended December 31, 2012 and 2011 included the accounts of ESFHC, E.SUN Bank, E.SUN Securities and subsidiary (E.SUN

Securities Investment Consulting Corp.), ESVC and ESIB. All significant intercompany transactions and balances have been eliminated for consolidation purposes.

E.SUN Bank's financial statements included the accounts of the Head Office, OBU, and all branches. All interoffice transactions and balances have been eliminated.

### Foreign-currency Transactions

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

E.SUN Bank records foreign-currency transactions in the respective currencies in which these are denominated. Every month-end, foreign currency income and expenses are translated into New Taiwan dollars at the prevailing exchange rates. On balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in the income statement.

Unrealized exchange differences on nonmonetary financial assets and liabilities are a component of the change in their entire fair value. For nonmonetary financial assets and liabilities classified as financial instruments measured at fair value through profit or loss, unrealized exchange differences are recognized in the income statement. For nonmonetary financial instruments that are classified as available-for-sale, unrealized exchange differences are recorded directly under stockholders' equity until the asset is sold or becomes impaired. Nonmonetary financial instruments that are classified as carried at cost are recognized at the exchange rate on the transaction date. E.SUN Bank translates overseas branches' financial statements at the following rates: Assets and liabilities - the prevailing exchange rates on balance sheet date; and income and expenses - at the average exchange rate for the year. Translation difference net of income tax is recorded as "cumulative translation adjustments" under stockholders' equity.

### Accounting Estimates

In preparing consolidated financial statements, ESFHC and its subsidiaries are required to make certain estimates and assumptions that could affect the valuation of financial instruments, the amounts of allowance for possible losses, reserve for losses on guarantees, property depreciation, amortization of intangible assets, pension, income tax, impairment loss on assets, accrued litigation loss, bonus to employees and remuneration to directors and supervisors. Actual results could differ from these estimates.

### Current and Noncurrent Assets and Liabilities

Since the operating cycle in the financial holding and banking industry cannot be reasonably identified, accounts included in the financial statements of ESFHC and E.SUN Bank 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.

Except for the matter stated in the preceding paragraph, cash and cash equivalents or assets to be converted or consumed within one year are classified as current. Obligations to be liquidated or settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the financial holding and 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. Please refer to Note 36 for the maturity analysis of assets and liabilities.

### Cash Equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### Basis of Fair Value

Fair values are determined as follows: (a) short-term bills - reference prices published by Reuters; (b) listed stocks and GreTai Securities Market (GTSM) stocks - closing prices as of the balance sheet date; (c) beneficial certificates (open-end funds) - net asset values as of the balance sheet date; (d) bonds - period-end



reference prices published by the GTSM; (e) securities that are unlisted and not traded in GTSM with quoted market prices or trading records - quoted market prices or trading prices; and (f) for the financial instruments without active markets - fair value estimates based on valuation techniques.

#### Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss are financial assets or liabilities that are (a) designated on initial recognition as at fair value, with fair value changes recognized in profit or loss or (b) classified as held for trading. These instruments are required to be recognized at fair value plus direct acquisition costs and to be measured at fair value through profit or loss on the balance sheet date. The Company uses settlement date accounting when recording related transactions, except for stocks and beneficial certificates, for which trade date accounting is used.

Financial instruments used in derivative transactions that do not qualify for hedge accounting treatment are classified as financial assets or liabilities held for trading. If the fair value of a derivative is a positive number, the derivative is carried as an asset and if the fair value is a negative number, the derivative is carried as a liability.

Applying the fair value option eliminates accounting measurement mismatch for items that naturally offset each other or eliminates the burden of separating embedded derivatives that are not considered to be closely related to the host contract pertaining to a hybrid instrument.

The Company did not adopt hedge accounting in 2012 and 2011. If the hedged items are not designated as financial assets or liabilities at fair value through profit or loss (FVTPL), accounting measurement mismatches on these items will occur as a result of differences in measurement attributes. Thus, the Company designated debt instruments as financial assets at FVTPL. Moreover, the Company designated a hybrid instrument as financial assets and liabilities at FVTPL because embedded derivatives are not separated from the host contract in a hybrid instrument.

#### Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus direct acquisition costs. When subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of stockholders' equity. The accumulated gains or losses are

recognized in earnings when the financial asset is derecognized from the balance sheet. The Company uses settlement date accounting when recording related transactions, except for stocks and beneficial certificates, for which trade date accounting is used.

Cash dividends received within a year of asset acquisition are recognized as reduction of the original investment cost and are subsequently recognized as investment income on the ex-dividend date. 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 shares. Any difference between the initial carrying amount of a debt security and its amount on maturity is amortized and then recognized in earnings using the effective interest method.

If an available-for-sale financial asset is determined to be impaired, a loss is recognized. If the impairment loss on equity securities decreases, this loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders' equity; for debt securities, this loss is recognized in earnings.

#### Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. These financial assets are initially recognized at fair value plus direct acquisition costs. Gains or losses are recognized at the time of de-recognition, impairment or amortization. The Company uses settlement date accounting when recording transactions.

If a held-to-maturity financial asset is determined to be impaired, a loss is recognized. If the impairment loss decreases, the previously recognized impairment loss is reversed. However, the reversal should not result in the carrying amount of financial assets exceeding the amortized cost that would have been determined had no impairment loss been recognized.

#### Other Financial Assets

Investments in equity instruments with no quoted market prices in an active market and with fair values that cannot be reliably measured, are measured (including unlisted stocks and emerging stocks) at cost. The accounting treatment for dividends on these instruments is the same as that for dividends on available-for-sale financial assets, except for the recognition of cash dividends upon the declaration by the investees' stockholders under an approved resolution. If there is objective evidence that a financial asset carried at cost is impaired, an impairment loss is recognized. However, impairment loss reversal is prohibited.

Debt instruments with no active market are those with no quoted market prices in an active market and with predetermined amounts. These instruments are carried at amortized cost. The accounting treatment for debt instruments with no active market is the same as that for held-to-maturity financial assets. In contrast to held-to-maturity financial assets, debt instruments with no active market can be sold anytime.

### Financial Asset Securitization

Under the Financial Asset Securitization Act, E.SUN Bank securitized part of its bonds and entrusted those bonds to a trustee for the issuance of beneficial securities. Except for beneficial securities being retained for credit enhancement and reclassified as available-for-sale financial assets, E.SUN Bank de-recognizes the bonds from the balance sheet and recognizes gain or loss because the control of contractual rights on these bonds has been surrendered and transferred to a trustee. The gain or loss on the sale of the bonds is the difference between the proceeds and carrying amount of the bonds, and this carrying amount is based on the relative fair values between the retained beneficial securities and the bonds sold on the date of the sale.

Since quoted market prices are not available for retained beneficial securities, E.SUN Bank estimates fair value using management's key assumptions on bond credit loss rate and discount rates commensurate to the risks involved. The fair value is the present value of the expected future cash flows, and the changes in fair value are reported as a separate component of stockholders' equity.

### Overdue Loans

Under Financial Supervisory Commission guidelines, E.SUN Bank classifies loans and other credits (including accrued interest) overdue for at least six months as overdue loans.

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

Allowances for Possible Losses and Reserve for Losses on Guarantees

The Company provides allowances for bad debts and losses on guarantees on the basis of the evaluation of the collectibility

of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances.

The Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of loans and receivables originated by the Company should be covered by SFAS No. 34. Loans and receivables are assessed for impairment at the end of each reporting period and considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- The loans and receivables becoming overdue;
- Probability that the debtor will enter into bankruptcy or undergo financial reorganization;
- Inadequate financing maintenance ratio of the debtor;
- Proceeds of the sale of collateral inadequate for the margin loans.

Loans and receivables that are individually assessed as not impaired are further assessed collectively for 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 impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates of the loans and receivables, after taking into account the related collaterals and guarantees. The carrying amount of the loans and receivables is reduced through the use of an allowance account. When loans and receivables are considered uncollectible, 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 as bad-debt expenses.

Under Financial Supervisory Commission (FSC) guidelines, E.SUN Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, with collectibility highly doubtful and uncollectible, 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.

Before January 1, 2011, E.SUN Bank made 100%, 50%, 10% and 2% provisions for credits deemed uncollectible, with collectibility highly doubtful, substandard and special mention, respectively, as minimum provisions for possible losses on unsound credit assets. However, effective January 1, 2011, the minimum provisions for possible losses should be the sum of 0.5% of the outstanding balance of sound credit assets (excluding assets that represent claims against an ROC government agency) and the foregoing provisions for unsound credit assets.

Under FSC guidelines, credits deemed uncollectible may be written off if the write-off is approved by the board of directors.

#### Purchase on Margin and Short Sale

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

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

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

#### Securities Purchased/Sold Under Resell/ Repurchase Agreements

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

#### Brokerage Accounts, Net

Under the Guidelines Governing the Preparation of Financial Reports by Securities Firms, the brokerage accounts, net are recorded as brokerage accounts - debit (including bank deposits - settlement account, brokerage securities receivable, exchange clearance, credit transactions and settlements receivable) and brokerage accounts - credit (including brokerage securities payable, exchange clearances, credit transactions and settlements payable). As a result, brokerage accounts - debit are offset against brokerage accounts - credit and recorded as brokerage accounts, net.

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

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

Customer margin accounts include deposits in bank, securities, and deposits for transfer to a futures clearinghouse.

Deposits in bank represent the amounts of customers' margins and premiums.

Securities are the instruments collected from futures traders for the margins and premiums when the futures merchants engage in brokerage of futures.

The deposits held by futures commission merchants (FCMs) for futures transactions are transferred to a clearinghouse of the

exchange of which the FCM is a member (a “clearing FCM”). If an FCM is a non-clearing member, its deposits and trades must be transferred to, and cleared by, a clearing FCM before being transferred to the clearinghouse.

### Asset Impairment

The Company tests assets (mainly properties, idle assets, rentable assets, goodwill and intangible assets) and cash-generating units (CGUs) for impairment on each balance sheet date. If impairment indicators exist, the Company estimates the recoverable amount of assets or CGUs. An impairment loss should be recognized whenever the recoverable amounts of the assets or the CGUs is below the carrying amount.

If asset impairment loss (excluding goodwill) is reversed, 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.

Goodwill is tested for impairment annually or more frequently if events indicate goodwill impairment. Impairment loss is recorded if the book value exceeds value in use. A subsequent reversal of such impairment loss is not allowed.

### Properties, Rentable Assets and Idle Assets

Properties, rentable assets and idle assets are stated at cost less accumulated depreciation and accumulated impairment. The cost of betterments and major renewals that extend the useful life of properties is capitalized. The cost of repairs and maintenance is charged to expense as incurred.

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 5 to 50 years; computers, 3 to 8 years; transportation equipment, 5 to 10 years; miscellaneous equipment, 5 to 20 years; rentable assets, 50 years, and idle assets, 50 years. If an asset reaches its residual value but is still in use, it is further depreciated over its newly estimated service life.

The cost, accumulated depreciation and accumulated impairment are removed from the accounts when an item of properties, rentable assets and idle assets is disposed of or retired, and any gain or loss is recognized in earnings.

### Intangible Assets

Intangible assets are recorded at acquisition cost. Amortization is calculated by the straight-line method over useful lives estimated as follows: computer software - 2 to 5 years; core deposits - 16 years; and customer relationship - 17 years. The carrying value of goodwill is based on its cost, net of accumulated impairment.

### Foreclosed Collaterals

Foreclosed collaterals (part of other assets - others) are recorded at the lower of cost or net fair value as of the balance sheet date.

### Operating Deposits

Under the regulations, securities firms and securities investment consulting companies should place in government-designated banks guarantee deposits based on their respective type of business operations after registration.

### Settlement Fund

Under the regulations, securities firms that broker marketable securities and trade securities for their own purposes should deposit settlement funds in the Taiwan Stock Exchange and the Gre Tai Securities Market before and after the start of business operation. Under the regulations of the Taiwan Futures Exchange Corporation Criteria for Clearing Membership, the clearing member should deposit clearing and settlement funds to the Taiwan Futures Exchange before and after the start of clearing and settlement operations.

### Corporate Bonds Payable

The net carrying amount of overseas convertible bonds at the date of conversion is credited to the appropriate capital accounts (capital stock equal to par value, with the balance in excess of par value credited to capital surplus) upon bond conversion.

### Pension Costs

The Company has two types of pension plans: Defined



benefit and defined contribution. For the defined benefit plan, the Company recognizes pension costs based on actuarial calculations, and unrecognized net transitional asset or obligation is amortized over 15 to 31 years. For the defined contribution plan, the Company recognizes pension costs based on the Company's contributions to the employees' individual pension accounts during the employees' service periods.

When a defined benefit plan is amended, the prior service costs should be amortized on a straight-line basis over the average period from the amendment date until the benefits become vested. When the benefits are vested upon the amendments to the defined benefit plan, the Company should recognize the prior service cost as expense immediately.

### Income Tax

Provision for income tax is based on inter-period and intra-period tax allocations. The tax effects of deductible temporary differences, unused tax credits, operating loss carryforwards and debit of stockholders' equity adjustments are recognized as deferred income tax assets, and those of taxable temporary differences and credit of stockholders' equity adjustments are recognized as deferred income tax liabilities. Valuation allowance is provided to the extent, if any, that it is more likely than not that the deferred income tax assets will not be realized.

ESFHC and its subsidiaries elected to file a consolidated tax return from 2003. The difference between consolidated income tax payable and the sum of income tax payable of the entities included in the consolidated tax return is considered as a tax consolidation adjustment which is shown on ESFHC's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivable or payable.

Adjustment of income taxes of prior years are added to or deducted from the current year's income tax expense.

Tax credits for personnel training and stock investments are recognized in the current period.

According to the Income Tax Law, income taxes (10%) on undistributed earnings generated annually since 1998 are recorded as expense in the year when the stockholders resolve to retain the earnings.

### Share-based Payment

The Company early adopted the interpretation released in February 2012 by the Accounting Research and Development Foundation to determine the grant date pertaining to a portion of shares issued in 2011 by ESFHC that was reserved for the subscription by the Company's employees. The Company's employees subscribed for the reserved shares of ESFHC in accordance with the Financial Holding Company Act, and the Company recognized the fair value of the stock options under salary expenses for share-based payment and under capital surplus 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.

### Recognition of Revenue

Interest revenue is recorded on an accrual basis. Under the guidance of the Financial Supervisory Commission, 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.

Other operating revenue is recorded on an accrual basis when a major part of the earnings process is completed.

### Contingencies

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

### 3.EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

a.On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - “Financial Instruments: Recognition and Measurement.” The main revisions include (1) loans and receivables originated by the Company are now covered by SFAS No. 34; (2) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (3) accounting treatment by a debtor for modifications in the terms of obligations. The Company’s management believes this accounting change had no significant effect on the consolidated financial statements.

b.On January 1, 2011, the Company adopted the newly issued SFAS No. 41 - “Operating Segments.” The requirements of the statement are based on the information on the components of the Company that management uses to make decisions about operating matters. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Company’s chief operating decision makers in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - “Segment Reporting.” For this accounting change, the Company revised its disclosure of segment information.

### 4.CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash on hand	\$7,207,003	\$6,094,454
Checks for clearing	10,608,961	9,408,051
Due from banks	5,489,938	4,543,794
Cash equivalents - earnings ratio is 0.03% in both 2012 and 2011	94,491	69,467
Cash in transit	13,200	-
	<u>\$23,413,593</u>	<u>\$20,115,766</u>

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

	December 31	
	2012	2011
Deposit reserves - account A		
Deposit reserves - account B	\$17,222,273	\$13,492,185
Reserves for deposits - foreign currency deposits	26,735,726	26,089,659
Deposit in the Central Bank - deposit of government agencies	130,680	99,917
Call loans to banks	14,392	4,544
Due from the Central Bank - other	8,723,086	3,824,240
	<u>3,029,806</u>	<u>1,505,871</u>
	<u>\$55,855,963</u>	<u>\$45,016,416</u>

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

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



## 6. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	December 31	
	2012	2011
<u>Held-for-trading financial assets</u>		
Commercial paper	\$21,644,974	\$12,380,268
Currency option contracts	1,490,321	977,597
Interest rate swap contracts	1,390,052	2,199,546
Overseas bonds	799,456	726,428
Forward contracts	663,434	82,884
Currency swap contracts	634,191	604,888
Listed stocks	160,850	141,277
Government bonds	157,391	-
Beneficial certificates	87,682	1,140,768
Futures exchange margins	68,791	91,121
Operating securities - dealing department	66,744	54,788
Bank debentures	56,901	88,690
Non-deliverable forward contracts	46,083	141,918
Convertible corporate bonds	19,700	19,500
Commodity option contracts	19,073	15,283
Metal commodity swap contracts	15,463	78,989
Foreign-currency margin contracts	11,793	17,437
Credit default swap contracts	9,278	35,922
Cross-currency swap contracts	7,899	157,496
Forward commodity contracts	6,441	9,328
Taiwan depository receipts	4,970	4,610
Operating securities - underwriting department	-	29,700
Treasury bills	-	796,085
	<u>27,361,487</u>	<u>19,794,523</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Bank debentures	16,355,298	17,078,725
Corporate bonds	16,141,958	15,027,611
Structured products	800,695	-
Overseas government bonds	631,992	389,205
Sold equity securities with interest receivable	8,928	13,076
	<u>33,938,871</u>	<u>32,508,617</u>
	<u>\$61,300,358</u>	<u>\$52,303,140</u>
<u>Held-for-trading financial liabilities</u>		
Currency option contracts	\$1,608,387	\$1,134,114
Interest rate swap contracts	1,450,555	2,300,655
Currency swap contracts	530,403	322,099
Forward contracts	400,372	560,450
Non-deliverable forward contracts	23,245	33,788
Commodity option contracts	19,072	15,283
Metal commodity swap contracts	12,190	69,865
Forward commodity contracts	6,441	9,328
Credit default swap contracts	\$5,906	\$432
Cross-currency swap contracts	216	157,082
Foreign-currency margin contracts	109	169
	<u>4,056,896</u>	<u>4,603,265</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Corporate bonds payable (Note 22)	5,447,115	5,241,495
Structured products	2,914,210	3,247,503
	<u>8,361,325</u>	<u>8,488,998</u>
	<u>\$12,418,221</u>	<u>\$13,092,263</u>

As of December 31, 2012 and 2011, some of the securities, which amounted to \$1,096,560 thousand and \$3,502,892 thousand (face value), respectively, had been sold under repurchase agreements.

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

The contract (nominal) amounts of derivative transactions by ESFHC as of December 31, 2012 were as follows:

	<u>December 31</u>
	<b>2012</b>
Cross-currency swap contracts	\$3,041,650

The contract (nominal) amounts of derivative transactions by E.SUN Bank as of December 31, 2012 and 2011 were as follows:

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Currency option contracts	\$ 309,719,379	\$ 182,699,277
Interest rate swap contracts	179,998,466	239,566,385
Currency swap contracts	97,789,550	85,331,327
Forward contracts	47,842,580	21,584,566
Credit default swap contracts	8,791,120	9,321,414
Non-deliverable forward contracts	7,839,471	8,029,941
Metal commodity swap contracts	900,622	1,510,279
Commodity option contracts	823,362	149,271
Foreign-currency margin contracts	331,137	272,650
Forward commodity contracts	218,874	228,205
Interest rate futures contracts	87,120	-
Cross-currency swap contracts	31,681	3,193,995
Commodity futures contracts	9,641	-

As of December 31, 2012 and 2011, the amounts of futures exchange margins receivable held by E.SUN Securities were \$29,318 thousand and \$5,041 thousand, respectively.

The gains (losses) on financial assets and liabilities at fair value through profit or loss (FVTPL) in 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
<u>Financial assets at FVTPL</u>		
Realized (losses) gains	\$(3,772,583)	\$487,746
Valuation losses	(508,341)	(235,104)
	<u>(4,280,924)</u>	<u>252,642</u>
<u>Financial liabilities at FVTPL</u>		
Realized gains (losses)	4,097,880	(903,660)
Valuation gains	681,625	363,535
	<u>4,779,505</u>	<u>(540,125)</u>
	<u>\$498,581</u>	<u>\$(287,483)</u>

## 7. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$210,863 thousand and \$29,789 thousand under resell agreements as of December 31, 2012 and 2011, respectively, will be sold for \$210,988 thousand and \$29,833 thousand by January 10, 2013 and January 30, 2012, respectively.

## 8. RECEIVABLES, NET

	December 31	
	2012	2011
Credit cards	\$35,806,522	\$32,789,829
Accounts receivable factored without recourse	4,199,426	5,598,969
Margin loans receivable	3,571,209	3,792,570
Acceptances	2,810,014	2,229,997
Accrued interest	2,062,597	1,608,926
Tax refundable	550,504	572,190
Accounts receivable	507,596	425,714
Accrued income	97,498	356,713
Receivables on overdue securities	-	304,225
Others	467,316	322,503
	<u>50,072,682</u>	<u>48,001,636</u>
Less: Allowance for possible losses	1,508,645	1,425,353
	<u>\$48,564,037</u>	<u>\$46,576,283</u>

The allowances for possible losses on receivables assessed for impairment as of December 31, 2012 and 2011 were as follows:

### December 31, 2012

Items		Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 5,465	\$ 2,265
	Assessment of collective impairment	1,847,441	723,018
With no objective evidence of impairment	Assessment of collective impairment	46,659,982	783,362
Total		48,512,888	1,508,645

### December 31, 2011

Items		Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 308,491	\$ 285,812
	Assessment of collective impairment	1,791,952	662,955
With no objective evidence of impairment	Assessment of collective impairment	44,209,199	476,586
Total		46,309,462	1,425,353



The changes in allowance for possible losses are summarized below:

	2012	2011
Balance, January 1	\$1,425,353	\$772,579
Transfer of allowance from Chu Nan Credit-Cooperative Association	-	69
Provision for possible losses	262,849	890,321
Write-offs	(737,073)	(727,234)
Recovery of written-off receivables	547,169	481,817
Effects of exchange rate changes and other changes	10,347	7,801
Balance, December 31	<u>\$1,508,645</u>	<u>\$1,425,353</u>

## 9. DISCOUNTS AND LOANS, NET

	December 31	
	2012	2011
Loans		
Short-term	\$173,937,762	\$148,124,194
Medium-term	211,063,307	187,441,903
Long-term	355,264,093	323,570,945
Overdue loans	677,613	918,756
Bills negotiated and discounts	<u>2,906,861</u>	<u>2,837,704</u>
	743,849,636	662,893,502
Less: Allowance for possible losses	8,327,145	6,751,170
Adjustment of premium or discount	<u>115,771</u>	<u>133,498</u>
	<u>\$735,406,720</u>	<u>\$656,008,834</u>

As of December 31, 2012 and 2011, the loan and credit balances, for which the accrual of interest revenues was discontinued, amounted to \$677,613 thousand and \$918,756 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$20,264 thousand in 2012 and \$26,835 thousand in 2011.

In 2012 and 2011, the Company carried out legal procedures required before writing off certain credits.

The allowances for possible losses on discounts and loans assessed for impairment as of December 31, 2012 and 2011 were as follows:

### December 31, 2012

Items		Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 1,680,923	\$ 770,602
	Assessment of collective impairment	2,185,816	574,943
With no objective evidence of impairment	Assessment of collective impairment	739,982,897	6,981,600
Total		743,849,636	8,327,145



December 31, 2011

Items		Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$ 977,984	\$ 223,550
	Assessment of collective impairment	2,198,685	604,799
With no objective evidence of impairment	Assessment of collective impairment	659,716,833	5,922,821
Total		662,893,502	6,751,170

The changes in allowance for possible losses are summarized below:

	2012	2011
Balance, January 1	\$6,751,170	\$3,615,010
Transfer of allowance from Chu Nan Credit-Cooperative Association	-	129,357
Transfer of allowance from Chiayi The Fourth Credit Cooperative	9,104	-
Provision for possible losses	1,707,317	3,597,576
Write-offs	(593,234)	(1,176,647)
Recovery of written-off credits	502,470	568,194
Effects of exchange rate changes and other changes	(49,682)	17,680
Balance, December 31	<u>\$8,327,145</u>	<u>\$6,751,170</u>

The details of bad-debt expenses in 2012 and 2011 were as follows:

	2012	2011
Allowance for possible losses on discounts and loans	\$1,707,317	\$3,597,576
Allowance for possible losses on receivables	262,849	890,321
Allowance for possible losses on guarantees	49,796	52,138
	<u>\$2,019,962</u>	<u>\$4,540,035</u>

As stated in the Financial Supervisory Commission's (FSC) letter dated November 21, 2011 (Ref. No. 10010006830), for the financial and managerial soundness of financial institutions, the FSC will oversee these institutions in consideration of their different natures and purposes. Effective January 1, 2012, the FSC accepts the application of the entities that intend to do, and are eligible for doing, banking business in China, investments, establishment of domestic or overseas branches, etc. However, only those entities having a loan loss coverage ratio of 1% may initiate the above businesses or make relevant applications to overseas authorities. To meet the requirements for doing the foregoing businesses, E.SUN Bank increased by \$2,461,981 thousand the allowance for possible losses on loans and raised the loan loss coverage ratio to over 1% in the last quarter of 2011.

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2012	2011
Government bonds		
Bank debentures	\$33,019,092	\$15,222,035
Corporate bonds	32,647,365	28,535,815
Listed stocks	9,882,062	4,099,907
Beneficial certificates	395,092	763,363
Beneficial securities under securitization	334,761	355,887
Oversea bonds	253,418	4,547,001
	136,249	-
	<u>\$76,668,039</u>	<u>\$53,524,008</u>

As of December 31, 2012 and 2011, the available-for-sale financial assets, which amounted to \$1,205,500 thousand and \$3,248,136 thousand (face value), respectively, had been sold under repurchase agreements.

## 11. FINANCIAL ASSET SECURITIZATION

E.SUN Bank entered into four trust contracts with The Hong Kong and Shanghai Banking Corporation Limited (HSBC, the trustee) and transferred E.SUN Bank's rights and risks on bondholding to the trustee in accordance with the Financial Asset Securitization Act. Upon the transfer, the trustee acquired the bondholder's rights from E.SUN Bank and the trustee issued beneficial securities named E.SUN CBO 2005-1, E.SUN CBO 2005-2, E.SUN CBO 2007-1 and E.SUN CBO 2007-2 to investors and passed to E.SUN Bank the funds raised on securities issuance along with the retained beneficial securities (E.SUN CBO 2005-1 is Type D; E.SUN CBO 2005-2 is Type C) and the sold equity securities with interest receivable.

The issuance period for E.SUN CBO 2005-1 that amounted to \$10,050,000 thousand, is between October 19, 2005 and July 20, 2012. Interest is payable quarterly, and the beneficial securities matured early on January 20, 2011.

The issuance period for E.SUN CBO 2005-2 that amounted to \$18,341,000 thousand, is between December 28, 2005 and September 20, 2014. The beneficial securities are categorized as follows:

Type of Beneficial Security	Repayment Priority	Issued Amount	Interest Rate	Percentage to Total Amount Issued
A1	First	\$2,500,000	0%	95.36
A2	First	6,215,000	0%	90.08
A3	First	5,774,349	0%	83.60
B	Second	1,908,281	0%	82.03
C	Third/remainder	1,943,370	None	

In the meeting on February 24, 2012, the beneficiaries of E.SUN CBO 2005-2 resolved to liquidate the trust before maturity. On March 20, 2012, the bonds in the asset pool of E.SUN CBO 2005-2 were sold. E.SUN Bank received \$5,920,841 thousand from the recovery of the retained beneficial securities and residual trust assets. Thus, E.SUN Bank recognized \$1,644,490 thousand as realized gain on liquidation (part of realized gains on available-for-sale financial assets).

