

玉山十八年  
18th

E. SUN BANK 5847  
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# ANNUAL REPORT 2009



九 十 八 年 年 報



玉山銀行 E.SUN BANK



Pure as Jade, Stern as Mountain.

### E.SUN Spokesman

Name: Wu-Lin Duh

Position: President

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### Deputy Spokesman

Name: Magi Chen

Position: Senior Executive Vice President

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### Registered Office and Branches

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Branches	Please refer to the back cover		

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### Rating Agency

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

Telephone : +1 212 553 0300

Name : Taiwan Ratings Corporation

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Certified Public Accountant : Chang Ryh Yan, Chen Li Chi

Accounting Firm : Deloitte Taiwan

Address : 12th FL., No. 156, Sec. 3, MinSheng East Road, Songshan District,  
Taipei, Taiwan, R.O. C.

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The highest peak, the best bank.



Sunrise Brings out the Lively Energy.

E.SUN BANK 18th



The Highest Peak, the Best Bank.



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## I. Letter to Shareholders

For Taiwan, 2009 marked a year in which the world experienced a mild economic recovery, but not without periods of volatility. In addition, Taiwan and mainland China signed cross-straits agreements on banking. In all, the year was one that posed challenges for the banking sector, while also offering its share of opportunities. In addition to closely monitoring changes in the external environment and setting forth appropriate measures in response, E.SUN has been actively preparing for the future. It has been enhancing its strengths in a variety of operational and fiscal indicators, such as industry structure, interest rate differential, handling fees, capital adequacy, overdue loan ratio, and coverage ratio. E.SUN continues to embrace its core values and is maximizing the advantages of its branch network. It is providing the products and services needed by its focus group of customers, thereby helping to generate greater performance and value for both customers and companies.

At the end of 2009, E.SUN Bank's after-tax profit stands at NT\$1,774 million, which is equivalent to earnings per share of NT\$0.56 and return on equity of 3.63%, besides, its NPL ratio was 0.67%. E.SUN's total deposits stood at NT\$792.1 billion (with a healthy demand deposit ratio of 45.13%) and its total outstanding loans at NT\$549.4 billion (with SME at NT\$113.5 billion and mortgage loan at NT\$254.9 billion), while 2.47 million amount of credit cards in force. All areas of operations continued to display stable development and the Bank maintained the best asset quality on Taiwan. Moody's has rated E.SUN Bank long- and short-term ratings to Baa1/P-2, while Taiwan Ratings has assigned E.SUN ratings of twA+/twA-1, with a stable outlook.

E.SUN continues to be recognized for its brand name image and its commitment to society. In 2009, E.SUN won first place for Most Trusted Bank in a review carried out by Business Today magazine for banks involved in wealth management. It also was second place in Best Brand among Businessmen for the banking industry. E.SUN won top prize in the Corporate Social Responsibility Award among



Heritage of intelligence and leadership.

banks for the third time. It also won an honorable mention from Global Views magazine and the Corporate Social Responsibility Award from Commonwealth magazine. These honors, however, carry responsibility, and E.SUN is thus even more committed to realizing its visions.

E.SUN continues to demonstrate its longstanding commitment to bettering society and becoming a world class corporate citizen. E.SUN employees volunteer their time and energies in helping to care for society's underprivileged. E.SUN has also set forth regulations that are aimed at helping to reduce the impact of employees on the environment to a minimum in their work and daily lives. E.SUN continues to invite its E.SUN World Card cardholders to participate in various initiatives, such as the Golden Seed Project. Under this program, E.SUN libraries are established in elementary schools in remote areas, helping to plant a love among children in reading. E.SUN is also committed to promoting youth baseball on Taiwan through sponsoring the E.SUN Youth Baseball National Tournament, the E.SUN Youth Baseball Injury Prevention Camp, the E.SUN Youth Baseball Pitcher & Catcher Training Camp, and the Baseball Assistance Project for Remote Areas. E.SUN also holds blood drives, with drives in 2009 yielding 3,720 bags of blood. E.SUN demonstrated its concern for southern and eastern Taiwan after the devastating floods and landslides in early August brought by Typhoon Morakot. Employees made donations to aid disaster victims and E.SUN



volunteers rolled up their sleeves and helped in relief work. Over 500 people volunteered to travel to disaster areas to provide service, while some 200 people participated in reconstruction efforts in southern Taiwan. This exhibits E.SUN's corporate social responsibility.

Over the past 18 years since its founding, E.SUN continues to emphasize its market niche based on trustworthy and professional services, as well as top-notch service. E.SUN promotes balanced development of its operations. Various business indicators show that E.SUN is already on the path towards becoming a medium/large-sized financial conglomerate. The Bank continues to expand its developmental blueprint here, and its various initiatives are winning even more recognition among customers. In 2010, E.SUN will focus on further building its relationship with focus groups of customers. At present, E.SUN has a comprehensive network throughout Taiwan of 122 branches, an Internet banking, and a call center. It has established a close-knit financial services network offering rapid and convenient services. Regardless of whether contact is initiated through employees, direct marketing methods, telemarketing or customer reference, E.SUN takes advantage of each opportunity. In the future, it will further engage in customer risk and value analysis, offer customer-driven products and services, and engage in marketing aimed at specific customer segments, thereby providing the most appropriate banking services to its customers. Meanwhile, with increasing contacts between the two sides of the Taiwan Strait, E.SUN is carefully evaluating all possible opportunities. It continues to engage in communication with cross-strait counterparts, while further building operations at its branches in Hong Kong and Los Angeles, helping to strengthen its overseas developmental foundation. (Note: E.SUN received approval from the China Banking Regulatory Commission on March 10, 2010 to establish a representative office in Dongguan.)

E.SUN will without a doubt be successful.

It will win customers, chalk up outstanding performance and lay the groundwork for the future. The Bank will take advantage of opportunities at this crucial junction, creating distance between it and its counterparts. E.SUN will display its ambition and business acumen, working not only to achieve, but also to exceed its goals. E.SUN is aware of its responsibilities to society. At the same time, it will continue to work to maximize the function of its network to create even greater value for the Bank and its customers. At the same time, E.SUN looks to pay back and thank its customers and shareholders for their longstanding support. I would like to extend to you my best wishes.



Create Customer Value and Win over Trust from Customers.



Build-up Foundation for Taiwan National Youth Baseball Champion League.

*Yung-Jen Huang*

**Yung-Jen Huang**  
**Chairman of the Board**

*Wu-Lin Duh*

**Wu-Lin Duh**  
**President**



## II. Company Profile



The Style of Firm and Persistence.



# 1.Introduction



E.SUN FHC received “Corporate Social Responsibility Award” the third time, which confirmed the vision and determination of E.SUN to be a world class citizen.

There is no best. Rather, there is always room to improve." Since commencing operations on February 21, 1992, E.SUN's founder and chairman Yung-Jen Huang has led the Bank and all its employees in constantly striving to enhance service quality and fulfilling its corporate responsibility. E.SUN's longstanding objective has not only been to exhibit an outstanding financial performance, but also to be Taiwan's most respected Bank. The establishment of E.SUN Financial Holding Company Ltd. on January 28, 2002 paved the way for E.SUN to provide comprehensive and outstanding services to customers, continue to improve the quality of financial products E.SUN offers, and further enhance E.SUN's brand value.

## Attentive Management; Winning Customer Trust

E.SUN has always held itself to the highest of standards. The Company has focused on three pillars to underpin its development – establishment of systems, cultivation of human resources, and development of information. It is this foundation that will create the basis for sustainable operations in the years and decades ahead. In the face of a once-in-a-century financial tsunami, E.SUN continues to move forward in a steady manner, always remembering that all operations are carried

out with risk management in mind. E.SUN cares to every area of operations and its efforts repeatedly win it the trust of the public at large. E.SUN is determined to continue to fulfill its responsibilities and will earn the support and confidence of its customers through its efforts.

## Responsibility Comes With Honors

In recent years, the joint efforts of all people associated with E.SUN have helped the Bank win a great number of honors. With this, however, comes a responsibility to continue to provide the best to its customers and society:

\* 2009

- E.SUN Bank was chosen as the most trustworthy bank in Wealth Management Business (Business Today)
- E.SUN Bank ranked No.1 among all financial companies in service quality survey (Global View magazine)
- E.SUN Bank received Golden Safety award and Golden Quality award (JCIC)
- E.SUN Bank ranked No.2 among all financial companies under the brand image survey for businessman (Business Today)
- E.SUN FHC received Corporate Social

Responsibility honorable award (Global View magazine)

- E.SUN FHC received Corporate Social Responsibility award (Commonwealth magazine)

\* 2008

- E.SUN Bank received National Quality Award (Executive Yuan) the second time, which represents the highest award in Taiwan.
- E.SUN FHC awarded as Best corporate governance corporate in Taiwan (The Asset magazine)
- E.SUN FHC received the certificant of corporate governance (TCCA)
- E.SUN received Best Risk Management award by Taiwan Academy of Banking and Finance
- E.SUN received Corporate Social Responsibility Awards (Commonwealth magazine and Global View magazine)
- E.SUN Bank awarded as Excellence in employee engagement (The Asian Banker magazine)
- E.SUN Bank received awards for Providing Loans to SMEs (Financial Supervisory Commission)
- E.SUN received Credit Guarantee Partner Award (MOEA, Credit Guarantee Fund)

\* 2007

- E.SUN received Corporate Social Responsibility Awards in 2 consecutive year (Global view magazine)
- E.SUN FHC received the Best Corporate Governance in Financial sector in Taiwan (The Asset Magazine)
- E.SUN Bank received innovation award in HR Award (Bureau of labor institute, The Executive Yuan)
- E.SUN Bank received the innovation award in Asia pacific region (IBM)
- E.SUN received Credit Guarantee Partner Award (MOEA, Credit Guarantee Fund)



E.SUN Bank Ranked No.1 in "Outstanding Service Award" of the Financial Banking Industry.

### Creating Value

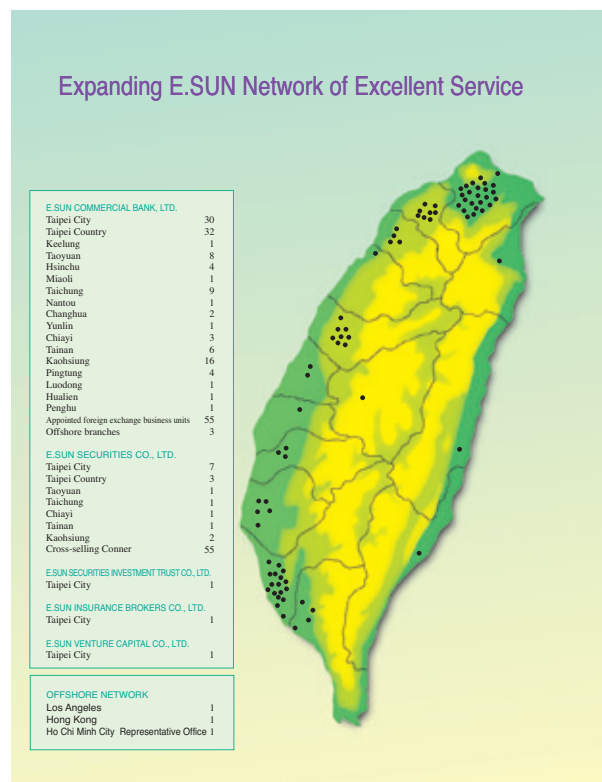
E.SUN has an outstanding corporate culture and ability to execute its policies, both of which are displayed in all areas of operations. Accolades such as "Asia's Best Mortgage Bank," "Best Credit Guarantee Partner in SME Lending," and "Most Trusted Wealth Management Bank" point to the brand name value of E.SUN. The Bank continues to hone strict risk control measures, self-discipline guidelines, and procedural controls in its consumer banking, corporate banking, wealth management, treasury, and credit card operations. These efforts have helped E.SUN to repeatedly display the best asset quality in the industry.

Despite the rapidly changing banking environment, E.SUN continues to move forward in a steady and resolute manner. It has established a network of 122 bank branches throughout Taiwan. The Bank also has spared no effort in strengthening its Internet banking network, providing customers with a financial services network that runs 24-hours a day 365 days a year. In the future, E.SUN will not

only work to maintain its brand name competitive advantage, but also continue to work to cultivate an even larger pool of outstanding customers. E.SUN consistently strives to build its relationship with customers, generating even greater customer value. It also works in cooperation with other FHC subsidiaries to maximize synergy associated with joint marketing efforts, thereby creating the best performance possible.

### A Commitment to Sincere Service

Service is something that comes from the heart. E.SUN emphasizes service at all times and in all places. The key to providing successful services is in the details. Our commitment to service is a longstanding objective and is not something that we will compromise. E.SUN has always devoted itself to offering trustworthy and professional operations. In the future, the Bank will continue to look upon service as its core and innovation as a motor to drive it forward. E.SUN will pursue a balance in terms of quality and quantity of business, while at the same time demonstrating a spirit of service and fulfilling its corporate responsibility to society. E.SUN will continue to promote the E.SUN Golden Seed Project via which it establishes E.SUN libraries at primary schools in remote areas around Taiwan, fostering an environment in which schoolchildren can begin working towards achieving their dreams. While E.SUN is proud of what it has already accomplished, it is confident that it can do even more. The Bank will further devote itself to the development of its business and to fulfilling its corporate social responsibility with the objective of becoming not only the best performing, but also most respected enterprise.



E.SUN has created a nationwide branch network for customers to enjoy E.SUN's high quality service in every county in Taiwan.



