

# **E.SUN FINANCIAL HOLDING CO., LTD.**

## **GENERAL SHAREHOLDERS MEETING 2018**

### **Meeting Minutes**

(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.)

Time: 09:00 AM, 8 June 2018 (Friday)

Place: Chinese Armed Forces Cultural Activity Center  
No.69, Sec. 1, Zhonghua Rd., Taipei, Taiwan

Attendance: Total shares represented by the shareholders present at the meeting in person or by proxy are 7,609,764,156 shares (including 6,074,920,162 shares represented by the shareholders by electronic voting method), representing 74.71% of the total issued shares of the Company (10,185,500,000 shares).

Attending without the right to vote:

Director: Gary K.L. Tseng, Joseph N.C. Huang, Jackson Mai, Ron-Chu Chen,  
Chien-Li Wu, Magi Chen, Ben Chen

Independent Director: Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Chun-Yao Huang

Ying-Chou Chen, CPA from Deloitte & Touche, Taiwan

Bo-Cen Lu, Attorney-at-Law from Baker & McKenzie, Taipei

Chairperson: Yung-Jen Huang, Chairman of the Board of Directors

Minutes taken down by Mei-Cheng Chu

### **I. Procedure of meeting**

#### **1. Meeting duly commences in session.**

#### **2. General greetings.**

#### **3. Address by Chairman.**

## II. Matters for report

1. Report on the state of business of the Company in fiscal year 2017 by the President.

Decision: Report noted.

2. Report on the inspection and auditing of the final accounting of the Company for fiscal year 2017 by audit committee.

Decision: Report noted.

3. Report on the implementation of “Corporate Social Responsibility Principles”.

Explanation:

- (1) This report is made in accordance with the Corporate Social Responsibility Best Practice Principles, Article 5 and Article 7.
- (2) To fulfill its social responsibility as well as sustainable development, the Company, with a long-term commitment and systematic measures, endeavors to focus on three main dimensions; economic, social, and environmental. A summary of the Company’s 2018 Plan for Fulfilling Corporate Social Responsibility is as follows:

### 2.1 Economic Dimension

#### 2.1.1 Legal Compliance:

The Company has established an independent legal compliance unit with a risk-based management assessment mechanism; administered by Chief Compliance Officer as unit executive for strengthening compliance effectiveness and its monitoring function.

#### 2.1.2 Information Security:

The Company has established an independent information security unit, with the CIO serving as unit executive, for building a consistent information security governance system as well as deepening exchanges of information security among the subsidiaries of the Company so as to enhance overall information security standards.

#### 2.1.3 Money Laundering Control:

The Company has taken vigorous action to strengthen money laundering expertise at domestic and foreign branches and increased the deployment of money laundering control department for an integrated global money laundering control system, much strengthened blacklist review, as well as an efficient reporting of watch-list accounts to the Investigation Bureau.

#### 2.1.4 Corporate governance:

The Company has thoroughly, systematically implemented that publicizing of both the Company's important policies and procedures and corporate governance information must have an English version; that some items of board performance assessment be provided in the form of ranks or by a quantitative method; the Company continues to promote its culture of integrity and transparency while fostering sound management in an effort to ameliorate its corporate governance effectiveness.

## 2.2 Social Dimension

#### 2.2.1 Care for employees:

Concurring with the idea of women's interest in the workplace, we have promoted maternal health care by establishing the E.SUN Baby Product Sharing Platform, and are looking forward to be the first to obtain the BS8001 circular economy certification among all domestic financial industries.

#### 2.2.2 Financial inclusiveness:

In 2018, our personal e-banking and Web ATM were honored an "A+" in the barrier-free service tests of the National Communications Committee and will continue improving its e-Click Online Loan service, provide credit facilities to help SMEs upgrade for actualizing the value of inclusive finance.

#### 2.2.3 Talent cultivation:

The Company is promoting information organization development and the training of key technically skilled manpower, has established a tech personnel career development framework in keeping with international norms, and is combining IT development with the actual practice and implementation. In order to increase competitiveness for the future, the Company is continuing to focus on the training, the education as well as the inter-specialization rotations.

