



E.SUN Financial Holding Company, Ltd.

FY2022 Tax Contribution Report

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Introduction



Nowadays, sustainability has become a public issue. Companies start to take actions to meet the United Nations Sustainable Development Goals. Besides the environmental and social issues, “governance” is also critical to sustainability. According to the article published by tax experts, tax is an important contribution companies make to help ensure a society and an environment in which they can effectively operate. We should regard tax as the entry fee we pay for a civilized society. Therefore, the imperative of shaping a better tax environment is obvious.

To contribute our shares on this topic, E.SUN often exchanges ideas with companies from different countries by means of participating in the meetings held by NGOs and endorsing local and international advocacy. E.SUN also voluntarily discloses tax and financial information to the public and builds dialogues with our stakeholders by publishing sustainability report and tax contribution report every year. We believe that tax is a fundamental component of ESG and expect that stakeholders can better understand our contribution through this tax profile.

ESG is not a zero-sum game but a win-win situation.

What everyone is competing for is not about winning or losing in business but to fight for "our common future."

This is not a short-term competition, but a long-term goal that can be achieved only by combining the strengths of various companies, industries, and countries, changing the way people think, and putting more effort into doing the right thing together."

Maggie Chen
President of E.SUN FHC.

A stylized, handwritten signature in black ink that reads "Maggie Chen".

For the article published by tax experts (KPMG and The B Team), please click on the link below.
<https://jericho chambers.com/wp-content/uploads/2023/03/Beyond-Goldilocks-Global-Responsible-Tax-Report.pdf>



A.Tax Strategy and Governance

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Tax Strategy and Governance

Our tax governance policy and transfer pricing policy approved by the Board are regarded as the base of the tax governance framework. Therefore, all of the entities shall follow the principles in the policies. In response to the changes in the tax standards issued by governments and tax initiative, we review our policy every year to ensure the articles are in line with global tax trends. Below are the principles of our policies.

A.1 Tax principles

Tax Compliance

We comply with the letter and the spirit of tax laws and regulations to file tax returns accurately and prepare related documents timely.

Comprehensive Decision

We make tax strategies comprehensively in accordance with local and international tax trends.

Transparency

We disclose tax information in financial reports and annual reports regularly and publicly.

Proactive communication

We develop open and transparent dialogues with tax authorities and work together with governments to improve tax systems.

Tax incentives

We only accept legal and transparent tax incentives. We don't seek abusive tax results violating the spirit of tax laws to decrease tax burden.

Business structure

Business structure and transactions are aligned with economic substance. We don't make special arrangements to avoid paying tax.

Risk management

We evaluate potential tax risks before making tax strategies.

Commercial substance

Related-party transactions shall reflect economic reality and the decision-making party shall take the profits correspondingly.

Arm's length principle

The trade terms of related-party transactions should be similar to non-related-party's.

Our tax governance policy and transfer pricing policy are disclosed publicly, please click on the links for more information.

[Tax governance policy](#)

[Transfer pricing policy](#)

A.2 Anti-tax avoidance declaration

The Board of directors is the highest governance body within the organization.

The Board reviews tax governance report every 6 months and ensures that our tax policy is in accord with international tax trends. To support the development of a fair tax system, we put anti-tax avoidance articles into our internal tax governance guidance. The outline of the guidance are as follows.

Tax Compliance

E.SUN is committed to complying with the letter and spirit of tax laws in all tax jurisdictions we operate.

Transparency

E.SUN is committed to not using tax havens for tax avoidance. We disclose the organizational chart and tax information publicly every year.

Arm's Length

E.SUN is committed to not using transfer pricing approach to decrease tax burden. All related party transactions should be in line with arm's length principle.

Responsible Tax

E.SUN is committed to not transferring value to low tax jurisdictions. We pay reasonable tax in every jurisdiction we operate.

Commercial Substance

E.SUN is committed to not using tax structures without commercial substance for tax avoidance.

1. A commitment to compliance with the spirit as well as the letter of the tax laws

We are committed to complying with the letter as well as the spirit of the tax laws in the tax jurisdictions we operate. "Tax compliance" is listed in article 4 of E.SUN tax governance policy. To ensure that we always comply with the spirit of the laws, we always discuss with the tax authorities, peers and consultants when there are grey areas in laws.

2. A commitment not to transfer value created to low tax jurisdictions. / A commitment not to use tax havens/secretary jurisdictions for tax avoidance

Based on article 4 of the transfer pricing policy, we are committed to not transferring value to the low-tax jurisdictions and not using secrecy jurisdictions or so-called tax havens for tax avoidance. Every related-party transaction should be in line with commercial substance. From our business structure, it shows that we don't have branches, subsidiaries or multiple layers of SPVs in low tax jurisdictions and areas listed on the tax haven blacklist.