E.SUN Bank is the servicer of E.SUN CBO 2005-1, E.SUN CBO 2005-2 and E.SUN CBO 2007-1. Future service income on these contracts is expected to cover all service costs; thus, no service asset or service liability is recognized. E.SUN Bank keeps the retained beneficial securities and claims the residual future cash flow after the investors collect their income based on the trust contract. If the security issuers cannot disburse funds upon security maturity, the investors and the trustee have no right of recourse on E.SUN Bank's other assets. In addition, the payments to the investors take precedence over those on the retained beneficial securities. The value of the retained beneficial securities will be affected by the credit risk of the bond issuers, interest rate risk, etc.

a. Key assumptions used in measuring retained beneficial securities:

	E.SUN CBO 2005-2
	December 31, 2011
Projected advance reimbursement rate	0%
Projected credit loss rate	2%
Discount rate for residual cash flows	0.833%

b. Sensitivity analysis:

As of December 31, 2011, the key assumptions and the sensitivity of the current fair value of residual cash flows to the immediate adverse changes by 10% and 20%, respectively, were as follows:

	E.SUN CBO 2005-2
	December 31, 2011
Carrying amount of retained beneficial securities	\$4,285,209
Projected credit loss rate (annual)	2%
Impact on fair value of 10% adverse change	(69,467)
Impact on fair value of 20% adverse change	(74,163)

c. There had been no credit loss on the securitized bonds; thus, the expected static pool credit loss rate was equal to the projected credit loss rate.

d. Cash flows

Cash flows resulting from the securitization were as follows:

	E.SUN CBO 2005-1	E.SUN CBO 2005-2		E.SUN CBO 2007-1	
	December 31	December 31		December 31	
	2011	2011	2011	2012	2011
Service income	\$40	\$1,065	\$2,067	\$600	\$600
Receipt of reserve deposit	34,422	-	-	-	-
Receipt of retained beneficial securities	50,133	5,920,841	-	-	-



## 12. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31	
	2012	2011
Negotiable certificates of deposit	\$201,300,000	\$235,210,000
Government bonds	6,264,653	9,825,349
Corporate bonds	1,640,723	3,381,152
Bank debentures	1,166,755	4,434,944
Overseas certificates of deposit	474,366	60,556
Overseas bonds	289,204	301,236
Beneficial securities under securitization	32,862	70,622
	<u>\$211,168,563</u>	<u>\$253,283,859</u>

As of December 31, 2012 and 2011, the held-to-maturity financial assets, which amounted to \$2,013,400 thousand and \$5,522,000 thousand (face value), respectively, had been sold under repurchase agreements.

In 2011 and 2010, the Company disposed of some debt instruments due to the severe deterioration of debtor's credit. The disposed amount accounted for only a small portion of the held-to-maturity financial assets, and the Company had no intention to reclassify the rest of these investments. The realized loss on disposal was \$12,900 thousand (part of other noninterest gains) in 2011. As of December 31, 2012 and 2011, the accumulated disposed amounts from the past three years were both \$471,782 thousand, and the accumulated realized losses on disposal were both \$115,017 thousand. Accumulated disposed amount accounted for 0.22% and 0.19% of held-to-maturity financial assets as of December 31, 2012 and 2011, respectively.

## 13. OTHER FINANCIAL ASSETS, NET

	December 31	
	2012	2011
Debt instruments with no active market, net	\$4,063,185	\$3,171,995
Financial assets carried at cost, net	1,538,887	1,508,965
Guarantee deposits received on futures contracts	440,946	362,815
Others	94,726	99,727
	<u>\$6,137,744</u>	<u>\$5,143,502</u>

Financial assets carried at cost were unlisted common stocks or stock warrants with no quoted market prices in an active market and with the fair value that could not be reliably measured. Thus, these assets were measured at cost. Some investees had operating losses; thus, the Company recognized impairment losses of \$69,423 thousand and \$63,265 thousand on financial assets carried at cost in 2012 and 2011, respectively.

Debt instruments with no active market were as follows:

	December 31	
	2012	2011
Corporate bonds	\$4,063,185	\$2,367,740
Beneficial securities under securitization	-	695,499
Credit-linked products - host contract	-	100,000
Preferred stock	-	8,756
	<u>\$4,063,185</u>	<u>\$3,171,995</u>

The Company recognized an impairment loss of \$8,756 thousand on debt instruments with no active market in 2012 because an investee had operating losses.



Guarantee deposits received on futures contracts were as follows:

	December 31,	
	2012	2011
Deposits in bank	\$329,041	\$264,690
Deposits held by futures commission merchants as a clearing member	111,898	-
Deposits held by futures commission merchants as a non-clearing member	-	98,102
Securities	7	23
	<u>\$440,946</u>	<u>\$362,815</u>
Guarantee deposits received on futures contracts	\$440,946	\$362,815
Less: Commission revenue	326	248
Futures transaction tax	101	75
Temporary receipts	19	75
	<u>\$440,500</u>	<u>\$362,417</u>
Customers' equity accounts - futures (Note 20)	<u>\$440,500</u>	<u>\$362,417</u>

Before July 2012, E.SUN Securities was not a futures clearing member. Thus, the margins and premiums collected from futures traders were transferred to a futures commission merchant who is qualified for clearing. Since July 16, 2012, E.SUN Securities becomes a futures clearing member and is eligible for clearing and settlement operation.

#### 14. PROPERTIES, NET

	December 31	
	2012	2011
Cost		
Land	\$9,893,362	\$9,473,845
Buildings	7,083,444	6,616,820
Computers	3,403,594	3,146,461
Transportation equipment	534,685	507,516
Miscellaneous equipment	1,881,530	1,681,262
	<u>22,796,615</u>	<u>21,425,904</u>
Less: Accumulated depreciation		
Buildings	2,050,261	1,789,802
Computers	2,550,254	2,496,838
Transportation equipment	406,235	374,592
Miscellaneous equipment	1,337,433	1,221,914
	<u>6,344,183</u>	<u>5,883,146</u>
	16,452,432	15,542,758
Prepayments	217,482	349,726
	<u>\$16,669,914</u>	<u>\$15,892,484</u>

## 15. INTANGIBLE ASSETS, NET

	December 31	
	2012	2011
Goodwill	\$3,808,089	\$3,749,066
Computer software	332,313	262,580
Core deposit	38,102	40,642
Customer relationship	8,563	9,098
Deferred pension cost	1,840	2,061
	<u>\$4,188,907</u>	<u>\$4,063,447</u>

In testing assets for impairment, the Company uses as recoverable amounts (a) value in use for an operating segment defined as a cash-generating unit (CGU), and (b) net fair value for rentable assets and idle assets. Goodwill on the acquisition of 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.

## 16. OTHER ASSETS, NET

	December 31	
	2012	2011
Rentable assets, net (less accumulated depreciation amounting to \$48,209 thousand in 2012 and \$41,974 thousand in 2011 and less accumulated impairment amounting to \$8,160 thousand in 2012 and \$24,139 thousand in 2011)	\$1,443,721	\$952,434
Refundable deposits, net	1,310,973	1,246,880
Idle assets, net (less accumulated depreciation amounting to \$33,907 thousand in 2012 and \$25,186 thousand in 2011 and less accumulated impairment amounting to \$28,745 thousand in 2012 and \$28,831 thousand in 2011)	829,168	345,993
Operating deposits and settlement funds	707,330	698,058
Prepaid expenses	148,072	185,385
Foreclosed collaterals	46,507	54,602
Securities brokerage accounts, net	16,154	40,883
Deferred charges, net	9,957	9,599
	<u>\$4,511,882</u>	<u>\$3,533,834</u>

There were no indications that the value in use of rentable assets, idle assets and foreclosed collaterals significantly exceeded net fair value, which was used as the recoverable amount. Thus, the Company designated real estate appraisal firms and the Company's appraisal center to value these assets and used the valuation amounts as the net fair values of these assets. In accordance with the valuation of net fair value, the Company recognized a reversal of impairment loss amounting \$15,656 thousand in 2012.

In accordance with the valuation of the recoverable amount of refundable deposits, the Company recognized a reversal of impairment loss amounting \$1,383 thousand in 2012.

## 17. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2012	2011
Call loans from banks	\$40,100,818	\$29,683,742
Deposits from Chunghwa Post Co., Ltd.	5,986,310	8,026,290
Bank overdraft	372,282	34,946
Due to banks	169,215	275,532
Due to the Central Bank	24,199	32,416
	<u>\$46,652,824</u>	<u>\$38,052,926</u>

## 18. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$782,000 thousand and \$952,000 thousand, and the annual discount rates were from 0.78% to 0.93% and from 0.78% to 0.88% as of December 31, 2012 and 2011, respectively. These financial instruments were accepted and guaranteed by financial institutions.

## 19. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$4,957,725 thousand and \$13,247,387 thousand, under repurchase agreements as of December 31, 2012 and 2011, respectively, would be purchased for \$4,966,886 thousand and \$13,261,731 thousand by July 24, 2013 and June 28, 2012, respectively.

## 20. PAYABLES

	December 31	
	2012	2011
Checks for clearing		
Acceptances	\$10,608,961	\$9,408,051
Accrued expenses	2,847,478	2,263,778
Accrued interest	2,111,958	1,436,712
Factored accounts payable	1,988,480	1,816,205
Tax payable	1,249,839	1,380,320
Payables for short-sale transactions	1,051,166	163,016
Collections payable	593,367	503,502
Deposits on short-sale transactions	584,364	434,677
Accounts payable	524,051	455,148
Customers' equity accounts - futures	518,216	333,006
Others	440,500	362,417
	<u>1,951,033</u>	<u>1,119,852</u>
	<u>\$24,469,413</u>	<u>\$19,676,684</u>



## 21. DEPOSITS AND REMITTANCES

	December 31	
	2012	2011
Deposits:		
Checking	\$17,936,974	\$11,187,216
Demand	240,958,386	199,927,066
Savings - demand	278,912,231	248,676,075
Time	233,215,187	253,234,002
Negotiable certificates of deposit	1,942,400	9,469,600
Savings - time	250,402,815	232,184,461
Remittances	452,136	315,542
	<u>\$1,023,820,129</u>	<u>\$954,993,96</u>

## 22. BONDS PAYABLE

	December 31	
	2012	2011
Bank debentures	\$47,000,000	\$39,000,000
ESFHC's unsecured corporate bonds - first issue in 2005	-	5,000,000
ESFHC's unsecured corporate bonds - first issue in 2007	500,000	500,000
ESFHC's unsecured corporate bonds - first issue in 2010	2,000,000	2,000,000
ESFHC's unsecured corporate bonds - first issue in 2012	3,800,000	-
	<u>\$53,300,000</u>	<u>\$46,500,000</u>

On December 15, 2005, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$5,000,000 thousand and par value of \$10,000 thousand. The bond will mature in seven years, and principal is repayable on maturity. Interest is payable quarterly at the floating rate for the one-year time savings deposit of Chunghwa Post Co., Ltd. plus 0.4%.

On December 13, 2007, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$500,000 thousand and par value of \$10,000 thousand. The bond will mature in seven years, and principal is repayable on maturity. Interest is payable annually at 90 days' interest rate for commercial paper (stated below) plus 0.6%.

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

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



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

	December 31	
	2012	2011
Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity (10 years after the issue date).		
Subordinated bonds issued on October 11, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.425%, payable quarterly; principal repayable on maturity (7 years after the issue date).	\$5,000,000	\$5,000,000
Subordinated bonds issued on October 19, 2005; 2.725% interest, payable annually; principal repayable on maturity (7 years after the issue date).	-	2,000,000
Subordinated bonds issued on November 4, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.4%, payable annually; principal repayable on maturity (7 years after the issue date).	-	1,400,000
Two types of subordinated bonds issued on August 24, 2006; interest rate at (a) 90 days' interest rate for commercial paper plus 0.25% for type A bond; and (b) 2.60% interest for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years after the issue date).	6,000,000	6,000,000
Two types of subordinated bonds issued on June 29, 2007; interest rate at (a) the one-year time savings deposit floating rate of Bank of Taiwan plus 0.5% for type A bond; and (b) 90 days' interest rate for commercial paper plus 0.39% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years after the issue date).	3,700,000	3,700,000
Subordinated bonds issued on February 15, 2008; 3.10% interest, payable annually; principal repayable on maturity (7 years after the issue date).	2,300,000	2,300,000
Subordinated bonds issued on October 24, 2008; 3.15% interest, payable annually; principal repayable on maturity (7 years after the issue date).	300,000	300,000
Subordinated bonds issued on February 20, 2009; 2.10% interest payable annually; principal repayable on maturity (5 years after the issue date).	1,000,000	1,000,000
Subordinated bonds issued on March 5, 2009; 2.15% interest payable annually; principal repayable on maturity (5.5 years after the issue date).	500,000	500,000
Two types of subordinated bonds issued on April 3, 2009; interest rate at (a) 2.15% for Type A bond and (b) 2.50% 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).	500,000	500,000

(Continued)

	December 31	
	2012	2011
Subordinated bonds issued on May 18, 2009; 2.35% interest payable annually; principal repayable on maturity (5.5 years after the issue date).	1,800,000	1,800,000
Subordinated bond issued on July 17, 2009; 2.5% interest payable annually; principal repayable on maturity (7 years after the issue date).	900,000	900,000
Subordinated bond issued on October 20, 2009; 2.35% interest payable annually; principal repayable on maturity (7 years after the issue date).	1,500,000	1,500,000
Subordinated bonds issued on May 28, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date).	3,000,000	3,000,000
Subordinated bonds issued on July 13, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,500,000	2,500,000
Subordinated bonds issued on May 24, 2011; 1.73% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,100,000	2,100,000
Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,900,000	2,900,000
Subordinated bonds issued on April 27, 2012; 1.58% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,280,000	-
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	-
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	-
	<u>\$47,000,000</u>	<u>\$39,000,000</u>

Commercial paper interest rates for 90 days and floating interest rates were based on the average interest rates quoted by Hong Kong's Moneyline Telerate and Reuters.

To increase E.SUN Bank's capital adequacy ratio and to strengthen its capital structure, the board of directors of E.SUN Bank resolved in their meeting on March 22, 2013 to issue subordinated bank debentures of \$5,000,000 thousand. The application of this issuance will be submitted to the authorities for their approval.

The details of corporate bonds designated at fair value through profit or loss were as follows:

	December 31	
	2012	2011
ESFHC's unsecured overseas convertible bonds in 2008	\$4,556,616	\$4,556,616
Valuation adjustment	890,499	684,879
	<u>\$5,447,115</u>	<u>\$5,241,495</u>



On July 24, 2008, ESFHC issued US\$200,000 thousand worth of overseas convertible bonds (the "Bonds") with par of US\$100,000 or an integral multiple thereof. Interest is payable semiannually at 2.3% from July 24, 2008 to July 24, 2013 and at 0% after July 24, 2013. The terms of the Bonds are as follows:

**a. Redemption method**

ESFHC will redeem the Bonds on the maturity date at a price equal to 100% of the outstanding principal amount unless the Bonds had been previously redeemed, repurchased and canceled or converted.

1) Redemption at the option of ESFHC

ESFHC may redeem all the Bonds at one time, i.e., not piecemeal, at 100% of the principal plus a premium (the "Early Redemption Amount") at any time if any changes in the ROC tax laws or regulations would require ESFHC to gross up the payment of interest or premium.

2) Redemption at the options of holders

a) Each holder of the Bonds has the right to require ESFHC to redeem all or part of the Bonds only on July 24, 2013 at 110% of the principal unless the Bonds had been previously redeemed, repurchased and canceled or converted.

b) Each holder has the right to require ESFHC to buy all or a portion of the holder's Bonds at the Early Redemption Amount if (a) the shares cease to be listed or admitted for trading on the Taiwan Stock Exchange for at least five consecutive trading days; (b) there is a change of control over ESFHC (including but not limited to a change of half of the members of ESFHC's board of directors.); (c) ESFHC fails to maintain an issuer rating at or above at least one of the following levels: (i) BBB - rating by Standard & Poor's Corp.; (ii) Baa3 rating by Moody's Investors Service; (iii) BBB - rating by Fitch Inc.; (iv) twBBB - rating by Taiwan Ratings Corp.; (v) BBB - (tw) rating by Fitch International's Taiwan branch; or (vi) Baa3.tw rating by Moody's Credit Rating Co., Ltd., and this failure continues for 60 consecutive days; or (d) the capital adequacy ratio of ESFHC, E.SUN Bank or E.SUN Securities decreases to a level that is below the minimum standard set by the relevant regulatory authorities and remains at such a level for 60 consecutive days.

**b. Maturity date**

The maturity period is 10 years after Bond issuance. Since

Bonds were issued on July 24, 2008, their maturity is on July 24, 2018.

**c. Pledged**

Negative.

**d. Conversion period**

The bondholder can convert the Bonds to ESFHC's stock for the period starting on or after August 24, 2008 up to July 14, 2018. The holders of the Bonds, however, will not be able to effect conversions into shares during any closed period. A closed period means (i) 60 days before the date of any general stockholders' meetings; (ii) 30 days before the date of any special stockholders' meetings; (iii) the period from the date following the third trading day before the date of ESFHC's notification to the Taiwan Stock Exchange of the record date for the determination of stockholders entitled to the receipt of dividends, subscription of new shares due to capital increase or appropriation of other benefits and bonuses; and (iv) such other periods during which ESFHC may be required to close its stock transfer books under the ROC laws and regulations.

**e. Conversion price**

1) For bond conversions, the conversion prices are (i) NT\$16.16 per share for any conversion from August 24, 2008 to September 22, 2008 (the "First Tranche Conversion Price") and (ii) NT\$19.00 per share for any conversion from September 23, 2008 to July 14, 2018 (the "Second Tranche Conversion Price"). The conversion price in U.S. dollars is based on the exchange rate of US\$1.000=NT\$30.406. The conversion price is subject to adjustment based on certain terms of the related indenture.

2) If the average closing price of the shares for 20 consecutive trading days immediately prior to each anniversary of the issue date ("Reset Date"), converted into U.S. dollars at the prevailing rate on the Reset Date, is less than the conversion price then in effect converted into U.S. dollars at the fixed exchange rate, the conversion price will be adjusted. The conversion price adjustment should only be downward and should not be less than 80% of the Second Tranche Conversion Price.

ESFHC lowered the conversion price for the Second Tranche to NT\$14.22 per share on the reset date in 2009 and to NT\$13.80 per share in August 2009 because of its issuance

of new shares for a capital increase. In August 2010, September 2011 and August 2012, respectively, ESFHC again lowered the conversion price for the Second Tranche to NT\$13.08, NT\$11.84 and NT\$11.10 per share, respectively, because of its issuance of new shares for another capital increase.

As of December 31, 2012, the Bonds with an aggregate par of US\$50,200 thousand had been converted.

To enhance its long-term competitiveness and strengthen its capability to meet the challenges of Taiwan's financial holding industry, ESFHC entered into an investor agreement with Morgan Stanley Apollo Holdings (Cayman) Ltd. and Morgan Stanley Apollo Holdings 2 (Cayman) Ltd. (jointly, the "MS") on July 10, 2008. Under regulatory approvals, ESFHC granted MS the right to appoint an ESFHC director. To date, MS has not decided whether it would exercise this right.

### 23. OTHER BORROWINGS

	December 31
	2011
Unsecured debts - interest rate was 1.55% in 2011	<u>\$6,000</u>

### 24. OTHER FINANCIAL LIABILITIES

	December 31	
	2012	2011
Principal of structured products	\$1,208,633	\$1,631,949
Guarantee deposits received	138,740	208,178
Appropriations for loans	56,363	94,606
	<u>\$1,403,736</u>	<u>\$1,934,733</u>

### 25. OTHER LIABILITIES

	December 31	
	2012	2011
Advance receipts	\$797,453	\$960,411
Reserve for losses on guarantees	116,200	66,504
Reserve for land revaluation increment tax	95,212	79,368
Deferred tax liabilities	79,828	320,058
Others	30,061	25,662
	<u>\$1,118,754</u>	<u>\$1,452,003</u>



## 26. PENSION PLAN

The Company has pension plans for all regular employees. Upon retirement, an employee will receive the Company's contributions before the Labor Standards Act (LSA), which were credited to his/her account, plus earnings thereof and an amount calculated on the basis of length of service after the LSA effective date, and monthly average basic pay of the year before retirement. E.SUN Bank amended the defined benefit plan in 2005. Upon retirement, an employee will receive an amount calculated on the basis of service years.

ESFHC makes monthly contributions, equal to 5.54% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the Supervisory Committee of Worker' Retirement Preparation Fund, which manages the fund.

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

E.SUN Securities makes monthly contributions, equal to 4% of salaries and wages, to a pension fund. The fund is managed by the Supervisory Committee of Workers' Retirement Preparation Fund and deposited in its name in the Bank of Taiwan.

The Labor Pension Act (the "Act") took effect on July 1, 2005. A new defined contribution pension plan is stipulated by this Act. Employees may choose the pension mechanism under the LSA or under this Act. For those employees who were subject to the LSA before the enforcement of this Act, still work for the same business entity after the enforcement of this Act, and choose to be subject to the pension mechanism under this Act, their service year before the enforcement of this Act will be retained. Under the Act, the rate of an employer's monthly contribution to the Labor Pension Fund should be at least 6% of the employee's monthly wages. On the other hand, the Company has continued to make monthly pension contributions for the employees who chose the defined benefit plan under the LSA.

Pension expenses recognized by the Company were \$233,817 thousand and \$201,549 thousand in 2012 and 2011, of which \$189,345 thousand and \$165,824 thousand, respectively, were under the Act.

Other information in 2012 and 2011 on the defined benefit plan is as follows:

	2012	2011
a. Net pension cost		
Service cost	\$23,461	\$24,069
Interest cost	24,020	25,394
Actual loss (return) on plan assets	(96,187)	104,108
Amortization	94,108	(116,916)
Prepaid pension cost upper limit adjustment	(930)	(930)
Net pension cost	<u>\$44,472</u>	<u>\$35,725</u>

## b.Reconciliation of the plan funded status to balance sheet amounts

	December 31	
	2012	2011
Benefit obligation:		
Vested benefit obligation	\$(148,710)	\$(130,877)
Non-vested benefit obligation	<u>(837,525)</u>	<u>(765,533)</u>
Accumulated benefit obligation	(986,235)	(896,410)
Additional benefits based on future salaries	<u>(506,273)</u>	<u>(476,063)</u>
Projected benefit obligation	(1,492,508)	(1,372,473)
Fair value of plan assets	<u>1,144,520</u>	<u>1,049,982</u>
Funded status	(347,988)	(322,491)
Unrecognized transitional net asset	(9,278)	(9,467)
Unamortized prior service cost	55,195	64,999
Unamortized net pension gains or losses	339,004	301,271
Additional minimum pension	(6,486)	(4,603)
Prepaid pension cost upper limit adjustment	(4,651)	(5,581)
Prepaid pension cost (part of other assets - other)	<u>(32,551)</u>	<u>(29,561)</u>
Pension liabilities (part of other liabilities - other)	<u>\$(6,755)</u>	<u>\$(5,433)</u>
Vested benefits	<u>\$(168,741)</u>	<u>\$(150,663)</u>

## c.Actuarial assumptions

	December 31	
	2012	2011
Discount rate	1.60%-1.70%	1.75%-1.90%
Rate of increase in compensation	2.00%-2.50%	2.00%-2.50%
Expected long-term rate of return on plan assets	1.60%-1.70%	1.75%-1.90%

## d.Summary of pension fund contributions and payments

	2012	2011
Contributions	<u>\$48,024</u>	<u>\$39,170</u>
Payment of benefits	<u>\$49,673</u>	<u>\$27,766</u>

## 27.SERVICE FEE AND COMMISSION INCOME, NET

	2012	2011
Service fee and commission income	\$8,832,777	\$7,312,585
Service charge and commission expenses	<u>(1,361,164)</u>	<u>(1,039,721)</u>
	<u>\$7,471,613</u>	<u>\$6,272,864</u>

## 28. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2012	2011
Personnel expenses		
Salaries	\$5,255,920	\$4,601,478
Insurance	359,585	315,504
Pension	233,817	201,549
Other	282,055	229,074
Depreciation expenses	692,832	667,538
Amortization expenses	192,800	207,399

## 29. INCOME TAX

Under Article 49 of the Financial Holding Company Law, a financial holding company (FHC) can elect to file consolidated income tax returns for the regular corporate income tax as well as the 10% income tax on undistributed earnings for FHC and its domestic subsidiaries if the FHC holds more than 90% of the subsidiaries' outstanding shares for the entire tax year. ESFHC meets this shareholding requirement.

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

a. Income tax was calculated as follows:

	2012	2011
Income tax expense - current before tax credits	\$1,550,516	\$471,077
Net changes in deferred income tax:		
Loss carryforwards	52,396	234,729
Tax credits	7,297	1,881
Valuation allowance	5,274	(8,524)
Unrealized gain or loss on financial instruments	3,457	421
Goodwill	2,412	2,314
Impairment losses on assets	(6,102)	(6,668)
Unrealized foreign exchange gain or loss	(38,061)	88,376
Allowance for possible losses on loans and receivables and reserve for losses on guarantees	(212,480)	(135,644)
Others	(1,823)	(36)
Tax on unappropriated earnings (10%)	4,902	11,640
Adjustment of prior year's tax	(5,098)	3,746
Tax effect on consolidated tax returns	(67,007)	(105,257)
Income tax expense	<u>\$1,295,683</u>	<u>\$558,055</u>



b. A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax is shown below:

	<u>2012</u>	<u>2011</u>
Income tax expense on income before income tax at statutory rate (17%)	\$1,420,166	\$687,209
Permanent differences	(123,966)	(276,482)
Temporary differences	251,869	51,237
Tax under the Alternative Minimum Tax Act	<u>2,447</u>	<u>9,113</u>
Income tax expense - current before tax credits	<u>\$1,550,516</u>	<u>\$471,077</u>

c. Net deferred income tax liabilities (part of other liabilities) were as follows:

	<u>December 31</u>	
	<u>2010</u>	<u>2011</u>
Deferred income tax assets		
Unrealized loss on the valuation of financial instruments	\$142,482	\$198,598
Allowance for possible losses on loans and receivables and reserve for losses on guarantees	348,165	135,685
Impairment losses on assets	29,331	23,229
Cumulative translation adjustments	46,787	1,221
Others	<u>1,925</u>	<u>102</u>
	568,690	358,835
Less: Valuation allowance	<u>18,468</u>	<u>13,194</u>
	<u>550,222</u>	<u>345,641</u>
Deferred income tax liabilities		
Goodwill	(627,385)	(624,973)
Unrealized foreign exchange gain	<u>(2,665)</u>	<u>(40,726)</u>
	<u>(630,050)</u>	<u>(665,699)</u>
Net deferred income tax liabilities	<u><u>\$(79,828)</u></u>	<u><u>\$(320,058)</u></u>



d. Imputed tax credit is summarized as follows:

	ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
Balance of the imputation credit account (ICA)					
December 31, 2012	\$22,624	\$12,416	\$3,074	\$ -	\$5,950
December 31, 2011	73,653	21,485	1,461	-	5,964
Estimated creditable tax ratio for distributing the 2012 earnings	3.50%	0.17%	6.96%	-	24.38%
Actual creditable tax ratio for distributing the 2011 earnings	12.92%	0.67%	2.59%	-	6.21%
		(Cash dividends)			
		0.66%			
		(Stock dividends)			

The actual creditable tax ratio may differ from the estimated creditable tax ratio since this ratio is computed on the date the dividend is actually paid or distributed.

e. The unappropriated earnings generated before January 1, 1997 were as follows:

	ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
December 31, 2011 and 2011	\$ -	\$ 91,777	\$ -	\$ -	\$ -

f. The years for which income tax returns had been examined by the tax authorities were as follows:

ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
2007	2007	2007	2007	2007

g. On ESFHC's income tax returns of 2004 to 2007, the tax authorities disapproved ESFHC's claim that operating and interest expenses were deductible from taxable income; thus, the taxable income increased by \$730,232 thousand. In addition, the tax authorities denied the deduction shown on ESFHC's 2006 return of a realized investment loss of \$333,424 thousand and the loss on conversion of convertible corporate bonds of \$19,230 thousand in 2006. However, ESFHC claimed that its core operation is not investment, and thus should be exempted from the allocation of operating or interest expenses. In addition, it claimed the authorities' denial of the above deduction was unreasonable. Therefore, ESFHC initiated an administrative litigation. ESFHC did not accrue any additional tax expense because ESFHC believes the possibility of a positive result on this litigation is high.