#### 2.2.4 Social welfare:

##### 2.2.4.1 Academics and education:

People make the most important asset of any business and hold the key to national competitiveness. The Company is thus thoroughly committed to

promoting academics and education. In 2018, highlights include industry-academia collaboration, establishment of 12 E.SUN Libraries with funds from the E.SUN Golden Seeds Project, 10 eminent institutions of higher learning, the E.SUN Academic Awards, the E.SUN Scholarship for Outstanding Management Talents, and the World Masters' Forum.

#### 2.2.4.2 Social engagement:

Keep up the Care for Schoolchildren Project, long-term public welfare initiatives as for orphans, as well as blood donation drives in conjunction with respected partners. Focus is to be placed on giving assistance to children from less fortunate families or those victimized by sudden misfortune, thereby helping create a loving and caring community.

#### 2.2.4.3 Athletics:

We further develop our deep commitment to such initiatives as the E.SUN Cup International AAA Baseball Tournament, E.SUN High School Baseball Camp, E.SUN High School Baseball Camp for Pitchers and Catchers, and Care for Hinterland Baseball Teams to further bolster the local sport of high school baseball.

#### 2.2.4.4 Humanities and arts:

We promote quality artistic and cultural activities, such as For Mother concerts, performances by the Vienna Boys' Choir, and various excellent artistic exhibitions, to enhance liberal arts attributes and highlight humanistic values.

### 2.3 Environmental dimension

#### 2.3.1 Environmental protection and energy conservation:

Establishment of new office buildings, receipt of a construction certificate of green building, and model branch certification of solar energy for the Company's building, promotion of environmental education, establishment of an environmental protection and energy conservation culture, and implementation of environmental protection and energy conservation measures.

#### 2.3.2 Low-Carbon Operations:

The Company will continue to implement an overall environmental inspection and gradually expand its scope. Considering that ISO 14064 adopted a full-scale range over all overseas units, the Company striving to all international environmental protection regulations was the first member in Taiwan's financial industry to have its inventory categories contain not only domestic subsidiaries, branches, but also overseas

subsidiaries, branches.

#### 2.3.3 Risk of climate change:

The Company is attentive to the possible impact of extreme climate on its overall operating status, and performs control measures of these risks as part of its overall risk appetite mechanisms. The Company has adopted the disclosure rules of the Task Force on Climate-related Financial Disclosures (TCFD), and expects to be the first member of Taiwan's financial industry to sign the TCFD agreement and disclose climate change information on its CSR report.

#### 2.3.4 Green finance:

The Company has expanded support for renewable energy, is assessing wind power generation and methane power generation, etc., is continuing to invest in reduced energy use, has reduced greenhouse gas emissions and water use in line with the green credit concept, and has exerted its influence in the financial industry in a positive manner.

The foregoing programs may, if the circumstance required or if needed, be adjusted by the Chairman or its designated person on the basis of the environment or special needs.

Decision: Report noted.

4. Report on the status of remuneration to employees and directors.

Explanation:

- (1) This proposal is made in accordance with Article 36 of the Articles of Incorporation of the Company.
- (2) The Company had pre-tax net profit before allocation of compensation to employees and directors of NT\$14,861,561,396. After subtracting an amount of NT\$882,649,231 for reserve against cumulative losses, pre-tax net profit before allocation was NT\$13,978,912,165. In accordance with the ratios in the Articles of Incorporation, employee compensation (2.7%) was NT\$377,430,628 (including stock and cash compensation), and director compensation (not exceeding 0.9%) was NT\$106,000,000 in cash.
- (3) In accordance with Financial Supervisory Commission regulations Jin-Guan-Zheng-Shen-Zi No. 1050001900 of January 30, 2016, calculation of the foregoing number of allocated shares shall be made on the basis of the closing price on the day before the Board resolution.

Decision: Report noted.

5. Amendment of “Rules and Procedures for the Board Meeting”.

Explanation :

- (1) The revision is proposed in accordance with the amended Procedural Regulations Governing Board of Directors Meetings of Public Companies promulgated by the Financial Supervisory Commission in its order of July 28, 2017 (ref. Jin-Guan-Zheng-Fa-Zi No. 1060027112).
- (2) Highlights of the revision proposed
  - (a) In view of the item of "assessment of internal control system effectiveness" among other audit committee powers listed in Article 14-5 of the Securities and Exchange Law, the Company has determined that matters of the item shall be submitted to the board for discussion. (Article 12)
  - (b) In order to enhance the independent directors' understanding of the Company's affairs, regulations concerning the attendance of independent directors at board meetings, either in person or via a proxy, are proposed to be amended. (Article 12)
  - (c) In order to increase procedural flexibility, the Company may revise the Regulations in response to external regulations or practical operations subject to the approval by the board, without the need to be submitted to shareholders meetings. (Article 18)

Decision: Report noted.

