



## ANNUAL REPORT 2016

E.SUN FHC 2884



[www.esunfhc.com.tw](http://www.esunfhc.com.tw)

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### Information of Overseas Depository Receipt

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



E.SUN FHC 15th



Taiwan scenery-Yushan  
Kuroki Kuniaki  
Possession of E.SUN

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# I. Letter to the Shareholders

Dear Shareholders:

The year 2016 saw many challenges and changes across the world's political and economic landscapes: the U.S. presidential election, the U.K.'s referendum on leaving the European Union, protectionism on the rise, and clashes between forces in favor of and against globalization. All these not only impacted the strategic deployment of countries and their competition and cooperation in regional economies but also brought financial markets more uncertainties. Meanwhile, such pressing issues as Fintech, information security, and cross-border control of money laundering put financial institutions to test; they were called upon to prove themselves capable of securing an equilibrium in financial innovation and risk management while staying on the growth track. We are keenly aware that such a time of challenges and changes is no less than a critical juncture for businesses to build on their core value and secure their place in the future.

E.SUN Bank, E.SUN Financial Holding Co., Ltd.'s major subsidiary, was established in 1992. Since its inception, E.SUN Bank has overcome many daunting challenges over a quarter century. During this time, we have never strayed away from our vision and beliefs. Named after Taiwan's highest peak Yushan, or Mt. Yu, E.SUN Bank is committed to standing by the principles of integrity and honesty while striving for a fresh, professional brand image, thereby making the best bank in Taiwan.

## 2016—A Solid Overall Performance

E.SUN FHC delivered further growth across all business lines in 2016. This performance did not go unnoticed. While the Company made its way into the Dow Jones Sustainability Index (DJSI) for a third straight year, three international financial magazines—Asiamoney, The Asset, and The Banker—unanimously rated E.SUN Bank as Taiwan's best bank



in recognition of its long-time dedication to sustainable development and sound business.

In terms of financial gauges, net income set another record high of NT\$13.135 billion, EPS was NT\$1.50 per share. The ROE and ROA came in at 10.35% and 0.71% respectively while the capital adequacy ratio at 137.29%. Meanwhile, E.SUN Bank was able to keep up its asset quality as well. The NPL ratio of 0.19% was supplemented by a 629.84% loan loss coverage ratio. When it comes to credit ratings, Moody's continued to assign E.SUN FHC its long/short-term foreign-currency deposit ratings of Baa1/P-2 while keeping intact those for E.SUN Bank at A3/P-2. Both were assigned a stable outlook.

At the end of 2016, E.SUN FHC's total assets amounted to NT\$1.88 trillion; outstanding balance of loans, NT\$1.13 trillion; and outstanding balance of all deposits, NT\$1.56 trillion, including NT\$705.8 billion in demand deposits and NT\$413.5 billion in foreign currency deposits. Net interest income and fee income also grew steadily, by 6.36% to NT\$18.585 billion and by 12.04% to NT\$15.549 billion respectively. Likewise, wealth management and credit card businesses kept up growth momentum. Fee income from wealth

management and credit card services increased by 12.4% and 20.8% to NT\$8.219 billion and NT\$4.244 billion respectively. Separately, the Bank saw its cardholder spending expand by 18.9% to NT\$300.1 billion, recording the highest growth rate among Taiwan's top 10 card issuers for a second straight year. In terms of SME loans, E.SUN Bank not only remained the biggest lender among Taiwan's privately run banks but also emerged as a recipient of the SME Credit Guarantee Partner Awards for the 11th consecutive year, a record unparalleled by any other local peer.

Fintech has progressed rapidly. To stay ahead of the game, E.SUN has continued investing in financial innovation in the form of payment services, smart banking, and channel consolidation so that it can provide customers with personalized services and make digital banking and the good life it brings readily accessible to everyone. In terms of payment banking, E.SUN Bank took the lead to introduce E.SUN Wallet, Taiwan's only cellular credit card with both Host Card Emulation (HCE) and QR code capabilities. When it comes to smart banking, E.SUN Bank draws on big data and digital platforms as its core for developing a

wider range of Bank 3.0 services: e-Click Loan Application, online mortgages, online forex services, and digital wealth management. As far as channel consolidation is concerned, the Bank took the lead to combine digital technology and the arts as it set up digital flagship branches in northern, central, and southern parts of Taiwan to provide customers with O2O financial services that come with a distinctly human touch and integrate the physical and virtual. E.SUN's accomplishments were recognized and received the Digital Champion in Asiapac Award for two consecutive years in Gartner's innovation award.

When it comes to expanding across Asia, E.SUN Bank now operates 24 outlets in eight countries and regions, including the Yangon Branch in Myanmar—the only one established by any Taiwanese bank to date; the China subsidiary—the first instance of any Taiwanese bank branch securing subsidiary status on the mainland; and the Sydney Branch in Australia. All these go a long way toward building a well-rounded financial platform in Asia that promises to provide customers with a full spectrum of cross-border services.

## Key Gauges for E.SUN FHC

Unit: NT\$ millions

Indicator	Item	2016/12	2015/12
Total Assets	E.SUN FHC	1,884,300	1,775,284
	E.SUN Bank (consolidated)	1,870,131	1,760,401
	E.SUN Securities	11,504	11,254
	E.SUN Insurance Broker	-	1,281
	E.SUN Venture Capital	3,657	3,839
Key Financial Ratios	E.SUN FHC Book Value Per Share (NT\$)	14.66	15.21
	Double Leverage Ratio	104.80%	104.29%
	E.SUN FHC CAR	137.29%	141.73%
Physical Channels	E.SUN Bank's Domestic Branches	137	136
	E.SUN Bank's Overseas Outlets	Subsidiaries: E.SUN(China), UCB, Cambodian Branches: Los Angeles, Hong Kong, Singapore, Vietnam, Australia, Myanmar Representative Office: Hanoi, Vietnam A total of 24 outlets	
	E.SUN Securities' Branches	20	21
Earnings	Net Income (Attributable to owners of the parent company)	13,135	12,816
	EPS (NT\$)	1.50	1.63
	ROE	10.35%	11.23%
	ROA	0.71%	0.78%

## Credit Ratings

### E.SUN FHC

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	Baa1	P-2	Stable	2016.12
	S&P	BBB-	A-3	Positive	2016.07
Domestic Ratings	Taiwan Ratings	twA+	twA-1	Positive	2016.07

### E.SUN Bank

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	A3	P-2	Stable	2016.12
	S&P	BBB	A-2	Positive	2016.07
Domestic Ratings	Taiwan Ratings	twAA-	twA-1+	Positive	2016.07

## Strategies for Future Development

As regional integration and financial technology gain momentum and Asia increasingly asserts itself, competition stands out as an ongoing process across industries, borders, and the physical and the virtual. At such a critical juncture when new business models and new paradigms are taking shape, E.SUN is set to draw on its capacity for conceptualizing innovation and taking action to rise above competition. Of course, equal emphasis will be placed on internal stability and external flexibility as we implement our long-term strategies. In turn, the following strategies have been set for 2017:

1. Draw on technology to develop digital banking: Using technology as an accelerator, we will cultivate more high-caliber people through industry-academia collaboration. Emphasis will also be placed on developing emerging technological tools such as big data analytics as well as smart and blockchain applications in order to help customers enjoy the good life that financial conveniences bring. Meanwhile, we are ready to launch a new core project for crafting our next-generation information system. This will prove essential to enhancing our technology-driven core competitiveness.
2. Transform channels to maximize value: For us, channel transformation remains an ongoing process. We are set to establish a next-generation model of branch services that features a mix of Fintech and the arts as well as a systematic optimization of workflow with a view to providing customers with a more refreshing experience in digital banking services. We will also strengthen the expertise and teamwork of our marketing and consulting personnel so that they can deliver fully integrated, personalized services across all product lines, thereby maximizing the value of our channels.

3. Build trust with professionalism in wealth management: Standing by our core value of "Pure as Jade, Sturdy as Mountain," E.SUN stays focused on watching over customers' long-term value and asset growth. We provide customers with specialized consultations to help protect their assets. Our private banking services feature a solid grasp of KYC, asset and liability management, and consolidation of cross-border platforms as we assist customers—their families and companies—in taking care of property inheritance and tax planning among other undertakings.
4. Deliver a fresh experience in smart consumer banking: We will focus on catering to quality customers and consolidating regional resources to ensure long-term growth. We will also create a brand-new consumer banking experience by combining technology and people, thereby bringing the value of the aforesaid quality customers to its fullest. As far as our consumer banking team is concerned, regional consultants will be assigned to help strengthen salespeople's marketing expertise and skills.
5. Forge cross-sector partnerships for payment banking: With the advent of such innovative payment tools as third-party payment and Apple Pay, we will stay focused on developing cross-border applications, mobile payments, and innovative collections and payments. We will also collaborate with long-term partners to help customers enjoy greater convenience in making payments.
6. Create value in securities business: With customer experiences as the core, E.SUN will draw on the latest technology to deliver the most convenient electronic services in trading securities. Emphasis will also be placed on enhancing channel efficiency by further integrating brokerage and banking resources and systematically refining mid- to back-end operations.



7. Craft a premium brand name for SME banking: Our team of professionals has long been a reliable backer of business success. Building on our long-time experience in SME services, we will combine our resources in and outside Taiwan to serve cross-border customers and set up RM teams to better serve SMEs in different regions. As green banking increasingly comes under the spotlight, like 'Roof PV System' project, we will also do our share in helping businesses shift to green energy and turn green themselves.

8. Pursue cross-border consolidation to expand in Asia: As our overseas network gradually takes shape, we are on the way to entering a new age for overseas expansion. Pooling the prowess of these overseas outposts, we will be able to prove a financial services provider fitted with both cross-border capabilities and strengths unique to various localities in this part of the world. On the Chinese mainland, the E.SUN Bank subsidiary will stay focused on growing customers in need of cross-border services. For its part, the Hong Kong Branch will play a central part in developing an offshore capital allocation center catering specifically to Taiwanese businesspeople. In a similar vein, our network of subsidiaries and branches across Singapore, Vietnam, Myanmar, and Cambodia is also well-suited to offer cross-border financial services.

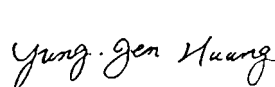
### Strive for Sustainable Development

The most beautiful mountain. The most beloved bank. We have gathered a team of partners sharing the same aspirations and ideals who work hard to excel in the three most indicative areas for any business

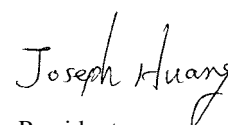
venture: overall performance, corporate social responsibility, and sustainable development. It is our belief that only by focusing on sustainable development as a long-term value and incorporating CSR into business strategy can we make the best-performing and most-respected bank. As such, we pledge to build a happiness-giving enterprise—a supportive environment where all employees can bring their potential to the fullest. We also took the lead to set up the E.SUN Baby Growth Fund as an incentive for employees to have children and help cultivate a quality young generation. Separately, we also take responsible investment and lending seriously. As a signatory of the Equator Principles, we are set to work with customers for an intelligent, strategic, and methodical approach toward ensuring environmental sustainability. To attain sustainable development, we will keep up our endeavors across all aspects of our business: corporate governance, employees, customers, the environment, and society at large.

Both opportunities and challenges abound in the days ahead. As our third decade unfolds, E.SUN FHC has adopted the core strategy of striving for financial innovation, deepening roots in Taiwan, and making inroads into Asia so that we can take full advantage of Fintech and the Asian market that are both on the rise. With technology as our growth accelerator, we are committed to creating long-term value for shareholders and striking a balance between benefits for all stakeholders. Our gratitude goes to all those who have been generous with support and exhortation of E.SUN FHC over the years. We pledge to keep up our endeavors and help build a brighter future for all.

Best wishes!



Chairman



President

## II. Company Profile



# 1. Introduction

## (1) E.SUN FHC

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

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

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

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

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

## (2)Core subsidiary: E.SUN Bank

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

Seeking the optimal allocation of E.SUN FHC’s overall resources and striving to boost operating efficiency, subsidiary E.SUN Bank assumed the

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

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

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

Channels are the key to development in the financial industry. E.SUN Bank has 137 domestic branches, a 24-hour customer service center, and virtual online and mobile banking channels. It is constantly innovating and improving, and provide our customers a comprehensive financial service network. With regard to overseas channels, it has established 24 operating sites across 8 countries or regions: China, Hong Kong, Singapore, Los Angeles, Vietnam, Cambodia, Myanmar, and Australia, E.SUN is actively establishing an Asian financial platform, integrating domestic and foreign service networks, and providing customers full-scale, convenient international financial services.

### (3)Subsidiary: E.SUN Securities

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

### (4)E.SUN Venture Capital

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

industries. It hopes to draw on E.SUN FHC's resources to support startups and promote Taiwan's industrial transformation, and are making a contribution to Taiwan's industrial upgrading and development.

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

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

Furthermore, on December. 29,2015. E.SUN increased shareholding of UCB to 75%. Our Cambodia subsidiary now has 13 branches, providing financial service including deposits, loans and credit card etc.

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

★★★★★  
Dow Jones  
Sustainability World  
Index

★★★★★  
Gartner  
Digital Champion in  
Asiapac

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

★★★★★  
CommonWealth Magazine  
Golden Service  
Award

★★★★★  
Asiamoney  
Best Bank in Taiwan

★★★★★  
The Asset  
Best Bank in Taiwan



## 2. E.SUN's Glory

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

### Overall Performance

- E.SUN Bank ranked No.1 of the benchmark financial institution in Taiwan (CommonWealth Magazine)
- E.SUN FHC was included in Dow Jones Sustainability Emerging Market Index for 3 consecutive years
- E.SUN Bank received the Best Domestic Bank in Taiwan Award for 3 consecutive years (Asiamoney)
- E.SUN Bank received Bank of year award in Taiwan (The Banker)
- E.SUN Bank received the best Domestic Bank in Taiwan for 2 consecutive years(The Asset)
- E.SUN Bank received the 8th Best Practice Awards- Best CSR (Taiwan Academy of Banking and Finance)
- E.SUN Bank received the 8th Best Practice Awards- Best Risk Management (Taiwan Academy of Banking and Finance)
- E.SUN Bank received merit award in 8th Best Practice Awards- Best Human Resource Development (Taiwan Academy of Banking and Finance)
- E.SUN Bank received the 8th Best Practice Awards- Best Wealth Management (Taiwan Academy of Banking and Finance)
- E.SUN Bank received the 8th Best Practice Awards- Best SME (Taiwan Academy of Banking and Finance)
- E.SUN Bank received the 8th Best Practice Awards- Best Digital Finance (Taiwan Academy of Banking and Finance)
- E.SUN Bank received the award of Best Payment Bank in Taiwan (The Asian Banker)
- CEO Mr. Joseph Huang received the award of Best CEO (Investor Relations) in 2 consecutive years (Corporate Governance Asia)
- E.SUN Bank received the award of Best IR Company in Taiwan in 2 consecutive years (Corporate Governance Asia)
- E.SUN Bank received the award of Best Overall Bank for Cash Management in Taiwan (Global Finance)
- Mr. Joseph Huang, President of E.SUN FHC was chosen as the Best CEO in Taiwan (FinanceAsia)
- Mr. Joseph Huang, President of E.SUN FHC received the award of Best Chief Executive Officer Award in Asia for two consecutive years (The Asset)
- Ms. Magi Chen, CFO of E.SUN FHC was chosen as the Best CFO in Taiwan (FinanceAsia)
- E.SUN FHC ranked No.1 in Best IR Company in Taiwan (FinanceAsia)
- E.SUN FHC received the award of Highly Commended: Best Private Banking in Taiwan (Timetric)
- E.SUN Bank received SME Partner Award in 10 consecutive years (MOEA, Credit Guarantee Fund)
- E.SUN Bank received SME Partner Award (Youth Support) in 5 times (MOEA, Regional Development)
- E.SUN FHC received Award–Most Admired FHC by Finance and Insurance graduate in two consecutive years (RMIM)

### Digital Innovation

- E.SUN Securities Ranked 1st place in the excellent performance of ETF Trading Competition (TWSE)
- E.SUN Bank Ranked 1st place in cultural and creative lending award for two consecutive years (FSC)
- E.SUN Bank received merit award of Financing of SMEs by Domestic Banks for four times (FSC)
- E.SUN Bank received the award for e-commerce lending of Financing of SMEs by Domestic Banks for four times (FSC)
- E.SUN Bank received the award of Best in Treasury and working capital -SME in Taiwan for 4 consecutive years (The Asset)
- E.SUN Bank received the award of e-solution partner bank in Taiwan (The Asset)
- E.SUN Bank received the award of Best E-Bank in Taiwan (The Asset)
- E.SUN Bank received the award of Best Data and Analytics Initiative in Taiwan (The Asian Banker)
- E.SUN Bank received the award of The Credit Risk Technology Implementation of the Year in Taiwan (The Asian Banker)
- E.SUN Bank received the award of Best Payments Portal in Taiwan (with PayPal) (The Asian Banker)
- E.SUN Bank received the award of Best Cash Management Project in Taiwan (with Gamania Group) (The Asian Banker)
- E.SUN Bank received the award of Best Data and Analytics Project- Single country (with SAS) (The Asian Banker)
- E.SUN Bank received the award of Internet Banking Product of the Year in Taiwan (The Asian Banker)
- E.SUN Bank received the award of Retail Payment Product of Year in Taiwan (The Asian Banker)
- E.SUN Bank received the award of The First-Ever Digital Banks Of Distinction in Taiwan (Global Finance)

- E.SUN Bank received the award of Best Card Offering in North Asia (Timetric)
- E.SUN Bank received the award of Best Card Design in Asia (Timetric)
- E.SUN Bank received the award of Best Merchant Product Offering in Asia (Timetric)
- E.SUN Bank received the award of Best Merchant Acquiring Technology Solution in Asia (Timetric)
- E.SUN Bank received the award of Best Mobile Point-of-Sale (mPos) Initiative in Asia (Timetric)
- E.SUN Bank received the award of Best Merchant CRM Program: Highly Commended in Asia (Timetric)
- E.SUN Bank received the award of Best Merchant Acquiring Initiative: Highly Commended in Asia (Timetric)
- E.SUN Bank received the award of Most Innovative Retailer Adoption: Highly Commended in Asia (Timetric)
- E.SUN Bank received the award of Best New Product, Service or Innovation Launch: Highly Commended in Asia (Timetric)
- E.SUN Bank received the award of Best Cash Management Solution in Asia (Timetric)
- E.SUN Bank received the award of Asia Trailblazer of the Year (Timetric)
- E.SUN Bank received the award of Digital Champion in Asiapac for two consecutive years (Gartner)
- E.SUN Bank received the award of Most Innovative Digital Cost Saving Initiative in Asia (Gartner)
- E.SUN Bank Ranked 1st place in 2016 Formosa Bond Underwriting (Bloomberg)
- E.SUN Bank received the award of Asia Pacific Leader in Business Agility (IDC)
- E.SUN Bank received the award of Greatest Contribution of the Year for two consecutive years (MasterCard)
- E.SUN Bank received the award of Best Commercial Product of the Year for two consecutive years (MasterCard)

### Sustainable Development

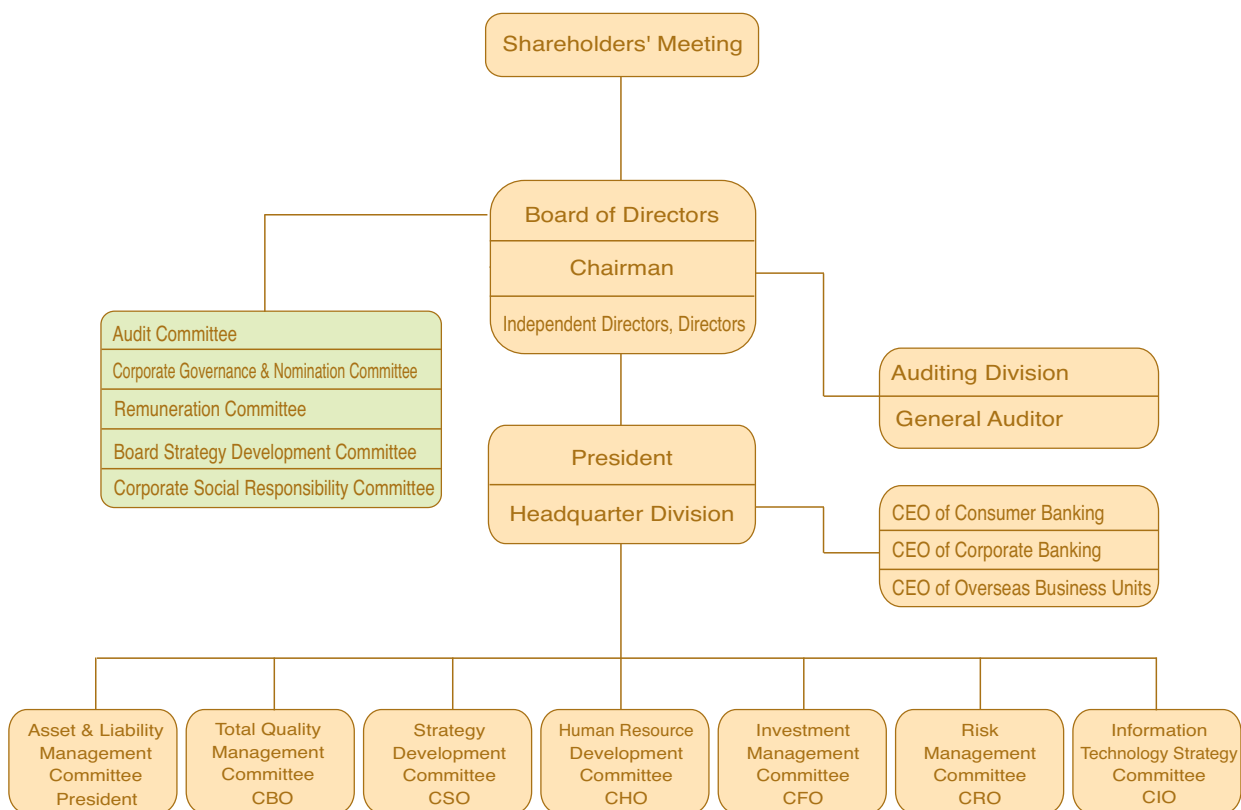
- E.SUN FHC ranked No.1 in financial institutions (and overall No.3 among large corporate) in the Award of Excellence in Corporate Social Responsibilities 9 times (CommonWealth Magazine)
- E.SUN Bank was top-ranked among financial institutions in Golden Service Award (CommonWealth Magazine)
- E.SUN FHC received Best CSR Award in Financial (Global Views)
- E.SUN FHC received Best CSR Award in Education Promotion (Global Views)
- E.SUN Bank received Best Wealth Management Bank award for 3 consecutive years (Business Today Magazine)
- E.SUN Bank received Best Wealth Management Product award for 3 consecutive years (Business Today Magazine)
- E.SUN Bank received Best Wealth Management Image award (Business Today Magazine)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best CSR for 3 consecutive years (Wealth Magazine)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best Domestic Bank for 3 consecutive years (Wealth Magazine)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best Banking Product for 3 consecutive years (Wealth Magazine)
- E.SUN FHC received the Golden Quality Award in Financial Brand & CSR Survey- Best Fintech in Banking (Wealth Magazine)
- E.SUN FHC received the merit Award in Financial Brand & CSR Survey- Best Fintech in Securities (Wealth Magazine)
- E.SUN Bank received Wealth Management Survey –Best Wealth Management Bank (Wealth Magazine)
- E.SUN Bank received Wealth Management Survey –Best service provider (Wealth Magazine)
- E.SUN Bank received Wealth Management Survey –Best Financial Consultant Team (Wealth Magazine)
- E.SUN Bank received Wealth Management Survey –Best Choice Bank (Wealth Magazine)
- E.SUN Bank received Wealth Management Survey –Best Promotion activities (Wealth Magazine)
- E.SUN Bank received Wealth Management Survey –Best Wealth Management Bank (Wealth Magazine)
- E.SUN Bank received Wealth Management Survey –Most Promising Bank (Wealth Magazine)
- E.SUN Bank received Silver Medals in Service Industry Survey in Taiwan (Commercial Times)
- E.SUN FHC ranked within top 5% of Corporate Governance Evaluation for 2 consecutive years (TWSE)
- E.SUN FHC received the Top 10 Most Sustainable Company Award for 2 consecutive years (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received the Gold medal in financial and insurance industry for Taiwan Top 50 Corporate Sustainability Report Awards for 2 consecutive years (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Innovation Development Awards for Taiwan Corporate Sustainability Awards (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Transparency and Integrity Awards for Taiwan Corporate Sustainability Awards (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Social Inclusion Awards for Taiwan Corporate Sustainability Awards (Taiwan Institute for Sustainable Energy)
- E.SUN FHC received Talent Development Awards for Taiwan Corporate Sustainability Awards (Taiwan Institute for Sustainable Energy)
- E.SUN Bank received the certificate for ISO 14064-1 : 2006 Greenhouse Gases Emissions Verification
- E.SUN Securities received the certificate for ISO 9001 : 2015 Quality Management System
- E.SUN 2015 CSR Report has received ISAE 3000 standard certification
- E.SUN 2015 CSR Report received the AA1000 Assurance Standards and was deemed in accordance with the Level A+ of the Global Reporting Institute GRIG4 Guidelines
- E.SUN Bank received the merit certificate for Green Procurement for 7 consecutive years (Environmental Protection Administration)
- E.SUN Bank received the merit certificate for Green Procurement by Private-Sector Enterprise and Organization for 8 consecutive years (Taipei City Government)
- E.SUN Bank received Exercise Enterprise Certification Awards (Sports Administration, Ministry of Education)
- E.SUN Bank received Bronze award of Sports Activists Awards for three consecutive years (Sports Administration, Ministry of Education)
- E.SUN FHC received the Platinum Award for Excellence Management in Corporate Governance in Asia for 7 consecutive years. (The Asset)
- E.SUN Bank received the award of The Anti-Money Laundering Risk Technology Implementation of the Year in Taiwan (The Asian Banker)
- E.SUN Bank received the award of Best CSR in Taiwan for 2 consecutive years (Corporate Governance Asia)
- E.SUN FHC Ranked 1st place among Financials in Best Managed Company in Taiwan (FinanceAsia)
- E.SUN FHC Ranked 1st place among Financials in Best CSR in Taiwan (FinanceAsia)
- E.SUN Bank received the award of Best Security Initiative in Asia (Timetric)

### III. Corporate Governance

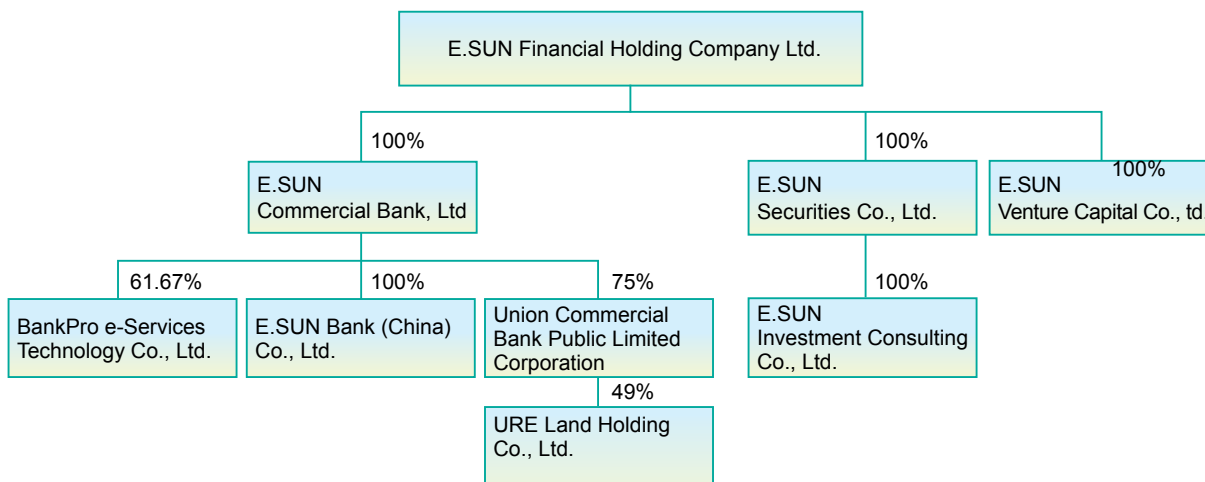




# 1. Organization Chart



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



### 3. Directors, Independent Directors and Executive Officers

#### (1) Directors and Independent Directors

Position	Nationalities	Representative	Gender	Date of Election	Term	2014.06.20 Shareholding when elected (Note1)		Current Shares (Note1)		Shareholdings of the spouses and minors (Note2)		Shareholding under other's name	Education (Experience)	Current positions within the company or other companies	Division chiefs, directors or supervisors are spouse or within 2nd degree of consanguinity of each other				
						Shares	%	Shares	%	Shares	%				Shares	%	Position	Name	Relationship
Chairman	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Yung-Jen Huang	Male	2014.06.20	3 Years	2005.6.10 2001.12.10	17,387	0.302	25,474	0.291	7,200	0.082	0	0	Department of Cooperative Economics at National, Chung Hsing University	None	None	None	
Director	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	Male	2014.06.20	3 Years	2005.6.10 2008.6.13	17,387	0.302	25,474	0.291	9,090	0.104	0	0	MBA of the City University of New York, 24 years in Financial Industry	President of E.SUN FHC President and Managing director of E.SUN Bank Chairman of E.SUN Bank(China) Director of Cho Pharma Inc.	None	None	None
Director	R.O.C.	Representative of E.SUN Foundation Gary K.L. Tseng	Male	2014.06.20	3 Years	2001.12.10 2010.5.14	10,227	0.177	14,531	0.166	1,889	0.022	0	0	Master of Public Administration at Harvard University, Director of Banking Bureau, Financial Supervisory Commission	Chairman of E.SUN Bank	None	None	None
Director	R.O.C.	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	Male	2014.06.20	3 Years	2001.12.10 2001.12.10	33,599	0.583	47,501	0.542	58,590	0.668	0	0	Kai-Nan Commercial & Technical High School	Chairman of Hsin Tung Yang Co.,Ltd., Shang Yang Investment Co.,Ltd., Ding Yang Investment Co.,Ltd., Cheng Yang Investment Co.,Ltd., Hsin Tung Yang Real Estate Broker Co.,Ltd. Yuan Sheng Co.,Ltd., Sheng Yang Construction Co.,Ltd. and Sin Yang Investment Co.,Ltd. Director of Hsin Tung Yang Construction Co.,Ltd., Hua Yang Logistics Co.,Ltd., Tao Garden Hotel, <b>Shang Yang Development Co.,Ltd.</b> and Shang Yang International Development Co.,Ltd. Managing Director of E.SUN Bank	None	None	None
Independent Director	R.O.C.	Chen -En Ko	Male	2014.06.20	3 Years	2004.6.11	0	0	0	0	0	0	0	0	PhD of Department of Accounting at National Taiwan University, Independent director of E.SUN Bank Independent director and member of Audit committee of <b>Chang Type Industrial Co.,Ltd.</b> Independent director and member of remuneration committee of <b>Novatek Microelectronics Co.,Ltd.</b> Director of Cho Pharma Inc. Independent director and member of remuneration committee of <b>Everlight Electronics Co.,Ltd.</b> Member of remuneration committee of <b>ATEN International Co.,Ltd.</b> , <b>Zhen Ding Tech. Co.,Ltd.</b> and E.SUN FHC Supervisor of Synovel Sciences Inc.	None	None	None	
Independent Director	R.O.C.	Ji-Ren Lee	Male	2014.06.20	3 Years	2006.6.9	0	0	0	0	0	0	0	0	PhD of Business Administration, University of Illinois, USA Professor of International Business at National Taiwan University Independent director of E.SUN Bank Independent director and member of remuneration committee of <b>Acer Inc.</b> and <b>Wow Prime Group.</b> Member of remuneration committee of <b>Nien Hsing Textile Co.,Ltd.</b> , <b>Mediatek Inc.</b> and <b>E.SUN FHC.</b> Independent director of <b>Delta Electronic Inc.</b> Director of Yu Hsin management consultant Co.,Ltd.	None	None	None	
Independent Director	R.O.C.	Chen-Chen Chang Lin	Female	2014.06.20	3 Years	2007.6.15	0	0	0	0	0	0	0	0	Master of Mathematics and Statistics of University of Michigan Independent director and Managing director of E.SUN Bank Convener of remuneration committee of E.SUN FHC.	None	None	None	
Independent Director	R.O.C.	Hsin-I Lin	Male	2014.06.20	3 Years	2008.6.13	0	0	0	0	0	0	0	0	Bachelor of Department of Mechanical Engineering, National Cheng-Kung University Director of <b>Yulon Motor Co.,Ltd.</b> , <b>China Motor Co.,Ltd.</b> , Yan Ching-Ling Industrial Development Foundation, <b>Acer Inc.</b> and Acer Foundation. Chairman of Guang Yuan Investment Co.,Ltd. Director of Shye Shiyang Mechanical Industrial Co., Ltd. and Yulon Management Company Independent director of E.SUN Bank Member of remuneration committee of E.SUN FHC and <b>Shihlin Electric&amp;Engineering Corp.</b>	None	None	None	
Director	R.O.C.	Representative of Fu-Yuan Investment Co.,Ltd. Ron-Chu Chen	Male	2014.06.20	3 Years	2014.06.20 2004.06.11	1,030	0.018	29,771	0.340	59	0.001	0	0	Chu Nan Junior High School	Chairman of Chen Chin-Po Culture and Education Foundation , Ron Yuan Investment Co.,Ltd. and Fu Yuan Investment Co.,Ltd. Director of E.SUN Bank and Jia Tien Sia Investment Co.,Ltd.	None	None	None
Director	R.O.C.	Representative of Shang Li Car Co.,Ltd. Chien-Li Wu	Male	2014.06.20	3 Years	2005.6.10 2005.6.10	28,000	0.486	40,000	0.456	0	0	0	0	Chung Jung High School	Chairman of Shang Li Car Co.,Ltd., Ruen Li Transportation Co.,Ltd., Shen Li Investment Co.,Ltd., Shang Li Transportation Co.,Ltd., Shan Ben Intl. Investment Co.,Ltd. Sunlit Investment Pty.,Ltd. and Shen Li Transportation Co.,Ltd. Director of Guang Yuan Investment Co.,Ltd., Genius Technology Co.,Ltd., Keeper Technology Co.,Ltd. Tong Lit Logistics Co.,Ltd., Tong Chun Co.,Ltd., E.SUN Bank and Yung Feng Shun Construction Co.,Ltd. Supervisor of <b>Jung Shing Wire Co.,Ltd.</b>	None	None	None
Director	R.O.C.	Representative of Shan Meng Investment Co.,Ltd., Magi Chen	Female	2014.06.20	3 Years	2001.12.10 2014.06.20	13,565	0.235	19,274	0.220	1,400	0.016	0	0	EMBA, University of Tennessee, Knoxville., 39 years in Financial Industry	Deputy president and CFO of E.SUN FHC and E.SUN Bank Director of E.SUN Bank	None	None	None
Director	R.O.C.	Representative of Sunlit Transportation Co., Ltd. Ben Chen	Male	2014.06.20	3 Years	2005.6.10 2014.06.20	28,000	0.486	41,349	0.472	4,355	0.050	0	0	Department of Business Administration at Soochou University 27 years in Financial Industry	Deputy president of E.SUN FHC CEO of consumer banking division and Director of E.SUN Bank	None	None	None

Note 1: Shareholdings include trust accounts

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

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

## (2) Professional Qualifications and Independence Analysis of Directors and Independent Directors

2016.12.31

Name (Note)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other public companies in which the individual is concurrently serving as an Independent Director	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	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 Gary K.L. Tseng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director Joseph N.C. Huang			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Chen-En Ko	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director Ji-Ren Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Independent Director Chen-Chen Chang Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Hsin-I Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director Jackson Mai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director Rong-Chu Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director Chien-Li Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director Magi Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Director Ben 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) Executive Officers



2016.12.31 Unit: 1,000 shares, %

Position	Nationalities	Name	Date of Taking Office	2016.12.31						Education (Experience) Position	Current position Held at other compan	Managers who are spouses or within the second degree of consanguinity		
				Shareholdings		Shares Held by Spouse and Children under 18		Shares Held Using Names of Other				Position	Name	Relationship
				Shares	%	Shares	%	Shares	%					
President	R.O.C.	Joseph N.C. Huang	2008.07.16	8,811	0.101	279	0.003	0	0	MBA of the City University of New York, 24 years in Financial Industry	Director of E.SUN FHC President & CEO of E.SUN Bank Chairman of E.SUN (China) Director of Cho Pharma Inc.	None	None	None
CFO	R.O.C.	Magi Chen	2004.02.13	1,400	0.016	0	0	0	0	EMBA, University of Tennessee, Knoxville, 39 years in Financial Industry	Director of E.SUN FHC Director of E.SUN Bank CFO and Deputy President of Treasury Division at E.SUN Bank	None	None	None
Deputy President	R.O.C.	Ben Chen	2014.01.24	3,305	0.038	1,050	0.012	0	0	Department of Business Administration at Soochou University 27 years in Financial Industry	Director of E.SUN FHC Director of E.SUN Bank CEO of Consumer Banking Division at E.SUN Bank	None	None	None
CHO	R.O.C.	Jyh-Cherng Wang	2002.01.28	3,027	0.035	915	0.010	0	0	Master of Agricultural Management at National Chung Hsing University, 28 years in Financial Industry	CHO and SEVP of Human Resource Division at E.SUN Bank Supervisor of Shen Meng Investment Co., Ltd.	SVP	Pei-Hwa Wang	Sister
CSO	R.O.C.	Mao-Chin Chen	2016.01.29	1,144	0.013	965	0.011	0	0	Master of Department of Economics at National Taiwan University, 25 years in Financial Industry	Director of E.SUN Bank CSO and CEO of Corporate Banking Director of UCB Bank, Cambodia	None	None	None
SEVP	R.O.C.	Shui-Chin Shen	2012.01.07	1,169	0.013	122	0.001	0	0	Master of Management at National Chung Hsing University 39 years in Financial Industry	Chairman of E.SUN Securities	None	None	None
SEVP	R.O.C.	L.C. Lin	2012.01.07	431	0.005	651	0.007	0	0	Department of Public Administration at National Chung Hsing University, 28 years in Financial Industry	SEVP of Corporate Banking Division at E.SUN Bank Chairman of E.SUN Venture Capital	None	None	None
SEVP	R.O.C.	Wu-Ming Hsieh	2014.01.24	591	0.007	617	0.007	0	0	Master of Department of Business Development at Min Chiu University 25 years in Financial Industry	SEVP of Consumer Banking Division at E.SUN Bank Director of E.SUN Securities	None	None	None
SEVP	R.O.C.	Jung-Hua Lin	2014.01.24	876	0.010	330	0.004	0	0	Master of Department of Business Development at National Chung Hsing University 25 years in Financial Industry	SEVP of Credit Card & Payment Division. Director of EASYCARD Corporation Director of EASYCARD Investment Holdings Corporation	None	None	None
SEVP	R.O.C.	Louis Chang	2015.02.06	1,560	0.018	307	0.003	0	0	Master of Institute of Business & Management at National Chiao Tung University 21 years in Financial Industry	Director of E.SUN Bank SEVP of Wealth Management Division at E.SUN Bank	None	None	None
SEVP	R.O.C.	Cathy Kuo	2017.01.20	1,247	0.014	0	0	0	0	Master of Department of Economics at National Taiwan University 24 years in Financial Industry	SEVP of Corporate Banking Division at E.SUN Bank Director of UCB Bank, Cambodia	None	None	None
SEVP	R.O.C.	Bruce Lee	2017.01.20	1,043	0.012	87	0.001	0	0	Department of Business Administration at Tamkang University 22 years in Financial Industry	CDO and SEVP of Digital Banking Division at E.SUN Bank Director of BankPro e-Services Technology Co., Ltd	None	None	None
General Auditor	R.O.C.	Chien-Hua Cheng	2013.09.13	298	0.003	708	0.008	0	0	Administrative Management Department, Administration Junior College, National Chengchi University 46 years in Financial Industry	None	None	None	None
CAO	R.O.C.	Kuan-Her Wu	2002.01.28	414	0.005	0	0	0	0	Department of Accountancy at National Chung Hsing University, 41 years in Financial Industry	CAO and EVP, of Accounting Division at E.SUN Bank Supervisor of E.SUN VC	None	None	None
CIO	R.O.C.	Wan-Li Hsieh	2012.03.23	785	0.009	56	0.001	0	0	Department of ee and computer science at University of Chung Yung 23 years in Financial Industry	CIO and EVP of IT Division at E.SUN Bank	None	None	None
CRO	R.O.C.	Oliver Shieh	2011.03.18	1,086	0.012	0	0	0	0	Master of Applied Finance center at Macquarie University, Australia 23 years in Financial Industry	CRO and SEVP of Risk Management Division at E.SUN Bank	None	None	None
CMO	R.O.C.	Bright Wen	2012.01.07	628	0.007	56	0.001	0	0	Master of Department of Economics at Soochou University 21 years in Financial Industry	CMO and SVP of E.SUN Bank Supervisor of E.SUN Securities	None	None	None
CBO	R.O.C.	Daniel Tsai	2014.06.26	483	0.006	118	0.001	0	0	Master of Department of Management at National Taiwan University, 14 years in Financial Industry	Director of E.SUN Investment Consulting	None	None	None
CCO	R.O.C.	Fion Ou-Yang	2016.01.22	196	0.002	0	0	0	0	College of Law at National Chengchi University 19 years in Financial Industry	SVP and Head of Legal Compliance at E.SUN Bank	None	None	None

## (4) Remuneration to Directors, Independent Directors, President and SEVP

### a. Remuneration to Directors and Independent Director

2016.12.31 Unit NTS thousand

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income(%)	Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E+F+G) to net income(%)	Compensation paid to directors from an invested company other than the company's subsidiary				
		Base Compensation(A)		Severance Pay(B)		Bonus to Directors(C)		Allowances(D)			Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)		Amount of restricted stock meant for employees acquired							
		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
List below		8,747	17,458	0	0	99,000	115,981	1,245	2,625	0.83%	1.04%	18,412	35,452	0	0	2,200	0	4,000	0	0.99%	1.34%	None	0	0.99%	1.34%	None

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

※Remuneration distributed to directors who are serving for year 2016.

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

### b. Remuneration Range table

Unit NTS 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 NTS 2,000,000				
NTS2,000,000 ~ NTS5,000,000				
NTS5,000,000 ~ NTS10,000,000	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Ben Chen), Shan Meng Investment Co.,Ltd. (Representative Magi Chen)	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Ben Chen), Shan Meng Investment Co.,Ltd. (Representative Magi Chen)	E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. (Representative Ben Chen), Shan Meng Investment Co.,Ltd. (Representative Magi Chen),	E.SUN Foundation(Representative Gary K.L. Tseng), Hsin Tung Yang Co.,Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin Fu-Yuan Investment Co.,Ltd., Shnag Li Car Co.,Ltd.
NTS10,000,000 ~ NTS15,000,000				Sunlit Transportation Co.,Ltd. (Representative Ben Chen)
NTS15,000,000 ~ NTS30,000,000	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), Chairman of E.SUN Bank, Gary K.L. Tseng	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), Chairman of E.SUN Bank, Gary K.L. Tseng, E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), Shan Meng Investment Co.,Ltd. (Representative Magi Chen)
NTS30,000,000 ~ NTS50,000,000				
NTS50,000,000 ~ NTS100,000,000				
Over NTS100,000,000				
Total		108,992	136,064	129,604

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

### c. Remuneration to President and SEVPs

2016.12.31 Unit NTS thousand

Title	Name	Base Compensation(A)		Severance Pay(B)		Bonus and Allowance(C)		Profit Sharing – Employee Bonus (D)				Ratio of total remuneration (A+B+C+D) to net income(%)		Compensation paid to directors from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Joseph N.C. Huang													
CSO	Mao-Chin Chen													
CFO	Magi Chen													
Deputy President	Ben Chen													
CHO	Jyh-Cherng Wang													
SEVP	Shui-Chin Shen	9,471	38,883	0	0	13,788	35,858	2,350	0	6,610	0	0.19%	0.62%	0
SEVP	L.C. Lin													
SEVP	Wu-Ming Hsieh													
SEVP	Jung-Hua Lin													
SEVP	Louis Chang													
CCO	Fion OuYang													
General Auditor	Chien-Hua Cheng													

### Remuneration Range table

Unit NTS thousand

Bracket	Name of Directors	
	The company	Companies in the consolidated financial statements
Under NTS 2,000,000	Mao-Chin Chen, Magi Chen, Ben Chen, Jyh-Cherng Wang, Shui-Chin Shen, L.C. Lin, Wu-Ming Hsieh, Jung-Hua Lin, Louis Chang, Fion OuYang	Shui-Chin Shen
NTS2,000,000 ~ NTS5,000,000	Chien-Hua Cheng	Wu-Ming Hsieh, Jung-Hua Lin, Fion OuYang, Chien-Hua Cheng
NTS5,000,000 ~ NTS10,000,000		Ben Chen, Jyh-Cherng Wang, Mao-Chin Chen, L.C. Lin, Louis Chang
NTS10,000,000 ~ NTS15,000,000		Magi Chen
NTS15,000,000 ~ NTS30,000,000	Joseph N.C. Huang	Joseph N.C. Huang
NTS30,000,000 ~ NTS50,000,000		
NTS50,000,000 ~ NTS100,000,000		
Over NTS100,000,000		
Total	25,609	81,351

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

Unit NTS thousand

Year	2016						2015					
	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	12	129,604	0.99%	12	175,516	1.34%	13	127,731	1.00%	13	172,666	1.35%
President and SEVP	12	25,609	0.19%	12	81,351	0.62%	12	25,974	0.20%	12	79,276	0.62%

Note:2016 Net Profit for E.SUN FHC is NTS13,135,212,000, 2015Net Profit for E.SUN FHC is NTS12,816,347,000.

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

- The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 36 of the Company's statute. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 27-1 of the statute. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of this compensation.
- The performance review system and remuneration framework for managers is first screened by the 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. Regularly assess and establish the remuneration of managers and implement a deferred bonus scheme so that the remuneration of managers is closely linked to the company's performance. A manager's bonus will be impacted if a major risk event occurs that impacts the Company's reputation, inappropriate internal management is seen, or other abuses are documented. At the same time, the Company will carry out stress tests and scenario analysis to evaluate possible risk in the future, and the Risk Management Committee each quarter will report to the board on the level of such risk.

## 4. Implement of Corporate Governance

### (1) Board of Directors

A total of 8 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	10	0	100		Re-elected
Director	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	10	0	100		Re-elected
Director	Representative of E.SUN Foundation Gary K.L. Tseng	10	0	100		Re-elected
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	9	1	90		Re-elected
Independent Director	Chen-En Ko	10	0	100		Re-elected
Independent Director	Ji-Ren Lee	10	0	100		Re-elected
Independent Director	Chen-Chen Chang Lin	9	1	90		Re-elected
Independent Director	Hsin-I Lin	10	0	100		Re-elected
Director	Representative of Fu-Yuan Investment Co.,Ltd. Rong-Chu Chen	10	0	100		Re-elected
Director	Representative of Shang Li Car Co.,Ltd. Chien-Li Wu	10	0	100		Re-elected
Director	Representative of Shan Meng Investment Co.,Ltd. Magi Chen	10	0	100		Re-elected
Director	Representative of Sunlit Transportation Co., Ltd. Ben Chen	10	0	100		Re-elected

Other mentionable items:

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

(1) Article 14-3: Not applicable as the Company has set Audit Committee.

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

2. Recusals of Directors due to conflicts of interests

Directors	Motion	Reason for recusal	Voting participation situation
Joseph Huang, Magi Chen, Ben Chen	Top-level manager 2015 year-end bonus distribution plan	Motion is related to the interests of the director	Recusal of Joseph Huang following the reporting of year-end bonus distribution for top-level managers below vice president. Magi Chen and Ben Chen did not participate in the discussion and voting of resolutions.
Joseph Huang, Magi Chen, Ben Chen	Salary adjustments for top-level managers	Motion is related to the interests of the director	Recusal of Joseph Huang following the adjustment of salaries for vice presidents or below. Magi Chen and Ben Chen did not participate in the discussion and voting of resolutions.
Joseph Huang, Magi Chen, Ben Chen	2015 Employee Bonus Distribution Plan for Top-Level Managers	Motion is related to the interests of the director	Did not participate in discussion and voting of resolution
Joseph Huang, Magi Chen, Ben Chen	Top-level manager 2016 year-end bonus distribution and long term incentive distribution plan	Motion is related to the interests of the director	Recusal of Joseph Huang following the reporting of year-end bonus distribution for top-level managers below vice president. Magi Chen and Ben Chen did not participate in the discussion and voting of resolutions.
Yung-Jen Huang, Joseph Huang, Gary K.L. Tseng, Jackson Mai, Ron-Chu Chen, Chien-Li Wu, Magi Chen	Nomination for the Company's sixth term board of directors	Motion is related to the interests of the director	Did not participate in discussion and voting of resolution.
Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin	Nomination for the Company's sixth term board of independent directors	Motion is related to the interests of the director	Did not participate in discussion and voting of resolution.