3. A commitment not to use tax structure without commercial substance

Based on article 4 of tax governance policy, we are committed to not using tax structures for tax avoidance. From the shareholding structure to operational objectives to the transactions, it is clear that we don't seek abusive tax results and we also don't hide specific information from the tax authorities. We only make transactions that are in line with commercial substance and pay reasonable tax in every tax jurisdiction.

4. A commitment to undertake transfer pricing using the arm's length principle

Since banks belong to the regulated financial industry, every transaction should be in line with the arm's length principle in accordance with Financial Holding Company Act in Taiwan. Based on article 5 of E.SUN transfer pricing policy, every related-party transaction should reflect the economic reality and the trade terms should be similar to those non-related-party's.

A.3 Internal tax governance mechanism

Under tax governance mechanism, the Board and responsible division oversee tax matters and propose possible plans to strengthen internal control.



The Board of directors

The Board is the highest governance body of E.SUN tax governance mechanism, including but not limited to reviewing and approving the tax governance report, developing tax strategy, and modifying the mechanism.



Financial Management Division (tax function unit)

Financial Management Division reviews tax self-assessment of every entity in the group and evaluates tax burden and tax risk regularly. The Division prepares tax governance report to the Board every 6 months.



All Entities of E.SUN

All entities of E.SUN comply with internal tax policy and provide tax self-assessment to Financial Management Division every 6 months. Besides, to ensure all the tax treatments are in accord with the letter as well as the spirit of the laws, the entities would discuss with Financial Management Division when they are not sure about the proper tax treatments.



Q: How can the board of directors oversee and control tax risk?

A: The board reviews the tax report every 6 months. Besides, tax function unit would be asked to evaluate tax risk for significant transactions.

Q: How do all the entities of E.SUN know the updates of our policies and latest tax news.

A: Tax function unit holds online tax seminar and provides online tax training materials every quarter.

A.4 Tax risk management

E.SUN built risk control mechanism to decrease the damage of tax controversial cases and the likelihood of occurrence. The Board reviews tax governance report to oversee the effectiveness of management and knows the potential tax risks.

For **SPECIAL OR SIGNIFICANT** transactions/arrangements, we put the following components into consideration when we evaluate tax risk.

1. If the amount of the transaction is significant
2. If similar transactions were made before
3. If it is a cross-border transaction
4. If it is a related-party transaction
5. If the tax authorities audited similar transaction or issue before
6. Others

Q&A

Q: Does E.SUN have whistleblower mechanism?

A: Yes, we have internal and external mailbox for reporting unethical or unlawful behavior related to tax.

Q: Please indicate the procedure after identifying tax risks.

A: We evaluate tax impacts immediately, and make improvement plans to decrease the likelihood of occurrence of controversial cases.

For **ROUTINE** tax matters, we use the following steps to control tax risk:

step 1

Risk identification

The tax function unit identifies risks and makes improvement plans based on the historical records of the occurrence time and reason of controversial cases.

step 2

Risk assessment

We use a standard tax risk evaluation process to evaluate the likelihood of occurrence and extent of damage.

step 3

Risk monitoring

Through internal risk control mechanism, the Board and relevant senior workers assess tax risks regularly.

step 4

Stakeholder engagement

We exchange opinions about tax risks with stakeholders to develop tax strategies to reduce risks.

A.5 Potential Tax Impacts

Interest rate rising cycle

The interest rate acts as the key profit driver of net interest income. The monetary policy has a strong impact on the interest market. The changes in interest rate affect fund acquisition costs and loan business, which are the profit margins of financial industry.

In 2022, Fed lifted interest rates several times. The profit driver, net interest margin and spread, of banking industry was affected accordingly. The high interest rate caused the decline in the price of financial instruments and brought the problem of recognizing huge amount of unrealized revaluation loss of financial instruments to most of the companies in financial industry.

There are some tax impacts came with the interest rate rising cycle to companies. Unlike the tax system in most of the tax jurisdictions, the financial industry in Taiwan should afford value-added tax and stamp tax in accordance with the tax law. The tax base increased because of the interest rate rising policy, leading the amount of tax we paid grew approximately 28% in value-added tax and 9.23% in stamp tax with that of 2021.