6. Report on the “Codes of Ethical Conduct for Directors”.

Explanation :

- (1) It has been enacted in accordance with the Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies and Article 7 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
- (2) Highlights of the revision proposed
  - (a) The revision is applicable to the directors, independent directors, and supervisors of this Company and its subsidiaries directly or indirectly controlled by this Company. (Article 2)
  - (b) The Company's directors shall uphold laws and regulations, and shall avoid matters involving conflict of interest or personal benefit. (Articles 3,4 and 5)
  - (c) The Company's directors shall perform the duties of confidentiality, loyalty, and care. (Articles 6 and 7)
  - (d) The Company's directors shall prohibit unfair and insider trading and must safeguard and appropriately use the Company's assets. (Articles 8 and 9)
  - (e) If aware of any matters suspected of causing major harm to the Company, the Company's director(s) shall notify the audit committee, report to board, and oversee the Company's notification of the competent authority. (Article 10)
  - (f) If in need to be exempt from compliance with these regulations, the Company's director shall receive a resolution by the board majority and issue a major announcement. (Article 11)
  - (g) If any of the Company's directors are suspected of violating these Regulations or other relevant laws or regulations, the Company shall initiate disciplinary procedures, and shall issue a major announcement. (Article 12)

Decision: Report noted.

### III. Matters for ratification

Proposal No. 1 as proposed by the Board of Directors:

**Proposal:** Recognition of the Company's business report and financial statements for fiscal year 2017.

Explanation:

1. This proposal is made pursuant to Article 230 of the Company Act and Article 35 of the Articles of Incorporation of the Company.
2. The financial statements of the Company produced on the year 2017 along with the books and accounts including the business report approved on 16 March 2018 by the 7<sup>th</sup> meeting of the 6<sup>th</sup> Board of Directors were audited and certified by Mr. Chen Yin-Chou and Mr. Huang Jui-Chan, both of whom were CPA of Deloitte & Touche (Taiwan). The books and accounts were inspected by the Audit Committee and further examined by the independent directors in their inspection report as containing no irregularity afterwards.

Resolution:

Voting result:

This proposal is approved by vote as following. There are more than half of the shares represented by the shareholders present approving the proposal, as a result, chairman declared this proposal is approved by vote.

( ) voting by electronic voting method

Total shares represented by the shareholders present in person or by proxy	Approve		Opposing shares	Shares waiving voting right
	Shares	Proportion (%)		
7,608,033,479 (6,074,920,162 shares)	6,065,322,449 (4,536,003,761 shares)	79.72%	829,942 (829,942 shares)	1,541,881,088 (1,538,086,459 shares)



Proposal No. 2 as proposed by the Board of Directors:

**Proposal:** Proposal of net income distribution for fiscal year 2017.

Explanation:

1. The proposed is in accordance with Article 36-1 of the Articles of Incorporation of the Company.
2. The beginning retained earnings of fiscal year 2017 was NT\$6,254,548, which then deducted NT\$3,178,334 as the retained earnings from remeasurements of defined benefit plans and NT\$885,725,445 as the retained earnings after adjustment in investment under the equity method. Eventually, a cumulative loss after adjustment was NT\$882,649,231, plus NT\$14,756,555,275 in after-tax earnings for fiscal year 2017, then the net income after loss offsetting became NT\$13,873,906,044. After minus a NT\$1,387,390,604 appropriation of legal reserve, the Company has an amount of NT\$12,486,515,440 in earnings distributable for the current year. It is planned to allocate shareholders bonuses totaling TWD12,479,274,600, where share bonuses will be NT\$ \$0.6126 per share (totaling NT6,239,800,000) while cash dividends will be TWD \$0.6126 per share (totaling NT\$ 6,239,474,600). The balance of TWD 7,240,840 is retained as non-distributed earnings as of the end of the period.
3. The said share bonuses, to be issued on the distribution record date, shall be distributed, with no consideration paid, to the shareholders as registered in the shareholders roster at the rate of 61.261597 per 1,000 shares in proportion to their shareholding. Fractional shares may be paired with one another, held by other shareholders, into a whole share within the specified time period. For shares remained factional with or without being paired, upon expiration of the said period, cash will nevertheless be paid according to their par value (and rounded to the nearest full Taiwan Dollar) and the Chairman is authorized to look for specified persons to buy the fraction of shares according to the par value.
4. The cash dividend being distributed shall be rounded off proportionately to the nearest Taiwan dollar; where there is any cash dividends less than TWD 1, its calculation shall be adjusted in line with a progressive decrease in decimal numbers and a progressive increase in shareholder numbers so that the total of dividend distribution is fully accounted for.
5. It is proposed that the Chairman of the Company would be fully authorized to deal with matters in connection with the change (if any) to the stock (cash) dividend ratio distributable to shareholders as a result of a change in the total outstanding shares of the Company arising from any reasons.