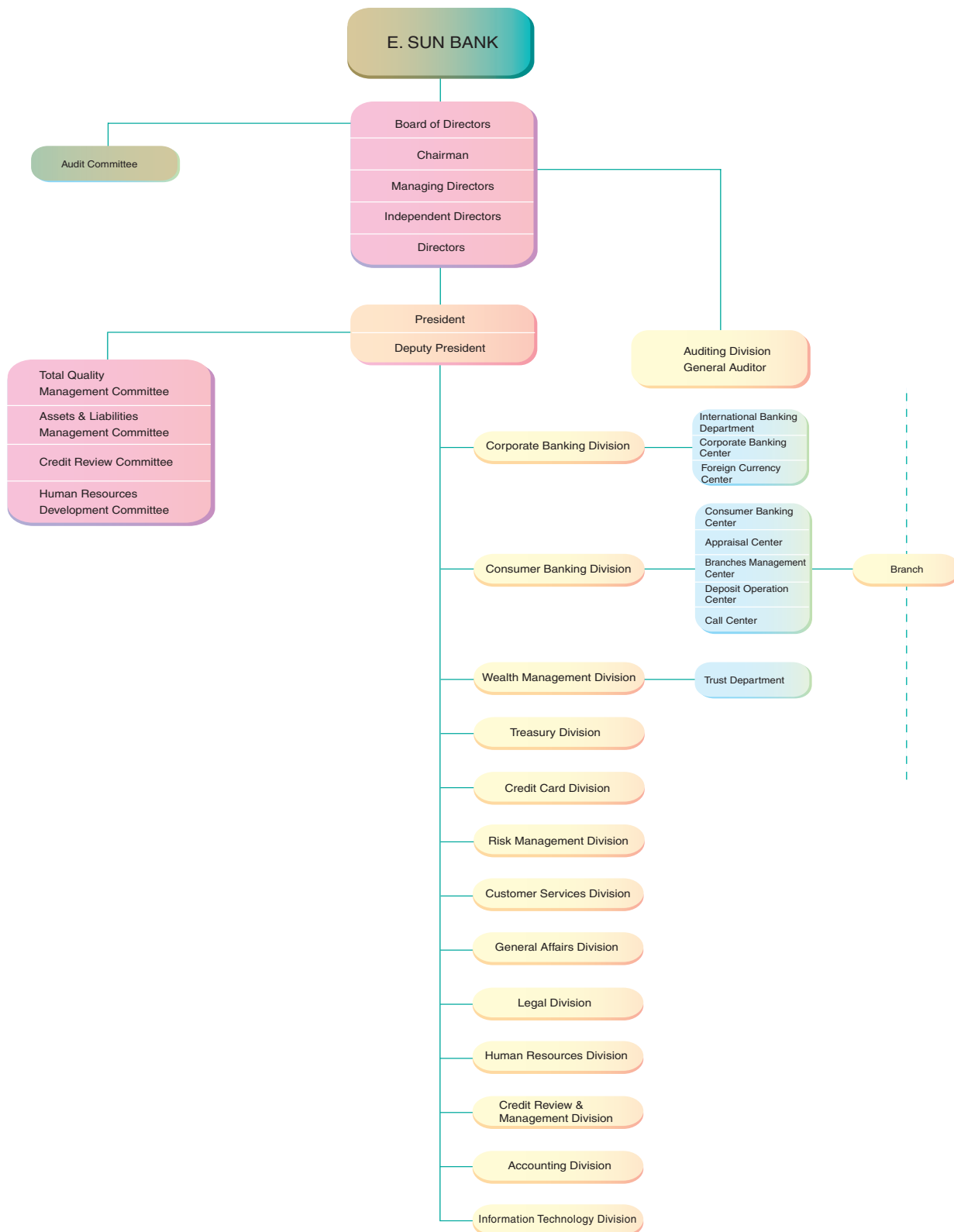
### III. Corporate Governance Report



Create Solid Foundation for the Long Journey.



# 1.Organization



## 2. Directors, Independent Directors and Management Team



Strategic Planning of the Board.

### 2.1 Directors and Independent Directors

2010.2.28 unit: 1,000 shares; %

Position	Representative	Date of Election	Term years	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC						Education (experience)	Current Position with Other Company	Devison Chiefs, directors or Supervisors are spouse or within the 2nd degree of consanguinity of each other		
							Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name				Shares	Shareholdings	Shares
					Shares	Shareholdings	Shares	Shareholdings	Shares	Shareholdings							
Chairman	Representative of E.SUN Financial Holding Company Yung-Jen Huang	2008.6.13	3	1991.12.16	3,120,000	100%	3,362,400	100%	0	0	0	0	Department of Cooperative Economics at National ChungHsing University	Chairman of E.SUN FHC	Head of Consumer Banking	Joe Huang	Brothers
Managing Director & President	Representative of E.SUN Financial Holding Company Wu-Lin Duh	2008.6.13	3	1991.12.16	3,120,000	100%	3,362,400	100%	0	0	0	0	EMBA of National Cheng Kung University, 38years in Financial Industry	President of E.SUN Bank, Director of E.SUN FHC		None	None
Managing Director	Representative of E.SUN Financial Holding Company Jackson Mai	2008.6.13	3	1991.12.16	3,120,000	100%	3,362,400	100%	0	0	0	0	Kai-Nan Commercial & Technical High School	Chairman of Hsin Tung Yang Co., Ltd. Managing Director of E.SUN FHC		None	None
Managing Director	Representative of E.SUN Financial Holding Company Chiu-Hsiung Huang	2008.6.13	3	1991.12.16	3,120,000	100%	3,362,400	100%	0	0	0	0	PhD of Business Administration at Dela Salle University	CPA Chairman of Alkan Investment Co.,Ltd. Director of E.SUN FHC		None	None
Independent Director (Managing Director)	Chang Lin Jen Jen	2008.6.13	3	2007.8.16	3,120,000	100%	3,362,400	100%	0	0	0	0	Master of University of Michigan	Chairman of Finacial Information Services Co Ltd., Independent director of E.SUN FHC		None	None
Independent Director	Chen -En Ko	2008.6.13	3	2007.8.16	3,120,000	100%	3,362,400	100%	0	0	0	0	PhD of Department of Accounting at National Taiwan University, Independent Directors of Chang Type Industrial Co., Ltd., Supervisor of Foreastone Telecommunication Co., Ltd.	Professor of Department of Accounting at National Taiwan University, Independent Directors of Chang Type Industrial Co., Ltd., Supervisor of Foreastone Telecommunication Co., Ltd.		None	None
Independent Director	Chi-Jen Lee	2008.6.13	3	2007.8.16	3,120,000	100%	3,362,400	100%	0	0	0	0	PhD of Business Administration, University of Illinois, USA	Independent Directors of Aver Media Technologies and Go-In Engineering Co., Ltd.		None	None
Independent Director	Hsin-I Lin	2008.6.13	3	2008.6.13	3,120,000	100%	3,362,400	100%	0	0	0	0	Bachelor of Department of Mechanical Engineering, National Cheng-Kung University	Independent director of E.SUN FHC and Xin-I property, Independent director and managing director of Nan Ya Plastic		None	None

Position	Representative	Date of Election	Term years	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC						Education (experience)	Current Position with Other Company	Devision Chiefs, directors or Supervisors are spouse or within the 2nd degree of consanguinity of each other		
							Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under others' name				Shares	Share-holdings	Shares
					Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings					
Director	Representative of E.SUN Financial Holding Company Yung-Hsung Hou	2008.6.13	3	1991.12.16	3,120,000	100%	3,362,400	100%	0	0	0	0	Department of Business Administration at National Taiwan University	None	None	None	None
Director	Representative of E.SUN Financial Holding Company Chai-Kuo Chen	2008.11.21	3	2008.11.21	3,120,000	100%	3,362,400	100%	0	0	0	0	MBA, UCLA	Vice Chairman and Director of Nien Hsing Textile Co.,Ltd. Director of E.SUN Bank	None	None	None
Director	Representative of E.SUN Financial Holding Company Jian-Li Wu	2008.6.13	3	1995.04.17	3,120,000	100%	3,362,400	100%	0	0	0	0	Chung Jung High School .	Chairman of Shang Li Automobile Co., Ltd . Director of E.SUN FHC	None	None	None
Director	Representative of E.SUN Financial Holding Company Joseph Huang	2008.6.13	3	2008.6.13	3,120,000	100%	3,362,400	100%	0	0	0	0	MBA of the City University of New York, 17 years in Financial Industry	President and Director of E.SUN FHC, Chairman of E.SUN Venture Capital	None	None	None
Director	Representative of E.SUN Financial Holding Company Cheng-Pin Lee	2008.6.13	3	1991.12.16	3,120,000	100%	3,362,400	100%	0	0	0	0	Master at University of San Francisco	Chairman of Chia-Tun, Hsin-Nan Co., Ltd.	None	None	None
Director	Representative of E.SUN Financial Holding Company Tai-Chi Lee	2008.6.13	3	1992.11.26	3,120,000	100%	3,362,400	100%	0	0	0	0	Department of Business Administration at Fu Jen Catholic University	Chairman of Tidehold Development Co., Ltd.	None	None	None
Director	Representative of E.SUN Financial Holding Company Suka Chen	2008.6.13	3	2001.4.19	3,120,000	100%	3,362,400	100%	0	0	0	0	Master of Department of Agricultural Economics at National Taiwan University, 21years in Financail Industry	Chairman and President of E.SUN Securities, Director of E.SUN Bank and E.SUN VC	None	None	None

## Major shareholders of the institutional shareholders

2009.12.31

Name of institutional shareholders	Major shareholders of the institutional shareholders
E.SUN Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd.(4.27%) PCA Life Assurance Co., Ltd. (3.99%) HSBC Securities Asia Nominees Limited (3.79%) Ron-Yuan Investment Co., Ltd.(3.74%) Morgan Stanley Apollo Holdings (Cayman) Ltd. (2.62%) Chunghwa Post Co., Ltd.(2.51%) HSBC Securities Asia International - Asian Equity Derivatives (2.51%) Hsin Kang Investment Co., Ltd. (2.45%) Atlas Nominees Limited (2.15%) E.SUN Bank Trust Account (1.99%)

## Professional Qualifications and Independent Analysis of Directors

Criteria  Name (note)	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (note)										Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the areas of Commerce, Law, Accounting, or otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Chairman Yung-Jen Huang		✓	✓	✓		✓			✓	✓	✓	✓		0
Managing Director Wu-Lin Duh			✓			✓	✓		✓	✓	✓	✓		0
Managing Director Jackson Mai		✓	✓	✓		✓			✓	✓	✓	✓		0
Managing Director Chiu-Hsiung Huang			✓	✓		✓	✓		✓	✓	✓	✓		0
Independent Director/Managing Director Chang Lin Jen Jen			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Independent Director Chen-En Ko	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		1
Independent Director Chi-Jen Lee	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		1
Independent Director Hsin-I Lin			✓	✓	✓	✓	✓		✓	✓	✓	✓		2
Director Chai-Kuo Chen			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Jian-Li Wu			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Cheng-Pin Lee			✓	✓		✓		✓	✓	✓	✓	✓		0
Director Tai-Chi Lee			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Yung-Hsung Hou			✓			✓	✓		✓	✓	✓	✓		0
Director Joseph Huang			✓			✓	✓		✓	✓	✓	✓		0
Director Suka Chen			✓			✓	✓		✓	✓	✓	✓		0

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

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



## 2.2 Executive Officer



Seeking success through stability.