Besides, the administrative cost of tax filing work was also affected. Since the interest expense we paid to our clients increased, the number of cases reached the withholding threshold in Taiwan also increased, bringing additional tax filing work to the tax division.

Global Minimum Corporate Tax Rate

Global minimum corporate tax was first mentioned in 2021. In recent years, there are more and more international tax evasion and aggressive tax planning cases, bringing the problem of tax base erosion. Therefore, the OECD released model rules for the global minimum tax (Pillar 2), applying to multinational companies with more than EUR 750 million in total global revenues per year. According to the latest guidance, it will be implemented in 2024. The OECD expects the reform will yield an extra USD 220 billion in tax income globally.

E.SUN has several operating sites in different jurisdictions, some of the tax authorities have already made tax amendment of raising corporate minimum tax rate because of Pillar 2. For example, Japan, USA, Hong Kong and Singapore. The implementation of global minimum corporate tax rate would bring more tax burden to us. However, the accurate possible amount of extra tax cannot be calculated until the government officially announce the local computation rules of top-up tax.





B.Tax reporting

B. Tax reporting- Financial & tax data by tax jurisdiction

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B

Tax reporting

Financial & tax data by tax jurisdiction

Our main revenue (89.05%) come from Taiwan, where the headquarters are located. We have adequate number of employees and physical offices in each jurisdiction. We believe that public reporting on a country-by-country basis would help stakeholders better understand our tax profile and worldwide tax contribution.

Table 1: Financial figures of E.SUN FHC-2022

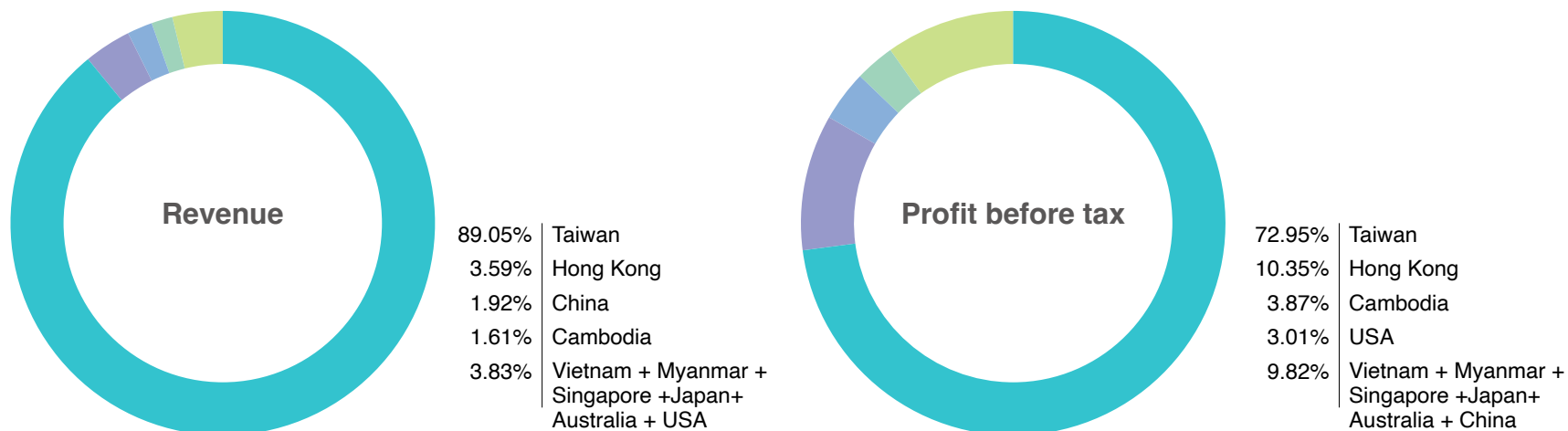
Unit: TWD millions/person

Tax jurisdictions	Revenue	Profit before tax	Income tax accrued (current year)	Income tax paid	Number of employees
Taiwan	\$63,870	\$14,519	\$2,869	\$2,841	8,963
Hong Kong	2,572	2,061	331	274	187
China	1,375	574	98	109	241
Cambodia	1,158	770	157	133	424
Singapore	683	477	70	131	61
United States	750	599	169	150	23
Australia	690	514	176	235	35
Myanmar	151	78	24	20	32
Japan	275	182	57	43	16
Vietnam	199	129	26	20	48
Total	\$71,723	\$19,903	\$3,977	\$3,956	10,030

Note:

1. Revenue and profit before tax decreased with that of 2021. The revenue and profit decreased because of unrealized revaluation loss of financial assets and liabilities under interest rate rising cycle.
2. The data in table 1 is reported on consolidated basis, except that the revenue and income tax accrued are reported on aggregated basis.
3. Besides income tax, the companies under financial industry also have to pay value-added tax and stamp tax in accordance with the tax law in Taiwan. Therefore, it would be more comprehensive to take the amount of value-added tax and stamp tax we paid into consideration to check our worldwide tax contribution. In 2022, we paid 1,680 million of value-added tax and 1,750 million of stamp tax.