From their assessment of ESFHC's 2005 stockholders' imputed tax credit returns, the tax authorities determined that ESFHC made an over-distribution of the stockholders' imputed tax credits by \$43,901 thousand on taxes withheld from interest revenue on bonds pertaining to periods when those bonds were held by other investors. Thus, ESFHC also initiated an administrative litigation. The tax authorities' reexamination showed ESFHC did not make this over-distribution.

h. In the assessment of the 2001 to 2005 (except 2003) tax returns of E.SUN Bank, the tax authorities denied the creditability of 10% withholding tax on interest revenue on bonds pertaining to periods when those bonds were held by other investors. The tax authorities examined E.SUN Bank's over-distribution of the stockholders' imputed tax credit amounting to \$27,416 thousand in their assessment of the 2001 to 2005 (except 2003) stockholders' imputed tax credit returns because of the foregoing withholding taxes. E.SUN Bank filed an application for the refund of overpaid tax and also initiated an administrative litigation. E.SUN Bank did not accrue the related liabilities because the tax authorities' reexamination showed no over-distribution of the stockholders' imputed tax credit on the 2002 to 2005 (except 2003) stockholders' imputed tax credit returns.

For the aggregate amount for goodwill amortization of \$4,078,277 thousand resulting from E.SUN Bank's acquisition of Kaohsiung Business Bank Co., Ltd. (KBB) and reported in the income tax returns for 2004 to 2007, the tax authorities disapproved the related expense because the authorities mainly considered the goodwill on the purchase of KBB's assets, liabilities and operations as having resulted from a subsidiary authorized by the

Executive Yuan to be released from the Resolution Trust Corporation fund and not E.SUN Bank's use of its own cash. E.SUN Bank disagreed with the tax authorities' decision and initiated an administrative litigation. In addition, E.SUN Bank did not accrue the related liabilities because the possibility of a positive result on E.SUN Bank's administrative litigation is high.

i. E.SUN Securities initiated an administrative litigation for the tax authorities to reconsider the assessment of stock warrants pertaining to its 2005 income tax return. Nevertheless, E.SUN Securities accrued an additional income tax payable of \$11,172 thousand on these stock warrants in 2009.

E.SUN Securities' assessed income tax on its 2006 income tax return was \$55,667 thousand more than that reported to the tax authorities. The increase was mainly due to the tax authorities' (a) considering the loss on the hedge of stock warrants as a trading loss on securities; (b) believing that E.SUN Securities should have recognized interest revenue on certain bonds; and (c) the denial of the amortization expense on operating rights obtained from the acquisition of Yung Li Securities. Thus, E.SUN Securities initiated an administrative litigation to reconsider the assessment of stock warrants, but, in observance of the conservatism principle, it accrued in 2009 an additional income tax payable for 2006 based on the estimated outcome of the reexamination of the 2006 income tax return. On certain cases involving interest revenue from bonds and the amortization of operating rights on its 2006 income tax return, E.SUN Securities claimed an increase of \$15,101 thousand in tax payable, was unreasonable and thus initiated an administrative litigation. E.SUN Securities did not accrue the related liabilities because E.SUN Securities believes the possibility of a positive result on this administrative litigation is high.

E.SUN Securities' assessed income tax on its 2007 income tax return was \$11,591 thousand more than that reported to the tax authorities. The increase was mainly due to the tax authorities' (a) rejection of the amortization expense on operating rights obtained from the acquisition of Yung Li Securities and (b) opinion on the allocation of interest expenses differing from that of E.SUN Securities. Thus, E.SUN Securities will initiate an administrative litigation. The management of E.SUN Securities claimed an increase of \$10,059 thousand in tax payable was unreasonable and believed the possibility of a positive result on the administrative litigation is high. Thus, E.SUN Securities did not accrue the related liabilities.

j. The enacted tax rate for calculating deferred income taxes for 2012 and 2011 was 17%.

### 30. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Amounts (Numerator)		Shares (Denominator in Thousands)	Earnings Per Share (New Taiwan Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2012</u>					
Basic earnings per share	\$6,925,643	\$7,058,236	4,846,213	<u>\$1.43</u>	<u>\$1.46</u>
Effect of dilutive common shares:					
Bonus to employees	-	-	15,812		
Overseas convertible bonds	<u>307,105</u>	<u>254,897</u>	<u>410,344</u>		
Diluted earnings per share	<u>\$7,232,748</u>	<u>\$7,313,133</u>	<u>5,272,369</u>	<u>\$1.37</u>	<u>\$1.39</u>

	Amounts (Numerator)		Shares (Denominator in Thousands)	Earnings Per Share (New Taiwan Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2011</u>					
Basic earnings per share	\$3,453,543	\$3,484,348	4,439,922	<u>\$0.78</u>	<u>\$0.78</u>
Effect of dilutive common shares:					
Bonus to employees	-	-	10,469		
Overseas convertible bonds	<u>203,649</u>	<u>169,029</u>	<u>403,933</u>		
Diluted earnings per share	<u>\$3,657,192</u>	<u>\$3,653,377</u>	<u>4,854,324</u>	<u>\$0.75</u>	<u>\$0.75</u>

If the bonus is in the form of cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating diluted earnings per share (EPS) if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares on the balance sheet date. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earning appropriation.



### 31. STOCKHOLDERS' EQUITY

#### a. Capital stock

On June 28, 2011, the stockholders of ESFHC resolved to use \$2,662,310 thousand from the unappropriated earnings as stock bonus to stockholders and also resolved to use \$103,364 thousand from the bonus to employees as stock bonus. These appropriations and bonus, which were a total of 271,700 thousand shares, were approved by the FSC and Ministry of Economic Affairs (MOEA).

On June 28, 2011, the board of directors of ESFHC resolved to increase its capital by issuing 500,000 thousand shares at NT\$15.00 per share. This issuance was approved by the FSC and MOEA.

On June 22, 2012, the stockholders of ESFHC resolved to use \$2,287,500 thousand from the unappropriated earnings as stock bonus to stockholders and also resolved to use \$99,732 thousand from the bonus to employees as stock bonus. The stockholders of ESFHC also resolved to raise the authorized capital to \$100,000,000 thousand. The appropriations and bonus, which were a total of 235,700 thousand shares, were approved by the FSC and MOEA.

On September 19, 2012, the board of directors of ESFHC resolved to increase its capital by issuing common stocks for the issuance of Global Depositary Shares (GDS). ESFHC issued 8,000 thousand units of GDS (one unit represents 25 common shares), which equaled 200,000 thousand common shares, at US\$13.23 per share, on the Luxembourg Stock Exchange on October 22, 2012. This issuance was approved by the FSC and MOEA. As of December 31, 2012, the paid-in capital of ESFHC was \$50,107,000 thousand.

To dispose of ESFHC's shares held by E.SUN Bank, ESFHC issued 6,800 thousand units of GDS (one unit represents 25 common shares), which equaled 170,000 thousand common shares, at US\$14.5 per share, on the Luxembourg Stock Exchange on September 27, 2004.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of underlying common shares, and the common shares can be traded in the domestic stock exchange market. As of December 31, 2012, the GDS holders had canceled 17,346

thousand units (equal to 433,651 thousand shares), ESFHC issued 142 thousand units (equal to 3,560 thousand shares) because of capital increase, and the deposit agents reissued 3,285 thousand units (equal to 82,111 thousand shares). Therefore, the outstanding GDSs were 881 thousand units, which were equal to 22,020 thousand shares, or 0.4395% of ESFHC's total outstanding common shares.

On March 22, 2013, the board of directors of ESFHC resolved to distribute a part of unappropriated earnings from 2012 as stock bonus to stockholders and stock bonus to employees. These appropriations and bonus are still waiting for the approval from the stockholders.

#### b. Capital surplus

Under the related regulations, capital surplus may be used to offset a deficit. Capital surplus arising from the issuance of shares in excess of par value (issuance in excess of common stock par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law. Based on the Company Law revised on January 4, 2012, the foregoing capital surplus may be distributed as cash dividends as well.

Capital surplus from equity investments under the equity method should not be distributed for any purpose.

Under the Financial Holding Company Act and related directives issued by the Securities and Futures Bureau (SFB), the distribution of the unappropriated earnings that are generated by financial institutions (the subsidiaries) before conversion to ESFHC and become part of capital surplus of the financial holding company after conversion, is exempted from the appropriation restriction of the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before stock conversion amounted to \$2,919,727 thousand, which was already stated as ESFHC's capital surplus as of its establishment date. In 2002, the stockholders resolved to increase ESFHC's capital by \$1,800,000 thousand through the issuance of stock dividends from capital surplus.



The capital surplus as of December 31, 2012 came from treasury stock transactions and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources

From subsidiaries	
Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	<u>2,919,727</u>
	6,219,524
Total capital stock of subsidiaries in excess of ESFHC's issuance	<u>600,000</u>
Balance on January 28, 2002	6,819,524
From E.SUN Securities Investment Trust Corp. (ESSIT) which became a 100% subsidiary of ESFHC in 2003 through a share swap	
Legal reserve	4,350
Unappropriated earnings	<u>7,861</u>
	6,831,735
Corporate bonds converted into capital stock	
In 2003	9,005
In 2004	2,613,625
In 2006	2,252,133
In 2008	524,401
Treasury stock transactions recognized from subsidiaries	3,015,943
Transferring of shares to employees by subsidiary	483
Cash dividends from ESFHC received by subsidiaries	208,161
Transferring of shares to employees by ESFHC	157,897
The difference between par value and issue price for the issuance of common stock from bonus to employees	
In 2010	14,377
In 2011	48,674
In 2012	30,232
Additional paid-in capital from ESFHC's share issuance in excess of par value	
In 2011	2,500,000
In 2012	1,062,422
Share-based payment for the subscription for ESFHC's new shares by the employees of ESFHC and its subsidiaries	<u>200,132</u>
	19,469,220

Uses

Remuneration to directors and supervisors and bonus to employees by subsidiaries	\$ (156,458)
Issuance of ESFHC's stock dividends in 2002	(1,800,000)
Offset of deficit in 2003	(3,091,451)
Difference between par value and issue price for the issuance of common stock from bonus to employees in 2009	<u>(980)</u>
	<u>\$14,420,331</u>

### c. Appropriation of earnings and dividend policy

When ESFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated. Any remainder should be appropriated as follows:

- 1) 96% as dividends to stockholders;
- 2) 1% as remuneration to directors; and
- 3) 3% as bonus to employees.

Under ESFHC's Articles of Incorporation, the stockholders may decide not to declare any dividends or declare only a portion of distributable earnings as dividends.

Under ESFHC's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen ESFHC's financial structure. This policy is also intended to improve ESFHC's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. However, when dividends are declared, cash dividends must be at least 10% of total dividends declared, unless the resulting cash dividend per share falls below NT\$0.10.

For 2012 and 2011, the bonus to employees and remuneration to directors, which totaled \$271,413 thousand and \$133,438 thousand, respectively, and represented 3% (employees' bonus) and 1% (directors' remuneration) of the appropriation of earnings, were accrued on the basis of past experience. If the bonus and remuneration proposed by ESFHC's board of directors

change materially, the change should be included in the expenses of the current year. If the bonus and remuneration approved by ESFHC's stockholders differ from the Board of Directors' proposal, this change should be treated as change in accounting estimate, and the related accrued expenses should be adjusted in the year of the stockholders' approval of the bonus and remuneration. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the eve of the stockholders' meeting.

Under the Company Law, legal reserve should be appropriated until the reserve equals ESFHC's paid-in capital. This reserve should only be used to offset a deficit. Under the Company Law revised on January 4, 2012, when the reserve exceeds 25% of ESFHC's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.

Under an SFB directive, a special reserve is appropriated from the balance of the retained earnings at an amount that is equal to the debit balance of accounts in the stockholders' equity section (such as unrealized gain or loss on financial instruments and cumulative translation adjustments, except treasury stocks). The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts.

Under Financial Supervisory Commission (FSC) guidelines, ESFHC reclassified the trading loss reserve and default loss reserve made before 2010 to special reserve. This special reserve may be used to offset a deficit and may be appropriated when legal reserve reaches 50% of ESFHC's paid-in capital. The special reserve from equity investments under the equity method was \$164,235 thousand for 2011.

The appropriations from the earnings of 2011 and 2010 were approved in the stockholders' meetings on June 22, 2012 and June 28, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2011	2010	2011	2010
Legal reserve	\$348,434	\$392,307		
Special reserve	222,962	-		
Cash dividends	915,000	760,660	\$0.2	\$0.2
Stock dividends	2,287,500	2,662,310	0.5	0.7

The bonus to employees and the remuneration to directors for 2011 and 2010, which were approved in the stockholders' meetings on June 22, 2012 and June 28, 2011, respectively, were as follows:

	2011	2010
Bonus to employees - cash	\$346	\$ 3,604
Bonus to employees - stock	99,732	103,364
Remuneration to directors - cash	33,360	35,656

On the bonus to employees and the remuneration to directors, there was no difference between the approved amounts and the accrued amounts recognized in the financial statements for 2011 and 2010.

The appropriations from the 2012 earnings were approved in the board of directors' meetings on March 22, 2013. The appropriations and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$705,824	
Special reserve	390,849	
Cash dividends	1,503,210	\$0.30
Stock dividends	5,010,700	1.00

The proposal on the appropriation of the 2012 earnings, bonus to employees and remuneration to directors is waiting for the approval of the stockholders. Information on earnings appropriation or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

Under the integrated income tax system, certain stockholders are allowed tax credits for the income tax paid by ESFHC.



### 32. RELATED-PARTY TRANSACTIONS

In addition to Table 4 and those mentioned in other notes, the significant related-party transactions are summarized as follows:

#### a. Related parties

Related Party	Relationship with the Company
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation Fugi Consulting Co., Ltd. and Bank-Pro E-Service Technology Co., Ltd. Other	One third of the funds are donated by E.SUN Bank E.SUN Bank is a director of these two companies ESFHC's and subsidiaries' directors, supervisors, managers and related to the chairman and president of ESFHC within the second degree of consanguinity

#### b. Significant transactions with related parties

##### 1) Loans and deposits

	December 31			
	Amount	% to Total	Interest Rate(%)	Interest Revenue (Expense)
<u>2012</u>				
Loans	<u>\$799,903</u>	-	0.99-3.38	<u>\$11,245</u>
Deposits	<u>\$1,626,765</u>	-	0-6.90	<u>\$(12,339)</u>
<u>2011</u>				
Loans	<u>\$769,762</u>	-	1.38-2.79	<u>\$8,916</u>
Deposits	<u>\$1,531,508</u>	-	0-6.90	<u>\$(16,029)</u>

The interest rates shown above were similar to, or approximate, those offered to third parties. However, the interest rates for deposits given to managers of E.SUN Bank were the same as the interest rates for a certain amount of employees' savings deposits.

Under the Banking Law, except for consumer loans and government loans, credits extended by E.SUN Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

##### 2) Directors as credit guarantors

	December 31			
	Amount	% to Total	Interest Rate (%)	Rate of Guarantee Service Fee (%)
2012	<u>\$178,000</u>	-	1.316-2.17	-
2011	<u>\$155,250</u>	-	1.261-2.17	-

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
3)Donation (part of general and administrative expenses)	<u>\$26,979</u>	<u>-</u>	<u>\$48,228</u>	<u>1</u>
4)Others (part of general and administrative expenses)	<u>\$1,117</u>	<u>-</u>	<u>\$4,067</u>	<u>-</u>

The above donation is for E.SUN Volunteer & Social Welfare Foundation's social welfare charity and for the E.SUN Foundation's cultural and educational promotion.

5)In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties in E.SUN Bank. E.SUN Bank charged \$15 thousand (part of service fee income, net) accordingly.

The terms of the above transactions were similar to, or approximated, those for third parties.

c.Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand as of and for the years ended December 31, 2012 and 2011

1) E.SUN Bank

	December 31			
	Amount	% to Total	Interest Rate (%)	Interest Revenue (Expense)
<u>2012</u>				
a)Loans	<u>\$799,903</u>	-	0.99-3.38	<u>\$11,256</u>
b)Deposits	<u>\$8,645,683</u>	1	0-6.90	<u>\$(75,132)</u>

	December 31			
	Amount	% to Total	Interest Rate (%)	Interest Revenue (Expense)
<u>2011</u>				
a)Loans	<u>\$769,762</u>	-	1.38-2.79	<u>\$8,916</u>
b)Deposits	<u>\$10,304,861</u>	1	0-6.90	<u>\$(77,644)</u>

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
c)Other receivable (part of receivables) - ESFHC	<u>\$152,340</u>	<u>-</u>	<u>\$242,628</u>	<u>1</u>
d)Other payables (part of payables) - ESFHC	<u>\$750,147</u>	<u>3</u>	<u>\$6,161</u>	<u>-</u>

The other receivables and payables refer to ESFHC's filed consolidated corporate tax returns from 2003.

## e) Directors as credit guarantors

	December 31			Rate of Guarantee Service Fee (%)
	Amount	% to Total	Interest Rate (%)	
2012	<u>\$178,000</u>	-	1.361-2.17	-
2011	<u>\$155,250</u>	-	1.261-2.17	-

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates on deposits given to managers of E.SUN Bank are the same as the interest rates on a certain amount of employees' savings deposits.

Under the Banking Law, except for consumer loans and government loans, credits extended by E.SUN Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those extended to third parties.

## 2) E.SUN Securities

a) Deposits each amounting to more than \$100,000 thousand in E.SUN Bank as of December 31, 2012 and 2011

	December 31	
	2012	2011
Deposit - futures exchange margins	<u>\$176,819</u>	<u>\$260,568</u>
Operating deposits	<u>\$575,000</u>	<u>\$555,000</u>

b) E.SUN Securities entrusted to E.SUN Bank the deal settlement of securities and applied for a guarantee for overdraft amounting to \$3,000,000 thousand as of December 31, 2012 and 2011. For this overdraft, E.SUN Securities provided time deposits and real estate to E.SUN Bank as collaterals as of December 31, 2012 and 2011. Other financial institutions provided guarantee for the overdraft for both years. As of December 31, 2012 and 2011, there was no overdraft amount.

c) For its business needs, E.SUN Securities applied for a short-term loan up to \$200,000 thousand from E.SUN Bank. The balances and interest expenses for the short-term loan as of and for the years ended December 31, 2012 and 2011, respectively, were as follows:

	Highest Balance for the Year Ended December 31	Ending Balance as of December 31	Interest Rate (%)	Interest Expense
2012	\$10,000	\$-	1.32-1.33	\$11
2011	-	-	-	-

## 3) ESVC

	December 31	
	2012	2011
Deposits - E.SUN Bank	<u>\$229,395</u>	<u>\$219,715</u>



## 4)ESIB

	December 31	
	2012	2011
Deposits - E.SUN Bank	\$ 298,681	\$ 288,683
	Year Ended December 31	
	2012	2011
Cross-selling fee - E.SUN Bank	\$ 732,329	\$ 75,305

## d. Compensation of directors, supervisors and management personnel

	2012	2011
Salaries	\$38,263	\$31,871
Incentives	20,176	12,601
Special compensation	1,555	1,160
Bonus	72,159	35,738
	\$132,153	\$81,370

## 33.PLEDGED ASSETS

In addition to those mentioned in other notes, the pledged assets of the Company are summarized as follows:

	December 31	
	2012	2011
Financial assets at fair value through profit or loss (bonds and securities at face value)	\$467,803	\$ 389,688
Receivables (bonds)	2,000	9,900
Available-for-sale financial assets (bonds at face value)	316,870	51,000
Held-to-maturity financial assets (bonds and securities at face value)	16,329,080	22,936,936
Other financial assets	726	757
	\$17,116,479	\$23,388,281

As of December 31, 2012 and 2011, the foregoing securities, with aggregate face value of \$10,000,000 thousand and \$10,900,000 thousand, respectively, had been provided as collaterals for day-term overdraft to comply with the Central Bank's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may also be treated as liquidity reserve.

E.SUN Bank is authorized by the Central Bank (CB) of the Republic of China to act as a national treasury agent bank. For its role as a CB's agent and for covering its call loans from the CB, E.SUN Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand and \$10,300,000 thousand as of December 31, 2012 and 2011, respectively. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

To expand its capital sourcing and enhance its liquidity position, E.SUN Bank's Los Angeles Branch obtained access privileges at the Discount Window of the Federal Reserve Bank of San Francisco. For this access, the Los Angeles Branch pledged the following assets:

Date	(In Thousands of U.S. Dollars)	
	Outstanding Loan Balance	Collateral Value
December 31, 2012	<u>\$15,417</u>	<u>\$10,388</u>
December 31, 2011	<u>\$10,100</u>	<u>\$8,997</u>

### 34. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2012 were as follows:

a. E.SUN Bank

1) There are renewable operating lease agreements on premises occupied by E.SUN Bank's branches, which will expire on various dates by May 2020. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2012, refundable deposits on these leases totaled \$853,795 thousand. Minimum annual rentals for the next five years are as follows:

Year	Amount
2013	\$541,849
2014	471,005
2015	401,710
2016	303,777
2017	190,914

Total rentals for January 2018 to May 2020 will aggregate \$37,403 thousand. The aggregate present value of these rentals is \$34,216 thousand, discounted at 1.37%, which was the annual fixed interest rate set by Chunghwa Post Co., Ltd. for its one-year time savings deposits as of the balance sheet date.

2) Agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by its branches amounted to approximately \$361,445 thousand. As of December 31, 2012 the remaining unpaid amount was approximately \$259,578 thousand.

b. E.SUN Securities

1) There are renewable operating lease agreements on premises occupied by E.SUN Securities' branches, which will expire on various dates by January 2018. Rentals are calculated on the basis of the leased areas and are payable monthly or quarterly. As of December 31, 2012, refundable deposits on these leases totaled \$14,238 thousand. Minimum annual rentals for the next five years are as follows:

Year	Amount
2013	\$55,408
2014	48,461
2015	22,323
2016	7,806
2017	1,956

d. ESIB

ESIB entered into insurance agent contracts with various insurance companies. The contracts are summarized as follows:

<u>Insurance Company</u>	<u>Contract Date</u>	<u>Commission Received</u>	<u>Contract Period</u>
Prudential Insurance	2004.01.09	Billed and received in accordance with contract terms	Effective on January 9, 2004 and with expiry on January 9, 2014. The contract may be renewed on the parties' written notice on contract expiry.
Tokio Marine Newa Insurance	2005.10.15	Billed and received in accordance with contract terms	Effective on October 15, 2005 and with expiry on October 15, 2014. The contract may be renewed on the parties' written notice on contract expiry.
Taian Insurance	2007.10.19	Billed and received in accordance with contract terms	Effective on October 19, 2007 and with expiry on October 19, 2008. The contract is automatically extended for another year if the parties do not terminate the contract in writing earlier than 30 days before the end of the contract.
Mercuries Life Insurance	2011.12.01	Billed and received in accordance with contract terms	Effective on December 1, 2011 and with expiry on December 1, 2012. The contract is automatically extended for another year if the parties do not terminate the contract in writing earlier than 30 days before the end of the contract.
Nanshan Life Insurance	2011.12.05	Billed and received in accordance with contract terms	Effective on December 5, 2011 and with expiry on December 5, 2012. The contract is automatically extended for another year if the parties do not terminate the contract in writing earlier than 30 days before the end of the contract.



### 35.E.SUN BANK'S AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

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

	2012		2011	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents - due from banks	\$5,472,248	1.27	\$2,855,008	0.12
Call loans to banks	6,805,492	0.77	2,954,736	0.43
Due from the Central Bank	26,160,968	0.59	25,378,321	0.59
Held-for-trading financial assets - bonds	1,467,485	2.54	1,065,991	2.68
Held-for-trading financial assets - bills	18,253,524	0.74	13,306,210	0.73
Financial assets designated as at fair value through profit or loss - bonds and bills	34,226,433	2.09	32,362,593	1.92
Securities purchased under resell agreements	436,850	0.85	162,352	0.69
Discounts and loans	694,206,194	2.29	634,188,081	2.18
Receivables on credit cards	16,843,550	13.38	15,518,646	13.98
Available-for-sale financial assets - bonds	52,347,172	2.30	42,353,424	2.56
Held-to-maturity financial assets	235,943,249	0.86	272,826,039	0.89
Debt instruments with no active market	4,194,980	3.04	2,172,774	2.03
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	45,534,260	0.83	37,833,874	0.84
Financial liabilities at fair value through profit or loss (excluding financial liabilities designated as at fair value through profit or loss - bank debentures)	3,125,000	1.39	3,231,492	1.32
Securities sold under repurchase agreements	8,789,030	0.66	13,239,691	0.59
Demand deposits	207,641,216	0.22	185,215,762	0.17
Savings - demand deposits	259,389,082	0.30	234,391,123	0.31
Time deposits	263,349,560	1.17	285,426,718	0.96
Savings - time deposits	237,183,341	1.34	213,738,002	1.26
Negotiable certificates of deposit	1,675,353	0.57	17,614,025	0.73
Bank debentures (including financial liabilities designated as at fair value through profit or loss - bank debentures)	43,736,503	2.05	37,315,343	2.07
Principal of structured products	1,653,060	1.65	2,267,849	1.54

### 36. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

	December 31			
	2012		2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Financial assets - with fair values approximating carrying amounts				
	\$127,510,106	\$127,510,106	\$111,206,947	\$111,206,947
Financial assets at fair value through profit or loss	61,300,358	61,300,358	52,303,140	52,303,140
Discounts and loans	735,406,720	735,406,720	656,008,834	656,008,834
Available-for-sale financial assets	76,668,039	76,668,039	53,524,008	53,524,008
Held-to-maturity financial assets	211,168,563	211,347,422	253,283,859	253,513,119
Other financial assets (excluding financial assets carried at cost)	4,598,857	4,598,857	3,634,537	3,644,609
Refundable deposits, operating deposits, and settlement funds	2,018,303	2,018,303	1,944,938	1,944,938
<u>Financial liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts				
	75,810,568	75,810,568	71,771,689	71,771,689
Financial liabilities at fair value through profit or loss	12,418,221	12,418,221	13,092,263	13,092,263
Deposits and remittances	1,023,820,129	1,023,820,129	954,993,962	954,993,962
Bonds payable	53,300,000	53,957,874	46,500,000	47,324,744
Other financial liabilities	1,403,736	1,403,736	1,934,733	1,934,733

b. Methods and assumptions applied to estimate the fair value of financial instruments are summarized as follows:

- 1) The carrying amounts of short-term financial instruments approximate their fair values because of the short maturities of these instruments. Other short-term financial assets are cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables (except tax refundable) and securities brokerage accounts - debits. Other short-term financial liabilities are due to the Central Bank and other banks, commercial paper issued, securities sold under repurchase agreements, payables (except tax payable), remittance and securities brokerage accounts - credit.
- 2) For financial instruments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and bank debentures, fair value is best determined on the basis of quoted market prices. However, in many instances where there are no quoted market prices for the Company's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies.

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 counter-parties. Fair values of currency option contracts are based on estimates using the Black Scholes model, binomial method or Monte Carlo simulation. Fair values of credit default swap contracts are valued using the discount spreads method or modified Hull-White model. The fair value of each futures contract is calculated using the prices quoted by the futures exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted

cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, taking into account the credit risk on the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollar, U.S. dollar, etc.) to be used for payments. As of December 31, 2012 and 2011, the discount rates used ranged from 0.41% to 1.7005% and from 0.401% to 1.83%, respectively, for the New Taiwan dollar and from 0.10% to 2.717% and from 0.13% to 5.69%, respectively, for the U.S. dollar.

If there are trade prices or prices quoted by major market players, the latest trade prices and quoted prices are used as the basis for valuating the fair value of debt instruments with no active market, which are classified as other financial assets; otherwise, the Company uses the foregoing discounted cash flow method to determine fair value.