2010.2.28 Unit : 1,000shares,%

Department	Position	Name	Date of Taking Office	Shareholdings as in E.SUN FHC						Education (Experience)	Current Position Held at Other Company	Managers who are spouses or within the second degree of consanguinity		
				Shares Held		Shares Held by Spouse and Children Under 18		Shares Held Using Names of Others				Position	Name	Relationship
				Shares	Ratio%	Shares	Ratio%	Shares	Ratio%					
Headquarter	President	Wu-Lin Duh	2008.07.16	2,737	0.075	449	0.012	0	0	Deputy President, ESB	Managing Director of E.SUN Bank	None	None	None
Corporate Banking Division	Head of Corporate Banking	Tung-Long Kuo	2006.04.14	748	0.020	38	0.001	0	0	SEVP, ESB Corporate Banking Division	None	None	None	None
Consumer Banking Division	Head of Cousumer Banking	Joe Huang	2006.04.14	2,343	0.064	1,817	0.050	0	0	SEVP, ESB Consumer Banking Division	None	None	None	None
IT Division	Deputy President	Heng-Hwa Yang	2006.04.14	1,873	0.051	252	0.007	0	0	SEVP, ESB IT Division	Director, E.SUN FHC	None	None	None
Corporate Banking Division	SEVP	Mao-Cin Chen	2009.05.08	627	0.017	4	0.0001	0	0	EVP, ESB Corporate Banking	Director, E.SUN VC	None	None	None
Wealth Management Division	SEVP	Shuei-Ping Wan	2009.05.08	397	0.011	360	0.010	0	0	EVP, ESB HQ Division	Chairman of E.SUN Insurance Brokers	None	None	None
Treasury Division	SEVP	Magi Chen	2004.02.13	268	0.007	0	0.000	0	0	EVP of ESB Treasury Division	None	None	None	None
Credit Card Division	SEVP	Ben Chen	2004.02.13	1,287	0.035	526	0.014	0	0	EVP of ESB Credit card Division	Director of E.SUN Insurance Brokers	None	None	None
HR Division	SEVP	J.C Wang	2007.02.15	1,006	0.028	427	0.012	0	0	EVP of ESB Human Resource Division	None	None	None	None
Audit Division	General Auditor	Wei-Chin Chien	2004.02.13	595	0.016	7	0.0002	0	0	General Auditor, E.SUN Bill Finance	None	None	None	None
Accounting Division	EVP	Kuan-Her Wu	2005.02.24	120	0.003	0	0.000	0	0	EVP, ESB Accounting Division	Supervisor, ESN VC	None	None	None
IT Department	EVP	Jih-Hsiung Tseng	2007.02.15	1,662	0.045	1,091	0.030	0	0	EVP, ESB IT Division	None	None	None	None
General Affairs Division	EVP	Scott Chou	2007.02.15	1,005	0.028	192	0.005	0	0	EVP, ESB General Affairs Division	None	None	None	None

Department	Position	Name	Date of Taking Office	Shareholdings as in E.SUN FHC						Education (Experience)	Current Position Held at Other	Managers who are spouses or within the second degree of consanguinity			
				Shares Held		Shares Held by Spouse and Children Under 18		Shares Held Using Names of Others							
				Shares	Ratio%	Shares	Ratio%	Shares	Ratio%	Previous Position	Company	Position	Name	Relationship	
Credit Review & Management Division	EVP	Jhong-Cheng Shun	2007.02.15	503	0.014	48	0.001	0	0	GM, Credit Review & Management Division	None	None	None	None	
Corporate Banking Division	EVP	L.C. Lin	2009.01.08	169	0.005	0	0.000	0	0	Senior VP of Corporate Bnaking Division	None	None	None	None	
Treasury Division	EVP	Joseph Shue	2006.04.14	221	0.006	0	0.000	0	0	Senior VP, ESUN Treasury Division	None	None	None	None	
Credit Card Division	EVP	Jung-Hua Lin	2010.01.29	332	0.009	12	0.0003	0	0	Senior VP, ESUN Credit Card Division	None	None	None	None	
Corporate Banking Division	Senior Vice President	Da-Tan Lin	2005.02.24	254	0.007	7	0.0002	0	0	GM, ESB Corporate Banking Division	None	None	None	None	
Corporate Banking Division	Senior Vice President	Chien-Hung Chen	2010.01.29	229	0.006	0	0.000	0	0	GM, ESB Corporate Banking Division	Director of E.SUN Investment Consulting	None	None	None	None
Corporate Banking Division	Senior Vice President	Yao-Bing Lin	2010.01.29	274	0.008	1	0.00002	0	0	GM, ESB Corporate Banking Division	None	None	None	None	None
Consumer Banking Division	Senior Vice President	Dian-An Huang	2006.04.14	144	0.004	0	0.000	0	0	GM,ESB Consumer Banking Division	None	None	None	None	None
Consumer Banking Division	Senior Vice President	Wu-Ming Hsieh	2009.01.08	188	0.005	16	0.0004	0	0	GM,ESB Consumer Banking Division	None	None	None	None	None
Consumer Banking Division	Senior Vice President	Chi-Gan Chung	2010.01.29	420	0.011	0	0.000	0	0	GM,ESB Consumer Banking Division	None	None	None	None	None
Consumer Banking Division	Senior Vice President	Mei-Lee Hsu	2010.01.29	286	0.008	0	0.000	0	0	GM,ESB Consumer Banking Division	Director of E.SUN Securities	None	None	None	None
Wealth Management Division	Senior Vice President	Louis Chang	2010.01.29	275	0.008	90	0.002	0	0	GM,ESB Wealth Management Division	Director of E.SUN Insurance Brokers	None	None	None	None
Treasury Division	Senior Vice President	Peter Shih	2010.01.29	374	0.010	0	0.000	0	0	GM,ESB Treasury Division	None	None	None	None	None
Credit Card Division	Senior Vice President	Fu-Chung Huang	2010.01.29	315	0.009	22	0.001	0	0	GM,ESB Credit Card Division	None	None	None	None	None
General Affairs Division	Senior Vice President	Jin-Huae Lin	2007.02.15	501	0.014	507	0.014	0	0	GM,ESB General Affairs Division	None	None	None	None	None
Accounting Division	Senior Vice President	Alan Chang	2010.01.29	645	0.018	0	0.000	0	0	GM,ESB Accounting Division	Supervisor of E.SUN Insurance Brokers	None	None	None	None
IT Division	Senior Vice President	Po-Hsuan Hsu	2010.01.29	301	0.008	31	0.001	0	0	GM,ESB IT Division	None	None	None	None	None
Risk Management Division	Senior Vice President	Oliver Hsieh	2010.01.29	254	0.007	0	0.000	0	0	GM,ESB Risk Management Division	None	None	None	None	None
Call Center	Senior Vice President	Ming-Ching Tai	2010.01.29	268	0.007	23	0.001	0	0	GM,ESB Call Center	None	None	None	None	None
International Banking Department	Senior Vice President	Maggy Chou	2010.01.29	516	0.014	307	0.008	0	0	GM,ESB International Banking Department	None	GM	Chun-Nai Tsi	Spouse	
Audit Division	GM	Chi-Tung Hsieh	2006.12.25	563	0.015	136	0.004	0	0	General Auditor, E.SUN Bill Finance	None	None	None	None	None
Trust Division	GM	Edward Chen	2005.02.24	223	0.006	31	0.001	0	0	GM,ESB Trust Division	None	None	None	None	None
OBU	Senior Vice President	Cathy Kuo	2010.01.29	428	0.012	0	0.000	0	0	GM,ESB OBU	None	None	None	None	None

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

### (1) Remuneration of Directors

2009.12.31 Unit: NT\$ thousand

Title	Name	Director Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%)				Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the Company's subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowance (D)						Salary, Bonuses, and Allowance (E)		Severance Pay (F)		Profit Sharing-Employee Bonus (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
																						Cash	Stock	
List as following		4,656	4,656	0	0	21,468	21,468	3,600	3,600	1.68%	1.68%	5,131	5,131	0	0	64	0	64	0	0	0	1.97%	1.97%	None

\* E.SUN FHC Representative: Chairman Yung-Jen Huang; Managing Directors Wu-Lin Duh, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen; Directors Chen-En Ko, Chi-Jen Lee, Hsin-I Lin, Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Yung-Hsung Hou, Joseph Huang, Suka Chen.

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

### Remuneration Bracket

Bracket	Name of Directors (Unit: NT\$ thousands)			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements (I)	The Company	Companies in the consolidated financial statements (J)
Under NT\$ 2,000,000	Wu-Lin Duh, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin, Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Yung-Hsung Hou, Joseph Huang, Suka Chen	Wu-Lin Duh, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin, Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Yung-Hsung Hou, Joseph Huang, Suka Chen	Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin, Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Yung-Hsung Hou, Joseph Huang, Suka Chen	Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin, Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Yung-Hsung Hou, Joseph Huang, Suka Chen
NT\$ 2,000,000 ~ NT\$ 5,000,000	Yung-Jen Huang	Yung-Jen Huang	Yung-Jen Huang	Yung-Jen Huang
NT\$ 5,000,000 ~ NT\$ 10,000,000			Wu-Lin Duh	Wu-Lin Duh
NT\$ 10,000,000 ~ NT\$ 15,000,000				
NT\$ 15,000,000 ~ NT\$ 30,000,000				
NT\$ 30,000,000 ~ NT\$ 50,000,000				
NT\$ 50,000,000 ~ NT\$ 100,000,000				
Over NT\$ 100,000,000				
Total	29,724	29,724	34,919	34,919

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

Unit: NT\$ thousands

Year Title	2009						2008					
	The Company			Companies in the Consolidated Financial Statements			The Company			Companies in the Consolidated Financial Statements		
	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax	No. of persons	Amount	Ratio to Net profit after tax
Directors	15	29,724	1.68%	15	29,724	1.68%	19	14,863	1.90%	19	14,863	1.90%
President and SEVP	11	40,113	2.26%	11	40,113	2.26%	11	51,822	6.63%	11	51,822	6.63%

Note : 2009 Bank Net Profit after tax was NT\$ 1,774,435,000; 2008 Bank Net Profit after tax was NT\$ 781,963,000.

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

- The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 40 of the Company's statute. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 30-1 of the statute. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of this compensation.
- The performance review system and remuneration framework for high-level managers (including the president and vice president) and managers is first screened by the Company's Renumeration Committee, following which the board makes a final decision. Salaries of managers should reflect their professional experience, and the Company's, counterparts' and market standards. The chairman is authorized to approve the respective salaries. Meanwhile, the Company will issue bonuses based on overall operational results and individual performance. This enables a manager's compensation to be closely related to operational performance. A manager's bonus will be impacted if a major risk event occurs that impacts the Company's reputation, inappropriate internal management is seen, or other abuses are documented. At the same time, the Company will carry out stress tests and scenario analysis to evaluate possible risk in the future, and the Risk Management Committee each quarter will report to the board and Auditing Committee on the level of such risk.



### 3. Implementation of Corporate Governance

#### 3.1 Board of Directors

A total of 4 (A) meeting of the board of directors were held in the previous period. Director and supervisor attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) [ B/A ]	Remarks
Chairman	E.SUN FHC representative Yung-Jen Huang	4	0	100%	Re-elected
Managing Director	E.SUN FHC representative Wu-Lin Duh	4	0	100%	Re-elected
Managing Director	E.SUN FHC representative Chiu-Hsiung Huang	3	1	75%	Re-elected
Managing Director	E.SUN FHC representative Jackson Mai	3	1	75%	Re-elected
Independent Director (Managing Director)	E.SUN FHC representative Chang Lin Jen Jen	3	1	75%	Re-elected
Independent Director	E.SUN FHC representative Chen-En Ko	4	0	100%	Re-elected
Independent Director	E.SUN FHC representative Chi-Jen Lee	4	0	100%	Re-elected
Independent Director	E.SUN FHC representative Hsin-I Lin	4	0	100%	Re-elected
Director	E.SUN FHC representative Chai-Kuo Chen	4	0	100%	Re-elected
Director	E.SUN FHC representative Jian-Li Wu	4	0	100%	Re-elected
Director	E.SUN FHC representative Cheng-Pin Lee	4	0	100%	Re-elected
Director	E.SUN FHC representative Tai-Chi Lee	4	0	100%	Re-elected
Director	E.SUN FHC representative Yung-Hsung Hou	3	1	75%	Re-elected
Director	E.SUN FHC representative Joseph Huang	4	0	100%	Re-elected
Director	E.SUN FHC representative Suka Chen	4	0	100%	Re-elected

Other mentionable items:

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None

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

-Practice of Directors' avoidance of motions in conflict of interest:

Director Name	Content of Motion	Cause of Avoidance	Voting
Yung-Jen Huang	Donation to E.SUN Foundation	FHC Law related party	No
Wu-Lin Duh	Donation to E.SUN Foundation	FHC Law related party	No
Jackson Mai	Donation to E.SUN Foundation	FHC Law related party	No
Tai-Chi Lee	Donation to E.SUN Foundation	FHC Law related party	No
Hsin-I Lin	Strategic Alliance with Sinyi Realty Inc.	FHC Law related party	No
Suka Chen	Real Estate rental from E.SUN Securities	FHC Law related party	No
Suka Chen	Signing Authorization Contract with E.SUN Investment Consulting	FHC Law related party	No
Suka Chen	Adjustment of Place and Cross-Sale Expenses of E.SUN Securities' Security Settlement Payment Collection	FHC Law related party	No
Suka Chen	Real Estate rental of E.SUN Financail Building	FHC Law related party	No
Suka Chen	Granting Loan to Realtd Party	Bank Law related party	No
Hsin-I Lin	Granting Loan to Realtd Party	Bank Law related party	No
Cheng-Pin Lee	Granting Loan to Realtd Party	Bank Law related party	No
Chai-Kuo Chen	Granting Loan to Realtd Party	Bank Law related party	No
Tai-Chi Lee	Granting Loan to Realtd Party	Bank Law related party	No

The Motion of Distribution Ratio of Directors' Remuneration: Individual Related Party (including Chairman, Managing Directors, Independent Directors, and Directors) was avoided respectively when his/her Distribution Ratio of Remuneration was discussed at the board.

3. Measures taken to strengthen the functionality of the Board:

The Board of Directors has established Audit Committee, Corporate Governacne and Nomination Commiottee, Compensation Committee and Board Strategy Development Committee in June, 2008 to assist the Board in carrying out its various duties.