6. Subject to approval of the shareholders' meeting, the Board of Directors and /or the chairman of the Company is authorized to determine the cash dividend record date. Upon approval of the competent authority, the Board of Directors and /or the Chairman of the Company is authorized to determine the stock dividend record date.

Resolution:

Voting result:

This proposal is approved by vote as following. There are more than half of the shares represented by the shareholders present approving the proposal, as a result, chairman declared this proposal is approved by vote.

( ) voting by electronic voting method

Total shares represented by the shareholders present in person or by proxy	Approve		Opposing shares	Shares waiving voting right
	Shares	Proportion (%)		
7,608,527,933 (6,074,920,162 shares)	6,097,366,082 (4,567,961,724 shares)	80.14	1,510,509 (1,510,509 shares)	1,509,651,342 (1,505,447,929 shares)

**E.SUN FINANCIAL HOLDING CO., LTD.****PROPOSED DISTRIBUTION OF EARNINGS**

As of 31 December 2017

Currency: TWD

Balance of beginning undistributed earnings	6,254,548
Retained earnings from confirmed benefit plan re-assessment number	(3,178,334)
Retained earnings from the adjusted investments due to employing the equity method	(885,725,445)
Undistributed earnings after adjustment	(882,649,231)
Net profit after tax for the year	14,756,555,275
Net profit for the period after offsetting losses	13,873,906,044
Ten percent (10%) to be recorded as legal reserve	(1,387,390,604)
Distributable earnings for the period	12,486,515,440
Distribution items:	
Stock dividend (TWD0.6126 per share)	(6,239,800,000)
Cash dividend (TWD 0.6126per share)	(6,239,474,600)
Total shareholders' bonuses	(12,479,274,600)
Profit undistributed as of the end of the period	7,240,840

Note: Dividend distribution shall be based on after-tax earnings for the year as a first priority.

## IV. Matters for discussion

Proposal No. 1 as proposed by the Board of Directors:

**Proposal:** For the purpose of increasing the BIS ratio of the Company in consideration of the Company's long-term development and operation, it is proposed to implement a capital increase by recapitalization of both earnings and employee compensation.

Explanation:

1. Amount of the capital increase and number of shares:

The Company currently has TWD 101,855,000,000 in paid-in capital from a total of 10,185,500,000 issued shares. It is proposed that 623,980,000 new shares be issued on the amount of TWD 6,239,800,000 which is the profit distributable to shareholders as dividend; while employee compensation of NT\$377,430,628 included cash and stock remuneration, where, in accordance with Financial Supervisory Commission regulations Jin-Guan-Zheng-Shen-Zi No. 1050001900 of January 30, 2016, calculation of the foregoing stock compensation shall be made on the basis of the closing price of NT\$19.35 per share on one day immediately before the date when the Board resolution is made. A total of 19,420,000 new shares were issued. The foregoing recapitalized earnings totaled NT\$6,434,000,000 and 643,400,000 shares with a face value of NT\$10 per share were issued. After recapitalization, the Company's paid-in capital was increased to NT\$108,289,000,000, and 10,828,900,000 shares were issued.

2. Source of the fund proposed to be capitalized:

Shareholder stock bonuses and employee stock bonuses from fiscal year 2017 will be recapitalized.

3. Purpose of the fund from the capital increase:

The increased capital fund will be used to increase the BIS ratio of the Company in consideration of the Company's long-term development and operation and strengthened competitiveness of the Company.