- 3) Discounts and loans and deposits are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair value. The fair value of overdue loans is based on their carrying amount, net of allowance for credit losses.
- 4) Financial assets carried at cost consist of unlisted stocks. These investments have no quoted market prices in an active market and their fair values could not be reliably measured. Thus, the Company does not disclose their fair values.
- 5) For refundable deposits, operating deposits, and settlement funds, fair values are their carrying amount because they have no specific maturity dates.
- 6) Other financial liabilities include guarantee deposits received, appropriations for loans and principal of structured products. They are interest-bearing liabilities or items that can be transferred to other banks at any time depending on the business situation or can be withdrawn by providers. The carrying amounts of these liabilities represent their fair values.



c. The fair value hierarchies of the Company's financial instruments as of December 31, 2012 and 2011 were as follows:

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	\$232,564	\$232,564	\$ -	\$ -
Debt instruments	1,033,448	1,033,448	-	-
Others	21,732,656	87,682	21,644,974	-
Designated as at FVTPL on initial recognition	33,938,871	4,361,449	29,577,422	-
Available-for-sale financial assets				
Stock	395,092	395,092	-	-
Debt instruments	75,938,186	63,381,929	12,302,839	253,418
Others	334,761	334,761	-	-
Other financial assets				
Debt instruments with no active market	4,063,185	-	3,656,625	406,560
<u>Liabilities</u>				
Financial liabilities at FVTPL	8,361,325	-	8,361,325	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	4,362,819	80,584	4,275,794	6,441
<u>Liabilities</u>				
Financial liabilities at FVTPL	4,056,896	109	4,050,346	6,441

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	\$ 230,375	\$ 230,375	\$ -	\$ -
Debt instruments	834,618	834,618	-	-
Others	14,317,121	1,140,768	13,176,353	-
Designated as at FVTPL on initial recognition	32,508,617	3,527,792	28,980,825	-
Available-for-sale financial assets				
Stock	763,363	763,363	-	-
Debt instruments	52,404,758	39,613,406	8,121,106	4,670,246
Others	355,887	355,887	-	-
Other financial assets				
Debt instruments with no active market	3,182,067	-	2,607,769	574,298
<u>Liabilities</u>				
Financial liabilities at FVTPL	8,488,998	-	8,488,998	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	4,412,409	108,558	4,294,523	9,328
<u>Liabilities</u>				
Financial liabilities at FVTPL	4,603,265	169	4,593,768	9,328

1)Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. As defined by the Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement," active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

2)Level 2 - 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).

3)Level 3 - inputs not based on observable market data (unobservable inputs).

Other information on financial assets and liabilities in Level 3 in 2012 and 2011 was as follows:

December 31, 2012

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
<b>Financial assets</b>							
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	\$9,328	\$(2,887)	\$ -	\$ -	\$ -	\$ -	\$6,441
Available-for-sale financial assets	4,670,246	(8,375)	-	-	(4,408,453)	-	253,418
Other financial assets							
Debt instruments with no active market	574,298	-	-	-	(167,738)	-	406,560
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	9,328	(2,887)	-	-	-	-	6,441

December 31, 2011

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) in Net Income or Stockholders' Equity	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
<b>Financial assets</b>							
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	\$4,574	\$4,754	\$ -	\$ -	\$ -	\$ -	\$9,328
Available-for-sale financial assets	4,588,339	8,663	-	123,244	(50,000)	-	4,670,246
Other financial assets							
Debt instruments with no active market	146,541	-	427,757	-	-	-	574,298
<b>Financial liabilities</b>							
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	4,574	4,754	-	-	-	-	9,328



d.A valuation of financial instruments at estimated market prices showed a gain of \$154,360 thousand in 2012 and a gain of \$127,240 thousand in 2011.

e.In December 2012 and 2011, the adjustments of stockholders' equity credited directly from the available-for-sale financial assets amounted to \$2,109,341 thousand and debited directly from the available-for-sale financial assets amounted to \$369,269 thousand, respectively; the gains recognized and deducted from the adjustments of stockholders' equity were \$1,599,846 thousand and \$119,486 thousand, respectively.

f.Financial risk information

1)ESFHC

a)Risk management

ESFHC established the Risk Management Committee, of which the convener is the general manager and the executive secretary is the chief risk officer, to draw up the principles and policies of risk management to be followed by each subsidiary, to coordinate and monitor the enforcement of risk management policies of each subsidiary and to deliberate whether proposals brought up by each risk-based unit focusing on a variety of individual issues are suitable for the Company. The committee also supports decision making on several important issues, such as asset allocation, designing and pricing of new products, merging, joint venture and transfer of ownership, from the point of view of risk management to ensure that the Company has adequate capital to achieve profit objectives under reasonable risk.

b)Market risk

ESFHC set up "The Market Risk Management Principle of E.SUN Financial Holding Company" as the guideline for market risk management.

It monitors and controls the market risk of ESFHC and subsidiaries, and sets up the risk limit of ESFHC and subsidiaries, including the value at risk (VaR) limit, Position-limit and Stop Loss Limit. ESFHC also makes a risk evaluation report, which covers the taking of risk exposure by each risk-based unit and the adequacy of the current risk management system, to the board of directors quarterly.

The operation of ESFHC involves currencies different from its functional currency, i.e., foreign currencies; thus, ESFHC is exposed to foreign-exchange risks. As of December 31, 2012 and 2011, the carrying amount, currency and spot rate of ESFHC's monetary assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2012			2011		
	Assets	Liabilities	Exchange Rate	Assets	Liabilities	Exchange Rate
USD	\$151,247	\$189,075	29.04	\$150,517	\$174,615	30.278

The profit and loss from the fluctuations in exchange rates for foreign-currency assets and liabilities will be offset; thus, ESFHC expects the risk from exchange rate fluctuations to be immaterial.

#### c)Credit risk

To maintain good asset quality, ESFHC's subsidiaries have established independent credit review divisions and set up fair credit approval processes. ESFHC and subsidiaries also set up management policies and requirements of counterparties' credit rating, default risk, settlement risk, and risk concentration pertaining products, industries, and affiliates.

#### d)Liquidity risk

ESFHC set up "The Liquidity Risk Management Guideline of E.SUN Financial Holding Company" as the guideline for liquidity risk management. It monitors and asks ESFHC and subsidiaries to maintain appropriate liquidity, payment ability, financial stability, and to improve urgent situation handling ability.

ESFHC and subsidiaries also follow the requirements of authorities, adopt numeral management, and compile cash flow gap analysis report regularly. Additionally, ESFHC and subsidiaries set up liquidity risk management index and monitor it strictly.

#### 2)E.SUN Bank

##### a)Risk management

E.SUN Bank established the Risk Management Division to draw up the principles and policies of risk management to be followed by each department, to coordinate and monitor the enforcement of risk management policies of each department and to deliberate whether proposals brought up by each risk-based unit focusing on a variety of individual issues are suitable for E.SUN Bank. The division also supports decision-making on several important issues, such as asset allocation, designing and pricing of new products and transfer of ownership, from the point of view of risk management to ensure that E.SUN Bank has adequate capital to achieve profit objectives under reasonable risk.

##### b)Market risk

E.SUN Bank evaluates the market risk of financial

instruments on the basis of value at risk (VaR). VaR is the potential loss in market value of financial instruments, which is measured within a set confidence interval for a specified period. E.SUN Bank estimated VaR on the basis of the changes in prices of financial instruments in the past two years.

Information on the foreign-currency financial assets and liabilities with significant effect: Table 8 (attached).

#### c)Credit risk

E.SUN Bank is exposed to potential loss due to defaults by counter-parties or issuers. Under normal business operations, E.SUN Bank is a party to transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantee and obligations under letters of credit issued. Generally, these transactions are for one year.

As of December 31, 2012 and 2011, the interest rates for loans ranged from 0.749% to 18.25% and from 0.43143% to 19.46%, respectively. The highest interest rate for credit cards was 19.71% in both years.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems for E.SUN Bank.

E.SUN Bank evaluates the creditworthiness of credit applications case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories, marketable securities and other assets, may be required, depending on the evaluation result. As of December 31, 2012 and 2011, about 64% and 65%, respectively, of total loans granted, and about 13% and 16%, respectively, of both the aggregate guarantees and letters of credit issued, were secured. If the customers breach a contract, E.SUN Bank will execute its right on the collaterals and decrease its credit risk. However, E.SUN Bank discloses the maximum credit exposure without consideration of collateral fair value.

The maximum credit exposure of financial assets is the carrying amounts of financial assets on the balance sheet date.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Credit card commitments	\$337,805,501	\$304,417,180
Guarantees and letters of credit issued	21,523,585	20,104,095

Concentration of credit risk exists when counter-parties 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. Groups or industries and regions with outstanding loans that were 10% or more of total outstanding loans were as follows:

Credit Risk Profile by Group or Industry	December 31			
	2012		2011	
	Amount	%	Amount	%
Natural person	\$374,854,505	49	\$341,328,300	50
Manufacturing	199,732,382	26	186,020,462	27

Credit Risk Profile by Region	December 31			
	2012		2011	
	Amount	%	Amount	%
Domestic	\$689,626,565	91	\$620,391,870	91
Asia	28,579,193	4	25,409,424	4
South America	21,835,444	3	16,995,674	3
North America	10,540,606	1	7,972,351	1

#### d) Liquidity risk

In December 2012 and 2011, the liquidity reserve ratios were 29.13% and 30.68%, respectively. E.SUN Bank had sufficient equity capital and working capital to execute all contract obligations and had no liquidity risk.

The contract or notional amount is used to calculate the amounts to settle with the counter-parties, so it is neither the actual amount to be delivered to the counterparties nor the cash requirement for E.SUN Bank. Also, E.SUN Bank can enter into derivative financial contracts at reasonable market terms. Thus, E.SUN Bank did not expect significant cash flow demands to settle these contracts.

The management policy of E.SUN Bank is to match the contractual maturity profile to the interest rates for its assets and liabilities. Because of uncertainties, however, the maturities did not fully match the interest rates, resulting in gaps that may potentially give rise to gain or loss.



E.SUN Bank applied appropriate ways to group assets and liabilities. The maturity analysis of assets and liabilities was as follows:

December 31, 2012

	Due in One Month	Due after One Month Up to Three Months	Due after Three Months Up to One Year	Due after One Year Up to Seven Years	Due after Seven Years	Total
<b>Assets</b>						
Cash and cash equivalents	\$23,068,127	\$ -	\$ -	\$ -	\$ -	\$23,068,127
Due from the Central Bank and call loans to other banks	51,674,513	1,523,540	2,657,910	-	-	55,855,963
Financial assets at fair value through profit or loss	25,939,990	436,544	5,492,108	28,567,136	707,115	61,142,893
Securities purchased under resell agreements	210,863	-	-	-	-	210,863
Receivables	1,608,743	35,905,742	170,679	8,122,433	-	45,807,597
Discounts and loans	110,942,286	49,586,994	90,106,019	279,567,632	213,646,705	743,849,636
Available-for-sale financial assets	10,516,464	15,933,098	6,113,934	43,568,821	22,690	76,155,007
Held-to-maturity financial assets	-	475,526	1,539,574	209,111,832	41,631	211,168,563
Other financial assets (excluding financial assets carried at cost)	726	-	-	4,063,185	-	4,063,911
	<u>\$223,961,712</u>	<u>\$103,861,444</u>	<u>\$106,080,224</u>	<u>\$573,001,039</u>	<u>\$214,418,141</u>	<u>\$1,221,322,560</u>
<b>Liabilities</b>						
Due to the Central Bank and other banks	\$32,803,263	\$9,986,942	\$3,862,619	\$ -	\$ -	\$46,652,824
Financial liabilities at fair value through profit or loss	2,914,210	-	4,056,896	-	-	6,971,106
Securities sold under repurchase agreements	1,050,673	2,117,389	1,789,663	-	-	4,957,725
Payables	12,717,851	1,264,292	921,976	7,453,299	-	22,357,418
Deposits and remittances	627,761,122	111,400,334	278,041,507	12,771,632	-	1,029,974,595
Bank debentures	-	-	6,000,000	34,780,000	6,220,000	47,000,000
Other financial liabilities	1,206,878	1,756	82,289	56,362	65,361	1,412,646
	<u>\$678,453,997</u>	<u>\$124,770,713</u>	<u>\$294,754,950</u>	<u>\$55,061,293</u>	<u>\$6,285,361</u>	<u>\$1,159,326,314</u>

December 31, 2011

Assets	Due in One Month	Due after One Month Up to Three Months	Due after Three Months Up to One Year	Due after One Year Up to Seven Years	Due after Seven Years	Total
Cash and cash equivalents	\$19,931,437	\$ -	\$ -	\$ -	\$ -	\$19,931,437
Due from the Central Bank and call loans to other banks	45,014,416	2,000	-	-	-	45,016,416
Financial assets at fair value through profit or loss	18,822,589	332,925	2,422,836	29,847,967	726,428	52,152,745
Securities purchased under resale agreements	29,789	-	-	-	-	29,789
Receivables	696,436	32,767,196	48,099	10,167,536	-	43,679,267
Discounts and loans	84,226,196	47,538,489	80,078,411	255,636,933	195,413,473	662,893,502
Available-for-sale financial assets	7,006,230	7,028,755	3,661,438	34,793,077	371,265	52,860,765
Held-to-maturity financial assets	151,270,452	75,749,702	12,601,765	10,175,515	3,486,425	253,283,859
Other financial assets (excluding financial assets carried at cost)	4,893	-	-	3,164,073	-	3,168,966
	<u>\$327,002,438</u>	<u>\$163,419,067</u>	<u>\$98,812,549</u>	<u>\$343,785,101</u>	<u>\$199,997,591</u>	<u>\$1,133,016,746</u>
 <b>Liabilities</b>						
Due to the Central Bank and other banks	\$17,401,553	\$12,624,083	\$8,027,290	\$ -	\$ -	\$38,052,926
Financial liabilities at fair value through profit or loss	3,247,503	-	-	4,603,265	-	7,850,768
Securities sold under repurchase agreements	9,524,552	2,055,414	1,667,421	-	-	13,247,387
Payables	11,652,406	317,967	245,212	5,802,271	-	18,017,856
Deposits and remittances	560,079,990	118,991,267	271,387,413	12,383,157	-	962,841,827
Bank debentures	-	-	5,000,000	34,000,000	-	39,000,000
Other financial liabilities	1,599,045	-	180,683	94,606	69,309	1,943,643
	<u>\$603,505,049</u>	<u>\$133,988,731</u>	<u>\$286,508,019</u>	<u>\$56,883,299</u>	<u>\$69,309</u>	<u>\$1,080,954,407</u>

### 3)E.SUN Securities

#### a)Risk management policy and hedge strategy

The nonderivative financial instruments held by E.SUN Securities mainly include cash and cash equivalents, financial assets at fair value through profit or loss - stocks and beneficial certificates, borrowings and commercial paper issued. These financial instruments are held to meet demands for funds. E.SUN Securities also holds receivables and payables arising from operating activities.

E.SUN Securities issues derivative financial instruments, including futures contracts and options, to generate reasonable profit.

#### b)Cash flow risk arising from interest rate fluctuation

E.SUN Securities' main cash flow risk arises from interest rate fluctuations of time deposits, borrowings and commercial paper issued with floating rate. E.SUN Securities manages its interest rate risk by using a combination of fixed and floating interest rate.

#### c)Credit risk

E.SUN Securities only conducts business with recognized and creditworthy third parties. Customers are subject to credit verification procedures, and the collection of accounts receivable are subsequently assessed.

The futures and TAIEX options contracts entered into by E.SUN Securities are all exchange traded and can be settled before expiration without default. Therefore, no significant credit risk is expected to arise. Other financial assets (including cash and cash equivalents) held by E.SUN Securities is exposed to credit risk on counter-party defaults. The maximum exposure to losses equals the carrying amount of financial instruments.

Collateral would not be required because E.SUN Securities only conducts business with recognized third parties.

#### d)Liquidity risk

E.SUN Securities adjusts its liquidity position by using tools such as commercial paper issued and cash and cash equivalents to reach its objectives such as financial stabilization and financial flexibility.

Derivative financial instruments are summarized as follows:

#### a)Stock warrants issued

As premiums from the stock warrants issued by E.SUN Securities were all received, there is no credit risk.

E.SUN Securities is in a short position for the stock warrants issued, which is in reverse to the investors' position. As the investors may exercise their option rights before expiration of the contracts because of the fluctuations in the underlying securities' fair values, E.SUN Securities' position is expected to be exposed to market risk. To reduce the risk, E.SUN Securities mainly uses delta and vega risk hedging strategies which are summarized below:

##### i.Delta risk hedging strategy

The hedge instruments are mainly the underlying securities. The hedging method used is the delta hedging, as shown in E.SUN Securities' risk model. Delta hedging is a widely used technique for managing option portfolios, in which the rate of change of option value is measured against the change in the underlying asset's price.

##### ii.Vega risk hedging strategy

The hedge instruments are mainly the warrants listed in the domestic market and their underlying securities. The strategy adopted in vega hedge is primarily through buying the significantly underpriced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by E.SUN Securities. Vega is typically expressed as the amount of money per underlying share that the option's value will gain or loss as volatility of the underlying asset rises or falls by 1%.

Future cash flows refer to the cash inflows or outflows resulting from the settlements of stock warrants by cash or securities when the warrants are exercised. The amount and timing of future cash flows depend on the amount and timing of the stock warrants exercised.

There were no outstanding stock warrants issued as of December 31, 2012 and 2011.

#### b)Futures and TAIEX options

The contracts entered into by E.SUN Securities are all exchange traded and can be settled before expiration without default. Therefore, no significant credit risk is expected to arise.



The major risk associated with the futures and options undertaken by E.SUN Securities is the market risk arising from the fluctuations in the market prices of the underlying assets. Losses will be incurred if market index prices and the prices of the investment index move in opposite directions. To control the risk within a tolerable limit, a stop-loss mechanism has been established. Hence, market risk is assessed to be remote.

As premiums are paid before futures and options contracts are bought, no funding requirement is expected. In

addition, the options written and the outstanding futures contracts can be settled at reasonable prices. Therefore, liquidity risk is assessed to be remote.

To hedge the risk arising from proprietary trading of stocks, E.SUN Securities uses TAIEX Index futures and options. Margin deposits are paid before the transactions take effect. E.SUN Securities in the outstanding futures contracts is marked to market daily, and its working capital is assessed to be adequate to support the margin calls. Hence, no cash flow risk or significant cash requirements are expected.

The gains (losses) from the derivative transactions in 2012 and 2011 are summarized as follows:

	2012	2011
Gains on futures contracts		
Realized	\$ 19,599	\$ 3,720
Unrealized	-	-
	<u>\$ 19,599</u>	<u>\$ 3,720</u>
Losses on futures contracts		
Realized	\$ (17,748)	\$ (7,549)
Unrealized	-	-
	<u>\$ (17,748)</u>	<u>\$ (7,549)</u>
Gains on option contracts		
Realized	\$ -	\$ 320
Unrealized	-	-
	<u>\$ -</u>	<u>\$ 320</u>
Losses on option contracts		
Realized	\$ -	\$ (188)
Unrealized	-	-
	<u>\$ -</u>	<u>\$ (188)</u>

### 37.ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

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

	<u>E.SUN Bank</u>	<u>E.SUN Securities</u>	<u>Total</u>	<u>Allocation Method</u>
<u>2012</u>				
Rental expense	\$ 2,160	\$ 1,080	\$ 3,240	E.SUN Bank - 2/3 and E.SUN Securities - 1/3 50% each
Broadcasting and security systems	36	36	72	
Others	1,467	1,369	2,836	Utilities: 50% each Building maintenance expenses: Based on space actually occupied
	<u>\$ 3,663</u>	<u>\$ 2,485</u>	<u>\$ 6,148</u>	

	<u>E.SUN Bank</u>	<u>E.SUN Securities</u>	<u>Total</u>	<u>Allocation Method</u>
<u>2011</u>				
Rental expense	\$ 2,160	\$ 1,080	\$ 3,240	E.SUN Bank - 2/3 and E.SUN Securities - 1/3 50% each
Broadcasting and security systems	36	36	72	
Others	1,356	1,258	2,614	Utilities: 50% each Building maintenance expenses: Based on space actually occupied
	<u>\$ 3,552</u>	<u>\$ 2,374</u>	<u>\$ 5,926</u>	

Under cooperation arrangements, E.SUN Bank and ESIB shared the use of some equipment and operating sites, personnel, and an Internet service system and provided cross-selling financial services starting in 2004. The service fees earned by E.SUN Bank were based on 50% (10% before 2012) of the gross revenue derived from the insurance companies' products sold by E.SUN Bank. In 2012 and 2011, ESIB should have paid E.SUN Bank \$732,329 thousand and \$73,035 thousand, respectively; the unpaid amount was \$10,762 thousand as of December 31, 2011.

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

	<u>2012</u>	<u>2011</u>
Revenue	<u>\$5,298</u>	<u>\$4,608</u>
Expense	<u>\$61,332</u>	<u>\$68,605</u>

### 38.E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES' ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a.E.SUN Bank's asset quality

Table 5 (attached)

b.E.SUN Bank's concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2012			December 31, 2011		
	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 Manufacture of liquid crystal panel and components	\$8,701,210	11.56	Group B Manufacture of liquid crystal panel and components	\$13,071,482	20.14
2	Group B Manufacture of liquid crystal panel and components	8,391,511	11.15	Group A Manufacture of liquid crystal panel and components	8,081,178	12.45
3	Group C Smelting and refining of iron and steel	7,379,265	9.80	Group C Smelting and refining of iron and steel	7,479,117	11.52
4	Group D Manufacture of integrated circuits production	5,241,029	6.96	Group D Manufacture of integrated circuits production	7,144,633	11.01
5	Group E Civil air transportation	4,359,059	5.79	Group G Activities of head offices	4,597,689	7.08
6	Group F Manufacture of integrated circuits production	4,311,095	5.73	Group E Civil air transportation	4,359,215	6.72
7	Group G Activities of head offices	4,305,526	5.72	Group F Activities of head offices	3,107,450	4.79
8	Group H Manufacture of footwear	4,044,692	5.37	Group H Manufacture of footwear	2,879,586	4.44
9	Group I Manufacture of computer Group J	3,702,600	4.92	Group K Manufacture of paper	2,805,438	4.32
10	Other activities auxiliary to financial service activities	3,322,870	4.41	Group L Manufacture of liquid crystal panel and components	2,636,835	4.06

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: The total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.



c.E.SUN Bank's interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2012

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$921,269,144	\$10,207,154	\$7,185,872	\$31,433,932	\$970,096,102
Interest rate-sensitive liabilities	319,890,769	492,150,864	89,062,116	43,917,411	945,021,160
Interest rate sensitivity gap	601,378,375	(481,943,710)	(81,876,244)	(12,483,479)	25,074,942
Net worth					71,744,205
Ratio of interest rate-sensitive assets to liabilities					102.65
Ratio of interest rate sensitivity gap to net worth					34.95

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2011

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$862,549,828	\$11,122,396	\$6,742,958	\$42,087,326	\$922,502,508
Interest rate-sensitive liabilities	403,371,123	426,575,260	54,485,192	31,437,459	915,869,034
Interest rate sensitivity gap	459,178,705	(415,452,864)	(47,742,234)	10,649,867	6,633,474
Net worth					62,433,213
Ratio of interest rate-sensitive assets to liabilities					100.72
Ratio of interest rate sensitivity gap to net worth					10.62

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of E.SUN Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)  
December 31, 2012

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over one Year	Total
Interest rate-sensitive assets	\$5,752,790	\$1,049,253	\$628,712	\$268,266	\$7,699,021
Interest rate-sensitive liabilities	6,149,770	989,957	586,849	34,482	7,761,058
Interest rate sensitivity gap	(396,980)	59,296	41,863	233,784	(62,037)
Net worth					88,421
Ratio of interest rate-sensitive assets to liabilities					99.20
Ratio of interest rate sensitivity gap to net worth					(70.16)

Interest Rate Sensitivity (U.S. Dollars)  
December 31, 2011

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over one Year	Total
Interest rate-sensitive assets	\$4,993,553	\$533,421	\$360,577	\$108,288	\$5,995,839
Interest rate-sensitive liabilities	5,365,715	380,973	326,433	3,055	6,076,176
Interest rate sensitivity gap	(372,162)	152,448	34,144	105,233	(80,337)
Net worth					61,373
Ratio of interest rate-sensitive assets to liabilities					98.68
Ratio of interest rate sensitivity gap to net worth					(130.90)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of E.SUN Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

d.Profitability

1)E.SUN Financial Holding Company, Ltd. and subsidiaries

%

Items		Year Ended December 31, 2012	Year Ended December 31, 2011
Return on total assets	Before income tax	0.70	0.36
	After income tax	0.59	0.31
Return on equity	Before income tax	11.87	6.69
	After income tax	10.03	5.77
Net income ratio		29.30	17.24

2) E.SUN Financial Holding Company, Ltd.

%

Items		Year Ended December 31, 2012	Year Ended December 31, 2011
Return on total assets	Before income tax	8.29	4.69
	After income tax	8.44	4.73
Return on equity	Before income tax	9.84	5.72
	After income tax	10.03	5.77
Net income ratio		99.31	96.19

3) E.SUN Bank

%

Items		Year Ended December 31, 2012	Year Ended December 31, 2011
Return on total assets	Before income tax	0.71	0.32
	After income tax	0.60	0.28
Return on equity	Before income tax	12.13	6.01
	After income tax	10.24	5.27
Net income ratio		30.93	16.75

4) E.SUN Securities

%

Items		Year Ended December 31, 2012	Year Ended December 31, 2011
Return on total assets	Before income tax	0.44	1.68
	After income tax	0.22	1.05
Return on equity	Before income tax	0.74	3.23
	After income tax	0.38	2.02
Net income ratio		1.73	8.31



## 5) E.SUN Insurance Broker Co., Ltd.

%

Items		Year Ended December 31, 2012	Year Ended December 31, 2011
Return on total assets	Before income tax	69.44	78.98
	After income tax	57.71	65.56
Return on equity	Before income tax	81.21	93.63
	After income tax	67.49	77.72
Net income ratio		30.17	62.10

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 for 2012 and 2011.

## e.E.SUN Bank's maturity analysis of assets and liabilities

## Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2012

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$1,072,977	\$346,197	\$74,717	\$55,438	\$91,135	\$505,490
Main capital outflow on maturity	1,362,029	119,292	142,305	158,376	295,342	646,714
Gap	(289,052)	226,905	(67,588)	(102,938)	(204,207)	(141,224)

## Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2011

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$1,015,298	\$275,612	\$131,979	\$51,017	\$88,675	\$468,015
Main capital outflow on maturity	1,277,637	129,468	147,378	156,260	285,108	559,423
Gap	(262,339)	146,144	(15,399)	(105,243)	(196,433)	(91,408)

Note: The above amounts included only New Taiwan dollar amounts held by the head office and domestic branches of E.SUN Bank (i.e., excluding foreign currency).

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

December 31, 2012

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$6,177,038	\$1,710,555	\$1,023,392	\$778,714	\$608,304	\$2,056,073
Main capital outflow on maturity	6,585,667	2,498,067	1,401,277	1,153,651	1,499,883	32,789
Gap	(408,629)	(787,512)	(377,885)	(374,937)	(891,579)	2,023,284

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

December 31, 2011

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	\$5,132,062	\$1,181,267	\$928,342	\$543,895	\$478,286	\$2,000,272
Main capital outflow on maturity	5,456,787	2,291,775	1,360,870	808,381	945,943	49,818
Gap	(324,725)	(1,110,508)	(432,528)	(264,486)	(467,657)	1,950,454

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

f.E.SUN Bank's operation and legal risk

Matters Requiring Special Notation

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount	
	December 31, 2012	December 31, 2011
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on the Bank due to its violations of laws and regulations	None	E.SUN Bank leased 100% of one of its own properties in 2010. The lease was in violation of Article 75 of Paragraph 2 of the Banking Law of the Republic of China and entailed an administrative fine of \$1,000 thousand. E.SUN Bank invested in debentures, of which E.SUN Bank's director is also a director of the issuer. This investment was in violation of Article 74-1 of the Banking Law of the Republic of China and entailed an administrative fine of \$1,000 thousand. E.SUN Bank made dual-currency investment (DCI) transactions with counter-parties regulated by the Financial Holding Company Act. However, E.SUN Bank did not give its board of directors prior information on these transactions. These transactions were in violation of Article 45-1 of the Financial Holding Company Act and entailed an administrative fine of \$2,000 thousand.
Within the past year, misconduct occurred, resulting in the authorities imposing strict corrective measures on the Bank	None	None
Within the past year, the Bank faced penalties due to violations of "the Banking Law of the Republic of China" Article 61-1	None	E.SUN Bank found a leakage of customers' information due to a former employee's keeping of customers' information for improper use. This leakage was in violation of Article 61-1 of Paragraph 1 of the Banking Law of the Republic of China and entailed corrective measures.
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars	None	None
Other	None	None

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



### 39.E.SUN BANK'S TRUST BUSINESS UNDER THE TRUST LAW

a.Trust-related items, as shown in the following balance sheets, statements of income and trust property list

The trust-related items shown below were managed by E.SUN Bank's Trust Department. However, these items were not included in the Company's consolidated financial statements.