### 3.2 Audit Committee (Attendance of Independent Directors for Board Meeting)

#### Audit Committee Operation Information

A total of 4(A) Audit Committee meetings were held in the previous period. Independent director attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) 【 B / A 】	Remarks
Independent Director	Chen-En Ko	4	0	100	
Independent Director	Chi-Jen Lee	4	0	100	
Independent Director	Chang Lin Jen Jen	3	1	75	
Independent Director	Shin-I Lin	4	0	100	
<p>Other mentionable items:</p> <ol style="list-style-type: none"> <li>1. If there are the circumstances referred to in Article 14-5 of Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified: None</li> <li>2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None</li> <li>3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)</li> </ol> <p>The Audit Division reports quarterly on its auditing results to the board; CPA reports 2008 Financial Report and 2009H1 Financial Report to the 3rd and 5th of Term 1 Audit Committee respectively.</p> <p>Independent Directors enjoy a sufficient communication and interaction with Internal Auditors and CPAs.</p>					

### 3.3 Corporate Governance Execution Status and Deviations from “Bank Governance Best-Practice Principles”:

Item	State of Implementation	Deviations from “Bank Corporate Governance Best Practice Principles” and Reasons
<p>1. Ownership structure and shareholders' equity of FHC</p> <p>(1)The manner in which the FHC handles shareholders' proposals or disputes.</p> <p>(2)The ability of the FHC to identify its controlling shareholders and the ultimate person or persons behind such shareholders.</p> <p>(3)The ways the FHC establishes firewalls and risk management mechanisms with respect to its affiliates.</p>	<p>(1)E.SUN FHC is the sole shareholder of the Bank. The FHC's shareholders can file opinions via the FHC's Stock Service Department or customer service division. Qualified persons will then handle these issues. Channel for communication are quite smooth.</p> <p>(2)The Bank is a wholly owned subsidiary of E.SUN FHC.</p> <p>(3)Risk management committee has been set up to oversee the execution of risk management policy and culture. In addition, E.SUN risk management rules has been established.</p>	No difference
<p>2. Duties of Board of Directors</p> <p>(1)State of Company designating of independent director.</p> <p>(2)State of regularly evaluating independence of certifying accountant.</p>	<p>(1)The Bank's board has 15 members. On 13th of June, 2008, The Parent company appointed four Independent directors. The Company has formulated guidelines delineating the responsibilities of independent directors to serve as a basis for these individuals in carrying out their jobs.</p> <p>(2)The Company annually commissions an accounting agency to carry out and approve financial- and tax-related audits. The Auditing Committee and board screen accounting agencies for professionalism, independence and reasonable fees, after which they appoint an agency to serve as the Company's auditing accountant.</p>	No difference
<p>3.State of establishing avenues of communication with interested parties.</p>	<p>The Bank has a special department in charge of building up and maintaining list of related party and related communication.</p> <p>The Bank's customers can express their opinions through customer service units. Employee disputes will be handled by human resource departments. This ensures smooth communication channels for interested parties.</p>	No difference
<p>4. Disclosure of information</p> <p>(1)The FHC has set up website for the disclosure of financial information and its corporate governance practices.</p> <p>(2)Any other methods adopted by the Bank for the disclosure information (e.g., establishing English-version website, appointing persons responsible for gathering and disclosing Bank information, implementing a spokesperson system, and placing the record of analyst meeting on its website).</p>	<p>(1)</p> <p>a. Disclose status of Financial information, Business operation and Corporate governance in the website (<a href="http://www.esunfbc.com.tw/info">http://www.esunfbc.com.tw/info</a>)</p> <p>b. Information disclosed include financial information, business operation, resolutions by board, material for analyst meeting, internal control and contact information.</p> <p>(2)</p> <p>a. The Bank has already set up English and Chinese websites. Designated persons are responsible for collecting and posting information on those sites.</p> <p>b. The Bank has mandated an individual with full knowledge of financial and operational information and department coordination ability as spokesperson.</p> <p><b>E.SUN Bank Spokespersons</b>  Name: Wu-Lin Duh  Position: President  Telephone +8862-2175-1313#1350  Email : wulin@email.esunbank.com.tw</p> <p><b>Deputy Spokesman</b>  Name: Magi Chen  Position: SEVP  Telephone: +8862-5556-1313#1833  Email : magi@email.esunbank.com.tw</p>	No difference
<p>5. The status of establishment and operation of functional committees, such as Audit committee.</p>	<p>(1)E.SUN FHC has established Audit Committee, Corporate Governance and Nomination Committee, Compensation Committee and Board Strategy Development Committee. Independent directors serve as conveners or participate in these committee.</p> <p>(2)E.SUN Bank set up Audit Committee on 2008.6.13 and E.SUN FHC appoints 4 Independent Directors to the Committee.</p> <p>a. Rules of Audit committee organization have been established.</p> <p>b. The committee is compose with all independent directors, the committee has the following main objectives in its work:</p>	No difference

Item	State of Operation	Deviations from "Bank Corporate Governance Best Practice Principles" and Reasons
	1.Ensuring the Company's financial statements are in proper form. 2.Selecting (dismissing) Certified Public Accountant (CPA), verifying CPA's independence and monitoring performance. 3.Ensuring effective implementation of the Company's internal controls. 4.Ensuring Company compliance with related rules and regulations 5.Control the internal risk within the company	
6. If the Company has established corporate governance principles based on "Bank Corporate Governance Best-Practice Principles", please describe any discrepancy between the principles and their implementation:  The Company practices Corporate Governance fully in accordance with "Bank Corporate Governance Best-Practice Principles" and there has been no difference.		
7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors):  (1)Enacted Guidelines for Minutes of Board Meetings to improve supervision and management of such meetings and to provide a regulatory basis to abide by in holding meetings. (2)The Company periodically asks directors and supervisors to take various courses, such as The Taiwan Corporate Governance Association, the Taiwan Stock Exchange and other institutions held various seminars and forums, such as "Corporate Governance and Impact & Effect on Directors and Supervisors Legal Risk," "2009 Corporate Social Responsibility and Sustainable Operations and Investment Forum," "Status and Trends of Information Technology Governance," "Liability of Directors and Supervisors in the Event of Insider Trading," "Corporate Governance, Responsibilities of Directors & Supervisors, and Creation of Corporate Value," "2010 Capital Market Development Strategies," and "Establishing an Attracting Asia-Pacific Corporate Legal Framework." (3)The Company has established as Risk Management Department to draft and carry out risk control policies. The scope of risk reports and measurement systems cover the following: a. Credit Risk The information imparted at these events helps to establish systematic methods to manage risk derived from borrowers, counterparties, and portfolios, including creating an appropriate credit risk control environment, the adoption of credit risk controls for counterparties, and the establishment of counterparty credit ratings, along with limits on exposure to a single product, single industry, or single conglomerate. b. Market Risk The Company and all subsidiaries must establish price, currency, and interest rate fluctuation risk assessment and control mechanisms on all on-sheet and off-sheet items. c. Liquidity Risk The Company is to evaluate liquidity risk on assets in its main portfolio and manage liquidity risk based on the nature of individual industries and regulations set forth by regulatory agencies. The Company must also institute a liquidity risk contingency plan to be used in emergencies. d. Operational Risk E.SUN is making every effort to establish operational procedures in all areas of business, and controls and auditing procedures on authorized limits, documents and custodianship of beneficiary certificates. e. Other Risk E.SUN has mechanisms to carry out and manage risk scenario stress tests, risk appetite analysis and capital adequacy. (4) E.SUN has always emphasized customer service quality. It provides consumers complain channel and has implemented a number of consumer protection policies. (5) In order to round out the company's corporate governance mechanism and reduce risk exposed to directors and key staff members of the company, E.SUN FHC has taken out liability insurance for directors, supervisors and key staff members. Those insured include past, present and future directors and key employees of E.SUN FHC and the FHC's subsidiaries, as well as managerial and supervisory personnel. The policies include liability insurance for these individuals, corporate compensation insurance, corporate securities claims liability coverage, and corporate employment practice liability coverage. (6) Employee disputes will be handled by human resource departments. This ensures smooth communication channels for interested parties. E.SUN holds knowledge sharing meetings in different region every year to disclose company's goal, policy and other employee-related information. In addition, employee welfare committee is set up to take care all employees. (7) To encourage shareholders participating corporate governance, regulation of AGM is conducted, in addition, spokesman system and stock affair unit provide a communication channel for shareholders to express their opinions. Disclose status of Financial information and Business operation within the website.		
8. Please describe the results of any corporate governance self-appraisals by the Company or appraisal reports commissioned by the Company, any shortcomings or suggestions presented in the reports and measures to rectify such:  The Company's parent company, E.SUN FHC, received Corporate Governance Certificate from Taiwan Corporate Governance Association in 2009  The Taiwan Corporate Governance Association has singled out E.SUN for its clear vision, pragmatic corporate culture, professional team, and responsible operations. This is helping to maximize the function of E.SUN's corporate governance system, according to the TCGA. Meanwhile, E.SUN emphasizes employee training in an effort to achieve its objective of having a professional and trustworthy operations team. This is an important factor in solidifying corporate governance. The function of the board is as expected from an organization emphasizing professionalism. In addition, members of the Auditing Committee have a variety of professional backgrounds, which assists in maximizing the function of the board and carrying out well-reasoned strategic business planning.		

#### 4. Social Responsibility

E.SUN makes every effort possible to be a world-class corporate citizen. E.SUN Bank has long sought to enhance customer value and streamline service and work procedures with the goal of being the best bank in Taiwan, representing Taiwan's tallest peak and its namesake "Yushan." In 2009, E.SUN FHC continued to receive the certificant of corporate governance from TCCA, Corporate Social Responsibility Awards from Global View magazine and Commonwealth magazine. E.SUN Bank ranked No.1 among all financial companies in service quality survey from Global View magazine and received the title of the Most Trustworthy Bank in Wealth Management Business from Business Today magazine and Golden Safety award and Golden Quality award from JCIC. This displays the Bank's commitment to quality and its desire to pay back customers, shareholders and society, as well as its desire to be not only the best performing, but also most respected enterprise.

Comprehensive corporate governance measures are an important pillar to set the basis for a company's long-term operations. E.SUN's professional and trustworthy management team and group of esteemed directors have established the foundation for corporate governance within the Bank. Guidelines far exceeding minimum requirements have been enacted. In addition, independent directors with different backgrounds have been elected to strengthen the function of the board and realize disciplined management. E.SUN also emphasizes information transparency in order to protect the interests of shareholders. The Auditing Division and other special function committees have been set up that report directly to the board. This improves the decision-making quality of the board, enhances the implementation of corporate governance systems and boosts corporate competitiveness. E.SUN's management team is determined to have E.SUN serve as a model in terms of corporate governance. This is an important link in its responsibility to society and its effort to be a first-rate corporate citizen.

In addition, in 2007, E.SUN produced a white paper on environmental protection – The E.SUN Green Policy, to detail the Bank's mission

with regards to environmental protection and energy conservation to harness the influence of companies and individuals in this effort. In 2008, E.SUN cooperated with National Chung Hsing University's Hsinhua Forest Station in kicking off a six-year project to plant trees. 10,000 trees has been further planted on the grounds of the forest station in 2009. E.SUN aims to fulfill its responsibility to the environment via this initiative. In addition, it also responded to the Earth Day activity to turn off lights for one hour. On Mid-Autumn Festival, it called for people to participate in an event to switch off lights in order to better see the moon, and it also participated in International Car Free Day on September 22. E.SUN has initiated activities in Taiwan to clean refuse from mountains. It also advocates initiatives to cut carbon emissions. In addition, the Bank holds many number of environmental protection activities, including each department holds seminar to promote energy saving and environment protection concept and methods on the date of 13rd every month,. Every branch helps to clean nearby areas before work and makes a better living environment for the community.

#### 5. Corporate Governance Guidelines and Regulations

Please refer to the Company's website at [http://www.esunbank.com.tw/about/legal\\_info\\_info](http://www.esunbank.com.tw/about/legal_info_info)



## 6. Internal Control

### 6.1 Representation on Internal Control

#### E.SUN COMMERCIAL BANK, LTD. Representation on Internal Control

March 12, 2010

On behalf of E.SUN Commercial Bank, Ltd., we hereby certify that the company indeed complies with the Enforcement Regulations for Bank Internal Audit Control System and the company's internal control system and risk management mechanism for the fiscal year of 2009 have been implemented and audited by the independent internal auditors, and the internal audit reports are periodically presented to the company's board of directors and supervisors.

Regarding securities business, according to criteria for evaluation of internal control systems required by the "Criteria for Establishment of Internal Control Systems by Securities and Futures Service Enterprises" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission, our bank has carried out an evaluation to ascertain whether the design and implementation of our internal control system is effective.

Under due assessment, the internal controls and legal compliance of each department during 2008 are effectively in place. This representation will be a major part of our annual report and prospectus, and will also be released to the public. The existence of discrepancies or omissions in the content of this representation would constitute violations of Articles 20, 32, 171 and 174 of the Securities and Futures Exchange Act and entail relevant legal responsibility.

Sincerely yours,

Financial Supervisory Commission, Executive Yuan

Chairman



President



General Auditor



Compliance Officer



### 6.2 Disclosure of any commissioned internal control review carried out by CPA: None

## IV. Capital Overview



Rays of Sunshine Nurture Prosperity.

# 1. Shares and Dividends

## 1.1 Source of Capital

2009.12.31 Unit: thousand shares, NT\$ thousands

Month/Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Others
2007.1.1		2,890,991	28,909,905	2,890,991	28,909,905		
2007.6.5 (note1)	10	29,009	290,095	29,009	290,095	Retained Earnings	
2007.6.21 (note2)	20	200,000	2,000,000	200,000	2,000,000	Cash Capital	
2009.6.26 (note3)	10	62,400	624,000	62,400	624,000	Retained Earnings	
2009.12.4 (note4)	14	180,000	1,800,000	180,000	1,800,000	Cash Capital	

note1 : The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on June 5, 2007 granted approval for issuance in its letter Zidi 0960027542.

note2 : The Banking Bureau of the Executive Yuan's Financial Supervisory Committee on June 21, 2007 granted approval for issuance in its letter Zidi 09600256501.

note3 : The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on June 26, 2009 granted approval for issuance in its letter Zidi 0980030711.

note4 : The Banking Bureau of the Executive Yuan's Financial Supervisory Committee on December 4, 2009 granted approval for issuance in its letter Zidi 09800558761.