Figure 1: The proportions of revenue, profit before tax and income tax paid by tax jurisdiction-2022



Income tax paid

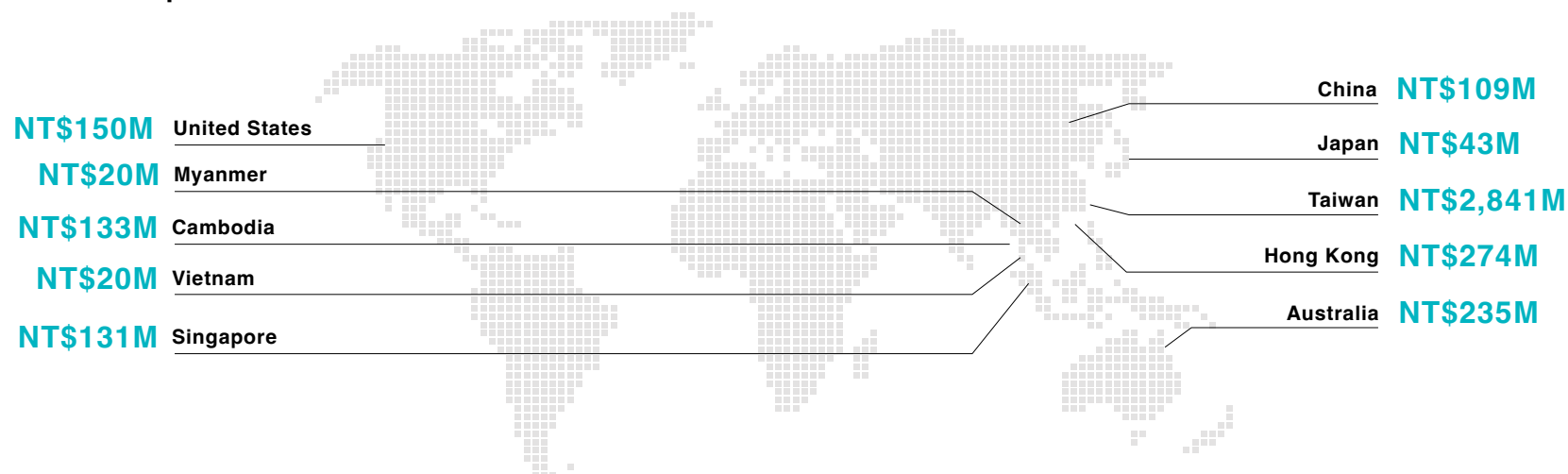


Table 2: Names of all the resident entities & primary activities

Tax jurisdictions	Statutory tax rate	Name of the resident entities	Primary activities
Taiwan	20%	1.E.SUN Financial Holding Company, Ltd. 2.E.SUN Commercial Bank, Ltd. (E.SUN Bank) 3.E.SUN Securities Co., Ltd. 4.E.SUN Venture Capital Co., Ltd. 5.E.SUN Investment Consulting Co., Ltd. 6.BankPro e-Services Technology Co., Ltd.	1.Holding shares 2-5.Regulated financial services 6.Information industry
Cambodia	20%	1. Union Commercial Bank Plc. 2. URE Land Holding Co., Ltd.	1. Regulated financial services 2. Leasing industry
Myanmar	22%	E.SUN Bank-Yangon Branch	Regulated financial services
China & Hong Kong	25% / 16.5%	1.E.SUN Bank (China) 2.E.SUN Bank-Hong Kong Branch	Regulated financial services
Singapore	17%	E.SUN Bank-Singapore Branch	Regulated financial services
United States	21%	E.SUN Bank-Los Angeles Branch	Regulated financial services
Vietnam	20%	E.SUN Bank-Dong Nai Branch	Regulated financial services
Japan	30.62%	E.SUN Bank-Tokyo Branch	Regulated financial services
Australia	30%	E.SUN Bank-Sydney Branch & Brisbane Branch	Regulated financial services



C. Effective Tax Rate

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C

Effective tax rate

C.1 Income tax information

In table 3, we reconcile the reported tax rate with effective tax rate. The adjustments are timing difference and tax-exempt income as per the Income Tax Act in Taiwan.