3. Evaluation of the goals (e.g., set up an audit committee, enhance information transparency) and implementation status of strengthening the duties and functions of the Board of Director during the most recent year: To improve the corporate governance system, improve monitoring functions, and reinforce management functions, the Company has officially adopted the auditing committee system as of June 2008 following the reelection of directors in the shareholders' meeting. In 2006, a Remuneration Committee was established and the criteria for committee members were adjusted in advance in 2011 in accordance with the provisions specified in Article 6, Paragraph 1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. Thereafter in 2012, a CSR Committee was established to implement the CSR of the Company and its subsidiaries. The Company's Board of Directors will cooperate with all functional committee members and actively strength the responsibilities of the Board of Directors to implement corporate governance. In 2016, the board performance review system added regular review of the corporate sustainability, aiming to develop the Company's short term to long term value for corporate sustainability. Furthermore, the Company will plan to invite independent third party institution to review board performance in 2017.

### (2) Audit Committee

A total of 8 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	8	0	100		Re-elected
Independent Director	Ji-Ren Lee	8	0	100		Re-elected
Independent Director	Chen-Chen Chang Lin	8	0	100		Re-elected
Independent Director	Hsin-I Lin	8	0	100		Re-elected

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

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

Date	Term	Issue to communicate	Result
2016.03.18	15th Session of 5th Board of Directors	2015 consolidated financial statements and business report 2015 Statement on the Internal Control System Capitalized earnings and employee compensation	Audit Committee: The proposal was passed by a unanimous vote and submitted to the board of directors. Board of Directors: The proposal was passed by a unanimous vote.
2016.08.12	18th Session of 5th Board of Directors	2016 H1 consolidated financial statements Internal change of CPAs by the CPA firm Amendment of the company's "Shareholder Services Guidelines" Subscription of E.SUN Venture Capital's cash issue	
2017.03.01	21st Session of 5th Board of Directors	2016 consolidated financial statements and business report Capitalized earnings and employee compensation Proposal of a cash issue of 700 million new shares	Board of Directors: The proposal was passed by a unanimous vote.
2017.03.24	22nd Session of 5th Board of Directors	2016 Statement on the Internal Control System Proposal of renewing contract with CPAs Amendments to the company's "Asset Acquisition or Disposal Procedures" Amendment of the company's "Shareholder Services Guidelines"	

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

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

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

Date	Mode	Object	Issues to communicate	Result
2016.01.07	Audit Committee	CPA	Report the plan of audit work for 2015 financial reports.	Noted
		General Auditor	Report the results of audit work for year 2015	Noted
2016.03.17	Audit Committee	CPA	Report the results of audit work for 2015 financial reports	Noted
2016.04.26	Audit Committee	General Auditor	Report the results of audit work for first quarter of 2016	Noted
		CPA	Report the results of audit work for first half of 2016 financial report	Noted
2016.08.11	Audit Committee	General Auditor	Report the results of audit work for second quarter of 2016	Noted
		CPA	Report the results of audit work for third quarter of 2016	Noted
2016.11.02	Audit Committee	General Auditor	Report the plan of audit work for 2017	For Board's approval
2016.11.04	Audit conference	General Auditor and Audit Division	Discussion issues on internal audit work	Accordance with recommendations
2016.12.16	Meeting	CPA	Draft plan for financial report	Accordance with resolution
		CPA	Report the plan of audit work for 2016 financial reports.	Noted
2017.01.04	Audit Committee	General Auditor	Report the results of audit work for fourth quarter of 2016	Noted
2017.03.01	Audit Committee	CPA	Report the results of audit work for year 2016	Noted

Note:

(1) Where any independent director departs before a given year ends, the date of departure shall be specified in the remarks column. The ratio of attendance (%) of the independent director in question shall thus be calculated by taking into account the number of meetings convened by the Audit Committee during the period when he/she is in active duty as well as the number of his/her attendance.

(2) Where any independent director is reappointed before a given year ends, both the newly appointed and replaced independent directors shall be put on record, with their respective status (former, newly appointed, or serving a second term) as well as the date of reappointment being specified in the remarks column. The ratio of attendance (%) of the independent director in question shall thus be calculated by taking into account the number of meetings convened by the Audit Committee during the period when he/she is in active duty as well as the number of his/her attendance.

(3) Items of disclosure according to corporate governance code for FHCs. Please refer to: <https://www.esunfhc.com/en/corporate-governance>.

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

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

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

Item	Status of implementation (Note 1)			Any departure from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such departure
	Yes	No	Summary	
<p>1. Implementing and Promoting Corporate Governance</p> <p>(1) Does the Company institute a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and suits, as well as act in accordance with the said procedures?</p> <p>(2) Does the Company have access to the identity of major shareholders who have actual control over the Company as well as that of their ultimate control persons?</p> <p>(3) Does the Company put in place internal regulations that bar insiders from trading securities based on information yet to be made public on the market?</p>	V		<p>(1) The Company has appointed a spokesperson and established an investor relations department as well as a department charged specifically with stock affairs. Meanwhile, contact information is fully disclosed on the Company's official website so that shareholders can express opinions over the phone, by email, or through leaving online messages. In turn, the Company is proactive to respond to and deal with them properly in accordance with pertinent internal procedures.</p> <p>(2) Major shareholders who own a stake of not less than 5% all report to the Company the status of their shareholdings in accordance with pertinent laws and regulations. For its part, the Company promotes awareness of such laws and regulations and offers related documents and forms on its official website.</p> <p>(3) To supervise the establishment and implementation of a risk management system across the Company and its subsidiaries, the Company has set up a Risk Management Committee that is responsible for implementing and supervising risk management policy, building a risk management culture, and laying down the Company's Risk Management Policy and Guiding Principles. Moreover, the Risk Management Committee is responsible for implementing risk management decisions made by the Board of Directors. The committee is also supposed to act as integrator when it comes to the review, supervision, and coordination of risk management mechanisms across the Company and its subsidiaries; it is also to establish defense mechanisms to uphold information security in business interaction, transactions, and information exchanges between the parent company and subsidiaries.</p> <p>To uphold asset quality and strengthen management of excessive risk concentration, the Company has enforced the Guidelines Governing Quota Management for Dealings Between E.SUN FHC and Subsidiaries. Separately, the Guidelines Governing E.SUN FHC Dealing With Interested Parties, Guidelines Governing E.SUN FHC Dealing With Subsidiaries, and Internal Regulations for E.SUN FHC and Subsidiaries to Conform to Article 45 of the Financial Holding Company Act are put in place to further bolster internal management across the E.SUN group.</p>	None
<p>2. Composition and Duties/ Responsibilities of the Board of Directors</p> <p>(1) Besides setting up the Compensation Committee and Audit Committee according to law, does the Company voluntarily set up other functional committees?</p> <p>(2) Does the Company evaluate the independence of its CPA on a regular basis?</p>	V		<p>(1) The Company has also set up the Corporate Governance and Nominating Committee, Strategy Committee, and Corporate Social Responsibility Committee.</p> <p>(2) Pursuant to Article 29 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Company engages professional, responsible, and independent CPAs to audit its finances and internal control on a regular basis. Meanwhile, the Company's Audit Committee and Board of Directors are called upon to evaluate the suitability, independence, and fair pricing of the engaged CPA firm every six months (in the first and third quarters). For its part, the CPA firm is supposed to present a statement of independence (specifying that the CPAs responsible for audit and their spouses as well as dependent relatives have no major financial interests at stake involving the Company, either directly or indirectly, or have undermined independence in any other way). To effectively avoid conflicts of interest, the Company conducts an inspection in the first quarter of every year to make sure that the contracted CPAs are not interested parties referred to in Article 45 of the Financial Holding Company Act, do not enjoy more favorable terms and deposit/lending rates than for similarly situated customers while engaging in credit extension deals with the Bank's subsidiary E.SUN Bank, and do not hold shares in the Company.</p>	None
<p>3. Has E.SUN FHC established a full-time (or part-time) corporate governance position or person to bear responsibility corporate governance-related matters (including but not limited to providing directors and supervisor's information needed for the implementation of their duties, matters connected with the holding of board and shareholder's meetings in accordance with law, implementation of corporate registration and registration changes, and production of board and shareholders meeting minutes, etc.)?</p>	V		<p>The Company's financial holdings management section (legal affairs) is the Company's dedicated corporate governance unit and is responsible for corporate governance-related matters; it is under the oversight of the chief brand officer.</p> <p>Following are matters related to corporate governance:</p> <p>(1). Performing company registration and change of registration.</p> <p>(2). Preparing for matters for board and shareholders meetings in accordance with law, and helping the company comply with laws and regulations for board and shareholders' meetings.</p> <p>(3). Preparing for board and shareholders meeting minutes.</p> <p>(4). To assist the directors and independent directors in legal compliance, providing directors and independent directors with information needed for the performance of their duties, and updates to laws and regulations affecting the Company's operations.</p> <p>(5). Other matters determined in the Company's articles of incorporation or in contract.</p>	None
<p>4. Does the Company have in place channels for communicating with stakeholders and set aside an exclusive section for stakeholders on its website so that it can properly respond to major corporate social responsibility issues of concern to the latter?</p>	V		<p>The Company has appointed a spokesperson and set up an investor relations department for communicating with stakeholders. Shareholders and customers can fully express their opinions through the Company's stock affairs and customer service departments respectively. For their part, employees can take their complaints, if any, to the Company's human resources department. All problems can be solved properly and communication can proceed smoothly. Separately, the Company's website includes a special section for corporate social responsibility that not only makes public the Company's CSR report but also provides a channel for communicating with stakeholders.</p>	None
<p>5. Information Disclosure</p> <p>(1) Does the Company install a website for disclosing information on finances, operations, and corporate governance?</p> <p>(2) Does the Company resort to other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesman to communicate with the general public, making public the recordings of investor briefings on its website, etc.)?</p>	V		<p>(1)</p> <p>a. The Company has installed a website (<a href="https://www.esunfhc.com/zh-tw/investor-relations/company-overview/annual-reports">https://www.esunfhc.com/zh-tw/investor-relations/company-overview/annual-reports</a>) to disclose information on finances, operations, and corporate governance.</p> <p>b. Information to be disclosed includes that with regard to finances, operations, board resolutions, presentations at investor briefings, internal control, personnel designated for communicating with investors, etc.</p> <p>(2)</p> <p>a. The Company has installed an English website and designated personnel to collect and disclose material information.</p> <p>b. The Company has faithfully implemented a mechanism under which the position of spokesperson is taken by someone who has a thorough understanding of the financial holding company's finances and operations and is able to coordinate with all departments.</p> <p>The spokesperson's contact information is fully disclosed on the Company's website:</p> <p>Spokesperson Name: Joseph Huang Title: President, E.SUN FHC Telephone: (+886) 02-2175-1313 E-Mail: joseph@email.esunbank.com.tw</p> <p>Deputy Spokesperson Name: Magi Chen Title: CFO Telephone: (+886) 02-2175-1313 E-Mail: magi@email.esunbank.com.tw</p> <p>Agency Handling Share Transfer Stock Service Dept., General Affairs Division, E.SUN FHC Address: 1F, Sec. 3, Ming-Sheng E. Road, Taipei, Taiwan Telephone: (+886) 02-2175-1313</p> <p>c. Presentation materials prepared for analyst meeting's briefings, along with audio files, are uploaded onto the Company's website. A dedicated unit is in charge of material maintenance.</p>	None



Item	Status of implementation (Note 1)			Any departure from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such departure
	Yes	No	Summary	
6. Does the financial holding company have other crucial information that facilitates understanding the operation status of its corporate governance (including but not limited to situations regarding employee rights and interests, employee care, investor relations, the rights and interests of stakeholders, the continuing education of directors and supervisors, the implementation status of risk management policies and risk measuring standards, the implementation status of customer policies, the situation concerning the purchase of accountability insurance for directors and supervisors, and donations made to political parties, stakeholders, and public interest groups)?	V		<p>(1) To boost the capacity of the Board of Directors for supervision and management, the Company has adopted the Rules of Procedure for Board Meetings that regulate the main agenda items, operational procedures, and mandatory contents of meeting minutes. Board meetings shall be held in accordance with these rules.</p> <p>(2) Board directors are asked to attend relevant training programs from time to time.</p> <p>(3) The Company has established the Risk Management Committee that is called upon to effectively implement risk control and management policy and compile risk management reports. A summary of the scope and characteristics of the Company's risk measurement system is as follows:</p> <p>a. Credit Risk Establish a systematic approach to managing credit risk associated with borrowers, counterparties in transactions, or asset portfolios: setting up a proper credit risk control environment; placing the credit risk of trading counterparties under control and management as well as producing credit ratings for the latter; setting conditions for the control and management of risk exposure and risk concentration associated with any individual product, industry, or business conglomerate.</p> <p>b. Market Risk For their on and off-balance sheet items, the Company and its subsidiaries shall establish mechanisms for assessing and controlling risk deriving from price, exchange rate, and interest rate fluctuations.</p> <p>c. Liquidity Risk Assess the composition of major assets and the liquidity risk facing them. Manage the risk based on the features of each industry and pertinent regulations set by the competent authority. Put in place a liquidity risk emergency plan.</p> <p>d. Operational Risk Establish a full range of operational processes, limits of authority for various operations, and processes for the control and management as well as audit of documents and certificates.</p> <p>e. Legal and Other Risk Manage legal and other risk by means of risk scenario stress testing as well as risk tolerance and capital adequacy evaluation.</p> <p>(4) The Company has always given priority to making sure that its subsidiaries offer quality customer service and implement a sound consumer protection policy. Their websites provide consumers with various channels of communication, including 24/7 customer service hotlines and sections reserved for online messages.</p> <p>(5) As part of its effort to establish a well-rounded corporate governance mechanism, the Company has provided board directors and key employees with comprehensive liability insurance so as to minimize the risk exposure of both itself and the personnel in question. The insured parties include the directors, supervisors, and managerial/supervisory employees of E.SUN FHC and its subsidiaries. The coverage extends to damage compensation and litigation expenses deriving from damage claims filed against E.SUN FHC and its subsidiaries for charges in relation to securities or employment practices; against directors or independent directors for alleged management or employment malpractices; against directors and independent directors for charges in relation to labor safety and health.</p> <p>(6) Multiple channels are made available for employees of the Company to communicate with all levels of management and the human resources department. All problems can be solved properly and communication can proceed smoothly. Each year the Company will organize a "knowledge-sharing" seminar to inform employees of its vision, policy, and other employee-related matters. Videoconferences are also held for communicating with employees whenever warranted. Meanwhile, the Employee Welfare Committee is charged with the responsibility of caring for employees.</p> <p>(7) To encourage shareholders to get involved in corporate governance, the Company has adopted the Rules of Procedure for Shareholders' Meetings. Besides the appointment of a spokesperson, the Company has also set up a department responsible specifically for handling stock affairs. Shareholders can fully express their opinions, and designated personnel will handle such matters accordingly. Moreover, all information on finances and operations is fully and truthfully disclosed in the Company's annual report and on its website.</p> <p>(8) To uphold corporate governance and corporate social responsibility, the Company has adopted the Regulations on Handling Donations. A summary of the Company's donations to political parties, interested parties, and public welfare organizations during the latest year: none.</p> <p>(9) Status of implementation of resolutions adopted by shareholders' meetings: All reports and ratified proposals are handled according to law. When it comes to matters for deliberation, all revisions to the Articles of Incorporation and Regulations Governing the Acquisition and Disposal of Assets are handled according to law while resolutions on capitalization of retained earnings are reported to the competent authority in tandem with pertinent regulations, after which new shares are issued accordingly.</p>	None
7. Please explain improvements made pursuant to the Taiwan Stock Exchange Corporation Corporate Governance Center's corporate governance assessment results issued in the most recent year, and explain any matters and measures to be strengthened as a first priority in areas where improvements have not yet been made.	V		<p>The Company has actively promoted high standard of corporate governance, and has been included in top 5% of the Taiwan Stock Exchange's "corporate governance assessment" ranking for two consecutive years since 2015. It responds to the Company's emphasis on the rights and interests of shareholders and stakeholders, and shows the great efforts to establish a sound corporate governance system.</p> <p>The dividend policy is disclosed in detail in the 2015 annual report in accordance with the evaluation results in 2016. Arrangements were made to ensure directors and independent directors complied with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies and completed the required hours accordingly. The company intends to make criteria in which the company did not score part of the corporate governance priority project after the results of the 3rd Corporate Governance Evaluation are announced.</p> <p>The company will be an active participant in the Corporate Governance Evaluation and devote itself to delivering the best overall performance and being the most respected company.</p> <p>The Company was awarded superior certification qualifications in the Taiwan Corporate Governance Association's CG60 (2015) corporate governance system assessment. This certification is valid from Dec.22, 2016 to Dec.21, 2018. E.SUN will continue focusing on corporate governance which is in line with global standard, and set the milestone for Taiwan financial sector.</p>	None

Note 1: Regardless of the choice of "Yes" or "No" with regard to the status of implementation, a more detailed account is warranted in the summary column.

Note 2: The said corporate governance self-evaluation report refers to one in which the Company reports on the status of its implementation of corporate governance in areas selected specifically for such evaluation. Rationale for revision: Revise items of disclosure for the status of implementation of corporate governance in line with a revision to the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies.

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

### a. Information concerning members of the Remuneration Committee

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

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

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

(2) Not a director or supervisor of the Company or an affiliated enterprise. However, the independent directors of subsidiaries in which the Company or its parent company directly or indirectly holds more than 50% of shares with voting rights shall not be subject to this restriction.

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

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

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

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

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

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

### b. Information concerning the Remuneration Committee's operations

(a) The Company's Remuneration Committee shall have 4 members.

(b) Period of appointment of current committee members: From June 26, 2014 to June 25, 2017; the Remuneration Committee met 6 times during the most recent year (A). The following are the members' qualifications and their meeting attendance:

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

Other matters that must be recorded:

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

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

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

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

(b) Period of appointment of current committee members: From June 20, 2014 to June 19, 2017; the Corporate Governance & Nomination Committee met 4 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

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

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

- (a) The Company's Board Strategy Development Committee shall have 11 members.
- (b) Period of appointment of current committee members: From June 26, 2014 to June 25, 2017; the Board Strategy Development Committee met 3 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

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

Note: Member Mr. Chiu-Hsiung Huang resigned on Dec. 24th, 2015.

### (6) Status of performance of social responsibility

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

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

## (7) State of E.SUN Achieving Trustworthy Operations and Related Measures

Item	Status of implementation		Summary	Any discrepancies and reasons for such with Trustworthy Operations Best-Practice Principles for TSE/GTSM Listed Companies
	yes	No		
<p>1. Adoption of an ethical management policy and action plan</p> <p>(1) Does the Company specify its ethical management policy and measures in internal regulations and external documents, and does the Board of Directors and management honor their pledge to enforcing the aforesaid policy?</p> <p>(2) Does the Company adopt an unethical conduct prevention program in which operational procedures, behavioral guidelines, and a mechanism for punishment of and appeal for alleged violations are clearly defined, and enforce it without fail?</p> <p>(3) Does the Company adopt preventive measures against practices listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies or other business activities with higher risk of being linked to unethical conduct?</p>	V		<p>(1) Based on a board of director's resolution, the Company has established a set of "Ethical Corporate Management Principles, Operational Procedures and Guidelines (hereafter "Ethical Corporate Management Principles," applicable to the Company as well as its subsidiaries). It spells out E.SUN's ethical corporate management policy, which is specified through such channels as the corporate website, external documents and investor briefings. Meanwhile, it also specifies that the board of directors shall exercise the due care of a good administrator to urge the Company to prevent unethical conduct, always review the results of preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policy.</p> <p>(2) To effectively forestall unethical conduct, the Company makes ethical corporate management an integral part of its evaluation of employee performance and human resources policy. It has also established a clearly of defined, effective system for setting rewards/penalties and handling complaints.</p> <p>(3) Standing by ethical principles and committed to honest business, the Company refrains from engaging in business activities within its business scope that may incur a higher risk of committing acts of unethical conduct, and makes it a point to strengthen preventive measures. Meanwhile, the Company refrains from offering political donations as it is set to uphold political neutrality.</p>	No difference
<p>2. Implementation of Ethical Management</p> <p>(1) Does the Company evaluate the records of ethical/unethical conduct of its business counterparties and explicitly spell out code of ethics provisions in contracts signed with the latter?</p> <p>(2) Does the Company establish a unit under the Board of Directors that is exclusively or concurrently responsible for promoting ethical management, and reports its status of implementation to the board on a regular basis?</p> <p>(3) Does the Company adopt a policy for avoiding conflicts of interest, provide appropriate means for reporting on any such conflict, and implement them without fail?</p> <p>(4) To enforce ethical management, does the Company establish effective accounting and internal control systems that are subject to regular inspection of an internal auditing department or audit by externally engaged CPAs?</p> <p>(5) Does the Company offer internal and external training with regard to ethical management on a regular basis?</p>	V		<p>(1) In the Ethical Corporate Management Principles, it is specified that the Company shall refrain from having any dealings with parties that have any records of unethical conduct. When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance.</p> <p>(2) The Company's Corporate Governance and Nomination Committee is charged with the duty of setting and enforcing its ethical management policy and program for prevention of unethical conduct. The committee is also responsible for mapping out, implementing, and interpreting behavioral guidelines; handling queries and consultations; and registering and archiving related reports. Meanwhile, the committee is supposed to report its status of implementation to the Board of Directors on a regular basis.</p> <p>(3) The Ethical Corporate Management Principles shall specify policies for preventing conflicts of interests and provide a viable communication and complaint system. Employees can file reports through a number of channels to management and the human resources department.</p> <p>(4) The Company has established an effective accounting system that prohibits any outside or secret accounts. On top of an effective internal control system, the Company has also established an internal audit unit under the board of directors; it is required to report to the audit committee and the board at least once each quarter</p> <p>(5) The Company undertakes training with regard to ethical service principles and behavioral guidelines on a regular basis. All employees are required to take the said training courses and pass tests afterwards.</p>	No difference
<p>3. Status of the Company's implementation of its mechanism for handling informants and their information:</p> <p>(1) Does the Company establish a mechanism that incentivizes informants to step forward, put in place channels convenient for taking such action, and assign appropriate personnel to handle such cases?</p> <p>(2) Does the Company set a standard operating procedure (SOP) for handling reports from informants and adopt a mechanism for keeping confidentiality?</p> <p>(3) Does the Company adopt measures to make sure that informants do not undergo improper treatment because of their stepping forward?</p>	V		<p>(1) The Company incorporates ethical management into its employee performance evaluation and human resources policy. A clearly defined, effective system of rewards and penalties is established, and multiple smooth, convenient channels are offered for employees to present information to both different levels of the management and the human resources department. Based on the Company's pertinent operating procedure, such cases are then transferred to the relevant dedicated unit, that is, the Administrative Management Section (Legal Affairs).</p> <p>(2) When handling allegations against unethical conduct performed by its employees, the Company shall abide by pertinent laws and regulations as well as internal rules and operating procedure while conducting investigations. Throughout the process, the identity of informants and content of their information shall be kept confidential.</p> <p>(3) The Company shall always keep the identity of any informant secret and offer personal protection so that the latter is not subject to mistreatment or targeted for revenge.</p>	No difference
<p>4. Strengthening of information disclosure</p> <p>Does the Company disclose the content and implementation status of its <i>Principles for Ethical Management</i> on its own website and the TSE's Market Observation Post System website?</p>	V		<p>The Company makes public its ethical corporate management principles and behavioral guidelines as well as other related measures both on its own website and on the TSE's Market Observation Post System website.</p>	No difference
<p>5. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe the Company's implementation of the principles and any discrepancy therein and explain why: none.</p>				
<p>6. Other important information to facilitate better understanding of the Company's implementation of ethical corporate management (e.g., amending its own ethical corporate management principles):</p> <p>The rules and code of conduct of the Company will keep up with the times, and the Company's tangible result is regularly reviewed and revised in response to business integrity needs. Based on its spirit of "Pure as Jade, Sturdy as Mountain," the Company is constantly striving to be "a model for the financial industry and a service industry benchmark." E.SUN has actively realized its social concern, and dedicated to social commitment to Taiwan. E.SUN determined to become a respected company with superior overall performance.</p> <p>The following is a summary of the state of the Company's implementation of its business integrity policies in 2016:</p> <p>(1) Education and training</p> <p>With regard to training classes, our financial personnel learned general legal knowledge and the service rules and code of conduct of E.SUN people in various types of classes, which totaled 330 hours. In addition, our new recruit training classes, middle class officer classes, and professional training classes all consist of self-assessment practice, and case studies against the concept and implementation of our three lines of defense, joint management, and prevention of behavior in violation of business integrity.</p> <p>(2) Legal compliance training:</p> <p>Legal compliance team is in charge of promoting the education for all employees. Taking "business integrity values: the company's new niche" as the topic, we compiled our business integrity rules and major internal information processing regulations in 2016, and used videos and case studies to educate colleagues the requirements during the course of business.</p> <p>(3) Annual examinations:</p> <p>The Company and its subsidiaries conduct annual online examinations for all employees. The scope of examinations includes E.SUN FHC's business integrity rules, and E.SUN FHC's business integrity operating procedures and code of conduct. In 2016, the core issue was on business integrity in commercial activities, the prohibition of conduct violating business integrity and harming the interests of stakeholders, and the duty of maintaining the confidentiality of the Company's intellectual property rights.</p>				

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

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

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

The Company prudently public information on corporate governance, and strives to ensure the correctness, integrity, and timeliness of reports and major news announced via the Market Observation Post System, the Company's website, news issued externally annual reports, and other information that must be disclosed in accordance with law. The responsible units are clearly required to regularly inspect and update all disclosed matters. If any major events or news occurs, the relevant subsidiaries must quickly report their responses, and the Company's spokesperson will supervise external information disclosure, such as media contact and the issuance of news or major information, by the responsible unit. Content including information concerning the board of directors, audit committee information, business integrity regulations, procedures for acquisition or disposition of assets, the internal audit organization and its operations, disclosure of major information, shareholders meeting status, allocation of dividends, and financial service information is disclosed in detail in the Company's annual report and on the Company's website. The Company discloses information concerning corporate governance in full, and was in the top 5% of the Taiwan Stock Exchange's "corporate governance assessment" rankings in 2015 and 2016.

## (10) Training of Directors

Title	Name	Date of Election	Implementing organization	Training Course	Training hours	Does training meet regulations
Institutional director's representative	Yung-Jen Huang	2014.06.20	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6	Yes
Institutional director's representative	Gary K.L.Tseng	2014.06.20	Taiwan Institute for Sustainable Energy Center for Corporate Sustainability	Corporate Governance	2	Yes
			Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6	
Institutional director's representative	Joseph N.C Huang	2014.06.20	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6	Yes
Institutional director's representative	Jackson Mai	2014.06.20	Taiwan Corporate Governance Association	Group Governance	3	Yes
			Institute of Internal Auditors-Chinese Taiwan	Analysis of cases of insider trading	3	
Independent director	Chen-En Ko	2014.06.20	Taiwan Corporate Governance Association	Learning from others' experience: "Understanding the roles and functions of institutional investors in corporate governance from the perspective of implementation experience in Europe and America."	1	Yes
				Financial responsibilities of directors and supervisors, and cases of major disputes	3	
				12 <sup>th</sup> International Summit Forum on Corporate Governance	6	
Independent director	Ji-Ren Lee	2014.06.20	Taiwan Corporate Governance Association	How to protect business secrets, guard against fraud, and strengthen corporate governance	3	Yes
				Emerging Internet threats and development trends	3	
Independent director	Chen-Chen Chang Lin	2014.06.20	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6	Yes
			Taiwan Academy of Banking and Finance	Trust business oversight personnel (including in-service) training workshop (481 <sup>st</sup> session)	6	
Independent director	Hsin-I Lin	2014.06.20	Taiwan Corporate Governance Association	Legal responsibilities of directors and supervisors and investigation of accounting in corporate governance and sustainable management	6	Yes
Institutional director's representative	Rong Chu Chen	2014.06.20	Securities & Futures Institute	2016 corporate governance forum series - Insider trading and corporate social responsibilities	3	Yes
				Explanatory meeting concerning legal compliance awareness for the equity transactions of insiders at listed companies	3	
Institutional director's representative	Chien-Li Wu	2014.06.20	Taiwan Corporate Governance Association	Legal responsibilities of directors and supervisors and investigation of accounting in corporate governance and sustainable management	6	Yes
Institutional director's representative	Magi Chen	2014.06.20	Securities & Futures Institute	2 <sup>nd</sup> Corporate governance assessment awards ceremony and keynote talk	3	Yes
			Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	3	
Institutional director's representative	Ben Chen	2014.06.20	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6	Yes

## (11) Training for Managers

Title	Name	Date appointed	Implementing organization	Training Course	Training hours
President & CEO	Joseph N.C. Huang	2008.07.16	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
CFO	Magi Chen	2004.02.13	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
			Taiwan Academy of Banking and Finance	2016 Derivative business workshop	12
			College of Management, National Taiwan University	Global entrepreneur class	40
SEVP	Ben Chen	2014.01.24	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
CHO	Jyh-Cherng Wang	2002.01.28	Willis Towers Watson	Innovative platform management, providing the momentum for corporate transformation	3.5
			Association for Talent Development	2016 ATD Asia-Pacific annual convention	8
CSO	Mao-Chin Chen	2016.01.29	Taiwan Academy of Banking and Finance	Trust service supervisory personnel (including in-service) workshop (no. 481)	6
			Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
SEVP	Shui-Chin Shen	2012.01.07	Taiwan Corporate Governance Association	Assessing the effectiveness of corporate M&As and case analysis	3
			Taiwan Corporate Governance Association	Analysis of the new “unified tax on land and real estate” system	3
			Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
SEVP	L.C Lin	2012.01.07	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
SEVP	Wu-Ming Hsieh	2014.1.24	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
			Taiwan Security Dealers’ Association	Opportunities and challenges of financial digitization, and corporate governance	3
			Taiwan Security Dealers’ Association	Analysis of the new “unified tax on land and real estate” system	3
			Willis Towers Watson	Innovative platform management, providing the momentum for corporate transformation	3.5
SEVP	Louis Chang	2015.02.06	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
			BlackRock Asset Management Co.	Application of innovative technology to financial services (i-share San Francisco headquarters)	40
SEVP	Cathy Kuo	2017.01.20	Taiwan Academy of Banking and Finance	2016 Asian Financial Oversight Officer Summit Forum	3
			Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
SEVP	Bruce Lee	2017.01.20	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
			Industrial Development and Research Forecasting Center, National Chung Cheng University	Prospects and future outlook for the financial industry in the wake of FinTech	8
			Institute for Information Industry	“2016 Brand Service Industry Technology Innovation” survey reporter announcement meeting and awards ceremony	4
			Taiwan Academy of Banking and Finance	Taiwan financial industry FinTech personnel training and transformational strategies	3

Title	Name	Date appointed	Implementing organization	Training Course	Training hours
General Auditor	Chien-Hua Cheng	2013.09.13	Taiwan Academy of Banking and Finance	Financial service workshop for auditors	15
			Taiwan Academy of Banking and Finance	Financial technology and consumer finance	6
CAO	Kuan-Her Wu	2002.01.28	Taiwan Academy of Banking and Finance	Practical instruction series for Taiwanese-owned banks entering mainland China—Accounting and tax	12
			Accounting Research and Development Foundation	Continuing education for the accounting managers of issuer securities dealer securities exchanges	6
			GreTai Securities Market Center	Promoting the adoption of international financial reporting guidelines in Taiwan	8
			IBM	IBM CIO Day—Acknowledging the approach of the computing era	8
			Institute for Information Industry	Future Summit Forum for Tech Personnel	3
			Gartner	Gartner Regional CIO Summit-Lead with	16
			Gartner	Gartner Executive Program CIO Roundtable –Postmodern ERP & Business Architecture	3
CIO	Wan-Li Hsieh	2012.03.23	IBM	IBM CIO Day—Acknowledging the approach of the computing era	8
			Institute for Information Industry	Future Summit Forum for Tech Personnel	3
			Gartner	Gartner Regional CIO Summit-Lead with	16
			Gartner	Gartner Executive Program CIO Roundtable –Postmodern ERP & Business Architecture	3
CRO	Oliver Shieh		Taiwan Academy of Banking and Finance	Money laundering prevention workshop—How to establish an effective anti-money laundering system (session 1)	6
			Taiwan Academy of Banking and Finance	Looking at bank money laundering and terrorism financing risk assessment and prevention plans from the perspective of the ACAMS risk assessment technique	2
			Taiwan Academy of Banking and Finance	Trust service supervisory personnel (including in-service) workshop (no. 466)	6
			Taiwan Academy of Banking and Finance	2016 Derivative business workshop	8
CMO	Bright Wen	2012.01.07	Institute of Internal Auditors-Chinese Taiwan	The duties of the Company, directors, and supervisors under the Securities and Exchange Act, and relevant case analysis	6
			Taiwan Security Dealers' Association	Opportunities and challenges of financial digitization, and corporate governance	3
			Taiwan Security Dealers' Association	Investigation of legal responsibilities under the "Trade Secrets Act" and case analysis	3
CCO	Fion Ou Yang	2016.01.22	Financial Research and Development Fund Steering Committee	Symposium on Responding to the Situation and Challenges of Patents Connected with Application Business Methods when Banks Implement Fintech	3
			Taiwan Academy of Banking and Finance	2016 Derivative business workshop	12
			Taiwan Academy of Banking and Finance	Panel discussion on prevention of money laundering	3
			Taiwan Academy of Banking and Finance	Legal Compliance Personnel Workshop—13 <sup>th</sup> session	15
			Taiwan Academy of Banking and Finance	International financial oversight forum	7



## (12) Internal Control

### a. statement of Internal Control

#### E.SUN FHC Statement of Internal Control System

Date: March 1, 2017

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

To the Financial Supervisory Commission

Declarers

Chairman

*Yang-gen Huang*

President

*Joseph Huang*

Chief Auditor

*Chien-hua Chang*

Chief Compliance Officer

*Fion Ou Yang*

b.E.SUN FHC's Internal Control System- Items in Need of Improvement & Status of Improvement

(Record Date: December 31, 2016)

Item in Need of Improvement	Improvement Measure	Scheduled Time of Completion
Improvements needed for violation of information reporting.	1. Omissions and errors have been rectified. 2. Improvement measures have been implemented with more intensive actions taken to ensure the timeliness and correctness of information reported.	Improvement already completed
Subsidiary E.SUN Bank The Company was deemed in need of proper sales/business management, compliance practice and risk control system when providing derivative service.	The Company has implemented limits on "complex high-risk products" along with appropriate risk control measures, margin adjustment rules, and thresholds for mandatory closure of customers' positions. All of which have been approved by the board of directors.	Improvement already completed
Subsidiary E.SUN Bank The Company is bound to comply with "Trust Association of R.O.C Notes on Real Estate Development Trust and Escrow Trust of Pre-sale Houses" when conducting real estate development trust or escrow trust services.	1. Notices are being sent to the subsidiary on a monthly basis since September 2016 to request for relevant information and audit report. Any non-compliant or uncorrected issues will be handled according to policy. 2. The Company has revised its practical manuals to include an escrow trust chapter along with compliance self-assessments to ensure compliance in this respect.	Improvement already completed
Subsidiary E.SUN Bank Some employees were found to have kept customers' signed blank documents, which require rectification.	The case in question has been resolved and the subsidiary will exercise more intensive training and care in similar situations in the future.	Improvement already completed
Subsidiary E.SUN Bank Hong Kong Branch The subsidiary bank must follow policies and monitor business operations of the borrower group when lending against special-purpose money trust investments placed by trustees.	The relevant operating procedures and documents have been revised. The subsidiary bank will exercise more stringent assessment of borrowers'/policyholders' assets, solvency and rationality of granted limits.	Improvement already completed
Subsidiary E.SUN Bank Hong Kong Branch The subsidiary bank is required to develop a money laundering control system to identify and monitor suspicious money laundering transactions.	An anti-money laundering system (GAML) has been implemented for the Hong Kong Branch. Its monitoring parameters are configured based on the patterns of suspicious money laundering transactions announced by the authority.	Improvement already completed
Subsidiary E.SUN Bank Hong Kong Branch Local branches are required to develop proper internal control procedures and internal audit practices when assisting overseas branches (subsidiaries) in the transmission of customers' data, signature verification and due diligence for business activities such as deposit, credit etc.	The subsidiary bank has established "E.SUN Bank Cross-border Due Diligence Guidelines" as an internal control policy, and included cross-border due diligence as part of its internal audit focuses.	Improvement already completed
Subsidiary E.SUN Bank Hong Kong Branch Controls are needed to prevent overseas financial advisors from conducting financial services in Taiwan.	Operating rules have been revised to specifically outline the boundaries that all financial advisors are bound to comply. Branches are being inspected randomly with regards to this issue; reports are made to the head office on a quarterly basis.	Improvement already completed
Subsidiary E.SUN Bank Hong Kong Branch Credit exposures to China are subject to comply with regulations; appropriate review systems must be adopted to ensure effective control over credit exposure in China.	The subsidiary bank has revised its "Notes on Credit Service in China" and now requires commercial invoices and trade documents to ascertain the true background of financed transactions. If documents do not meet requirements, the underlying exposure will be subjected to exposure control.	Improvement already completed
Subsidiary E.SUN Bank Hong Kong Branch All foreign exchange accumulators transacted with customers must be properly assessed, categorized and provided for losses.	Assets have been properly assessed, categorized and provided for losses.	Improvement already completed

Item in Need of Improvement	Improvement Measure	Scheduled Time of Completion
<p>Subsidiary E.SUN Bank Hong Kong Branch Sales invoice must be obtained from customers to support lending decision, while operational controls need to be implemented for assurance. Derivative trading limits should be granted at greater discretion, while hedging and trading positions need to be distinguished and covered with adequate margins. Asset portfolio requires better quality assessment, categorization, and more adequate loss provisions.</p>	<ol style="list-style-type: none"> <li>1. A "TMU Exposure Limit Worksheet" has been introduced to calculate whether the hedging limit is consistent with customer's actual foreign currency requirements. Meanwhile, trade limits granted by other banks are being taken into consideration to assess customer's approved limit.</li> <li>2. The subsidiary bank has revised its "TMU Guidelines" to introduce more stringent review of approved limits and more adequate margin coverage.</li> </ol>	Improvement already completed
<p>Subsidiary E.SUN Bank Hong Kong Branch Where loans are granted for investment purpose, the subsidiary bank is advised to exercise more stringent assessment of overall credit exposure, and closer monitoring on customer's use of capital to secure debt entitlements.</p>	<ol style="list-style-type: none"> <li>1. The subsidiary bank has revised its investment lending procedures to introduce more robust credit assessment and more stringent monitoring on the use of disbursed proceeds.</li> <li>2. The head office now conducts random checks every six months to make sure that capital is used for the stated purpose.</li> </ol>	Improvement already completed
<p>Subsidiary E.SUN Bank Hong Kong Branch The subsidiary bank should strictly enforce its business procedures when engaging TMU customers in CNY accumulator deals. Customers must be fully informed of product risks, and the process of which needs to be reviewed as part of internal audit. The subsidiary should exercise greater discretion when handling loss on valuation of customers' positions.</p>	<ol style="list-style-type: none"> <li>1. Hong Kong Branch has revised its "Notes on Derivative Trading" to better enforce head office policies. Furthermore, product descriptions have been amended to emphasize on risk disclosures concerning the offset of customers' losses.</li> <li>2. The Bank has included extended deals as part of its audit focus on Hong Kong Branch.</li> </ol>	Improvement already completed
<p>Subsidiary E.SUN Bank Hong Kong Branch The derivative limit assessment and approval procedures should be reviewed and supported by more robust margin calling practices.</p>	The Bank has established derivative limit assessment and approval rules, and implemented more robust margin calling practices.	Improvement already completed
<p>Subsidiary E.SUN Bank Hong Kong Branch The customer due diligence process should take into consideration customer's money laundering risks, and utilize objective analyses and standards.</p>	<ol style="list-style-type: none"> <li>1. The Bank has implemented an anti-money laundering system (GAML) specifically for Hong Kong Branch that rates customers' money laundering risks using objective analyses and standards.</li> <li>2. Hong Kong Branch has completed the update of its Customer Money Laundering Risk Assessment KYC Worksheet to comply with the requirements of relevant guidelines and regulations.</li> </ol>	Improvement already completed
<p>Subsidiary E.SUN Bank Hong Kong Branch When reporting changes of local regulations, the subsidiary bank should emphasize on analyzing the impacts of key regulation changes, thereby allowing branches to minimize legal risks.</p>	<ol style="list-style-type: none"> <li>1. Hong Kong Branch expects to conduct a full-scale review of its anti-money laundering system and operating procedures in the first quarter of 2017. Internal policies will be amended where appropriate.</li> <li>2. The subsidiary bank has enhanced its supervision and applied systematic control over offshore branches in regards to compliance with local regulations. Its practices and systems are updated on a timely basis to reflect the latest regulations.</li> </ol>	Scheduled to be completed in the first quarter of 2017
<p>Subsidiary Union Commercial Bank Plc. in Cambodia Issues concerning loans to single individual or aggregate related parties that account for a certain percentage of net worth.</p>	<ol style="list-style-type: none"> <li>1. The subsidiary bank has proposed an improvement plan and obtained approval from National Bank of Cambodia.</li> <li>2. The credit manual has been amended while new reports are being prepared to control the breach. The situation is being monitored and reported to the Risk Management Committee and the board of directors on a regular basis. A systematic control is currently being developed, and is expected to be completed by 2017 fourth quarter.</li> </ol>	Scheduled to be completed in the fourth quarter of 2017

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

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

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

Telemarketers of Subsidiary - E.SUN Insurance Brokers were found to have violated the Directions for Insurance Enterprises Engaging in Telemarketing Insurance Products. Furthermore, the subsidiary was found to be lacking robust internal audit practices. These two findings constituted violations against Article 49, Subparagraphs 5 and 27 of Regulations Governing Insurance Brokers and Articles 9 and 19 of Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies, for which the subsidiary was fined NTD 1,200,000. Subsidiary - E.SUN Insurance Brokers has since increased the frequency and intensity of its random call quality checks, and made sure that frontline staffs are able to comply with the authority's requirements. The above findings have been corrected to date.

c. Irregularities, if any, of which prompt correction is ordered by the Financial Supervisory Commission:

(a) The company failed to disclose and report discrepancies between the 2015 financial statements passed at the 2016 shareholders meeting and the 2015 financial statements disclosed and reported by the company within 2 days of said incident. The company was given a warning by the competent authority. The discrepancies were the result of the financial statements disclosed and reported being on a net basis, which had no impact on the total sums of key items in the company's financial statements. It did not affect interpretation of the financial statements or cause any misunderstanding or incorrect judgment. The company has compiled a checklist to include primary and secondary items in the financial statements and implemented a set of controls on the processes.

(b) A securities broker of the subsidiary E.SUN Securities Tucheng Branch did not seek

supervisor's prior approval during trading hours when processing trade orders that exceeded a certain amount, and was found to have committed other violations such as: absence of real-time recording of customers' phone instructions, exercising full discretion over customers' traded securities and volume, and deciding on behalf of non-institutional customers the price and timing of trade orders within a specified range. The above findings constituted violations against several securities regulations, for which the Financial Supervisory Commission ordered a one-month suspension on the broker in accordance with Article 56 of the Securities and Exchange Act, starting from July 16 until August 15, 2015. The subsidiary E.SUN Securities has since revised and implemented its back-office operating policies to include settlement risks as part of the daily audit focus. All above findings have been corrected to date.

(c) Subsidiary E.SUN Commercial Bank was found to have improperly implemented sales, service management, and legal compliance matters, and had not established appropriate risk control mechanisms while conducting derivative product services, it took corrective action after obtaining approval from the competent authority. The Company has revised relevant operating procedures and guidelines, and established appropriate risk control mechanisms, all of these corrections have been implemented.

(d) When the subsidiary E.SUN Commercial Bank performed presold real estate development trust services, and was found to have failed to implement the requirements of Article 8 of the presold real estate development trust and price trust service guidelines required of members of the Trust Association of R.O.C., it took corrective action after obtaining approval from the competent authority. The subsidiary E.SUN Commercial Bank examined its new types of business for the foregoing shortcoming, revised its practice handbook, strengthened the basis for management actions, and strengthened case control and legal compliance. Relevant shortcomings have now been corrected.

d. Adverse decision(s), if any, by the Financial Supervisory Commission under Article 54bis of the Banking Act: None

e. 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.

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

## 5. Information on Fees for CPAs

CPA Firm	CPAs		Period of Audit	Note
Deloitte & Touche	Huang Jui-Chan	Lai Kwan-Chung	2016 1H	Internal job adjustment
	Chen Yin-Chou	Huang Jui-Chan	2016 2H	

### Range of Fees for CPAs

Unit: NT\$ thousand

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

Unit: NT\$1,000

CPA Firm	CPAs (Note 1)	Audit Fee	Non-Audit Fees					Period of Audit (Note 1)	Note
			System Design	Business Registration	Human Resources	Others (Note)	Subtotal		
Deloitte Deloitte & Touche	Huang Jui-chan	3,700	0	50	0	2,219	2,269	2016	
	Lai Kwan-Chung							2016 1H	
	Chen Yin-Chou							2016 2H	

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

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

### 6. Information on Changing CPAs:None.

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

## IV. Capital Overview



# 1. Capital and Dividend

## (1) Source of Capital

### a. Issued Shares

2017.03.30 Unit: million shares, NT\$ million

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

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

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

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

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

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

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

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

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

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

Note 10: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Sep. 18, 2012 granted approval for issuance in its letter Zidi 1010030640. In addition, the Ministry of Economic Affairs on Sep. 18, 2012 approved amended registration in its letter Zidi 10101191510.

Note 11: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Nov. 6, 2012 granted approval for issuance in its letter Zidi 1010045676. In addition, the Ministry of Economic Affairs on Nov. 6, 2012 approved amended registration in its letter Zidi 10101223560.

Note 12: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 16, 2013 granted approval for issuance in its letter Zidi 1020026708. In addition, the Ministry of Economic Affairs on Sep. 4, 2013 approved amended registration in its letter Zidi 10201180450.

Note 13: The Department of Commerce, Ministry of Economic Affairs on Feb. 20, 2014 granted approval for ECB conversion in its letter Zidi 10301030090 with total amount of NT\$ 2,390,794,320.

Note 14: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Mar. 21, 2014 granted approval for issuance in its letter Zidi 1030007372. In addition, the Ministry of Economic Affairs on May 19, 2014 approved amended registration in its letter Zidi 10301089620.

Note 15: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Jul. 22, 2014 granted approval for issuance in its letter Zidi 1030026909. In addition, the Ministry of Economic Affairs on Sep 12, 2014 approved amended registration in its letter Zidi 10301188300.

Note 16: The Ministry of Economic Affairs on May. 21, 2015 approved amended registration in its letter Zidi 10401085930.

Note 17: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Jul. 8, 2015 granted approval for issuance in its letter Zidi 1040024819. In addition, the Ministry of Economic Affairs on Aug 24, 2015 approved amended registration in its letter Zidi 10401171480.

Note 18: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 6, 2016 granted approved the application, and the Ministry of Economic Affairs on Aug 16, 2016 approved amended registration in its letter Zidi 10501199620.