## 1.2 Type of Shares

2009.12.31 Unit: Share

Type of Shares	Authorized Capital			Remark
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	3,362,400,000	0	3,362,400,000	

### 1.3 State of Shareholders

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

### 1.4 Shareholding Distribution Status

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

### 1.5 List of Major Shareholders

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

### 1.6 Dividend Policy and Implementation Status

The Bank's policy is to mainly pay dividends in the form of cash. When legal reserves do not equal paid-in capital, cash dividends should not exceed 15% of paid-in capital. In order to maintain ample capital, the Bank has resolved to distribute a dividend paid in stock of about NT\$0.44 and a dividend paid in cash of about NT\$0.16 for fiscal 2009.

**1.7 Impact on business performance and earnings per share of stock dividend payment proposed at the most recent shareholders' meeting: None**

### 1.8 Employee Bouns and Compensation for Directors

(1) Article 40 of the Bank's Articles of Incorporation: Should the Bank in a fiscal year post profits, after the payment of taxes and appropriations for any accumulated deficit, a 30% legal reserve shall be set aside. A special reserve may also be set aside if needed. Distribution of the remaining funds, including retained earnings from the previous fiscal year, is as follows:

- Shareholder Dividend: 94%.
- Directors' Compensation: 1%.
- Employee Bonus: 5%.

## 1.9 Information on board-approved Employee Bonus and Compensation for Directors

Unit: NT\$

Balance at beginning of the period	317,557,226
Add: 2009 net profit	1,774,435,101
Add: Recoery of Appropriated R/E	636,191,289
Substract: 10% Legal Reserved	532,330,530
Net Profit for distribution	2,195,853,086
Distribution :	
Shareholders' Bonus(NT\$0.44 Stock Dividend per share)	1,476,000,000
Shareholders' Bonus(NT\$0.16 Cash Dividend per share)	541,984,000
Total Shareholders' Bonus	2,017,984,000
Undistributed Profit at the end of the period	177,869,086

Note: Employee Bonus is NT\$ 107,339,574 and Directors' compensation is NT\$21,467,915.

## 1.10 Share Repurchase: None

2. Preferred Shares Issuance: None.

3. GDR Issuance: None.

4. Employee Stock Option: None.

5. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

6. Financing Plan and Implementation:

Analysis on previous Issuances or private placement of security and debenture have not been completed or the implementation impact of the recent 3-year financial plan has not been realized: None.



## V. Operational Highlights



Lush and Thrifty Blossom.



# 1. Business Activities



The Variety of Cloud Shape.

In 2009, E.SUN continued to round out its branch network, further develop its virtual services network, develop new products, and join in FHC-related joint marketing initiatives. This has helped to provide comprehensive services to customers and demonstrate E.SUN's core abilities. In looking at 2010, E.SUN will continue to pursue policies in which risk management governs all operations and in which it seeks to generate success based on stable operations. The Bank will continue to appropriately expand its various businesses and work to generate balanced long-term development.

## 1.1 Corporate Banking

### (1) Corporate Lending

E.SUN continues to focus on extending credit to corporate clients with strong credit records and reputable operations. At the same time, however, it protects itself by continually enhancing its risk control mechanisms. This has helped to boost capital utilization and enhance asset quality. At the end of 2009, outstanding corporate lending stood at NT\$226,784 million, representing 41% of the Bank's total loan portfolio. Corporate lending decreased

NT\$18,430 million in 2008. Of these loans, 53% were extended to the manufacturing industry, 17% to the financial, insurance and real estate industries, and 14% to the wholesale and retail sector.

E.SUN provides a comprehensive range of banking products and services, underpinning growth in corporate banking. Whether it is credit to enterprises, trade financing, loans for factory construction, syndicated loans, corporate treasury options or cash management platforms, E.SUN Bank continues to integrate resources from the FHC. It seeks to provide "total solutions," satisfying the financing and financial service needs of its corporate customers, and thereby creating a win-win situation for all involved.

E.SUN provides a comprehensive range of



Quick and Convenient Cross-Straight Remittance Service.

banking products and services, underpinning growth in corporate banking. Whether it is credit to enterprises, trade financing, loans for factory construction, syndicated loans, corporate treasury options or cash management platforms, E.SUN Bank continues to integrate resources from the FHC along with information technology. It seeks to provide “total solutions,” satisfying the financing and financial service needs of its corporate customers, and thereby creating a win-win situation for all involved.

#### (2) Foreign Exchange

E.SUN has launched special marketing campaigns directed at corporate clients to increase foreign exchange deposits. It seeks to become the bank of choice for customers and looks to strengthen ties with its clients. E.SUN has also introduced several marketing campaigns and new functions, including; large amount transaction and online open L/C, to attract customers to its Internet bank and satisfy the personal finance needs of customers. In remittance business, E.SUN promoted special campaigns including “Foreign Labour Remittance” and “Express Remittance to Mainland China” to provide speedy and convenient remittance service. One measure E.SUN is adopting to bolster its foreign exchange business is to promote use of its Internet bank-based forex transaction inquiry system. This system provides real-time notification services and simple declaration procedures. In 2009, 11 more E.SUN branches became Designated Foreign Exchange Branches, bringing the Bank’s total number to 60. E.SUN’s foreign exchange transaction network circles the globe, providing customers convenient trade and commerce payment and receipt services. In 2009, E.SUN’s total export/import and exchange volume stood at US\$58.360 billion, equivalent to growth of 2.6% from the previous year.



The Best Financial Partner to Commit to Your Beloved Family.

## 1.2 Consumer Banking

### (1) Deposit and Remit business

E.SUN Bank’s outstanding corporate image, stable operational strategies, and diversified product line have effectively boosted total deposits. At the end of 2009, the Bank’s total deposits amounted to NT\$792,124 million, a rise of NT\$102,126 million, or 14.80%, from the end of 2008. Demand deposits rose 49.29% from 2007 to stand at NT\$357,513 million, comprising 45.13% of all deposits. Time deposits amounted to 54.87% of all deposits, amounting to NT\$434,611 million. The structure of deposits is advantageous to the bank and the amount of deposits continues to grow.

### (2) Mortgage Loans

E.SUN continues to achieve a balance of quality and quantity in its mortgage operations. Integrated marketing is applied in this area of business. E.SUN has developed a range of products and tailored services to satisfy the wide-ranging needs of various customer segments. In addition, database analysis is helping to effectively develop pools of customers with business value, thereby boosting marketing efficiency and income, and ultimately profitability. E.SUN's mortgage business continues to show significant growth despite a macroeconomic environment that has yet to exhibit a strong recovery. In terms of credit risk, E.SUN continues to employ mortgage risk models to manage the quality of its mortgage assets. It also continues to utilize stress tests to strengthen its ability to monitor risk.

### (3) Unsecured Personal Loans

Besides its general range of customers, E.SUN will focus on building relationships in this area of business with its mortgage loan customers, along with doctors and civil servants. E.SUN expects this to strengthen the structure of its unsecured personal loan portfolio and enable it to continue to work towards the goal of steadily expanding the volume of these loans. In 2010, E.SUN plans to increase the scale of its unsecured personal loan business by further building its relationships with customers in the vicinity of its branches, along with providing small business loans and small-sized credit lines.

#### (4) Micro SME

E.SUN will boost its business with MSMEs by honing its relationship with vendors in the vicinity of its branches. It will seek to build loyalty between these shops and its branches, gradually creating a more close-knit service network. E.SUN has promoted lending to small-sized business near its branches since 2008, and it has both expanded business and gained important operational experience in the process. This business has proven beneficial in its efforts to expand its lending rate differentials and to boost the amount of demand deposits.

#### (5) Internet Banking

E.SUN continues to strive to provide innovative and comprehensive transaction services and an online personal and corporate finance platform through its electronic bank. The Bank offers a wide range of solutions through the use of its IC card, including WebATM real-time payment, deduction upon spending and Internet cash register services. This satisfies the needs in transactions between businesses and customers and between individuals. E.SUN's WebATM already exhibits a strong range of system support. Besides supporting Firefox, Google, Chrome, and Opera browsers, the system is in the forefront here by supporting Linux and Mac operating systems. The online personal finance platform offers a range of products and services by related business units. It also features planned marketing events in order to increase the ratio of trades made using the system. In the future, E.SUN will continue to engage in R&D and innovation in its website and Internet bank, providing customers with an even better network platform. At the same time, this will reduce operational costs for E.SUN and raise the benefits of its virtual network.

### 1.3 Wealth Management

#### (1) Mutual Funds

The extreme volatility in the global financial markets in 2008 caused customers to become much more cautious in their investments, reducing the acceptance of complex financial products in the marketplace. Consequently, the Bank made relatively easy to understand mutual funds the focus of its marketing. In the

first quarter of 2009, E.SUN even added to the overseas bond and ETF products it offers. E.SUN also expressed to customers the importance of asset allocation. Looking out for the interests of its customers is a key reason that the public in a survey carried out by Business Today magazine ranked E.SUN in first place for Most Trusted Bank. Customers realize that E.SUN is protecting their assets. As of the end of 2009, the total amount of overseas trust assets stood at NT\$75,213 million.

#### (2) Bancassurance

E.SUN and Prudential Plc maintain a cooperative relationship to provide a comprehensive line of products and insurance services. By understanding customer needs, E.SUN is able to assist customers in risk planning and asset allocation. Bancassurance counters at bank branches, telemarketing, and the ability to purchase products over the Internet all helped to underpin growth in this area of business in 2009. E.SUN also strives to package insurance products with products offered by other FHC subsidiaries, providing customers with one-stop financial consultation and services, thereby achieving synergy.

#### (3) Trust

E.SUN Bank continues providing professional service and expanding in trust business to help guarding customers' wealth for life. The products of trust business include monetary trusts, advanced payment trusts, real estates trusts, securities trusts, welfare trusts, insurance payment trusts, employees saving trusts and real estate purchase proceed trusts. At the end of



Periodical Investment builds up a Vehicle for Dream of Life.

2009, total assets under trust stood at NT\$106,474 million, which was a rise of NT\$7,611 million from the previous year. Assets under custodianship in the form of securities stood at NT\$15,535 million, while asset funds under custodianship in special accounts amounted to NT\$8,753 million.

#### 1.4 Credit Card

The credit card market in 2009 continued to be clouded by the Independent Dispute Resolution Process (IDRP) and ethical risk associated with the Articles on Consumer Debt. In addition, the government during the year issued consumption vouchers to boost spending. Consequently, the total amount charged, the number of cards in issuance, the cards in force, and the balance of revolving credit fell for the industry across-the-board. E.SUN had 2.47 million cards in force at the end of 2009, with 1.55 million cards in use. The amount charged on the cards during the year was NT\$94.4 billion. All of these numbers grew from the previous year. Meanwhile, E.SUN's NPL ratio stood at 1.44% and its gross charge off ratio was 7.42%, pointing to a continued strong asset quality.



Best Buddy for Commuters with Various Options.

In an effort to develop business and further its leading status in the market, E.SUN pursued a strategy of aggressively growing this line of business in 2009. It sought to encourage people to use E.SUN cards as their main credit card, which would result in increased amounts charged. The Bank relies on information as its core in order to manage and differentiate customers. In 2009 it continued to strengthen its risk models and work to increase business with outstanding customers, thereby raising charged amounts. While the credit card industry as a whole contracted during the year, E.SUN exhibited growth in charged amounts and market share. In addition, it was awarded MasterCard International's Best Achiever-GDV Advancement Award.

#### 1.5 Investment

Investments by E.SUN Bank at the end of 2009 stood at NT\$472 million. The Bank maintains stakes in the following companies: Taipei Forex Inc. (0.81%), Fubon Securities Finance (2.56%), Taiwan Futures Exchange (0.45%), Financial Information Service (2.28%), National Venture Capital (4.99%), Bank Pro E-Service Technology (3.33%), Taiwan Asset Management (0.57%), Taiwan Financial Asset Service (2.94%), Taiwan Incubator SMEs Development (3.44%), Taiwan Finance (0.41%), Apex Venture Capital (4.67%), Gapura (11.1%), and Sunny Asset Management Corporation (4.34%).



## 2. Business Plan– Long-term and Short-term Development

E.SUN Bank operates based on profession and sustainability. In addition to the development of new products and improvement of operation procedures, E.SUN continues to leverage its core competence to increase competitiveness and to set up short-term and long-term business development plan. In 2010, E.SUN's main objectives will be to integrate services associated with its product lines, maximize network value and expand its deposit base. It will continue to implement a business strategy that focuses on having profits support growth and raising service quality. The Bank will emphasize risk controls and develop new pools of customers. Together, these measures will set the foundation for balanced and healthy development

### 2.1 Corporate Banking

- (1) E.SUN will nurture the development of SMEs, becoming the best partner for SMEs as they grow.
- (2) E.SUN will continue to be customer-oriented and will work to add depth to its relationship with customers. It will utilize the SME Credit Guarantee Fund, self-liquidating financing and risk control tools to reduce credit risk.
- (3) E.SUN will use information technology and expertise as its foundation, and its brand name and professional workforce as the core of its efforts to meet the service needs of customers. It will engage in integrated marketing of various product lines, providing one-stop shopping.
- (4) E.SUN will generate value for customers and itself. It will seek to realize its corporate banking vision of emphasizing its professional team, thereby making E.SUN the best choice for successful companies.
- (5) Short-term Business Development Plan
  - a. E.SUN will be a partner in finance to SMEs. It will work in conjunction with the Small- and Medium Enterprise Credit Guarantee Fund to assist SMEs in obtaining working capital. This will also help E.SUN reduce credit risk.
  - b. E.SUN will provide syndicated loans, trade financing, guarantees, and investment and hedging products to outstanding companies, assisting in the stable operations of these enterprises.
  - c. The Bank will strengthen its cash management platform, continue to develop a diversified product line, and satisfy the lending and banking service needs of corporate customers.
  - d. E.SUN will further refine its risk control mechanism. It will utilize information technology

to create an automated risk management system. It will also continue to boost capital efficiency and asset quality.