Table 3: Income tax expense and income tax paid of E.SUN FHC-2022 and 2021

Unit: TWD millions

	2022	2021	Calculated averages	Reference
Earnings before tax (a)	\$19,903	\$23,959	\$21,931	Appendix F.3
Reported taxes (b)	4,122	3,374	3,748	Appendix F.3
Reported tax rate (b) / (a)	20.71%	14.08%	17.09%	
Adjustments				
Timing -Deferred tax	(329)	222		Note 1.2.
Major issue-Tax-exempt income	74	1,636		Note 1.2.
Cumulative acceptable adjustments (c)	(255)	1,858		
Adjusted reported taxes (d) = (b) + (c)	3,867	5,232	4,550	
Effective tax rate (d) / (a)	19.43%	21.84%	20.75%	
Cash taxes paid (e)	3,956	2,270	3,113	Appendix F.4
Cash tax rate (e) / (a)	19.88%	9.47%	14.19%	

Note:

1. Timing difference-deferred tax

The deferred tax liabilities 329 million in 2022 and deferred tax asset 222 million in 2021 are both timing difference from unrealized revaluation adjustments of financial instruments.

2. Major issue-Tax-exempt income

Offshore banking unit income is tax-exempt as per the Income Tax Act in Taiwan, leading a decrease in the effective tax rate. Tax-exempt income is 74 million and 1,636 million in 2022 and 2021, respectively, leading a decrease of 3.70% and 6.83%.

Rule out the impacts of timing difference and major issue, the effective tax rate slightly decrease about 2.41% with that of 2021, showing that the fluctuation of effective tax rate is mainly because of the tax exempt income rule in Taiwan.

C.2 Reconciliation of tax rates

In 2022, the effective tax rate of E.SUN is 20.71% and the cash tax rate is 19.88%. According to CSA Handbook 2023, the global average effective tax rate of banking industry is 20.90% and cash tax rate is 21.28%, It shows that our tax rates are close to not only the statutory tax rate (20%) in Taiwan, but also the global averages.

Table 4: The reconciliation of income tax rates of E.SUN FHC-2022 and 2021

Reconciliation		The proportions (%) Tax impacts (millions)	
		2022	2021
Timing-deferred tax	Timing difference / Total profit before tax	8.27% / 329	4.63% / (222)
Major issues	Tax-exempt income / Total profit before tax	1.86% / (74)	34.14% / (1,636)
1. The difference between the effective tax rate and cash tax rate 2. The cash tax rate difference between 2022 and 2021		According to the Income Tax Act in Taiwan, companies file and pay the assessed income tax in May of the following year. Therefore, the income tax we paid in May is based on the taxable income of previous year, leading the calculation basis year of profit before tax and income tax paid is inconsistent.	

Note:

The items of the reconciliation in table 4 are all disclosed in [E.SUN FHC consolidated financial statements](#) for the fiscal year ended December 31, 2022.

1. Timing-deferred tax: page 64
2. Tax-exempt income: page 64



D. Advocacy

Stakeholder engagement related to tax

D

Advocacy

Stakeholder engagement related to tax

To reinforce public trust, we proactively contact stakeholders to discuss tax issues and engage in public policy advocacy on tax to build a better tax environment.



Tax authorities

We participated in public hearing held by Legislative Council in 2022 to know the possible tax amendment; we always contact tax authorities proactively to discuss the proper tax treatments when there is grey area in law.



Public advocacy - NGO

E.SUN participates in the meetings held by international NGO-The B Team every year. We exchanged ideas on global minimum tax with members in 2022. By means of involving in international tax reform discussion, we enhance our competitiveness in the meantime.



Peers and Banker Association

In 2022, 15 financial holding companies participated in tax online meetings held by the banker association 3 times to discuss the possible way of amending the tax system of financial holding companies, trying to build a fairer tax environment.



Independent Directors and Investors

Independent directors specialized in accounting and tax oversee our tax governance report every 6 months; the analysis of changes in tax rates and sustainability issue of tax are disclosed publicly to investors on official website.

Q&A

Q: How do we know the latest tax issues?

A: We always pay attention to the tax updates materials published by the accounting firms and attend tax courses or seminars to know the latest tax-related news.



E. Self-Assessment

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Self-Assessment

E.1 Responsible tax principles

The B Team Responsible Tax Principles was developed through dialogue with a group of leading companies. It aims to establish the principles and an approach to taxation that companies can endorse to demonstrate responsibility and play their part in creating a stable, secure and sustainable society. As one of the endorsing companies, we make self-assessment every year to ensure that we fulfill the concept of responsible tax.