## b. Types of Shares

2017.03.30 Unit: Thousand Shares

Share Type	Authorized Capital			Note
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	8,765,400,000	1,234,600,000	10,000,000,000	-

Note: The issued shares are listed shares

## c. State of application for corporate bond: None

## (2) State of Shareholders

2016.12.31 Unit thousand shares%

Share Type	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	3	13	379	133,058	906	134,359
Shareholdings	35	275,968	1,506,538	2,130,222	4,852,637	8,765,400
Ownership	0.0004	3.1484	17.1873	24.3026	55.3613	100

## (3) Shareholding Distribution Status

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

2016.12.31 Unit Thousand Shares, %

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~999	47,884	9,608	0.11
1,000~5,000	46,174	106,456	1.21
5,001~10,000	13,573	98,388	1.12
10,001~15,000	6,675	81,170	0.93
15,001~20,000	3,881	68,375	0.78
20,001~30,000	4,145	101,238	1.15
30,001~50,000	4,990	190,233	2.17
50,001~100,000	3,101	217,812	2.48
100,001~200,000	1,747	243,019	2.77
200,001~400,000	926	261,314	2.98
400,001~600,000	371	181,214	2.07
600,001~800,000	161	111,837	1.28
800,001~1,000,000	96	86,388	0.99
1,000,001~	635	7,008,348	79.96
Total	134,359	8,765,400	100

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

## (4) List of Major Shareholders

2016.12.31 Unit: thousand shares, %

name	Shareholding	Shareholding (%)
First State Investments	408,308	4.66
Ron-Yuan Investment Co., Ltd.	283,650	3.24
E.SUN Commercial Bank Trust Fiduciary trust account	241,229	2.75
Chunghwa Post Co., Ltd.	191,386	2.18
Government of Singapore	156,334	1.78
ABU DHABI Investment Authority	150,208	1.71
Vanguard	142,019	1.62
Bank J. Safra Sarasin Ltd. Singapore Branch-For Clients' account	122,534	1.40
Fidelity Investment Trust	122,263	1.39
Saudi Arabian Monetary Agency	118,583	1.35

Note: the list above shows the top 10 shareholders.

## (5) Market Prices, Net Worth, Earnings, and Dividends Per Share

Item	Year	2016	2015	Year to date	
				(as of March 30, 2017) (Note 1)	
Market Prices Per Share (Note 1)	Highest	19.90	22.15	18.95	
	Lowest	15.85	17.95	18.00	
	Average	17.99	19.80	18.22	
Net Worth Per Share (Note 2)	Before distribution	14.66	15.21	-	
	After distribution	Note 9	13.41	-	
EPS	Weighted average number of shares (Note 10)	8,761,502	7,886,617	8,771,899	
	Original EPS (Note 3)	1.50	1.63	-	
	Adjusted EPS	-	1.48	-	
Dividend Per Share	Cash dividend(Note 9)	0.53	0.43	-	
	Distribution of bonus shares	Stock dividends from retained earnings(Note 9)	0.80	1.00	-
		Stock dividends from capital reserve	-	-	-
	Accumulated unpaid dividends (Note 4)	-	-	-	
Return on Investment	P/E ratio (Note 5)	11.99	12.15	-	
	Ratio of dividend / price to dividend ratio (Note 6)	33.94	46.05	-	
	Cash dividend yield (Note 7)	2.95	2.17	-	

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

Note 2: Based on the number of shares already issued as of the end of each given year and on earnings distribution approved by the shareholders' meeting of the following year.

Note 3: Where there is need for retroactive adjustment due to distribution of bonus shares, earnings per share shall be reported for both before and after the said distribution.

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

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

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

Note 7: Cash dividend yield = cash dividend per share divided by average closing price per share for a given year.

Note 8: Numbers as of March 30, 2017 calculated by using unaudited data with regard to net worth per share and the weighted average number of shares.

Note 9: Earnings distribution for 2016 yet to be approved by the 2017 shareholders' meeting

Note 10: Weighted average number of shares in 2015 was due to the retroactive adjustment distribution of bonus shares.



## (6) Dividend Policy and Implementation Status

### a. Dividend Policy

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

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

### b. Proposed Distribution of Dividend

It was proposed at the 2017 shareholders' meeting that shareholders would be entitled to a stock dividend of NT\$0.74083715 per share, totaling NT\$7,012,320,000, as well as a cash dividend of NT\$0.49080461 per share, or a total of NT\$4,645,662,000. Combined, the Company was to pay out NT\$11,657,982,000, or NT\$ 1.33 per common share in dividends, accounts for 99.95% of the surplus available for distribution.

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

In line with the Regulations Governing the Publication of Financial Forecasts of Public Companies and Criteria for the Compulsory Publication of Complete Financial Forecasts by TWSE-Listed Companies, the Company did not publish such forecasts for 2017. This item of disclosure is not applicable as the Company cannot disclose predictive information on its finances.

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

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

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

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

- (a) Employee and directors' compensation shall be calculated according to the percentage of their pre-tax income as specified in the Articles of Incorporation prior to the allocation of employee and directors' compensation.
- (b) Employee stock compensation share number calculations for this Company shall be determined by the closing price of Company shares one day prior to the board of directors resolution meeting in compliance with the January 30, 2016 Decree (Jin-Guan-Zheng-Shen-Zi-Di 1050001900) issued by the Financial Supervisory Commission.
- (c) In the event actual allotted amounts are at variance with estimated amounts due to changes in estimation, the resulting differences shall be listed as losses for the 2017 fiscal year.

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

- (a) Allocation of employee cash compensation, stock compensation, and amount of directors' compensation. Employee cash compensation is NTD 1,202,960, employee stock compensation is NTD 351,888,200, and directors' cash compensation is NTD 99,000,000. Directors' compensation is NTD 55,662 less than the estimated amount, which difference has been incurred by changes in accounting estimations and shall be listed as losses for the 2017 fiscal year.
- (b) The proposed allocated amount of employee stock compensation accounts for 2.68% of total net income as specified in the individual financial statement for the current year and 99.66% of total employee compensations.

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

This Company's surplus earnings allocation for the preceding year amount to NTD 71,623 in employee cash compensation, NTD 342,805,000 in employee stock compensation, and NTD 97,000,000 in directors' compensation, or NTD 12,000,000 less than the estimated amount. This difference was incurred by changes in accounting estimations and has been listed as losses for the 2016 fiscal year.

## 2. Global Depository Receipt

Date of Issue		Sept. 27, 2004 (1st issue)	Oct. 17, 2012 (2nd issue)
Date of Issue		Sept. 27, 2004	Oct. 17, 2012
Place of Issue & Listing		Outside the ROC (Taiwan); (Listed on the Luxembourg Stock Exchange)	
Amount		US\$98,600,000	US\$105,840,000
Issue Price		US\$14.50	US\$13.23
Number of GDSs Issued		6,800,000	8,000,000
Subject Shares		Common shares in E.SUN FHC held by E.SUN Bank	E.SUN FHC's newly issued common shares
Number of Shares Represented		170,000,000	200,000,000
Rights & Obligations of GDS Holders		<p>The rights and obligations of GDS holders shall be governed by ROC laws and decrees and the Deposit Agreements. Main points of the Deposit Agreements are as follows:</p> <p>(1) Exercise of Voting Rights: Pursuant to provisions of the Deposit Agreements and ROC laws and regulations, GDS holders shall be entitled to exercise voting rights for the common shares represented by their GDSs.</p> <p>(2) Dividend Distribution, New Shares Subscription &amp; Other Rights: When E.SUN FHC distributes stock dividends or undertakes other forms of stock distribution, the depository may grant additional GDSs to GDS holders in proportion to the common shares represented by their GDSs on hand pursuant to provisions of the Deposit Agreements. If it is permitted by law, the depository may also increase the amount of common shares represented by each GDS. The depository may also sell the stock dividends in question on behalf of GDS holders and distribute the proceeds among GDS holders proportionally after subtracting related expenses and tax payments. When E.SUN FHC undertakes a rights offer or similar exercise, the depository should make available this right to GDS holders pursuant to provisions of the Deposit Agreements. The depository may also sell the right in question on behalf of GDS holders and distribute the proceeds among GDS holders proportionally after subtracting related expenses and tax payments. But if neither option is feasible, the depository may opt to waive its preemptive right pursuant to provisions of the Deposit Agreements.</p>	
Fiduciary		None	
Depository		Citibank	
Custodian		Citibank Taiwan	
Unredeemed Balance (Number of GDSs)		725,193 (As of Dec. 31, 2016)	
Expenses for Duration of GDSs		<p>(1) Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, E.SUN Bank, lead underwriters and the depository, all the cost and expenses of the GDS issue (including but not confined to fees for lawyers, CPAs, the listing agent and financial advisors as well as other expenses) shall be shouldered by E.SUN Bank.</p> <p>(2) Expenses Incurred After GDS Issue: Unless it is separately negotiated between E.SUN FHC and the depository, all the expenses incurred over the duration of the GDSs (including annual fees for listing and fees for information disclosure and related items) shall in principle be shouldered by the issuer.</p>	<p>(1) Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, lead underwriters and the depository, all the cost and expenses of the GDS issue (including but not confined to fees for lawyers, CPAs, the listing agent and financial advisors as well as other expenses) shall be shouldered by E.SUN FHC.</p> <p>(2) Expenses Incurred After GDS Issue: Unless it is separately negotiated between E.SUN FHC and the depository, all the expenses incurred over the duration of the GDSs (including annual fees for listing and fees for information disclosure and related items) shall in principle be shouldered by the issuer.</p>
Key Provision in Deposit/Custodian Agreements		None	
Market Price Per GDS	Mar. 30 2017	High-est	US\$ 14,850
		Low-est	US\$ 14,450
		Avg	US\$ 14,205
	2016	High-est	US\$ 15,525
		Low-est	US\$ 10,718
		Avg.	US\$ 13,211

### 3. Merger and Acquisition

- (1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: Not applicable.
- (2) State of mergers & acquisitions or sale of banking institutions over the past five years.
  - a. 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.
  - b. On Mar. 22, 2013, subsidiary E.SUN Bank has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, The record date for the transaction was Aug. 28, 2013.
  - c. The board of directors of Subsidiary - E.SUN Bank passed the acquisition of a 5% stake in Union Commercial Bank PLC of Cambodia August 21, 2015. The record date of this investment project was set to be December 29 of the same year. As a result, the Bank's stake increased from 70% to 75%.  
 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.

### 4. Capital Utilization Plans

- (1) Plan
  - a. Up to the quarter prior to the printing date of the annual report, any issuance or private placement of securities that has yet to be completed: The issue of E.SUN FHC's 2016 1st unsecured debt of total amount of NT\$ 900,000 thousand was complete on Sep. 22, 2016. the purpose is to repaid the existing debt in 2Q 2017, therefore, the fund was not utilized by the printing date of the annual report.
  - b. Programs completed in the most recent three years with beneficial results yet to assert themselves: None
- (2) Implementation status: For E.SUN FHC's 2016 1st unsecured debt , the fund was not utilized by the printing date of the annual report, therefore, the benefit has not yet revealed.

## V. Business Operation



# 1. Business Scope



## (1) Scope of Operations

### a. E.SUN FHC

#### (a) Primary Operations

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

#### b. Composition of Operations

Unit NTS thousand

Item	2016		2015	
	Amount	%	Amount	%
Interest Income	29,823,991	55.11	29,981,181	56.98
Fee Income	17,360,305	32.08	15,498,707	29.46
Others	6,931,591	12.81	7,137,527	13.56
Total	54,115,887	100.00	52,617,415	100.00

Note1: E.SUN FHC consolidated financial figures

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

### b. E.SUN Bank

#### (a) Primary Operations

##### i. Commercial Bank Operations

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

##### ii. Foreign Exchange Operations

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

##### iii. Investment and Treasury Operations:

Operations include investment in securities,

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

iv. Agency Operations and Other

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

(b) Composition of Operations

Unit NT\$ thousand

Item	Year	2016		2015	
		Amount	%	Amount	%
Interest Income		29,530,082	55.60	29,636,188	59.43
Fee Income		16,667,049	31.38	13,385,178	26.84
Others		6,918,754	13.02	6,844,854	13.73
Total		53,115,885	100.00	49,866,220	100.00

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

c. E.SUN Securities

(a) Primary Operations

i Brokerage:

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

ii Proprietary Trading:

Trading securities with the firm's own money on the stock exchange, futures and options, to pursue stable positive return.

iii Proprietary Innovative Financial Products: Issuance of call (put) warrants and other innovative financial products, thereby expanding service scope and revenue sources.

iv Underwriting:

Assisting companies to use various types of tools in capital market for long term fundraising development in order to strength financial structure

and expand business scale, advising domestic and foreign companies to go public and undertake IPO/SPOs, offering companies financial consultant service to achieve business strategy.

v OSU Business: Sale of foreign currency corporate bonds issued by the head office and other debt certificates; brokerage of securities denominated in foreign currencies; securities-related lending as well as purchases and sales of securities denominated in foreign currencies; underwriting of offshore securities; other securities-related foreign exchange operations approved by the competent authority.

vii Other operations approved by supervisory agencies

(b) Composition of Operations

Unit NT\$ thousand

Item	Year	2016		2015	
		Amount	%	Amount	%
Fee Income		699,187	67.75	785,336	65.58
Interest Income		288,080	27.95	325,392	27.17
Gains from Securities Trading		44,123	4.36	87,665	7.32
Other Operating Income		(583)	(0.06)	(899)	(0.07)
Total		1,030,807	100.00	1,197,494	100.00

d. E.SUN Venture Capital

(a) Primary Operations

i Invest in and nurture unlisted but promising domestic and foreign companies.

ii Assist in and give guidance to the transformation or restructuring of businesses that hold long-term potential.

iii Provide industry information and help companies with fund-raising, M&As, strategic alliances, etc.

(b) Composition of Operations

Unit NT\$ thousand

Item	Year	2016		2015	
		Amount	Ratio	Amount	Ratio
Investment Income		220,736	99.00	309,438	99.04
Interest and other operating income		2,511	1.00	2,998	0.96
Total		223,247	100.00	312,436	100.00

## 2. Business Plan



### (1) Annual Business Plan

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

#### a. Corporate Banking:

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

### b. Consumer Banking

As the market rapidly changes, E.SUN's branch channels are continuing to evolve, focusing on cultivating high-quality customer groups, and providing customers comprehensive financial service with convenient and self-service finance.

Deposit business focuses on demand deposits, while mortgage focuses on non-concentrated loans. E.SUN hope that lending business will benefit from integrated cross border synergy. Credit business takes risk management as its core concept, and continue to develop collateral security credit business. Small business emphasizes long-term cultivation of local industries. Headquarters is actively negotiating co-marketing activities, and leverage digital platform to penetrate diversify services into various types of business. Based on these edges, E.SUN aims to be an ideal business partner for SMEs.

### c. Wealth Management:

E.SUN determined to be the best bank and most reliable bank. E.SUN select superior financial management products in accordance with market changes and trends, and are constantly boosting the professional skills of financial management team. E.SUN is continuously improving strict risk management and operating procedures, and seek to gain an in-depth understanding

of customers' wealth management experience, aiming to provide them with better comprehensive financial service. In order to give customers an even more outstanding service experience, E.SUN is actively developing digital financial management services enabling customers to use our high-tech smart financial management with great ease. E.SUN is further establishing major incident response mechanisms allowing customers to obtain the newest market information in real-time.

### d. Digital Banking Services:

Digital financial services are divided into the following three major types in accordance with function:

Digital Payment : Developing new online and offline payments methods, cross-border payments, mobile payments, and joint new commercial models in conjunction with strategic partners in Taiwan and abroad; Digital Marketing: Using big data expertise to understand our online customers, analyze the needs of these customers, and increase our customers' stickiness; Digital channels: Employing an "Internet+" concept to create new digital financial products. E.SUN is gradually expanding digital product lineup in pace with the roll-out of the Bank 3.0 online service plan by the financial regulatory agency in Taiwan, and hope





to provide digital customers simple, individualized services, which will let consumers enjoy convenient digital lives.

#### e. Credit Card and Payment Services:

Continuing to expand business scale and meet customers' need, E.SUN use diversified strategies to develop co-branded card channel and increasing customer segmentation, including World MasterCard customers, women, and electronic ticket and transit. With regard to World MasterCard customers, E.SUN collaborate with wealth management service to provide customers comprehensive banking services, and are relying on E.SUN ETC Easy Card and icash card to offer diversified, convenient payment service to electronic ticket and transit. By various types of merchants and campaigns, E.SUN is able to meet customers' needs and create optimize value for customers, businesses, and the Bank, aiming to be the most favorite credit card for customers and the primary option for payment.

#### f. Securities Services

With the development of social networking, mobile services, and big data analytics, digital technology is rapidly influencing customers' investment behavior. Therefore, E.SUN will continue to develop

comprehensive and convenient online securities product, offering customers 24-hour financial services in the whole year. To face the market rapid changing and FinTech revolution, E.SUN is developing an Omni-channel user experience and mobile order service. At the same time, E.SUN is updating our mobile CRM, increasing the efficiency of visit tools, boosting our data analytics capabilities, and providing investors with diversified products and services. E.SUN aims to diversify business operation and achieve globalization by leveraging the strength of brand and value of channels.

#### g. Venture Capital Services

E.SUN focuses on core business which continues to establish high-quality and promising enterprises that have not yet been listed and are not trading over the counter. By leveraging its advantage in possessing integrated financial holding resources and professional investment teams, E.SUN will cultivate and guide invested companies in entering the capital market, formulate a sustainability mechanism to improve the technologies and competitiveness of domestic industries, adhere to government policies and laws, expand business scale, optimize value for shareholders, and enhance the overall performance of E.SUN FHC.



### 3. Industry overview



#### (1) Financial holding companies and banks

In 2016, the global economic growth rate stayed at approximately 2.4% thanks to China's continued economic growth and the steady recovery of the US economy. However, due to "black swan" events such as Brexit and the American presidential election, capital market fluctuations intensified, and the emergence of anti-globalization and protectionism, as well as other calls to leave the EU, cast a shadow over global economic development in 2017 and added to the general sense of uncertainty.

The US economy is gradually recovering, and the pace of the Fed's rate increases is influencing the depreciation of Asian currencies and increasing the outflow of funds. The Chinese economy continued structural adjustments and steady growth, while paying careful attention to debt and real estate risk.

The election of Trump left US membership in the TPP in doubt and increased attention to the issue of bringing manufacturing back to the US. Apart from facing competition from China, Taiwan must also consider the effect of changes in US policy on Taiwan's industries. Nevertheless, some strong industries in Taiwan may benefit from American policies, and the international implementation of industrial upgrading under the Industry 4.0 rubric will promote demand for automation equipment, robots, and industrial computers, etc.

Abnormal global climate conditions and severe air pollution are inducing great concern, but continue to benefit green energy-related industries. Furthermore, many leading brands in Europe and North America are promoting the green supply chain concept, China is gradually strengthening environmental protection standards for its factories, and numerous manufacturers in Taiwan are also increasing their attention to energy conservation and energy creation.

Taiwan's semiconductor industry is a world leader, and the industry's smartphones and parts are poised to benefit from the iPhone 8's groundbreaking design changes and increasing orders for China's high performance-price ratio smartphones. The emergence of Pre 5G and IoT Internet communications technologies, and establishment of more data processing centers, is providing even more opportunities for the industry.

Looking ahead to the future, global economic development is expected to be fickle and treacherous. Internally, we will uphold our core values of "E.SUN service, E.SUN professionalism, and E.SUN technology," and constantly strive to boost E.SUN's competitiveness. We will also closely observe external changes, monitor the currents of change, comply with industrial development trends and government policies, develop innovative service

models, expand our manpower recruiting, implement risk controls, discipline, and procedures, place balanced emphasis on internal stability and external flexibility, and rely on execution and creativity to maintain corporate growth and achieve even better performance.

## (2) Securities and Capital Markets

At the beginning of 2016, the American stock market correction caused by the Fed's interest rate increase, political uncertainty introduced by Taiwan's presidential election, and China's roll-out of a stock market circuit breaker mechanism led to a concurrent correction in Taiwan's stock market. Fortunately, stability following the change in the ruling political party in the wake of the domestic collection, the dissipation of bearish sentiments following Britain's decision to leave the EU, the rebound of various international stock markets to new highs, the delay in the incorporation of A shares in MSCI, and the rise of bullish sentiments sent the stock market to a high of 9,430. Factors causing small market index drops during this period included the lack of novelty in Apple's new devices introduced in September, along with poor orders, which caused Apple to lead a drop, the FBI's October leakage of Hillary Clinton's e-mails, which affected the US election, and Trump's election victory, which caused a major one-day drop in the Taiex. But in the end, bullishness from Trump's tax cut promises, the continued climb of the American stock exchange, and the US interest rate increases have caused the market to expect the expansion of financial stock price-dividend spreads and greatly boosted the fortunes of financial holding shares. Although the December interest rate increase triggered the depreciation of Asian currencies and caused foreign capital to enter the long Christmas vacation early, with low trading volume and a market

index drop, the Taiex still ended 2016 at a high of 9,253 points after rising by 10.98% during the year.

With regard to trading volume, the Taiex's daily average volume was NT\$77.5 billion in 2016, which represented a drop of 16% compared with 2015; this drop was chiefly attributable to the elections, Brexit, and expectation of interest rate increases. The market's development direction has shifted toward overseas stock markets and raw materials ETFs. But although average ETF trading volume rose from 5.76% in 2015 to 7.09% in 2016, the poor securities environment has had a dampening effect, and caused securities dealers' profits to decrease significantly.

Looking ahead to 2017, Taiwan's stock market faces such factors as the likelihood of interest rate increases during the first half of the year, the possible inclusion of A shares in the MSCI, political turbulence in Europe, irresistible pressure for a correction as funds are withdrawn from the market, and the difficulty of maintaining high market prices if the economic growth rate drops during the Q2-Q3 transition period. As a result, the Taiex may experience a wave of corrections, which may not end until the impact on market funds becomes clear after Q3. At that time, the Taiex will have a chance to return to its past trajectory and await the stimulus of a new iPhone introduction and growth in corporate profits before bulls can hope to reach a new high on the basis of market prices driven by good fundamentals. Furthermore, we can look forward to bullish sentiments in the wake of passage of legislation cutting the day trading transaction tax by half and the implementation of the seven major accompanying measures. An economic rebound will stimulate an uptick in buying, and securities dealers' profits will have an opportunity to improve at that time.

## 4. Research and Development



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

One of the missions has always been to create a high-tech E.SUN, and E.SUN firmly believe that technology can drive the upgrading and improvement of financial services, such as by providing customers smarter and more considerate service, and more reliable and trustworthy transactions. We are relying on the development and adoption of artificial intelligence (AI), along with big data analytics, bio-identification, and blockchain technology, in conjunction with precision use settings, to provide an even better customer experience.

#### a. Corporate Banking:

E.SUN have long been committed to assisting the development of SMEs, and have been continuously improving our financial service processes and efficiency, and developing customized products and services. Apart from winning the “Best SME Finance Award” (special excellence) in the 8th Taiwan Banking and Finance Best Practice Awards, E.SUN also awarded the SME Credit Guarantee Partner Award for the 11th consecutive time (2005-2015) in 2016—the only financial to reach this milestone. In the future, E.SUN will continue to cultivate cross-border and overseas customers, rely on cross-border platform to provide diversified, integrated financial services network.

With regard to foreign exchange business, E.SUN leads the market in a rapid and precise manner. In 2016, E.SUN was awarded the “ Best Payments Portal in Taiwan (with PayPal) by The Asian Banker magazine and the and Asia Trailblazer of the Year (foreign exchange) by Timetric institution. Leveraging the integration of physical and virtual channels, E.SUN determined to lead in cross-border payment innovation.

#### b. Consumer Banking:

In order to create high-value branched channels, E.SUN ensures branch transformation can take care of customers, personnel, and operations, while also strengthening risk control. At the same time, the self-service finance is still improving and innovating in order to provide a seamless service experience integrating virtual and physical channels. Main R&D results are listed below:

- (a) New-generation branches: The first “digital flagship branch,” has opened in Taipei, which combines technology with culture and art to integrate various types of digital services and innovative financial services in an innovative setting. It creates an aesthetically-pleasing atmosphere, aiming to help customers enjoy more convenient life through human-oriented innovation.
- (b) Consumer banking services: Taking customer experience as core business, and using technology as a driver, E.SUN is improving service processes to provide customers with tailor made digital loan services, and have introduced online credit loan and

mortgage applications, online appraisal, online loan approval, mortgage quotes, and assessment of credit lines and interest rates. E.SUN continues to expand the application of digital platforms with consumer banking services, and hope to create convenient financial communities for our customers.

- (c) Self-service financial services: “E.SUN i-Payment” service allows customers who seek for payment enjoy a considerate 24-hour real-time service. Customer service hotline has introduced “Smart Text Customer Service,” which provides customers warm service with no restrictions on time or place, allows them to enjoy real-time, and precision financial information.

### c. Wealth Management:

E.SUN’s wealth management service is becoming even more professional to provide consulting services and secure the assets under VIP customers. In 2017, the Company refine the strategy from a product-driven approach to a value-oriented mindset, from marketing focus to a consulting orientation, from product profitability to asset growth, and from creating profit to generating long-term value. This transformation is based on the following approaches.

- (a) Instant: The real-time market monitoring and scientific calculations enables E.SUN to provide the latest asset portfolio recommendations. The computing engine is based on the efficient frontier theory proposed by the Nobel Prize-winning economist Markowitz, and also relies on market changes constantly observed by E.SUN’s investment research team to calculate investment portfolio allocation, and recommendations also reflect expected amount of investment, length of investment, and risk attributes.

- (b) Major incident management mechanism: When a major market incident occurs or important economic indicators undergo a major fluctuation, a team of specialists at headquarters immediately holds a conference to discuss market views and the Bank’s response. E.SUN also promptly send short messages notifying customers who will experience the greatest impact within 24 hours of such an incident.

### d. Digital Banking R&D continues to take Bank 3.0 services and payment as its two main targets. The major R&D results are as follows:

- (a) New mobile banks apps: New mobile banking service provides an all-new user experience, individualized interface, intuitive design, and Smart Text customer service.
- (b) E.SUN Global Pass and E.SUN Trade: E.SUN Global Pass help stores in Taiwan safely collect funds in PayPal accounts. E.SUN Trade help superior Taiwanese firms to sell products online to consumers in China.
- (c) Cross-Border Shopping: This service, which is heavily used by younger consumers, lets consumers in Taiwan use their most familiar payment methods to shop on China’s largest C2C and B2C websites such as Taobao and Tmall.



### e. Credit card and payment

E.SUN focuses on the development of innovative payment methods, including cell phone mobile payments and diversified acquisition services. The major R&D results are as follows:

- (a)E.SUN Wallet: This includes the first-ever HCE cell phone credit card payment function, and we have also added “QR code payment,” “product coupon,” and “membership card” functions. We are the first and only member of Taiwan’s financial industry to offer integrated HCE payment and QR code payment functions. Consumers can expand the scope of convenience stores’ non-inductive POS machine payments through QR code payments, and they can also use this service to redeem product coupons and store membership cards, etc. This service therefore lets customers realize a lifestyle where their wallet is as close as the cell phone in their hand.
- (b)One-stop acquisition solution: This service lets cooperating merchants integrate even more payment acceptance tools, including stored-value cards, cross-border payments, and E.SUN Wallet, and also incorporates a QR code payment function. This service therefore provides a convenient one-stop, diversified acquisition solution, boosts transaction efficiency and the customer experience, and expands the scope of credit card payment settings.
- (c)Happy PLUS Titanium Gold Card: In conjunction with the HappyCash and Happy Go points functions, this card provides female customers with a happy department store shopping experience and discounts, including Lucky Day and Afternoon Tea Sharing discounts and equity. As a result, female cardholders can enjoy even more upgrading happiness.

### f. Securities

Responding to global investment trends, E.SUN is continuing to expand overseas transaction customers group, products, and markets. Using technology as a driver, E.SUN customers to enjoy the superior service experience and efficiency. The major R&D results are as follows:

- (a)Brokerage services: E.SUN use co-marketing and promotion of ETF products to boost the overseas product expertise and enhance acceptance for colleagues and customers. E.SUN is also carefully selecting appropriate private equity funds, overseas

debt, and overseas preferred stock, which meets our customers’ varied asset allocation needs.

- (b)IC (investment consultant) team: The team builds the relationship between researchers and branches for front-line needs. It established a solid base of option market research, monitor market trends and price analysis, and then quickly and effectively deliver information to help branches expand business. At the same time, it also responsible for advising and providing VIP customers professional service.

## (2) R&D projects, progresses and expenditures

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

### a. R&D expenses of recent 3 years

NTD, in thousands

Year	2017(f)	2016	2015
E.SUN Bank	339,300	246,469	120,547
E.SUN Securities	48,300	33,190	59,567

### b. Progress of on going R&D projects

Unit: NT\$thousand

Projects	Estimated Time of Completion
Customer information integration platform	2017
Next generation data warehousing transformation	2017
Mobile internet banking system	2017
Real time data collection and analytic construction	2017
Overseas GBS system (SG, LA)	2018
Upgrade open platform virtualization	2018
Wealth management system improvement project	2018
Information infrastructure expansion and virtual platform establishment project	2018
Blockchain cooperation project	2018
Metadata management improvement project	2018
Global online banking system	2019

- (a)Ongoing R&D projects will require further investments of NT\$ 312,649,000, which will be amortized over the years.
- (b)Success of an R&D project depends primarily on changes in the laws and regulations and market trends and the commitment of consultants and project members.

## 5. Cross Selling Synergy



### (1) Customers' preferred, most trusted bank

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

### (2) Collaborating up with outstanding partners, jointly working for a better society

E.SUN uphold a "3i" strategy: innovation, integration, and influence, and are integrating cross-border resources to promote social welfare. E.SUN engage in long-term collaboration with cross-industry strategic partners to boost standards of youth baseball in Taiwan and promote conservation of Taiwan's black bears. We are joined forces with major hospitals to conduct overseas charity treatment programs, and look forward to our cross-border strength helping create a better society.

### (3) Taking experience, innovation, and data as fulcrums, creating data-driven living circles

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

## 6. Market & Business Overview

### Markets for Major Products and Services

Primary Product (Service)	Major Market
Corporate Banking	Taiwan is the major market while a fully integrated financial platform is established to meet the cross-border needs of Taiwanese businesses operating in Greater China. When it comes to expanding overseas to better serve Taiwanese businesses and foreign customers, E.SUN has set up 24 operational sites across 8 countries or regions, including China, Hong Kong, Singapore, Vietnam, Myanmar, Los Angeles and Sydney to completely service Taiwanese corporates and local customers.
Consumer Banking	Taiwan is the major market where 137 branches have been established. To better serve cross-border customers, E.SUN is also proactive to expand the consumer banking business at foreign operational sites.
Wealth Management	Taiwan is the major market while overseas operational sites are established to satisfy cross-border customers.
Credit Card	Taiwan is the major market while E.SUN's Cambodian subsidiary is also developing the credit card business.
Digital Banking	Taiwan is the major market; E.SUN also teams up with cross-border partners as Alibaba, Tencent, and PayPal to provide customers with cross-border financial services.
Securities	Taiwan is the major market where there are 107 retail operational sites: 20 branches and 87 cross-selling offices opened in line with E.SUN Bank branches.

## 7. Human Resources



Cultivating financial talent with innovative thinking and global view is the key to building an innovative business model for future success. E.SUN has long sought to cultivate interdisciplinary professionals by providing employees diversified learning programs and systematic career path, and strives to provide all colleagues with a stage on which to realize their ambitions and ideals.

E.SUN has long emphasized manpower training, ongoing concern for colleagues, a happy workplace environment, which allow colleagues determine their own futures. During 2016, the Company held a total of 302 internal education training courses, and sent selected personnel to participate in 926 training classes at external financial professional organizations; the number of participants reached to 62,330 person-times, which works out to an average of 7.1 times per person. E.SUN hope that colleagues will rely on systematic, progressive learning scheme to determine their career directions, and become E.SUN's seeds of hope through their hard work and growth.

E.SUN hopes to "be loved by employees, and become colleagues' second happy home." All E.SUN persons are dedicated to helping and caring for each other, and creating a happy, harmonious working environment. E.SUN emphasizes listening to colleagues' voice, and is continuing to develop a human resources systems embodying E.SUN's corporate culture.

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

Item	Year	2017/3/30	2016	2015
No. of Employees		8,767	8,788	8,457
Average Age		32	31.8	31.4
Average Years of Service		7	6.8	6.5
Educational Background(%)	Master's	22.9	22.8	21.5
	Bachelor's	71.5	71.6	72.4
	College	4.9	4.9	5.3
	High School	0.7	0.7	0.8
Number of Professional License	Bank	24,228	23,762	22,967
	Insurance	9,366	9,243	8,828
	Securities	8,090	8,012	7,894
	Others	536	525	493

### (2) E.SUN Bank

Item	Year	2017/3/30	2016	2015
No. of Employees		8,186	8,197	7,841
Average Age		31.8	31.6	31.3
Average Years of Service		6.9	6.8	6.5
Educational Background(%)	Master's	23.2	23.1	21.9
	Bachelor's	71.3	71.3	72
	College	4.8	4.9	5.3
	High School	0.7	0.7	0.8
Number of Professional License	Bank	23,723	23,227	22,376
	Insurance	9,151	9,023	8,540
	Securities	7,065	7,003	6,860
	Others	501	486	452



**(3) E.SUN Securities**

Item	Year	2017/3/30	2016	2015
No. of Employees		540	550	553
Average Age		34	33.7	33
Average Years of Service		6.9	6.8	6.2
Educational Background(%)	Master's	15.6	14.4	12.5
	Bachelor's	78.7	79.8	81.7
	College	4.8	4.9	4.9
	High School	0.9	0.9	0.9
Number of Professional License	Bank	483	493	512
	Insurance	206	213	229
	Securities	1,002	996	1,000
	Others	34	35	33

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

Item	Year	2017/3/30	2016	2015
No. of Employees		7	7	7
Average Age		37.7	37.4	36.4
Average Years of Service		11.3	11.1	10.2
Educational Background(%)	Master's	71.4	71.4	71.4
	Bachelor's	28.6	28.6	28.6
Number of Professional License	Bank	18	18	18
	Insurance	5	5	5
	Securities	6	6	6
	Others	1	1	1

**(5) State of continuing education and training for employees**

- a. In accordance with its employee training implementation guidelines, the Company systematically plans and implements training in accordance with the annual training plan.
- b. In accordance with its employee continuing education, study, and observation guidelines, the Company sends colleagues for domestic and overseas continuing education, observation, and study after recommendation by their executive and selection by the dedicated unit.
- c. Human resources are the key to E.SUN's sustainable development. In order to reinforce its human capital, the Company has established a human resources development center, which relies on a holistic training and development framework to train outstanding financial professional manpower.
- d. During 2016, the Company and its subsidiaries held a total of 302 internal training classes, and sent selected personnel to participate in 926 training classes at external financial professional organizations; total number of participants reached to 62,330 person-times.
- e. Education and training expense accounted for 0.9% of its earnings

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

E.SUN had 7,947 non-managerial employees in 2016, average benefit expenditures were 1.111 million per person, represented an increase of NT\$121,346 compared with 2015, and the benefit expenditure growth rate was 12.26%.

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

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

## 8. Information Equipment

Chiefly involves information equipment at E.SUN FHC and its subsidiary E.SUN Bank; the content is as follows:

### (1) Major information system deployment

The major service support systems for the Bank's accounting and deposit/loan/remittance services, foreign exchange services, wealth management services, credit card services, and e-commerce services are deployed in accordance with service operating characteristics and most suitable system architecture on z/OS, OS/400, UNIX, Linux, and Windows operating platforms, and business applications run on a virtual platform architecture and a private cloud environment.

### (2) Future development and purchase plans

Responding to global competition, changes in the industry environment, technological innovation, and the evolution of international management standards and philosophies, the Company will strive to ensure systems integration, promote the development of e-commerce services and online banking, actively expand its overseas business, strengthen information security management mechanisms, make best use of big data integration and analytics, make innovative use of emerging information technology and financial technology, and thereby improve the breadth and depth of its customer service. In 2017, the Company implemented the following information system development and deployment projects:

#### a. Information system integration

- (a) Corporate Banking, wealth management, and foreign exchange information system improvement project
- (b) Information infrastructure expansion and virtual platform establishment project
- (d) Deployment of a knowledge management system

#### b. e-Commerce and digital channel

- (a) Global online banking system
- (b) Optimization of the mobile interface of the online banking system
- (d) ATM system improvement project

#### c. Overseas information system

Overseas branch information system integration and expansion project

#### d. Emerging information technology

- (a) Metadata management improvement project
- (b) Blockchain cooperation project
- (c) Real-time data flow analysis

### (3) Emergency backup and security protection mechanisms

- a. The Bank's information system physical environment entry controls, fire safety, power, network and data security, encryption operating procedures, and system and data backup procedures uniformly comply with the minimum requirements in the Information System Security Guidelines for Financial Institutions issued by the Bankers Association of the R.O.C.
- b. With regard to measures taken to ensure the continuity of services, apart from on-site system backup, drills are performed faithfully each half-year in accordance with the Bank's system offsite backup recovery procedures, which ensures the effectiveness of backup procedures and data.
- c. With regard to preventive safety measures, E.SUN employ a multi-level in-depth defensive architecture, and employ firewalls, antivirus software, spam filters APT intrusion detection and prevention measures, online behavior management and network management systems, and a centralized control system and leak repair measures. E.SUN also regularly implement vulnerability scans, penetration testing, and social engineering drills as part of our efforts to ensure network security and the stability of our information systems.
- d. In 2017, E.SUN's information security management will include the gradual strengthening of controls on Internet use, protection against advanced persistent threats (APTs), in-depth vulnerability scans, whitelist management, the adoption of ISP-end dispersed denial of service (DDoS) attack protection measures, regular implementation of social engineering e-mail drills to boost security consciousness, establishment of information security incident response procedures, and implementation of simulated response drills. Overseas business locations will strengthen their branch information security controls, perform active monitoring, and embark on the full-scale improvement of their defensive capabilities.
- e. In 2016, E.SUN completed the replacement of our core network system. E.SUN will plan and deploy a dual information center network infrastructure and 2017, which will boost the Bank's network availability.
- f. E.SUN have adopted the ISO 27001: 2013 information security management system, and have continued to pass the twice-annual follow-up certification implemented by BSI. Information assets are classified based on their importance and influence. E.SUN regularly perform information security assessments of computer systems, and have passed on-site testing implemented by assessment organizations.

## 9. Corporate responsibility and ethical conduct



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

With regard to social welfare, apart from continuing to implement the E.SUN Golden Seed Project and E.SUN Concern for Schoolchildren Program, the Company also issues the “E.SUN Volunteer Passport” to encourage E.SUN employees to participate in various public interest activities. In the “E.SUN Bicycle Ride Around Taiwan: Sending Love Everywhere” activity, E.SUN donated NT\$10,000 to the E.SUN Concern for Schoolchildren Program for each kilometer that the volunteer participants rode,

and donated a total of NT\$10 million. The “Rainbow Hope” social welfare activity was organized to help rebuild Hakai Village, Fuxing Township, Taoyuan County in the wake of typhoon damage. E.SUN’s support for a shift to growing organic rice at Nanan Village in Hualien County helped farmers and provided tangible support to agriculture in Taiwan. Separately, the Company had donated 110 E.SUN libraries as of the end of 2016. So far, more than 34,000 schoolchildren have been benefited.

E.SUN’s efforts in promoting environmental protection include the introduction of the ISO 14001 and ISO 50001 Environmental and Energy management systems. The company has fully completed ISO 14064-1 greenhouse gas verifications and ISO 14064 water footprint verification for 2 consecutive years for the E.SUN headquarters building, Bao’an building, Dengfeng campus and all branches in Taiwan. A total of 20 “Bears Love E.SUN: Black Bear Conservation” seminars were held throughout Central Taiwan. E.SUN also responds actively to environmental protection events both domestically and abroad by joining forces with the international community in the promotion of energy conservation and carbon reduction.

With regard to our support for education, we

provide outstanding students with fair, comprehensive, worry-free educational resources. To date, we have provided scholarships to a cumulative total of 90 outstanding students in 12 E.SUN Scholarships for Outstanding Managerial Talents. We have established the E.SUN Academic Awards in partnership with National Taiwan University, National Chengchi University, National Tsinghua University, and National Chiao Tung University; these awards are intended to raise domestic research standards in the field of management. E.SUN collaborated with the Data Science in Taiwan Conference and Taiwan IBM to hold the “E.SUN Hackathon,” which gave students practical working experience and planted the seeds of innovation for Taiwan’s financial technology development.

With regard to sports, in order to promote the development of youth development in Taiwan, E.SUN has used systematic methods to establish the “E.SUN Youth Baseball Development Fund Account” and establish a series of E.SUN Cup Youth Baseball Development Activities, including the E.SUN Cup National Youth Baseball Championship, E.SUN Youth Baseball Training Camp, E.SUN High School Baseball Camp on Sports Injury Prevention and Rehabilitation, and Caring for Baseball Teams in Remote Areas. These activities have helped provide young baseball players in Taiwan with a stage on which they can strive to realize their dreams.



E.SUN has further continued to hold regular “One Simple Act of Love can Inspire Others to Love” blood drives and the “Caring for Children in Need” orphanage kids concern activity. Thanks to the commitment of E.SUN employees and volunteers, the Company has helped even more people in need, and spread love to every corner of the country. E.SUN will continue to give this land our unchanging love and concern, and help E.SUN volunteers make an even greater contribution!



## 10. Environmental protection expenditure information

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

## VI. Financial Information



# 1. Condensed Financial Statements from 2013 to 2016

## (1) Condensed Balance Sheet(Consolidated)

Unit: NTS1,000

Item	Year	Financial data for the most recent five years from 2013 to 2016(Note 1)				As of February 28,2017(Note 3)
		2016(Note 4)	2015(Note 5)	2014(Note 6)	2013(Note 7)	
Cash and cash equivalents, due from the central bank and call loans to other banks		99,544,974	104,112,647	89,637,708	79,251,859	115,679,991
Financial assets at fair value through profit or loss		366,689,364	349,603,244	292,870,111	283,646,429	378,315,131
Available-for-sale financial assets		141,645,924	131,281,637	86,030,495	72,049,774	153,251,031
Derivative financial assets for hedging		-	-	-	-	232,505
Securities purchased under resell agreements		173,470	896,844	152,758	-	70,777
Receivables, net		83,935,869	78,562,234	73,087,654	62,895,383	81,103,410
Current tax assets		33	104	335,260	563,776	9,895
Assets held for sale, net		-	-	-	-	-
Discounts and loans, net		1,118,148,669	1,021,944,720	934,613,524	828,238,170	1,124,175,724
Reinsurance assets		-	-	-	-	-
Held-to-maturity financial assets		3,616,960	5,289,839	5,915,792	8,593,699	3,194,369
Investments accounted for using equity method, net		-	-	-	-	-
Restricted assets		-	-	-	-	-
Other financial assets, net		31,009,269	43,697,797	52,810,267	17,578,354	24,913,274
Properties and equipment, net		26,439,666	26,792,354	21,106,105	19,373,142	26,288,083
Investment properties, net		2,033,334	461,799	421,270	544,587	2,224,833
Intangible assets, net		6,241,852	5,953,922	5,683,483	5,513,344	6,142,088
Deferred tax assets, net		438,264	500,739	123,932	343,935	549,215
Other assets		4,382,542	6,136,051	3,631,499	2,444,147	5,993,163
Total assets		1,884,300,190	1,775,283,931	1,566,419,858	1,381,036,599	1,922,143,489
Due to the Central Bank and other banks		52,516,006	71,170,130	58,199,621	47,645,621	91,313,338
Funds borrowed from the Central Bank and other banks		-	-	-	-	30,650
Financial liabilities at fair value through profit or loss		42,145,098	35,875,595	26,081,873	12,264,067	40,897,831
Derivative financial liabilities for hedging		-	-	-	-	85,766
Securities sold under repurchase agreements		8,881,723	8,034,391	13,117,523	6,254,291	10,859,879
Commercial paper issued		2,557,414	2,279,200	2,828,518	1,981,970	3,518,100
Payables		27,503,039	21,441,650	21,740,276	19,045,582	30,442,302
Current tax liabilities		1,636,966	1,144,949	853,016	505,654	1,937,141
Liabilities directly associates with assets held for sale		-	-	-	-	-
Deposits and remittances		1,557,116,388	1,456,393,949	1,280,691,771	1,150,790,905	1,543,945,469
Bonds payable		48,950,000	50,750,000	49,600,000	53,800,000	49,552,040
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		6,903,561	1,319,959	2,583,420	2,392,644	13,591,023
Provisions		442,271	499,097	337,069	400,265	437,828
Deferred tax liabilities		925,546	1,288,004	816,112	745,760	882,550
Other liabilities		5,540,820	3,426,109	1,909,313	1,854,517	2,970,588
Total liabilities	Before distribution	1,755,118,832	1,653,623,033	1,458,758,512	1,297,681,276	1,790,464,504
	After distribution	(Note2)	1,657,042,264	1,461,932,362	1,299,467,924	(Note2)
Equity attributable to owners of the Company		128,524,475	120,927,106	106,876,393	82,650,959	130,907,322
Capital stock	Before distribution	87,654,000	79,517,000	70,530,000	55,243,000	87,654,000
	After distribution	(Note2)	87,468,700	77,030,496	61,139,206	(Note2)
Capital surplus		20,658,669	20,501,164	19,375,697	14,497,390	20,658,670
Retained earnings	Before distribution	19,802,447	18,253,944	15,139,336	12,093,934	22,176,460
	After distribution	(Note2)	6,883,013	5,617,786	4,543,907	(Note2)
Other equity		409,359	2,654,998	1,831,360	816,635	418,192
Treasury stock		(Note2)	-	-	-	(Note2)
Non-controlling interests		656,883	733,792	784,953	704,364	771,663
Total equity	Before distribution	129,181,358	121,660,898	107,661,346	83,355,323	131,678,985
	After distribution	(Note2)	118,241,667	104,487,496	81,568,675	(Note2)

Note1: Based on audited financial statements.

Note2: Earnings distribution of the year (ended December 31)2016 shall be resolved in the shareholders' meeting.

Note3: Financial figures as of Feb.28, 2017 are preliminary figures.

Note4: Financial figures of 2016 are based on the 2016 financial reports issued by CPA.

Note5: Financial figures of 2015 are based on the 2015 financial reports issued by CPA.

Note6: Financial figures of 2014 are based on the 2014 financial reports issued by CPA.

Note7: Financial figures of 2013 are based on the 2013 financial reports issued by CPA.

**(2) Condensed Statement of Comprehensive Income (Consolidated)**

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

Item	Year	Financial data 2013-2016 (Note 1)				As of February 28,2017(Note 2)
		2016(Note 3)	2015(Note 4)	2014(Note 5)	2013(Note 6)	
Interest revenue		29,823,991	29,981,181	27,147,256	22,573,791	4,998,453
Less: Interest expense		11,239,320	12,507,553	11,662,630	9,539,118	1,923,647
Net interest		18,584,671	17,473,628	15,484,626	13,034,673	3,074,806
Total net revenues and gains other than interest		22,480,161	21,015,701	17,269,893	13,712,753	3,383,068
Total net revenues		41,064,832	38,489,329	32,754,519	26,747,426	6,457,874
Bad-debt expenses and provision for losses on guarantees		3,463,088	3,566,430	2,033,689	1,706,522	63,699
Net changes in insurance liability reserve		-	-	-	-	-
Operating expenses		22,396,072	20,137,768	17,949,763	14,826,607	3,656,685
Income before tax from continuing operations		15,205,672	14,785,131	12,771,067	10,214,297	2,737,490
Income tax expense		(2,222,490)	(1,906,172)	(2,165,739)	(1,798,246)	(360,635)
Net income from continuing operations		12,983,182	12,878,959	10,605,328	8,416,051	2,376,855
Net income (loss) from discontinuing operations		-	-	-	-	-
Net income		12,983,182	12,878,959	10,605,328	8,416,051	2,376,855
Other comprehensive income for the year (net of tax)		(2,476,343)	783,746	1,127,093	819,198	(17,656)
Total comprehensive income		10,506,839	13,662,705	11,732,421	9,235,249	2,359,199
Net income attributable to owners of the company		13,135,212	12,816,347	10,528,552	8,416,145	2,374,020
Net income attributable to non-controlling interests		(152,030)	62,612	76,776	(94)	2,835
Total comprehensive income attributable to owners of the company		10,673,795	13,567,419	11,610,154	9,239,127	2,356,394
Total comprehensive income attributable to non-controlling interests		(166,956)	95,286	122,267	(3,878)	2,805
Earnings per share (NT\$)		1.5	1.63	1.56	1.53	0.27

Note1: Based on audited financial statements.

Note2: Financial figures as of Feb.28, 2017 are preliminary figures.

Note3: Financial figures of 2016 are based on the 2016 financial reports issued by CPA.

Note4: Financial figures of 2015 are based on the 2015 financial reports issued by CPA.

Note5: Financial figures of 2014 are based on the 2014 financial reports issued by CPA.

Note6: Financial figures of 2013 are based on the 2013 financial reports issued by CPA.