#### Balance Sheet of Trust Accounts

December 31, 2012 and 2011

<u>Trust Assets</u>	2012	2011	<u>Trust Liabilities</u>	2012	2011
Cash in banks	\$3,032,818	\$2,125,994	Account payable on securities under custody	\$106,610,836	\$88,140,100
Short-term investments	124,082,129	112,242,024	Trust capital		
Land	5,271,183	5,572,826	Cash	133,027,894	117,900,458
Collective investment trust fund account	-	4,566	Securities	2,332,925	3,128,786
Securities under custody	<u>106,610,836</u>	<u>88,140,100</u>	Real estates	5,360,043	5,646,110
			Collective investment trust fund account	-	4,566
			Reserves and retained earnings (accumulated deficit)	(9,269,763)	(7,361,356)
			Net income (loss)	<u>935,031</u>	<u>626,846</u>
Total assets	<u>\$238,996,966</u>	<u>\$208,085,510</u>	Total liabilities	<u>\$238,996,966</u>	<u>\$208,085,510</u>

#### Trust Property List

December 31, 2012 and 2011

<u>Investment Items</u>	2012	2011
Cash in banks	\$3,032,818	\$2,125,994
Stocks	2,740,906	3,412,277
Mutual funds	119,806,620	108,092,021
Bonds	1,534,591	736,986
Unsettled beneficiary certificates	12	-
Collective investments	-	740
Land	5,271,183	5,572,826
Collective investment trust fund account	-	4,566
Securities under custody	<u>106,610,836</u>	<u>88,140,100</u>
	<u>\$238,996,966</u>	<u>\$208,085,510</u>

Statements of Income on Trust Accounts  
Years Ended December 31, 2012 and 2011

<u>Revenues</u>	2012	2011
Interest	\$8,620	\$6,336
Cash dividend	2,667,389	2,690,434
Property gain	777,112	921,190
Realized capital gain - mutual funds	30,745	22,271
Realized capital gain - common stock	73	1,115
Realized capital gain - collective investments	110	-
Realized capital gain - bonds	1,065	14
Revenues from beneficial certificates	595	685
Realized foreign exchange gain	-	51
	<u>3,485,709</u>	<u>3,642,096</u>
<u>Expenses</u>		
Management fees	180,863	262,191
Supervisor fees	120	120
Tax expenditure	37	37
Service fees	2,304	1,602
Property loss	2,326,330	2,724,851
Income tax	719	423
Other expenses	40,262	25,768
Realized capital loss - mutual funds	43	176
Realized capital loss - collective investments	-	82
	<u>2,550,678</u>	<u>3,015,250</u>
Net income	<u>\$935,031</u>	<u>\$626,846</u>

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

#### 40. ESFHC'S FINANCIAL STATEMENTS AND CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES

Please see Table 6 (attached).

#### 41. BUSINESS SEGMENT FINANCIAL INFORMATION

Please see Table 7 (attached).

#### 42. E.SUN SECURITIES' FINANCIAL RATIOS OF FUTURES BUSINESS

As of December 31, 2012 and 2011, the following financial ratios of E.SUN Securities were in compliance with the requirements of the Rules Governing Futures Commission Merchants.

Rule No.	Formula	December 31, 2012		December 31, 2011		Status of Compliance with Standard (Met/Unmet)	
		Formula	Ratio	Formula	Ratio	Standard	
17	Equities	\$577,489	68.24	\$416,289	57.79	≧ 1	Met
	Total liabilities minus customers' equity accounts - futures, futures trading loss reserve and reserve for losses on breach of purchase commitment	\$(448,962-440,500)		(\$369,621 - \$362,417 )			
17	Current assets	\$736,040	1.66	\$546,950	1.5	≧ 1	Met
	Current liabilities	\$443,516		\$364,645			
22	Equities	\$577,489	108%	\$416,289	108%	≧ 60%	Met
	Capital stock	\$535,000		\$385,000		≧ 40%	
22	Adjusted net capital	\$551,622	552%	\$391,547	475%	≧ 20%	Met
	Client and proprietary account	\$99,906		\$82,387		≧ 15%	

#### 43. FUTURES BROKERAGE BUSINESS RISK

Customers have to deposit an initial margin at a percentage of the amount of transaction when entering into futures contracts with the futures department of E.SUN Securities. Customers' gains or losses result from the leverage on the margin deposits. For the protection of E.SUN Securities from harm arising from customers' huge losses, the margin accounts of customers are reevaluated daily on the basis of the market prices of the outstanding futures contracts. When the customers' margin accounts fall below an agreed level (the "maintenance margin"), E.SUN Securities will ask its customers to deposit additional margins immediately. If the customers fail to do so, E.SUN Securities settles their position by making offsets against their contracts.

#### 44. ACQUISITION OF OTHER FINANCIAL INSTITUTIONS' ASSETS, LIABILITIES AND OPERATION

Under the Financial Holding Company Act and related regulations, ESFHC should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or other assets will be restricted, and the authorities may discipline ESFHC, depending on the situation.



The Banking Law and related regulations require that E.SUN Bank maintains both stand-alone and consolidated CARs at a minimum of 8% each. If E.SUN Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that E.SUN Bank may declare or, in certain conditions, totally prohibit E.SUN Bank from declaring cash dividends.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authority may impose certain restrictions on a firm's operations. The CARs of E.SUN Securities were 575.29% and 698.71% as of December 31, 2012 and 2011, respectively.

Please see Table 7 (attached).

#### 45. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please see Table 12 (attached).

#### 46. ACQUISITION OF OTHER FINANCIAL INSTITUTIONS' ASSETS, LIABILITIES AND OPERATION

To expand its business, enhance its competitiveness and ensure its long-term development, E.SUN Bank entered into a general assignment and assumption agreement with Chu Nan Credit-Cooperative Association (CNCA) on March 18, 2011. Under this agreement, E.SUN Bank would pay \$1,860,000 thousand to acquire CNCA's assets, liabilities and operations. The acquisition was approved by E.SUN Bank's stockholders

and CNCA's members on March 31, 2011. The effective date of the acquisition was July 9, 2011, and this acquisition was approved by the Financial Supervisory Commission on May 31, 2011. E.SUN Bank had finished the acquisition as scheduled and adjusted the acquisition payment to \$1,834,000 thousand in accordance with the general assignment and assumption agreement.

CNCA was established in conformity with the Credit Cooperative Association Law of the Republic of China and related regulations. Its main operations included savings; short-term, mid-term, and long-term loans; stocks and debt investments; remittances; etc.

CNCA had 10 domestic branches as of the acquisition date.

On March 16, 2012, E.SUN Bank entered into a general assignment and assumption agreement with Chiayi The Fourth Credit Cooperative. Under this agreement, E.SUN Bank would pay \$110,000 thousand to acquire Chiayi The Fourth Credit Cooperative's assets, liabilities and operations. The acquisition was approved by E.SUN Bank's stockholders and Chiayi The Fourth Credit Cooperative's members on March 25, 2012. This acquisition was approved by the Financial Supervisory Commission on June 14, 2012 and the effective date of the acquisition was November 3, 2012. E.SUN Bank had finished the acquisition as scheduled.

Chiayi The Fourth Credit Cooperative's main operations included savings; short-term, mid-term, and long-term loans; stocks and debt investments; remittances; etc.

Chiayi The Fourth Credit Cooperative had 4 domestic branches as of the acquisition date.

	<b>Chiayi The Fourth Credit Cooperative</b>	<b>CNCA</b>
Acquisition payment	\$110,000	\$1,834,000
Fair value		
Cash and cash equivalents	1,640,113	5,444,168
Due from the Central Bank and call loans to other banks	-	1,648,159
Financial assets at fair value through profits or loss, net	21	186,932
Receivables, net	6,273	28,372
Discounts and loans, net	171,749	8,788,823
Available-for-sale financial assets, net	15,046	460,767
Held-to-maturity financial assets, net	-	58,894
Other financial assets, net	510	4
Properties, net	718	343,483
Intangible assets	-	49,740
Other assets, net	136,283	487,169
Payables	(5,975)	(123,404)
Deposits and remittances	(1,896,696)	(15,570,615)
Other financial liabilities	(152)	(2,858)
Other liabilities	(16,913)	(51,999)
	<u>50,977</u>	<u>1,747,635</u>
Goodwill	<u>\$59,023</u>	<u>\$86,365</u>

All major asset additions from the acquisition are going to be used for future operations and are not going to be disposed of. All operating results of Chiayi The Fourth Credit Cooperative and CNCA after November 3, 2012 and July 9, 2011, respectively, were included in E.Sun Bank's income statement, but no profit or loss before the acquisition date was included. For comparison purposes, the combined pro forma income statements for the years ended December 31, 2012 and 2011 are shown as follows (Chiayi The Fourth Credit Cooperative data for 2011 and for the period from January 1, 2012 to November 2, 2012 and CNCA's data for the period from January 1, 2011 to July 8, 2011 were audited by other auditors).

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Net interest	\$14,101,145	\$12,710,316
Net revenues and gains other than interest	9,172,046	6,275,179
Total net revenues	23,273,191	18,985,495
Bad-debt expenses	(2,019,923)	(4,541,992)
Operating expenses	(12,717,612)	(10,936,924)
Income before income tax	8,535,656	3,506,579
Income tax expense	(1,320,408)	(445,147)
Net income	<u>\$7,215,248</u>	<u>\$3,061,432</u>
Earnings per share (New Taiwan dollars)	<u>\$1.64</u>	<u>\$0.78</u>



#### 47. SIGNIFICANT SUBSEQUENT EVENT

To expand E.SUN Bank's network in the Association of Southeast Asian Nations (ASEAN), to increase its competitiveness and to strengthen its long-term development, the board of directors of E.SUN Bank resolved in their meeting on March 22, 2013 to acquire 70% shares of Union Commercial Bank PLC. in Cambodia for approximately US\$69,333 thousand. This acquisition is still awaiting for the approvals from the government authorities of both parties.

#### 48. OTHERS

On July 5, 2011, E.SUN Bank signed a memorandum of understanding on a business collaboration with Bank of China Limited. Under the regulations of relevant authorities, both parties will exchange business experience, market information and staff training experience and collaborate in related matters under the principles of equality, mutual benefit, amity and cooperation.

E.SUN Bank signed a memorandum of understanding with Bank of Communications Co., Ltd. on April 24, 2012 and another with China Merchants Bank Co., Ltd. on May 30, 2012. Under the regulations of relevant authorities, both parties will exchange business experience, market information and staff training experience and collaborate in related matters under the principles of equality, mutual benefit, amity and cooperation.

#### 49. ADDITIONAL DISCLOSURES

Following are the additional disclosures for ESFHC and its investees:

##### a. Significant transactions and investees:

- 1) Financing provided: ESFHC and E.SUN Bank - not applicable; investee - none
- 2) Endorsement/guarantee provided: ESFHC and E.SUN Bank - not applicable; investee - none
- 3) Marketable securities held: ESFHC, E.SUN Bank and E.SUN Securities - not applicable; investee - Table 1 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (ESFHC and E.SUN Bank disclosed its investments acquired or disposed of): E.SUN Securities - not applicable; ESFHC and investee: Table 14 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 9 (attached)
- 6) Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None
- 7) Financial asset securitization by subsidiaries: Note 11 to the consolidated financial statements
- 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None
- 9) Sale of nonperforming loans by subsidiaries: None
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 10 (attached)
- 11) Related information and proportionate share in investees: Table 13 (attached)
- 12) Derivative transactions: Notes 6 and 36 to the consolidated financial statements
- 13) Other significant transactions which may affect the decisions of users of financial reports: Notes 46 and 47 to the consolidated financial statements

##### b. Investment in Mainland China

Based on "Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area," E.SUN Bank set up the Dongguan Branch in Mainland China. This investment was approved by the Financial Supervisory Commission on June 17, 2011. The branch's information - major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - is shown in Table 15 (attached).

##### c. Business relationship and significant transactions among the parent company and subsidiaries: Table 3 (attached)



## 50. OPERATION 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 under the Statement of Financial Accounting Standards No. 41 - "Operating Segments" are as follows:

- a. Corporate Banking Unit, which handles corporate loans, foreign exchange business, and financial banking operations;
- b. Individual Banking Unit, which handles home mortgage, unsecured personal loans (UPLs), wealth management, and credit cards;
- c. Others, including the business of E.SUN Securities, ESVC, ESIB and business other than those handled by the Corporate Banking and Individual Banking units.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 2. 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:

	Year Ended December 31, 2012			
	Corporate Banking Unit	Individual Banking Unit	Others	Total
Net interest revenues (expenses)	\$7,243,148	\$8,082,444	\$(1,236,031)	\$14,089,561
Total net revenues	\$8,751,607	\$13,578,642	\$1,761,629	\$24,091,878
Bad-debt expenses	(901,260)	(1,337,880)	219,178	(2,019,962)
Operating expenses	(2,620,409)	(8,011,803)	(3,085,785)	(13,717,997)
Income (loss) before income tax	\$5,229,938	\$4,228,959	\$(1,104,978)	\$8,353,919
	Year Ended December 31, 2011			
	Corporate Banking Unit	Individual Banking Unit	Others	Total
Net interest revenues (expenses)	\$6,266,586	\$7,101,668	\$(679,922)	\$12,688,332
Total net revenues	\$6,071,722	\$11,871,104	\$2,262,438	\$20,205,264
Bad-debt expenses	(1,020,405)	(2,211,913)	(1,307,717)	(4,540,035)
Operating expenses	(2,056,203)	(6,370,303)	(3,196,320)	(11,622,826)
Income (loss) before income tax	\$2,995,114	\$3,288,888	\$(2,241,599)	\$4,042,403

The chief operating decision makers of the Company rely only on the average amounts of loans and deposits during the period to assess the performance of the operating segments and make decisions. Thus, under an interpretation issued by the Accounting Research and Development Foundation of the ROC, the measure of segment assets is zero.

## 51. PLAN FOR THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company discloses the following information on the adoption of International Financial Reporting Standards (IFRSs), as follows:

- a. Under Rule No. 0980027134 issued by the FSC, effective 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market and financial institutions supervised by the FSC should prepare their financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards (IAS), and the Interpretations as well as related guidances translated by the Accounting Research Development Foundation (ARDF) and issued by the FSC. To comply with this rule, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is the Chief Accounting Officer. The main contents of the plan, anticipated schedule and status of execution were as follows:

Contents of Plan	Responsible Department	Status of Execution
1)Assessment stage: January 1, 2010 - December 31, 2011  a)Making a Plan for IFRSs adoption and establishment of the project team b)First phase of internal training c)Comparison of the current accounting policies and IFRSs d)Determination of which of the current accounting policies need to be revised for compliance with the IFRSs e)Assessment of the impact of adopting of IFRS 1 f)Determination of the adjustments needed by related IT systems and internal control	Accounting Human Resources Accounting  Accounting Accounting  Risk Management, IT	Completed Completed Completed  Completed Completed  Completed
2)Preparation stage: January 1, 2011 - December 31, 2012  a)Determination of the adjustments required for current accounting policies to be in accordance with IFRSs b)Determination of the way to prepare and present an opening IFRS statement of financial position at the date of transition to IFRSs, as required by IFRS 1 c)Execution of the adjustments of related IT systems and internal control d)Second phase of internal training	Accounting  Accounting  Risk Management, IT Human Resources	Completed  Completed  Completed Completed
3)Implementation stage: January 1, 2012 - December 31, 2013  a)Test of the operation of related IT systems after the adjustments b)Information collection for preparing balance sheet and comparative financial statements on the date of transition to IFRSs c)Preparation of financial statements in accordance with IFRSs	IT  Accounting  Accounting	Ongoing  Ongoing Ongoing



b. Significant differences between the current accounting policies under generally accepted accounting principles of the Republic of China (ROC GAAP) and the accounting policies to be adopted under IFRSs as well as the effects of transition to IFRS are as follows:

1) Reconciliation of the consolidated balance sheet as of January 1, 2012

ROC GAAP	Effect of Transition to IFRSs				IFRSs	Note
	Account	Amount	Presentation Difference	Recognition and Measurement Difference		
Cash and cash equivalents	\$20,115,766	\$(111,000)	\$-	\$20,004,766	Cash and cash equivalents	
Due from the Central Bank and call loans to other banks	45,016,416	-	-	45,016,416	Due from the Central Bank and call loans to other banks	
Financial assets at fair value through profit or loss, net	52,303,140	-	-	52,303,140	Financial assets at fair value through profit or loss	
Securities purchased under resell agreements	29,789	-	-	29,789	Securities purchased under resell agreements	
Receivables, net	46,576,283	(575,151)	1,015,220	47,016,352	Receivables, net	5) h), 5) i)
	-	582,872	-	582,872	Current income tax assets	5) h)
Discounts and loans, net	656,008,834	-	-	656,008,834	Discounts and loans, net	
Available-for-sale financial assets, net	53,524,008	-	-	53,524,008	Available-for-sale financial assets, net	
Held-to-maturity financial assets, net	253,283,859	-	-	253,283,859	Held-to-maturity financial assets, net	
Other financial assets, net	5,143,502	111,000	-	5,254,502	Other financial assets, net	
Properties, net	15,892,484	586,073	-	16,478,557	Properties and equipment, net	5) g)
	-	712,354	-	712,354	Investment properties, net	5) g)
Intangible assets	4,063,447	-	(2,061)	4,061,386	Intangible assets, net	5) c)
	-	345,640	25,710	371,350	Deferred income tax assets	5) a), 5) b), 5) c)
Other assets, net	3,533,834	(1,306,148)	(61,695)	2,165,991	Other assets, net	5) c), 5) g), 5) h), 5) i)
<b>Total</b>	<b>\$1,155,491,362</b>	<b>345,640</b>	<b>\$977,174</b>	<b>\$1,156,814,176</b>	<b>Total</b>	
Due to the Central Bank and other banks	\$38,052,926	\$-	\$-	\$38,052,926	Due to the Central Bank and other banks	
Commercial paper issued, net	951,708	-	-	951,708	Commercial paper issued, net	
Financial liabilities at fair value through profit or loss	13,092,263	-	-	13,092,263	Financial liabilities at fair value through profit or loss	
Securities sold under repurchase agreements	13,247,387	-	-	13,247,387	Securities sold under repurchase agreements	
Payables	19,676,684	(81,109)	1,019,504	20,615,079	Payables	5) b), 5) f), 5) h), 5) i)
	-	57,511	-	57,511	Current income tax liabilities	5) h)
Deposits and remittances	954,993,962	-	-	954,993,962	Deposits and remittances	
Bonds payable	46,500,000	-	-	46,500,000	Bonds payable	
Other borrowings	6,000	-	-	6,000	Other borrowings	
Other financial liabilities	1,934,733	-	-	1,934,733	Other financial liabilities	
	-	95,535	256,207	351,742	Provisions	5) c)
	-	745,067	40	745,107	Deferred income tax liabilities	5) a), 5) c)
Other liabilities	1,452,003	(471,364)	106,400	1,087,039	Other liabilities	5) a), 5) f), 5) i)
<b>Total liabilities</b>	<b>1,089,907,666</b>	<b>345,640</b>	<b>1,382,151</b>	<b>1,091,635,457</b>	<b>Total liabilities</b>	
Capital stock	45,750,000	-	-	45,750,000	Capital stock	
Capital surplus	13,327,677	-	-	13,327,677	Capital surplus	
Retained earnings	6,728,981	-	(413,479)	6,315,502	Retained earnings	5) j)
Cumulative translation adjustments	(5,960)	-	5,960	-	Exchange differences in translation of financial statements of foreign operations	5) j)
Unrealized valuation gains on financial instruments	(214,460)	-	-	(214,460)	Unrealized gains on available-for-sale financial assets	
Losses on unrecognized pension costs	(2,542)	-	2,542	-		5) c)
<b>Total stockholders' equity</b>	<b>65,583,696</b>	<b>-</b>	<b>(404,977)</b>	<b>65,178,719</b>	<b>Total stockholders' equity</b>	
<b>Total</b>	<b>\$1,155,491,362</b>	<b>\$345,640</b>	<b>\$977,174</b>	<b>\$1,156,814,176</b>	<b>Total</b>	



2) Reconciliation of the consolidated balance sheet as of December 31, 2012

ROC GAAP	Effect of Transition to IFRSs				IFRSs	Note
	Account	Amount	Presentation Difference	Recognition and Measurement Difference		
Cash and cash equivalents	\$23,413,593	\$(241,000)	\$ -	\$23,172,593	Cash and cash equivalents	
Due from the Central Bank and call loans to other banks	55,855,963	-	-	55,855,963	Due from the Central Bank and call loans to other banks	
Financial assets at fair value through profit or loss, net	61,300,358	-	(25)	61,300,333	Financial assets at fair value through profit or loss	5) e)
Securities purchased under resell agreements	210,863	-	-	210,863	Securities purchased under resell agreements	
Receivables, net	48,564,037	(550,504)	1,284,690	49,298,223	Receivables, net	5) e), 5) h), 5) i)
	-	557,619	-	557,619	Current income tax assets	5) h)
Discounts and loans, net	735,406,720	-	-	735,406,720	Discounts and loans, net	
Available-for-sale financial assets, net	76,668,039	-	-	76,668,039	Available-for-sale financial assets, net	
Held-to-maturity financial assets, net	211,168,563	-	-	211,168,563	Held-to-maturity financial assets, net	
Other financial assets, net	6,137,744	241,000	335	6,379,079	Other financial assets, net	
Properties, net	16,669,914	580,897	-	17,250,811	Properties and equipment, net	5) g)
	-	1,691,992	-	1,691,992	Investment properties, net	5) g)
Intangible assets	4,188,907	-	(1,840)	4,187,067	Intangible assets, net	
	-	575,185	29,800	604,985	Deferred income tax assets	5) a), 5) b), 5) c)
Other assets, net	4,511,882	(2,280,004)	(30,689)	2,201,189	Other assets, net	5) c), 5) g), 5) h), 5) i)
<b>Total</b>	<b>\$1,244,096,583</b>	<b>\$575,185</b>	<b>\$1,282,271</b>	<b>\$1,245,954,039</b>	<b>Total</b>	
Due to the Central Bank and other banks	\$46,652,824	\$-	\$-	\$46,652,824	Due to the Central Bank and other banks	
Commercial paper issued, net	781,772	-	-	781,772	Commercial paper issued, net	
Financial liabilities at fair value through profit or loss	12,418,221	-	-	12,418,221	Financial liabilities at fair value through profit or loss	
Securities sold under repurchase agreements	4,957,725	-	-	4,957,725	Securities sold under repurchase agreements	
Payables	24,469,413	(944,148)	1,176,929	24,702,194	Payables	5) b), 5) e), 5) f), 5) h), 5) i)
	-	920,337	-	920,337	Current income tax liabilities	5) h)
Deposits and remittances	1,023,820,129	-	-	1,023,820,129	Deposits and remittances	
Bonds payable	53,300,000	-	-	53,300,000	Bonds payable	
Other financial liabilities	1,403,736	-	-	1,403,736	Other financial liabilities	
	-	146,766	296,741	443,507	Provisions	5) c)
	-	750,225	27	750,252	Deferred income tax liabilities	5) a), 5) c)
Other liabilities	1,118,754	(297,995)	269,900	1,090,659	Other liabilities	5) a), 5) f), 5) i)
<b>Total liabilities</b>	<b>1,168,922,574</b>	<b>575,185</b>	<b>1,743,597</b>	<b>1,171,241,356</b>	<b>Total liabilities</b>	
Capital stock	50,107,000	-	-	50,107,000	Capital stock	
Capital surplus	14,420,331	-	-	14,420,331	Capital surplus	
Retained earnings	10,584,717	-	(471,931)	10,112,786	Retained earnings	5) j)
Cumulative translation adjustments	(228,429)	-	5,960	(222,469)	Exchange differences in translation of financial statements of foreign operations	5) j)
Unrealized valuation gains on financial instruments	295,035	-	-	295,035	Unrealized valuation gains on available-for-sale financial assets	
Losses on unrecognized pension costs	(4,645)	-	4,645	-		5) c)
<b>Total stockholders' equity</b>	<b>75,174,009</b>	<b>-</b>	<b>(461,326)</b>	<b>74,712,683</b>	<b>Total stockholders' equity</b>	
<b>Total</b>	<b>\$1,244,096,583</b>	<b>\$575,185</b>	<b>\$1,282,271</b>	<b>\$1,245,954,039</b>	<b>Total</b>	

3) Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference	Account	Account	
Account	Amount					
Interest revenue	\$23,715,847	\$(914,390)	\$-	\$22,801,457	Interest revenue	5) k)
Less: Interest expense	(9,626,286)	248,106	-	(9,378,180)	Less: Interest expense	5) d), 5) k)
Net interest	<u>14,089,561</u>	<u>(666,284)</u>	<u>-</u>	<u>13,423,277</u>	Net interest	
Net revenues and gains other than interest						
Service fee and commission income, net	7,471,613	-	(860,558)	6,611,055	Service fee and commission income, net	5) f)
Gains on financial assets and liabilities at fair value through profit or loss	498,581	784,188	-	1,282,769	Gains on financial assets and liabilities at fair value through profit or loss	5) k)
Realized gains on available-for-sale financial assets	1,615,732	-	-	1,615,732	Realized gains on available-for-sale financial assets	
Foreign exchange gains, net	266,720	-	-	266,720	Foreign exchange gains, net	
Impairment losses	(61,140)	-	-	(61,140)	Impairment losses	
Other noninterest gains, net	<u>210,811</u>	<u>(806)</u>	<u>335</u>	<u>210,340</u>	Other noninterest gains, net	
Total net revenues and gains other than interest	<u>10,002,317</u>	<u>783,382</u>	<u>(860,223)</u>	<u>9,925,476</u>	Total net revenues and gains other than interest	
Total net revenues	24,091,878	117,098	(860,223)	23,348,753	Total net revenues	
Bad-debt expenses	\$(2,019,962)	\$-	\$-	\$(2,019,962)	Bad-debt expenses	
Operating expenses	<u>(13,717,997)</u>	<u>(117,098)</u>	<u>842,394</u>	<u>(12,992,701)</u>	Operating expenses	5) b), 5) c), 5) d), 5) f)
Income before income tax	8,353,919	-	(17,829)	8,336,090	Income before income tax	
Income tax expense	<u>(1,295,683)</u>	<u>-</u>	<u>4,098</u>	<u>(1,291,585)</u>	Income tax expense	5) b), 5) c)
Net income	<u>\$7,058,236</u>	<u>\$-</u>	<u>\$(13,731)</u>	<u>7,044,505</u>	Net income	
				(268,035)	Other comprehensive income	
					Exchange differences in translation of financial statements of foreign operations	
				562,155	Unrealized gains on available-for-sale financial assets	
				(44,726)	Actuarial losses under defined benefit plan	5) c)
				(7,089)	Tax related to other comprehensive income	5) c)
				<u>242,305</u>	Other comprehensive income in current period (net after tax)	
				<u>\$7,286,810</u>	Total other comprehensive income in current period	



#### 4) Exemptions under IFRS 1

The IFRS 1 - “First-time Adoption of International Financial Reporting Standards” sets out the procedures that an entity must follow when it adopts IFRSs for the first time. Under IFRS 1, the Company applied the accounting policies under IFRSs retroactively to prepare and present an opening IFRS consolidated statement of financial position at the date of transition to IFRSs, i.e. January 1, 2012. IFRS 1 granted several exemptions from the general requirement to comply with each IFRS, effective at the end of its first IFRS reporting period, and the main exemptions that the Company selected to apply were as follows:

##### Business combinations

The Company has elected not to apply IFRS 3 - “Business Combinations” retrospectively for the business combinations that happened before the date of transition to IFRSs. Thus, in the consolidated balance sheet under IFRS as of January 1, 2012, the goodwill and related assets and liabilities that resulted from past business combinations were shown as the same amounts under ROC GAAP as of December 31, 2011.