Self-assessment (Responsible tax principles)			
Principle	Descriptions	R/A/G	Remarks
Accountability & Governance	<ul style="list-style-type: none"> The tax policy or principle is approved by the Board. The Board is responsible for the tax strategy and tax risk management. 	●	<ul style="list-style-type: none"> Our tax policy is approved by the Board and publicly available. We report to the Board every 6 month on tax risks and adherence to the tax strategy.
Compliance	<ul style="list-style-type: none"> Filing all tax returns on time and providing accurate disclosures. Our tax planning is aligned with the substance of the economic activity. 	●	<ul style="list-style-type: none"> We file tax returns accurately and timely in the tax jurisdictions we operate. We don't make transactions whose sole purpose is creating tax benefits.
Business Structure	<ul style="list-style-type: none"> Disclosing the entities that it owns around the world. Entities based in low or nil-rate jurisdictions exist for commercial reasons. 	●	<ul style="list-style-type: none"> The information of our overseas branches and subsidiaries is publicly available. None of our operating sites is set for tax avoidance. All of the operating sites exist for commercial reasons.
Relationships with Authorities	<ul style="list-style-type: none"> Keep open and transparent relationships with tax authorities. Discussing with tax authorities proactively when there are grey area of law. 	●	<ul style="list-style-type: none"> We ask the authority for the proper tax treatment when we are not sure about the law. We cooperate with the tax authority when they request us to clarify the transactions.
Seeking & Accepting Tax Incentives	<ul style="list-style-type: none"> Accepting tax incentives offered by the authority to support economic development. The applied tax incentives are aligned with business and operational objectives. 	●	<ul style="list-style-type: none"> We apply for tax benefit when we have transactions with the jurisdictions which Taiwan has tax treaty with. We combine our business with financial technology and apply for the R&D investment deduction to support the economic development strategy developed by the government.
Supporting Effective Tax Systems	<ul style="list-style-type: none"> Engaging with NGO on tax issues to make contribution on future tax legislation. Supporting initiatives or banker association to develop a fair and effective tax system. 	●	<ul style="list-style-type: none"> We endorse Responsible Tax Principles and participate in tax meetings held by NGO. We discuss with peers and banker association on tax treatments and new tax issues.
Transparency	<ul style="list-style-type: none"> Explaining effective tax rate and disclosing tax information on geographic level. Disclosing an overview of group structure and impacts on potential tax issues. 	●	<ul style="list-style-type: none"> We publicly disclose annual tax report. Inside the report, you can find the structure, the analysis of effective tax rate and other tax information.

● **Red: Do not meet this Principle**

● **Amber: Largely meet this Principle**

● **Green: Meet this Principle in full**

E.2 GRI-207 – Tax standard

GRI Sustainability Reporting Standards are designed to be used by organizations to report their impacts on the economy, environment, and society. GRI 207 addresses the topic of tax. It illustrates the disclosure standard. Organizations have an obligation to comply with tax legislation, and a responsibility to their stakeholders to meet expectations of good tax practices.

Tax disclosures	Requirement	Remarks
Disclosure 207-1 Approach to tax	A description of the approach to tax, including: <ul style="list-style-type: none"> i. Whether the company has a tax strategy which is publicly available. ii. The governance body within the organization reviews the strategy. iii. The approach to regulatory compliance. iv. How the approach is linked to the business and sustainable development. 	Yes, we meet this requirements.
Disclosure 207-2 Tax governance, control, and risk management	The reporting organization shall report the following information: <ul style="list-style-type: none"> i. The tax governance and control framework. ii. The mechanism for reporting unethical and unlawful behavior. iii. The assurance process for disclosure on tax. 	Yes, we meet this requirements.
Disclosure 207-3 Stakeholder engagement and management of concerns related to tax	The reporting organization shall report the following information: <ul style="list-style-type: none"> i. The approach to engagement with tax authorities. ii. The approach to public policy advocacy on tax. iii. The processes for collecting the views and concerns of stakeholders. 	Yes, we meet this requirements.
Disclosure 207-4 Country-by-country reporting	The reporting organization shall report the following information: <ul style="list-style-type: none"> i. All tax jurisdictions where the entities included in the organization's audited consolidated financial statement. ii. The requirement of disclosure (country-by-country disclosure) iii. The time period covered by the information reported in this disclosure. 	Yes, we meet the reporting requirements of GRI 207. For the reporting recommendation, we put it as future disclosing item.