### (3) Condensed Balance Sheet (Consolidated) – ROC GAAP

Unit:NT\$1,000

Item	Year	Financial data for the most recent five years (Note)	
		2012	
Cash and cash equivalents, due from the central bank and call loans to other banks			79,269,556
Financial assets at fair value through profit or loss			61,300,358
Securities purchased under resell agreements			210,863
Available-for-sale financial assets			76,668,039
Receivables			48,564,037
Loans			735,406,720
Held-to-maturity financial assets			211,168,563
Investments accounted for using equity method			0
Properties			16,669,914
Intangible assets			4,188,907
Other financial assets			6,137,744
Other assets			4,511,882
Total assets			1,244,096,583
Due to the Central Bank and other banks			46,652,824
Deposits			1,023,820,129
Financial liabilities at fair value through profit or loss			12,418,221
Securities sold under repurchase agreements			4,957,725
Funds borrowed from the Central Bank and other banks			0
Bonds payable			53,300,000
Preferred stock liabilities			0
Operating and Liabilities reserve			0
Other financial liabilities			2,185,508
Other liabilities			25,588,167
Total liabilities			1,168,922,574
Equity attributable to owners of the company	Capital Stock	Before distribution	50,107,000
		After distribution	55,117,700
	Capital Surplus		14,420,331
	Retained earnings	Before distribution	10,584,717
		After distribution	4,070,807
Other equity		61,961	
Non-controlling interests			-
Total stockholders' equity	Before distribution		75,174,009
	After distribution		6,513,910

Note:Based on audited financial statements.

**(4) Condensed Statement of Income (Consolidated) – ROC GAAP**

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

Item	Year	Financial data for the most recent five years (Note)	
		2012	
Net interest			14,089,561
Total net revenues and gains other than interest			10,002,317
Bad-debt expenses			(2,019,962)
Provision miscellaneous insurance reserve abstract			0
Operating expenses			(13,717,997)
Income before tax from continuing operations			8,353,919
Net income from continuing operation			7,058,236
Net income (loss) from discontinuing operations			0
Extraordinary gain or loss(After income tax)			0
Cumulative effect of changes in accounting principles(After income tax)			0
Consolidated net income	Attributable to parent company		7,058,236
	Attributable to minority interest		0
Basic earnings per share			1.46

Note: Based on audited financial statements.

**(5) CPAs' Auditing Opinion from 2012 to 2016**

Chen Li Chi, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN FHC for the year of 2012, ended on December 31, and issued an unqualified opinion report ; Huang Jui Chan, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN FHC for the year of 2013, ended on December 31, and issued an unqualified opinion report.; Huang Jui Cha, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN FHC for the year of 2014, ended on December 31, and issued an unqualified opinion report.; Huang Jui Cha, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN FHC for the year of 2015, ended on December 31, and issued an unqualified opinion report; Chen Yin Chou, CPA, and Huang Jui Chan, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN FHC for the years of 2016, ended on December 31, and issued unqualified opinion reports.

## 2. Financial data for the most recent five years

### (1) Financial Analysis

Item	Year	Financial data for the most recent five years from 2013 to 2016				As of February 28, 2017 (Note 4)	
		2016(Note 6)	2015(Note 7)	2014 (Note 8)	2013(Note 9)		
Operating ratio	Total assets turnover (Times)	0.02	0.02	0.02	0.02	0.02	
	Loan to Deposit Ratio (E.SUN Commercial Bank) (%)	72.69	70.97	73.61	72.40	73.58	
	NPL ratio (E.SUN Commercial Bank) (%) (Note 10)	0.19	0.13	0.18	0.20	0.20	
	Average revenue per employee(NT\$ thousand)	4,583.13	4,617.24	4,266.02	3,733.59	4,324.47	
	Average net income per employee(NT\$ thousand)	1,449.02	1,544.98	1,381.26	1,174.77	1,591.64	
Profitability ratio	Ratio of return on total assets(%)	0.72	0.78	0.73	0.65	0.76	
	Ratio of return on stockholders' equity(%)	10.35	11.23	11.11	10.65	10.93	
	Profit margin ratio(%)	31.62	33.46	32.38	31.46	36.81	
	Basic Earnings per share(NT\$)	1.50	1.63	1.56	1.53	0.27	
Financial structure(%)	Ratio of debt to assets	93.14	93.15	93.13	93.96	93.15	
	Ratio of debt to net worth	1,358.65	1,359.21	1,354.95	1,556.81	1,359.72	
	Double Leverage Ratio (Note 5)	104.80	104.29	106.12	108.24	104.88	
	According to Article 41 of Financial Holding Company Law	None	None	None	None	None	
Leverage ratio(%)	Operating leverage ratio	1.23	1.24	1.16	1.17	1.18	
	Financial leverage ratio (Note 5)	1.01	1.01	1.01	1.02	1.01	
Ratio of growing(%)	Ratio of assets growing (Note 11)	6.14	13.33	13.42	10.84	2.01	
	Ratio of income growing (Note 12)	2.84	15.68	25.03	22.53	8.02	
Cash flow(%) (Note 2)	Cash flow ratio (Note 13)	0.19	14.14	6.12	-	0.19	
	Cash flow adequacy ratio (Note 13)	86.80	178.85	106.18	397.79	86.80	
	Cash flow content ratio	Note1	Note1	Note1	Note1	Note1	
Operating Scale(%) (Note 3)	Market share of assets	3.92	3.90	3.75	3.58	4.00	
	Market share of equity	3.85	3.88	3.64	3.19	3.92	
	Market share of deposit (E.SUN Commercial Bank)	4.15	4.42	4.13	3.94	4.12	
	Market share of assets loans(E.SUN Commercial Bank)	4.00	4.26	4.03	3.74	4.02	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank	13.71	12.95	12.72	12.27	14.19
		E.SUN Securities Co., Ltd.	535.17	596.44	427.41	430.85	455.51
		E.SUN Venture Capital Co., Ltd.	98.16	99.49	98.89	98.77	99.87
		E.SUN Insurance Brokers Co., Ltd.	-	88.46	84.29	91.70	-
	Qualified capital of subsidiaries (NT\$ thousand)	E.SUN Commercial Bank	174,936,955	154,838,582	135,002,479	112,353,658	177,293,810
		E.SUN Securities Co., Ltd.	3,908,927	3,921,842	3,846,516	2,787,055	3,941,982
		E.SUN Venture Capital Co., Ltd.	3,589,935	3,819,566	3,189,199	2,414,934	3,712,037
		E.SUN Insurance Brokers Co., Ltd.	-	1,133,244	717,777	620,434	-
	Net Group qualified capital(NT\$ thousand)		156,549,604	140,989,432	124,594,422	100,530,688	159,040,578
	Legal requirement of subsidiaries' capital	E.SUN Commercial Bank	110,066,610	95,640,422	84,875,568	73,232,988	119,360,330
		E.SUN Securities Co., Ltd.	1,095,615	986,316	1,349,952	970,311	1,298,094
		E.SUN Venture Capital Co., Ltd.	1,828,567	1,919,557	1,612,505	1,222,563	1,858,420
		E.SUN Insurance Brokers Co., Ltd.	-	640,531	425,778	338,298	-
	Legal requirement of group capital(NT\$ thousand)		114,029,344	99,480,031	88,513,217	75,912,225	123,586,959
Group Capital Adequacy Ratio		137.29	141.73	140.76	132.43	128.69	
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)(Note 10)		610,572,634	605,641,651	465,447,379	384,979,752	610,572,634	

Note1: The cash flow content ratio is negative and not required for further analysis.

Note2: Cash flow information on Feb. 28, 2017 refer to 2016 figures.

Note3: For operating scale ratio on Feb. 28, 2017, the Denominator (total asset and net worth) refer to 2016 figures.

Note4: Financial figures as of Feb.28, 2017 are preliminary figures.

Note5: Number of individual financial audits of E.SUN FHC by year.

Note6: Financial figures of 2016 are based on the 2016 financial reports issued by CPA.

Note7: Financial figures of 2015 are based on the 2015 financial reports issued by CPA.

Note8: Financial figures of 2014 are based on the 2014 financial reports issued by CPA.

Note9: Financial figures of 2013 are based on the 2013 financial reports issued by CPA.

Note 10: The subsidiary has a higher nonperforming loan ratio compared to the previous year, mainly due to a higher nonperforming amount of secured business loans and mortgage loans.

Note11: The YOY decrease in assets is attributed to a smaller YOY increase in financial assets at fair value through profit and loss and available for sale.

Note12: The YOY decrease in profit is attributed to a series of rate cuts and general market conditions.

Note13: The cash flow ratio and the cash flow adequacy ratio are lower due to lower net cash flow from operating activities as a result of lower financial liabilities at fair value through profit and loss by the central bank and other banks.

Note14: The total amount or percentage of credit or endorsement extended to and other transactions entered into with the same person, same related party, or same affiliate by subsidiaries as of February 28, 2017 that are disclosed by a financial holding company in accordance with Article 46 of the Act are data as of the end of 2016.

Note15: The financial analysis as of February 28, 2017 is based on unaudited data.

Note16: Formula

#### 1. Operating ratio

- (1) Total assets turnover = Net income / Average assets
- (2) Loan to Deposit Ratio = Total loans / Total deposits
- (3) NPL ratio = Nonperforming loans / Total loans
- (4) Average revenue per employee = Net revenues / employee
- (5) Average net income per employee = Net income / employee

#### 2. Profitability ratio

- (1) Ratio of return on total assets = [Income after income tax + interest expenses × (1 - tax rate)] / Average assets
- (2) Ratio of return on stockholders' equity = Income after income tax / Average stockholders' equity
- (3) Profit margin ratio = Income after income tax / Net revenues
- (4) Basic earnings per share = (Income and loss attributable to owners of the company - Dividends for preferred stocks) / Average issued shares

#### 3. Financial structure

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

#### 4. Leverage ratio:

- (1) Operating leverage ratio = (Net revenues - Variable expenses) / Income before income tax
- (2) Financial leverage ratio = (Income before income tax + interest expenses) / Income before income tax

#### 5. Ratio of growing:

- (1) Ratio of assets growing = (Total assets - Last year total assets) / Last year total assets
- (2) Ratio of income growing = (Income before income tax - Last year income before income tax) / Last year income before income tax

#### 6. Analyses for liquidity

- (1) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities sold under repurchased issued + Current portion of Payables).
- (2) Cash flow adequacy ratio = Net cash provided by operating activities (from 2012 to 2016) / from 2012 to 2016 (capital expenditure + Cash dividends).
- (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities

#### 7. Operating Scale

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

#### 8. Capital adequacy Ratio

- (1) Net Group qualified capital = Qualified requirement of Financial Holding Company Law + (Shares hold in ratio of Financial Holding Company Law × Qualified capital of subsidiaries) - Deduction.
- (2) Legal requirement of subsidiaries' capital = Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law × Legal requirement of subsidiaries.
- (3) Group Capital Adequacy Ratio = Net Group qualified capital / Legal requirement of group capital.

## (2) Financial Analysis – ROC GAAP

Item	Year	Financial data for the most recent five years (Note 2)	
		2012	
Operating ratio	Total assets turnover (Times)	0.02	
	Loan to Deposit Ratio (E.SUN Commercial Bank)(%)	72.25	
	NPL ratio (E.SUN Commercial Bank)(%)	0.17	
	Average revenue per employee(NT\$ thousand)	1,203.20	
	Average net income per employee(NT\$ thousand)	1,089.91	
Profitability ratio	Ratio of return on total assets(%)	0.61	
	Ratio of return on equity(%)	10.03	
	Profit margin ratio(%)	29.30	
	Basic earnings per share(dollars)	1.46	
Financial structure(%)	Ratio of debt to assets	93.96	
	Ratio of debt to equity	1,554.85	
	Double Leverage Ratio (Note 3)	107.95	
	According to Article 41 of Financial Holding Company Law	None	
Leverage ratio(%)	Operating leverage ratio	1.24	
	Financial leverage ratio	1.03	
Ratio of growing(%)	Ratio of assets growing	12.05	
	Ratio of income growing	100.54	
Cash flow(%)	Cash flow ratio	3.98	
	Cash flow adequacy ratio	600.07	
	Cash flow content ratio	Note 1	
Operating Scale (%)	Market share of assets	3.53	
	Market share of equity	3.08	
	Market share of deposit(E.SUN Commercial Bank)	3.71	
	Market share of assets loans(E.SUN Commercial Bank)	3.44	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank	13.21
		E.SUN Securities Co., Ltd.	575.29
		E.SUN Venture Capital Co., Ltd.	99.61
		E.SUN Insurance Brokers Co.,Ltd.	86.96
	Qualified capital of subsidiaries (NT\$ thousand)	E.SUN Commercial Bank	103,424,675
		E.SUN Securities Co., Ltd.	2,676,825
		E.SUN Venture Capital Co., Ltd.	1,580,005
		E.SUN Insurance Brokers Co.,Ltd.	724,644
	Net Group qualified capital(NT\$ thousand)		93,421,814
	Legal requirement of subsidiaries' capital (NT\$ thousand)	E.SUN Commercial Bank	62,646,252
		E.SUN Securities Co., Ltd.	697,949
		E.SUN Venture Capital Co., Ltd.	793,076
E.SUN Insurance Brokers Co.,Ltd.		416,652	
Legal requirement of group capital(NT\$ thousand)		64,652,237	
Group Capital Adequacy Ratio (%)		144.50	
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	

Note1: The cash flow content ratio is negative and not required for further analysis.

Note2: Based on audited financial statements.

Note3: Number of individual financial audits of E.SUN FHC by year.

Note4: Formula.

## 1. Operating ratio

- (1) Total assets turnover=Net revenues/Average total assets
- (2) Loan to Deposit Ratio =Total loans/Total deposits
- (3) NPL ratio=Nonperforming loans/Total loans
- (4) Average revenue per employee=Net revenues/employee
- (5) Average net income per employee=Net income/employee

## 2. Profitability ratio

- (1) Ratio of return on total assets=Income after income tax/ Average total assets
- (2) Ratio of return on equity=Income after income tax/Average total equity
- (3) Profit margin ratio=Income after income tax/Net revenues
- (4) Basic Earnings per share=(Income and loss attributable to owners of the company-Dividends for preferred stocks)/ Average issued shares

## 3. Financial structure

- (1) Ratio of debt to assets=Total liabilities/Total assets
- (2) Ratio of debt to net worth=Total liabilities/Total equity
- (3) Double Leverage Ratio=Equity investment for subsidiaries/Total equity

## 4. Leverage ratio:

- (1) Operating leverage ratio=(Net revenues-Variable expenses) / Income before income tax
- (2) Financial leverage ratio=(Income before income tax+interest expenses)/Income before income tax

## 5. Ratio of growing:

- (1) Ratio of assets growing =( Total assets-Last year total assets)/Last year total assets
- (2) Ratio of income growing =(Income before income tax-Last year income before income tax)/Last year income before income tax

## 6. Analyses for liquidity

- (1) Cash flow ratio=Net cash provided by operating activities/(Due to the bank + Commercial paper issued+Financial liabilities at fair value through profit of loss+Securities sold under repurchased agreements+Current portion of Payables).
- (2) Cash flow adequacy ratio=Net cash provided by operating activities(from 2012 to 2016)/from 2012 to 2016(capital expenditure+Cash dividends).
- (3) Cash flow content ratio=Net cash provided by operating activities/Net cash provided by investing activities

## 7. Operating Scale

- (1) Market share of assets=Total assets/Total assets of all financial institutions which are qualified in deposit and loan business
- (2) Market share of equity=Total stockholders' equity/Total stockholders' equity of all financial institutions which are qualified in deposit and loan business.
- (3) Market share of deposit (%) (bank)=Total deposits/Total deposits held by all financial institutions which are qualified in deposit and loan business
- (4) Market share of assets loans (%) (bank)=Total loans/Total loans granted by all financial institutions which are qualified in deposit and loan business.

## 8. Capital adequacy Ratio

- (1) Net Group qualified capital=Qualified requirement of Financial Holding Company Law+(Shares hold in ratio of Financial Holding Company Law×Qualified capital of subsidiaries)-Deduction.
- (2) Legal requirement of subsidiaries' capital=Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law×Legal requirement of subsidiaries.
- (3) Group Capital Adequacy Ratio=Net Group qualified capital÷Legal requirement of group capital.

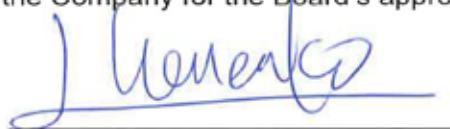
**(3) Financial holding company and its subsidiaries should disclose the detail of impact when encounter financial difficulties for the latest complete financial year and year to date before the printing of annual report: None.**

### 3. Audit Committees' Report

#### Audit Committee Report

To: E.SUN Financial Holding Company

The 2016 consolidated financial statements of E.SUN Financial Holding Company ("the Company") have been prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies", "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Guidelines Governing the Preparation of Financial Reports by Securities Firms", "Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants", "International Financial Reporting Standards", "International Accounting Standards", "IFRIC Interpretations" and "SIC Interpretations" endorsed by the Financial Supervisory Commission of the Republic of China. CPA Chen Yin Chou and CPA Huang Jui Chan of Deloitte & Touche have been appointed by the Company to audit the financial statements. After reviewing the financial statements, the Audit Committee has found them to meet the requirements of the applicable laws and guidelines. The report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of the Company for the Board's approval.



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

Date: March 1, 2017

## VII. Risk Management





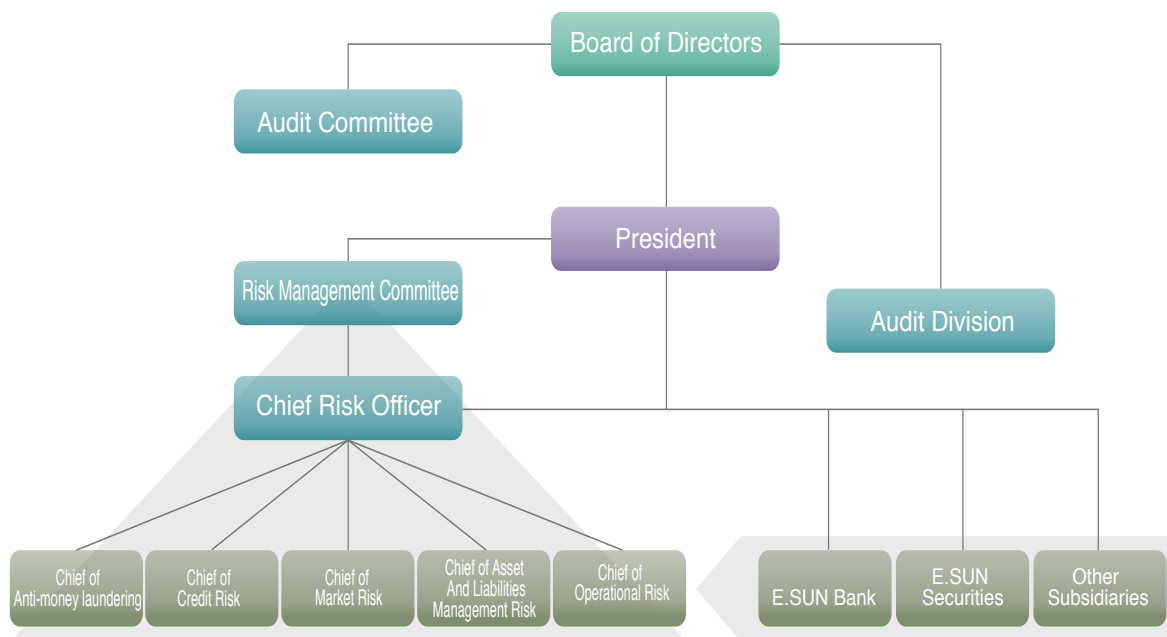
# 1.Risk Management

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

## (1)FHC's Risk Management Framework

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

At the same time, E.SUN is working to comply with the framework set forth in the Basel Accord. In 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.



E.SUN FHC's Risk Management Organizational Framework

## (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.

### a. Routine Disclosures

#### (a) Strategies and Procedures

##### i. Credit Risk Management

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

##### ii. Market Risk Management

- (i) The Company and its subsidiaries establish market risk management mechanisms to meet risk management needs, including tools to identify, measure, supervise, and control risk, as well as procedures for handling exceptions.
- (ii) 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.
- (iii) Overall financial product holdings are reviewed on a regular basis. A risk exposure report is submitted to E.SUN FHC's risk management committee and board of directors accordingly. Such review helps the Company stay on top of the risk of price volatility so that it can make better-informed trading decisions.

##### iii. Operational Risk Management

- (i) In order to effectively identify, assess, supervise, and control all operating risks that may be encountered, and promote sound management, the Company and its subsidiaries have determined "Operating Risk Management Guidelines" as a basis for operating risk management. In addition, the Company has determined "operating risk loss incident notification guidelines" and continues to collect operating risk loss incidents to assist in the improvement of operating risk management.
  - (ii) Mechanisms are established for the management of operational risk based on actual needs, including those designed for risk identification, evaluation, measurement, and monitoring, in order to keep up with changes in operational risk.
  - (iii) The audit division shall examine the procedure of managing operational risk on a regular basis in order to ensure that both evaluation of such management and control and management processes are functioning properly.
- ##### iv. Prevention of money laundering and financing of terrorism
- (i) In order to achieve the goal of control of money laundering and financing of terrorism, the Company and its subsidiaries have determined the "E.SUN FHC and Subsidiary Plan to Control Money Laundering and Counter Financing of Terrorism," and have established control

measures for those risks that have already been identified in an effort to reduce or prevent money laundering risk,

- (ii) With regard to risk control measures, subsidiaries shall adopt different control measures focusing on various types of customers on the basis of their risk control plans, monitoring, and procedures.
- (iii) At the same time, to ensure the implementation of control plans, a report concerning state of implementation of annual control plans is reported to the board on an annual basis.

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

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

The E.SUN FHC Risk Management Policies and Guiding Principles require each subsidiary to set forth risk management standards and rules. Each subsidiary must establish a credit 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

- i. Credit Risk Management

Risk control criteria have been determined on the basis of country, single company, single industry, single transaction counterparty, and the same group's risk exposure and risk concentration. Risk control is performed in accordance with credit line, limit of risky assets, same company's total risk, transaction counterparty limits, and financial product transactions limits. E.SUN also perform regular inspection and review of the suitability of limits in order to achieve our goal of dispersing concentrated risk. E.SUN have established an appropriate credit risk control environment, which includes credit approval procedures, credit management, and assessment and supervision procedures. E.SUN regularly report the state of credit risk control to management, the risk management committee, and the board.

- ii. Market Risk Management

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.

- iii. Operational Risk:

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

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

E.SUN FHC and its subsidiaries seek collateral, third-party guarantees and trade credit derivative products to hedge against 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.

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

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

- (a) In order to strengthen Taiwan's mechanisms for controlling money laundering and countering financing of terrorism, after reviewing the Forty Recommendations issued by the Financial Action Task Force on Money Laundering (FATF), and consulting the "Risk-based Method Guidelines for Banks" issued by FATF in October 2014, the document "Sound management of risks related to money laundering and financing of terrorism" issued by the Basel Committee on Banking Supervision in January 2014, and legislative precedents set by the US, New Zealand, and Hong Kong, the Financial Supervisory Commission determined the "Terrorist Financing Prevention Act" on July 27, 2016, and issued the revised "Directions Governing Anti-Money Laundering and Countering Terrorism Financing by the Banking Sector" on December 2 of the same year.
- (b) In order to actively implement and realize control of money laundering and counter financing of terrorism, the subsidiary E.SUN Bank revised the "E.SUN Commercial Bank directions for controlling money-laundering and countering the financing of terrorism" in accordance with laws

and regulations on January 6, 2017. E.SUN Securities has begun revising internal regulations to facilitate the use of risk-based methods to confirm customers' identities and continuing review mechanisms, and verify the equity structures of institutional or trust customers and the actual beneficiaries. In accordance with our three lines of defense, we have confirmed the effectiveness of our plan to control money laundering and counter financing of terrorism.

**b. Implementing three internal control lines of defense.**

- (a) Financial Supervisory Commission approved the "Practical Rules for the Bank Internal Control Three Lines of Defense" on September 23, 2016. The Practical Rules specify the framework and responsibilities of the three lines of defense, how to strengthen the three lines of defense through cooperation, and how to implement the internal control three lines of defense, which will effectively assist E.SUN Bank in improving its internal control system and strengthening its corporate constitution.
- (b) The internal control systems of the Company and its subsidiaries have been uniformly implemented on the basis of the "Implementation Rules of Internal Audit and Internal Control Systems of Financial Holding Companies and Banking Industries" and internal controls standards for various individual types of business. These internal control systems are all in compliance with the "three lines of defense" concept and functions. To ensure that all units of E.SUN Bank acknowledged their roles and functions in the bank's overall risk and control framework, the Bank has begun revising the E.SUN Bank internal control system in order to explicitly incorporate the concept and spirit of the three lines of defense in E.SUN Bank's internal control system, and ensure the effectiveness of this internal control and risk management system.

**c. Deepening the fair dealing principle**

- (a) In order to implement protection of financial customers, on December 31, 2015, the Financial Supervisory Commission required all financial industry members to establish fair dealing policies and strategies. The Company's

subsidiaries determined fair dealing policies and strategies in 2016, and have performed implementation. In order to increase customers' confidence in E.SUN and foster E.SUN's sustainable development, we hope to make this principle a central part of E.SUN's corporate culture.

- (b). In order to enhance the efficiency and quality of financial consumer dispute resolution, and better protect the rights and interests of financial consumers, all subsidiaries have drafted consumer dispute resolution systems. E.SUN hope that financial consumer disputes between subsidiaries and their customers can be resolved in a fair, reasonable, and effective manner, and ensure compliance with financial consumer protection laws and regulations.

#### d. Enforcement of the Dodd-Frank Act

##### (a). Resolution plan

Following the passage of the United States' Dodd-Frank Act in July 2010, the final version of law DFA165(d), which governs resolution plans, took effect on November 30, 2011. This legislation required foreign financial institutions with total assets exceeding US\$50 billion and US branches to propose resolution plans prior to December 31, 2013.

If the Company becomes subject to this legislation prior to June 30, 2017, in accordance with rule 165(d), it must report its resolution plan to the US Federal Reserve Bank and Federal Deposit Insurance Corporation (FDIC) prior to December 31, 2017 after the plan has been approved by the board of directors. In order to comply with relevant regulations and complete resolution plan reporting before the deadline, the Bank has hired an external consultant to assist with relevant matters connected with resolution plan implementation.

##### (b). Strengthening enhanced prudential standards (EPS)

Also known as Regulatory YY, enhanced prudential standards (EPS) are prescribed by Article 165 of the Dodd-Frank Act, and require grading-type controls on financial institutions' capital requirements, leverage restrictions, liquidity requirements, stress testing, and risk management requirements. Since the Bank's current aggregate global assets have already exceeded US\$50 billion, it will report on risk management of its US branch organizations during the first quarter of 2017 in accordance with 2nd level regulations.

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

- (a). Derivative margin requirement: At its 2009 summit, the G20 resolved to perform monitoring of all OTC

derivatives in order to reduce systemic risk and increase market transaction counterparty risk tolerance.

- i. All standard derivatives must be cleared through centralized clearing, and grading-type control of financial institutions must be performed. Since the Bank is subject to 2nd level regulations, it completed centralized clearing platform establishment in December 2016 and performed relevant matters.
- ii. The Bank is implementing a margin requirement system for nonstandard derivatives, and this system will take effect during March 2017. The Bank expects to complete revision of a new version of the written agreement before the regulations take effect.

#### f. Common Reporting Standard, CRS)

- (a). The OECD issued the Standard for Automatic Exchange of Financial Information in Tax Matters on July 21, 2014. The "AEOI standard model" seeks to prevent offshore tax evasions through the use of an automatic global financial information exchange system, and thereby maintain the integrity of tax revenue systems. Participating countries/areas that have signed tax assistance agreements have agreed to perform the exchange of tax information in accordance with the CRS.

- (b). Since several countries where E.SUN Bank's overseas branch organizations are located, namely Hong Kong, Singapore, China, and Australia, have signed tax assistance agreements, the Bank has hired an external consultant to assist in drafting relevant procedure control and compliance plans, and will adopt relevant procedures in accordance with the timetables of the countries in which overseas branches and subsidiary banks are located.

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

The Financial Supervisory Commission encourages members of the financial industry to develop mobile payment systems, has proposed a five-year usage increase plan, and has allowed application for encoded cell phone credit card services. The Bank obtained permission in 2016 to offer these services, and has acquired international mobile payment services (Apple pay, Google pay, Samsung pay). The Bank is one of the first wave of banks to provide these services. The Bank was also the first in the market to issue HCE cell phone credit cards, and will rely on the advantages of its HCE cell phone credit card and its global market experience

to adopt operating procedures and relevant systems for international mobile payment risk detection, management, and customer service, etc. In addition, in order to meet the needs of even more types of customers, we have expanded payments via the E.SUN Wallet and auxiliary functions, including barcode swipe payments, product coupons, and members' card, etc. As a result, this has become the country's cell phone credit card that can be used in the greatest number of places. We hope to provide even more convenience by taking a E.SUN card wherever they go, and using their smartphone as an E.SUN card.

Although the change of technology or industry will bring new opportunities for new products and business, it may enhance risk. To effectively respond and manage risk, the Company has revised "Compliance and risk assessment in new products or services". Before launching new products or services, the Company shall evaluate their risk level, including Anti-Money Laundering, operational risk, market risk and credit risk, to ensure that the Company has meet risk management regulation. If the exist product and service change, such as product mix, risk level or service type, which may affect the risk level, the procedure shall be proceeded as the new product and service.

In addition, to enhance the risk assessment for specific new products and services, the Company will carry out stress tests and scenario analysis to evaluate risk, to recognize the possible impact from the risk. Also we will take the result into consideration for future product and service design and risk management control.

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

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

The Company's emphasis on its corporate social responsibilities and customer service has won the

affirmation of the public and international organizations. In 2016, E.SUN FHC was included as a constituent stock in the Dow Jones Sustainability Index (DJSI), won its 10th consecutive Taiwan's Excellence in Corporate Social Responsibility Award from Commonwealth Magazine, and won Wealth Magazine's CSR Award in the financial holding company category, Brand Image Award (gold) in the banking category, and Customer Service and Product Award (gold) in the banking category. Both E.SUN Bank and E.SUN Securities received Wealth Magazine's newly-added Financial Technology Applications Innovation Award. In addition, the well-known Asiamoney, The Asset, and The Banker magazines honored E.SUN Commercial Bank as "Taiwan's Best Bank" on the basis of its financial performance and financial innovation. In the area of customer service, E.SUN Commercial Bank won 1st place in the financial industry category of Commonwealth Magazine's Golden Service Awards for the fifth time, setting a record for the financial industry.

Looking ahead to the future, E.SUN will take a forward-looking, locally-oriented perspective, continue to rebuild physical channels, improve transaction systems, and provide customers with an optimal, all-round service experience. E.SUN hopes to benefit customers, the bank, and employees through the use of even more financial innovation and a memorable customer experience, and jointly achieve even better digital living.

#### (6) Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures: N/A

#### (7) Risks from Concentration of Operations, and Countermeasures

##### a. Business concentration

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

##### b. Transaction counterparty concentration

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

##### c. Concentration of secured business

- (a) Determine risk limits based on the type of collateral and area, and maintain strict controls.
- (b) In order to avoid excessive concentration of banks'

real estate loans, based on the need to control real estate credit risk, the Financial Supervisory Commission requires all banks to perform self-management of their real estate loan concentration percentage, and determine monitoring mechanisms and indicators.

#### d. Concentration of unsecured business

The Bank performs regular tracking and management of special loan cases. For instance, we perform quarterly monitoring in cases with characteristics such as a high borrower age, relatively high credit rating, or inter-area operations, and seek to avoid cases with excessively high risk.

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

As of the end of 2016, no directors, supervisors or major shareholders with a stake of over 1% transferred stakes to another party.

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

As of the end of 2015, there is no significant change in ownership.

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

#### (11) Other Major Risks and Countermeasures: None

## 2. Crisis Handling Mechanism

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

## 3. Disclosure of Evaluation for Financial Products

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

## 4. Other Important Issues

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

# Appendix

E.SUN Financial Holding Company, Ltd. and Subsidiaries  
Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015  
and Independent Auditors' Report

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



### INDEPENDENT AUDITORS' REPORT

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

#### Opinion

We have audited the accompanying consolidated financial statements of E.SUN Financial Holding Company, Ltd. (ESFHC) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2016 are described as follows:

#### Allowances for Possible Losses on Loans

The Company is engaged principally in providing loans to customers. As of December 31, 2016, the net amount of discounts and loans of the Company is NT\$1,118,148,669 thousand, which represents approximately 59% of total consolidated assets, and is considered material to the consolidated financial statements as a whole. The Company's management performs loan impairment assessment through reviewing portfolios of loans per month and makes a judgement on whether to recognize impairment losses based on if any observable evidence indicates the possible occurrence of impairment events exists. The amount of impairment losses is the difference between the asset's carrying amount and the present value of estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate. Also, the allowance provision has to comply with relevant regulations issued by authorities. Impairment loss on loans is recognized by reducing its carrying amount through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. For accounting policies and relevant information about loan impairment assessment, please refer to Notes 4, 5, and 12 to the consolidated financial statements. We determined allowances for possible losses on loans to be a key audit matter for the year ended December 31, 2016 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

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

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

#### Goodwill Impairment Assessment

The Company's management performs goodwill impairment assessment annually. When performing goodwill impairment assessment, the Company's management needs to determine the value in use of cash-generating units (CGUs) to which goodwill has been allocated. To determine value in use, the Company's management has to estimate the expected future cash flows generated from CGUs and applies the appropriate discount rate to those future cash flows. For accounting policies and relevant information about goodwill impairment assessment, please refer to Notes 4, 5, and 17 to the consolidated financial statements. We determined goodwill impairment assessment to be a key audit matter for the year ended December 31, 2016 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 6, 2017

Notice to Readers

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

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

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

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**  
(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 36,813,204	2	\$ 36,710,732	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	62,731,770	3	67,401,915	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 38)	366,689,364	20	349,603,244	20
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 38)	141,645,924	8	131,281,637	7
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 10)	173,470	-	896,844	-
RECEIVABLES, NET (Notes 4, 11 and 38)	83,935,869	5	78,562,234	4
CURRENT TAX ASSETS (Notes 4 and 34)	33	-	104	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 37 and 38)	1,118,148,669	59	1,021,994,720	58
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4, 13 and 38)	3,616,960	-	5,289,839	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 14)	31,009,269	2	43,697,797	3
INVESTMENT PROPERTIES, NET (Notes 4 and 15)	2,033,334	-	461,799	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	26,439,666	1	26,792,354	2
INTANGIBLE ASSETS, NET (Notes 4 and 17)	6,241,852	-	5,953,922	-
DEFERRED TAX ASSETS (Notes 4 and 34)	438,264	-	500,739	-
OTHER ASSETS, NET (Notes 4, 18 and 27)	<u>4,382,542</u>	<u>-</u>	<u>6,136,051</u>	<u>-</u>
TOTAL	<u>\$ 1,884,300,190</u>	<u>100</u>	<u>\$ 1,775,283,931</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 19)	\$ 52,516,006	3	\$ 71,170,130	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 24)	42,145,098	2	35,875,595	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 13 and 20)	8,881,723	1	8,034,391	1
COMMERCIAL PAPER ISSUED, NET (Note 21)	2,557,414	-	2,279,200	-
PAYABLES (Notes 4 and 22)	27,503,039	1	21,441,650	1
CURRENT TAX LIABILITIES (Notes 4 and 34)	1,636,966	-	1,144,949	-
DEPOSITS AND REMITTANCES (Notes 23 and 37)	1,557,116,388	83	1,456,393,949	82
BOND PAYABLES (Note 24)	48,950,000	3	50,750,000	3
OTHER BORROWINGS (Note 25)	3,592,271	-	1,269,940	-
PROVISIONS (Notes 4, 26 and 27)	442,271	-	499,097	-
OTHER FINANCIAL LIABILITIES (Note 28)	6,903,561	-	1,319,959	-
DEFERRED TAX LIABILITIES (Notes 4 and 34)	925,546	-	1,288,004	-
OTHER LIABILITIES (Note 29)	<u>1,948,549</u>	<u>-</u>	<u>2,156,169</u>	<u>-</u>
Total liabilities	<u>1,755,118,832</u>	<u>93</u>	<u>1,653,623,033</u>	<u>93</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF ESFHC</b>				
Capital stock				
Common stock	<u>87,654,000</u>	<u>5</u>	<u>79,517,000</u>	<u>5</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	17,276,185	1	17,118,680	1
From treasury stock transactions	<u>3,382,484</u>	<u>-</u>	<u>3,382,484</u>	<u>-</u>
Total capital surplus	<u>20,658,669</u>	<u>1</u>	<u>20,501,164</u>	<u>1</u>
Retained earnings				
Legal reserve	6,677,949	-	5,409,976	-
Special reserve	164,235	-	164,235	-
Unappropriated earnings	<u>12,960,263</u>	<u>1</u>	<u>12,679,733</u>	<u>1</u>
Total retained earnings	<u>19,802,447</u>	<u>1</u>	<u>18,253,944</u>	<u>1</u>
Other equity	<u>409,359</u>	<u>-</u>	<u>2,654,998</u>	<u>-</u>
Total equity attributable to owners of ESFHC	128,524,475	7	120,927,106	7
NON-CONTROLLING INTERESTS	<u>656,883</u>	<u>-</u>	<u>733,792</u>	<u>-</u>
Total equity	<u>129,181,358</u>	<u>7</u>	<u>121,660,898</u>	<u>7</u>
TOTAL	<u>\$ 1,884,300,190</u>	<u>100</u>	<u>\$ 1,775,283,931</u>	<u>100</u>

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

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 30 and 37)	\$ 29,823,991	72	\$ 29,981,181	78	(1)
INTEREST EXPENSE (Notes 4, 30 and 37)	<u>(11,239,320)</u>	<u>(27)</u>	<u>(12,507,553)</u>	<u>(33)</u>	(10)
NET INTEREST	<u>18,584,671</u>	<u>45</u>	<u>17,473,628</u>	<u>45</u>	6
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 31 and 37)	15,548,570	38	13,878,175	36	12
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 32)	5,287,454	13	7,377,757	19	(28)
Realized gains on available-for-sale financial assets (Note 4)	525,402	1	463,937	1	13
Foreign exchange gains (losses), net (Note 4)	773,239	2	(894,473)	(2)	186
Impairment losses on assets (Notes 4, 9, 14 and 15)	(7,009)	-	(120,953)	-	(94)
Gains on financial assets carried at cost, net (Note 4)	90,687	-	70,879	-	28
Other noninterest gains, net	<u>261,818</u>	<u>1</u>	<u>240,379</u>	<u>1</u>	9
Total net revenues and gains other than interest	<u>22,480,161</u>	<u>55</u>	<u>21,015,701</u>	<u>55</u>	7
TOTAL NET REVENUES	<u>41,064,832</u>	<u>100</u>	<u>38,489,329</u>	<u>100</u>	7
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON GUARANTEES (Notes 4 and 12)	<u>(3,463,088)</u>	<u>(8)</u>	<u>(3,566,430)</u>	<u>(9)</u>	(3)
OPERATING EXPENSES (Notes 4, 15, 16, 17, 27, 33 and 37)					
Employee benefits	(10,184,405)	(25)	(9,057,587)	(24)	12
Depreciation and amortization	(1,534,827)	(4)	(1,275,259)	(3)	20
General and administrative	<u>(10,676,840)</u>	<u>(26)</u>	<u>(9,804,922)</u>	<u>(25)</u>	9
Total operating expenses	<u>(22,396,072)</u>	<u>(55)</u>	<u>(20,137,768)</u>	<u>(52)</u>	11

(Continued)

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 15,205,672	37	\$ 14,785,131	39	3
INCOME TAX EXPENSE (Notes 4 and 34)	<u>(2,222,490)</u>	<u>(5)</u>	<u>(1,906,172)</u>	<u>(5)</u>	17
NET INCOME FOR THE YEAR	<u>12,983,182</u>	<u>32</u>	<u>12,878,959</u>	<u>34</u>	1
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 27 and 34):					
Remeasurement of defined benefit plans	18,979	-	(129,803)	(1)	115
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(46,523)	-	(75,244)	-	(38)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>574</u>	<u>-</u>	<u>33</u>	<u>-</u>	1,639
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>(26,970)</u>	<u>-</u>	<u>(205,014)</u>	<u>(1)</u>	(87)
Items that may be reclassified subsequently to profit or loss (Notes 4 and 34):					
Exchange differences on the translation of financial statements of foreign operations	(1,509,489)	(4)	625,763	2	(341)

(Continued)



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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Unrealized gains (losses) on available-for-sale financial assets	\$ (1,174,588)	(3)	\$ 460,225	1	(355)
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>234,704</u>	<u>1</u>	<u>(97,228)</u>	<u>-</u>	341
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(2,449,373)</u>	<u>(6)</u>	<u>988,760</u>	<u>3</u>	(348)
Other comprehensive income (loss) for the year, net of income tax	<u>(2,476,343)</u>	<u>(6)</u>	<u>783,746</u>	<u>2</u>	(416)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 10,506,839</u>	<u>26</u>	<u>\$ 13,662,705</u>	<u>36</u>	(23)
<b>NET INCOME ATTRIBUTABLE TO:</b>					
Owners of ESFHC	\$ 13,135,212	32	\$ 12,816,347	34	2
Non-controlling interests	<u>(152,030)</u>	<u>-</u>	<u>62,612</u>	<u>-</u>	(343)
	<u>\$ 12,983,182</u>	<u>32</u>	<u>\$ 12,878,959</u>	<u>34</u>	1
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
Owners of ESFHC	\$ 10,673,795	26	\$ 13,567,419	36	(21)
Non-controlling interests	<u>(166,956)</u>	<u>-</u>	<u>95,286</u>	<u>-</u>	(275)
	<u>\$ 10,506,839</u>	<u>26</u>	<u>\$ 13,662,705</u>	<u>36</u>	(23)
<b>EARNINGS PER SHARE ( NEW TAIWAN DOLLARS; Note 35)</b>					
Basic	<u>\$ 1.50</u>		<u>\$ 1.48</u>		
Diluted	<u>\$ 1.50</u>		<u>\$ 1.46</u>		

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

(Concluded)

**E-SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of ESFHC										
	Capital Stock (Note 36)			Retained Earnings (Notes 4, 36 and 48)			Other Equity			Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss (Note 4)	Total Equity
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 36)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations (Notes 4 and 48)	Unrealized Gains on Available-for-sale Financial Assets (Notes 4 and 48)	Non-controlling Interests (Notes 4, 36 and 48)		
BALANCE AT JANUARY 1, 2015	7,053,000	\$ 70,530,000	\$ 19,375,697	\$ 4,337,121	\$ 164,235	\$ 10,604,263	\$ 594,177	\$ 1,237,183	\$ (21,870)	\$ 784,953	\$ 107,625,759
Appropriation of 2014 earnings	-	-	-	-	-	(1,052,855)	-	-	-	-	-
Legal reserve	-	-	-	1,052,855	-	(3,173,850)	-	-	-	-	(3,173,850)
Cash dividends	634,770	6,347,700	-	-	-	(6,347,700)	-	-	-	-	-
Stock dividends	248,650	2,486,504	995,591	-	-	-	-	-	-	-	3,482,095
Convertible bonds converted to common shares	15,280	152,796	129,876	-	-	-	-	-	-	-	282,672
Issuance of common stock from bonus to employees	-	-	-	-	-	(84,521)	12,267	218	-	(146,447)	(218,483)
Acquisition of interest in subsidiary	-	-	-	-	-	12,816,347	-	-	-	62,612	12,878,959
Net income for the year ended December 31, 2015	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(81,951)	489,792	466,294	(123,063)	32,674	783,746
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	12,734,396	489,792	466,294	(123,063)	95,286	13,662,705
BALANCE AT DECEMBER 31, 2015	7,951,700	79,517,000	20,501,164	5,409,976	164,235	12,679,733	1,096,236	1,703,695	(144,933)	733,792	121,660,898
Appropriation of 2015 earnings	-	-	-	-	-	(1,267,973)	-	-	-	-	-
Legal reserve	-	-	-	1,267,973	-	(3,419,231)	-	-	-	-	(3,419,231)
Cash dividends	795,170	7,951,700	-	-	-	(7,951,700)	-	-	-	-	-
Stock dividends	18,530	185,300	157,505	-	-	-	-	-	-	-	342,805
Issuance of common stock from employees' compensation	-	-	-	-	-	-	-	-	-	97,662	97,662
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,615)	(7,615)
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(152,030)	(152,030)
Net income for the year ended December 31, 2016	-	-	-	-	-	13,135,212	-	-	-	-	12,983,182
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(215,778)	(1,241,472)	(1,193,982)	189,815	(14,926)	(2,476,343)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	12,919,434	(1,241,472)	(1,193,982)	189,815	(166,956)	10,506,839
BALANCE AT DECEMBER 31, 2016	8,765,400	\$ 87,654,000	\$ 20,658,669	\$ 6,677,949	\$ 164,235	\$ 12,960,263	\$ (145,236)	\$ 509,713	\$ 44,882	\$ 656,883	\$ 129,181,358

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

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

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 15,205,672	\$ 14,785,131
Adjustments for:		
Depreciation expenses	1,060,439	940,743
Amortization expenses	474,388	334,516
Bad-debt expenses	3,499,818	3,557,881
Gains on financial assets and liabilities at fair value through profit or loss	(5,287,454)	(7,377,757)
Interest expense	11,239,320	12,507,553
Interest revenue	(29,823,991)	(29,981,181)
Dividend income	(261,555)	(216,343)
Provision (reversal of provision) for losses on guarantees	(36,730)	8,549
Salary expenses on share-based payments	353,146	343,836
Losses (gains) on disposal of properties and equipment	8,564	(4,760)
Gains on disposal of investment properties	-	(2,562)
Gains on disposal of investments	(394,214)	(316,949)
Impairment losses on financial assets	6,884	121,133
Impairment losses on non-financial assets	125	-
Reversal of impairment losses on non-financial assets	-	(180)
Unrealized losses on foreign currency exchange	904	75,949
Gains on disposal of foreclosed collaterals	-	(8,884)
Net changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to other banks	1,910,456	(4,590,329)
Increase in financial assets at fair value through profit or loss	(7,058,182)	(50,531,473)
Increase in available-for-sale financial assets	(13,847,782)	(45,947,317)
Decrease (increase) in securities purchased under resell agreements	755,910	(878,983)
Increase in receivables	(6,075,678)	(4,743,325)
Increase in discounts and loans	(99,950,321)	(91,181,192)
Decrease in held-to-maturity financial assets	1,528,142	628,643
Decrease in other financial assets	12,174,729	8,955,422
Decrease (increase) in other assets	538,319	(564,280)
Increase (decrease) in due to the Central Bank and other banks	(18,654,124)	12,970,509
Increase (decrease) in financial liabilities at fair value through profit or loss	(1,723,578)	10,309,903
Increase (decrease) in securities sold under repurchase agreements	847,332	(5,083,132)
Increase in payables	5,386,304	120,569
Increase in deposits and remittances	100,722,439	175,702,178
Decrease in provision for employee benefits	(4,915)	(13,639)
Decrease in provisions	(859)	-
Increase (decrease) in other financial liabilities	5,575,519	(1,177,391)
Increase in other liabilities	<u>85,249</u>	<u>224,885</u>
Cash used in operations	(21,745,724)	(1,032,277)
Interest received	36,046,150	34,273,681

(Continued)

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

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Dividend received	\$ 272,227	\$ 230,718
Interest paid	(12,532,875)	(12,549,995)
Income tax paid	<u>(1,791,980)</u>	<u>(1,295,583)</u>
Net cash generated from operating activities	<u>247,798</u>	<u>19,626,544</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash outflow on acquisition of subsidiary (Note 49)	(140,651)	-
Payments for properties and equipment	(2,670,682)	(6,508,542)
Proceeds from disposal of properties and equipment	51	10,255
Decrease in operating deposits	15,000	-
Increase in settlement fund	(1,710)	(10,100)
Decrease in settlement fund	13,922	219
Decrease in refundable deposits	1,412,697	-
Increase in refundable deposits	-	(2,025,685)
Payments for intangible assets	(425,101)	(375,984)
Proceeds from disposal of foreclosed collaterals	-	8,997
Payments for investment properties	(56,613)	(234,705)
Proceeds from disposal of investment properties	-	10,665
Increase in other assets	<u>(5,480)</u>	<u>(8,198)</u>
Net cash used in investing activities	<u>(1,858,567)</u>	<u>(9,133,078)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	536,621
Repayments of short-term borrowings	(246,326)	-
Increase in commercial paper issued	278,167	-
Decrease in commercial paper issued	-	(549,935)
Proceeds from issue of corporate bonds	900,000	-
Proceeds from issue of bank debentures	-	8,750,000
Repayments of bank debentures	(2,700,000)	(7,600,000)
Proceeds from long-term borrowings	2,582,320	372,823
Proceeds from guarantee deposits received	8,084	-
Refund of guarantee deposits received	-	(86,070)
Cash dividends paid to owners of ESFHC	(3,419,231)	(3,173,850)
Cash dividends paid to non-controlling interests	(7,615)	-
Change in non-controlling interests (Note 48)	<u>-</u>	<u>(218,483)</u>
Net cash used in financing activities	<u>(2,604,601)</u>	<u>(1,968,894)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>1,590,689</u>	<u>1,217,132</u>
		(Continued)

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

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (2,624,681)	\$ 9,741,704
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>41,803,384</u>	<u>32,061,680</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 39,178,703</u>	<u>\$ 41,803,384</u>
	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2016 AND 2015		
Cash and cash equivalents in the consolidated balance sheets	\$ 36,813,204	\$ 36,710,732
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	2,332,963	5,092,652
Securities purchased under resell agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>32,536</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>\$ 39,178,703</u>	<u>\$ 41,803,384</u>

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

(Concluded)

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **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, 2016, E.SUN Bank had a business department, an international banking department, a trust department, a credit card and payment division, an offshore banking unit (OBU), an insurance agent department, 6 overseas branches, and 136 domestic branches.