##### Share-based payments

The Company has chosen the exemption pertaining to IFRS 2 - “Share-based Payments” to all share-based payments granted and vested before the date of transition to IFRSs.

##### Employee benefits

The Company has chosen to recognize all cumulative actuarial gains and losses on employee benefit plans under retained earnings on the date of transition to IFRSs.

##### Cumulative translation adjustments

The cumulative translation adjustments for all the Company’s foreign operations were deemed to be zero and recognized under retained earnings at the date of transition to IFRSs.

#### 5) Significant reconciliations on the conversion to IFRSs

Significant differences between the current accounting policies under generally accepted accounting principles of the Republic of China (ROC GAAP) and the accounting policies to be adopted under IFRSs are as follows:

##### a) Deferred income tax assets or liabilities

Under ROC GAAP, a valuation allowance is provided if it is more likely than not that a deferred income tax asset will not be realized. Under IFRSs, a deferred income tax asset is recognized only when it is probable that taxable profits will be available, against which the deferred income tax assets can be used; thus, a valuation allowance is not needed.

In addition, under ROC GAAP, the deferred income tax assets and liabilities of the same taxable entity should offset each other and should be shown in the financial statements at their net value. On conversion to IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities against each other in the balance sheet only if: (a) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and (b) the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

As of January 1, 2012, the Company had reclassified other liabilities of \$399,427 thousand to deferred income tax assets of \$345,640 thousand and deferred income tax liabilities of \$745,067 thousand, respectively, in accordance with the IFRS accounting policy on deferred income tax assets/liabilities. As of December 31, 2012, the Company had reclassified other liabilities of \$175,040 thousand to deferred income tax assets of \$575,185 thousand and deferred income tax liabilities of \$750,225 thousand, respectively.

##### b) Employee benefit - short-term compensated absences



Under ROC GAAP, there is no specific accounting policy on short-term compensated absences. The short-term compensated absences are usually recognized as the vacation leaves are actually taken by the employees. On conversion to IFRSs, an entity should recognize the expected cost of short-term employee benefits as employees render services that increase their entitlement to these compensated absences.

Under the IFRS accounting policy on short-term compensated absences, the Company had adjusted the accounts as of December 31, 2012 and January 1, 2012 as follows: Accrued expenses increased by \$174,686 thousand and \$150,648 thousand, respectively; and deferred income tax assets increased by \$29,697 thousand and \$25,610 thousand, respectively. In addition, salary expense (part of employee benefit expenses) increased by \$24,038 thousand and income tax expense decreased by \$4,087 thousand in the year ended December 31, 2012.

c) Employee benefit - actuarial gains and losses under defined benefit plan

Under ROC GAAP, the unrecognized transitional net obligations resulting from the first-time adoption of SFAS No. 18 - "Accounting for Pensions" is amortized on a straight-line basis over the expected average remaining working lives of the employees who are still in service and expected to receive pension benefits and should be included in the net pension cost. In addition, on conversion to IFRSs, the transitional policies of IAS 19 - "Employee Benefit" are not applicable. Thus, the effects of the unrecognized transitional net obligations should be recognized immediately, and the retained earnings should be adjusted accordingly.

Under ROC GAAP, actuarial gains and losses are recognized by the corridor approach and amortized over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. On conversion to IFRSs, IAS 19 requires that actuarial gains and losses under the defined benefit plan be immediately recognized under other comprehensive income. Actuarial gains and losses recognized under comprehensive income should be recognized immediately under retained earnings, and they should not be reclassified to profit or loss in the subsequent period.

The Company had revaluated its defined benefit plan in accordance with IAS 19. The Company also adjusted the accounts as of December 31, 2012 and January 1, 2012 in accordance with IFRS 1 as follows: Accrued pension liabilities increased by \$296,741 thousand and \$256,207 thousand, respectively; deferred income tax assets increased by \$103 thousand and \$100 thousand, respectively; deferred income tax liabilities increased by \$27 thousand and \$40 thousand, respectively; prepaid pension (part of other assets, net) decreased by \$18,167 thousand and \$21,731 thousand, respectively; intangible assets decreased by \$1,840 thousand and \$2,061 thousand, respectively; losses on unrecognized pension costs decreased by \$4,645 thousand and \$2,542 thousand, respectively. In addition, pension costs decreased by \$5,874 thousand, income tax expense decreased by \$11 thousand and actuarial losses under the defined benefit plan (after tax) was \$44,721 thousand in the year ended December 31, 2012.

d) Employee benefits - preferential rates for employees' deposits

Under IAS 19 - "Employee Benefits", the preferential rates for employees' deposits that are in excess of market rates should be treated as employee benefit.

Thus, the Company reclassified an interest expense of \$117,904 thousand in the year ended December 31, 2012 to employee benefit expenses.

e) Regular way purchase or sale of financial assets

Under IAS 39 - "Financial Instruments: Recognition and Measurement," only one method should be applied consistently to all purchases and sales of financial assets that belong to the same category of financial assets. The Company currently applies trade date accounting to stocks and beneficial certificates and settlement date accounting to the rest of its financial assets. On conversion to IFRSs, only trade date accounting will be applied to all regular way purchase or sale of financial assets.

The adoption of the IFRS policy on regular way purchase or sale of financial assets had adjusted the accounts as of December 31, 2012 as follows: Receivables, net increased by \$10,463 thousand; payables increased by \$10,438 thousand; and financial assets at fair value through profit or loss decreased by \$25 thousand. This accounting change had no effect on the accounts as of January 1, 2012.

f) Customer loyalty program - revenue recognition

Under ROC GAAP, the liability from the bonus points earned by customers on the use of credit cards is estimated and then recorded as selling expenses as bonus points are granted. IFRIC 13 - "Customer Loyalty Programs" requires that a portion of the price of selling goods or services be allocated to bonus points, and revenue should be calculated on the relative fair values of goods sold or services rendered and bonus points granted. Revenue allocated to bonus points should be recognized when points are redeemed.

In compliance with the IFRSs, the Company had adjusted the accounts as of December 31, 2012 and January 1, 2012 as follows: Payables decreased by \$268,168 thousand and \$105,973 thousand, respectively; and deferred revenue increased by \$268,168 thousand and \$105,973 thousand, respectively. In addition, service fee and commission income, net and other general and administrative expenses both decreased by \$860,558 thousand in the year ended December 31, 2012.

g) Properties and equipment/investment properties

Under ROC GAAP, the Company's rentable or idle properties are recognized under other assets. On conversion to IFRSs, the properties held by the owner or lessee to earn rentals or for capital appreciation should be recognized as investment properties.

As of December 31, 2012, the Company had reclassified from other assets amounting to \$1,691,992 thousand to investment properties and \$580,897 thousand to properties and equipment. As of January 1, 2012, the Company had reclassified from other asset \$712,354 thousand to investment properties and \$586,073 thousand to properties and equipment.

h) Current income tax assets or liabilities

Under IAS 12 - "Income Taxes", unpaid current and prior periods' taxes are recognized as liabilities. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess should be recognized as an asset.

In compliance with the IFRS, the Company had made

the reclassifications as of December 31, 2012 and January 1, 2012 as follows: \$550,504 thousand and \$575,151 thousand, respectively, from receivables to current income tax assets; \$7,115 thousand and \$7,721 thousand, respectively, from other assets - others to current income tax assets; and \$920,337 thousand and \$57,511 thousand, respectively, from payables to current income tax liabilities.

i) Security brokerage, debit and credit

Under ROC GAAP and the Guidelines Governing the Preparation of Financial Reports by Securities Firms, the security brokerage account should be recorded at net value. On conversion to IFRSs, IAS 32 - "Financial Instruments: Presentation" specifies the offsetting of financial assets and financial liabilities, with the net amount reported under certain conditions, otherwise, the assets and liabilities should not be offset and should be recorded separately in accordance with their nature. However, the offsetting criteria under IAS 32 did not apply to the Company's security brokerage. Thus, as of December 31, 2012, a debit of \$16,154 thousand on security brokerage was reclassified to (a) receivables, net - \$1,274,227 thousand; (b) payables - \$1,259,973 thousand; (c) other assets, net - \$3,632 thousand and (d) other liabilities - \$1,732 thousand. As of January 1, 2012, a debit of \$40,883 thousand on security brokerage was reclassified to (a) receivables, net - \$1,015,220 thousand; (b) payables - \$974,829 thousand; (c) other assets, net - \$919 thousand and (d) other liabilities - \$427 thousand.

j) Reconciliation of retained earnings

The difference between the retained earnings under ROC GAAP and those under IFRS 1 as of January 1, 2012 mainly resulted from the debits of (a) \$5,960 thousand loss in cumulative translation adjustments; (b) \$282,481 thousand increase in the actuarial losses under the defined benefit plan; and (c) \$125,038 thousand increase in short-term liabilities - compensated absences.

k) Presentation in the consolidated statement of comprehensive income

On conversion to IFRSs, the items in the statement of comprehensive income are classified by the nature of each account. For the year ended December 31, 2012, the interest revenue and interest expense generated from the financial assets and liabilities at fair value through profit and loss, which amounted to \$914,390 thousand and



\$130,202 thousand, respectively, should be recognized under gains (losses) on financial assets and liabilities at fair value through profit or loss.

- l) Other accounts in the consolidated balance sheet and the consolidated statement of income are presented in accordance with IFRSs.

c. Special reserves made on the date of transition to IFRSs

As stated in the Financial Supervisory Commission's letter dated April 6, 2012 (Ref. No. 1010012865), on the first-time adoption of IFRSs, a special reserve should be appropriated from the balance of the retained earnings at an amount that is equal to the portion of retained earnings transferred from unrealized revaluation increment or positive cumulative translation adjustments in the stockholders' equity section by applying the related IFRS 1 exemption.

The Company did not have any unrealized revaluation

increments, and its cumulative translation adjustment, to which an IFRS 1 exemption was applicable, was negative. Thus, no special reserve is appropriated on the ESFHC's first-time adoption of IFRSs.

- d. The Company has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC (b) the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and the Regulations Governing the Preparation of Financial Report by Public Banks amended and issued by the FSC on December 26, 2011 and (c) the Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants amended on December 29, 2011. These assessments may be changed as the regulators may issue new rules governing the adoption of IFRSs. Actual accounting policies adopted under IFRSs in future may differ from those contemplated during the assessments.



E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2012

TABLE 1

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
E.SUN Venture Capital Co., Ltd.	<u>Stocks</u>							
	Forcecon Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	61	\$1,821	0.13	\$1,821	(1)
	Optimer	-	Available-for-sale financial assets	218	56,902	0.46	56,902	(1)
	T.H.I. Group Ltd.	-	Available-for-sale financial assets	223	4,220	0.31	4,220	(1)
	Etrend Technology Co., Ltd.	-	Available-for-sale financial assets	971	8,722	2.43	8,722	(1)
	Azure Ware Technologies, Inc.	-	Available-for-sale financial assets	516	10,930	0.40	10,930	(1)
	Turvo International Co., Ltd.	-	Available-for-sale financial assets	565	36,838	1.51	36,838	(1)
	Ledlink Optics Inc.	-	Available-for-sale financial assets	128	8,704	0.36	8,704	(1)
	Xu Yuan Packing Technology Co., Ltd.	-	Available-for-sale financial assets	1,168	23,002	3.06	23,002	(1)
	Bank-Pro E-Service Technology Co., Ltd.	-	Financial assets carried at cost	325	3,250	2.41	4,624	(2)
	Epoch Chemtronics Corp.	-	Financial assets carried at cost	2,014	28,001	5.92	43,473	(2)
	Sam Lam Technology Co., Ltd.	-	Financial assets carried at cost	1,700	-	6.07	-	(2)
	Beyond Innovation Technology Co., Ltd.	-	Financial assets carried at cost	1,776	30,219	5.26	7,438	(2)
	Solidlite Co., Ltd.	-	Financial assets carried at cost	2,867	22,704	13.07	21,085	(2)
	MOSA Industrial Corporation	-	Financial assets carried at cost	1,702	26,064	1.46	30,548	(2)
	Orgchem Technologies Inc.	-	Financial assets carried at cost	1,220	56,000	2.09	24,421	(2)
	Exploit Technology Co., Ltd.	-	Financial assets carried at cost	42	802	0.83	773	(2)
	Mao Chia Metal Co., Ltd.	-	Financial assets carried at cost	600	18,000	1.90	10,280	(2)
	Wieson Technologies Co., Ltd.	-	Financial assets carried at cost	1,836	25,600	2.93	26,565	(2)
	Litek Opto-electronics Co., Ltd.	-	Financial assets carried at cost	1,000	-	4.97	-	(2)
	Tospom Corporation	-	Financial assets carried at cost	1,783	45,800	8.18	7,611	(2)
	Powerking Optoelectronic Co., Ltd.	-	Financial assets carried at cost	-	1	4.30	194	(2)
	Chuan Shih Industrial Co., Ltd.	-	Financial assets carried at cost	2,250	-	5.79	-	(2)
	Crowningtek Inc.	-	Financial assets carried at cost	1,140	10,657	9.12	4,439	(2)
	Gloria Solar International Holding, Inc.	-	Financial assets carried at cost	500	-	0.43	-	(2)
	Aero Win Technology Corporation	-	Financial assets carried at cost	1,123	13,000	1.85	13,244	(2)
	Starchips Technology Inc.	-	Financial assets carried at cost	333	6,000	5.56	663	(2)
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets carried at cost	500	11,000	1.16	3,006	(2)
	Vactronics Technologies Inc.	-	Financial assets carried at cost	850	11,900	3.80	10,977	(2)
	Fuho Technology Co., Ltd.	-	Financial assets carried at cost	389	12,013	1.33	5,700	(2)
	Auria Solar Co., Ltd.	-	Financial assets carried at cost	1,200	12,000	0.57	3,696	(2)
	Mercury Electronic Industrial Co., Ltd.	-	Financial assets carried at cost	3,000	24,815	12.18	26,994	(2)
	Awin Diamond Technology Corporation	-	Financial assets carried at cost	1,500	20,250	14.72	10,959	(2)
	Chipsip Technology Co., Ltd.	-	Financial assets carried at cost	811	26,800	1.60	2,362	(2)
	Innovation & Infinity Global Corporation	-	Financial assets carried at cost	2,724	76,067	2.75	59,321	(2)
	UniDisplay Inc.	-	Financial assets carried at cost	784	14,112	0.41	3,885	(2)
	Dano Tech Co., Ltd.	-	Financial assets carried at cost	1,500	36,000	3.22	5,906	(2)
	Suntek Precision Corp.	-	Financial assets carried at cost	1,698	26,654	2.93	12,166	(2)
	Arclite Optronics Corp.	-	Financial assets carried at cost	2,282	26,495	8.48	24,137	(2)
	Optimer Biotechnology, Inc.	-	Financial assets carried at cost	5,551	55,194	4.01	37,256	(2)
	Partner Tech Corp.	-	Financial assets carried at cost	1,704	18,497	2.77	20,727	(2)
	Win Win Precision Technology Co., Ltd.	-	Financial assets carried at cost	1,122	50,474	2.47	32,691	(2)
	Caremed Supply Inc.	-	Financial assets carried at cost	1,418	37,139	5.21	25,216	(2)
	Jochu Technology Co., Ltd.	-	Financial assets carried at cost	175	8,812	0.21	7,506	(2)
	Kuo Ching Chemical Co., Ltd.	-	Financial assets carried at cost	857	16,800	1.18	13,299	(2)
	Airbag Packing Co., Ltd.	-	Financial assets carried at cost	1,000	10,000	4.00	9,557	(2)
	Procrystal Technology Co., Ltd.	-	Financial assets carried at cost	1,331	63,635	1.84	17,297	(2)
OME Technology Co., Ltd.	-	Financial assets carried at cost	1,457	25,767	2.30	17,499	(2)	
Tai Med Biologics Inc.	-	Financial assets carried at cost	30	1,386	0.02	120	(3)	
ROBOSPARK Technology, Inc.	-	Financial assets carried at cost	670	8,000	2.72	1,518	(2)	
Chain Yarn Co., Ltd.	-	Financial assets carried at cost	50	897	0.03	571	(3)	
TBI Motion Technology Co., Ltd.	-	Financial assets carried at cost	2,475	49,175	3.79	28,827	(2)	
Alpha Crystal Technology Corporation	-	Financial assets carried at cost	206	9,809	0.13	3,154	(3)	
Biodenta Corporation	-	Financial assets carried at cost	1,890	47,790	1.76	14,469	(2)	
Tapollop Technology Co., Ltd.	-	Financial assets carried at cost	666	9,990	8.67	4,929	(2)	
Tekho Company Ltd.	-	Financial assets carried at cost	1,540	28,490	14.00	16,402	(2)	
Land Mark Optoelectronics Co.	-	Financial assets carried at cost	141	9,067	0.38	2,474	(2)	
Rigitech Microelectronics Co.	-	Financial assets carried at cost	146	8,016	0.62	3,322	(3)	
Apogee Optocom Co., Ltd.	-	Financial assets carried at cost	600	37,800	3.21	12,699	(2)	
Arrow Span Inc. (preferred stock)	-	Financial assets carried at cost	975	9,750	8.23	9,562	(2)	
			264	9,751	1.36	9,660	(4)	
	<u>Taiwan depositary receipts</u>							
	Digital China Holdings Limited	-	Financial assets at fair value through profit or loss	200	4,970	0.02	4,970	(1)
E.SUN Insurance Broker Co., Ltd.	<u>Corporate bonds</u>							
	Wells Fargo & Company WFC438	-	Available-for-sale financial assets	1,000	28,953	-	28,953	(1)
	<u>Beneficial certificates</u>							
	Taishin 1699 Money Market Fund	-	Available-for-sale financial assets	17,532	230,157	-	230,157	(1)
	Cathy Emerging Market High Yield Bond	-	Available-for-sale financial assets	2,378	26,392	-	26,392	(1)
	Yuanta Emerging Bond Fund	-	Available-for-sale financial assets	4,674	50,783	-	50,783	(1)
BlackRock Global Fund - US Dollar High Yield Bond Fund	-	Available-for-sale financial assets	115	19,883	-	19,883	(1)	
BlackRock Global Fund-Latin American Fund	-	Available-for-sale financial assets	3	7,546	-	7,546	(1)	

Note 1: The market value of the listed stocks was based on the closing price as of December 31, 2012. The market value of funds was based on the net asset value as of December 31, 2012.

Note 2: Unlisted company. The amounts are based on the investee's latest unaudited or reviewed financial statements.

Note 3: Unlisted company. The amounts are based on the investee's latest audited or reviewed financial statements.

Note 4: The fair value is determined on the basis of the discounted cash flow method.

## CONSOLIDATED ENTITIES

DECEMBER 31, 2012 AND 2011

Subsidiaries included in the consolidated financial statements:

Investor Company	Investee Company	Location	Main Business and Products	Percentage of Ownership		Note
				December 31, 2012	December 31, 2011	
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	100.00	
	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in brokerage of futures	100.00	100.00	
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	100.00	
E.SUN Securities Co., Ltd.	E.SUN Insurance Broker Co., Ltd.	Taipei	Insurance broker	100.00	100.00	
	E.SUN Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	100.00	100.00	

## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

## BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

TABLE 3

2012

No. (Note 1)	Transaction Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Cash and cash equivalents	\$5,514,100	Note 4	0.44
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Deposits and remittances	5,514,100	Note 4	0.44
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Other receivable	750,147	Note 4	0.06
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Other payable	750,147	Note 4	0.06
1	E.SUN Commercial Bank, Ltd.	E.SUN Insurance Broker Co., Ltd.	c	Service fee and commission income	732,329	Note 4	3.04
2	E.SUN Insurance Broker Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	General and administrative expense	732,329	Note 4	3.04
2	E.SUN Insurance Broker Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	298,681	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Insurance Broker Co., Ltd.	c	Deposits and remittances	298,681	Note 4	0.02
3	E.SUN Venture Capital Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	229,395	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Venture Capital Co., Ltd.	c	Deposits and remittances	229,395	Note 4	0.02
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Other payable	152,340	Note 4	0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Other receivable	152,340	Note 4	0.01



No. (Note 1)	Transaction Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Cash and cash equivalents	\$7,212,192	Note 4	0.62
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Deposits and remittances	7,212,192	Note 4	0.62
2	E.SUN Insurance Broker Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	288,683	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Insurance Broker Co., Ltd.	c	Deposits and remittances	288,683	Note 4	0.02
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Other payable	242,628	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Other receivable	242,628	Note 4	0.02
3	E.SUN Venture Capital Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	219,715	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Venture Capital Co., Ltd.	c	Deposits and remittances	219,715	Note 4	0.02

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

- a. Parent company: 0.
- b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary.
- b. From subsidiary to parent company.
- 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 Company and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding NTS100,000 thousand.



TABLE 4

## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**RELATED-PARTY TRANSACTIONS****DECEMBER 31, 2012 AND 2011**

(In Thousands of New Taiwan Dollars)

December 31, 2012

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2012 (Note)	Ending Balance	Loan Classification		Collateral
				Normal Loans	Nonperforming Loans	
Consumer loans	97	\$99,640	\$69,731	\$69,731	\$ -	Land and buildings as collateral for part of the loans
Self-used housing mortgage loans	92	543,019	476,805	476,805	-	Land and buildings
Other loans	Others	329,635	253,367	253,367	-	Land and buildings

December 31, 2011

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2011 (Note)	Ending Balance	Loan Classification		Collateral
				Normal Loans	Nonperforming Loans	
Consumer loans	101	\$135,638	\$87,575	\$87,575	\$ -	Land and buildings as collateral for part of the loans
Self-used housing mortgage loans	87	603,292	435,953	435,953	-	Land and buildings
Other loans	Others	315,202	246,234	246,234	-	Land and buildings

Note: The sum of the respective highest balances of all accounts for the years ended December 31, 2012 and 2011.

## E.SUN COMMERCIAL BANK, LTD.

## ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2012					December 31, 2011				
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	\$217,130	\$144,561,072	0.15	\$1,554,875	716.10	\$34,627	\$123,474,193	0.03	\$1,234,742	3,565.84
	Unsecured	271,784	223,771,403	0.12	2,545,253	936.50	197,209	184,160,139	0.11	1,841,601	933.83
Consumer Banking	Housing mortgage (Note 4)	253,251	237,782,424	0.11	2,492,205	984.08	348,608	233,168,931	0.15	2,174,898	623.88
	Cash card	751	14,093	5.33	12,273	1,634.22	1,127	20,156	5.59	2,594	230.17
	Small scale credit loans (Note 5)	488,333	37,495,961	1.30	704,073	144.18	536,241	28,844,744	1.86	565,082	105.38
	Other (Note 6)	29,601	95,175,582	0.03	954,388	3,224.17	112,391	84,829,197	0.13	848,292	754.77
	Unsecured	4,475	5,049,101	0.09	64,078	1,431.91	79,504	8,396,142	0.95	83,961	105.61
Loan		1,265,325	743,849,636	0.17	8,327,145	658.10	1,309,707	662,893,502	0.20	6,751,170	515.47
		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		80,264	35,971,393	0.22	1,394,141	1,736.94	76,735	32,848,546	0.23	1,053,388	1,372.76
Factoring accounts receivable without recourse (Note 7)		-	4,199,426	-	45,236	-	-	5,598,969	-	36,039	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)				85,264					117,688		
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)				274,237					371,548		
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)				366,401					383,703		
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)				1,173,757					1,129,323		

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 loan 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), factoring accounts receivable 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).

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

ESFHC'S FINANCIAL STATEMENTS AND CONDENSED FINANCIAL STATEMENTS  
OF SUBSIDIARIES  
YEARS ENDED DECEMBER 31, 2012 AND 2011

1.ESFHC's financial statements

TABLE 6

Assets	2012	2011	Liabilities and Stockholder's Equity	2012	2011
Cash and cash equivalents	\$5,514,101	\$7,212,192	Financial liabilities at fair value		
Financial assets at fair value			through profit or loss	\$5,447,115	\$5,241,495
through profit or loss, net	7,780	-	Payables	1,408,974	504,454
Receivables	1,476,253	734,622	Corporate bonds payable	6,300,000	7,500,000
Equity investments under the			Accrued pension cost	5,752	4,577
equity method	81,135,789	70,828,510	Total liabilities	13,161,841	13,250,526
Other financial assets	12,690	12,690	Stockholders' equity		
Properties, net	1,907	2,298	Common stock - NT\$10.00		
Intangible assets	16,568	2,987	par value, authorized 10,000,000		
Other assets, net	170,762	40,923	thousand shares in 2012 and		
			5,000,000 thousand shares in		
			2011; issued and outstanding		
			5,010,700 thousand shares in 2012		
			and 4,575,000 thousand shares in 2011	50,107,000	45,750,000
			Capital surplus	14,420,331	13,327,677
			Retained earnings	10,584,717	6,728,981
			Cumulative translation		
			adjustments	(228,429)	(5,960)
			Unrealized valuation gains (losses)		
			on financial instruments	295,035	(214,460)
			Net loss not recognized as		
			pension cost	(4,645)	(2,542)
			Total stockholders' equity	75,174,009	65,583,696
Total	\$88,335,850	\$78,834,222	Total	\$88,335,850	\$78,834,222



E.SUN Financial Holding Company, Ltd.

Statements of Income  
 Years Ended December 31, 2012 and 2011  
 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2012	2011		
Revenues and gains				
Income from equity investments under the equity method	\$7,677,165	\$3,781,342		
Other revenues and gains	<u>114,789</u>	<u>186,958</u>		
Total revenues and gains	<u>7,791,954</u>	<u>3,968,300</u>		
Expenses and losses				
Operating expenses	181,580	168,765		
Other expenses and losses	<u>684,731</u>	<u>345,992</u>		
Total expenses and losses	<u>866,311</u>	<u>514,757</u>		
Income before income tax	6,925,643	3,453,543		
Income tax benefit	<u>132,593</u>	<u>30,805</u>		
Net income	<u>\$7,058,236</u>	<u>\$3,484,348</u>		
Earnings per share (New Taiwan dollars)	2012	2011		
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic				
Diluted	<u>\$1.43</u>	<u>\$1.46</u>	<u>\$0.78</u>	<u>\$0.78</u>
	<u>\$1.37</u>	<u>\$1.39</u>	<u>\$0.75</u>	<u>\$0.75</u>

E.SUN Financial Holding Company, Ltd.