F. Appendix

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F

Appendix

F.1 Glossary

Description	Referred to as
SDGs	Sustainable Developments Goals of the United Nations
The B Team	The NGO publishing Responsible tax principles at the United Nations.
OECD	Organization for Economic Cooperation and Development
GRI	Global Reporting Initiative
Reported tax rate	Income tax expense/earnings before tax
Effective tax rate	Adjusted reported taxes/earnings before tax
Cash tax rate	Cash tax paid/earnings before tax
MOF	Ministry of Finance in Taiwan
The Principles	Responsible tax principles
The Board	The board of directors
CSA Handbook	Corporate sustainability assessment published by S&P Global

F.2 Financial & tax data by tax jurisdiction-2021

Unit: TWD millions/person

Tax jurisdictions	Revenues	Profit before tax	Income tax accrued (current year)	Income tax paid	Number of employees
Taiwan	\$72,238	\$19,171	\$2,829	\$1,523	9,201
Hong Kong	2,394	1,742	257	246	194
China	1,171	505	90	99	219
Cambodia	1,122	529	109	24	471
Singapore	888	762	131	22	54
United States	629	512	147	150	23
Australia	528	392	98	137	31
Myanmar	153	96	25	24	36
Japan	263	205	44	39	13
Vietnam	45	45	10	6	42
Total	\$79,431	\$23,959	\$3,740	\$2,270	10,284

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 33 and 40)	\$53,853,990	98	\$35,482,114	61	52
INTEREST EXPENSE (Notes 4, 33 and 40)	(24,235,627)	(44)	(9,497,790)	(16)	155
NET INTEREST	29,618,363	54	25,984,324	45	14
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 34 and 40)	19,279,510	35	21,323,578	37	(10)
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 35)	3,355,794	6	7,921,241	14	(58)
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	1,484,231	3	1,637,885	3	(9)
Foreign exchange gains, net (Note 4)	903,319	2	807,018	1	12
Impairment losses on assets (Notes 4 and 16)	(26,897)	-	(43,029)	-	(37)
Other noninterest gains, net (Note 4)	191,599	-	266,423	-	(28)
Total net revenues and gains other than interest	25,187,556	46	31,913,116	55	(21)
TOTAL NET REVENUES	54,805,919	100	57,897,440	100	(5)
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 13)	(2,076,541)	(4)	(2,129,603)	(4)	(2)
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 30, 36 and 40)					
Employee benefits	(14,310,631)	(26)	(14,730,709)	(26)	(3)
Depreciation and amortization	(3,769,340)	(7)	(3,592,324)	(6)	5
General and administrative	(14,746,209)	(27)	(13,485,365)	(23)	9
Total operating expenses	(32,826,180)	(60)	(31,808,398)	(55)	3

(Continued)

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

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$19,903,198	36	\$23,959,439	41	(17)
INCOME TAX EXPENSE (Notes 4 and 37)	(4,121,857)	(7)	(3,373,936)	(6)	22
NET INCOME FOR THE YEAR	15,781,341	29	20,585,503	35	(23)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 30 and 37):					
Remeasurement of defined benefit plans	145,707	-	268,338	-	(46)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	6,445,728	12	(357)	-	1,805,626
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(3,080,932)	(6)	1,563,137	3	(297)
Income tax relating to items that will not be reclassified subsequently to profit or loss	66,565	-	20,978	-	217
Items that will not be reclassified subsequently to profit or loss, net of income tax	3,577,068	6	1,852,096	3	93
Items that may be reclassified subsequently to profit or loss (Notes 4 and 37)					
Exchange differences on the translation of financial statements of foreign operations	2,899,399	5	(785,553)	(1)	469

(Continued)

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

	2022		2021		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	\$(12,025,992)	(22)	\$(2,056,617)	(4)	485
Income tax relating to items that may be reclassified subsequently to profit or loss	827,235	2	347,567	1	138
Items that may be reclassified subsequently to profit or loss, net of income tax	(8,299,358)	(15)	(2,494,603)	(4)	233
Other comprehensive loss for the year, net of income tax	(4,722,290)	(9)	(642,507)	(1)	635
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$11,059,051	20	\$19,942,996	34	(45)
NET INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$15,759,000	29	\$20,558,988	35	(23)
Non-controlling interests	22,341	-	26,515	-	(16)
	\$15,781,341	29	\$20,585,503	35	(23)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$11,035,019	20	\$19,916,428	34	(45)
Non-controlling interests	24,032	-	26,568	-	(10)
	\$11,059,051	20	\$19,942,996	34	(45)
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 38)					
Basic	\$1.10		\$1.44		
Diluted	\$1.10		\$1.44		