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

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

Union Commercial Bank PLC. (UCB) was founded in March 1994, under the Laws of the Kingdom of Cambodia. The head office of UCB was established in Phnom Penh; UCB also established 12 branches. UCB is engaged in banking activities permitted by the Laws of the Kingdom of Cambodia. E.SUN Bank acquired 70% equity interest of UCB on August 28, 2013, and on December 29, 2015, E.SUN Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%. Please refer to Note 48.

For more information on E.SUN Bank (China), Ltd. (ESBC), please refer to Note 56.

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

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

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

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

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

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

For the years ended December 31, 2016 and 2015, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,337 and 7,914, respectively. For the years ended December 31, 2016 and 2015, the average number of employees of ESBC, UCB and BankPro was 623 and 422, respectively.

The operating units of the Company maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan Dollars.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved and authorized for issue of the consolidated financial statements in their meeting on March 1, 2017.

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

- a. Influences of the Company had not yet applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017 and the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, and Regulations Governing the Preparation of Financial Reports by Securities Firms had not yet effect

The Company had not yet applied Order No. 1050026834 issued by the FSC, the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017, and the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, and Regulations Governing the Preparation of Financial Reports by Securities Firms.

<b>New, Amended or Revised Standards and Interpretations (the New IFRSs)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016

(Continued)

<b>New, Amended or Revised Standards and Interpretations (the New IFRSs)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above New IFRSs in 2017 and related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, and Regulations Governing the Preparation of Financial Reports by Securities Firms would not have any material impact on the Company’s accounting policies:

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of goodwill.

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

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

The disclosures of impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.



- b. Influences of the Company had not yet applied the new IFRSs in issue but not yet endorsed by FSC

The Company has not applied the following IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC.

The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

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

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

- 1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

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

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

#### Impairment of financial assets

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

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

#### Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

#### 2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

### 3) IFRS 16 “Leases”

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

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

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

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

### 4) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Company may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Company is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Company may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

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

##### **Basis of Consolidation**

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

The accounting policies of ESFHC and subsidiaries are consistent.

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

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

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

##### **Foreign-currency Transactions**

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

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

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

### **Current and Noncurrent Assets and Liabilities**

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

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

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

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

### **Cash and Cash Equivalents**

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

## **Financial Instruments**

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

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

### Financial assets

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

#### a. Measurement category

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

##### 1) Financial assets at FVTPL

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

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

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

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

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

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

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

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

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

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

### 3) Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intent and ability to hold to maturity. After initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

### 4) Loans and receivables

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

## b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

#### c. Derecognition of financial assets

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

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



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

### Equity instruments

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

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

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

### Financial liabilities

#### a. Subsequent measurement

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

##### 1) Financial liabilities at FVTPL

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

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

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

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

## 2) Financial guarantee contracts

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

### b. Derecognition of financial liabilities

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

### Derivatives

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

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

### **Overdue Loans**

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

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

### **Purchase on Margin and Short Sale**

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

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

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

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

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

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

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

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

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

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

### **Investment Properties**

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

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

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

### **Properties and Equipment**

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

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

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

### **Leasing**

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

#### The Company as a lessor

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

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

#### The Company as a lessee

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

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

### **Goodwill**

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

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

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

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

### **Intangible Assets Other Than Goodwill**

#### Separate acquisition

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

#### Acquisition as part of a business combination

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

#### Derecognition

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

### **Impairment of Tangible and Intangible Assets Other Than Goodwill**

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

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

## **Foreclosed Collaterals**

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

## **Provisions**

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

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

## **Recognition of Revenue**

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

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

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

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

## **Employee Benefits**

### Short-term employee benefits

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

### Post-employment benefits

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

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

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

#### Preferential interest deposits for employees

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

#### **Share-based Payment**

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

#### **Taxation**

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

#### Current income tax

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

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

#### Deferred income tax

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

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

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

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

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

#### Current and deferred tax for the year

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

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

#### **Business Combination**

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

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

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

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

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

#### **Government Grants**

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



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

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

### **a. Impairment losses on loans**

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

### **b. Impairment of goodwill**

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 11,442,996	\$ 11,584,143
Checks for clearing	9,731,186	3,224,135
Due from banks	15,627,501	21,892,256
Cash in transit	<u>11,521</u>	<u>10,198</u>
	<u>\$ 36,813,204</u>	<u>\$ 36,710,732</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2016 and 2015 are shown in the consolidated statements of cash flows.

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Deposit reserves - account A	\$ 16,177,847	\$ 19,503,943
Deposit reserves - account B	36,116,280	35,927,275
Reserves for deposits - foreign currency deposits	322,790	276,360
Due from the Central Bank - other	7,385,911	8,514,237
Deposit in the Central Bank - deposits of government agencies	7,507	11,269
Call loans to banks	2,129,228	2,847,850
Banks overdrafts	594,056	26,668
Trade finance advance - interbank	<u>-</u>	<u>298,800</u>
	62,733,619	67,406,402
Less: Allowance for possible losses	<u>(1,849)</u>	<u>(4,487)</u>
	<u>\$ 62,731,770</u>	<u>\$ 67,401,915</u>

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

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

## 8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Held-for-trading financial assets</u>		
Negotiable certificates of deposits	\$ 232,198,142	\$ 213,147,107
Commercial paper	20,474,875	31,421,813
Currency swap contracts	4,157,975	2,749,243
Currency option contracts	3,145,626	12,214,549
Interest rate swap contracts	1,094,587	797,194
Forward contracts	630,755	450,876
Treasury bills	499,064	-
Listed stocks	332,690	298,598
Futures exchange margins	321,314	306,723
Operating securities - hedging	137,045	149,503
Beneficial certificates	109,166	141,376
Operating securities - dealing department	89,636	156,616
Operating securities - underwriting department	8,232	8,049
Metal commodity swap contracts	6,045	4,561
Non-deliverable forward contracts	4,765	735,484
Cross-currency swap contracts	3,253	156,181
Taiwan depository receipts	2,430	3,710
Bank debentures	-	1,511,244
Overseas bonds	-	1,128,577
Convertible corporate bonds	-	28,950
	<u>263,215,600</u>	<u>265,410,354</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Corporate bonds	59,813,073	41,094,464
Bank debentures	42,858,597	42,728,954
Overseas government bonds	802,094	369,472
	<u>103,473,764</u>	<u>84,192,890</u>
	<u>\$ 366,689,364</u>	<u>\$ 349,603,244</u>
<u>Held-for-trading financial liabilities</u>		
Currency swap contracts	\$ 3,541,819	\$ 2,103,497
Currency option contracts	2,709,738	11,855,302
Interest rate swap contracts	1,767,733	623,695
Forward contracts	631,133	611,540
Cross-currency swap contracts	36,574	-
Stock warrants issued liabilities, net	24,067	28,136
Non-deliverable forward contracts	4,222	530,175
Metal commodity swap contracts	2,751	-
Payable on borrowing securities - hedging	1,384	11,223
Assets swap option contracts	-	618
	<u>8,719,421</u>	<u>15,764,186</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>		
Bank debentures (Note 24)	33,111,455	19,769,915
Structured products	314,222	341,494
	<u>33,425,677</u>	<u>20,111,409</u>
	<u>\$ 42,145,098</u>	<u>\$ 35,875,595</u>

The contract (nominal) amounts of derivative transactions by ESFHC as of December 31, 2016 and 2015, respectively, were as follows:

	<u>December 31</u>	
	<b>2016</b>	<b>2015</b>
Cross-currency swap contracts	\$ 2,317,632	\$ 2,362,220

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

The contract (nominal) amounts of derivative transactions by E.SUN Bank as of December 31, 2016 and 2015 were as follows:

	<u>December 31</u>	
	<b>2016</b>	<b>2015</b>
Currency swap contracts	\$ 308,819,971	\$ 200,411,338
Currency option contracts	294,641,208	841,736,971
Interest rate swap contracts	61,584,546	72,427,217
Forward contracts	29,544,383	41,833,525
Cross-currency swap contracts	1,613,950	-
Non-deliverable forward contracts	267,388	16,613,040
Metal commodity swap contracts	182,903	74,639
Assets swap option contracts	-	30,000

The open positions of futures transactions of E.SUN Bank as of December 31, 2016 and 2015 were as follows:

		<u>December 31, 2016</u>			
<b>Items</b>	<b>Products</b>	<u>Open Position</u>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Futures contracts	MCU	Buy	15	\$ 68,647	\$ 66,978
	MCU	Sell	31	135,688	138,381
	MNI	Sell	36	73,652	69,695
		<u>December 31, 2015</u>			
<b>Items</b>	<b>Products</b>	<u>Open Position</u>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Futures contracts	MCU	Buy	19	\$ 76,088	\$ 74,047
	MCU	Sell	3	11,606	11,683

As of December 31, 2016 and 2015, the amounts of futures exchange margins receivable held by E.SUN Securities were \$264,182 thousand and \$227,817 thousand, respectively.

E.SUN Securities engages in stock index futures and Taiwan stock index options transactions mainly to hedge against its risks derived from stock trading. Both of two kinds require maintenance margins.

The open position of futures and option transactions of E.SUN Securities as of December 31, 2016 and 2015 were as follows:

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

		<b>December 31, 2015</b>			
<b>Items</b>	<b>Products</b>	<b>Open Position</b>		<b>Contract</b>	<b>Fair Values</b>
		<b>Buy/Sell</b>	<b>Number of Contracts</b>	<b>Amounts or Premium Paid (Charged)</b>	
Futures contracts	Stock Index Futures	Sell	1	\$ 1,614	\$ 1,655

The gains or losses resulting from the futures and option contracts for the years ended December 31, 2016 and 2015 were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Gains (Losses) on Futures Contracts</b>	<b>Losses on Option Transactions</b>	<b>Gains (Losses) on Futures Contracts</b>	<b>Losses on Option Transactions</b>
Realized - non-hedge	\$ 4,362	\$ (869)	\$ 83,097	\$ (693)
Unrealized - non-hedge	-	-	(25)	-
Realized - hedged	(13,188)	-	(3,850)	-
Unrealized - hedged	<u>(582)</u>	<u>-</u>	<u>(41)</u>	<u>-</u>
	<u>\$ (9,408)</u>	<u>\$ (869)</u>	<u>\$ 79,181</u>	<u>\$ (693)</u>

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Stock warrants issued liabilities	\$ 2,543,310	\$ 1,399,813
Gains on changes in fair value of stock warrants issued liabilities	<u>(1,481,348)</u>	<u>(627,618)</u>
	<u>1,061,962</u>	<u>772,195</u>
Repurchase of stock warrants issued liabilities	2,208,870	1,219,132
Losses on changes in fair value of repurchase of stock warrants issued liabilities	<u>(1,170,975)</u>	<u>(475,073)</u>
	<u>1,037,895</u>	<u>744,059</u>
Stock warrants issued liabilities, net	<u>\$ 24,067</u>	<u>\$ 28,136</u>

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

Gains (losses) on stock warrants issued by E.SUN Securities in 2016 and 2015 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Gains on changes in value of stock warrants issued liabilities	\$ 2,651,067	\$ 1,298,781
Losses on changes in value of stock warrants repurchased	(2,597,982)	(1,345,814)
Gains (losses) on exercisable stock warrants prior to date of expiry	(135)	4,639
Gains on stock warrants expired	667	2,218
Expense of issuing stock warrants	<u>(14,987)</u>	<u>(14,302)</u>
	<u>\$ 38,630</u>	<u>\$ (54,478)</u>

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Bank debentures	\$ 67,241,672	\$ 44,605,100
Government bonds	43,455,005	56,462,559
Corporate bonds	23,123,097	23,644,070
Stocks	5,047,018	5,126,753
Financial product	1,850,316	-
Overseas bonds	928,816	1,427,117
Beneficial securities under securitization	<u>-</u>	<u>16,038</u>
	<u>\$ 141,645,924</u>	<u>\$ 131,281,637</u>

As of December 31, 2016 and 2015, the available-for-sale financial assets, which amounted to \$9,190,252 thousand and \$7,970,663 thousand, respectively, had been sold under repurchase agreements.

Some listed stocks were assessed to be impaired; thus, the Company recognized impairment losses of \$46,233 thousand on available-for-sale financial assets in 2015.

#### 10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$173,470 thousand and \$896,844 thousand under resell agreements as of December 31, 2016 and 2015, respectively, will subsequently be sold for \$174,486 thousand and \$901,122 thousand, respectively.

## 11. RECEIVABLES, NET

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Receivables on credit cards	\$ 55,735,074	\$ 45,458,705
Accounts receivable factored without recourse	12,186,866	17,750,474
Margin loans receivable	5,454,815	5,745,656
Accrued interest	3,693,552	4,085,630
Accounts receivable	3,585,302	3,785,026
Acceptances	1,467,246	1,600,646
Settlements receivable	1,059,876	1,026,172
Settlement consideration	827,877	139,598
Securities business money lending	449,693	-
Others	<u>1,334,813</u>	<u>808,313</u>
	85,795,114	80,400,220
Less: Allowance for possible losses	<u>(1,859,245)</u>	<u>(1,837,986)</u>
	<u>\$ 83,935,869</u>	<u>\$ 78,562,234</u>

The allowances for possible losses on receivables assessed for impairment as of December 31, 2016 and 2015 were as follows:

Items		December 31, 2016		December 31, 2015	
		Receivable	Allowance for Possible Losses	Receivable	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$ 495,313	\$ 110,490	\$ 42,517	\$ 7,416
	Assessment for collective impairment	1,943,729	598,314	1,815,653	546,828
With no objective evidence of impairment	Assessment for collective impairment	81,146,637	1,150,441	76,379,950	1,283,742
Total		83,585,679	1,859,245	78,238,120	1,837,986

The changes in allowance for possible losses are summarized below:

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 1,837,986	\$ 1,868,162
Provision (reversal of provision) for possible losses	349,258	(135,428)
Write-offs	(839,389)	(444,474)
Recovery of written-off receivables	514,875	541,153
Effects of exchange rate changes and other changes	<u>(3,485)</u>	<u>8,573</u>
Balance, December 31	<u>\$ 1,859,245</u>	<u>\$ 1,837,986</u>

## 12. DISCOUNTS AND LOANS, NET

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Loans		
Short-term	\$ 280,567,425	\$ 258,399,651
Medium-term	277,467,837	261,176,649
Long-term	569,144,913	510,987,282
Overdue loans	2,901,553	647,231
Bills negotiated and discounts	<u>2,974,757</u>	<u>3,740,509</u>
	1,133,056,485	1,034,951,322
Less: Allowance for possible losses	(14,730,154)	(12,852,020)
Less: Adjustment of premium or discount	<u>(177,662)</u>	<u>(104,582)</u>
	<u>\$ 1,118,148,669</u>	<u>\$ 1,021,994,720</u>

As of December 31, 2016 and 2015, the loan and credit balances of E.SUN Bank, for which the accrual of interest revenues was discontinued, amounted to \$1,394,641 thousand and \$581,578 thousand, respectively. The unrecognized interest revenues on these loans and credits of E.SUN Bank were \$22,947 thousand and \$29,470 thousand for the years ended December 31, 2016 and 2015, respectively.

The allowances for possible losses on discounts and loans assessed for impairment as of December 31, 2016 and 2015 were as follows:

Items		<b>December 31, 2016</b>		<b>December 31, 2015</b>	
		<b>Discounts and Loans</b>	<b>Allowance for Possible Losses</b>	<b>Discounts and Loans</b>	<b>Allowance for Possible Losses</b>
With objective evidence of impairment	Assessment for individual impairment	\$ 2,491,806	\$ 940,790	\$ 1,710,249	\$ 1,108,977
	Assessment for collective impairment	6,011,972	2,346,063	2,939,081	1,686,102
With no objective evidence of impairment	Assessment for collective impairment	1,124,552,707	11,443,301	1,030,301,992	10,056,941
Total		1,133,056,485	14,730,154	1,034,951,322	12,852,020

The changes in allowance for possible losses are summarized below:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Balance, January 1	\$ 12,852,020	\$ 10,541,495
Provision for possible losses	3,153,096	3,701,452
Write-offs	(1,840,187)	(2,042,155)
Recovery of written-off credits	608,561	583,704
Effects of exchange rate changes and other changes	<u>(43,336)</u>	<u>67,524</u>
Balance, December 31	<u>\$ 14,730,154</u>	<u>\$ 12,852,020</u>



The bad-debt expenses and provision for losses on guarantees for the years ended December 31, 2016 and 2015 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Reversal of provision for possible losses on call loans to other banks	\$ (2,544)	\$ (8,243)
Provision for possible losses on discounts and loans	3,153,096	3,701,452
Provision (reversal of provision) for possible losses on receivables	349,258	(135,428)
Provision for possible losses on remittance	8	100
Provision (reversal of provision) for possible losses on guarantees	<u>(36,730)</u>	<u>8,549</u>
	<u>\$ 3,463,088</u>	<u>\$ 3,566,430</u>

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

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Overseas bonds	\$ 2,072,989	\$ 3,060,784
Bank debentures	1,141,265	-
Corporate bonds	271,596	441,320
Overseas certificates of deposits	80,697	65,800
Government bonds	<u>50,413</u>	<u>1,721,935</u>
	<u>\$ 3,616,960</u>	<u>\$ 5,289,839</u>

As of December 31, 2015, the held-to-maturity financial assets, which amounted to \$253,680 thousand, had been sold under repurchase agreements.

In 2015, the Company disposed of some debt instruments because of the severe deterioration of debtors' credits and other concerns. However, the amount disposed of was only a small portion of the held-to-maturity financial assets, and the Company had no intention to reclassify the rest of these investments. As of December 31, 2016 and 2015, the accumulated disposal amounts from the past three years were both \$21,067 thousand; the accumulated realized losses on disposal were both \$2,154 thousand in each year; the accumulated disposal amounts were 0.58% and 0.40% of held-to-maturity financial assets, respectively.

#### 14. OTHER FINANCIAL ASSETS, NET

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Due from banks	\$ 26,198,722	\$ 39,737,067
Financial assets carried at cost, net	2,808,591	2,386,072
Debt instruments with no active market, net	1,291,160	987,000
Guarantee deposits received on futures contracts	707,403	563,235
Others	<u>3,393</u>	<u>24,423</u>
	<u>\$ 31,009,269</u>	<u>\$ 43,697,797</u>

Financial assets carried at cost were unlisted common stocks with no quoted market prices in an active market and with fair values that could not be reliably measured. Thus, these assets were measured at cost less accumulated impairment. Some investees had operating losses; thus, the Company recognized impairment losses of \$6,884 thousand and \$74,900 thousand on financial assets carried at cost in 2016 and 2015, respectively.

Debt instruments with no active market were as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Corporate bonds	\$ 645,580	\$ 658,000
Bank debentures	<u>645,580</u>	<u>329,000</u>
	<u>\$ 1,291,160</u>	<u>\$ 987,000</u>

Guarantee deposits received on futures contracts were as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Deposits in bank	\$ 490,254	\$ 448,755
Deposits held by futures commission merchants as a clearing member	217,144	114,480
Securities	<u>5</u>	<u>-</u>
	<u>\$ 707,403</u>	<u>\$ 563,235</u>
Guarantee deposits received on futures contracts	\$ 707,403	\$ 563,235
Less: Commission revenue	486	397
Futures transaction tax	125	114
Temporary receipts	<u>73</u>	<u>69</u>
Customers' equity accounts - futures (Note 28)	<u>\$ 706,719</u>	<u>\$ 562,655</u>

Due from banks were collateral for loans from other financial institution, demand deposits and time deposits with restriction on early termination, and time deposits with maturities longer than three months.

## 15. INVESTMENT PROPERTIES, NET

	<b>December 31</b>		
	<b>2016</b>	<b>2015</b>	
Land	\$ 140,895	\$ 416,512	
Buildings	<u>1,892,439</u>	<u>45,287</u>	
	<u>\$ 2,033,334</u>	<u>\$ 461,799</u>	
	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance, January 1, 2016	\$ 416,519	\$ 51,502	\$ 468,021
Addition	-	56,613	56,613
Net exchange difference	(396)	(149,081)	(149,477)
Reclassification	<u>(275,217)</u>	<u>1,950,086</u>	<u>1,674,869</u>
Balance, December 31, 2016	<u>\$ 140,906</u>	<u>\$ 1,909,120</u>	<u>\$ 2,050,026</u>
Balance, January 1, 2015	\$ 346,183	\$ 114,588	\$ 460,771
Addition	196,799	37,906	234,705
Disposal	(7,898)	(577)	(8,475)
Reclassification	<u>(118,565)</u>	<u>(100,415)</u>	<u>(218,980)</u>
Balance, December 31, 2015	<u>\$ 416,519</u>	<u>\$ 51,502</u>	<u>\$ 468,021</u>
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2016	\$ (7)	\$ (6,215)	\$ (6,222)
Depreciation expenses	-	(16,531)	(16,531)
Impairment losses	(4)	(121)	(125)
Net exchange difference	-	638	638
Reclassification	<u>-</u>	<u>5,548</u>	<u>5,548</u>
Balance, December 31, 2016	<u>\$ (11)</u>	<u>\$ (16,681)</u>	<u>\$ (16,692)</u>
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2015	\$ (12)	\$ (39,489)	\$ (39,501)
Depreciation expenses	-	(5,605)	(5,605)
Disposal	-	372	372
Reversal of impairment losses recognized in profit or loss	5	175	180
Reclassification	<u>-</u>	<u>38,332</u>	<u>38,332</u>
Balance, December 31, 2015	<u>\$ (7)</u>	<u>\$ (6,215)</u>	<u>\$ (6,222)</u>

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

As of December 31, 2016 and 2015, the fair values of investment properties were \$2,800,434 thousand and \$721,104 thousand, respectively. The fair values were based on the valuation of discounted cash flow analysis method from external real estate appraiser joint firm (that were not the Company's related parties), and the comparison of price of the comparable property from external appraisal company and the Company's appraisal center.

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Rental income from investment properties	\$ 4,432	\$ 5,459
Direct operating expenses of investment properties that generate rental income	(2,236)	(2,065)
Direct operating expenses of investment properties that do not generate rental income	<u>(1,424)</u>	<u>(6,827)</u>
	<u>\$ 772</u>	<u>\$ (3,433)</u>

## 16. PROPERTIES AND EQUIPMENT, NET

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Carrying amount</u>		
Land	\$ 13,611,866	\$ 13,258,990
Buildings	7,230,073	5,435,945
Computers	1,999,707	1,569,431
Transportation equipment	233,810	210,341
Miscellaneous equipment	1,111,012	1,017,020
Prepayments for properties and equipment	<u>2,253,198</u>	<u>5,300,627</u>
	<u>\$ 26,439,666</u>	<u>\$ 26,792,354</u>

	<b>Land</b>	<b>Buildings</b>	<b>Computers</b>	<b>Transportation Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Prepayments</b>	<b>Total</b>
<u>Cost</u>							
Balance, January 1, 2016	\$ 13,258,990	\$ 8,507,353	\$ 4,258,839	\$ 665,558	\$ 2,789,328	\$ 5,300,627	\$ 34,780,695
Acquisition through business combination (Note 49)	-	-	6,661	-	9,164	-	15,825
Addition	83,184	693,237	831,477	68,942	285,095	753,023	2,714,958
Disposal	-	(6,720)	(379,718)	(23,016)	(53,114)	-	(462,568)
Net exchange difference	(5,525)	(1,488)	(13,091)	(2,052)	(19,204)	(101,160)	(142,520)
Reclassification and others	275,217	1,417,112	15,613	3,460	107,452	(3,699,292)	(1,880,438)
Balance, December 31, 2016	<u>\$ 13,611,866</u>	<u>\$ 10,609,494</u>	<u>\$ 4,719,781</u>	<u>\$ 712,892</u>	<u>\$ 3,118,721</u>	<u>\$ 2,253,198</u>	<u>\$ 35,025,952</u>
Balance, January 1, 2015	\$ 12,693,545	\$ 8,100,084	\$ 3,758,734	\$ 640,836	\$ 2,303,142	\$ 920,919	\$ 28,417,260
Addition	396,793	275,002	640,400	64,394	441,862	4,727,851	6,546,302
Disposal	(4,052)	(618)	(213,514)	(42,717)	(46,077)	-	(306,978)
Net exchange difference	10,944	2,947	2,230	1,994	982	4,356	23,453
Reclassification and others	161,760	129,938	70,989	1,051	89,419	(352,499)	100,658
Balance, December 31, 2015	<u>\$ 13,258,990</u>	<u>\$ 8,507,353</u>	<u>\$ 4,258,839</u>	<u>\$ 665,558</u>	<u>\$ 2,789,328</u>	<u>\$ 5,300,627</u>	<u>\$ 34,780,695</u>
<u>Accumulated depreciation and impairment</u>							
Balance, January 1, 2016	\$ -	\$ (3,071,408)	\$ (2,689,408)	\$ (455,217)	\$ (1,772,308)	-	\$ (7,988,341)
Acquisition through business combination (Note 49)	-	-	(6,116)	-	(7,681)	-	(13,797)
Disposal	-	306	378,548	22,967	52,133	-	453,954
Depreciation expenses	-	(303,160)	(406,226)	(47,711)	(286,811)	-	(1,043,908)
Net exchange difference	-	389	3,128	1,043	6,958	-	11,518
Reclassification and others	-	(5,548)	-	(164)	-	-	(5,712)
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ (3,379,421)</u>	<u>\$ (2,720,074)</u>	<u>\$ (479,082)</u>	<u>\$ (2,007,709)</u>	<u>\$ -</u>	<u>\$ (8,586,286)</u>

(Continued)

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
Balance, January 1, 2015	\$ -	\$ (2,701,327)	\$ (2,564,843)	\$ (449,038)	\$ (1,595,947)	\$ (7,311,155)
Disposal	-	535	213,508	41,383	46,057	301,483
Depreciation expenses	-	(331,597)	(336,583)	(45,981)	(220,977)	(935,138)
Net exchange difference	-	(687)	(1,490)	(1,581)	(1,441)	(5,199)
Reclassification and others	-	(38,332)	-	-	-	(38,332)
Balance, December 31, 2015	<u>\$ -</u>	<u>\$ (3,071,408)</u>	<u>\$ (2,689,408)</u>	<u>\$ (455,217)</u>	<u>\$ (1,772,308)</u>	<u>\$ (7,988,341)</u>

(Concluded)

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

Buildings	
Main buildings	20 to 50 years
Equipment installed in buildings	10 to 15 years
Computers	3 to 8 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1 to 20 years

## 17. INTANGIBLE ASSETS, NET

	<u>December 31</u>	
	2016	2015
Goodwill	\$ 4,518,463	\$ 4,465,432
Computer software	998,648	765,899
Banking licenses	514,915	524,821
Core deposits	126,950	190,813
Developed technology	54,727	-
Customer relationship	<u>28,149</u>	<u>6,957</u>
	<u>\$ 6,241,852</u>	<u>\$ 5,953,922</u>

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2016	\$ 4,465,432	\$ 765,899	\$ 524,821	\$ 190,813	\$ -	\$ 6,957	\$ 5,953,922
Acquisition through business combination (Note 49)	65,490	467	-	-	60,200	23,900	150,057
Separate acquisition	-	442,158	-	-	-	-	442,158
Amortization expenses	-	(400,076)	-	(60,900)	(5,473)	(2,708)	(469,157)
Reclassification and others	-	191,233	-	-	-	-	191,233
Net exchange difference	<u>(12,459)</u>	<u>(1,033)</u>	<u>(9,906)</u>	<u>(2,963)</u>	<u>-</u>	<u>-</u>	<u>(26,361)</u>
Balance, December 31, 2016	<u>\$ 4,518,463</u>	<u>\$ 998,648</u>	<u>\$ 514,915</u>	<u>\$ 126,950</u>	<u>\$ 54,727</u>	<u>\$ 28,149</u>	<u>\$ 6,241,852</u>
Balance, January 1, 2015	\$ 4,440,753	\$ 485,354	\$ 505,200	\$ 244,684	\$ -	\$ 7,492	\$ 5,683,483
Separate acquisition	-	431,066	-	-	-	-	431,066
Amortization expenses	-	(268,980)	-	(60,234)	-	(535)	(329,749)
Reclassification and others	-	118,364	-	-	-	-	118,364
Net exchange difference	<u>24,679</u>	<u>95</u>	<u>19,621</u>	<u>6,363</u>	<u>-</u>	<u>-</u>	<u>50,758</u>
Balance, December 31, 2015	<u>\$ 4,465,432</u>	<u>\$ 765,899</u>	<u>\$ 524,821</u>	<u>\$ 190,813</u>	<u>\$ -</u>	<u>\$ 6,957</u>	<u>\$ 5,953,922</u>

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

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

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

#### 18. OTHER ASSETS, NET

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Refundable deposits, net	\$ 3,220,122	\$ 4,657,608
Operating deposits and settlement funds	613,700	640,912
Prepaid expenses	420,444	215,714
Collection of securities underwriting	13,996	543,328
Others	<u>114,280</u>	<u>78,489</u>
	<u>\$ 4,382,542</u>	<u>\$ 6,136,051</u>

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

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Call loans from banks	\$ 46,277,361	\$ 63,883,482
Deposits from Chunghwa Post Co., Ltd.	3,209,433	3,393,345
Call loans from the Central Bank	1,613,950	987,000
Due to banks	1,081,042	2,575,087
Banks overdrafts	304,446	305,120
Due to the Central Bank	<u>29,774</u>	<u>26,096</u>
	<u>\$ 52,516,006</u>	<u>\$ 71,170,130</u>

#### 20. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$8,881,723 thousand and \$8,034,391 thousand under repurchase agreements as of December 31, 2016 and 2015, respectively, would subsequently be purchased for \$8,912,263 thousand and \$8,069,478 thousand, respectively.

#### 21. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$2,558,000 thousand and \$2,280,000 thousand, and the annual discount rates were from 0.38%-0.74% and from 0.38%-0.68% as of December 31, 2016 and 2015, respectively. These financial instruments were accepted and guaranteed by financial institutions.

## 22. PAYABLES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Checks for clearing	\$ 9,731,186	\$ 3,224,135
Accrued expenses	3,923,906	3,228,190
Factored accounts payable	2,553,922	1,800,560
Accrued interest	2,000,947	2,063,429
Settlements payable	1,837,834	1,155,310
Acceptances	1,459,995	1,576,654
Accounts payable	1,426,021	3,086,878
Payables for short-sale transactions	695,481	744,719
Deposits on short-sale transactions	637,616	728,523
Collections payable	565,672	706,907
Payable on credit cards	554,322	559,364
Tax payable	328,294	293,708
Others	<u>1,787,843</u>	<u>2,273,273</u>
	<u>\$ 27,503,039</u>	<u>\$ 21,441,650</u>

## 23. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Deposits		
Checking	\$ 15,688,524	\$ 12,446,708
Demand	434,388,452	403,804,708
Savings - demand	465,727,536	420,709,502
Time	362,056,870	344,160,558
Negotiable certificates of deposits	6,981,600	1,378,600
Savings - time	262,825,365	264,452,817
Treasury deposits	8,753,254	8,581,748
Remittances	<u>694,787</u>	<u>859,308</u>
	<u>\$ 1,557,116,388</u>	<u>\$ 1,456,393,949</u>

## 24. BONDS PAYABLE

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Bank debentures	\$ 42,250,000	\$ 44,950,000
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	3,800,000
ESFHC's unsecured corporate bonds - first issue in 2016	<u>900,000</u>	<u>-</u>
	<u>\$ 48,950,000</u>	<u>\$ 50,750,000</u>

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

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

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

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

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
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).	\$ -	\$ 300,000
Subordinated bonds issued on July 17, 2009; 2.5% interest payable annually; principal repayable on maturity (7 years after the issue date).	-	900,000
Subordinated bonds issued on October 20, 2009; 2.35% interest payable annually; principal repayable on maturity (7 years after the issue date).	-	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	2,280,000
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	2,720,000	2,720,000
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond; and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	8,000,000	8,000,000
		(Continued)



	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Two types of subordinated bonds issued on May 24, 2013; interest rate at (a) 1.55% for type A bond; and (b) 1.70% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	\$ 2,300,000	\$ 2,300,000
Subordinated bonds issued on August 28, 2013; 1.75% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,700,000	2,700,000
Two types of subordinated bonds issued on December 19, 2013; interest rate at (a) 1.75% for type A bond and (b) 1.85% for type B bond; interest payable annually for both bond types; principal repayable on maturity (5.5 years for type A bond and 7 years for type B bond after the issue date).	1,500,000	1,500,000
Two types of subordinated bonds issued on March 7, 2014; interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,500,000	3,500,000
Two types of subordinated bonds issued on April 30, 2015; interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	5,000,000	5,000,000
Two types of subordinated bonds issued on September 29, 2015; interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	<u>3,750,000</u>	<u>3,750,000</u>
	<u>\$ 42,250,000</u>	<u>\$ 44,950,000</u> (Concluded)

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Unsecured bonds USD-denominated issued on August 27, 2014	\$ -	\$ 10,623,138
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	2,937,252	2,897,425
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,552,508	2,789,284
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,172,550	2,133,291
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,326,842	1,326,777 (Continued)

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	\$ 8,207,951	\$ -
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	7,385,711	-
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	2,776,330	-
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,816,048	-
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	<u>2,936,263</u>	<u>-</u>
	<u>\$ 33,111,455</u>	<u>\$ 19,769,915</u> (Concluded)

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

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

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

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

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

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

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

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

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

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

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

To increase E.SUN Bank's capital adequacy ratio and to strengthen its capital structure, E.SUN Bank applied for the issuance of noncumulative perpetual subordinated bank debentures and long-term subordinated bank debentures amounting to NT\$10,000,000 thousand (or foreign currency equivalent); and bank debentures amounting to US\$300,000 thousand. The applications were approved by the FSC on April 15, 2016 and December 9, 2016, respectively.

As of the date of the consolidated financial statements were authorized for issue, debentures amounting to NT\$960,000 thousand and US\$300,000 thousand had not yet been issued.

## 25. OTHER BORROWINGS

	<b>December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Short-term borrowings	\$ 299,813	1.15-3.90	\$ 546,140	3.45
Long-term borrowings	<u>3,292,458</u>	3.21-3.73	<u>723,800</u>	2.51-2.75
	<u>\$ 3,592,271</u>		<u>\$ 1,269,940</u>	

## 26. PROVISIONS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Provision for employee benefits	\$ 292,484	\$ 312,970
Provision for losses on guarantees	124,146	160,947
Others	<u>25,641</u>	<u>25,180</u>
	<u>\$ 442,271</u>	<u>\$ 499,097</u>

## 27. POST-EMPLOYMENT BENEFIT PLAN

### a. Defined contribution plan

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

The Company recognized expenses of \$293,953 thousand and \$257,323 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015, respectively, in accordance with the defined contribution plan.

### b. Defined benefit plan

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

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

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

E.SUN Securities makes monthly contributions, equal to 4% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan under management of the Bureau.

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

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

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Present value of defined benefit obligation	\$ 1,806,164	\$ 1,745,135
Fair value of plan assets	<u>(1,548,206)</u>	<u>(1,464,257)</u>
Deficit	257,958	280,878
Net defined benefit asset (part of other assets - other)	<u>34,526</u>	<u>32,092</u>
Net defined benefit liability (part of provision for employee benefits)	<u>\$ 292,484</u>	<u>\$ 312,970</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2015	<u>\$ 1,572,485</u>	<u>\$ (1,403,762)</u>	<u>\$ 168,723</u>
Service cost			
Current service cost	21,516	(1,210)	20,306
Net interest expense (income)	<u>31,898</u>	<u>(27,655)</u>	<u>4,243</u>
Recognized in profit or loss	<u>53,414</u>	<u>(28,865)</u>	<u>24,549</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(38,333)	(38,333)
Actuarial (gain) loss - changes in financial assumptions	116,371	(59)	116,312
Actuarial loss - experience adjustments	<u>51,825</u>	<u>-</u>	<u>51,825</u>
Recognized in other comprehensive income	<u>168,196</u>	<u>(38,392)</u>	<u>129,804</u>
Contributions from the employer	<u>-</u>	<u>(42,198)</u>	<u>(42,198)</u>
Benefits paid	<u>(48,960)</u>	<u>48,960</u>	<u>-</u>
Balance at December 31, 2015	<u>1,745,135</u>	<u>(1,464,257)</u>	<u>280,878</u>
Acquisition through business combination (Note 49)	<u>24,414</u>	<u>(19,646)</u>	<u>4,768</u>
Service cost			
Current service cost	22,857	-	22,857
Net interest expense (income)	<u>28,105</u>	<u>(23,964)</u>	<u>4,141</u>
Recognized in profit or loss	<u>50,962</u>	<u>(23,964)</u>	<u>26,998</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(27,257)	(27,257)
Actuarial gain - changes in financial assumptions	(25,439)	-	(25,439)
Actuarial loss - experience adjustments	<u>33,717</u>	<u>-</u>	<u>33,717</u>
Recognized in other comprehensive income	<u>8,278</u>	<u>(27,257)</u>	<u>(18,979)</u>
Contributions from the employer	<u>-</u>	<u>(35,707)</u>	<u>(35,707)</u>
Benefits paid	<u>(22,625)</u>	<u>22,625</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 1,806,164</u>	<u>\$ (1,548,206)</u>	<u>\$ 257,958</u>

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

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

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

	<u>December 31</u>	
	2016	2015
Discount rate	1.25%-1.80%	1.40%-1.90%
Expected rates of return on plan assets	1.40%-1.80%	1.40%-1.90%
Expected rates of future salary increase	2.00%-3.00%	2.00%-2.50%

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

	<u>December 31</u>	
	2016	2015
Discount rate(s)		
0.25% increase	<u>\$ (64,124)</u>	<u>\$ (66,005)</u>
0.25% decrease	<u>\$ 67,167</u>	<u>\$ 69,282</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 65,315</u>	<u>\$ 67,369</u>
0.25% decrease	<u>\$ (62,724)</u>	<u>\$ (64,564)</u>

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

As of December 31, 2016 and 2015, the expected contributions to the plan for the next year were \$36,263 thousand and \$42,396 thousand and, respectively; the average durations of the defined benefit obligation were 8 to 19.79 years and 12.52 to 20.96 years, respectively.

**28. OTHER FINANCIAL LIABILITIES**

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Principal of structured products	\$ 5,896,546	\$ 465,090
Customers' equity accounts - futures	706,719	562,655
Guarantee deposits received	300,296	292,212
Appropriations for loans	<u>-</u>	<u>2</u>
	<u>\$ 6,903,561</u>	<u>\$ 1,319,959</u>

**29. OTHER LIABILITIES**

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Advance receipts	\$ 1,280,089	\$ 1,174,507
Deferred revenue	630,325	431,137
Collection of securities underwriting	13,996	543,249
Others	<u>24,139</u>	<u>7,276</u>
	<u>\$ 1,948,549</u>	<u>\$ 2,156,169</u>

**30. NET INTEREST**

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Interest revenue		
From discounts and loans	\$ 23,851,293	\$ 23,395,736
From investments	2,626,756	2,038,332
From revolving interests of credit cards	1,759,801	1,872,826
From due from banks and call loans to banks	1,330,817	2,035,336
Others	<u>255,324</u>	<u>638,951</u>
	<u>29,823,991</u>	<u>29,981,181</u>
Interest expense		
From deposits	(9,188,575)	(10,632,597)
From issuing bonds payable	(936,541)	(950,242)
From due to the Central Bank and other banks	(872,573)	(651,346)
Others	<u>(241,631)</u>	<u>(273,368)</u>
	<u>(11,239,320)</u>	<u>(12,507,553)</u>
	<u>\$ 18,584,671</u>	<u>\$ 17,473,628</u>

### 31. SERVICE FEE AND COMMISSION INCOME, NET

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Service fee and commission income		
From credit cards	\$ 5,252,193	\$ 4,435,756
From insurance	5,134,541	4,002,583
From trust business	2,806,871	3,121,624
From loans	1,471,176	1,626,515
From brokerage	694,147	774,660
Others	<u>2,001,377</u>	<u>1,537,569</u>
	<u>17,360,305</u>	<u>15,498,707</u>
Service charge and commission expenses		
From agency	(690,523)	(632,731)
From computer processing	(320,575)	(300,492)
From cross-bank transactions	(317,282)	(290,201)
Others	<u>(483,355)</u>	<u>(397,108)</u>
	<u>(1,811,735)</u>	<u>(1,620,532)</u>
	<u>\$ 15,548,570</u>	<u>\$ 13,878,175</u>

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

	<u>For the Year Ended December 31, 2016</u>				
	<u>Dividend</u>	<u>Interest</u>	<u>Gain (Loss) on</u>	<u>Gain (Loss) on</u>	<u>Total</u>
	<u>Income</u>	<u>Revenue</u>	<u>Disposal</u>	<u>Valuation</u>	
		<u>(Expense)</u>			
Held-for-trading financial assets	\$ 55,344	\$ 1,530,632	\$ 14,636,087	\$ (5,181,928)	\$ 11,040,135
Financial assets designated as at fair value through profit or loss	-	3,364,736	37,627	170,115	3,572,478
Held-for-trading financial liabilities	-	-	(12,386,738)	3,127,835	(9,258,903)
Financial liabilities designated as at fair value through profit or loss	<u>-</u>	<u>(1,619,437)</u>	<u>(1,857)</u>	<u>1,555,038</u>	<u>(66,256)</u>
	<u>\$ 55,344</u>	<u>\$ 3,275,931</u>	<u>\$ 2,285,119</u>	<u>\$ (328,940)</u>	<u>\$ 5,287,454</u>
	<u>For the Year Ended December 31, 2015</u>				
	<u>Dividend</u>	<u>Interest</u>	<u>Gain (Loss) on</u>	<u>Gain (Loss) on</u>	<u>Total</u>
	<u>Income</u>	<u>Revenue</u>	<u>Disposal</u>	<u>Valuation</u>	
		<u>(Expense)</u>			
Held-for-trading financial assets	\$ 33,641	\$ 1,895,453	\$ 4,704,233	\$ 1,607,891	\$ 8,241,218
Financial assets designated as at fair value through profit or loss	-	2,225,387	29,568	(119,181)	2,135,774
Held-for-trading financial liabilities	-	-	(2,139,718)	(376,976)	(2,516,694)
Financial liabilities designated as at fair value through profit or loss	<u>-</u>	<u>(636,447)</u>	<u>(1,350,379)</u>	<u>1,504,285</u>	<u>(482,541)</u>
	<u>\$ 33,641</u>	<u>\$ 3,484,393</u>	<u>\$ 1,243,704</u>	<u>\$ 2,616,019</u>	<u>\$ 7,377,757</u>



### 33. EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION EXPENSE

	<u>For the Year Ended December 31</u>	
	<b>2016</b>	<b>2015</b>
Employee benefit		
Salaries	\$ 8,566,403	\$ 7,656,005
Insurance	572,865	531,703
Excessive interest from preferential rates	165,084	156,741
Post-employment benefits	320,951	281,872
Others	559,102	431,266
Depreciation expenses	1,060,439	940,743
Amortization expenses	474,388	334,516

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of ESFHC approved by the stockholders in their meeting on June 8, 2016, ESFHC accrued employees' compensation and remuneration of directors at the rates 2.7% and no higher than 0.9%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). For the years ended December 31, 2016 and 2015, the employees' compensation were \$353,147 thousand and \$342,877 thousand, respectively; the remuneration of directors were \$99,000 thousand and \$109,000 thousand, respectively.

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

The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015 which have been approved by ESFHC's board of directors on March 1, 2017 and March 18, 2016, respectively, were as follows:

	<b>2016</b>	<b>2015</b>
Employees' compensation - cash	\$ 1,203	\$ 72
Employees' compensation - stock	351,888	342,805
Remuneration of directors - cash	99,000	97,000

ESFHC announced the distribution of 18,868 thousand and 18,530 thousand shares as employees' compensation for 2016 and 2015, respectively, which were determined by the closing price (NT\$18.65 and NT\$18.50) of the day before the board of directors approved the distribution.

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

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

The bonus to employees and the remuneration of directors for 2014, which were approved in the stockholders' meetings on June 12, 2015 were as follows:

	<b>2014</b>
Bonus to employees - cash	\$ 1,599
Bonus to employees - stock	282,672
Remuneration of directors - cash	90,000

The number of bonus shares was determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the day before the stockholders' meeting.

The differences between the approved amounts of bonus to employees and remuneration of directors for 2014 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014 were resulted from a change in the accounting estimate. The differences were recognized in profit or loss for 2015.