- (6) Long-term Business Development Plan
  - a. E.SUN will integrate the FHC's resources, maximize the benefits of joint marketing, and satisfy the diverse needs of customers.
  - b. The Bank will continue to strengthen its information systems and will create a user-friendly capital allocation platform. E.SUN welcomes the competition it faces in the modern financial sector.
  - c. E.SUN will develop banking operations in Taiwan, China and Hong Kong. It will provide cash flow, personal finance and lending services to Taiwan companies operating around the globe, satisfying the needs of customers.

### 2.2 Consumer Banking

- (1) The Bank will integrate its branch network, call center, Internet Bank and WebATM in an effort to enhance customer satisfaction and loyalty, reduce operational costs and generate new value.
- (2) E.SUN will continue to develop new products and payment services, and strengthen integrated marketing using its database. It will direct services to specific customer segments, increasing the number of products and services used by customers, and therefore boosting overall performance.
- (3) E.SUN will strengthen risk management. It will adopt the strictest standards in all areas of business and product quality, ensuring the simultaneous rise in both quality and quantity.
- (4) E.SUN will aggressively market products to its outstanding pool of customers, expanding the scale of consumer banking operations and leading to stable growth.
- (5) Short-term Business Development Plan
  - a. E.SUN will make every effort to market products to its outstanding pool of customers or to specific groups via integrated marketing projects. It will quickly build a strong foundation consisting of outstanding customers and increase the number of E.SUN products used by customers, thereby boosting interaction and loyalty.
  - b. Always stressing risk management, E.SUN seeks a balance between quality and quantity. It aims to provide customers with a diverse array of outstanding services.
  - c. The Bank will integrate its call center, Internet Bank, and WebATM. The combination of its



branch network and e-based operations will help to maximize operations.

(6) Long-term Business Development Plan

- a. E.SUN will integrate the FHC's resources, maximize joint marketing synergy, be customer-driven, and provide comprehensive banking services.
- b. The Bank will continue to introduce innovative products and procedures, thereby adding depth to its relationship with customers and boosting service efficiency.
- c. The Bank will take advantage of the E.SUN brand name and network value. Each branch will become a center for operations. Product lines and resources will be combined, creating the greatest value for customers.

### 2.3 Wealth Management

- (1) E.SUN will continue to strengthen the expertise of its account executives with regards to personal finance products, tax planning and market research. Newly added personal finance consultants will help account executives boost performance and enhance marketing procedures. Goal management will help to promote growth in and development of wealth management operations.

- (2) The Bank is aggressively introducing its virtual network through a marketing campaign, seeking to generate value from the Internet bank by providing a convenient service platform and satisfying the information needs of customers who like to take an active role in managing their assets. E.SUN will also further improve its voice command personal financial system, providing customers with another option in carrying out transactions.

- (3) E.SUN will focus on mutual fund business and will continue to introduce outstanding series of mutual funds that meet the needs of customers and the market. It will package these items together with insurance and trust products to help achieve the investment and protection objectives for customers. E.SUN will also assist customers in asset allocation.

- (4) The Bank will work to provide services to targeted VIP customers. A specialized team will offer refined service to these clients, strengthening the relationship between the customers and the Bank, and boosting the number of E.SUN products used by these customers.

(5) Short-term Business Development Plan

- a. E.SUN is dedicated to product innovation, creating products that set the Bank apart from its industry counterparts and give it a competitive edge. It will continue to focus on the marketing of mutual funds. It will also promote Internet trading and investment at fixed intervals. The

Bank will also provide a selection of insurance, trust and other financial products to satisfy the personal finance needs of customers.

- b. The Bank will continue to cultivate and expand its wealth management staff. It will strengthen education and training, and will integrate network resources, helping to build sales momentum. E.SUN expects these initiatives to expand the scale of operations and its market share.

- c. E.SUN will strengthen risk controls, enhance marketing procedures, and boost the functions of operating systems. It will periodically examine the assets held by customers and when appropriate adjust the investment portfolios, helping the assets of customers to experience stable growth.

- d. E.SUN will further educate customers on trusts and boost the exposure of trust products. It will provide many types of products that meet the needs of customers and reflect the rapidly changing financial environment, such as real estate trusts, securities trusts, advanced payment trusts, and real estate purchase proceed trusts. E.SUN will expand its pool of trust customers by best utilizing the E.SUN brand name and network resources.

(6) Long-term Business Development Plan

- a. Marketing initiatives will effectively raise the Bank's visibility in the marketplace. The integration of network resources and cross-product line service platforms will provide customers with comprehensive and one-stop financial services.

- b. In an effort to expand the size of assets under custodianship, E.SUN will aggressively seek to serve as custodian for domestic funds, foreign investors trading local securities, and units that carry out discretionary trading. It will integrate its five major product lines and network resources to effectively boost its pool of trust customers.

- c. E.SUN will develop a pool of VIP customers. Besides providing a variety of personal finance tools to satisfy investment needs, it will adjust asset portfolios when appropriate, helping to steadily grow the assets of customers. This not only increases the size of assets with which the Bank is involved, but also helps to create value for both the Bank and customers.

- d. E.SUN will continue to demonstrate the spirit and value of the E.SUN wealth management brand name. E.SUN's conservative style helps protect the assets of customers and makes it a trusted partner for customers.



E.SUN Bank, the most Trustworthy Bank.

## 2.4 Credit Card

- (1) Given the financial tsunami and the increasingly polarized development of the market, E.SUN will emphasize strategies of utilizing information, boosting "Wallet Share" for its cards, and increasing the amounts charged using its card.
- (2) E.SUN will develop new products, networks and a variety of initiatives aimed at encouraging use of cards.
- (3) E.SUN will work to continue to increase its presence in the market, boost amounts charged, and highlight itself as a travel and leisure brand name. It will engage in segmented marketing, directing its efforts at different customer groups. It will also work together with major travel agencies throughout Taiwan.
- (4) The Bank will seek to maintain business growth momentum. It will engage in joint marketing of various product lines to raise customer value and increase the number of Bank products utilized by customers.
- (5) Based on changes in the environment, E.SUN will utilize various models and information to carry out risk management. The Bank will continue to implement a comprehensive risk management plan to help prevent risk, monitor risk post-disbursement, and determine when it is appropriate to seek collection on overdue credit. The Bank will enhance its operating procedures, and reduce costs and NPLs, helping to yield the maximum business results.
- (6) Short-term Business Development Plan
  - a. In aiming to be among the leaders in the marketplace, E.SUN focuses on encouraging customers to make E.SUN cards their main cards and to increase the amounts charged using E.SUN cards. E.SUN pursues stable growth in its credit card business and has information serve as the core of its operations. It manages customer segments separately and continues to hone its risk models, thereby ensuring comprehensive risk management.
  - b. E.SUN continues to develop new products to seek greater opportunities to interact with customers and make E.SUN cards the primary cards used by its customers. It plans various card charging activities based on the consumption behavior of its customers. It is also aggressively
- c. expanding its network, strengthening business growth momentum, raising the amounts charged, and "Wallet Share."
- c. E.SUN appropriately adjusts and refines its risk models in response to changes in the external environment. It is able to expertly evaluate the risk of granting revolving credit, monitor the credit once it is disbursed, and initiate collection procedures when customers are overdue on their payments.
- d. E.SUN will continue to engage in joint marketing to increase the number of E.SUN products utilized by customers.
- (7) Long-term Business Development Plan
  - a. E.SUN will continue to pursue the goals of having information serve as its core, generating the greatest value from customers, and thoroughly engaging in risk management. The Bank has established fundamental data systems and will utilize the power of this information. It will seek to boost "Wallet Share" and increase the amounts charge using E.SUN cards. Joint marketing efforts will increase the number of Bank products utilized by customers, thereby raising the visibility of E.SUN's cards in the marketplace.
  - b. In an effort to encourage customers to make E.SUN-issued cards their main cards, the Bank will continue to develop new products and engage in segmented marketing. This will help it to obtain a greater pool of top-notch customers. Meanwhile, E.SUN will plan various card charging activities based on the consumption behavior of various segments of customers. This will increase the amounts charged using E.SUN cards, raising customer value and boosting brand loyalty.
  - c. E.SUN will continue to cultivate its network, such as department stores, hypermarkets, insurance, installment shops, and affinity card partners. It will seek to increase its interaction with government agencies, and will also work with outstanding travel agencies in an effort to secure corporate travel business opportunities. The Bank will continue to expand its presence in the travel and leisure market, seeking to highlight E.SUN as an important brand in this market and raise the amounts charged using its cards.



E.SUN Signature Card for Gentlemen who enjoy Eco-friendly Life and Style.

### 3. Market Analysis



Waking Up from Rejuvenation

The financial tsunami still shrouded the globe early in 2009. While the economic climate remained moribund, rescue measures adopted by countries throughout the world helped an economic recovery begin to emerge after the first quarter. With an upturn in indicators in the second half of the year, markets gradually turned optimistic on the economic outlook for 2010. Nonetheless, the structure of the recovery remains fragile. In addition, governments are looking for the appropriate opportunity to withdraw extraordinary rescue measures that had been previously implemented. Coupled with debt crises in a number of countries and high unemployment, many challenges remain along the road to recovery. The outlook for the economy remains cautious.

#### International Economic Trends and Outlook

Loose monetary and aggressively expansionist fiscal policies by nations throughout the world, along with the effect of rebuilding inventories, enabled the global economy to begin to stage a gradual recovery in the second quarter of 2009. The worst of the most serious economic crisis since the Great Depression in the 1930s appeared to have passed. China and other emerging markets exhibited strong recoveries and became the key force in driving a global economic recovery. Nonetheless, the cumulative GDPs of the BRIC nations stands at only US\$8.7 trillion, making it hard to offset a downturn in the huge consumer

markets of the US and the Euro zone, which have GDPs of US\$14.4 trillion and US\$13.6 trillion, respectively. As a result, the global economy will require a longer period of time before it will return to healthy growth. Global Insight in February 2010 forecast that the global economy in 2009 contracted by 1.9% and predicted growth of 3.2% for 2010. This figure would be near the average recorded over the past 10 years.

After emerging from the trough, economic indicators began exhibiting quite robust growth starting in the third quarter. However, low bases from the previous year were a large factor in the exciting numbers. Changes in absolute values of the various data proved to be more revealing. For instance, GDP growth in the US in the fourth quarter stood at 5.9%, marking the second consecutive quarter of growth. However, GDP for the year stood at US\$14.3 trillion, which was below the US\$14.4 trillion chalked up in 2008. Still, the global economy in the second half of 2009 appeared to exhibit a gradual recovery, and it is expected that this upturn will continue in the first half of 2010. Thereafter, however, the effects of government stimulus measures will gradually fade and extraordinary measures previously adopted will be ended. All eyes will be on whether private consumption and investment will be able to continue to chalk up growth absent of stimulus measures. Global Insight maintains doubts about the



sustainability of the global recovery. Christmas sales in 2009 were up only 1% from 2008, which saw the weakest holiday sales in nearly a decade. This indicates that private consumption remains in the doldrums. In addition, banks are expected to continue to be cautious in extending credit for the time being. Meanwhile, the financial situation of some countries has deteriorated to dangerous levels. All of these pose uncertainty for the economy in the second half of 2010. Therefore, while the economy has emerged from its worst depths and many are optimistic about a recovery, we feel it prudent to continue to take a cautious viewpoint and to bear in mind possible unexpected shocks.

### Analysis of China's Economic Trends and Outlook

China has become the focal point of the global economy. The majority of research institutions predict China's economic growth in 2010 will exceed 9%, making that nation the locomotive for global economic growth. While China was hard-pressed not to be impacted by the financial tsunami, and while at one point there were even concerns of whether it could maintain 8% economic growth, four trillion yuan of infrastructure projects and a consumption program to boost purchases of household appliances helped to rapidly steady the economy. Growth in the fourth quarter had hastened to 10.7%, from the 6.1% growth posted in the first quarter. Economic data appeared to be outstanding. In fact, however, while domestic consumption was strong, external trade remained weak. Exports in 2009 contracted 16% due to weak demand overseas. Fixed capital investment in towns and cities exhibited growth of over 30%, while consumption and retail sales grew 15.5%. China's domestic economy was the main engine behind its economic growth. Global Insight raised its 2009 growth forecast to 8.7%, and it expects this expansionary trend to continue in 2010, predicting growth of 10.1%. A considerable part of this growth, however, is due to stimulus policies, rather than the result of organic growth. China in 2010 is expected to maintain aggressive fiscal policies and appropriately loose monetary policies.