Statements of Changes in Stockholders' Equity  
Years Ended December 31, 2012 and 2011  
(In Thousands of New Taiwan Dollars)

	Capital Stock		Retained Earnings			Equity Adjustments			Total Stockholders' Equity	
	Shares (in Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Valuation Gains (Losses) on Financial Instruments		Net Loss Not Recognized as Pension Cost
BALANCE, JANUARY 1, 2011	3,803,300	\$38,033,000	\$10,578,871	\$2,069,158	\$163,969	\$4,270,241	\$(128,172)	\$274,295	\$(19,503)	\$55,241,859
Appropriation of prior year's earnings (Note)										
Legal reserve	-	-	-	392,307	-	(392,307)	-	-	-	-
Dividend	-	-	-	-	-	(760,660)	-	-	-	(760,660)
Cash	-	-	-	-	-	(2,662,310)	-	-	-	-
Stock	266,231	2,662,310	-	-	-	(2,662,310)	-	-	-	-
Balance after appropriation	4,069,531	40,695,310	10,578,871	2,461,465	163,969	454,964	(128,172)	274,295	(19,503)	54,481,199
Issuance of common stock from bonus to employees	5,469	54,690	48,674	-	-	-	-	-	-	103,364
Special reserve of subsidiaries under the equity method	-	-	-	-	164,235	-	-	-	-	164,235
Capital increase in September 2011	500,000	5,000,000	2,500,000	-	-	-	-	-	-	7,500,000
Share-based payment for the subscription of new shares by employees	-	-	200,132	-	-	-	-	-	-	200,132
Net income in 2011	-	-	-	-	-	3,484,348	-	-	-	3,484,348
Change in cumulative translation adjustments	-	-	-	-	-	-	122,212	-	-	122,212
Change in unrealized valuation losses on financial instruments	-	-	-	-	-	-	-	(488,755)	-	(488,755)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	16,961	16,961
BALANCE, DECEMBER 31, 2011	4,575,000	45,750,000	13,327,677	2,461,465	328,204	3,939,312	(5,960)	(214,460)	(2,542)	65,583,696
Appropriation of prior year's earnings (Note)										
Legal reserve	-	-	-	348,434	-	(348,434)	-	-	-	-
Special reserve	-	-	-	-	222,962	(222,962)	-	-	-	-
Dividend	-	-	-	-	-	(915,000)	-	-	-	(915,000)
Cash	-	-	-	-	-	(2,287,500)	-	-	-	-
Stock	228,750	2,287,500	-	-	-	(2,287,500)	-	-	-	-
Balance after appropriation	4,803,750	48,037,500	13,327,677	2,809,899	551,166	165,416	(5,960)	(214,460)	(2,542)	64,668,696
Issuance of common stock from bonus to employees	6,950	69,500	30,232	-	-	-	-	-	-	99,732
Capital increase in October 2012	200,000	2,000,000	1,062,422	-	-	-	-	-	-	3,062,422
Net income in 2012	-	-	-	-	-	7,058,236	-	-	-	7,058,236
Change in cumulative translation adjustments	-	-	-	-	-	-	(222,469)	-	-	(222,469)
Change in unrealized valuation gains on financial instruments	-	-	-	-	-	-	-	509,495	-	509,495
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	(2,103)	(2,103)
BALANCE, DECEMBER 31, 2012	5,010,700	\$50,107,000	\$14,420,331	\$2,809,899	\$551,166	\$7,223,652	\$(228,429)	\$295,035	\$(4,645)	\$75,174,009

Note: For the years ended December 31, 2011 and 2010, the remunerations to directors of \$33,360 thousand and \$35,656 thousand, respectively, and bonuses to employees of \$100,078 thousand (\$99,732 thousand in common stock and \$346 thousand in cash) and \$106,968 thousand (\$103,364 thousand in common stock and \$3,604 thousand in cash), respectively, were deducted from the income statements.

E.SUN Financial Holding Company, Ltd.

Statements of Cash Flows  
Years Ended December 31, 2012 and 2011  
(In Thousands of New Taiwan Dollars)

	2012	2011
Cash flows from operating activities		
Net income	\$7,058,236	\$3,484,348
Adjustments to reconcile net income to net cash provided by operating activities		
Income from equity investments under the equity method, net	(7,677,165)	(3,781,342)
Cash dividends from equity investments under the equity method	967,886	1,313,650
Depreciation expenses	2,734	562
Losses on the valuation of financial instruments	197,840	102,563
Salary expenses on share-based payments	674	26,182
Deferred income tax	(128,981)	(116,799)
Others	(590)	903
Net changes in operating assets and liabilities		
Receivables	(741,631)	95,464
Other assets	(858)	(3,819)
Payables	792,352	72,600
Net cash provided by operating activities	<u>470,497</u>	<u>1,194,312</u>
Cash flows from investing activities		
Acquisition of properties and intangible assets	(16,010)	(3,839)
Increase in equity investments under the equity method	(3,100,000)	(7,500,000)
Net cash used in investing activities	<u>(3,116,010)</u>	<u>(7,503,839)</u>
Cash flows from financing activities		
Proceeds of the issuance corporate bonds	3,800,000	-
Repayment of corporate bonds	(5,000,000)	-
Capital increase	3,062,422	7,500,000
Cash dividends paid	(915,000)	(760,660)
Net cash provided by financing activities	<u>947,422</u>	<u>6,739,340</u>
Net increase in cash and cash equivalents	(1,698,091)	429,813
Cash and cash equivalents, beginning of year	<u>7,212,192</u>	<u>6,782,379</u>
Cash and cash equivalents, end of year	<u>\$5,514,101</u>	<u>\$7,212,192</u>
Supplementary cash flow information		
Interest paid	<u>\$251,942</u>	<u>\$241,705</u>
Income tax paid	<u>\$4,987</u>	<u>\$157,647</u>

(Continued)



## 2.Subsidiaries' condensed balance sheets

### E.SUN Commercial Bank, Ltd.

#### Condensed Balance Sheets December 31, 2012 and 2011 (In Thousands of New Taiwan Dollars)

Assets	2012	2011	Liabilities and Stockholder's Equity	2012	2011
			<u>Liabilities</u>		
Cash and cash equivalents	\$23,068,127	\$19,931,437	Due to the Central Bank and other banks	\$46,652,824	\$38,052,926
Due from the Central Bank and call loans to other banks	55,855,963	45,016,416	Financial liabilities at fair value through profit or loss	6,971,106	7,850,768
Financial assets at fair value through profit or loss, net	61,142,893	52,152,745	Securities sold under repurchase agreements	4,957,725	13,247,387
Securities purchased under resell agreements	210,863	29,789	Payables	22,357,418	18,017,856
Receivables, net	44,304,823	42,260,221	Deposits and remittances	1,029,974,595	962,841,827
Discounts and loans, net	735,406,720	656,008,834	Bank debentures	47,000,000	39,000,000
Available-for-sale financial assets, net	76,155,007	52,860,765	Other financial liabilities	1,412,646	1,943,643
Held-to-maturity financial assets, net	211,168,563	253,283,859	Other liabilities	1,283,666	1,481,045
Other financial assets, net	4,392,491	3,497,546	Total liabilities	<u>1,160,609,980</u>	<u>1,082,435,452</u>
Properties, net	16,373,001	15,599,517	Stockholder's equity		
Intangible assets	4,137,558	4,036,275	Capital stock	45,725,000	42,206,000
Other assets, net	<u>3,672,695</u>	<u>2,667,589</u>	Capital surplus	12,345,531	11,037,856
			Retained earnings	17,130,721	11,893,202
			Cumulative translation adjustments	(228,429)	(5,960)
			Unrealized valuation gains (losses) on financial instruments	305,901	(221,557)
			Total stockholder's equity	<u>75,278,724</u>	<u>64,909,541</u>
Total	<u>\$1,235,888,704</u>	<u>\$1,147,344,993</u>	Total	<u>\$1,235,888,704</u>	<u>\$1,147,344,993</u>

### E.SUN Securities Co., Ltd.

#### Condensed Balance Sheets December 31, 2012 and 2011 (In Thousands of New Taiwan Dollars)

Assets	2012	2011	Liabilities and Stockholder's Equity	2012	2011
			<u>Liabilities</u>		
Current assets	\$4,739,864	\$4,731,314	Current liability	\$2,451,869	\$2,414,151
Fund and investments	117,420	115,047	Other liability	2,610	2,597
Properties, net	292,817	289,083	Total liabilities	<u>2,454,479</u>	<u>2,416,748</u>
Intangible assets	34,616	23,886	Stockholders' equity		
Other assets	806,024	801,508	Capital stock	3,060,000	3,060,000
Securities brokerage accounts, net	<u>16,154</u>	<u>40,883</u>	Capital surplus	28,812	25,844
			Retained earnings	463,604	499,129
			Total stockholders' equity	<u>3,552,416</u>	<u>3,584,973</u>
Total	<u>\$6,006,895</u>	<u>\$6,001,721</u>	Total	<u>\$6,006,895</u>	<u>\$6,001,721</u>

E.SUN Insurance Broker Co., Ltd.

Condensed Balance Sheets  
December 31, 2012 and 2011  
(In Thousands of New Taiwan Dollars)

Assets	2012	2011	Liabilities and Stockholder's Equity	2012	2011
			<u>Liabilities</u>		
Current assets	\$828,414	\$752,941	Current liability	\$108,116	\$126,066
Fund and investments	-	30,914	Other liability	544	275
Properties, net	1,578	1,198	Total liabilities	108,660	126,341
Intangible assets	165	171			
Other assets	3,147	3,513	<u>Stockholder's equity</u>		
			Capital stock	113,000	113,000
			Capital surplus	2,981	2,711
			Retained earnings	609,251	553,671
			Unrealized valuation gains (losses) on financial instruments	(295)	(6,945)
			Net loss not recognized as pension cost	(293)	(41)
Total	\$833,304	\$788,737	Total stockholder's equity	724,644	662,396
			Total	\$833,304	\$788,737

E.SUN Venture Capital Co., Ltd.

Condensed Balance Sheets  
December 31, 2012 and 2011  
(In Thousands of New Taiwan Dollars)

Assets	2012	2011	Liabilities and Stockholder's Equity	2012	2011
			<u>Liabilities</u>		
Current assets	\$480,834	\$573,889	Current liability	\$5,975	\$20,547
Fund and investments	1,100,443	1,115,052	Other liability	172	279
Properties, net	73	149	Total liabilities	6,147	20,826
Intangible assets	-	128			
Other assets	4,802	3,208	<u>Stockholders' equity</u>		
			Capital stock	1,500,000	1,500,000
			Capital surplus	1,326	1,013
			Retained earnings	89,250	156,545
			Unrealized valuation gains on financial instruments	(10,571)	14,042
			Total stockholders' equity	1,580,005	1,671,600
Total	\$1,586,152	\$1,692,426	Total	\$1,586,152	\$1,692,426

### 3.Subsidiaries' condensed income statements

#### E.SUN Commercial Bank, Ltd.

##### Condensed Income Statements Years Ended December 31, 2012 and 2011 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2012	2011
Net interest	\$14,095,682	\$12,600,196
Net revenues and gains other than interest	<u>9,113,184</u>	<u>6,253,999</u>
Total net revenues	23,208,866	18,854,195
Bad-debt expenses	(2,019,923)	(4,540,028)
Operating expenses	<u>(12,689,540)</u>	<u>(10,711,433)</u>
Income before income tax	<u>\$8,499,403</u>	<u>\$3,602,734</u>
Net income	<u>\$7,178,995</u>	<u>\$3,157,630</u>
Earnings per share (New Taiwan dollars)		
Before income tax	<u>\$1.94</u>	<u>\$0.96</u>
After income tax	<u>\$1.64</u>	<u>\$0.84</u>

#### E.SUN Securities Co., Ltd.

##### Condensed Income Statements Years Ended December 31, 2012 and 2011 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2012	2011
Revenues	\$923,374	\$1,080,770
Expenses	<u>(896,846)</u>	<u>(965,064)</u>
Income before income tax	<u>\$26,528</u>	<u>\$115,706</u>
Net income	<u>\$13,435</u>	<u>\$72,339</u>
Earnings per share (New Taiwan dollars)		
Before income tax	<u>\$0.09</u>	<u>\$0.38</u>
After income tax	<u>\$0.04</u>	<u>\$0.24</u>



E.SUN Insurance Broker Co., Ltd.

Condensed Income Statements  
 Years Ended December 31, 2012 and 2011  
 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2012	2011
Operating income	\$1,539,038	\$736,060
Operating expenses	(988,053)	(185,936)
Nonoperating revenues and gains	16,154	7,322
Nonoperating expenses and losses	<u>(3,939)</u>	<u>(5,413)</u>
Income before income tax	<u>\$563,200</u>	<u>\$552,033</u>
Net income	<u>\$468,030</u>	<u>\$458,255</u>
Earnings per share (New Taiwan dollars)		
Before income tax	<u>\$49.84</u>	<u>\$48.85</u>
After income tax	<u>\$41.42</u>	<u>\$40.55</u>

E.SUN Venture Capital Co., Ltd.

Condensed Income Statements  
 Years Ended December 31, 2012 and 2011  
 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2012	2011
Revenues	\$107,306	\$166,439
Expenses	<u>(91,875)</u>	<u>(67,301)</u>
Income before income tax	<u>\$15,431</u>	<u>\$99,138</u>
Net income	<u>\$16,705</u>	<u>\$93,118</u>
Earnings per share (New Taiwan dollars)		
Before income tax	<u>\$0.10</u>	<u>\$0.66</u>
After income tax	<u>\$0.11</u>	<u>\$0.62</u>

TABLE 7

## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION  
YEARS ENDED DECEMBER 31, 2012 and 2011  
(In Thousands of New Taiwan Dollars)

2012

Items	Business Segment			Consolidated
	Banking	Securities	Others	
Net interest (losses)	\$14,158,464	\$208,724	\$(277,627)	\$14,089,561
Net revenues and gains other than interest	8,335,035	493,895	1,173,387	10,002,317
Total net revenues	22,493,499	702,619	895,760	24,091,878
Bad-debt expenses	(2,019,923)	(39)	-	(2,019,962)
Operating expenses	(12,555,976)	(716,120)	(445,901)	(13,717,997)
Income (losses) before income tax	7,917,600	(13,540)	449,859	8,353,919
Income tax benefit (expenses)	(1,320,408)	(13,093)	37,818	(1,295,683)
Net income (losses)	6,597,192	(26,633)	487,677	7,058,236

2011

Items	Business Segment			Consolidated
	Banking	Securities	Others	
Net interest (losses)	\$12,661,811	\$267,768	\$(241,247)	\$12,688,332
Net revenues and gains other than interest	6,135,557	513,408	867,967	7,516,932
Total net revenues	18,797,368	781,176	626,720	20,205,264
Bad-debt expenses	(4,540,028)	(7)	-	(4,540,035)
Operating expenses	(10,599,866)	(721,800)	(301,160)	(11,622,826)
Income (losses) before income tax	3,657,474	59,369	325,560	4,042,403
Income tax benefit (expenses)	(445,104)	(43,367)	(69,584)	(558,055)
Net income (losses)	3,212,370	16,002	255,976	3,484,348

TABLE 8

## E.SUN COMMERCIAL BANK, LTD.

INFORMATION ON THE FOREIGN-CURRENCY FINANCIAL ASSETS AND  
LIABILITIES WITH SIGNIFICANT EFFECT  
DECEMBER 31, 2012 and 2011  
(In Thousands)

	2012			2011		
	Foreign Currencies	Foreign Currencies	New Taiwan Dollars	Foreign Currencies	Foreign Currencies	New Taiwan Dollars
<u>Financial assets</u>						
USD	\$5,574,909	29.0400	\$161,895,357	\$4,655,368	30.2780	\$140,955,232
AUD	502,590	30.1203	15,138,162	460,218	30.7534	14,153,268
HKD	2,223,139	3.7462	8,328,323	2,158,441	3.8969	8,411,229
JPY	21,627,388	0.3361	7,268,965	12,071,016	0.3898	4,705,282
RMB	1,130,281	4.6590	5,265,979	198,596	4.7980	952,864
EUR	77,852	38.4490	2,993,332	73,494	39.2070	2,881,479
GBP	21,421	46.7834	1,002,147	3,588	46.6735	167,465
SGD	31,684	23.7410	752,210	2,283	23.3033	53,201
NZD	12,426	23.8244	296,042	1,289	23.4261	30,196
CHF	3,766	31.8212	119,839	2,705	32.1969	87,093
CAD	2,419	29.1977	70,629	1,790	29.6785	53,125
ZAR	18,870	3.4221	64,575	10,150	3.7208	37,766
SEK	3,163	4.4669	14,129	2,139	4.3910	9,392
THB	3,970	0.9484	3,765	5,359	0.9542	5,114
MXN	1,415	2.2398	3,169	693	2.1619	1,498
MYR	77	9.4902	731	77	9.5409	735
<u>Financial liabilities</u>						
USD	5,833,189	29.0400	169,395,809	4,631,902	30.2780	140,244,729
JPY	20,487,224	0.3361	6,885,756	8,622,514	0.3898	3,361,056
AUD	239,283	30.1203	7,207,276	215,873	30.7534	6,638,829
ZAR	1,789,213	3.4221	6,122,866	1,093,291	3.7208	4,067,917
EUR	134,563	38.4490	5,173,813	149,595	39.2070	5,865,171
HKD	1,197,211	3.7462	4,484,992	1,065,460	3.8969	4,151,991
RMB	900,947	4.6590	4,197,512	490,850	4.7980	2,355,098
GBP	38,589	46.7834	1,805,325	22,006	46.6735	1,027,097
NZD	35,505	23.8244	845,885	57,865	23.4261	1,355,551
CAD	21,679	29.1977	632,977	24,858	29.6785	737,748
SGD	15,535	23.7410	368,816	67,353	23.3033	1,569,547
CHF	8,260	31.8212	262,843	7,704	32.1969	248,045
SEK	16,277	4.4669	72,708	9,430	4.3910	41,407
MXN	1,332	2.2398	2,983	-	2.1619	-
MYR	-	9.4902	-	1	9.5409	10



TABLE 9

**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**  
**ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300**  
**MILLION OR 10% OF THE PAID-IN CAPITAL**  
**YEAR ENDED DECEMBER 31, 2012**  
(In Thousands)

Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other terms
							Owner	Relationship	Transfer Date	Amount			
E.SUN Commercial Bank, Ltd.	<p><b>Land</b></p> <p>No. 16-19, Zhongxing Subsection, Erchong Pu Section, Sanchong District, New Taipei City</p> <p><b>Building</b></p> <p>No. 50, 50-2, 50-4, 50-6, 50-7, 50-10, 50-12, Zhongxing N. St, Sanchong District, New Taipei City</p>	<p>Board approval date: 2012.05.04</p> <p>Contract date: 2012.05.10</p> <p>Settlement date: 2012.05.21</p>	\$969,280	Fully paid	Yung Tai Industrial Co, Ltd. and Ing Tai Industrial Co, Ltd.	-	-	-	-	DTZ Debenham Tie Leung Real Estate Appraiser Office	Operation for credit card and payment division	-	

**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST**  
**NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2012**  
(In Thousands of New Taiwan Dollars)

TABLE 10

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Subsidiary	\$808,033	-	\$ -	-	\$ -	\$ -

Note 1: The receivables come from remuneration to directors and the receivables on the use by E.SUN Commercial Bank, Ltd. of the linked-tax system.

Note 2: The balances were not included in the consolidated financial statements.

## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

TABLE 11

CAPITAL ADEQUACY RATIO  
DECEMBER 31, 2012 and 2011

## 1.E.SUN Financial Holding Company, Ltd.'s Capital Adequacy Ratio

Unit: In Thousands of New Taiwan Dollars, %

	December 31, 2012			December 31, 2011		
	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
E.SUN Financial Holding Company, Ltd.		\$80,509,065	\$81,246,787		\$67,747,647	\$70,884,437
E.SUN Commercial Bank, Ltd.	100	103,424,675	62,646,252	100	82,305,147	53,565,372
E.SUN Securities Co., Ltd.	100	2,676,825	697,949	100	2,688,919	577,263
E.SUN Venture Capital Co., Ltd.	100	1,580,005	793,076	100	1,671,600	846,213
E.SUN Insurance Broker Co., Ltd.	100	724,644	416,652	100	662,396	394,369
Deduction		(95,493,400)	(81,148,479)		(81,084,614)	(70,841,200)
Total		93,421,814	64,652,237		73,991,095	55,426,454
Group capital adequacy ratio		144.50			133.49	

Note 1: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

Note 2: Group capital adequacy ratio = Group's net eligible capital ÷ Group's statutory capital requirement.

## 2.E.SUN Financial Holding Company, Ltd.'s Eligible Capital

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2012	December 31, 2011
Common stock	\$50,107,000	\$45,750,000
Qualified noncumulative perpetual preferred stocks and noncumulative subordinated debts without maturity dates conformed with the terms of Bank's Tier 1 capital	-	-
Other preferred stocks and subordinated debts	5,500,000	2,200,000
Capital collected in advance	-	-
Capital surplus	14,420,331	13,327,677
Legal reserve	2,809,899	2,461,465
Special reserve	551,166	328,204
Cumulative earnings	7,223,652	3,939,312
Equity adjustments	61,961	(222,962)
Less: Goodwill	-	-
Less: Deferred assets	164,944	36,049
Less: Treasury stock	-	-
Total eligible capital	80,509,065	67,747,647

Note: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

## 3.E.SUN Commercial Bank, Ltd.'s Capital Adequacy Ratio

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

Items		Year	December 31, 2012	December 31, 2011	
Eligible Capital	Tier 1 capital		\$70,873,180	\$60,383,539	
	Tier 2 capital		32,551,495	21,921,608	
	Tier 3 capital		-	-	
	Eligible Capital		103,424,675	82,305,147	
Risk-weighted assets	Credit risk	Standardized approach	725,386,677	609,421,646	
		Internal ratings - based approach	-	-	
		Securitization	265,725	1,195,353	
	Operational risk	Basic indicator approach	42,592,125	36,140,025	
		Standardized approach/Alternative standardized approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	14,833,625	22,810,125	
		Internal model approach	-	-	
	Risk-weighted assets			783,078,152	669,567,149
	Capital adequacy ratio			13.21	12.29
Ratio of tier 1 capital to risk-weighted assets			9.05	9.02	
Ratio of tier 2 capital to risk-weighted assets			4.16	3.27	
Ratio of tier 3 capital to risk-weighted assets			-	-	
Ratio of common stock to total assets			3.70	3.68	
Ratio of leverage			5.97	5.46	

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

- 1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- 2) Risk-weighted assets = Risk-weighted assets 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 Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.
- 5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.
- 6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.
- 7) Ratio of common stock to total assets = Common stock ÷ Total assets.
- 8) Ratio of leverage = Tier 1 capital ÷ Adjusted average total asset (the average total asset excludes goodwill, deferred losses on the sale of nonperforming loans and ineligible items deducted from Tier 1 capital under the "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks").



TABLE 12

## E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF  
THE FINANCIAL HOLDING COMPANY ACT  
DECEMBER 31, 2012 and 2011  
(In Thousands of New Taiwan Dollars, %)

December 31, 2011

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person		
Central Bank of the Republic of China (R.O.C.)	\$201,300,083	267.78
Ministry of Finance, R.O.C.	38,034,022	50.59
Tai Power Co., Ltd.	10,495,149	13.96
CPC Corporation, Taiwan	8,692,423	11.56
Chi Mei Optoelectronics Corp.	8,089,899	10.76
Dragon Steel Corporation	7,152,992	9.52
AUO Co., Ltd.	6,087,329	8.10
Taichung City Government	6,000,000	7.98
JP Morgan Chase Bank	3,983,373	5.30
Citi Bank	3,166,417	4.21
China Steel Corp.	3,144,629	4.18
2. Same related parties		
None		
3. Same affiliate		
China Steel Corporation and related parties	11,990,514	15.95
Hon Hai Precision Co., Ltd. and related parties	9,215,449	12.26
AUO Co., Ltd. and related parties	8,574,467	11.41
Nan Ya Plastic Co., Ltd. and related parties	5,940,050	7.90
JP Morgan Chase Bank and related parties	4,898,893	6.52
Hongkong and Shanghai Banking Corporation Limited and related parties	4,646,439	6.18
Eva Airways Corporation and related parties	4,368,409	5.81
Ruentex Industries Ltd. and related parties	4,311,095	5.73
Walsin Lihwa Corporation and related parties	4,305,526	5.73
Standard Chartered Bank Ltd. and related parties	4,264,078	5.67
Formosa Petrochemical Co. and related parties	4,166,323	5.54
Pou Chen Corporation and related parties	4,049,909	5.39
Yuen Foong Yu Paper Mfg. Co., Ltd. and related parties	3,785,611	5.04
Quanto Computer Inc. and related parties	3,702,600	4.93
First Commercial Bank Co., Ltd. and related parties	3,387,713	4.51
Sinyi Realty Inc. and related parties	3,374,298	4.49
Citi Bank and related parties	3,180,682	4.23

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person		
Central Bank of the Republic of China (R.O.C.)	\$235,210,000	358.64
Ministry of Finance, R.O.C.	24,425,384	37.24
Chi Mei Optoelectronics Corp.	10,526,676	16.05
Dragon Steel Corporation	8,299,654	12.66
Tai Power Co., Ltd.	7,010,802	10.69
AUO Co., Ltd.	6,586,293	10.04
Taichung City Government	6,000,000	9.15
JP Morgan Chase Bank	4,801,072	7.32
Morgan Stanley	3,375,482	5.15
Royal Bank of Scotland	3,291,803	5.02
Deutsche Bank	3,082,969	4.70
2. Same related parties		
None		
3. Same affiliate		
Hon Hai Precision Co., Ltd. and related parties	14,381,167	21.93
China Steel Corporation and related parties	11,040,127	16.83
AUO Co., Ltd. and related parties	8,221,346	12.54
Nan Ya Plastic Co., Ltd. and related parties	7,168,943	10.93
Hongkong and Shanghai Banking Corporation Limited and related parties	5,082,027	7.75
Walsin Lihwa Corporation and related parties	4,597,689	7.01
Eva Airways Corporation and related parties	4,359,215	6.65
Yuen Foong Yu Paper Mfg. Co., Ltd. and related parties	3,337,064	5.09
Ruen Chen Investment Holding Co., Ltd. and related parties	3,107,450	4.74
First Commercial Bank Co., Ltd. and related parties	3,023,267	4.61

## E.SUN FINANCIAL HOLDING COMPANY, LTD.

TABLE 13

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES  
YEAR ENDED DECEMBER 31, 2012  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	The Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	\$75,278,724	\$7,178,995	4,572,500	-	4,572,500	100.00	3
	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in brokerage of futures	100.00	3,552,416	13,435	306,000	-	306,000	100.00	3
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	1,580,005	16,705	150,000	-	150,000	100.00	3
	E.SUN Insurance Broker Co., Ltd.	Taipei	Insurance broker	100.00	724,644	468,030	11,300	-	11,300	100.00	3

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

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.

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

c. Derivative contracts are those conforming to the definition of derivatives in Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement," such as stock options.

Note 3: When preparing the consolidated financial statements, it has been eliminated.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

TABLE 14

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
(ESFHC AND E.SUN BANK DISCLOSED ITS INVESTEEES ACQUIRED OR DISPOSED OF)  
YEAR ENDED DECEMBER 31, 2012  
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank	Equity investments under the equity method	None	None	4,220,600	\$64,909,541	351,900 (Note 1)	\$10,791,659 (Notes 2 and 4)	-	-	\$422,476 (Notes 3 and 4)	\$-	\$4,572,500	\$75,278,724 (Note 4)
E.SUN Insurance Broker Co., Ltd.	Taishin 1699 Money Market Fund	Available-for-sale assets, net	None	None	3,840	50,000	32,831	430,000	19,139	250,658	250,000	658	17,532	230,000

Note 1: Consisting of 200,000 thousand shares issued for cash and 151,900 thousand shares issued as stock dividends.

Note 2: Consisting of \$3,100,000 thousand due to capital increase, \$207,675 thousand due to equity increase in share-based payment, \$304,989 thousand due to net decrease in other equity adjustments and \$7,178,995 thousand as the net gain from equity investment under the equity method.

Note 3: Consisting of \$422,476 thousand due to cash dividend.

Note 4: This amount was not included in the consolidated financial statements.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

TABLE 14

INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2012  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
					Outflow	Inflow					
Dongguan Branch	Deposits, loans, import and export, exchange and foreign exchange business	US\$94,862 (\$2,851,542) (Note 1)	Direct	\$-	US\$94,862 (\$2,851,542) (Note 1)	\$-	US\$94,862 (\$2,851,542) (Note 1)	100%	\$28,423	\$2,796,766	\$-

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
US\$94,862 (\$2,851,542) (Note 1)	US\$94,862 (\$2,851,542) (Note 1)	\$45,167,235

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 60 % of E.SUN Bank's net asset value.



# VII. Risk Management



Reach for the skies.