Information on the approved amounts of bonus to employees and remuneration of directors for 2014 is available at the website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

### 34. INCOME TAX

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

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

#### a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax		
Current year	\$ 2,259,338	\$ 1,910,735
Additional 10% income tax on unappropriated earnings	24,117	2,102
Prior year's adjustments	<u>5,249</u>	<u>(4,531)</u>
	<u>2,288,704</u>	<u>1,908,306</u>
Deferred tax		
Current year	(67,472)	(1,761)
Prior year's adjustments	<u>1,258</u>	<u>(373)</u>
	<u>(66,214)</u>	<u>(2,134)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,222,490</u>	<u>\$ 1,906,172</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Income before tax from continuing operations	<u>\$ 15,205,672</u>	<u>\$ 14,785,131</u>
Income tax expense at the 17% statutory rate	\$ 2,584,964	\$ 2,513,472
Nondeductible expenses in determining taxable income	171,883	64,176
Tax-exempt income	(853,123)	(880,034)
Additional income tax under the Alternative Minimum Tax Act	13,762	200,573
		(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Additional 10% income tax on unappropriated earnings	\$ 24,117	\$ 2,182
Land revaluation increment tax	-	493
Unrecognized deductible temporary differences	181,108	(77,948)
Effect of different tax rate of overseas branches operating in other jurisdictions	93,272	88,257
Adjustments for prior year's income tax	<u>6,507</u>	<u>(4,999)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,222,490</u>	<u>\$ 1,906,172</u> (Concluded)

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<u>Deferred tax</u>		
Recognized in other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plans	\$ (574)	\$ (33)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	(254,116)	103,557
Unrealized gains or losses on available-for-sale financial assets	<u>19,412</u>	<u>(6,329)</u>
	<u>(234,704)</u>	<u>97,228</u>
Total income tax expense (benefit) recognized in other comprehensive income	<u>\$ (235,278)</u>	<u>\$ 97,195</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Current tax assets		
Tax refund receivable	<u>\$ 33</u>	<u>\$ 104</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,636,966</u>	<u>\$ 1,144,949</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 114,830	\$ 18,831	\$ -	\$ -	\$ -	\$ 133,661
Allowance for possible losses	266,220	(241,245)	-	(10)	-	24,965
Available-for-sale financial assets	8,298	-	(8,298)	-	-	-
Other financial assets	15,230	(8,308)	-	-	-	6,922
Investment properties	36	21	-	-	-	57
Properties and equipment	3,996	209	-	-	-	4,205
Foreclosed collaterals	2,133	-	-	-	-	2,133
Other assets	107	-	-	-	-	107
Payable for annual leave	41,443	7,200	-	-	201	48,844
Other liabilities	20,070	6,215	-	-	-	26,285
Exchange differences on foreign operations	-	-	30,587	-	-	30,587
Deferred revenue	16	3	-	-	-	19
Defined benefit plans	194	4	574	-	642	1,414
Lease incentives	678	(489)	-	-	-	189
Others	526	1,653	-	(11)	382	2,550
	473,777	(215,906)	22,863	(21)	1,225	281,938
Unused loss carryforward	26,962	132,487	-	(3,123)	-	156,326
	<u>\$ 500,739</u>	<u>\$ (83,419)</u>	<u>\$ 22,863</u>	<u>\$ (3,144)</u>	<u>\$ 1,225</u>	<u>\$ 438,264</u>

Deferred tax liabilities

Temporary differences						
Financial instruments at fair value through profit or loss	\$ 381,598	\$ (110,977)	\$ -	\$ -	\$ -	\$ 270,621
Available-for-sale financial assets	8,837	(18)	11,114	(326)	-	19,607
Properties and equipment	4,521	(443)	-	(84)	-	3,994
Intangible assets	517,400	3,381	-	-	-	520,781
Unrealized foreign exchange gains	20,326	(645)	-	-	-	19,681
Provision of land revaluation increment tax	90,510	-	-	-	-	90,510
Exchange differences on foreign operations	223,529	-	(223,529)	-	-	-
Share of profit or subsidiaries, accounted for using the equity method	40,726	(40,726)	-	-	-	-
Gains on stock warrants issued	557	(205)	-	-	-	352
	<u>\$ 1,288,004</u>	<u>\$ (149,633)</u>	<u>\$ (212,415)</u>	<u>\$ (410)</u>	<u>\$ -</u>	<u>\$ 925,546</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 54,328	\$ 60,502	\$ -	\$ -	\$ -	\$ 114,830
Allowance for possible losses	3	266,217	-	-	-	266,220
Available-for-sale financial assets	1,490	-	6,808	-	-	8,298
Other financial assets	10,064	5,166	-	-	-	15,230
Investment properties	66	(30)	-	-	-	36
Properties and equipment	3,657	339	-	-	-	3,996
Foreclosed collaterals	2,133	-	-	-	-	2,133
Other assets	107	-	-	-	-	107
Payable for annual leave	37,476	3,967	-	-	-	41,443
Other liabilities	14,009	6,061	-	-	-	20,070
Deferred revenue	347	(334)	-	3	-	16
Defined benefit plans	252	(91)	33	-	-	194
Lease incentives	-	678	-	-	-	678
Others	-	511	-	15	-	526
	123,932	342,986	6,841	18	-	473,777
Unused loss carryforward	-	27,339	-	(377)	-	26,962
	<u>\$ 123,932</u>	<u>\$ 370,325</u>	<u>\$ 6,841</u>	<u>\$ (359)</u>	<u>\$ -</u>	<u>\$ 500,739</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 20,181	\$ 361,417	\$ -	\$ -	\$ -	\$ 381,598
Available-for-sale financial assets	8,095	220	479	43	-	8,837
Properties and equipment	279	4,105	-	137	-	4,521
Intangible assets	512,550	4,850	-	-	-	517,400
Unrealized foreign exchange gains	33,421	(13,097)	-	2	-	20,326
Provision of land revaluation increment tax	91,495	(468)	-	-	(517)	90,510
Exchange differences on foreign operations	119,972	-	103,557	-	-	223,529
Share of profit or subsidiaries, accounted for using the equity method	30,119	10,607	-	-	-	40,726
Gains on stock warrants issued	-	557	-	-	-	557
	<u>\$ 816,112</u>	<u>\$ 368,191</u>	<u>\$ 104,036</u>	<u>\$ 182</u>	<u>\$ (517)</u>	<u>\$ 1,288,004</u>

(Concluded)

e. Unrecognized deferred tax assets:

	<u>December 31</u>	
	2016	2015
Deductible temporary difference	<u>\$ 3,771,785</u>	<u>\$ 2,155,226</u>

f. 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, 2016	\$ 37,009	\$ 68,042	\$ 6,527	\$ -	\$ 5,043
December 31, 2015	42,064	34,205	3,894	-	5,442
Estimated creditable ratio for					
distributing the 2016 earnings	14.26%	0.52%	8.27%	-	24.28%
Actual creditable ratio for					
distributing the 2015 earnings	11.31%	0.29%	2.44%	-	3.23%

The actual stockholders' imputation credits should be based on the balance of the ICA as of the dividend distribution date. As a result, the estimated 2016 creditable ratio may differ from the actual creditable ratio.

g. As of December 31, 2016 and 2015, the balance of unappropriated earnings generated before January 1, 1998, was zero.

h. The years which income tax returns have been assessed by the tax authorities were as follows:

<u>ESFHC</u>	<u>E.SUN Bank</u>	<u>E.SUN Securities</u>	<u>ESIB</u>	<u>ESVC</u>
2011	2011	2011	2011	2011

- i. E.SUN Securities' assessed income tax on its 2005 to 2010 income tax return was \$93,596 thousand more than that reported to the tax authorities. The increase was mainly due to the tax authorities' (a) consideration of the loss on the hedge of stock warrants as a trading loss on securities; (b) belief that E.SUN Securities should have recognized interest revenue on certain bonds; (c) disapproval of the amortization expense for operating rights obtained from the acquisition of Yung Li Securities; and (d) disagreement on the allocation of interest expenses from that of E.SUN Securities. E.SUN Securities disagreed with the assessed income tax and exercised the right of remedy according to law. E.SUN Securities negotiated with the tax authorities in December 2014 on the allocation of interest expenses, and the tax authorities arrived on a decision to recheck according to the result of the negotiation in 2015. After the recheck, the tax authorities also decided to deduct the interest revenue from bonds, thus, resulted in \$9,851 thousand supplemental payment. Between October and November 2016, the Supreme Administrative Court dismissed E.SUN Securities' appeals for (a) and (c) described above; thus, the issues about the hedge of stock warrants and amortization expense for the operating rights are confirmed. E.SUN Securities has estimated and recognized all relative tax effects.

### 35. EARNINGS PER SHARE

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

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
<u>For the year ended December 31, 2016</u>			
Basic earnings per share	\$ 13,135,212	8,761,502	<u>\$ 1.50</u>
Effect of dilutive common shares:			
Compensation to employees	<u>                  -</u>	<u>      23,143</u>	
Diluted earnings per share	<u>\$ 13,135,212</u>	<u>8,784,645</u>	<u>\$ 1.50</u>
<u>For the year ended December 31, 2015</u>			
Basic earnings per share	\$ 12,816,347	8,675,279	<u>\$ 1.48</u>
Effect of dilutive common shares:			
Bonus to employees/compensation to employees	<u>                  -</u>	<u>      25,365</u>	
Overseas convertible bonds	<u>              278</u>	<u>      64,131</u>	
Diluted earnings per share	<u>\$ 12,816,625</u>	<u>8,764,775</u>	<u>\$ 1.46</u>

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

	Unit: NTS Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.63</u>	<u>\$ 1.48</u>
Diluted earnings per share	<u>\$ 1.61</u>	<u>\$ 1.46</u>

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

### 36. EQUITY

#### a. Capital stock

##### Common stock

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Authorized number of shares (in thousands)	<u>10,000,000</u>	<u>10,000,000</u>
Authorized capital	<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>
Number of shares issued (in thousands)	<u>8,765,400</u>	<u>7,951,700</u>
Common stock issued	<u>\$ 87,654,000</u>	<u>\$ 79,517,000</u>

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

ESFHC increased its capital because the bondholders had transferred 248,650 thousand shares to capital stock from the convertible bonds in the first quarter of 2015. The issuance was approved by the Ministry of Economic Affairs (MOEA) and the subscription base date was determined at April 24, 2015.

In 2015, the stockholders of ESFHC resolved to use \$6,347,700 thousand from the 2014 unappropriated earnings as stock bonus to stockholders and also resolved to use \$282,672 thousand from the bonus to employees as stock bonus. The appropriation and bonus, which were a total of 650,050 thousand shares, were approved by the FSC. The issuance was approved by the MOEA.

In 2016, the stockholders of ESFHC resolved to use \$7,951,700 thousand from the 2015 unappropriated earnings as stock bonus to stockholders and also resolved to use \$342,805 thousand from the compensation to employees as stock bonus. The appropriation and compensation, which were a total of 813,700 thousand shares, were approved by the FSC. The issuance was approved by the MOEA.

To dispose of ESFHC's shares held by E.SUN Bank and to increase its capital by issuing common stocks for the issuance of Global Depository Shares (GDS), ESFHC issued 14,800 thousand units of GDS (one unit represents 25 common shares), which equaled 370,000 thousand common shares, on the Luxembourg Stock Exchange.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of underlying common shares, and the common shares can be traded in the domestic stock exchange market. As of December 31, 2016, ESFHC issued 501 thousand units (equal to 12,513 thousand shares) because of capital increase, the deposit agents reissued 5,379 thousand units (equal to 134,477 thousand shares), and the GDS holders had canceled 19,955 thousand units (equal to 498,860 thousand shares). Therefore, the outstanding GDSs were 725 thousand units, which were equal to 18,310 thousand shares, or 0.2068% of ESFHC's total outstanding common shares.

b. Capital surplus

Under related regulations, capital surplus must be used to offset deficit except capital surplus arising from the issuance of shares (issuance in excess of par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be used to distribute cash dividends or transfer to common stock. However, any capital surplus transferred to common stock should be within a certain percentage of paid-in capital prescribed by law.

Under related regulations, capital surplus arising from equity investments under the equity method should not be distributed for any purpose.

For the Financial Holding Company, if the capital surplus due from stocks convert of financial intuition is from unappropriated retained earnings before convert, according to the regulatory, the Company could implement distributing cash dividends or the capital increase in entre year, furthermore, the proportion of capital increase doesn't restricted by Securities and Exchange Act Article 41 point 2 and Securities and Exchange Act Enforcement Rules Article 8. The distribution of unappropriated retained earnings without restriction above, is the amount after recognizing legal reserve or special reserve.

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

As of December 31, 2016, the capital surplus came from treasury stock transactions and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources

From subsidiaries

Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	<u>2,919,727</u>
	6,219,524
Total capital stock of subsidiaries in excess of ESFHC's issuance	<u>600,000</u>
Balance on January 28, 2002	6,819,524
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
In 2014	1,012,590
In 2015	995,591
Treasury stock transactions recognized from subsidiaries	3,015,943
Transferring of shares to employees by subsidiaries	483
Cash dividends from ESFHC received by subsidiaries	208,161
Transferring of shares to employees by ESFHC	157,897

(Continued)



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
In 2013	77,059
In 2014	100,948
In 2015	129,876
The difference between par value and issue price for the issuance of common stock from compensation to employees	
In 2016	157,505
Additional paid-in capital from ESFHC's share issuance in excess of par value	
In 2011	2,500,000
In 2012	1,062,422
In 2014	3,500,000
Share-based payment for the subscription for ESFHC's new shares by the employees of ESFHC and its subsidiaries	
In 2011	200,132
In 2014	264,769
	<u>25,707,558</u>
<u>Uses</u>	
Remuneration of directors and supervisors and bonus to employees by subsidiaries	(156,458)
Issuance of ESFHC's stock dividends in 2002	(1,800,000)
Offset of deficit in 2003	(3,091,451)
Difference between par value and issue price for the issuance of common stock from bonus to employees in 2009	<u>(980)</u>
	<u>\$ 20,658,669</u>
	(Concluded)

c. Special reserve

Under FSC guidelines, ESFHC reclassified the trading loss reserve and default loss reserve made before 2010 to special reserve. This special reserve must be used to offset deficit except if ESFHC has no deficit and the special reserve exceeds 50% of ESFHC's paid-in capital, half of the excess may be used to issue new shares. Furthermore, when the special reserve exceeds ESFHC's paid-in capital, ESFHC may, under the FSC's approval, reclassify the excess back to unappropriated earnings. The special reserve from equity investments under the equity method was \$164,235 thousand as of December 31, 2016.

d. Appropriation of earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. ESFHC made consequential amendments to ESFHC's Articles of Incorporation, which were approved in the stockholders' meeting on June 8, 2016. For information about the accrual basis of the bonus to employees, employees' compensation and remuneration of directors and the actual distributions, please refer to Note 33.

In accordance with the ESFHC's Articles of Incorporation which were amended before June 8, 2016. When ESFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve, if needed, should be appropriated. From any remainder and reversal of special reserve, no more than 1% as remuneration of directors, 3% as bonus to employees; and for the remainder and prior years' unappropriated earnings, the board of directors shall draw up the appropriation of earnings motion for the approval of stockholders.

In accordance with the ESFHC's Articles of Incorporation which were amended on June 8, 2016. When ESFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve, if needed, should be appropriated. From any remainder, reversal of special reserve and unappropriated earnings, the board of directors shall draw up the appropriation of earnings motion for the approval of stockholders.

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

Under the Company Act, legal reserve should be appropriated until the reserve equals ESFHC's paid-in capital. This reserve should only be used to offset deficit. When the reserve exceeds 25% of ESFHC's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section (such as unrealized gain or loss on financial instruments and cumulative translation adjustments, except treasury stocks). The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated. Afterward, if there is any reversal of the decrease in other stockholders' equity, ESFHC is allowed to appropriating retained earnings from the reversal amount.

According to Income Tax Act, except non-resident stockholders, other stockholders allow obtaining the amount of the imputation credit regard to tax deduction ratio on dividend distribution date while ESFHC appropriating earnings.

The appropriation of earnings for 2015 and 2014 approved in the stockholders' meetings on June 8, 2016 and June 12, 2015, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Legal reserve	\$ 1,267,973	\$ 1,052,855		
Cash dividends	3,419,231	3,173,850	\$ 0.43	\$ 0.4346757
Stock dividends	7,951,700	6,347,700	1.00	0.8693514

The appropriation of earnings for 2016 had been proposed by ESFHC's board of directors on March 1, 2017. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 1,296,026	
Cash dividends	4,645,662	\$ 0.53
Stock dividends	7,012,320	0.80

The appropriation of earnings for 2016 are subject to the resolution of the stockholders' meeting. Information on earnings appropriation or deficit offsetting is available at the website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Balance, January 1	\$ 733,792	\$ 784,953
Addition on acquisition of BankPro (Note 49)	97,662	-
Cash dividends distributed by subsidiary	(7,615)	-
Attributable to non-controlling interests		
Net income	(152,030)	62,612
Unrealized gains (losses) on available-for-sale financial assets	(18)	260
Exchange differences on the translation of financial statements of foreign operations	(13,900)	32,414
Remeasurement of defined benefit plans	(1,008)	-
Acquisition of non-controlling interests in subsidiary (Note 48)	<u>-</u>	<u>(146,447)</u>
Balance, December 31	<u>\$ 656,883</u>	<u>\$ 733,792</u>

### 37. RELATED-PARTY TRANSACTIONS

ESFHC is the ultimate controller of the E.SUN Group. All transactions, balances, income and expenses between the parent company (ESFHC) and the subsidiaries (related parties of the Company) are eliminated on a consolidated basis. In addition to those mentioned in Table 2 and in other notes, the significant related-party transactions are summarized as follows:

a. Related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	One third of the funds are donated by E.SUN Bank
Others	Key management of the Company and other related parties

b. Significant transactions with related parties

1) Loans and deposits

a) Loans

	<b>Highest Balance (Note)</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
<u>For the year ended December 31, 2016</u>				
Key management	\$ 197,037	\$ 154,195	\$ 2,542	
Others	<u>1,895,580</u>	<u>1,753,167</u>	<u>23,852</u>	
	<u>\$ 2,092,617</u>	<u>\$ 1,907,362</u>	<u>\$ 26,394</u>	1.290-2.235
<u>For the year ended December 31, 2015</u>				
Key management	\$ 231,036	\$ 197,219	\$ 2,677	
Others	<u>1,771,252</u>	<u>1,600,578</u>	<u>23,273</u>	
	<u>\$ 2,002,288</u>	<u>\$ 1,797,797</u>	<u>\$ 25,950</u>	1.280-2.430

b) Deposits

	<b>Highest Balance (Note)</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2016</u>				
Key management	\$ 648,768	\$ 457,607	\$ 2,231	
Others	<u>1,506,948</u>	<u>944,652</u>	<u>13,029</u>	
	<u>\$ 2,155,716</u>	<u>\$ 1,402,259</u>	<u>\$ 15,260</u>	0.000-6.760
For the year ended <u>December 31, 2015</u>				
Key management	\$ 531,530	\$ 249,992	\$ 1,794	
Others	<u>1,719,455</u>	<u>912,270</u>	<u>13,716</u>	
	<u>\$ 2,250,985</u>	<u>\$ 1,162,262</u>	<u>\$ 15,510</u>	0.000-6.760

Note: The sum of the respective highest balances of each account for the years ended December 31, 2016 and 2015.

2) Directors as credit guarantors

	<b>Amount</b>	<b>Interest Rate (%)</b>	<b>Rate of Guarantee Service Fee (%)</b>
December 31, 2016	<u>\$ 11,000</u>	1.38	-
December 31, 2015	<u>\$ 60,000</u>	1.73	-
		<b><u>For the Year Ended December 31</u></b>	
		<b>2016</b>	<b>2015</b>

3) Donation (part of general and administrative expenses)

E.SUN Volunteer & Social Welfare Foundation	<u>\$ 50,362</u>	<u>\$ 47,149</u>
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4) Other (part of general and administrative expenses)

Others	<u>\$ -</u>	<u>\$ 1,825</u>
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The above donations are for E.SUN Volunteer & Social Welfare Foundation's social welfare charity.

5) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to E.SUN Bank. E.SUN Bank charged \$209 thousand and \$64 thousand (part of service fee and commission income, net) accordingly for the years ended December 31, 2016 and 2015, respectively.

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

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

c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand

1) E.SUN Bank (ESIB included)

a) Loans

	<b>Highest Balance (Note)</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2016</u>				
Subsidiaries	\$ 2,747,879	\$ 1,460,517	\$ 22,225	
Sister companies	281,400	-	14	
Key management	195,468	153,207	2,524	
Others	<u>1,855,180</u>	<u>1,714,313</u>	<u>23,326</u>	
	<u>\$ 5,079,927</u>	<u>\$ 3,328,037</u>	<u>\$ 48,089</u>	1.290-5.816

For the year ended <u>December 31, 2015</u>				
Subsidiaries	\$ 2,800,744	\$ 2,800,744	\$ 24,827	
Sister companies	367,600	-	16	
Key management	231,036	197,219	2,677	
Others	<u>1,735,060</u>	<u>1,565,983</u>	<u>22,771</u>	
	<u>\$ 5,134,440</u>	<u>\$ 4,563,946</u>	<u>\$ 50,291</u>	1.280-2.430

b) Deposits

	<b>Highest Balance (Note)</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2016</u>				
ESFHC	\$ 4,709,130	\$ 1,378,818	\$ 1,113	
Subsidiaries	50,723	817	1	
Sister companies	2,399,596	2,023,318	9,634	
Key management	601,643	410,681	1,982	
Others	<u>1,492,232</u>	<u>937,331</u>	<u>13,009</u>	
	<u>\$ 9,253,324</u>	<u>\$ 4,750,965</u>	<u>\$ 25,739</u>	0.000-6.760 (Continued)

	<b>Highest Balance (Note)</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Interest Rate (%)</b>
For the year ended <u>December 31, 2015</u>				
ESFHC	\$ 6,061,714	\$ 1,004,970	\$ 8,348	
Sister companies	2,589,984	2,192,908	13,592	
Key management	481,514	246,571	1,748	
Others	<u>1,699,254</u>	<u>907,560</u>	<u>13,644</u>	
	<u>\$ 10,832,466</u>	<u>\$ 4,352,009</u>	<u>\$ 37,332</u>	0.000-6.760 (Concluded)

Note: The sum of the respective highest balances of each account for the years ended December 31, 2016 and 2015.

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
c) Call loans to banks (part of due from the Central Bank and call loans to other banks) - subsidiaries	<u>\$ 3,712,085</u>	<u>\$ -</u>
d) Other receivables (part of receivables) - subsidiaries	<u>\$ -</u>	<u>\$ 248,815</u>
e) Due to banks (part of due to the Central Bank and call loans from bank) - subsidiaries	<u>\$ 692,533</u>	<u>\$ 116,987</u>
f) Payables on consolidated tax returns (part of current tax liabilities) - ESFHC	<u>\$ 1,117,741</u>	<u>\$ 878,783</u>

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

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

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

## 2) E.SUN Securities

- a) Deposits each amounting to more than \$100,000 thousand in E.SUN Bank as of December 31, 2016 and 2015:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Deposit - futures exchange margins	<u>\$ 175,195</u>	<u>\$ 249,024</u>
Deposit - collection of securities underwriting	<u>\$ 13,996</u>	<u>\$ 543,328</u>
Operating deposits	<u>\$ 495,000</u>	<u>\$ 510,000</u>
Deposit - others	<u>\$ 75,272</u>	<u>\$ 208,921</u>
Restricted assets - current	<u>\$ 199,000</u>	<u>\$ 194,000</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, 2016 and 2015. For this overdraft, E.SUN Securities provided time deposits and real estate to E.SUN Bank as collaterals. Other financial institutions provided guarantee for the overdraft. As of December 31, 2016 and 2015, there was no overdraft amount.
- c) For its business needs, E.SUN Securities applied for a short-term loan up to \$200,000 thousand from E.SUN Bank. The balances and interest expenses for the short-term loan were as follows:

	<b>Highest Balances</b>	<b>Ending Balances</b>	<b>Interest Rate (%)</b>	<b>Interest Expense</b>
For the year ended December 31, 2016	\$ 35,000	\$ -	1.20-1.28	\$ 14
For the year ended December 31, 2015	30,000	-	1.33	17

3) ESVC

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Deposits - E.SUN Bank	<u>\$ 900,992</u>	<u>\$ 381,558</u>

d. Compensation of key management

The compensation of the directors and other key management for the years ended December 31, 2016 and 2015 are summarized as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Salaries and other short-term employment benefits	\$ 215,493	\$ 244,779
Post-employment benefits	1,611	1,716
Interest arising from the employees' preferential rates in excess of normal rates	<u>257</u>	<u>303</u>
	<u>\$ 217,361</u>	<u>\$ 246,798</u>

**38. PLEDGED ASSETS**

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

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Financial assets at fair value through profit or loss (face value)	\$ 25,000,000	\$ 23,890,900
Available-for-sale financial assets (face value)	2,763,840	1,819,602
Held-to-maturity financial assets (face value)	1,537,567	2,391,670
Receivables (face value)	<u>3,200</u>	<u>-</u>
	<u>\$ 29,304,607</u>	<u>\$ 28,102,172</u>

As of December 31, 2016 and 2015, the foregoing bonds and securities, with aggregate face value of \$20,000,000 thousand and \$18,200,000 thousand, respectively, had been provided as collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS). The unused overdraft amount at day's end can also be treated as E.SUN Bank's liquidity reserve. For covering its call loans from the CB, E.SUN Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand as of December 31, 2016 and 2015. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

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

**(In Thousands of U.S. Dollars)**

Date	Outstanding Loan Balance	Collateral Value
December 31, 2016	<u>\$ 33,000</u>	<u>\$ 24,756</u>
December 31, 2015	<u>\$ 15,000</u>	<u>\$ 7,571</u>

### 39. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the contingencies and commitments were as follows:

- a. E.SUN Bank

- 1) Lease agreements on premises occupied by E.SUN Bank's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2016, refundable deposits on these leases totaled \$1,059,281 thousand. Minimum future annual rentals were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Within one year	\$ 833,099	\$ 767,640
Over one to five years	1,993,659	1,662,179
Over five years	<u>758,108</u>	<u>739,582</u>
	<u>\$ 3,584,866</u>	<u>\$ 3,169,401</u>

The lease payments recognized as expenses were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Minimum lease payments	\$ 674,802	\$ 614,151
Contingent rentals	<u>1,243</u>	<u>1,324</u>
	<u>\$ 676,045</u>	<u>\$ 615,475</u>



- 2) Lease agreements on investment properties owned by E.SUN Bank and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2016, refundable deposits on these leases totaled \$878 thousand. Minimum future annual rentals were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Within one year	\$ 2,711	\$ 2,180
Over one to five years	<u>4,620</u>	<u>1,220</u>
	<u>\$ 7,331</u>	<u>\$ 3,400</u>

- 3) Agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by E.SUN Bank's branches amounted to approximately \$1,053,841 thousand. As of December 31, 2016, the remaining unpaid amount was approximately \$608,060 thousand.

b. Union Commercial Bank (UCB)

- 1) Lease agreements on premises occupied by UCB are operating lease. As of December 31, 2016, refundable deposits on these leases totaled \$12,050 thousand. Minimum future annual rentals were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Within one year	\$ 16,835	\$ 19,554
Over one to five years	60,065	34,765
Over five years	<u>20,950</u>	<u>57,052</u>
	<u>\$ 97,850</u>	<u>\$ 111,371</u>

- 2) Decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately \$775,159 thousand. As of December 31, 2016, the remaining unpaid amount was approximately \$470,202 thousand.

- c. Lease agreements on premises occupied by ESBC are operating lease. As of December 31, 2016, refundable deposits on these leases totaled \$40,465 thousand. Minimum future annual rentals were as follows:

	<b>December 31, 2016</b>
Within one year	\$ 163,030
Over one to five years	390,168
Over five years	<u>237,564</u>
	<u>\$ 790,762</u>

- d. Lease agreements on premises occupied by BankPro are operating lease. As of December 31, 2016, refundable deposits on these leases totaled \$2,835 thousand. Minimum future annual rentals were as follows:

	<b>December 31, 2016</b>
Within one year	\$ 9,307
Over one to five years	<u>3,102</u>
	<u>\$ 12,409</u>

- e. E.SUN Securities

There are renewable operating lease agreements on premises occupied by E.SUN Securities' branches. Rentals are calculated on the basis of the leased areas and are payable monthly or quarterly. As of December 31, 2016, refundable deposits on these leases totaled \$14,517 thousand. Minimum annual rentals were as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Within one year	\$ 61,523	\$ 60,730
Over one to five years	<u>128,167</u>	<u>164,595</u>
	<u>\$ 189,690</u>	<u>\$ 225,325</u>

The lease payments recognized as expenses were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
Minimum lease payments	<u>\$ 62,419</u>	<u>\$ 64,059</u>

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

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

	<b>For the Year Ended December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>				
Cash and cash equivalents and other financial assets - due from banks	\$ 39,844,265	2.36	\$ 59,511,220	2.93
Call loans to banks	10,171,982	0.74	6,681,721	0.35
Due from the Central Bank	59,411,896	0.22	33,864,826	0.50

(Continued)

	<b>For the Year Ended December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
Held-for-trading financial assets - bonds	\$ 1,674,082	3.35	\$ 2,767,626	2.95
Held-for-trading financial assets - bills	273,102,409	0.54	231,375,304	0.78
Financial assets designated as at fair value through profit or loss - bonds	99,493,783	3.37	76,839,968	2.90
Securities purchased under resell agreements	602,251	1.85	702,384	1.57
Accounts receivable factored without recourse	11,123,273	1.92	21,089,250	2.85
Discounts and loans	1,039,083,500	2.13	977,956,492	2.26
Receivables on credit cards	23,474,219	7.38	21,139,260	8.74
Available-for-sale financial assets - bonds	127,152,821	1.93	102,689,087	1.85
Held-to-maturity financial assets	4,599,937	1.67	5,453,967	1.81
Debt instruments with no active market	1,262,056	4.16	1,138,592	3.52
<b><u>Interest-bearing liabilities</u></b>				
Due to the Central Bank and other banks	73,068,765	1.15	66,011,026	1.04
Financial liabilities at fair value through profit or loss	33,856,974	4.80	13,829,905	4.55
Securities sold under repurchase agreements	6,834,695	1.38	8,602,101	1.35
Demand deposits	411,269,563	0.16	335,900,445	0.23
Savings - demand deposits	448,990,458	0.24	392,693,786	0.35
Time deposits	333,509,091	1.17	339,279,053	1.35
Savings - time deposits	267,524,611	1.17	263,520,312	1.34
Negotiable certificates of deposits	1,824,761	0.46	1,277,789	0.53
Bank debentures	44,001,909	1.85	43,825,302	1.89
Principal of structured products	3,279,728	0.88	955,072	2.98

(Concluded)

#### 41. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the management considered the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or that the fair values cannot be reasonably measured.

	<b>December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 3,616,960	\$ 3,616,072	\$ 5,289,839	\$ 5,324,005
Debt instruments with no active market	1,291,160	1,295,901	987,000	1,014,969
<u>Financial liabilities</u>				
Bonds payable	48,950,000	49,914,760	50,750,000	51,254,289
<u>Fair value hierarchy as of December 31, 2016</u>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 3,616,072	\$ 3,263,778	\$ 352,294	\$ -
Debt instruments with no active market	1,295,901	-	1,295,901	-
<u>Financial liabilities</u>				
Bonds payable	49,914,760	-	49,914,760	-
<u>Fair value hierarchy as of December 31, 2015</u>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 5,324,005	\$ 4,981,384	\$ 342,621	\$ -
Debt instruments with no active market	1,014,969	-	1,014,969	-
<u>Financial liabilities</u>				
Bonds payable	51,254,289	-	51,254,289	-

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

- b. The valuation techniques and assumptions the Company uses for determining fair values are as follows:

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. When market prices are not available, valuation techniques are applied. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments.

The Company estimated the fair value of each forward contract on the basis of the exchange rates quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the discounted cash flow method, unless the fair values of these two types of contracts are provided by counterparties. Fair values of currency option contracts are based on estimates made using the Black Scholes model, binomial method or Monte Carlo simulation. The fair values of futures contracts are calculated using the prices quoted by the futures exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollar, U.S. dollar, etc.) to be used for payments. As of December 31, 2016 and 2015, the discount rates used ranged from 0.174% to 1.870% and from 0.233% to 1.960%, respectively, for the New Taiwan dollar and from 0.670% to 2.602% and from 0.410% to 2.633%, respectively, for the U.S. dollar.

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

- c. The fair value hierarchies of the Company's financial instruments, which were measured at fair value on a recurring basis, as of December 31, 2016 and 2015 were as follows:

	<b>December 31, 2016</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u><b>Nonderivative financial instruments</b></u>				
<u><b>Assets</b></u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 554,338	\$ 554,338	\$ -	\$ -
Debt instruments	8,232	8,232	-	-
Others	253,281,247	109,166	253,172,081	-
Financial assets designated as at fair value through profit or loss	103,473,764	11,137,503	92,336,261	-
Available-for-sale financial assets				
Stocks	5,047,018	5,045,164	-	1,854
Debt instruments	134,748,590	95,437,414	39,311,176	-
Others	1,850,316	-	1,850,316	-
<u><b>Liabilities</b></u>				
Financial liabilities at fair value through profit or loss	33,427,061	1,384	33,425,677	-

(Continued)

	<b>December 31, 2016</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 9,371,783	\$ 328,777	\$ 9,043,006	\$ -
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	8,718,037	24,067	8,693,970	-
				(Concluded)

	<b>December 31, 2015</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 606,582	\$ 606,582	\$ -	\$ -
Debt instruments	2,676,820	2,676,820	-	-
Others	244,711,064	142,144	244,568,920	-
Financial assets designated as at fair value through profit or loss	84,192,890	8,436,610	75,756,280	-
Available-for-sale financial assets				
Stocks	5,126,753	5,126,753	-	-
Debt instruments	126,154,884	113,575,717	12,563,129	16,038
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	20,111,409	-	20,111,409	-

<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	17,415,888	307,800	17,108,088	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	15,764,186	39,359	15,724,827	-

- d. Other information on financial assets and liabilities in Level 3 for the years ended December 31, 2016 and 2015 was as follows:

For the year ended December 31, 2016

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Issuance	Transfer to Level 3	Sale or Disposal	Transfer from Level 3	
<u>Assets</u>								
Available-for-sale financial assets	\$ 16,038	\$ -	\$(10,936)	\$ -	\$ 12,790	\$ 16,038	\$ -	\$ 1,854

For the year ended December 31, 2015

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Issuance	Transfer to Level 3	Sale or Disposal	Transfer from Level 3	
<u>Assets</u>								
Available-for-sale financial assets	\$ 31,239	\$ -	\$(15,201)	\$ -	\$ -	\$ -	\$ -	\$ 16,038

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

	<u>December 31</u>	
	2016	2015
Difference between carrying amounts and the amounts due on maturity		
Fair value	\$ 33,425,677	\$ 20,111,409
Amounts due on maturity	<u>34,931,749</u>	<u>20,110,080</u>
	<u>\$ (1,506,072)</u>	<u>\$ 1,329</u>
		<b>Change in Fair Values Resulting from Credit Risk Variations</b>
Change in amount in the period		
For the year ended December 31, 2016		<u>\$ 46,523</u>
For the year ended December 31, 2015		<u>\$ 135,074</u>
Accumulated amount of change		
As of December 31, 2016		<u>\$ (44,882)</u>
As of December 31, 2015		<u>\$ 144,933</u>

The change in fair value of bank debentures, overseas convertible bonds, and structured products of the Company resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations of these financial instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair values of bank debentures, overseas convertible bonds, and structured products are the present values of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates of the debt issuers' borrowings with similar maturities.

- f. Information on financial risk management

1) ESFHC

a) Risk management

ESFHC established the Risk Management Committee, of which the convener is the general manager and the executive secretary is the chief risk officer, to draw up the principles and policies of risk management to be followed by each subsidiary, to coordinate and monitor the enforcement of risk management policies of each subsidiary and to deliberate whether proposals brought up by each risk-based unit focusing on a variety of individual issues are suitable for the Company.

b) Market risk

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

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

The operation of ESFHC involves currencies different from its functional currency, i.e., foreign currencies; thus, ESFHC is exposed to foreign-exchange risks. As of December 31, 2016 and 2015, the carrying amount, currency and spot rate of ESFHC’s monetary assets and liabilities denominated in foreign currencies were as follows:

**Unit: In Thousands**

	<b>December 31</b>					
	<b>2016</b>			<b>2015</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Exchange Rate</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Exchange Rate</b>
USD	\$ 2,138	\$ -	32.279	\$ 1,527	\$ -	32.900

The influence of the fluctuations in exchange rates for foreign-currency assets and liabilities on profit or loss is limited; thus, ESFHC expects the risk from exchange rate fluctuations to be immaterial.

c) Credit risk

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

d) Liquidity risk

ESFHC set up the “Liquidity Risk Management Guideline of E.SUN Financial Holding Company” as the guideline for liquidity risk management. It monitors and asks ESFHC and subsidiaries to maintain appropriate liquidity, payment ability, financial stability, and to improve urgent situation handling ability. ESFHC and subsidiaries also follow the requirements of authorities, adopt numeral management, and compile cash flow gap analysis report regularly. Additionally, ESFHC and subsidiaries set up liquidity risk management index and monitor it strictly.

2) E.SUN Bank and its subsidiaries

a) Risk management

E.SUN Bank established the Risk Management Division to draw up the principles and policies of risk management that should be followed by each department, to coordinate and monitor the enforcement of risk management policies of each department and to deliberate whether proposals brought up by each risk-based unit to deal with a variety of issues are suitable for E.SUN Bank. The division also supports decision-making on several important issues to ensure that E.SUN Bank has adequate capital to achieve profit objectives under reasonable risk.



b) Credit risk

Credit risk refers to E.SUN Bank and its subsidiaries' exposure to financial losses due to inability of customers or counterparties to meet the contractual obligations on financial instruments. Credit risk exists in both on- and off- balance sheet items. The on-balance sheet exposure to credit risks is mainly in loans and the credit card business, due from other banks, call loans to other banks, investment in debt instrument and derivatives. The off-balance sheet exposure to credit risks is mainly in financial guarantees, acceptance, letter of credits and loan commitments.

To ensure its credit risk falls within the acceptable range, E.SUN Bank and its subsidiaries have stipulated in the Guidelines for Credit Risk Management that for all the products provided and businesses conducted, including all on- and off-balance sheet transactions in the banking and trading books, E.SUN Bank and its subsidiaries should make a detailed analysis to identify existing and potential credit risks. Before launching new products or businesses, E.SUN Bank and its subsidiaries ensure compliance with all applicable rules and regulations and identify relevant credit risks. For sophisticated credit extensions, such as accounts receivable factored without recourse and credit derivative instruments, etc., E.SUN Bank and its subsidiaries also require the use of a certain risk management system described in related rules and guidelines. The assessment of asset qualities and provision for possible losses of the overseas operating units, unless regulated by the local authorities, are in accordance with E.SUN Bank and its subsidiaries' risk management policies and guidelines.

The measurement and management of credit risks from E.SUN Bank and its subsidiaries' main businesses are as follows:

i. Loans and credit card business (including loan commitment and guarantees):

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. E.SUN Bank and its subsidiaries also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

For risk management purposes, E.SUN Bank and its subsidiaries rate credit qualities (by using an internal rating model for credit risk, a credit score table, etc.) in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, E.SUN Bank and its subsidiaries have developed a credit rating model for clients. E.SUN Bank and its subsidiaries review the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result. Except the petit credit and residential mortgage, which are assessed by using the credit rating model, consumer loans are assessed individually for default risks.

E.SUN Bank and its subsidiaries classify the credit qualities of corporate loans as strong, medium and weak.

E.SUN Bank and its subsidiaries evaluate the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, E.SUN Bank and its subsidiaries annually conduct validity test and back testing on the models using data on customers' actual defaults.

ii. Due from and call loans to other banks

E.SUN Bank and its subsidiaries evaluate the credit status of counterparties before deals are closed. E.SUN Bank and its subsidiaries grant different limits to the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes.

iii. Investment in debt instruments and derivatives

E.SUN Bank and its subsidiaries identify and manage credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which E.SUN Bank and its subsidiaries conduct derivative transactions are mostly considered investment grade. E.SUN Bank and its subsidiaries monitor the credit limits (including lending limits) by counterparties. The credits extended to counterparties that are not rated as investment grade are assessed case by case. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

E.SUN Bank and its subsidiaries classify the debt instruments and derivatives into different categories, which are mainly based on the credit ratings provided by external credit agencies (Moody's, S&P, Fitch or Taiwan Ratings).

E.SUN Bank and its subsidiaries have a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the debt, E.SUN Bank and its subsidiaries manage and assess the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, E.SUN Bank and its subsidiaries stipulate the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that E.SUN Bank and its subsidiaries reserve the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in E.SUN Bank and its subsidiaries in order to reduce the credit risks. The requirements for collaterals for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collaterals.

To avoid the concentration of credit risks, E.SUN Bank and its subsidiaries have included credit limits for a single counterparty and for a single group in its credit-related guidelines. E.SUN Bank and its subsidiaries have also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, E.SUN Bank and its subsidiaries set credit limits by industry, conglomerate, country, transactions collateralized by stocks, and other categories and integrated within one system the supervision of concentration of credit risk in these categories.

E.SUN Bank and its subsidiaries settle most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

The maximum exposures of assets on the consolidated balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
Irrevocable loan commitments issued	\$ 108,392,752	\$ 95,251,392
Credit card commitments	334,179,541	319,845,197
Letters of credit issued yet unused	9,769,959	8,955,148
Other guarantees	16,258,818	15,280,656

The management of E.SUN Bank and its subsidiaries believe their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of credit extended and the periodic reviews of these credits.

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Group or industry, regions and collaterals that were 10% or more of total outstanding loans were as follows:

<b>Credit Risk Profile by Group or Industry</b>	<b>December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Natural person	\$ 554,763,993	49	\$ 510,397,703	48
Manufacturing	229,067,836	20	231,022,272	22
Wholesale, retail and restaurants	113,556,830	10	100,071,132	9

<b>Credit Risk Profile by Regions</b>	<b>December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Domestic	\$ 986,540,905	87	\$ 917,441,897	87

<b>Credit Risk Profile by Collaterals</b>	<b>December 31</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Unsecured	\$ 325,011,987	29	\$ 318,280,110	30
Secured				
Real estate	711,642,885	63	638,251,125	60

Some financial assets held by E.SUN Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have rather high credit ratings.

In addition to the above assets, credit quality analyses on other financial assets were as follows:

a) Credit quality analysis on discounts, loans and receivables

December 31, 2016	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 52,386,852	\$ 1,513,193	\$ 1,835,029	\$ 55,735,074	\$ 568,648	\$ 674,668	\$ 54,491,758
Others	21,434,076	72,555	603,313	22,109,944	139,456	470,014	21,500,474
Discounts and loans	1,117,494,302	7,058,405	8,503,778	1,133,056,485	3,286,853	11,443,301	1,118,326,331

December 31, 2015	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 42,604,075	\$ 1,068,400	\$ 1,786,230	\$ 45,458,705	\$ 530,923	\$ 891,227	\$ 44,036,555
Others	27,714,360	110,633	71,881	27,896,874	23,262	386,756	27,486,856
Discounts and loans	1,022,354,704	7,947,288	4,649,330	1,034,951,322	2,795,079	10,056,941	1,022,099,302

b) Credit quality analysis on discounts and loans neither past due nor impaired (based on credit ratings of clients)

December 31, 2016	Neither Past Due Nor Impaired			
	Strong	Medium	Weak	Total
Consumer loans				
Residential mortgage	\$ 124,616,769	\$ 142,470,018	\$ 6,736,042	\$ 273,822,829
Petit credit	48,047,529	37,241,203	2,070,412	87,359,144
Others	85,180,608	97,384,027	4,726,489	187,291,124
Corporate loans				
Secured	120,192,251	139,442,726	10,413,459	270,048,436
Unsecured	206,002,064	84,375,246	8,595,459	298,972,769
Total	\$ 584,039,221	\$ 500,913,220	\$ 32,541,861	\$ 1,117,494,302

December 31, 2015	Neither Past Due Nor Impaired			
	Strong	Medium	Weak	Total
Consumer loans				
Residential mortgage	\$ 120,197,264	\$ 138,905,836	\$ 6,643,669	\$ 265,746,769
Petit credit	37,543,587	34,924,086	5,262,321	77,729,994
Others	73,177,111	84,567,048	4,202,711	161,946,870
Corporate loans				
Secured	109,495,053	115,126,783	6,424,750	231,046,586
Unsecured	188,247,277	89,526,386	8,110,822	285,884,485
Total	\$ 528,660,292	\$ 463,050,139	\$ 30,644,273	\$ 1,022,354,704

c) Credit quality analysis on securities

December 31, 2016	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	Above A+	A - BBB-	Below BB+	Subtotal (A)					
Available-for-sale financial assets									
Bonds	\$ 84,824,597	\$ 49,417,642	\$ 506,351	\$ 134,748,590	\$ -	\$ -	\$ 134,748,590	\$ -	
Equities	733,040	2,602,960	1,164,377	4,500,377	-	-	4,500,377	-	
Others	1,850,316	-	-	1,850,316	-	-	1,850,316	-	
Held-to-maturity financial assets									
Bonds	3,264,668	-	-	3,264,668	-	305,488	3,570,156	33,893	
Others	-	80,697	-	80,697	-	-	80,697	-	
Other financial assets									
Bonds	322,790	968,370	-	1,291,160	-	-	1,291,160	-	
Equities	-	-	519,710	519,710	-	24,071	543,781	5,900	

December 31, 2015	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	Above A+	A - BBB-	Below BB+	Subtotal (A)					
Available-for-sale financial assets									
Bonds	\$ 87,092,745	\$ 38,256,572	\$ 805,567	\$ 126,154,884	\$ -	\$ -	\$ 126,154,884	\$ -	
Equities	1,047,052	1,698,105	876,288	3,621,445	-	-	3,621,445	-	
Held-to-maturity financial assets									
Bonds	4,782,719	164,500	-	4,947,219	-	311,365	5,258,584	34,545	
Others	-	65,800	-	65,800	-	-	65,800	-	
Other financial assets									
Bonds	329,000	658,000	-	987,000	-	-	987,000	-	
Equities	-	-	524,302	524,302	-	35,006	559,308	16,835	

The processing delays by the borrowers and other administrative reasons may cause financial assets to become past due but not impaired. As defined in the internal rules governing E.SUN Bank and its subsidiaries' risk management, financial assets past due within 90 days are not deemed as impaired, unless there are other evidences that indicate impairment.

The vintage analysis of financial assets that are past due but not impaired was as follows:

Item	December 31, 2016		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 1,244,532	\$ 268,661	\$ 1,513,193
Others	24,759	47,796	72,555
Discounts and loans			
Consumer loans			
Residential mortgage	1,356,390	421,189	1,777,579
Petit credit	1,538,085	338,928	1,877,013
Others	894,845	237,333	1,132,178
Corporate loans			
Secured			
E.SUN Bank	709,076	161,422	870,498
Subsidiaries	-	283,150	283,150
Unsecured			
E.SUN Bank	1,003,598	114,389	1,117,987
Subsidiaries	-	-	-

Item	December 31, 2015		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 890,103	\$ 178,297	\$ 1,068,400
Others	30,053	80,580	110,633
Discounts and loans			
Consumer loans			
Residential mortgage	1,654,135	224,191	1,878,326
Petit credit	1,391,173	217,498	1,608,671
Others	1,025,484	159,222	1,184,706
Corporate loans			
Secured			
E.SUN Bank	796,457	57,676	854,133
Subsidiaries	276,532	1,269,504	1,546,036
Unsecured			
E.SUN Bank	716,637	18,317	734,954
Subsidiaries	66,163	74,299	140,462

c) Market risk

Market risk refers to the risk of fluctuation in the fair values or the future cash flows of the on- and off-balance sheet instruments held by E.SUN Bank and its subsidiaries because of market price changes. The risk factors which cause market price changes usually include interest rates, exchange rates, and the prices of equity securities and commodities. Changes in these risk factors will cause risk of fluctuation in the net income or in the value of investment portfolio of E.SUN Bank and its subsidiaries.

The main market risks E.SUN Bank and its subsidiaries face are the risks on equity securities, interest rates, and exchange rate risks. The equity securities exposed to market risks mainly include stocks listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market and stock index futures in Taiwan; the instruments exposed to interest rate risk mainly include bonds and interest rate derivatives such as the fixed-for-floating interest rate swap; and the instruments exposed to exchange rate risk mainly include the consolidated positions of the investment held by E.SUN Bank and its subsidiaries, such as the derivatives denominated in foreign currency and foreign-currency bonds.

E.SUN Bank monitors the market risk positions and the tolerable loss of E.SUN Bank in accordance with the goals of risk management and the amount limits authorized by the board of directors. E.SUN Bank has set up market risk information systems to effectively monitor the management of amount limits on financial instruments, to evaluate the profit and loss, to conduct sensitivity analysis, stress test and calculation of value at risk (VaR), etc. The result is reported in the meetings of risk management and to the board of directors as their reference for making managerial decisions.

E.SUN Bank and its subsidiaries mainly divide the positions exposed to market risks into investment portfolios held for trading and investment portfolios not held for trading. The portfolios are monitored by the Risk Management Division, and the management results are reported regularly to the board of directors and the supervisors of each division.

The business units and the risk management units both identify market risk factors for E.SUN Bank and its subsidiaries' exposed positions in order to measure market risks. Market risk factors refer to the factors that affect interest rates, exchange rates and values of held financial instruments such as equity securities, etc. E.SUN Bank and its subsidiaries analyze the impact of risk factors on their holding positions, profit and loss, negative result of stress test, sensitivity, VaR, etc., and measure the levels within which the investment portfolios and equity securities might suffer from interest rate risks, exchange rate risks, etc.

The Risk Management Division reports regularly to the board of directors the achievement of management objectives on market risks, the control of holding positions and profit and loss, the sensitivity analysis, the stress test, the value at risk of equity securities, etc. for their understanding of E.SUN Bank's market risk control. E.SUN Bank also has sound mechanisms for reporting and set limits and stop-loss regulations for all the transactions. If a trade reaches the stop-loss limit, the stop-loss will be executed immediately. Trades that do not follow the stop-loss rule should be reported to the management for their approval, and the reasons for their noncompliance as well as corresponding strategies should also be presented to the management.

E.SUN Bank uses the VaR model and stress tests to evaluate risks on investment portfolios for trading. E.SUN Bank also assesses market risks and evaluates the maximum expected loss of positions through making assumptions on changes in various market conditions. The board of directors set amount limits based on VaR. The whole risk management process is monitored daily by the Risk Management Division.