An overly loose monetary environment leads to abundant liquidity in the market. In the first half of

2009, new loans amounted to 7.4 trillion yuan, which was equivalent to half of China's GDP. For the year as a whole, new lending reached 9.6 trillion yuan. Annual growth in the M2 money supply reached 27.7%. Data indicates that the majority of these funds was funneled into infrastructure, real estate and state-run enterprises, causing the stock and property markets to skyrocket. Any number of domestic and foreign analysts have warned that in the coming several years China could face the risk of huge amounts of bad loans in the banking sector and an asset bubble. Some even believe this will begin to be seen in 2010. In an attempt to avoid a bursting asset bubble, authorities in the fourth quarter began to adopt measures to rein in the property market. In addition, open market means were used to soak up market liquidity. The China Banking Regulatory Commission also mandated that the capital adequacy ratio for banks was to stand at 10% (11% for large-sized banks) from 8%, and for banks to have a coverage ratio of at least 150%.

Meanwhile, state-run enterprises are becoming increasingly large due to mergers and consolidation. For instance, high value-added steel and utilities equipment produced by these enterprises holds 60-70% of the local market, reducing room for private enterprises to survive. This is factor unique to China in the recent economic pullback and it could inhibit the strength of future growth. Another issue that will play a factor in China in the coming years is the gradual aging of its society. China's current impressive growth hides a number of these potential negative factors down the road. In addition, amid the increasingly close relationship between Taiwan and China, economic changes in China in the future could have an impact on Taiwan.

### The State of Taiwan's Economy and Outlook

Reflecting international economic trends, Taiwan's economy hit bottom in the first quarter of 2009. This, however, gave way to a gradual recovery starting in the second quarter due to increased government spending and the rebuilding of inventories. While exports in the first half contracted 34% from the year-earlier period, the economic recovery in China and other emerging countries helped to gradually bolster exports. December's exports had recovered to US\$20 billion

from a low of US\$12.37 billion in January. However, this was still lower than average monthly exports of US\$21.3 billion in 2003. Private consumption has been relatively weak in recent years. However, this situation improved in the second half of the year due to stimulus measures. Coupled with government consumption and investment, the Directorate General of Budget, Accounting and Statistics raised its economic growth projection for 2009 from a contraction of 2.53% to a contraction of 1.87%. Meanwhile, in consideration of the international economic recovery and increasingly close cross-strait economic ties, export momentum is expected to resume in 2010. Also, private investment growth is expected to be driven by the installation of more advanced production processes at high-tech factories and increased capital expenditures projects. Taiwan's economic growth in 2010 is expected to hit 4.72%.

While factory orders are gradually recovering, Taiwan's economic recovery may not be as strong as some believe. Meanwhile, various uncertainties remain in the international economy. The DGBAS predicts quarterly growth in 2010 of -3.88%, 0.09%, 0.97%, and 2.99%, respectively. This shows that the economic momentum is still somewhat weak. Also, public attention has been focused on the expected signing of an economic cooperation framework agreement with China. The Ministry of Economic Affairs expects that signing and implementing the agreement will add 1.65-1.72 percentage points to Taiwan's economic growth. However, once implemented, various negative effects on local industry and the economy may arise. In light of this, the contents of the agreement will need to be closely examined and the aftermath monitored.

End-point sales froze and orders dropped dramatically in the wake of the financial tsunami. In that grim climate, companies sought to cut costs and concentrate their orders with major manufacturers. Some of these companies then received a wide variety of urgent orders. Factories turn quite cautious in terms of expanding production lines in this type of boom and bust environment. Meanwhile, this situation has a negative impact on the amount of orders placed with smaller factories, which have less of an ability to expand output. Consequently, it is difficult for private investment to rebound. Meanwhile, as an economic recovery unfolds and inventories have already been

whittled down, the electronics sector is quicker to see a rebound. As many large factories see a clear rebound in business, they look to enhance their competitiveness and boost their capital expenditures. The market share that these companies gain, however, comes at the expense of smaller factories. This leads to the polarized development of the corporate sector. Taiwan's economy is dominated by small- and medium-sized enterprises, meaning these firms provide the bulk of employment opportunities here. Should the development of the corporate sector continue to exhibit polarization, growth momentum in domestic consumption could ultimately be impacted.

#### Financial Indicators and Outlook for 2010

Central banks throughout the world pushed interest rates down to historical lows in the wake of the financial tsunami and adopted a variety of non-traditional rescue measures. In some instances, this has led to overly flush conditions and has caused signs of asset bubbles in various areas. In addition, markets are concerned that inflation could become a major variable in 2010. As the economy has begun a gradual recovery, some of the leading central banks have indicated that they may begin slowly withdrawing the loose monetary policies that had been put in place. They will first look to end quantitative easing measures, thereby soaking up excess funds in the market. Subsequently they will begin raising interest rates.

The US Federal Reserve in 2009 stated on many occasions that the economic recovery was in its initial phase and that it would keep interest rates where they were for a period of time. In December, however, the Fed indicated that a number of emergency financing measures would be ended in the first half of 2010. It also expressed its intentions to establish a fixed time deposit mechanism to soak up market liquidity. In February 2010, the Fed raised its rediscount rate by 25 basis points to 0.75%, which indicated that the Fed's attitude has changed slightly. Meanwhile, the prospect of asset bubbles hangs over many Asian nations, which may lead central banks in these countries to raise interest rates ahead of their European or US counterparts. China, for instance, has already begun to employ open market operations to rein in market liquidity. In addition, it has announced various policies

to thwart the speculative climate in the housing market. In January and February 2010, China's central bank hiked bank reserve ratios twice to stand at 16.5%. In the short term, bank reserve ratios could be adjusted again, following which is a strong possibility of a hike in interest rates. Taiwan's overnight rate in 2009 remained at levels below 0.1% for a long period in an effort to stimulate economic growth. However, the central bank here in the fourth quarter began to soak up market liquidity, engineering a rise in short-term interest rates. By the end of the year, the overnight rate had returned to above 0.10%. However, in light of price stability and a mild economic recovery, the central bank in December decided against action to adjust its benchmark interest rates. Its timing in the future with regards to raising interests will in a large degree rely on the movement of the Fed and central banks of other Asian nations. Rates could be hiked in the second half of 2010, but the scale of the hikes is not likely to be overly large.

The US dollar started off 2009 strong, but this way gave to weakness. As the global economy stabilized, demand for the US dollar as a safe haven ebbed. Also, the fiscal deficit facing the US also worked against the US dollar. The greenback began to weaken in May. The decline in the dollar was one of the market rescue measures adopted by the US, which called for an orderly fall. This type of decline would not harm the international status of the US currency. Meanwhile, the Fed exhibited a resolute attitude in maintaining interest rates at low levels, which led to the US dollar replacing the Japanese yen as a key tool in carry trades. Not until December when it was expected that the Fed would start to tighten its monetary policies and concerns about national deficit problems in some countries emerged did the trend for the dollar turn. However, the rebound in the US currency may only be short-lived. The future trend of the US dollar will be largely determined by the timing of interest rate hikes by the Fed.

On a regional basis, Australia's stronger-than-expected economy and the inflow of speculative money to that nation caused the Australian dollar to rise 27.8% against the US dollar in 2009. The euro was bolstered by an improving economy and weakness in

the US currency. However, debt problems in several countries in the Euro Zone caused the euro to depreciate 4.6% in December, paring its rise for the year to just 2.5%. Prior to a hike in interest rates by the Fed, the euro will continue to exhibit strength. Influenced by an upturn in the Japanese economy, the substitution of the US dollar instead of the yen in the carry trade, and political factors, the Japanese yen hit its highest level in recent years in November of 84.83. In December, however, fears of deflation and Japan's worsening fiscal deficit caused the yen to fall 7.7%. For the year as a whole, the yen depreciated 2.6%. Given that Japan's new finance minister favors a weak yen, it is expected that the yen will see range trading in 2010. However, should the Fed exhibit a clear attitude towards interest rate hikes, the yen will weaken. Meanwhile, the focus of the Chinese yuan continues to be whether and when it will be allowed to appreciate. Given weakness in exports in 2009, the yuan was kept stable. If China's economy continues to heat up in 2010, the yuan could return to a pattern of appreciation against the US dollar. Lastly, amid the intervention by Taiwan's Central Bank of China, the New Taiwan dollar rose 3% against the US dollar in 2009. The central bank is expected to continue to adopt a policy of "dynamic equilibrium" with regards to the NT dollar in 2010, with movement of the currency taking its cue from economic trends, the level of inflation, and policies of trading counterparts.

## 4. Financial Products R&D and Business Status

Taking into account of financial environment and customers' needs, product lines are contributing their effort towards the following ways:

Corporate Banking operations will keep their effort in improving the procedure and efficiency of transaction financing and competency of products. To develop customized products and services, a series of marketing campaigns has been introduced in both corporate banking and remittance business to increase fee incomes and product penetration. Regarding cash flow, E.SUN will continue to advance the service of Corporate Internet Banking and Cash Management products and provide the safest and the most convenient service cross straight and leverage IT techniques to manage risk and increase asset quality.

E.SUN has introduced its personal finance Easy Account, providing customers with the ability to mobilize capital in personal finance accounts whenever they require. Customers can withdraw and repay funds whenever they need. Interest is tabulated on a daily basis and only on the portion of funds mobilized. Funds that are not mobilized will not be charged interest. This is a specially designed investment-oriented personal finance loan product. Meanwhile, in an effort to facilitate customer use of the WebATM, E.SUN has made this product available to persons using a Linux operating system. The development of this system earned E.SUN an honorable mention in the 7th Linux Golden Goose Awards sponsored by the Computer Association and Taiwan Linux. This marks the first time that a member of the banking industry has won this award. E.SUN will continue to enhance its systems and engage in systems development in the future.

After launching the nation's first female Titanium card in 2008, E.SUN is now focusing on male clientele that emphasize a refined lifestyle by introducing the E.SUN Signature card. E.SUN is also inviting its Signature card cardholders to participate in a reforestation project by donating trees, helping to pay back Taiwan. In addition, E.SUN offers attractively priced hot springs or afternoon tea packages to these members. This is Taiwan's first Signature card that also encourages environmental protection and social welfare initiatives.

E.SUN has also introduced the E.SUN Easy Affinity Card, which serves as a credit card, an EasyCard used for bus and subway fares, and a tool to make small-sized payments. E.SUN has designed an autoloading function for the card, offering customers the ability to automatically add to the stored value in the card. This alleviates the need to make a trip to subway stations and spend time to add value to the card. In an effort to promote the card and an easy going lifestyle, E.SUN offers a gift to cardholders the first time they charge on the card. Upon reaching certain thresholds, cardholders qualify for breakfast coupons or movie tickets. In addition, bonus loyalty points are given for

Internet spending and participating in the autoloading function. This provides customers with a card that offers convenient and secure services.

In addition, in an effort to build E.SUN's brand name image in the travel and leisure market, the Bank engages in cooperation with a number of well-known restaurants. The Bank has introduced a fine foods activity in conjunction with contracted restaurants. E.SUN cardholders charging their meals at these establishments receive discounts. In addition, they are eligible to enter other activities in which they receive free or bonus loyalty points. E.SUN has also introduced special travel packages for the summer holiday. E.SUN's considerate service has made the Bank extremely popular among customers. This not only helps to boost the amounts charged, but also further highlights E.SUN's image as a travel and leisure brand in the credit card industry. Being customer-driven, E.SUN continually seeks to develop innovative products and services that meet the needs of customers, which results in raising customer satisfaction and loyalty.

E.SUN has amended its regulations on investment, trading limits, liquidity management and derivative products trading in its treasury operations in order to reflect developments and trends in the financial environment. It continues to promote Basel II guidelines and it has completed the establishment of an operations risk database, inputting information as required. In addition, with the assistance of a risk advisory team from Standard & Poor's, E.SUN has completed Taiwan's first Residential Mortgage Loss Given Default (LGD) model, which has been introduced into operations and has proven to be beneficial. E.SUN continues to nurture employees that have expertise in and comprehensive understanding of risk management and controls.

R&D Expenditures in recent two years		Unit: NT\$ thousand
Item	2009	2008
R&D Expenditures	415,805	455,980

E.SUN Bank will review development of macro-financial environment and focus on the following:

(1) Implement KYC and data analysis, accompany with R&D and Innovation to understand needs of the key customers.

(2) Close monitor on asset quality. E.SUN Bank adopts systematic management, procedure control, and combines with risk management awareness to achieve effective precaution and follow up procedure.

(3) Innovation on Internet cash flow application. By defining needs of both business and individual, and to utilize marketing through integration on products and distribution channel.



## 5. Human Resource



Knowledge Sharing for Mutual Commitment.

### 5.1 Stable HR Foundation

E.SUN has a longstanding commitment to cultivating and developing human resources. In 2009, E.SUN held 107 internal training courses, while various staff were selected to participate in 333 training courses held by professional organizations. Each employee on average attended 4.15 of these training courses during the year, strengthening their professional background and enhancing their abilities.

As of the end of 2009, E.SUN had 4,433 employees. The average age of its staff was 31.1 years old. Meanwhile, 20.7% held master's degrees, 66.6% had bachelor's degrees, and 12.7% were graduates of technical colleges. From low level employees to the management team, the whole HR of E.SUN gradually advance in quality

and contribution their profession and strength in the critical time of business development.

### 5.2 Helping Employees to Realize Their Potential

E.SUN has always looked upon outstanding human resources as its most important asset. The Bank has established fair human resources policies and an environment that enables E.SUN employees to hone their backgrounds and expertise, thereby realizing their potential. This is the responsibility and unwavering pledge that E.SUN has towards its employees. E.SUN is always one step ahead of the latest trends, and this is reflected in its strategic human resources policies. E.SUN has implemented an innovative and competitive human resources system. Senior employees help to pass along their knowledge and expertise to junior staff. In addition, employees are routinely rotated to

other positions in the bank, helping to further round out their professional knowledge. This enables employees who seek to better themselves and who are dedicated to their work to enjoy a

environment in which they have opportunities to learn. E.SUN employees work as a team, with senior staff nurturing more junior employees. This is beneficial to staff, departments and E.SUN as a whole.