4. Issuance of new shares:

It is proposed that the new shares be issued in full with a par value of TWD 10 per share. Holders of the new shares shall hold the same rights and bear the same obligations as the holders of the original issued shares.

5. 623,980,000 shares of the new shares to be issued on the capital increase proposed shall be distributed, with no consideration paid, to the shareholders as registered in the shareholders roster at the rate of 61.261597 new shares on each 1,000 shares held in proportion to their shareholding. Fractions of a share may be combined for full shares with the fractions of shares held by other shareholders within the specified time period. Upon expiration of the specified time period or fractions of a share still remain, cash will be paid according to the par value (and rounded to the nearest full Taiwan Dollar) and the chairman of the Company would be authorized to look for specified persons to buy the fraction of shares according to the par value.
6. Stock Dividend Record Date:  
  
Subject to approval of the proposal by the shareholders' meeting and that of the competent authority, it is proposed that the Board of Directors and or/ chairman of the Company be authorized to determine and announce the date.
7. As of now, the outstanding shares of the Company amount to 10,185,500,000 in total. It is proposed that the chairman of the Company would be authorized with full powers to deal with matters in connection with the change (if any) to the stock (cash) dividend ratio distributable to shareholders as a result of a change in the total outstanding shares of the Company arising from any reasons.

Resolution:

Voting result:

This proposal is approved by vote as following. There are more than half of the shares represented by the shareholders present approving the proposal, as a result, chairman declared this proposal is approved by vote.

( ) voting by electronic voting method

Total shares represented by the shareholders present in person or by proxy	Approve		Opposing shares	Shares waiving voting right
	Shares	Proportion (%)		
7,609,757,712 (6,074,920,162 shares)	6,096,073,005 (4,566,678,559 shares)	80.11	2,584,691 (2,562,140 shares)	1,511,100,016 (1,505,679,463 shares)

Proposal No. 2 as proposed by the Board of Directors:

**Proposal:** Amendment of “Procedures for Financial Derivatives Transactions”.

Explanation: This revision mainly adjusts the text in response to changes in the accounting system.

Resolution:

Voting result:

This proposal is approved by vote as following. There are more than half of the shares represented by the shareholders present approving the proposal, as a result, chairman declared this proposal is approved by vote.

( ) voting by electronic voting method

Total shares represented by the shareholders present in person or by proxy	Approve		Opposing shares	Shares waiving voting right
	Shares	Proportion (%)		
7,609,758,512 (6,074,920,162 shares)	6,096,000,397 (4,565,637,844 shares)	80.11	1,726,922 (1,726,922 shares)	1,512,031,193 (1,507,555,396 shares)

## **V. Extempore motion**

Shareholder with A/C No. 43686 raised questions regarding import/export bill advance/discount and recommendations about soliciting business from hospitals. Shareholder with A/C No. 163253 and Shareholder with A/C No. 306820 raised questions regarding development of FinTech. Shareholder with A/C No. 139590 raised questions regarding business strategy in ASEAN. The Chairman, the President and the representatives from the relevant departments replied to the four shareholders and both parties agreed not to put these in motion.

## **VI. Meeting adjourned** (at about 10:23 AM the same day.)

Chairperson: Yung-Jen Huang, Chairman of the Board of Directors

Minutes taken down by Mei-Cheng Chu

※The Minutes only reflected the main contents of the meeting. Please refer to the recording for the exact contents and proceeding of the meeting.

## VII. Appendices

< Appendices 1 >

### Business Report

Dear Shareholders :

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

#### Overall Performance Reaches New Heights

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

In terms of business indicators, E.SUN FHC has total assets at NT\$2.07 trillion, total deposits at NT\$1.23 trillion, NTD current deposits at NT\$727.5 billion, and foreign currency deposits equivalent to NT\$532.7 billion; the 28.8% growth in foreign current deposits was number one in the market. Net interest income and net fee income have grown steadily. Net interest income grew 8.96% to NT\$20.25 billion and net fee income grew 1.46% to NT\$15.776 billion, in which wealth management net fee income was NT\$7.693 billion and credit card net fee income was NT\$4.8 billion. Furthermore, credit card consumption amount grew 12.03% to NT\$319 billion. E.SUN ranked first among private banks in SME lending, and has been the best partner of enterprises as it won the Excellent SME Credit Guarantee Partner Award for the 12th consecutive year.