VaR statistically estimates the potential loss of the positions due to adverse market movements. It is the "maximum potential loss" E.SUN Bank may suffer within a certain confidence interval (99%), so it is still probable that the actual loss is larger than the VaR to some extent. VaR model assumes that E.SUN Bank holds the positions at least for the minimum holding periods (10 days) before they can be settled, and that the market fluctuation in these 10 days is similar to that in the past.

E.SUN Bank evaluates historical market fluctuation based on historical data in the past two years. It evaluates the VaR of its holding positions using the variance/covariance method. The computation will be used for periodic examinations and verification of assumptions and parameters used. However, this evaluation method cannot prevent losses from significant market fluctuations.

Information on the VaR of E.SUN Bank was as follows:

For the year ended December 31, 2016

<b>Historical Values at Risk (99%, 10-day)</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>December 31, 2016</b>
<u>By risk type</u>				
Currency	\$ 2,604,185	\$ 1,677,783	\$ 4,182,141	\$ 2,656,274
Interest	2,096,177	1,510,370	4,143,083	2,381,397
Equity	253,788	184,081	287,871	255,435
Risk diversification	<u>(1,636,908)</u>	-	-	<u>(2,146,491)</u>
Total risk exposure	<u>\$ 3,317,242</u>			<u>\$ 3,146,615</u>

For the year ended December 31, 2015

<b>Historical Values at Risk (99%, 10-day)</b>	<b>Average</b>	<b>Minimum</b>	<b>Maximum</b>	<b>December 31, 2015</b>
<u>By risk type</u>				
Currency	\$ 1,624,826	\$ 942,046	\$ 2,629,495	\$ 1,957,360
Interest	1,425,463	773,306	2,105,512	2,105,512
Equity	159,724	126,659	187,988	186,131
Risk diversification	<u>(1,052,459)</u>	-	-	<u>(1,353,905)</u>
Total risk exposure	<u>\$ 2,157,554</u>			<u>\$ 2,895,098</u>

Stress test is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenarios. It is performed by the Risk Management Division, and it includes (a) a stress test on risk factors, in which the stress test is applied to all kinds of risks; and (b) a temporary stress test, in which the stress test is applied to special investment positions or specific investment areas, for example, areas where exchange rates fluctuate dramatically. The results of stress tests are reported to the senior management.

For the information on the foreign-currency financial assets and liabilities with significant effect, please refer to Table 3.

d) Liquidity risk

Liquidity risk refers to the possibility of financial loss resulting from the shortage of funds in meeting the needs of asset acquisition or debt repayment on maturity. Examples are the depositors' withdrawal of deposits before maturity, difficulty in raising funds from other banks or worsening funding conditions due to the fluctuations in specific markets, unstable recovery of money due to credit defaults, deterioration of the convertibility of financial instruments, early termination of interest-sensitive instruments, etc. These situations might result in decrease of cash inflows from loans, trades and investments. In some extreme cases, lack of liquidity may cause decrease of asset values in balance sheets, disposal of assets or other situations in which loan commitments cannot be met. Liquidity risks exist in all banking operations, and are influenced by specific events from industries or markets, including but not limited to credit events, mergers and acquisitions, systematic risks in the industry or natural disasters.

Liquidity risk management is done by the Money Market Division and monitored by the Risk Management Division. The procedures include (a) maintaining daily money market operations and monitoring future cash flows to ensure the meeting of liquidity requirements; (b) holding an appropriate amount of readily convertible and highly liquid assets to prevent from unpredictable events that disrupt cash flows; (c) monitoring the liquidity ratios for the balance sheets in accordance with internal and external policies; and (d) managing security products during their remaining maturity periods. Liquidity risk monitoring and reporting are based on the valuation and prediction of future cash flows from different terms to maturity (maturity gap is used by E.SUN Bank as a tool to manage liquidity risk). The prediction of cash flows involves the cash outflows at the maturity date of the financial liabilities and the cash inflows at the receipt date of financial assets.

For maintaining solvency and meeting the needs of emergency assistance arrangements, E.SUN Bank and its subsidiaries hold cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets, and debt instruments with no active market, etc.

The liquidity reserve ratios of E.SUN Bank for December 2016 and 2015 were 24.99% and 27.71%, respectively.

E.SUN Bank and its subsidiaries disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet date. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 21,209,757	\$ 28,444,885	\$ 1,804,692	\$ 1,050,022	\$ 6,650	\$ 52,516,006
Nonderivative financial liabilities at fair value through profit or loss	-	22,835	-	369,522	34,539,392	34,931,749
Securities sold under repurchase agreements	6,838,396	1,411,493	662,374	-	-	8,912,263
Payables	22,489,698	327,790	121,072	266,479	90,663	23,295,702
Deposits and remittances	448,668,686	154,088,003	167,685,515	282,563,601	506,545,242	1,559,551,047
Bank debentures	-	-	3,000,000	2,500,000	36,750,000	42,250,000
Other items of cash outflow on maturity	5,874,586	183,608	-	-	3,596,359	9,654,553

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 39,721,702	\$ 28,852,214	\$ 2,014,940	\$ 581,274	\$ -	\$ 71,170,130
Nonderivative financial liabilities at fair value through profit or loss	-	-	-	-	20,110,080	20,110,080
Securities sold under repurchase agreements	5,069,764	811,348	2,160,531	27,835	-	8,069,478
Payables	16,714,013	290,496	306,291	428,117	66,195	17,805,112
Deposits and remittances	405,711,530	161,515,380	178,646,340	296,511,728	415,675,024	1,458,060,002
Bank debentures	-	-	300,000	2,400,000	42,250,000	44,950,000
Other items of cash outflow on maturity	206,492	-	61,459	1,267,084	328,340	1,863,375



E.SUN Bank and its subsidiaries assessed the maturity date of contracts to understand the basic elements of all derivative financial instruments shown in the consolidated balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

a) Derivative financial liabilities to be settled at net amount

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ -	\$ -	\$ 4,224	\$ -	\$ -	\$ 4,224

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	\$ 8,644	\$ 73,810	\$ 441,040	\$ 6,812	\$ -	\$ 530,306

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 107,637,548	\$ 89,441,644	\$ 74,484,014	\$ 62,761,398	\$ 2,710,220	\$ 337,034,824
Cash inflow	107,989,523	89,910,907	74,581,216	63,130,544	2,752,164	338,364,354
Interest derivatives						
Cash outflow	154,482	85,338	107,267	360,716	10,345,145	11,052,948
Cash inflow	330,974	12,073	236,418	207,568	10,170,448	10,957,481
Total cash outflow	107,792,030	89,526,982	74,591,281	63,122,114	13,055,365	348,087,772
Total cash inflow	108,320,497	89,922,980	74,817,634	63,338,112	12,922,612	349,321,835
Net cash outflow (inflow)	(528,467)	(395,998)	(226,353)	(215,998)	132,753	(1,234,063)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 63,291,005	\$ 62,600,322	\$ 43,622,601	\$ 68,300,292	\$ 3,428,630	\$ 241,242,850
Cash inflow	63,274,996	62,075,974	44,077,033	69,307,419	3,509,585	242,245,007
Interest derivatives						
Cash outflow	2,447	42,393	78,157	13,761	19,626,859	19,763,617
Cash inflow	4,598	66,526	46,792	14,678	24,732,024	24,864,618
Total cash outflow	63,293,452	62,642,715	43,700,758	68,314,053	23,055,489	261,006,467
Total cash inflow	63,279,594	62,142,500	44,123,825	69,322,097	28,241,609	267,109,625
Net cash outflow (inflow)	13,858	500,215	(423,067)	(1,008,044)	(5,186,120)	(6,103,158)

E.SUN Bank and its subsidiaries conducted the maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet date. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 3,997,690	\$ 8,379,961	\$ 13,811,075	\$ 35,180,819	\$ 47,023,207	\$ 108,392,752
Credit card commitments	2,328,163	2,919,419	9,067,451	24,335,280	295,529,228	334,179,541
Letters of credit issued yet unused	3,191,780	4,435,885	932,091	393,550	816,653	9,769,959
Other guarantees	2,441,565	2,541,693	2,110,398	3,642,203	5,522,959	16,258,818

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 4,845,365	\$ 7,222,342	\$ 13,764,273	\$ 28,931,039	\$ 40,488,373	\$ 95,251,392
Credit card commitments	5,136,746	835,119	2,722,328	14,630,233	296,520,771	319,845,197
Letters of credit issued yet unused	2,457,254	4,298,412	1,368,176	231,663	599,643	8,955,148
Other guarantees	2,359,279	2,691,466	2,944,889	4,647,652	2,637,370	15,280,656

g. Transfers of financial assets

Most of the transferred financial assets of the Company that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right on cash flow of the transferred financial assets would be transferred to other entities and the associated liabilities of the Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Company is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

December 31, 2016					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Available-for-sale financial assets - securities sold under repurchase agreements	\$ 9,190,252	\$ 8,881,723	\$ 9,190,252	\$ 8,881,723	\$ 308,529

December 31, 2015					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Available-for-sale financial assets - securities sold under repurchase agreements	\$ 7,970,663	\$ 7,740,106	\$ 7,970,663	\$ 7,740,106	\$ 230,557
Held-to-maturity financial assets - securities sold under repurchase agreements	253,680	294,285	256,623	294,285	(37,662)

h. Offsetting financial assets and financial liabilities

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2016

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 9,100,138	\$ -	\$ 9,100,138	\$ (4,340,857)	\$ (2,032,973)	\$ 2,726,308
Resell agreements	174,017	-	174,017	(174,017)	-	-
Settlements	109,367	(53,891)	55,476	-	-	55,476
	<u>\$ 9,383,522</u>	<u>\$ (53,891)</u>	<u>\$ 9,329,631</u>	<u>\$ (4,514,874)</u>	<u>\$ (2,032,973)</u>	<u>\$ 2,781,784</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 8,693,970	\$ -	\$ 8,693,970	\$ (4,340,857)	\$ (1,345,262)	\$ 3,007,851
Repurchase agreements	8,896,315	-	8,896,315	(8,896,315)	-	-
Settlements	36,138	(5,099)	31,039	-	-	31,039
	<u>\$ 17,626,423</u>	<u>\$ (5,099)</u>	<u>\$ 17,621,324</u>	<u>\$ (13,237,172)</u>	<u>\$ (1,345,262)</u>	<u>\$ 3,038,890</u>

December 31, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 17,030,813	\$ -	\$ 17,030,813	\$ (3,709,231)	\$ (2,341,756)	\$ 10,979,826
Resell agreements	898,936	-	898,936	(898,936)	-	-
Settlements	41,573	(28,646)	12,927	-	-	12,927
	<u>\$ 17,971,322</u>	<u>\$ (28,646)</u>	<u>\$ 17,942,676</u>	<u>\$ (4,608,167)</u>	<u>\$ (2,341,756)</u>	<u>\$ 10,992,753</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 15,724,827	\$ -	\$ 15,724,827	\$ (3,709,231)	\$ (3,930,234)	\$ 8,085,362
Repurchase agreements	8,049,909	-	8,049,909	(8,049,909)	-	-
Settlements	368,872	(1,762)	367,110	-	-	367,110
	<u>\$ 24,143,608</u>	<u>\$ (1,762)</u>	<u>\$ 24,141,846</u>	<u>\$ (11,759,140)</u>	<u>\$ (3,930,234)</u>	<u>\$ 8,452,472</u>

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

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

	<b>E.SUN Bank</b>	<b>E.SUN Securities</b>	<b>Total</b>	<b>Allocation Method</b>
For the year ended <u>December 31, 2016</u>				
Broadcasting and security systems	\$ 72	\$ 71	\$ 143	50% each
Others	723	627	1,350	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$ 795</u>	<u>\$ 698</u>	<u>\$ 1,493</u>	

	<b>E.SUN Bank</b>	<b>E.SUN Securities</b>	<b>Total</b>	<b>Allocation Method</b>
For the year ended <u>December 31, 2015</u>				
Broadcasting and security systems	\$ 72	\$ 71	\$ 143	50% each
Others	742	645	1,387	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$ 814</u>	<u>\$ 716</u>	<u>\$ 1,530</u>	

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2016</b>	<b>2015</b>
Revenue	<u>\$ 5,907</u>	<u>\$ 6,001</u>
Expense	<u>\$ 86,431</u>	<u>\$ 75,049</u>

#### 43. CAPITAL MANAGEMENT

ESFHC's objective of capital management is to sustain the eligible capital of the Group at an amount that meets the requirements for legal capital and minimum group capital adequacy ratio (CAR). To ensure that there is sufficient capital to undertake a variety of risks, ESFHC assesses the risk portfolios by their characteristics. The calculation of group eligible capital and minimum requirement of legal capital is in conformity with the rules enacted by the authorities.

The Group CAR is managed by the Financial Management Division. The Financial Management Division ensures that ESFHC's group CAR meets both its internal requirements and external requirements by the authorities, and the timely report to the authorities every half year. ESFHC has set up a warning signal mechanism that gives alarm when the CAR falls below the standard, and asks relevant units to bring up improvement strategies to deal with it.

Under the Financial Holding Company Act and related regulations, ESFHC should maintain a group CAR at no lower than 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or other assets will be restricted, and the authorities may discipline ESFHC, depending on the situation.

The Banking Law and related regulations require that E.SUN Bank maintains both stand-alone and consolidated ratios of regulatory capital to risk-weighted assets (including ratio of the common equity to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and capital adequacy ratio) should comply with the minimum ratio requested by authorities.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authority may impose certain restrictions on a firm's operations. The CARs of E.SUN Securities were 535% and 596% as of December 31, 2016 and 2015, respectively.

Please refer to related information in Table 13 (attached).

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

a. E.SUN Bank's asset quality: Table 4 (attached).

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

(In Thousands of New Taiwan Dollars, %)

December 31, 2016				December 31, 2015		
Rank (Note 1)	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Current Year's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Current Year's Equity
1	Group A Ocean transportation	\$ 6,919,876	5.48	Group D Broadcasting of cable and other chargeable programs	\$ 7,611,950	6.48
2	Group B Smelting and refining of iron and steel	6,092,623	4.82	Group A Ocean transportation	7,200,676	6.13
3	Group C Activities of head offices	5,851,503	4.63	Group C Activities of head offices	6,423,566	5.47
4	Group D Broadcasting of cable and other chargeable programs	5,776,779	4.57	Group B Smelting and refining of iron and steel	6,111,810	5.20
5	Group E Manufacture of computers	4,822,651	3.82	Group K Manufacture of liquid crystal panel and components	4,714,232	4.01
6	Group F Activities of head offices	4,657,864	3.69	Group L Manufacture of petrochemical raw materials	4,402,324	3.75
7	Group G Wholesale of computers, computer peripheral equipment and software	4,469,393	3.54	Group M Activities of head offices	4,227,595	3.60
8	Group H Retail sale of computers, computer peripheral equipment and software	4,291,393	3.40	Group I Real estate development	4,176,737	3.55
9	Group I Real estate development	4,173,044	3.30	Group E Manufacture of computers	4,159,073	3.54
10	Group J Merchandise Brokers	3,781,547	2.99	Group N Manufacture of computers	3,980,545	3.39

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

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

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

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

**Interest Rate Sensitivity (New Taiwan Dollars)**

(In Thousands of New Taiwan Dollars, %)

December 31, 2016

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,163,048,139	\$ 26,512,574	\$ 39,134,410	\$ 72,854,863	\$ 1,301,549,986
Interest rate-sensitive liabilities	272,585,531	775,342,591	83,214,259	49,823,985	1,180,966,366
Interest rate sensitivity gap	890,462,608	(748,830,017)	(44,079,849)	23,030,878	120,583,620
Net worth					118,796,803
Ratio of interest rate-sensitive assets to liabilities					110.21
Ratio of interest rate sensitivity gap to net worth					101.50

December 31, 2015

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,126,065,020	\$ 10,857,942	\$ 11,496,673	\$ 73,639,510	\$ 1,222,059,145
Interest rate-sensitive liabilities	292,370,308	726,128,365	75,652,033	51,926,600	1,146,077,306
Interest rate sensitivity gap	833,694,712	(715,270,423)	(64,155,360)	21,712,910	75,981,839
Net worth					106,937,585
Ratio of interest rate-sensitive assets to liabilities					106.63
Ratio of interest rate sensitivity gap to net worth					71.05

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

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

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

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

**Interest Rate Sensitivity (U.S. Dollars)**

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

December 31, 2016

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 8,160,386	\$ 273,841	\$ 157,871	\$ 985,896	\$ 9,577,994
Interest rate-sensitive liabilities	8,554,635	915,992	1,154,962	1,135,953	11,761,542
Interest rate sensitivity gap	(394,249)	(642,151)	(997,091)	(150,057)	(2,183,548)
Net worth					112,849
Ratio of interest rate-sensitive assets to liabilities					81.43
Ratio of interest rate sensitivity gap to net worth					(1,934.93)

December 31, 2015

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 7,846,493	\$ 360,455	\$ 81,838	\$ 561,532	\$ 8,850,318
Interest rate-sensitive liabilities	7,271,985	933,054	741,439	735,619	9,682,097
Interest rate sensitivity gap	574,508	(572,599)	(659,601)	(174,087)	(831,779)
Net worth					173,812
Ratio of interest rate-sensitive assets to liabilities					91.41
Ratio of interest rate sensitivity gap to net worth					(478.55)

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

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

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

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

d. Profitability

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

**Unit: %**

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	0.83	0.88
	After income tax	0.71	0.77
Return on equity	Before income tax	12.12	12.90
	After income tax	10.35	11.23
Net income ratio		31.62	33.46

2) E.SUN Financial Holding Company, Ltd.

Unit: %

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	9.90	10.35
	After income tax	9.89	10.43
Return on equity	Before income tax	10.55	11.17
	After income tax	10.53	11.25
Net income ratio		98.09	98.62

3) E.SUN Bank (Note 5)

Unit: %

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	0.88	0.89
	After income tax	0.75	0.77
Return on equity	Before income tax	12.89	13.07
	After income tax	11.00	11.36
Net income ratio		34.84	34.63

4) E.SUN Securities

Unit: %

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	0.73	1.74
	After income tax	0.50	1.35
Return on equity	Before income tax	1.75	4.13
	After income tax	1.19	3.21
Net income ratio		5.44	12.78

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

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

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

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

Note 5: E.SUN Bank merged with ESIB on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank should restate prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements; hence, the profitability were calculated with the restated amounts.



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

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

(In Thousands of New Taiwan Dollars)

December 31, 2016

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,486,184,432	\$ 332,323,100	\$ 89,891,073	\$ 127,067,152	\$ 142,140,794	\$ 234,795,288	\$ 559,967,025
Main capital outflow on maturity	1,817,730,144	63,556,835	90,787,921	179,322,020	199,375,758	307,637,311	977,050,299
Gap	(331,545,712)	268,766,265	(896,848)	(52,254,868)	(57,234,964)	(72,842,023)	(417,083,274)

December 31, 2015

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,375,235,152	\$ 342,737,230	\$ 94,998,135	\$ 112,474,351	\$ 127,590,469	\$ 213,912,796	\$ 483,522,171
Main capital outflow on maturity	1,682,794,356	48,744,094	77,766,697	176,943,619	195,732,688	322,087,528	861,519,730
Gap	(307,559,204)	293,993,136	17,231,438	(64,469,268)	(68,142,219)	(108,174,732)	(377,997,559)

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

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

(In Thousands of U.S. Dollars)

December 31, 2016

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 16,935,131	\$ 5,183,464	\$ 2,373,940	\$ 2,205,021	\$ 1,679,379	\$ 5,493,327
Main capital outflow on maturity	21,030,407	4,171,298	5,242,162	4,184,679	5,406,242	2,026,026
Gap	(4,095,276)	1,012,166	(2,868,222)	(1,979,658)	(3,726,863)	3,467,301

December 31, 2015

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 14,245,107	\$ 4,941,326	\$ 1,669,966	\$ 1,832,840	\$ 1,658,023	\$ 4,142,952
Main capital outflow on maturity	15,603,114	3,811,464	3,983,642	2,923,342	3,329,884	1,554,782
Gap	(1,358,007)	1,129,862	(2,313,676)	(1,090,502)	(1,671,861)	2,588,170

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

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

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

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

##### Balance Sheets of Trust Accounts December 31, 2016 and 2015

Trust Assets	2016	2015	Trust Liabilities	2016	2015
Cash in banks	\$ 5,706,463	\$ 3,838,833	Account payable on securities under custody	\$ 210,773,685	\$ 197,938,446
Short-term investments	190,438,106	180,770,814	Other liabilities	-	2
Land	4,741,097	5,048,499	Trust capital		
Securities under custody	<u>210,773,685</u>	<u>197,938,446</u>	Cash	243,490,153	208,664,445
			Securities	2,562,752	2,310,942
			Real estate	4,836,967	5,047,894
			Reserves and accumulated deficit	(51,777,033)	(29,279,100)
			Net income	<u>1,772,827</u>	<u>2,913,963</u>
Total assets	<u>\$ 411,659,351</u>	<u>\$ 387,596,592</u>	Total liabilities	<u>\$ 411,659,351</u>	<u>\$ 387,596,592</u>

##### Trust Property List December 31, 2016 and 2015

	2016	2015
Cash in E.SUN Bank	\$ 5,706,426	\$ 3,838,833
Cash in other banks	37	-
Stocks	4,747,414	3,667,531
Mutual funds	161,164,955	159,803,759
Bonds	21,164,127	17,299,524
Structured products	3,100,610	-
Beneficial certificates pending settlement	261,000	-
Land	4,741,097	5,048,499
Securities under custody	<u>210,773,685</u>	<u>197,938,446</u>
	<u>\$ 411,659,351</u>	<u>\$ 387,596,592</u>

**Statements of Income on Trust Accounts  
For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<u>Revenues</u>		
Interest	\$ 18,609	\$ 13,549
Cash dividend	5,145,103	5,774,467
Realized capital gain - common stock	807	977
Realized capital gain - bond	329	-
Property gain	1,947,174	2,729,191
Service fee income	-	35
Realized capital gain	1,097,067	688,725
Revenues from beneficial certificates	2,816	1,301
Revenues from rent for stocks	943	45
	<u>8,212,848</u>	<u>9,208,290</u>
<u>Expenses</u>		
Management fees	248,122	302,433
Supervisor fees	70	120
Service fees	1,866	792
Property loss	5,982,814	5,982,099
Income tax	1,191	959
Tax expenditures	1,283	38
Other expenses	13,875	5,845
Realized capital loss	190,800	2,041
	<u>6,440,021</u>	<u>6,294,327</u>
Net income	<u>\$ 1,772,827</u>	<u>\$ 2,913,963</u>

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

**46. ESFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES**

Please refer to Table 5 (attached).

**47. BUSINESS SEGMENT FINANCIAL INFORMATION**

Please refer to Table 6 (attached).

**48. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS**

On December 29, 2015, E.SUN Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%.

The above transaction was accounted for as equity transaction, since E.SUN Bank did not cease to have control over the subsidiary.

	<b>UCB</b>
Cash consideration paid	\$ 218,483
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(146,447)
Reattribution of other equity from non-controlling interests	
Exchange differences arising on the translation of the financial statements of foreign operations	12,267
Fair value remeasurement of available-for-sale financial asset	<u>218</u>
Differences arising from equity transaction (reduced retained earnings)	<u>\$ 84,521</u>

#### 49. BUSINESS COMBINATIONS

##### a. Subsidiary acquired by E.SUN Bank

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
BankPro E-Service Technology Co., Ltd.	E-commerce application service	January 11, 2016	58.34	<u>\$ 224,437</u>

BankPro was founded in October 2000. BankPro is engaged in retail sale of computer software, software design service, data processing service, digital information supply service and business consultant. The Company had originally obtained 5.73% of BankPro's outstanding shares. To expand business applying economies of scale, on January 11, 2016, E.SUN Bank had acquired 58.34% of outstanding shares of BankPro, and gained control over BankPro.

##### b. Considerations transferred

Under the share purchase arrangement, E.SUN Bank had paid the seller \$224,437 thousand.

Acquisition-related costs were excluded from the consideration transferred and recognized as an expense in the year of acquisition.

##### c. Assets acquired and liabilities assumed at the date of acquisition

	<b>BankPro</b>
Cash and cash equivalents	\$ 83,786
Receivables, net	184,511
Other financial assets, net	1,000
Properties and equipment, net	2,028
Intangible assets, net	84,567
Deferred tax assets	1,225
Other assets, net	31,287
Payables	(102,829)
Current tax liabilities	(1,255)
Provisions	(4,768)
Other liabilities	<u>(7,710)</u>
	<u>\$ 271,842</u>

The accounts receivable acquired in the combination had a fair value of \$184,511 thousand; the gross contractual amount was \$184,511 thousand.

d. Non-controlling interests

The non-controlling interests recognized at the acquisition date were measured by the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

e. Goodwill arising on acquisition

	<b>Amount</b>
Consideration transferred	\$ 224,437
Plus:	
Fair value of BankPro's shares held before acquisition date	15,233
Non-controlling interests	97,662
Less: Fair value of identifiable net assets acquired	<u>(271,842)</u>
Goodwill arising on acquisition	<u>\$ 65,490</u>

Goodwill arose in the acquisition of BankPro because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow on acquisition of subsidiary

	<b>For the Year Ended December 31, 2016</b>
Consideration paid in cash	\$ 224,437
Less: The balance of acquired cash and cash equivalents under IAS 7	<u>83,786</u>
	<u>\$ 140,651</u>

g. Impact of acquisition on the results of the Company

The profits recognized in the year ended December 31, 2016 due to the Company's evaluation to the 5.73% holding equity of BankPro prior to the combination were \$7,483 thousand (part of other noninterest gains, net).

From the acquisition date, the business results from BankPro were as follows:

	<b>For the Period from January 11, 2016 to December 31, 2016</b>
Net revenue	<u>\$ 74,826</u>
Net income	<u>\$ 27,260</u>

## **50. NON-CASH TRANSACTIONS**

In the first quarter of 2015, bondholders exercised their conversion rights on the overseas convertible bonds issued by ESFHC; thus, ESFHC converted the overseas convertible bonds amounting to \$3,482,095 thousand to 248,650 thousand common shares, with NT\$10 par value. ESFHC increased common stock by \$2,486,504 thousand and capital surplus by \$995,591 thousand in accordance with this issuance (Note 36).

## **51. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

On March 1, 2017, the board of directors of ESFHC resolved to issue 700,000 thousand common shares, for tentative consideration of NT\$15 per share. ESFHC is going to apply for the approval of this issuance to the FSC.

## **52. OTHERS**

On June 29 2016, E.SUN Bank's board of directors approved the acquisition of an additional 25% equity interest in UCB for an estimated transaction price of US\$39,931 thousand. This acquisition is still awaiting the approval of the authorities. If this acquisition is completed, the percentage of E.SUN Bank's ownership to UCB will increase from 75% to 100%.

## **53. E.SUN SECURITIES' FINANCIAL RATIOS OF FUTURES BUSINESS**

The financial ratios of E.SUN Securities were in compliance with the requirements of the Regulations Governing Futures Commission Merchants. Please refer to Table 16 (attached).

## **54. FUTURES BROKERAGE AND DEALING BUSINESS RISK**

### **a. Futures brokerage business**

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

### **b. Futures dealing business**

E.SUN Securities has to deposit an initial margin at a percentage of the amount of transaction when dealing with futures contracts. Also, E.SUN Securities has to deposit an initial margin at a percentage of the amount of transaction when dealing with put option contracts. E.SUN Securities reevaluates daily the margin accounts on the basis of the market prices of the outstanding futures and option contracts. When the margin accounts fall below an agreed level (the maintenance margin), E.SUN Securities will deposit additional margins immediately or settle its position by making offsets against its contracts.

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

Please refer to Table 14 (attached).

## **56. ADDITIONAL DISCLOSURES**

Following are additional disclosures for ESFHC and its investees:

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

- 1) Financing provided: ESFHC, E.SUN Bank, UCB and ESBC - not applicable; investee - none.
- 2) Endorsement/guarantee provided: ESFHC, E.SUN Bank, UCB and ESBC - not applicable; investee - none.
- 3) Marketable securities held: ESFHC, E.SUN Bank, UCB, ESBC and E.SUN Securities - not applicable; investee - Table 7 (attached).
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (ESFHC, E.SUN Bank, UCB and ESBC disclosed its investments acquired or disposed of): E.SUN Securities - not applicable; ESFHC and investee - Table 8 (attached).
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 9 (attached).
- 6) Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 7) Financial asset securitization: None.
- 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 9) Sale of nonperforming loans by subsidiaries: None.
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 10 (attached).
- 11) Related information and proportionate share in investees: Table 15 (attached).
- 12) Derivative transactions: Notes 8 and 41 to the consolidated financial statements.
- 13) Other significant transactions which may affect the decisions of users of financial reports: Notes 51 and 52 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.

The FSC approved E.SUN Bank’s establishment in China of a subsidiary, ESBC, with an estimated capital of CNY2 billion. In March 2015, the China Bank Regulatory Commission (CBRC) also approved this establishment and required E.SUN Bank to first set up ESBC as a preparatory office responsible for establishing a banking business. When ESBC became ready to operate, it applied to CBRC again for its formal launch. In January 2016, ESBC began its formal launch after acquiring the CBRC’s approval and obtaining an operating license. The registered capital of ESBC is CNY2 billion, and E.SUN Bank remitted to ESBC an investment of CNY1 billion in May 2015. The remainder of the registered capital was transferred from the operating capital of E.SUN Bank’s Dongguan Branch, an entity which had earlier been reorganized as ESBC’s Dongguan Branch. ESBC has been opened on March 11, 2016.

The information on major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China is shown in Table 11 (attached).

c. Business relationship and significant transactions among the parent company and subsidiaries: Table 12 (attached).

## 57. OPERATING SEGMENTS

The information reported to the Company’s chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company’s reportable segments are as follows:

- a. Corporate Banking Unit, which handles corporate loans, foreign exchange business, and financial banking operations;
- b. Individual Banking Unit, which handles residential mortgage, unsecured personal loans (UPLs), wealth management, and credit cards;
- c. Others, including the 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 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.



The revenues, expenses and related information of the Company's reportable segments were as follows:

(In Millions of New Taiwan Dollars)

	<b>For the Year Ended December 31, 2016</b>			
	<b>Corporate Banking Unit</b>	<b>Individual Banking Unit</b>	<b>Others</b>	<b>Total</b>
Net interest revenues (expenses)	<u>\$ 5,124</u>	<u>\$ 15,219</u>	<u>\$ (1,758)</u>	<u>\$ 18,585</u>
Total net revenues	\$ 14,451	\$ 25,429	\$ 1,185	\$ 41,065
Bad-debt expenses and provision for losses on guarantees	(1,226)	(676)	(1,561)	(3,463)
Operating expenses	<u>(3,725)</u>	<u>(15,381)</u>	<u>(3,290)</u>	<u>(22,396)</u>
Income (loss) before income tax	<u>\$ 9,500</u>	<u>\$ 9,372</u>	<u>\$ (3,666)</u>	<u>\$ 15,206</u>
	<b>For the Year Ended December 31, 2015</b>			
	<b>Corporate Banking Unit</b>	<b>Individual Banking Unit</b>	<b>Others</b>	<b>Total</b>
Net interest revenues (expenses)	<u>\$ 4,725</u>	<u>\$ 13,836</u>	<u>\$ (1,087)</u>	<u>\$ 17,474</u>
Total net revenues	\$ 12,925	\$ 23,128	\$ 2,436	\$ 38,489
Bad-debt expenses and provision for losses on guarantees	(1,405)	(1,744)	(417)	(3,566)
Operating expenses	<u>(3,279)</u>	<u>(14,124)</u>	<u>(2,735)</u>	<u>(20,138)</u>
Income (loss) before income tax	<u>\$ 8,241</u>	<u>\$ 7,260</u>	<u>\$ (716)</u>	<u>\$ 14,785</u>

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

CONSOLIDATED ENTITIES  
DECEMBER 31, 2016 AND 2015

## Entities Included in the Consolidated Financial Statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2016	December 31, 2015	
E-SUN Financial Holding Company, Ltd.	E-SUN Commercial Bank, Ltd. E-SUN Securities Co., Ltd.	Taipei Taipei	Banking Underwriting, brokering, dealing securities and operating in brokerage of futures	100.00 100.00	100.00 100.00	
	E-SUN Venture Capital Co., Ltd. E-SUN Insurance Broker Co., Ltd.	Taipei Taipei	Investment Insurance brokering	100.00 -	100.00 100.00	Note 1
E-SUN Commercial Bank, Ltd.	E-SUN Bank (China), Ltd. BankPro E-Service Technology Co., Ltd.	Mainland China Taipei	Banking Information software	100.00 61.67	100.00 3.33	Note 2 Note 3
E-SUN Venture Capital Co., Ltd.	BankPro E-Service Technology Co., Ltd.	Taipei	Information software	2.40	2.40	Note 3
E-SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	Cambodia	Banking	75.00	75.00	
Union Commercial Bank PLC.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	Note 4
E-SUN Securities Co., Ltd.	E-SUN Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	100.00	100.00	

Note 1: To expand economies of scale, improve integrated marketing, reduce operating costs and develop operating synergy, E-SUN Bank's stockholders approved on August 21, 2015 E-SUN Bank merger with E-SUN Insurance Broker Co., Ltd. (ESIB), with E-SUN Bank as surviving company and ESIB as dissolved company. The effective date of this merger was March 25, 2016.

Note 2: For more information on E-SUN Bank (China), Ltd., please refer to Note 56.

Note 3: For more information on BankPro E-Service Technology Co., Ltd., please refer to Note 49.

Note 4: Union Commercial Bank PLC holds a 49% interest in URE Land Holding Co., Ltd. In the Articles of Incorporation of URE Land Holding Co., Ltd., Union Commercial Bank PLC has power to control the composition of the board of directors and owns at least 90% of economic benefit of URE Land Holding Co., Ltd.; hence, URE Land Holding Co., Ltd. is deemed as a subsidiary of Union Commercial Bank PLC.

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

RELATED-PARTY TRANSACTIONS  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)

## Loans

December 31, 2016

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2016 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	115	\$ 54,872	\$ 37,417	\$ 37,417	-	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	277	1,311,475	1,096,866	1,096,866	-	Land and buildings	None
Other loans	Other loans	931,506	773,079	773,079	-	Land, buildings, plant and other properties	None

December 31, 2015

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2015 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	123	\$ 75,396	\$ 50,221	\$ 50,221	-	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	259	1,073,197	939,958	939,958	-	Land and buildings	None
Other loans	Other loans	961,606	807,618	807,618	-	Land, buildings, plant and other properties	None

Note: The sum of the respective highest balances of each account for the years ended December 31, 2016 and 2015.

**TABLE 3****E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT  
DECEMBER 31, 2016 AND 2015  
(In Thousands)**

	December 31					
	2016			2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
USD	\$ 12,354,538	32.2790	\$ 398,792,132	\$ 10,056,432	32.9000	\$ 330,856,613
CNY	12,695,174	4.6218	58,674,555	16,084,701	4.9967	80,370,426
AUD	1,432,714	23.3180	33,408,025	689,092	23.9970	16,536,141
HKD	3,199,479	4.1622	13,316,871	2,694,871	4.2447	11,438,919
JPY	18,246,547	0.2758	5,032,398	18,787,941	0.2732	5,132,865
EUR	113,946	33.9250	3,865,618	149,750	35.9400	5,382,015
SGD	102,691	22.3150	2,291,550	28,626	23.2575	665,769
NZD	31,420	22.4310	704,782	11,645	22.5170	262,210
GBP	14,141	39.6320	560,436	5,004	48.7680	244,035
CHF	7,444	31.5720	235,022	6,797	33.2960	226,313
ZAR	731,694	2.3681	1,732,725	39,340	2.1161	83,247
CAD	5,143	23.9330	123,087	6,177	23.7310	146,586
SEK	5,704	3.5429	20,209	2,206	3.9103	8,626
THB	20,744	0.9019	18,709	80,721	0.9119	73,609
MXN	3,786	1.5588	5,902	3,997	1.8930	7,566
MYR	-	-	-	77	7.6640	590
VND	349,659,483	0.0014	489,523	6,672,048	0.0015	10,008
MMK	75,552	0.0237	1,791	-	-	-
<u>Financial liabilities</u>						
USD	14,464,577	32.2790	466,902,081	11,332,667	32.9000	372,844,744
CNY	11,971,485	4.6218	55,329,809	13,617,067	4.9967	68,040,399
AUD	1,082,102	23.3180	25,232,454	829,134	23.9970	19,896,729
HKD	2,141,253	4.1622	8,912,323	1,786,150	4.2447	7,581,671
JPY	36,905,999	0.2758	10,178,675	29,652,163	0.2732	8,100,971
EUR	257,837	33.9250	8,747,120	18,088	35.9400	650,083
SGD	63,079	22.3150	1,407,608	22,980	23.2575	534,457
NZD	109,904	22.4310	2,465,257	49,112	22.5170	1,105,855
GBP	89,994	39.6320	3,566,642	28,424	48.7680	1,386,182
CHF	7,207	31.5720	227,539	6,148	33.2960	204,704
ZAR	2,323,844	2.3681	5,503,095	2,455,014	2.1161	5,195,055
CAD	124,587	23.9330	2,981,741	54,600	23.7310	1,295,713
SEK	19,342	3.5429	68,527	12,394	3.9103	48,464
THB	12,325	0.9019	11,116	18,463	0.9119	16,836
MXN	20,981	1.5588	32,705	18,687	1.8930	35,374
VND	351,553,135	0.0014	492,174	5,879,991	0.0015	8,820
MMK	37,984	0.0237	900	-	-	-

## E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars, %)

Period Items	December 31, 2016				December 31, 2015				
	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Coverage Ratio (Note 3)	
Corporate Banking	\$ 411,832	\$ 258,887,774	0.16	691.35	\$ 266,386	\$ 221,321,993	0.12	939.86	
Secured	219,654	297,017,890	0.07	1,574.86	298,980	291,569,057	0.10	1,194.25	
Unsecured	489,821	276,059,502	0.18	810.47	285,813	267,915,888	0.11	1,349.69	
Housing mortgage (Note 4)	188	3,767	4.99	1,596	139	5,214	2.67	1,492.09	
Cash card	601,347	91,293,797	0.66	182.69	446,685	79,921,836	0.56	216.72	
Small-scale credit loans (Note 5)	362,778	181,905,038	0.20	512.49	44,531	155,768,150	0.03	3,563.39	
Secured	26,871	6,785,699	0.40	258.87	7,914	7,247,832	0.11	940.49	
Other (Note 6)	2,112,491	1,111,953,467	0.19	629.84	1,350,448	1,023,749,970	0.13	930.30	
Unsecured									
Loan									
	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards	147,276	55,698,347	0.26	1,232.146	106,804	45,537,607	0.23	1,422.107	1,331.51
Accounts receivable factored without recourse (Note 7)	177	12,186,866	-	148,566	-	17,750,474	-	246,795	-
Amounts of executed contracts on negotiated debits not reported as nonperforming loans (Note 8)			23,148				32,783		
Amounts of executed contracts on negotiated debits not reported as nonperforming receivables (Note 8)			88,011				118,316		
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			996,008				906,398		
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,190,354				1,186,792		

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."  
Nonperforming receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loans balance.  
Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.  
Coverage ratio of receivables: Allowance for possible losses for receivables ÷ Nonperforming receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers' banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debits that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

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

**ESFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES  
DECEMBER 31, 2016 AND 2015**

1. ESFHC's financial statements

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

**Balance Sheets  
December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2016</b>	<b>2015</b>	<b>Liabilities and Equity</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 467,794	\$ 998,213	Financial liabilities at fair value		
Financial assets at fair value through profit or loss	-	156,180	through profit or loss	\$ 27,944	\$ -
Receivables	80,694	83,532	Payables	560,107	564,753
Current tax assets	1,141,297	926,099	Current tax liabilities	1,518,813	1,009,917
Investments under the equity method	134,674,970	126,105,688	Corporate bonds payable	6,700,000	5,800,000
Other financial assets	912,690	12,690	Provisions	20,566	22,420
Property and equipment, net	33,099	26,210	Deferred tax liabilities	318	27,022
Intangible assets	11,714	14,868	Total liabilities	<u>8,827,748</u>	<u>7,424,112</u>
Deferred tax assets	5,206	457	Equity		
Other assets	<u>24,759</u>	<u>27,281</u>	Capital stock	87,654,000	79,517,000
			Capital surplus	20,658,669	20,501,164
			Retained earnings	19,802,447	18,253,944
			Other equity	409,359	2,654,998
			Total equity	<u>128,524,475</u>	<u>120,927,106</u>
Total	<u>\$ 137,352,223</u>	<u>\$ 128,351,218</u>	Total	<u>\$ 137,352,223</u>	<u>\$ 128,351,218</u>

(Continued)

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

**Statements of Comprehensive Income  
For the Years Ended December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2016</b>	<b>2015</b>
Revenues and gains		
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 13,475,775	\$ 12,988,233
Other revenues and gains	<u>74,666</u>	<u>196,447</u>
Total revenues and gains	<u>13,550,441</u>	<u>13,184,680</u>
Expenses and losses		
Operating expenses	238,043	270,026
Other expenses and losses	<u>159,860</u>	<u>188,782</u>
Total expenses and losses	<u>397,903</u>	<u>458,808</u>
Income before income tax	13,152,538	12,725,872
Income tax benefit (expense)	<u>(17,326)</u>	<u>90,475</u>
Net income for the year	13,135,212	12,816,347
Other comprehensive income	<u>(2,461,417)</u>	<u>751,072</u>
 Total comprehensive income for the year	 <u>\$ 10,673,795</u>	 <u>\$ 13,567,419</u>
 Earnings per share (New Taiwan Dollars)		
Basic	\$ 1.50	\$ 1.48
Diluted	<u>\$ 1.50</u>	<u>\$ 1.46</u>

(Continued)

E-SUN Financial Holding Company, Ltd.

Statements of Changes in Equity  
For the Years Ended December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings			Unappropriated Earnings	Other Equity			Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Total Equity
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2015	7,053,000	\$ 70,530,000	\$ 19,375,697	\$ 4,357,121	\$ 164,235	\$ 10,604,263	\$ 594,177	\$ 1,237,183	\$ (21,870)	\$ 106,840,806		
Appropriation of 2014 earnings	-	-	-	1,052,855	-	(1,052,855)	-	-	-	-		
Legal reserve	-	-	-	-	-	(3,173,850)	-	-	-	(3,173,850)		
Cash dividends	634,770	6,347,700	-	-	-	(6,347,700)	-	-	-	-		
Stock dividends	248,650	2,486,504	995,591	-	-	-	-	-	-	3,482,095		
Convertible bonds converted to common shares	15,280	152,796	129,876	-	-	-	-	-	-	282,672		
Issuance of common stock from bonus to employees	-	-	-	-	-	(84,521)	12,267	218	-	(72,036)		
Acquisition of interest in subsidiary	-	-	-	-	-	12,816,347	-	-	-	12,816,347		
Net income for the year ended December 31, 2015	-	-	-	-	-	(81,951)	489,792	466,294	(123,063)	751,072		
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	-	489,792	466,294	(123,063)	-		
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	12,734,396	489,792	466,294	(123,063)	13,567,419		
BALANCE AT DECEMBER 31, 2015	7,951,700	79,517,000	20,501,164	5,409,976	164,235	12,679,733	1,096,236	1,703,695	(144,933)	120,927,106		
Appropriation of 2015 earnings	-	-	-	1,267,973	-	(1,267,973)	-	-	-	-		
Legal reserve	-	-	-	-	-	(3,419,231)	-	-	-	(3,419,231)		
Cash dividends	795,170	7,951,700	-	-	-	(7,951,700)	-	-	-	-		
Stock dividends	18,530	185,300	157,505	-	-	-	-	-	-	342,805		
Issuance of common stock from employees' compensation	-	-	-	-	-	13,135,212	-	-	-	13,135,212		
Net income for the year ended December 31, 2016	-	-	-	-	-	(215,778)	(1,241,472)	(1,193,982)	189,815	(2,461,417)		
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	12,919,434	(1,241,472)	(1,193,982)	189,815	10,673,795		
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	12,919,434	(1,241,472)	(1,193,982)	189,815	10,673,795		
BALANCE AT DECEMBER 31, 2016	8,765,400	\$ 87,654,000	\$ 20,658,669	\$ 6,677,949	\$ 164,235	\$ 12,960,263	\$ (145,236)	\$ 509,713	\$ 44,882	\$ 128,524,475		

(Continued)



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

**Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars)**

	2016	2015
Cash flows from operating activities		
Income before income tax	\$ 13,152,538	\$ 12,725,872
Adjustments for:		
Depreciation and amortization expenses	10,796	8,589
Losses (gains) on financial assets and liabilities at fair value through profit or loss	36,621	(97,983)
Interest expense	122,368	120,500
Interest revenue	(1,151)	(20,457)
Dividend income	(856)	(835)
Salary expenses on share-based payments	801	2,519
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(13,475,775)	(12,988,233)
Unrealized losses on foreign currency exchange	904	75,949
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	152,367	103,288
Decrease (increase) in receivables	2,845	(6,593)
Decrease (increase) in other financial assets	(900,000)	1,403,946
Decrease (increase) in other assets	2,522	(8,496)
Increase (decrease) in payables	(16,856)	26,128
Decrease in financial liabilities at fair value through profit or loss	(4,864)	(42,438)
Decrease in provision for employee benefits	<u>(1,274)</u>	<u>(1,231)</u>
Cash generated from (used in) operations	(919,014)	1,300,525
Interest received	1,144	30,388
Dividend received	3,450,837	3,643,231
Interest paid	(120,500)	(120,500)
Income tax refund	<u>244,919</u>	<u>497,388</u>
Net cash generated from operating activities	<u>2,657,386</u>	<u>5,351,032</u>
Cash flows from investing activities		
Acquisition of investments under equity method	(653,140)	(2,380,000)
Payments for properties and equipment	(12,480)	(5,790)
Payments for intangible assets	<u>(2,050)</u>	<u>(15,101)</u>
Net cash used in investing activities	<u>(667,670)</u>	<u>(2,400,891)</u>
Cash flows from financing activities		
Proceeds from issue of corporate bonds	900,000	-
Cash dividends paid	<u>(3,419,231)</u>	<u>(3,173,850)</u>
Net cash used in financing activities	<u>(2,519,231)</u>	<u>(3,173,850)</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(904)</u>	<u>(29,409)</u>
Net decrease in cash and cash equivalents	(530,419)	(253,118)
Cash and cash equivalents at the beginning of the year	<u>998,213</u>	<u>1,251,331</u>
Cash and cash equivalents at the end of the year	<u>\$ 467,794</u>	<u>\$ 998,213</u>

(Continued)

## 2. Subsidiaries' condensed balance sheets

**E.SUN Commercial Bank, Ltd.**  
**Condensed Balance Sheets**  
**December 31, 2016 and 2015**  
(In Thousands of New Taiwan Dollars)

Assets	2016	2015 (Restated)	Liabilities and Equity	2016	2015 (Restated)
Cash and cash equivalents	\$ 32,880,573	\$ 33,547,423	<u>Liabilities</u>		
Due from the Central Bank and call loans to other banks	62,075,445	62,084,691	Due to the Central Bank and other banks	\$ 51,419,462	\$ 69,855,781
Financial assets at fair value through profit or loss	366,077,137	348,549,110	Financial liabilities at fair value through profit or loss	42,091,703	35,836,236
Securities purchased under resell agreements	173,470	896,844	Securities sold under repurchase agreements	8,881,723	8,034,391
Receivables, net	75,532,825	71,501,225	Payables	23,037,241	17,787,661
Discounts and loans, net	1,098,470,520	1,011,082,173	Current tax liabilities	1,219,735	938,180
Available-for-sale financial assets, net	139,242,383	129,769,543	Deposits and remittances	1,540,002,824	1,443,839,901
Held-to-maturity financial assets, net	2,475,695	5,289,839	Bank debentures	42,250,000	44,950,000
Investments under equity method, net	12,115,047	7,772,615	Other financial liabilities	6,200,448	760,791
Other financial assets, net	23,301,821	40,061,689	Provisions	409,738	472,255
Properties and equipment, net	23,525,277	21,917,599	Deferred tax liabilities	913,495	1,254,631
Investment properties, net	389,753	689,475	Other liabilities	<u>1,677,450</u>	<u>1,606,241</u>
Intangible assets, net	4,643,445	4,489,317	Total liabilities	<u>1,718,103,819</u>	<u>1,625,336,068</u>
Deferred tax assets	238,352	456,850	<u>Equity</u>		
Other assets, net	<u>3,332,967</u>	<u>4,752,229</u>	Capital stock	72,628,830	66,840,000
			Capital surplus	19,837,781	19,139,073
			Retained earnings	33,861,600	29,012,240
			Other equity	42,680	1,399,997
			Equity attributable to owners of eliminated company in business combination under common control	-	<u>1,133,244</u>
			Total equity	<u>126,370,891</u>	<u>117,524,554</u>
Total	<u>\$ 1,844,474,710</u>	<u>\$ 1,742,860,622</u>	Total	<u>\$ 1,844,474,710</u>	<u>\$ 1,742,860,622</u>

Note: E.SUN Commercial Bank, Ltd. (E.SUN Bank) merged with E.SUN Insurance Broker Co., Ltd. on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements.