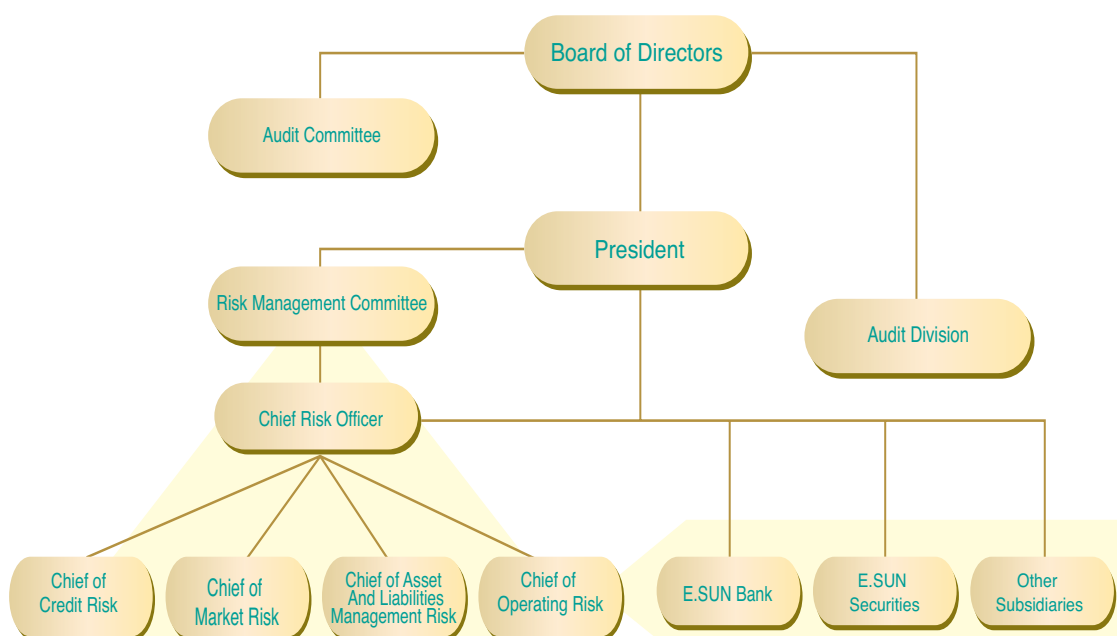
# 1. Risk Management

The primary objectives of E.SUN FHC's risk management are to ensure the safety of assets, provide customer service, and create shareholder value. All operations are carried out with risk considerations being the foremost concern. Operations are to stress safety and liquidity first, then profitability and then growth. All should take into account the interests of the public.

## 1.1 FHC's Risk Management Framework

E.SUN has established an independent Risk Management Committee that is responsible for establishing risk management policies, implementing

the policies and ensuring compliance with international standards, thereby providing proper management of credit risk, market risk, operations risk and other risks. The Risk Management Committee also is required to provide risk reports on a regular basis to the quasi Audit Committee and the board of directors. At the same time, E.SUN is working to comply with the framework set forth in the Basel Accord. In addition to accurately calculating risk-based capital charges under Pillar I, paving the way for appropriate capital and asset risk allocation, E.SUN is striving to comply with Pillar II qualitative and quantitative standards and establish a risk sensitivity management framework. The FHC's risk management organizational framework is shown in the following diagram.



The FHC's Risk Management Organizational Framework.

## 1.2 Risk Measurement and Control Methods, and Exposure-related Quantitative Information – Applicable to All Subsidiaries

The Company has established internal risk compliance policies and acts in accordance with related regulations set forth by regulatory institutions. At the same time, it uses the Basel II Accord risk management framework as reference in instituting risk controls and managing risk. This raises E.SUN's overall ability to monitor risk.

### (1) Routine Disclosures

#### a. Strategies and Procedures

##### (a) Credit Risk Management

1. The objective of risk management for each subsidiary is to be in compliance with regulations set forth by regulators and internal credit and trading risk control mechanisms. Internal guidelines will be adjusted at appropriate times based on local and overseas developments in the banking and economic sectors.
2. According to rules set forth by regulators, restrictions are placed on the risk position of any single financial institution. Credit rating and operational status are also factors taken into consideration.
3. E.SUN is to abide by regulations stipulated by regulators regarding the guarantee of short-term bills of a single enterprise and group of affiliates.
4. E.SUN sets limits on the amount of lending it provides to a specific industry and acts in accordance with rules set by regulatory agencies in this regard.

##### (b) Market Risk Management

1. The Company and its subsidiaries establish market risk management mechanisms to meet risk management needs, including tools to identify, measure, supervise, and control risk, as well as procedures for handling exceptions.

2. E.SUN sets all types of limits with respect to market risk and designates the level of management that must approve these limits. It also has procedures in place to handle circumstances when limits are breached.

3. E.SUN assesses risk positions on a regular basis. Information regarding such is used in deciding trading strategies.

#### (c) Operational Risk Management

Besides internal control and legal compliance, E.SUN will continue to establish well-rounded operational systems, cultivate risk awareness among its employees, and promote a corporate culture that embraces self-discipline and regulatory compliance. The Company also exhibits a comprehensive internal auditing system. E.SUN regularly holds vocational training classes to enhance the expertise of its employees. In order to prevent operations risk, it has also enacted a variety of rules and regulations governing persons working for E.SUN, customer service (including KYC), product design, information security, back-up systems, and emergency contingencies. E.SUN also displays well thought-out operational procedures and guidelines. Meanwhile, the Company maintains a close watch on external risk factors, such as the market environment, customer behavior, technological changes, and regulatory amendments, enabling itself to adapt appropriately at the earliest time possible.

#### b. Related Risk Management Systems Organization and Framework – Applicable to All Subsidiaries

The E.SUN FHC Risk Management Policies and Guiding Principles require each subsidiary to set forth risk management standards and rules. Each subsidiary must establish a credit screening committee, an asset and liabilities management committee, and a risk management department and auditing department that carry out pricing of daily positions, tabulate the level of risk exposure and monitor external events. Meanwhile, each subsidiary is required to continue to enhance its customer value and risk analysis technology, along with internal controls system. This helps the FHC to



recognize the accuracy of risk assessment and to ensure that management methods conform to international standards.

c. **Scope and Feature of Risk Reporting and Measurement Systems – Applicable to all Subsidiaries**

(a) **Credit Risk:**

Measures include the amount of credit extended to a single enterprise or single group of affiliates; controls on risk-based assets; total risk exposure to a single company; limits on liabilities with trading counterparties; and limits on trading of interest rate financial derivatives.

(b) **Market Risk:**

Include relevant risk factors in the evaluation system for financial products, furthermore, reports are provided to decision-making management with regards to the fair value and trading profits/losses of transactions, as well as the level of exposure and the adequacy of risk management assessment. These reports are also submitted periodically to the Risk Management Committee and the Board of Directors.

(c) **Operational Risk:**

Measures are adopted to determine whether business operations comply with guidelines and whether the suggestions for improvement provided in the course of internal audits are being carried out. These reports are also submitted periodically to the management team, Risk Management Committee and the Board of Directors.

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

E.SUN FHC and its subsidiaries seek collateral, third-party guarantees and trade credit derivative products to hedge against risk. E.SUN will also use a trading counterparty's deposits to offset that party's liabilities. It also engages in asset securitization to transfer risk. E.SUN has

set up internal risk control mechanisms and also complies with rules and systems set by regulatory agencies. E.SUN will adjust its measures as appropriate based on the developments in the domestic and foreign economic and banking environment. These measures ensure the continued effectiveness of risk avoidance and risk mitigation tools.

### 1.3 Impact of Important Domestic or Foreign Policy and Legal Changes on the FHC's Financial Operations, and Countermeasures:

1. The implementation of the Financial Consumer Protection Law means that when financial institutions market financial products, they not only must realize "Know Your Customer," but also "Know Your Product." Achieving an appropriate balance will help enable banks to provide customized asset allocation recommendations. E.SUN will continue to embrace its "Pure as Jade, Stern as Mountain" spirit in offering customers the most suitable financial products and services.
2. The new version of the Personal Information Protection Act mandates that enterprises have an obligation to notify individuals when they collect personal data, directly or indirectly, on that individual, as well as the goal in collecting this information and the related purpose. Companies must also receive written approval from individuals to do so. The new law is stricter than previous regulations. In light of the changes in the external regulatory environment, E.SUN is proactively amending its various internal procedures to ensure compliance with the amended laws and to guarantee the safety of its customers' personal information.
3. The US government previously announced the Foreign Account Tax Compliance Act (FATCA).

This legislation requires that financial institutions in each county obtain ample data to determine whether an account belongs to an American citizen and then periodically declare related information about that account to the US government. The content of this act is inconsistent with personal information protection laws in many countries, and many nations have already begun planning and have taken action in response to the US regulations. E.SUN will continue to monitor the latest developments and will respond to the requests of supervisory authorities.

4. The Volcker Rule of the U.S. is designed to curtail the business scope of the financial services industry, in particular by imposing a ban on proprietary trading by commercial banks. The avowed purpose is to reduce the odds of systemic risk by restricting banks' risk appetite. While implementation of the legislation is still pending, it also has yet to define more clearly provisions with regard to immunity for proprietary and overseas trading. As such, E.SUN will continue to keep track of subsequent developments and evaluate how the legislation may impact its businesses.
5. For the Company, Basel III that was put into effect in 2013 means a marginal decline in the capital adequacy-related ratios of its subsidiary E.SUN Bank. In response, the Company already conducted a rights issue to help the subsidiary keep up capital adequacy.
6. Impact of Implementing IFRSs on the Company:

## 1.4 Impact of Technological and Industrial Changes on the FHC's Financial Operations, and Countermeasures:

Alongside the advancement in ICT and its applications, the Company has persistently invested in related R&D projects and drawn on its subsidiary E.SUN Bank's virtual channels on mobile devices and the internet. Convenient, efficient financial services are rendered to satisfy a wide array of customer needs. Drawing on cloud technology, E.SUN aims to win the recognition of customers that they can trust the Company with their household finances. Meanwhile, E.SUN makes it a point to have its timely grasp of technology trends and industry developments supplemented by guidance from world-class consultants. To be sure, E.SUN is committed to developing knowledge and competence on a par with world standards. Further matched by information analysis and centralized, IT-focused management, it is set to provide customers with products that best suit them as well as well-rounded protection of personal data.

## 1.5 Impact of Changes in the FHC's and Subsidiaries' Image on the Company, and Countermeasures:

E.SUN FHC and its subsidiaries are both committed to making a paradigm of corporate

Adjustment	Amount	Reason of Effect	By Proxy
Employee Benefits	Pensions	(316,672)	In accordance with both IAS 19 and 8, the Bank opts for immediate recognition of the effect of a change in accounting estimate, that is, when a transitional liability exceeds the liability recognizable based on the previous accounting policy.
	Short-Term Paid Leave	(144,989)	Short-term paid leave incurs a kind of compensatory cost that needs to be recognized in the period in which the benefit is earned by the employee.
Time of Recognizing Revenue From Dividends		335	As is spelled out in IAS 18, revenue should be recognized when the shareholder's right to receive payment is established.
Net Adjustment of Shareholders' Equity		(461,326)	

governance. Priority is given to transparent disclosure with regard to transactions with related parties, prevention of conflicts of interests, and protection of shareholder rights. Equal emphasis is placed on refining the Company's organizational structure and sub-systems in relation to risk management, personnel training and employee welfare. On the other hand, E.SUN always does its best to help promote environmental protection and other social services. In the event of incidents that may undermine the Company's public image, it always initiates self-examination in no time and undertakes emergency response or other crisis management measures when necessary. That is, it spares no efforts to keep up a respectable public image worthy of a decent enterprise fully committed to corporate social responsibility.

E.SUN FHC subsidiary E.SUN Bank's general assumption of Chiayi Fourth Credit Cooperative not only fetched operating permits for new branches but also made it possible for the two parties to join strengths and maximize synergies. Yet the deal is not without risks. Employees of the acquiree need to adapt to the E.SUN culture while information systems of both sides must be integrated. For its part, E.SUN Bank not only encourages Chiayi Fourth Credit Cooperative employees to stay on and learn to do things the E.SUN way but also strives for seamless integration of data and systems. By bringing out maximized synergies in the shortest possible time, E.SUN believes it can join customers in creating value on the back of professionalism, service and efficiency.

## 1.6 Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures:

E.SUN FHC subsidiary E.SUN Bank's general assumption of Chiayi Fourth Credit Cooperative not only fetched operating permits for new branches but

also made it possible for the two parties to join strengths and maximize synergies. Yet the deal is not without risks. Employees of the acquiree need to adapt to the E.SUN culture while information systems of both sides must be integrated. For its part, E.SUN Bank not only encourages Chiayi Fourth Credit Cooperative employees to stay on and learn to do things the E.SUN way but also strives for seamless integration of data and systems. By bringing out maximized synergies in the shortest possible time, E.SUN believes it can join customers in creating value on the back of professionalism, service and efficiency. Furthermore, the board has approved to acquire 70% shares of UCB Bank in Cambodia, a milestone for E.SUN's overseas strategy in ASEAN countries. However, the transaction is subject to approval by the relevant regulatory authorities of both parties.

## 1.7 Risks from Concentration of Operations, and Countermeasures:

### (1) Concentration of Operations

E.SUN remains sensitive to any changes in the financial industry. It stays abreast of macroeconomic and industrial trends, as well as the direction of prices. It adjusts its business development strategies as appropriate.

### (2) Concentration of Counterparties

The Bank sets upper limits of risk exposure for recipients of loans and investment, as well as individual conglomerates, and it strictly adheres to these limits. It acts in accordance with post-disbursement management regulations to regularly review the suitability of credit terms and assess the possibility of systemic risk.



## 1.8 Impact of the Transfer of Stakes Held by Directors, Supervisors or Major Shareholders Holding Stakes Over 1%, Possible Risks and Countermeasures:

As of the end of 2012, no directors, supervisors or major shareholders with a stake of over 1% transferred stakes to another party.

## 1.9 Influence of Changes in Ownership of the FHC, Possible Risks and Countermeasures:

As of the end of 2012, there is no significant change in ownership

## 1.10 Litigious or Non-litigious Incidents

Of E.SUN FHC's income tax returns for 2004-2007, the tax collection authority disagreed with the Company with regard to if it could justifiably attribute some operating and interest expenses to investments as well as expenses incurred by invested companies. In addition to raising the Company's taxable income by NT\$730,232,000, it decided to delete the Company's investment loss of NT\$333,424,000 and a NT\$19,230,000 loss from conversion of convertible bonds already recognized in 2006. E.SUN FHC believes investment is not its core specialization and that deleting investment losses and losses incurred by conversion of convertible bonds already recognized is not fair. The Company initiated an administrative litigation accordingly. Based on its expectation of a favorable outcome, the Company opted not to accrue any additional tax expense.

In its assessment of E.SUN FHC's income tax return for 2005, the tax collection authority rejected the creditability of the 10% withholding tax on interest income on bonds pertaining to periods when those bonds were held by other investors. The tax collection authority decided that the Company's

over-distribution of stockholders' imputed tax credit amounted to NT\$43,901,000. In accordance with the Tax Collection Act, the Company initiated an administrative litigation. After its recheck, the tax collection authority decided that the Company had not recorded over-distribution of stockholders' imputed tax credit in its income tax return for 2005.

In its assessment of E.SUN Bank's income tax returns for 2001-2005 (except 2003), the tax collection authority rejected the creditability of the 10% withholding tax on interest income on bonds pertaining to periods when those bonds were held by other investors. The tax collection authority decided that the Bank's over-distribution of stockholders' imputed tax credit amounted to NT\$27,416,000. In accordance with the Tax Collection Act, the Bank filed an application for refunding of the overpaid tax and also initiated an administrative litigation. After its recheck, the tax collection authority decided that the Bank had not recorded over-distribution of stockholders' imputed tax credit in its tax returns for 2002, 2004 and 2005. Based on its expectation that no over-distribution of stockholders' imputed tax credit would be recorded for income tax returns of the other years, the Bank opted not to accrue any additional tax expense.

In its income tax returns for 2004-2007, E.SUN Bank reported NT\$4,078,277,000 of goodwill amortization resulting from its merger with Kaohsiung Business Bank Co., Ltd. (KBB). But the tax collection authority disapproved this expensing, claiming that the Bank had not acquired the goodwill in question with its own capital. E.SUN Bank opposed this disapproval and initiated an administrative litigation. Based on its expectation of a favorable outcome, the Bank opted not to accrue any additional tax expense. E.SUN Securities opposed the tax collection authority's assessment of capital gains from stock warrants declared in its income tax return for 2005 and initiated an administrative litigation accordingly. Still, for the sake of prudent finance and in anticipation of a not necessarily favorable outcome for the warrant taxation issue, E.SUN

Securities opted to accrue an additional tax expense of NT\$11,172,000 on the stock warrants in question in 2009.

The tax collection authority's assessment of E.SUN Securities' s income tax payable for 2006 exceeded that declared by the latter by NT\$55,667,000. In addition to listing losses incurred by hedging for stock warrants as losses sustained in securities trading, the tax collection authority took into account interest income from bonds not held by E.SUN Securities and disapproved the latter's recognizing amortization incurred by business rights deriving from its absorption of Yung Li Securities. For the sake of prudent finance, E.SUN Securities opted, in 2009, to accrue an additional tax expense that takes full account of the stock warrant issue in its tax return for 2006. But it opposed the tax collection authority's assessment with regard to bond interest and amortization incurred by business rights cited above. Regarding as unfair the tax collection authority's ruling on an additional

NT\$15,101,000 of tax payable, E.SUN Securities initiated an administrative litigation accordingly. Based on its expectation of a favorable outcome, it opted not to accrue any additional tax expense.

The tax collection authority's assessment of E.SUN Securities' s income tax payable for 2007 exceeded that declared by the latter by NT\$11,591,000. The assessment was prompted by the tax collection authority's disapproving E.SUN Securities' s recognizing amortization incurred by business rights deriving from its absorption of Far Eastern Securities and the way how interest expenses were allocated between the two entities. Opposing the tax collection authority's assessment cited above, E.SUN Securities is set to initiate an administrative litigation. Based on its expectation of a favorable outcome, it opted not to accrue any additional tax expense.

### 1.11 Other Major Risks and Countermeasures: None

## 2. Crisis Handling Mechanism

E.SUN FHC and its subsidiaries abide by standard operating procedures and rules set forth in the Guidelines on Emergency Response and Crisis Management. Staying alert all the time, they take a preemptive approach toward preventing occurrence of any crisis. In addition, drills are carried out regularly to ensure that the established crisis management measures are effective and to further enhance overall preparedness and responsiveness. A set of Operating Regulations for Emergency Responses to Personal Data Infringement is put in place as the framework for preventing, reporting and handling incidents of the

sort as well as taking other precautionary measures. Separately, both E.SUN FHC and its subsidiaries have set up their crisis management task forces and assigned emergency liaison officers. In the event of an emergency or other abnormal incident, they are supposed to promptly decide on response measures that are to be implemented systematically and effectively. Timely reporting is also imperative to ward off escalation of a given crisis. Equally important is consistent review and improvement to help reduce response costs and strengthen preventive and responsive capabilities.

## 3. Other Important Issues: None

## VIII Special Notes



Prosper in full splendor.



## 1. Representation of Consolidated Financial Statements of Affiliated Enterprises

### Representation of Consolidated Financial Statements of Affiliated Enterprises


March 22, 2013

The Company and its affiliated enterprises defined by “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” in 2012 are the same with those defined by Article 7 of Statement Financial Accounting Standard. A consolidated financial statement of the parent company and affiliated enterprises has already been released and therefore there is no need to separately produce a consolidated financial statement for affiliated enterprises.

Company Name: E.SUN Financial Holding Co. Ltd.

Chairman



*Yung Jen Huang* 

## 2. Affiliation Report: Please refer to Section 8 of Financial Statement (Chapter VI)

## Your Trust is Priceless to E.SUN.

Believe in E.SUN! Believe in Your Choice!



- E.SUN FHC ranked No. 5 (No. 1 in the group of Financial Institutions) in the Award of Excellence in Corporate Social Responsibility, (Common Wealth Magazine)
- E.SUN Bank was rated tops for service among financial institutions in Golden Service Award (Commonwealth Magazine)
- E.SUN Bank received first prize of Best Customer Services Award, (The Business Today Magazine)
- E.SUN Bank received SME Credit Guarantee Fund Partner Award for both categories of outstanding headquarters and outstanding branch manager in 7 consecutive years. (MOEA, Credit Guarantee Fund)
- E.SUN FHC received Platinum Award in Excellence Management in Corporate Governance in Asia (The Asset Magazine)

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Chairman of the Board

*Jung Jen Huang*



March 30, 2013 Printed

## E.SUN of Taiwan, as E.SUN of the World.

### Service Network of E.SUN FHC

E.SUN BANK	phone		phone		phone
Head Office Business Division	+886 2 2719 1313	Pu Chain Branch	+886 2 2963 1313	Fongyuan Branch	+886 4 2512 1313
Customer Service Division	+886 2 2175 1313	Banhsin Branch	+886 2 8952 1313	Dali Branch	+886 4 2418 1313
International Banking Division/OBU	+886 2 2175 1313	Haishan Branch	+886 2 2256 1313	Caotun Branch	+886 4 9238 1313
Trust Division	+886 2 2175 1313	Guangfu Branch	+886 2 2957 1313	Changhua Branch	+886 4 728 1313
Credit Card Division	+886 2 2182 1313	Sanchung Branch	+886 2 2280 1313	Yuanlin Branch	+886 4 836 1313
Nanching East Road Branch	+886 2 2760 1313	Chongsin Branch	+886 2 2984 1313	Douliou Branch	+886 5 532 1313
Chengjhong Branch	+886 2 2389 1313	Er-Chong Branch	+886 2 2278 1313	Chiayi Branch	+886 5 223 1313
Dongmen Branch	+886 2 2321 1313	East Sanchung Branch	+886 2 2971 1313	East Chiayi Branch	+886 5 216 1313
Chengtung Branch	+886 2 2504 1313	Tucheng Branch	+886 2 2274 1313	Puzih Branch	+886 5 379 1313
Keelungroad Branch	+886 2 2378 1313	SouthTucheng Branch	+886 2 2267 1313	Tainan Branch	+886 6 241 1313
Hsinyi Branch	+886 2 8789 1313	Shulin Branch	+886 2 8675 1313	East Tainan Branch	+886 6 289 1313
Tienmu Branch	+886 2 2835 1313	Hueilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Minsheng Branch	+886 2 2509 1313	Wugu Branch	+886 2 2290 1313	Chiali Branch	+886 6 721 1313
Fuhsing Branch	+886 2 2771 1313	Sindian Branch	+886 2 2916 1313	Yungkuang Branch	+886 6 201 1313
Tunnan Branch	+886 2 2754 1313	Beisin Branch	+886 2 8911 1313	South Yungkuang Branch	+886 6 313 1313
Changchun Branch	+886 2 2546 1313	Sanxia Branch	+886 2 2673 6613	Yanhang Branch	+886 6 253 1313
Chungshan Branch	+886 2 2537 1313	Taishan Branch	+886 2 2297 1313	Rende Branch	+886 6 270 6613
Neihu Branch	+886 2 2659 1313	Xizhi Branch	+886 2 2647 1313	Kaohsiung Branch	+886 7 336 1313
Shilin Branch	+886 2 2834 1313	Taoyuan Branch	+886 3 332 1313	Dashun Branch	+886 7 727 1313
Dong-Hu Branch	+886 2 2632 1313	South Taoyuan Branch	+886 3 337 1313	Lingya Branch	+886 7 716 1313
North Tienmu Branch	+886 2 2877 1313	Taoyin Branch	+886 3 375 1313	Cianjhen Branch	+886 7 761 1313
Songshan Branch	+886 2 3765 1313	Yiwen Branch	+886 3 357 1313	Chihhsien Branch	+886 7 235 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Zuoying Branch	+886 7 559 1313
Mincyuan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	Nanzih Branch	+886 7 364 1313
Jhonglun Branch	+886 2 2577 1313	Bade Branch	+886 3 367 1313	North Kaohsiung Branch	+886 7 350 1313
Daan Branch	+886 2 2755 1313	Jhongli Branch	+886 3 427 1313	Sanmin Branch	+886 7 315 1313
Guting Branch	+886 2 2364 1313	Lisin Branch	+886 3 492 1313	Dachang Branch	+886 7 341 1313
Beitou Branch	+886 2 2895 1313	Zhongyuan Branch	+886 3 428 1313	Chengcing Branch	+886 7 386 1313
Songjiang Branch	+886 2 2562 1313	Yangmei Branch	+886 3 488 1313	Siaogang Branch	+886 7 807 1313
Mujha Branch	+886 2 2936 1313	Hsinchu Branch	+886 3 523 1313	Fongshan Branch	+886 7 743 1313
Jhongsiao Branch	+886 2 8772 1313	Guanghua Branch	+886 3 533 1313	Gangshan Branch	+886 7 621 1313
Sinshu Branch	+886 2 2203 1313	Juke Branch	+886 3 564-1313	Linyuan Branch	+886 7 643 1313
Jiancheng Branch	+886 2 2556 1313	JhuBei Branch	+886 3 554 1313	Houjhuang Branch	+886 7 702 1313
Nangang Branch	+886 2 2789 1313	Sinfong Branch	+886 3 557 1313	Pingtung Branch	+886 8 733 1313
Hsinchuang Branch	+886 2 2202 1313	Jhunian Branch	+886 3 746 1313	Chaojhou Branch	+886 8 786 1313
North Hsinchuang Branch	+886 2 2997 1313	Toufen Branch	+886 3 766 3571	Donggang Branch	+886 8 835 1313
Sinshu Branch	+886 2 2203 1313	Houlong Branch	+886 3 772 4771	Neipu Branch	+886 8 778 1313
Lujhou Branch	+886 2 2848 1313	Taichung Branch	+886 4 2254 1313	Keelung Branch	+886 2 2427 1313
Shwangho Branch	+886 2 2923 1313	Wunsin Branch	+886 4 2291 1313	Luodong Branch	+886 3 957 1313
Yonghe Branch	+886 2 2949 1313	Dadun Branch	+886 4 2320 1313	Hualien Branch	+886 3 831 1313
Fu-Hei Branch	+886 2 8923 1313	Nantun Branch	+886 4 2380 1313	Taitung Branch	+886 8 936 1313
Yung An Branch	+886 2 8921 1313	Situn Branch	+886 4 2461 1313	Penghu Branch	+886 6 927 1313
Jhonghe Branch	+886 2 2222 1313	Jhonggong Branch	+886 4 2350 8913	Los Angeles Branch	+1 626 810 2400
Liancheng Branch	+886 2 8228 1313	Taiping Branch	+886 4 2270 8813	Hong Kong Branch	+852 3405 6168
Taihe Branch	+886 2 2242 1313	Wuquan Branch	+886 4 2377 1313	Singapore Branch	+65 6533 1313
Nanshijiao Branch	+886 2 2942 8813	Daya Branch	+886 4 2568 1313	Dongguan Branch	+86 769 2698 5452
Banciao Branch	+886 2 8257 1313	Longjing Branch	+886 4 2636 6813	Ho Chi Minh City Representative Office	+84 8 3835 1313

#### E.SUN Securities Co., Ltd.

Headquarters	+886 2 5556 1313
Brokerage HQ	+886 2 2713 1313
Nanching East Road Branch	+886 2 2765 1313
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Renai Branch	+886 2 3393 1313
Taida Branch	+886 2 8369 1313
Chengjhong Branch	+886 2 2382 1313
Shinlin Branch	+886 2 2833 1313
Neihu Branch	+886 2 2656 1313
Banciao Branch	+886 2 2951 9913
Shwangho Branch	+886 2 8923 1313

Hsinchuang Branch	+886 2 2998 1313
Tucheng Branch	+886 2 2265 1313
Taoyuan Branch	+886 3 336 6813
Hsinchu Branch	+886 3 666 9913
Taichung Branch	+886 4 2258 9913
Chiayi Branch	+886 5 216 9913
Tainan Branch	+886 6 269 9913
Jin Hua Branch	+886 6 291 6613
Kaohsiung Branch	+886 7 397 1313
Zuoying Branch	+886 7 558 6613

#### E.SUN Insurance Brokers Co., Ltd.

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#### E.SUN Venture Capital Co., Ltd.

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