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$19,903,198	\$23,959,439
Adjustments for:		
Depreciation expenses	3,038,701	2,866,864
Amortization expenses	730,639	725,460
Expected credit losses/bad-debt expenses	2,107,950	2,140,010
Gains on financial assets and liabilities at fair value through profit or loss	(3,355,794)	(7,921,241)
Interest expense	24,235,627	9,497,790
Interest revenue	(53,853,990)	(35,482,114)
Dividend income	(1,423,492)	(958,164)
Provision for losses on guarantees	(20,149)	32,837
Salary expenses on share-based payments	455,528	606,146
Gains on disposal of properties and equipment	(4,858)	(22,065)
Gains on disposal of investments	(60,739)	(679,721)
Others	(6,140)	(4,137)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(15,370,086)	2,060,398
Financial assets at fair value through profit or loss	126,013,160	302,076,226
Financial assets at fair value through other comprehensive income	(18,548,934)	(74,079,140)
Investments in debt instruments at amortized cost	(90,997,141)	(291,929,995)
Receivables	2,871,697	(6,633,334)
Discounts and loans	(168,556,221)	(150,145,033)
Other financial assets	4,170,212	(2,860,668)
Other assets	7,588,645	(7,302,919)

(Continued)

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

	2022	2021
Net changes in operating assets and liabilities		
Deposits from the Central Bank and other banks	\$(10,966,724)	\$28,512,172
Financial liabilities at fair value through profit or loss	(39,325,777)	(3,094,117)
Securities sold under repurchase agreements	1,846,656	5,343,391
Payables	899,877	(742,513)
Deposits and remittances	207,536,615	203,595,538
Provision for employee benefits	23	(285,365)
Other financial liabilities	27,957,603	4,808,545
Other liabilities	(7,393,569)	7,209,990
Cash generated from operations	19,472,517	11,294,280
Interest received	52,625,546	39,658,466
Dividends received	1,522,753	1,080,885
Interest paid	(21,551,022)	(10,802,942)
Income tax paid	(3,956,370)	(2,269,695)
Net cash generated from operating activities	48,113,424	38,960,994
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	(2,759,121)	(4,275,085)
Proceeds from disposal of properties and equipment	36,320	72,524
Increase in operating deposits	-	(10,000)
Increase in settlement fund	(28,082)	(130,169)
Decrease in settlement fund	14,327	114,287
Increase in refundable deposits	(7,282,532)	-
Decrease in refundable deposits	-	1,551,495
Payments for intangible assets	(316,624)	(403,142)
Payments for right-of-use assets	(102)	(1,529,564)
Increase in other assets	(1,627)	-
Decrease in other assets	-	58
Net cash used in investing activities	(10,337,441)	(4,609,596)

(Continued)

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

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$2,382,393	\$-
Decrease in short-term borrowings	-	(244,591)
Increase in due to the Central Bank and other banks	-	5,976,670
Decrease in due to the Central Bank and other banks	(14,021,010)	-
Increase in commercial paper issued	-	1,532,000
Decrease in commercial paper issued	(3,050,000)	-
Proceeds from issue of corporate bonds	-	2,000,000
Repayments of corporate bonds	(1,100,000)	(900,000)
Proceeds from issue of bank debentures	13,400,000	1,600,000
Repayments of bank debentures	(9,820,000)	(1,300,000)
Repayments of long-term borrowings	(11,495)	-
Increase in guarantee deposits received	5,249,187	-
Decrease in guarantee deposits received	-	(3,261,921)
Repayments of the principal portion of lease liabilities	(1,125,426)	(1,122,866)
Cash dividends paid	(8,947,582)	(7,665,931)
Cash dividends paid to non-controlling interests	(18,107)	-
Net cash used in financing activities	(17,062,040)	(3,386,639)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,676,069)	3,681,766
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,037,874	34,646,525
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	104,712,225	70,065,700
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$115,750,099	\$104,712,225

(Continued)

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

	December 31	
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, 2022 AND 2021		
Cash and cash equivalents in the consolidated balance sheets	\$76,217,644	\$85,237,301
Due from the Central Bank and call loans to other banks in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	31,650,624	19,474,924
Securities purchased under resell agreements in accordance with the definition of cash and cash equivalents under IAS 7 “Statement of Cash Flows”	7,881,831	-
Cash and cash equivalents at the end of the year	\$115,750,099	\$104,712,225

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