**E.SUN Securities Co., Ltd.**  
**Condensed Balance Sheets**  
**December 31, 2016 and 2015**  
(In Thousands of New Taiwan Dollars)

Assets	2016	2015	Liabilities and Equity	2016	2015
Current assets	\$ 10,329,905	\$ 10,052,373	<u>Liabilities</u>		
Investments under equity method	58,343	56,298	Current liabilities	\$ 6,782,348	\$ 6,481,283
Properties and equipment	346,509	324,501	Deferred tax liabilities	352	557
Intangible assets	67,960	57,882	Noncurrent liabilities	<u>2,508</u>	<u>3,367</u>
Deferred tax assets	2,997	3,215	Total liabilities	<u>6,785,208</u>	<u>6,485,207</u>
Other noncurrent assets	<u>690,289</u>	<u>752,506</u>	<u>Equity</u>		
			Capital stock	4,000,000	4,000,000
			Capital surplus	57,703	54,100
			Retained earnings	655,061	708,539
			Other equity	<u>(1,969)</u>	<u>(1,071)</u>
			Total equity	<u>4,710,795</u>	<u>4,761,568</u>
Total	<u>\$ 11,496,003</u>	<u>\$ 11,246,775</u>	Total	<u>\$ 11,496,003</u>	<u>\$ 11,246,775</u>

(Continued)

**E.SUN Venture Capital Co., Ltd.**

**Condensed Balance Sheets  
December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2016</b>	<b>2015</b>	<b>Liabilities and Equity</b>	<b>2016</b>	<b>2015</b>
Current assets	\$ 505,603	\$ 505,410	<u>Liabilities</u>		
Available-for-sale financial assets	542,692	1,505,308	Current liabilities	\$ 65,598	\$ 18,207
Other financial assets	2,602,389	1,815,472	Deferred tax liabilities	132	96
Properties and equipment	32	68	Other liabilities	<u>1,468</u>	<u>1,244</u>
Deferred tax assets	6,185	12,623	Total liabilities	<u>67,198</u>	<u>19,547</u>
Other noncurrent assets	<u>232</u>	<u>232</u>	<u>Equity</u>		
			Capital stock	3,000,000	2,272,000
			Capital surplus	78,533	3,170
			Retained earnings	142,754	288,324
			Other equity	<u>368,648</u>	<u>1,256,072</u>
			Total equity	<u>3,589,935</u>	<u>3,819,566</u>
Total	<u>\$ 3,657,133</u>	<u>\$ 3,839,113</u>	Total	<u>\$ 3,657,133</u>	<u>\$ 3,839,113</u>

3. Subsidiaries' condensed statements of comprehensive income

**E.SUN Commercial Bank, Ltd.**

**Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

<b>Items</b>	<b>2016</b>	<b>2015 (Restated)</b>
Interest revenue	\$ 27,972,962	\$ 28,556,372
Less: Interest expense	<u>(10,390,621)</u>	<u>(11,906,479)</u>
Net interest	17,582,341	16,649,893
Net revenues and gains other than interest	<u>20,912,978</u>	<u>19,923,753</u>
Total net revenues	38,495,319	36,573,646
Bad-debt expenses and provision for losses on guarantees	(2,364,936)	(3,482,751)
Operating expenses	<u>(20,412,394)</u>	<u>(18,525,986)</u>
Income before income tax	15,717,989	14,564,909
Income tax expense	<u>(2,306,638)</u>	<u>(1,897,627)</u>
Net income for the year	13,411,351	12,667,282
Other comprehensive income (loss)	<u>(1,571,952)</u>	<u>286,465</u>
Total comprehensive income for the year	<u>\$ 11,839,399</u>	<u>\$ 12,953,747</u>
Earnings per share		
Basic	<u>\$ 1.85</u>	<u>\$ 1.76</u>

Note: E.SUN Commercial Bank, Ltd. (E.SUN Bank) merged with E.SUN Insurance Broker Co., Ltd. on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements.

(Continued)

**E.SUN Securities Co., Ltd.**

**Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

<b>Items</b>	<b>2016</b>	<b>2015</b>
Income	\$ 1,030,807	\$ 1,197,494
Service charge	(82,070)	(90,662)
Employee benefit expenses	(446,164)	(458,337)
Share of profit of subsidiaries accounted for using equity method	2,729	1,190
Operating expenses	(509,469)	(542,207)
Other profits and losses	<u>86,915</u>	<u>89,258</u>
Income before income tax	82,748	196,736
Income tax expense	<u>(26,373)</u>	<u>(43,746)</u>
Net income for the year	56,375	152,990
Other comprehensive loss	<u>(2,351)</u>	<u>(2,540)</u>
 Total comprehensive income for the year	 <u>\$ 54,024</u>	 <u>\$ 150,450</u>
 Earnings per share		
Basic	<u>\$ 0.14</u>	<u>\$ 0.38</u>

**E.SUN Venture Capital Co., Ltd.**

**Condensed Statements of Comprehensive Income  
For the Years Ended December 31, 2016 and 2015  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

<b>Items</b>	<b>2016</b>	<b>2015</b>
Operating revenue	\$ 220,736	\$ 309,438
Operating costs	(197,765)	(121,133)
Operating expenses	<u>(13,760)</u>	<u>(14,997)</u>
Operating income	9,211	173,308
Non-operating income and expenses	<u>2,227</u>	<u>(116)</u>
Income before income tax	11,438	173,192
Income tax expense	<u>(6,805)</u>	<u>(5,231)</u>
Net income for the year	4,633	167,961
Other comprehensive income (loss)	<u>(887,627)</u>	<u>461,836</u>
 Total comprehensive income (loss) for the year	 <u>\$ (882,994)</u>	 <u>\$ 629,797</u>
 Earnings per share		
Basic	<u>\$ 0.02</u>	<u>\$ 0.69</u>

(Concluded)

**TABLE 6****E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****BUSINESS SEGMENT FINANCIAL INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)**

For the year ended December 31, 2016

<b>Business Segment</b>	<b>Banking</b>	<b>Securities</b>	<b>Others</b>	<b>Consolidated</b>
<b>Items</b>				
Net interest	\$ 18,429,608	\$ 277,701	\$ (122,638)	\$ 18,584,671
Net revenues and gains other than interest	21,832,590	659,288	(11,717)	22,480,161
Total net revenues	40,262,198	936,989	(134,355)	41,064,832
Bad-debt expenses and provision for losses on guarantees	(3,462,064)	(1,024)	-	(3,463,088)
Operating expenses	(21,211,553)	(934,048)	(250,471)	(22,396,072)
Income (loss) before income tax	15,588,581	1,917	(384,826)	15,205,672
Income tax expenses	(2,171,365)	(26,373)	(24,752)	(2,222,490)
Net income (loss)	13,417,216	(24,456)	(409,578)	12,983,182

For the year ended December 31, 2015 (restated)

<b>Business Segment</b>	<b>Banking</b>	<b>Securities</b>	<b>Others</b>	<b>Consolidated</b>
<b>Items</b>				
Net interest	\$ 17,275,146	\$ 306,789	\$ (108,307)	\$ 17,473,628
Net revenues and gains other than interest	20,001,521	800,344	213,836	21,015,701
Total net revenues	37,276,667	1,107,133	105,529	38,489,329
Bad-debt expenses and provision for losses on guarantees	(3,565,789)	(641)	-	(3,566,430)
Operating expenses	(18,877,705)	(975,478)	(284,585)	(20,137,768)
Income (loss) before income tax	14,833,173	131,014	(179,056)	14,785,131
Income tax benefit (expense)	(1,947,381)	(43,746)	84,955	(1,906,172)
Net income (loss)	12,885,792	87,268	(94,101)	12,878,959

Note: E.SUN Commercial Bank, Ltd. (E.SUN Bank) merged with E.SUN Insurance Broker Co., Ltd. on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank restated its prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements.

TABLE 7

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

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2016			Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	
E-SUN Venture Capital Co., Ltd.	Stocks	-	Financial assets at fair value through profit or loss				
	Forecon Technology Co., Ltd.	-	Available-for-sale financial assets	61	\$ 1,536	0.13	\$ 1,536
	ShengHua Entertainment Communication Co., Ltd.	-	Available-for-sale financial assets	165	11,069	0.65	11,069
	Turvo International Co., Ltd.	-	Available-for-sale financial assets	570	55,644	1.16	55,644
	Ledlink Optics, Inc.	-	Available-for-sale financial assets	86	3,952	0.17	3,952
	Xu Yuan Packing Technology Co., Ltd.	-	Available-for-sale financial assets	856	16,313	1.85	16,313
	OBI Pharma, Inc.	-	Available-for-sale financial assets	1,383	394,162	0.81	394,162
	Apogee Optocom Co., Ltd.	-	Available-for-sale financial assets	874	51,573	2.71	51,573
	Enterex International Limited	-	Available-for-sale financial assets	100	5,340	0.10	5,340
	Tera Xtal Technology Co., Ltd.	-	Available-for-sale financial assets	206	371	0.11	371
	Uniflex Technology Inc.	-	Available-for-sale financial assets	170	2,414	0.19	2,414
	Biodenta Corporation	-	Available-for-sale financial assets	567	1,854	1.35	1,854
	Epoch Chemtronics Corp.	-	Financial assets carried at cost	1,889	26,264	5.55	57,178
	Sam Lam Technology Co., Ltd.	-	Financial assets carried at cost	1,700	-	6.07	-
	Beyond Innovation Technology Co., Ltd.	-	Financial assets carried at cost	1,776	23,420	5.26	4,745
	Solidite Co., Ltd.	-	Financial assets carried at cost	2,867	22,704	13.07	21,095
	MOSA Industrial Corporation	-	Financial assets carried at cost	1,950	30,647	1.25	33,881
	Orgechem Technologies Inc.	-	Financial assets carried at cost	1,220	56,000	2.12	20,756
	Exploit Technology Co., Ltd.	-	Financial assets carried at cost	42	-	0.51	-
	MCM Stamping Co., Ltd.	-	Financial assets carried at cost	600	18,000	1.90	6,556
	Wiscon Technologies Co., Ltd.	-	Financial assets carried at cost	1,836	25,600	2.79	25,484
	Mesotek Corporation	-	Financial assets carried at cost	446	-	4.72	-
	KHL IV Venture Capital Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	2.86	47,917
	Chuan Shih Industrial Co., Ltd.	-	Financial assets carried at cost	2,250	-	5.79	-
	Synovel Sciences Inc.	-	Financial assets carried at cost	4,000	65,000	2.33	56,648
	Crowningtek Inc.	-	Financial assets carried at cost	1,140	1,156	9.12	2,287
	Taiwan Advanced Nanotech Inc.	-	Financial assets carried at cost	500	10,000	7.52	5,312
	Gloria Solar International Holding, Inc.	-	Financial assets carried at cost	500	-	0.43	-
	Chien Shing Harbour Service Co., Ltd.	-	Financial assets carried at cost	1,700	35,700	2.31	39,872
	Jason's Entertainment Co. Ltd.	-	Financial assets carried at cost	232	12,000	1.59	3,980
	Starships Technology Inc.	-	Financial assets carried at cost	56	-	0.93	-
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets carried at cost	500	11,000	1.04	2,758
	Vacronics Technologies Inc.	-	Financial assets carried at cost	2,195	31,895	5.04	27,511
	Fuho Technology Co., Ltd.	-	Financial assets carried at cost	389	12,013	1.40	4,482
	Auria Solar Co., Ltd.	-	Financial assets carried at cost	1,200	-	0.57	-
	Mercury Electronic Industrial Co., Ltd.	-	Financial assets carried at cost	3,000	24,815	12.18	29,877
	Awinn Diamond Technology Corporation	-	Financial assets carried at cost	1,500	20,250	14.72	11,211

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2016			Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	
	Chipsip Technology Co., Ltd.	-	Financial assets carried at cost	627	\$ 5,658	1.49	Note 3
	Innovation & Infinity Global Corp.	-	Financial assets carried at cost	2,724	-	2.75	-
	Unidisplay Inc.	-	Financial assets carried at cost	439	2,535	0.23	Note 2
	Danotech Co., Ltd.	-	Financial assets carried at cost	1,500	24,600	3.22	Note 2
	Suntek Precision Corp.	-	Financial assets carried at cost	1,117	-	2.93	-
	Arelite Optronics Corporation	-	Financial assets carried at cost	2,282	26,495	8.62	Note 2
	Kham Inc.	-	Financial assets carried at cost	300	18,000	1.58	Note 2
	Jocho Technology Co., Ltd.	-	Financial assets carried at cost	175	4,012	0.21	Note 3
	Win Win Precision Technology Co., Ltd.	-	Financial assets carried at cost	1,122	50,474	2.47	Note 3
	Air-Bag Packing Co., Ltd.	-	Financial assets carried at cost	1,000	10,000	4.00	Note 2
	Procrystal Technology Company Limited	-	Financial assets carried at cost	3,360	47,874	2.69	Note 2
	Robospark Technology Inc.	-	Financial assets carried at cost	670	-	2.72	-
	TBI Motion Technology Co., Ltd.	-	Financial assets carried at cost	2,275	45,201	2.67	Note 2
	Tapollop Technology Co., Ltd.	-	Financial assets carried at cost	666	-	8.67	-
	Caremed Supply Inc.	-	Financial assets carried at cost	1,418	37,139	5.21	Note 2
	Tekho Marine Biotech Co., Ltd.	-	Financial assets carried at cost	1,808	28,801	10.24	Note 2
	Life + Co., Ltd.	-	Financial assets carried at cost	2,975	29,750	9.02	Note 2
	Taiwan Silicones Technology Co., Ltd.	-	Financial assets carried at cost	3,600	36,000	16.29	Note 2
	CHO Pharma Inc.	-	Financial assets carried at cost	7,363	204,501	4.09	Note 3
	ICP Technology Co., Ltd.	-	Financial assets carried at cost	666	9,990	2.53	Note 2
	Fashionguide Co., Ltd.	-	Financial assets carried at cost	324	11,800	1.93	Note 2
	Asia Carbons & Technology Inc.	-	Financial assets carried at cost	69	1,980	0.15	Note 2
	Excetek Technologies Co., Ltd.	-	Financial assets carried at cost	301	6,780	2.05	Note 2
	Vision Application Tech Corp.	-	Financial assets carried at cost	782	7,818	7.74	Note 2
	Advanced Material Systems Corporation	-	Financial assets carried at cost	750	30,000	3.30	Note 2
	Applied Green Light Taiwan, Inc.	-	Financial assets carried at cost	96	-	2.24	-
	XPEC Art Center Inc.	-	Financial assets carried at cost	80	9,600	0.39	Note 3
	KHL Investment Advisors Ltd.	-	Financial assets carried at cost	10,000	100,001	5.95	Note 2
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets carried at cost	380	31,500	0.39	Note 2
	Allpay Third-Party Payment Co., Ltd.	-	Financial assets carried at cost	397	7,480	0.40	Note 2
	Brim Biotechnology, Inc.	-	Financial assets carried at cost	1,100	19,800	2.17	Note 2
	3D Global Biotech Inc.	-	Financial assets carried at cost	2,000	20,000	4.00	Note 2
	Topray Memis Inc.	-	Financial assets carried at cost	1,393	15,894	3.22	Note 2
	Remotek Corporation	-	Financial assets carried at cost	506	7,588	2.32	Note 2
	Amaran Biotechnology, Inc.	-	Financial assets carried at cost	346	29,408	0.50	Note 2
	ACHB Enterprise Co., Ltd.	-	Financial assets carried at cost	333	9,990	3.68	Note 2
	TwoWay Communications Inc.	-	Financial assets carried at cost	600	9,000	0.74	Note 2
	Gama Pay Co., Ltd.	-	Financial assets carried at cost	5,000	50,000	8.33	Note 2
	KHL II Venture Capital Co., Ltd.	-	Financial assets carried at cost	1,644	209,861	0.85	Note 2
	Tanvex Biologics Corporation	-	Financial assets carried at cost	627	11,588	2.65	Note 3
	Pet Pharm Biotech Co., Ltd.	-	Financial assets carried at cost	169	10,000	0.99	Note 2
	9splay Entertainment Technology Co., Ltd.	-	Financial assets carried at cost	591	24,188	2.36	Note 2
	Natural Polymer International Corporation	-	Financial assets carried at cost	1,457	25,828	2.41	Note 2
	Celestial Talent Limited	-	Financial assets carried at cost	1,200	30,000	3.40	Note 2
	Transound Electronics Co., Ltd.	-	Financial assets carried at cost	290	9,750	1.98	Note 2
	Amaryllo Inc.	-	Financial assets carried at cost	264	-	1.36	-
	Arrowspan Inc. (preferred stock)	-	Financial assets carried at cost	-	-	-	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2016			Note	
				Shares (Thousands)	Carrying Value	Percentage of Ownership		Market Value or Net Asset Value
	VPON Ltd.	-	Financial assets carried at cost	1,342	\$ 15,021	1.11	2,749	Note 2
	Bioresource International, Inc.	-	Financial assets carried at cost	815	46,422	4.22	15,058	Note 2
	Taiwan depositary receipts Digital China Holdings Limited	-	Financial assets at fair value through profit or loss	200	2,430	0.02	2,430	Note 1
	Foreign fund Delos Capital Fund	-	Financial assets carried at cost	-	215,230	7.63	290,764	Note 2

Note 1: Market value of listed stocks was based on the closing price as of December 31, 2016.

Note 2: Unlisted company. The amounts are based on the investee's latest unaudited or unreviewed financial statements.

Note 3: Unlisted company. The amounts are based on the investee's latest audited or reviewed financial statements.

Note 4: Unlisted company. The amounts are based on the investee's industry market comparison method.

(Concluded)



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

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL (ESFHC, E-SUN BANK, FSC AND ESBC DISCLOSED ITS INVESTEE'S ACQUIRED OR DISPOSED OF)

FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars/In Thousands of shares)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
E-SUN Financial Holding Company, Ltd.	E-SUN Commercial Bank, Ltd.	Investments under the equity method	-	-	6,684,000	\$ 116,391,310	578,883 (Note 1)	\$ 14,405,801 (Notes 2 and 6)	-	\$ -	7,262,883	\$ 126,370,891 (Note 6)
E-SUN Financial Holding Company, Ltd.	E-SUN Venture Capital Co., Ltd.	Investments under the equity method	-	-	227,200	3,819,566	72,800 (Note 3)	661,413 (Notes 4 and 6)	-	887,695 (Notes 4 and 6)	300,000	3,593,284 (Note 6)
E-SUN Commercial Bank, Ltd.	E-SUN Bank (China), Ltd.	Investments under the equity method	-	-	-	4,915,815	-	5,598,718 (Notes 5 and 6)	-	948,486 (Notes 5 and 6)	-	9,566,047 (Note 6)

Note 1: Consisting of 44,183 thousand shares issued for E-SUN Bank merging with E-SUN Insurance Broker Co., Ltd. and 534,700 thousand shares of stock dividends.

Note 2: Consisting of \$792,214 thousand due to merger with E-SUN Insurance Broker Co., Ltd., \$348,324 thousand due to equity increase in share-based payment, \$13,265,263 thousand as the net gain from equity investment under the equity method, \$1,571,952 thousand as the net loss on other comprehensive loss from equity investment under the equity method, and \$2,854,268 thousand of cash dividends.

Note 3: Consisting of 15,000 thousand shares of stock dividends and 57,800 thousand shares issuance for cash.

Note 4: Consisting of \$653,140 thousand due to shares issuance for cash, \$223 thousand due to equity increase in share-based payment, \$8,050 thousand as the net gain from equity investment under the equity method, and \$887,695 thousand as the net loss on other comprehensive loss from equity investment under the equity method.

Note 5: Consisting of \$5,598,718 thousand transferred from E-SUN Bank, Dongguan Branch, which had been reorganized as E-SUN Bank (China), Ltd.'s Dongguan Branch, \$68,079 thousand as the net loss from equity investment under the equity method and \$880,407 thousand as the net loss on other comprehensive loss from equity investment under the equity method. For more information on E-SUN Bank (China), Ltd., please refer to Note 56.

Note6: When preparing the consolidated financial statements, the amount had been eliminated.

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

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Property	Transaction Date	Transaction Amount	Payment Term/ Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty		Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship			
E.SUN Commercial Bank, Ltd.	Construction of new building for the operation of credit card and payment division	2013.06.21 2016.06.29	\$ 1,592,000 (Note)	\$1,432,800 has been paid as of December 31, 2016	Hsin Tung Yang Construction Co., Ltd.	-	-	-	Bid	For the operation of E.SUN Bank's credit card and payment division after construction completed	None
Union Commercial Bank Plc.	Construction of new building for the operation of UCB's head office	2014.12.18	US\$ 21,835 thousand	US\$7,735 thousand has been paid as of December 31, 2016	LBL International	-	-	-	Negotiation	For the operation of UCB's head office	None
E.SUN Commercial Bank, Ltd.	Construction of new building for Yiw'en branch of the Bank	2015.06.12	410,800	\$164,320 has been paid as of December 31, 2016	Zhonglu Construction Co., Ltd., Mr. Lee, Mr. Lee	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None

Note: The initial transaction amount was \$1,498,000 thousand and an additional amount of \$94,000 thousand was added to the construction on June 29, 2016.

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

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2016  
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Subsidiary	\$1,197,741 (Notes 1 and 2)	-	\$ -	-	\$ -	-

Note 1: The receivables come from remuneration of directors and receivables related to consolidated tax returns.

Note 2: When preparing the consolidated financial statements, the receivables have been eliminated.

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

INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

a. E.SUN Commercial Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of December 31, 2016	Accumulated Inward Remittances of Earnings as of December 31, 2016
					Outflow	Inflow					
E.SUN Commercial Bank, Ltd. Dongguan Branch	Deposits, loans, import and export, exchange and foreign exchange business	\$ -	Direct	\$ 4,828,742 (Note 1)	\$ -	\$ 4,828,742 (Note 3)	\$ -	-	\$ (1,976)	\$ -	\$ -
E.SUN Bank (China), Ltd. (Note 3)	Deposits, loans, import and export, exchange and foreign exchange business	9,758,742 (Notes 1 and 3)	Direct	4,930,000 (Note 1)	4,828,742 (Note 3)	-	9,758,742 (Note 1)	100	(68,079)	9,566,047	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$9,758,742 (Note 1)	\$9,758,742 (Note 1)	\$76,220,718

(Continued)

b. E.SUN Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	Investee Net Income	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Transound Electronics (Dongguan) Co., Ltd.	Innovation, R&D, manufacture and selling in new electronic components, and establish R&D institution	\$ 240,094	Invest in Mainland China through the third-party company (Note 4)	\$ 30,000 (Note 1)	\$ -	\$ -	\$ 30,000 (Note 1)	\$ 120,827	3.40	\$ -	\$ 30,000	\$ -

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 5)
\$30,000 (Note 1)	\$30,000 (Note 1)	\$2,153,961

Note 1: Translation into New Taiwan dollars at the spot rates on the dates of investment outflow from Taiwan.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to larger of E.SUN Bank's net assets value or 60% of E.SUN Bank's consolidated net assets value.

Note 3: The registered capital of E.SUN Bank (China) Ltd. (ESBC) is CNY2 billion, and E.SUN Bank remitted to ESBC an investment of CNY1 billion. The remainder of the registered capital was transferred from the operating capital of E.SUN Bank's Dongguan Branch, an entity which had earlier been reorganized as ESBC's Dongguan Branch. For more information on ESBC, please refer to Note 56.

Note 4: The subsidiary of ESHFC invest in Transound Electronics (Dongguan) Co., Ltd. through Transound Electronics Co., Ltd.

Note 5: Based on the Investment Commission's "Regulation on Examination of Investment or Technical Cooperation in Mainland China," investments are limited to 60% of E.SUN Venture Capital Co., Ltd.'s net asset value.

(Concluded)

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

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)	Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a.	Cash and cash equivalents, other financial assets	Cash and cash equivalents, other financial assets	\$ 1,367,794	Note 4	0.07
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b.	Deposits and remittances	Deposits and remittances	1,367,794	Note 4	0.07
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a.	Receivables on consolidated tax returns	Receivables on consolidated tax returns	1,117,741	Note 4	0.06
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b.	Payables on consolidated tax returns	Payables on consolidated tax returns	1,117,741	Note 4	0.06
2	E.SUN Securities Co., Ltd.	E.SUN Commercial Bank, Ltd.	c.	Cash and cash equivalents, other financial assets	Cash and cash equivalents, other financial assets	115,272	Note 4	0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Securities Co., Ltd.	c.	Deposits and remittances	Deposits and remittances	115,272	Note 4	0.01
3	E.SUN Venture Capital Co., Ltd.	E.SUN Commercial Bank, Ltd.	c.	Cash and cash equivalents, other financial assets	Cash and cash equivalents, other financial assets	900,992	Note 4	0.05
1	E.SUN Commercial Bank, Ltd.	E.SUN Venture Capital Co., Ltd.	c.	Deposits and remittances	Deposits and remittances	900,992	Note 4	0.05
1	E.SUN Commercial Bank, Ltd.	Union Commercial Bank Plc.	c.	Due to the Central Bank and other banks	Due to the Central Bank and other banks	668,836	Note 4	0.04
4	Union Commercial Bank Plc.	E.SUN Commercial Bank, Ltd.	c.	Cash and cash equivalents	Cash and cash equivalents	668,836	Note 4	0.04
1	E.SUN Commercial Bank, Ltd.	Union Commercial Bank Plc.	c.	Discounts and loans	Discounts and loans	1,460,517	Note 4	0.08
4	Union Commercial Bank Plc.	E.SUN Commercial Bank, Ltd.	c.	Other financial liabilities	Other financial liabilities	1,460,517	Note 4	0.08
1	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	c.	Due from the Central Bank and call loans to other banks	Due from the Central Bank and call loans to other banks	3,712,085	Note 4	0.20
5	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	c.	Due to the Central Bank and other banks	Due to the Central Bank and other banks	3,712,085	Note 4	0.20

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

- a. Parent company: 0
- b. Subsidiaries are numbered in an order starting from 1.

(Continued)

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary,
- b. From subsidiary to parent company, and
- c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the transaction companies and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding \$100,000 thousand.

(Concluded)

**TABLE 13****E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****CAPITAL ADEQUACY RATIO  
DECEMBER 31, 2016 AND 2015**

## 1. E.SUN Financial Holding Company, Ltd.'s capital adequacy ratio

Unit: In Thousands of New Taiwan Dollars, %

	December 31, 2016			December 31, 2015		
	Pro-portionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Pro-portionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
E.SUN Financial Holding Company, Ltd.		\$ 130,027,556	\$ 135,726,213		\$ 123,591,783	\$ 126,411,583
E.SUN Commercial Bank, Ltd.	100	174,936,955	110,066,610	100	154,838,582	95,640,422
E.SUN Securities Co., Ltd.	100	3,908,927	1,095,615	100	3,921,842	986,316
E.SUN Venture Capital Co., Ltd.	100	3,589,935	1,828,567	100	3,819,566	1,919,557
E.SUN Insurance Broker Co., Ltd.	-	-	-	100	1,133,244	640,531
Deduction		(155,913,769)	(134,687,661)		(146,315,585)	(126,118,378)
Total		156,549,604	114,029,344		140,989,432	99,480,031
Group capital adequacy ratio			137.29			141.73

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.

Note 3: E.SUN Insurance Broker Co., Ltd. is dissolved after the merger with E.SUN Bank on March 25, 2016.

## 2. E.SUN Financial Holding Company, Ltd.'s eligible capital

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2016	December 31, 2015
Common stock	\$ 87,654,000	\$ 79,517,000
Capital instruments, which conform to the terms of bank's other Tier 1 capital	-	-
Other preferred stocks and subordinated debts	1,520,000	2,680,000
Capital collected in advance	-	-
Capital surplus	20,658,669	20,501,165
Legal reserve	6,677,949	5,409,976
Special reserve	164,235	164,235
Cumulative earnings	12,960,263	12,679,734
Equity adjustments	409,359	2,654,998
Less: Capital deduction	16,919	15,325
Total eligible capital	130,027,556	123,591,783

Note: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

(Continued)



3. E.SUN Commercial Bank, Ltd.'s capital adequacy ratio

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

Items		Year	December 31, 2016	
			Standalone	Consolidated
Eligible capital	Common equity		\$ 117,217,039	\$ 119,481,671
	Other Tier 1 capital		14,031,679	17,294,464
	Tier 2 capital		43,688,237	51,570,494
	Eligible capital		174,936,955	188,346,629
Risk-weighted assets	Credit risk	Standardized approach	1,183,636,579	1,232,534,478
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	58,867,763	60,688,275
		Advanced measurement approach	-	-
	Market risk	Standardized approach	33,630,263	34,100,088
		Internal model approach	-	-
	Risk-weighted assets			1,276,134,605
Capital adequacy ratio (%)			13.71	14.19
Ratio of common equity capital to risk-weighted assets (%)			9.19	9.00
Ratio of Tier 1 capital to risk-weighted assets (%)			10.28	10.30
Ratio of leverage (%)			6.69	6.84

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

Items		Year	December 31, 2015	
			Standalone	Consolidated
Eligible capital	Common equity		\$ 109,386,814	\$ 110,664,625
	Other Tier 1 capital		1,894,276	4,037,931
	Tier 2 capital		43,557,492	47,928,415
	Eligible capital		154,838,582	162,630,971
Risk-weighted assets	Credit risk	Standardized approach	1,112,343,800	1,136,426,589
		Internal ratings-based approach	-	-
		Securitization	8,025	8,025
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	50,812,588	51,601,050
		Advanced measurement approach	-	-
	Market risk	Standardized approach	32,340,863	32,340,863
		Internal model approach	-	-
	Risk-weighted assets			1,195,505,276
Capital adequacy ratio (%)			12.95	13.33
Ratio of common equity capital to risk-weighted assets (%)			9.15	9.07
Ratio of Tier 1 capital to risk-weighted assets (%)			9.31	9.40
Ratio of leverage (%)			5.89	6.01

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

(Continued)

Note 2: Formulas used were as follows:

- a) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- b) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- c) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- d) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- e) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- f) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

(Concluded)

**TABLE 14****E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF  
THE FINANCIAL HOLDING COMPANY ACT  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars, %)**

December 31, 2016

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 227,095,979	176.69
Ministry of Finance, ROC	42,264,601	32.88
Tai Power Co., Ltd.	14,614,307	11.37
Libretto Capital PLC	12,649,224	9.84
Bank of China Taipei Branch	12,171,177	9.47
Hong Kong & Shanghai Banking Corp.	11,078,692	8.62
E.SUN Bank (China), Ltd.	9,537,135	7.42
Corsair Finance Jersey (International), Ltd	8,138,014	6.33
Douro Finance B.V.	7,276,460	5.66
JP Morgan Chase Bank N.A.	7,089,267	5.52
Wells Fargo Bank	6,793,121	5.29
Citi Bank	6,564,440	5.11
Morgan Stanley	6,088,180	4.74
Societe Generale	6,018,005	4.68
Hon Hai Precision Co., Ltd.	6,008,812	4.68
Nomura Holdings, Inc.	5,978,155	4.65
Credit Agricole CIB	5,807,323	4.52
Iris Spv PLC	5,547,231	4.32
Goldman Sachs International	4,629,940	3.60
Bank of America Corp.	4,300,932	3.35
Chong Hong Construction	4,095,000	3.19
Mizuho Bank	3,639,427	2.83
Royal Bank of Scotland	3,564,502	2.77
Clevo Co.	3,387,869	2.64
Dragon Steel Corporation	3,386,658	2.64
Taipei Fubon Commercial Bank Co., Ltd.	3,342,174	2.60
Wealth Media Technology Co., Ltd.	3,240,541	2.52
Taiwan Semiconductor Manufacturing Co., Ltd.	3,186,021	2.48
BNP Paribas	3,040,012	2.37

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
2. Same related parties		
Liu	\$ 3,010,736	2.34
3. Same affiliate		
Bank of China and related parties	12,856,933	10.00
Hong Kong & Shanghai Banking Corporation and related parties	12,598,425	9.80
Fubon and related parties	9,778,490	7.61
Hon Hai Precision Co., Ltd. and related parties	9,550,778	7.43
China Steel Corporation and related parties	8,549,729	6.65
JP Morgan Chase Bank and related parties	7,377,990	5.74
Eva Airway Corporation and related parties	7,041,931	5.48
Citi Bank and related parties	6,567,473	5.11
Ruentex Industries Ltd. and related parties	6,261,704	4.87
Societe General and related parties	6,041,873	4.70
Nomura Holdings and related parties	5,978,155	4.65
Credit Agricole Corporation & Investment Bank and related parties	5,819,022	4.53
Formosa Plastics Corp., Ltd. and related parties	5,215,351	4.06
Yuen Foong Yu Paper Mfg. Co., Ltd. and related parties	5,060,840	3.94
Mitac-synnex Group and related parties	4,679,519	3.64
Goldman Sach and related parties	4,629,940	3.60
Chicony Technology Co. and related parties	4,598,896	3.58
Kinpo Co., Ltd. and related parties	4,386,388	3.41
Bank of America and related parties	4,304,576	3.35
Chong Hong Construction and related parties	4,173,044	3.25
Far Eastern New Century Corporation and related parties	3,882,259	3.02
WPG Holdings Co. and related parties	3,782,062	2.94
AUO Co., Ltd. and related parties	3,717,521	2.89
Mizuho Financial Group, Inc. and related parties	3,684,762	2.87
Formosa Chemicals and Fiber Corporation and related parties	3,604,235	2.80
Formosa Petrochemical Co., Ltd. and related parties	3,307,860	2.57
Walsin Lihwa Corporation and related parties	3,284,379	2.56
Taiwan Semiconductor Manufacturing Corporation and related parties	3,224,237	2.51
BNP Paribas S.A. and related parties	3,070,329	2.39

(Continued)

December 31, 2015

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person		
Central Bank of the Republic of China (ROC)	\$ 213,147,107	176.26
Ministry of Finance, ROC	57,065,101	47.19
Bank of China Taipei Branch	26,439,276	21.86
Tai Power Co., Ltd.	22,169,656	18.33
Nomura Holdings, Inc.	7,946,567	6.57
Libretto Capital PLC	7,548,773	6.24
Lloyds Tsb Bank PLC	7,489,626	6.19
Hong Kong & Shanghai Banking Corp.	7,046,750	5.83
JP Morgan Chase Bank N.A.	6,462,765	5.34
Citi Bank	5,381,844	4.45
CPC Corporation, Taiwan	5,341,297	4.42
Credit Agricole CIB	5,306,872	4.39
Dragon Steel Corporation	5,199,998	4.30
Societe Generale	4,736,983	3.92
Goldman Sachs International	4,637,769	3.84
Corsair Finance Jersey (International), Ltd	4,326,786	3.58
Wealth Media Technology Co., Ltd.	4,106,219	3.40
Chong Hong Construction	4,095,000	3.39
Royal Bank of Scoland	3,987,040	3.30
Hon Hai Precision Co., Ltd.	3,701,646	3.06
Morgan Stanley	3,341,066	2.76
Pegatron Corporation	3,296,584	2.73
Taiwan Semiconductor Manufacturing Co., Ltd.	3,185,732	2.63
Douro Finance B.V.	3,118,299	2.58
Bank of America Corp.	3,077,250	2.54
Treasury USA	3,018,062	2.50
AUO Co., Ltd.	3,015,593	2.49
2. Same related parties		
None		

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
3. Same affiliate		
Bank of China and related parties	\$ 26,902,443	22.25
Fubon and related parties	8,809,757	7.29
China Steel Corporation and related parties	8,690,748	7.19
Hong Kong & Shanghai Banking Corporation and related parties	8,685,187	7.18
Nomura Holdings and related parties	8,332,630	6.89
Eva Airway Corporation and related parties	7,224,526	5.97
Ruentex Industries Ltd. and related parties	6,829,249	5.65
JP Morgan Chase Bank and related parties	6,680,747	5.52
Hon Hai Precision Co., Ltd. and related parties	6,495,146	5.37
Societe General and related parties	6,201,182	5.13
Citi Bank and related parties	5,788,071	4.79
Goldman Sach and related parties	5,623,801	4.65
Credit Agricole Corporation & Investment Bank and related parties	5,561,900	4.60
AUO Co., Ltd. and related parties	4,770,314	3.94
Far Eastern New Century Corporation and related parties	4,718,280	3.90
Mitac-synnex Group and related parties	4,331,122	3.58
Walsin Lihwa Corporation and related parties	4,227,595	3.50
Chong Hong Construction and related parties	4,176,737	3.45
Chicony Technology Co. and related parties	4,015,972	3.32
Formosa Chemicals and Fiber Corporation and related parties	3,974,063	3.29
Nan Ya Plastic Co., Ltd. and related parties	3,861,458	3.19
Formosa Petrochemical Co., Ltd. and related parties	3,801,202	3.14
Quanto Computer Inc. and related parties	3,561,300	2.94
Yuen Foong Yu Paper Mfg. Co., Ltd. and related parties	3,539,878	2.93
Asustek Computer Inc. and related parties	3,524,113	2.91
Kinpo Co., Ltd. and related parties	3,501,728	2.90
Taiwan Cement Co., Ltd. and related parties	3,497,826	2.89
Formosa Plastics Corp., Ltd. and related parties	3,472,833	2.87
WPG Holdings Co. and related parties	3,360,102	2.78
Yang Ming Marine Transport Corp. and related parties	3,214,272	2.66
Bank of America and related parties	3,077,808	2.55

(Concluded)

## E.SUN FINANCIAL HOLDING COMPANY, LTD.

## THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES

DECEMBER 31, 2016

(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	\$ 126,370,891	\$ 13,411,351 (Note 3)	7,262,883	-	7,262,883	100.00	4
	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in brokerage of futures	100.00	4,710,795	56,375	400,000	-	400,000	100.00	4
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	3,593,284	8,049	300,000	-	300,000	100.00	4

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

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.

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

c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Accounting Standards 39.

Note 3: E.SUN Bank merged with E.SUN Insurance Broker Co., Ltd. on March 25, 2016 (the effective date of the combination). Since the combination was essentially a reorganization under common control, E.SUN Bank should restated prior years' financial statements assuming the combination had occurred at the beginning when preparing the comparative financial statements. Thus the investment gain contains the operating result of E.SUN Insurance Broker Co., Ltd. for the period from January 1, 2016 to March 25, 2016.

Note 4: When preparing the consolidated financial statements, it has been eliminated.

## E.SUN SECURITIES CO., LTD.

FINANCIAL RATIOS OF FUTURES BUSINESS  
DECEMBER 31, 2016 AND 2015  
(In Thousands of New Taiwan Dollars)

Requirement: The Regulations Governing Futures Commission Merchants.

Rule No.	Formula	December 31, 2016		December 31, 2015		Standard	Status of Compliance with Standard (Met/Unmet)
		Formula	Ratio	Formula	Ratio		
17	Equities Total liabilities minus customers' equity accounts - futures	1,033,165 (759,827-706,719)	19.45	1,082,600 (592,725-562,655)	36.00	≥ 1	Met
17	Current assets Current liabilities	1,498,320 710,555	2.11	1,369,314 573,332	2.39	≥ 1	Met
22	Equities Capital stock	1,033,165 935,000	110.50%	1,082,600 935,000	115.79%	≥ 60% ≥ 40%	Met
22	Adjusted net capital Client and proprietary account	1,006,137 179,624	560.13%	1,058,896 111,247	951.84%	≥ 20% ≥ 15%	Met





**E.SUN FHC was included in  
Dow Jones Sustainability Index for 3 consecutive years  
Set a record in Taiwan Financial Market**

**Thank you for your long-term support,** E.SUN is striving for sustainable development with deepening roots in Taiwan and making inroads into Asia, we will leverage our financial professionalism, corporate social responsibilities and innovation to provide best service for customers. We pledge to keep up our endeavors and help build a brighter future for all.

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



*Yung-Jen Huang*

Chairman



March 30, 2017 Printed

## E.SUN of Taiwan, as E.SUN of the World.

### Service Network of E.SUN Bank

Branch	phone	Branch	phone	Branch	phone
Head Office Business Division	+886 2 2719 1313	SinBan District Branch	+886 2 2954 1313	Caotun Branch	+886 4 9238 1313
Customer Service Division	+886 2 2175 1313	Guangfu Branch	+886 2 2957 1313	Changhua Branch	+886 4 728 1313
International Banking Department/OBU	+886 2 2175 1313	Sanchung Branch	+886 2 2280 1313	Yuanlin Branch	+886 4 836 1313
Trust Department	+886 2 2175 1313	Chongsin Branch	+886 2 2984 1313	Douliou Branch	+886 5 532 1313
Credit Card and Payment Division	+886 2 8512 1313	Er-Chong Branch	+886 2 2278 1313	Chiayi Branch	+886 5 223 1313
Nanching East Road Branch	+886 2 2760 1313	East Sanchung Branch	+886 2 2971 1313	East Chiayi Branch	+886 5 216 1313
Chengjhong Branch	+886 2 2389 1313	Tucheng Branch	+886 2 2274 1313	Puzih Branch	+886 5 379 1313
Chengtung Branch	+886 2 2504 1313	SouthTucheng Branch	+886 2 2267 1313	Tainan Branch	+886 6 241 1313
Hsiinyi Branch	+886 2 8789 1313	Shulin Branch	+886 2 8675 1313	East Tainan Branch	+886 6 289 1313
Keelungroad Branch	+886 2 2378 1313	Hueilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Tienmu Branch	+886 2 2835 1313	Wugu Branch	+886 2 2290 1313	Annan Branch	+886 6 357 1313
Minsheng Branch	+886 2 2509 1313	Sindian Branch	+886 2 2916 1313	Chiali Branch	+886 6 721 1313
Songjiang Branch	+886 2 2562 1313	Beisin Branch	+886 2 8911 1313	Yanhang Branch	+886 6 253 1313
Fuhsing Branch	+886 2 2771 1313	Sanxia Branch	+886 2 8970 6613	Yungkuang Branch	+886 6 201 1313
Tunnan Branch	+886 2 2754 1313	Lujhou Branch	+886 2 2848 1313	South Yungkuang Branch	+886 6 313 1313
Changchun Branch	+886 2 2546 1313	Taishan Branch	+886 2 2297 1313	Rende Branch	+886 6 270 6613
Chungshan Branch	+886 2 2537 1313	Xizhi Branch	+886 2 2647 6613	Sinying Branch	+886 6 656 8813
Neihu Branch	+886 2 2659 1313	Taoyuan Branch	+886 3 332 1313	Kaohsiung Branch	+886 7 336 1313
Chenggong Branch	+886 2 2791 8813	South Taoyuan Branch	+886 3 337 1313	Dashun Branch	+886 7 727 1313
Songshan Branch	+886 2 3765 1313	Taoyin Branch	+886 3 375 1313	Lingya Branch	+886 7 716 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Cianjhen Branch	+886 7 761 1313
Mincyuan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	Chihsien Branch	+886 7 235 1313
Jhonglun Branch	+886 2 2731 1313	Bade Branch	+886 3 367 1313	Zuoying Branch	+886 7 559 1313
Daan Branch	+886 2 2755 1313	Yiwen Branch	+886 3 357 1313	Nanzih Branch	+886 7 364 1313
Guting Branch	+886 2 2364 1313	Zhongyuan Branch	+886 3 428 1313	North Kaohsiung Branch	+886 7 350 1313
Beitou Branch	+886 2 2895 1313	Jhongli Branch	+886 3 427 1313	Dachang Branch	+886 7 341 1313
Donghu Branch	+886 2 2632 1313	Lisin Branch	+886 3 492 1313	Chengcing Branch	+886 7 386 1313
Xinhu Branch	+886 2 8791 6613	Yangmei Branch	+886 3 488 1313	Siaogang Branch	+886 7 807 1313
Shilin Branch	+886 2 2834 1313	Hsinchu Branch	+886 3 523 1313	Fongshan Branch	+886 7 743 1313
Mujha Branch	+886 2 2936 1313	Guanghua Branch	+886 3 533 1313	Gangshan Branch	+886 7 621 1313
Jhongsiao Branch	+886 2 8772 1313	Juke Branch	+886 3 564 1313	Linyuan Branch	+886 7 643 1313
Dongmen Branch	+886 2 2321 1313	JhuBei Branch	+886 3 554 1313	Houjhuang Branch	+886 7 702 1313
Jiancheng Branch	+886 2 2556 1313	Sinfong Branch	+886 3 557 1313	Pingtung Branch	+886 8 733 1313
Nangang Branch	+886 2 2789 1313	Lioujia Branch	+886 3 658 9013	Donggang Branch	+886 8 835 1313
Renai Branch	+886 2 2708 1313	Jhunan Branch	+886 3 746 1313	Keelung Branch	+886 2 2427 1313
Taipei Branch	+886 2 2507 1313	Toufen Branch	+886 3 766 3571	Luodong Branch	+886 3 957 1313
Ruiguang Branch	+886 2 2797 8813	Houlong Branch	+886 3 773 1313	Hualien Branch	+886 3 831 1313
Hsinchuang Branch	+886 2 2202 1313	Taichung Branch	+886 4 2254 1313	Taitung Branch	+886 8 936 1313
North Hsinchuang Branch	+886 2 2997 1313	Wunsin Branch	+886 4 2291 1313	Penghu Branch	+886 6 927 1313
Shinshu Branch	+886 2 2203 1313	Dadun Branch	+886 4 2320 1313	Los Angeles Branch	+1 626 810 2400
Shwangho Branch	+886 2 2923 1313	Nantun Branch	+886 4 2380 1313	Hong Kong Branch	+852 3405 6168
Yonghe Branch	+886 2 2949 1313	Situn Branch	+886 4 2461 1313	Singapore Branch	+65 6533 1313
Jixian Branch	+886 2 8283 1313	Daya Branch	+886 4 2568 1313	Dong Nai Branch	+84 61 367 1313
Yung An Branch	+886 2 8921 1313	Fongyung Branch	+886 4 2512 1313	Yangon Branch	+95 1 9345186-190
Jhonghe Branch	+886 2 2222 1313	Jhonggong Branch	+886 4 2350 8913	Sydney Branch	+61 2 9295 1399
Liancheng Branch	+886 2 8228 1313	Beitun Branch	+886 4 2241 6813	Hanoi City Representative Office	+84 4 35551313
Nanshijiao Branch	+886 2 2942 8813	Shalu Branch	+886 4 2662 1813	E.SUN Bank (China)	+86 755 8898 1313
Taihe Branch	+886 2 2242 1313	Dali Branch	+886 4 2418 1313	Shenzhen Branch	+86 755 8360 1313
Banciao Branch	+886 2 8257 1313	Wuquan Branch	+886 4 2377 1313	Dongguan Branch	+86 769 2868 1313
Puchain Branch	+886 2 2963 1313	Taiping Branch	+886 4 2270 8813	Dongguan Changan Sub-branch	+86 769 2330 8813
Banhsin Branch	+886 2 8952 1313	Wurih Branch	+886 4 2260 8813	Union Commercial Bank Plc.	+855 23 427 995

#### E.SUN Securities Co., Ltd.

Headquarters	+886 2 5556 1313	Hsinchuang Branch	+886 2 2998 1313
Brokerage HQ	+886 2 2713 1313	Tucheng Branch	+886 2 2265 1313
Nanching East Road Branch	+886 2 2765 1313	Taoyuan Branch	+886 3 336 6813
Songjiang Branch	+886 2 2562 1313	Hsinchu Branch	+886 3 666 9913
Renai Branch	+886 2 3393 1313	Taichung Branch	+886 4 2258 9913
Taida Branch	+886 2 8369 1313	Chiayi Branch	+886 5 216 9913
Chengjhong Branch	+886 2 2382 1313	Tainan Branch	+886 6 269 9913
Shinlin Branch	+886 2 2833 1313	Jin Hua Branch	+886 6 291 6613
Neihu Branch	+886 2 2656 1313	Kaohsiung Branch	+886 7 397 1313
Banciao Branch	+886 2 2951 9913	Zuoying Branch	+886 7 558 6613
Shwangho Branch	+886 2 8923 1313		

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