As for corporate social responsibility, E.SUN Bank was ranked among the top 5% in the Corporate Governance Evaluation conducted by Taiwan Stock Exchange for the 3rd consecutive year, thanks to our continual efforts to improve corporate governance and functions of the Board of Directors. E.SUN Bank has been involved in environmental sustainability efforts for a long time, developing green finance and engaging in responsible lending. Green bonds in the amount of US\$60 million were issued and the proceeds were entirely used to support renewable energy projects. This made E.SUN Bank the first bank to complete pricing and the largest issuer of green bonds in Taiwan. E.SUN Bank is dedicated to charity and continues to invest in academia and education. The E.SUN Golden Seed Project has built a total of 125 E.SUN libraries, an endeavor that has resonated among over 150 thousand World Card holders. E.SUN will continue work together with our employees, customers, and partners towards a better society.

#### Rapid Technological and Cross-border Developments

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



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

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

#### Towards a New Milestone

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

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

Chairman



President



## <Appendices 2>

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

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

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

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Concluded)

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

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

	Equity Attributable to Owners of ESFHC						Other Equity			Non-controlling Interests
	Capital Stock		Capital Surplus	Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2016	7,951,700	\$ 79,517,000	\$ 20,501,164	\$ 5,409,976	\$ 164,235	\$ 12,679,733	\$ 1,096,236	\$ 1,703,695	\$ (144,933)	\$ 733,792
Appropriation of 2015 earnings										
Legal reserve	-	-	-	1,267,973	-	(1,267,973)	-	-	-	-
Cash dividends	-	-	-	-	-	(3,419,231)	-	-	-	-
Stock dividends	795,170	7,951,700	-	-	-	(7,951,700)	-	-	-	-
Issuance of common stock from employees' compensation	18,530	185,300	157,505	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	97,662
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(7,615)
Net income for the year ended December 31, 2016	-	-	-	-	-	13,135,212	-	-	-	(152,030)
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)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	12,919,434	(1,241,472)	(1,193,982)	189,815	(166,956)
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
Appropriation of 2016 earnings										
Legal reserve	-	-	-	1,296,026	-	(1,296,026)	-	-	-	-
Cash dividends	-	-	-	-	-	(4,645,662)	-	-	-	-
Stock dividends	701,232	7,012,320	-	-	-	(7,012,320)	-	-	-	-
Issuance of common stock from employees' compensation	18,868	188,680	163,208	-	-	-	-	-	-	-
Capital increase	700,000	7,000,000	3,500,000	-	-	-	-	-	-	-
Share-based payment for the subscription of new shares by employees	-	-	207,252	-	-	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	(8,730)
Acquisition of interest in subsidiary	-	-	-	-	-	(830,475)	12,160	1,477	-	(404,619)
Net income for the year ended December 31, 2017	-	-	-	-	-	14,756,556	-	-	-	(102,117)
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(58,429)	(744,227)	810,226	(43,025)	(35,202)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	14,698,127	(744,227)	810,226	(43,025)	(137,319)
BALANCE AT DECEMBER 31, 2017	<u>10,185,500</u>	<u>\$ 101,855,000</u>	<u>\$ 24,529,129</u>	<u>\$ 7,973,975</u>	<u>\$ 164,235</u>	<u>\$ 13,873,907</u>	<u>\$ (877,303)</u>	<u>\$ 1,321,416</u>	<u>\$ 1,857</u>	<u>\$ 106,215</u>

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

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

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

(Continued)

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

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

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

(Continued)



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

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

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

(Concluded)

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### Allowances for Possible Losses on Loans

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

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

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

#### Goodwill Impairment Assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 16, 2018

Notice to Readers

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

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

## Audit Committee Report

To: E.SUN Financial Holding Company 2018 General Shareholders' Meeting

The board of directors has complied and submitted the company's 2017 consolidated financial statements audited by Certified Public Accountants of Deloitte & Touche, business report and statement of distribution of retained earnings to Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 14-4 of Security and Exchange Act and Article 219 of Company Act and submitted for your approval.

E.SUN Financial Holding Company Audit Committee

Independent Director: 

Independent Director: 

Independent Director: 

Independent Director: 

Independent Director: 

Date: April 27 2018