### 5.1 E.SUN Bank Human Resource informationn

Item \ Year		2009	2008	2007
No. of Employees		4,433	4,286	3,956
Average Age		31.1	31.4	31.1
Avg. Years of Service		5.9	5.1	4.7
Educational Background (%)	Master's	20.7	18.9	18.2
	Bachelor's	66.6	67.1	65.6
	College	11.6	12.7	14.8
	High School (Vocational)	1.1	1.3	1.4
Number of Professional License	Bank	11,453	10,608	8,519
	Insurance	3,552	3,337	2,823
	Security	2,586	2,502	2,271
	Others	200	185	129

## 6. Corporate Responsibility and Ethical Behavior

E.SUN has clearly set forth a vision of having its employees be world-class citizens and the Bank be a world-class corporate citizen. E.SUN's corporate culture revolves around fulfilling the Bank's corporate responsibility to society. As a result, E.SUN spares no effort in planning and participating in social welfare activities, environmental protection initiatives, athletic activities, volunteer service, academic and education projects, and cultural activities. It seeks to lend its corporate support with the objective of building something greater for the public.

E.SUN initiated the Golden Seed Project at the end of 2007. World Card cardholders are able to participate in public service via their spending. This long-term initiative will create E.SUN libraries at 100 elementary schools located in remote areas of Taiwan. E.SUN hopes this will reduce the development gap between urban and rural areas and will provide resources and an environment to encourage reading and learning among schoolchildren in remote areas. Having greater access to books will enable them to read more, expanding their horizons and leading to new opportunities. As of the end of 2009, 20 E.SUN libraries had been established in Taoyuan County, Miaoli County, Taichung County, Changhua County, Yunlin County, Chiayi County, Tainan County, Kaohsiung County, Pingtung County and Hualien County.



The Smile and Joy of E.SUN Volunteer.

After Typhoon Morakot struck eastern and southern Taiwan in early August 2009, employees from E.SUN FHC, E.SUN Bank, E.SUN Securities and members

of the E.SUN Volunteers Foundation raised and contributed NT\$20 million to the Chiayi County, Tainan County, Kaohsiung County and Pingtung County governments to be used for relief efforts. A volunteer team from E.SUN numbering 200 people rolled up their sleeves and went into disaster areas to provide service. People who were able to contribute funds did so, while others donated their time to the effort, helping people in disaster areas to rebuild their communities.

E.SUN produced the E.SUN Green Policy white paper, which exhibits its commitment and determination to environmental protection. It continues to include environmental protection considerations in its lending activities and it encourages energy conservation. The Bank holds many number of environmental protection activities. For example, on the date of 13rd every month, each department holds seminar to promote energy saving and environment protection concept and methods. Every branch helps to clean nearby areas before work and makes a better living environment for the community. Furthermore, E.SUN has responded to the Earth Day activity to turn off lights for one hour. On Mid-Autumn Festival, it called for people to participate in an event to switch off lights in order to better see the moon, and it also participated in International Car Free Day on September 22. E.SUN has initiated activities on Taiwan to clean refuse from mountains and advocates other activities to cut carbon emissions.

An important goal for E.SUN is to provide resources to improve the environment in Taiwan to foster the development of baseball. E.SUN established the E.SUN Youth Baseball Fund Special Account. The fund is being used to help stage the E.SUN Cup National Tournament, the E.SUN Sports Injuries Prevention Workshop, the E.SUN Youth Baseball Pitcher & Catcher Training Camp, and the Baseball Assistance Project for Remote Areas. It has provided baseball gear

worth NT\$100,000 each to the baseball teams at National Tung Shih Senior High School, Hualien Physical Experimental Senior High School and National Tai-Chung Agricultural Senior High School. Before Taiwan's youth baseball team in 2009 headed to Seoul, South Korea to take part in the 8th Asian Youth Baseball Tournament, E.SUN invited top trainers to examine the athletes and teach them correct means of protecting themselves against injury. This helped to reduce the number of sports injuries to athletes and instruct them how to better protect their bodies. In addition, the E.SUN Youth Baseball Coach Training Camp was held for the first time during the year. Coaches from the Tampa Bay Rays baseball team were invited to Taiwan to speak and impart the latest techniques, skills, and psychology with regards to coaching. This enabled Taiwan's youth baseball coaches to draw on the latest training methods, helping to create an even stronger foundation for youth baseball to develop on Taiwan.

E.SUN provides academic opportunities to students exhibiting potential. It also holds events to teach the public various fundamentals about banking and financial products. E.SUN offers outstanding students with scholarships so they can complete their education free from financial worries. To date, the Bank has provided scholarships to 35 students over the past five years under its Outstanding Manager Training Program. It hopes that the financial assistance provided will enable students to focus all of their

energies on their studies and research, creating the groundwork for becoming outstanding managers and making a contribution to society and the nation. E.SUN also provided assistance to the FSC in an activity carried out in neighborhoods and campuses to promote proper concepts among the public and students with regards to spending and other banking-related knowledge.

E.SUN continues to hold blood drives, helping hospitals to increase their reserves of blood. In 2009, a total of 3,720 bags had been collected. Meanwhile, E.SUN employees and volunteers continued to accompany children living in orphanages to baseball games, concerts, and story-telling activities. Assistance is provided to tutor children, clean up neighborhoods and hold charity and fund-raising activities. It hopes these efforts will enable children to have happy memories as they grow up and bring love and compassion to every corner that needs it.

E.SUN enhances its services to raise customer value. It will continue to work towards operating the best bank. This demonstrates E.SUN's commitment to quality and its desire to repay customers, shareholders and society in a tangible manner. E.SUN has every desire to be both the best performing and most respected enterprise.



Bringing E.SUN's Care and Love to People who are in Need.



## VI. Financial Information



Solid Foundation for Long-term Development

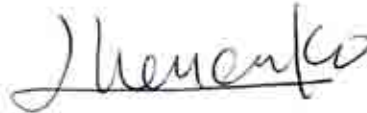
## **Audit Committee Report**

To: E.SUN Commercial Bank

The 2009 financial statements of E.SUN Commercial Bank have been audited by Certified Public Accountants of Deloitte & Touche. After reviewing the financial statements and discussing with the CPAs, the Audit Committee found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of E.SUN Commercial Bank for the Board's approval.

Audit Committee , E.SUN Commercial Bank

Convener

A handwritten signature in black ink, appearing to read 'J. H. Chen' or similar, written over a horizontal line.

Date: March 12, 2010



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of E.SUN Commercial Bank, Ltd. as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements of the Bank's Los Angeles Branch for 2009 and 2008. The Branch's total assets were 1.57% (NT\$14,681,080 thousand) and 1.82% (NT\$14,946,672 thousand) of the Bank's total assets as of December 31, 2009 and 2008, respectively. The Branch's net revenues were 0.55% (NT\$67,240 thousand) and 1.70% (NT\$221,364 thousand) of the Bank's net revenues in 2009 and 2008, respectively. The Branch's financial statements had been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Branch, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of E.SUN Commercial Bank, Ltd. as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.



As stated in Note 3 to the financial statements, under an explanation issued by the Accounting Research and Development Foundation of the Republic of China, the Bank should recognize bonus to employees and remuneration to directors and supervisors as compensation expenses effective January 1, 2008. These bonus and remuneration were previously recorded as appropriations from earnings.

*Deloitte & Touche*

February 12, 2010

Notice to Readers

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

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

## BALANCE SHEETS

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

DECEMBER 31, 2009 AND 2008

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

### ASSETS

	2009	2008	Percentage Increase (Decrease)
	Amount	Amount	%
CASH AND CASH EQUIVALENTS (Note 4)	\$ 9,800,366	\$ 11,572,247	(15)
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 5 and 31)	217,175,215	88,970,396	144
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET (Notes 2, 6, 30 and 31)	39,489,518	72,690,441	(46)
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 7)	3,384,993	353,252	858
RECEIVABLES, NET (Notes 2, 8, 30 and 31)	32,990,151	30,559,788	8
DISCOUNTS AND LOANS, NET (Notes 2, 9, 30 and 31)	550,483,765	532,944,978	3
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 10, 11 and 31)	36,818,491	42,606,239	(14)
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 2, 12 and 31)	18,278,241	14,241,499	28
OTHER FINANCIAL ASSETS, NET (Notes 2, 13 and 31)	6,146,635	8,097,140	(24)
PROPERTIES, NET (Notes 2, 14 and 30)	13,859,239	12,974,852	7
INTANGIBLE ASSETS (Notes 2 and 15)	4,030,756	4,022,745	-
OTHER ASSETS, NET (Notes 2, 16, 27, 30 and 32)			
Idle assets, net	261,488	241,396	8
Rentable assets, net	630,245	1,863,607	(66)
Refundable deposits	1,213,159	1,113,832	9
Deferred income tax assets, net	110,757	175,883	(37)
Others	123,844	222,954	(44)
Total other assets, net	2,339,493	3,617,672	(35)
TOTAL	\$ 934,796,863	\$ 822,651,249	14

### LIABILITIES AND STOCKHOLDERS' EQUITY

	2009	2008	Percentage Increase (Decrease)
	Amount	Amount	%
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 17)	\$ 39,051,957	\$ 21,168,220	84
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 21)	11,059,469	26,488,285	(58)
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 6, 7, 10, 12, 18 and 30)	14,518,968	22,448,022	(35)
PAYABLES (Notes 2, 19 and 30)	7,556,252	9,718,794	(22)
DEPOSITS AND REMITTANCES (Notes 20 and 30)	775,064,009	666,460,275	16
BANK DEBENTURES (Note 21)	33,500,000	27,300,000	23
OTHER FINANCIAL LIABILITIES (Notes 22 and 30)	2,136,729	2,372,937	(10)
OTHER LIABILITIES (Notes 2, 23 and 30)	402,615	474,846	(15)
Total liabilities	883,289,999	776,431,379	14
CAPITAL STOCK			
Common stock, NT\$10.00 par value, authorized, issued and outstanding:			
3,362,400 thousand shares in 2009, 3,120,000 thousand shares in 2008	33,624,000	31,200,000	8
CAPITAL SURPLUS			
Additional paid-in capital from share issuance in excess of par value	8,083,460	7,321,002	10
From treasury stock transactions	483	483	-
Total capital surplus	8,083,943	7,321,485	10
RETAINED EARNINGS			
Legal reserve	6,768,146	6,533,557	4
Special reserve	636,191	741,206	(14)
Unappropriated earnings	2,091,992	1,071,131	95
Total retained earnings	9,496,329	8,345,894	14
EQUITY ADJUSTMENTS			
Cumulative translation adjustments	(39,540)	(11,318)	249
Unrealized valuation gains (losses) on financial instruments	342,132	(636,191)	154
Total equity adjustments	302,592	(647,509)	147
Total stockholders' equity	51,506,864	46,219,870	11
CONTINGENCIES AND COMMITMENTS (Notes 2 and 32)			
TOTAL	\$ 934,796,863	\$ 822,651,249	14

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

(With Deloitte & Touche audit report dated February 12, 2010)

**STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2009	2008	Percentage Increase (Decrease)
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 30)	\$15,931,683	\$23,946,475	(33)
INTEREST EXPENSE (Notes 2 and 30)	(7,329,998)	(14,571,203)	(50)
NET INTEREST	8,601,685	9,375,272	(8)
NET REVENUES AND GAINS OTHER THAN INTEREST			
Service fee income, net (Notes 2, 25 and 30)	3,161,030	2,707,227	17
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 2, 6 and 30)	(33,851)	1,606,452	(102)
Realized gains (losses) on available-for-sale financial assets (Note 2)	295,573	(719,034)	141
Realized losses on held-to-maturity financial assets (Note 2)	(6,954)	(296,278)	(98)
Gains from equity investments under the equity method, net (Note 2)	-	5,359	(100)
Foreign exchange gains, net (Note 2)	556,517	197,449	182
Impairment losses on assets (Notes 2, 10, 12, 13 and 16)	(27,850)	(213,987)	(87)
Net loss on the sale of loans	(228,805)	-	-
Gains on financial assets carried at cost, net (Note 2)	48,296	257,001	(81)
Rental income (Note 30)	82,923	112,525	(26)
Other noninterest losses (Notes 2 and 30)	(132,098)	(32,890)	302
Total net revenues and gains other than interest	3,714,781	3,623,824	3
TOTAL NET REVENUES	12,316,466	12,999,096	(5)
ALLOWANCE FOR BAD-DEBT EXPENSES (Notes 2 and 9)	(2,112,036)	(3,536,372)	(40)
OPERATING EXPENSES (Notes 2, 3, 24, 26 and 30)			
Personnel	(3,826,337)	(3,662,154)	4
Depreciation and amortization	(922,220)	(870,502)	6
General and administrative	(3,587,814)	(3,745,545)	(4)
Total operating expenses	(8,336,371)	(8,278,201)	1
INCOME BEFORE INCOME TAX	1,868,059	1,184,523	58
INCOME TAX EXPENSE (Notes 2 and 27)	(93,624)	(402,560)	(77)
NET INCOME	\$ 1,774,435	\$ 781,963	127

**EARNINGS PER SHARE (Note 28)**

Basic earnings per share

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated February 12, 2010)

	2009		2008
	Before Income Tax	After Income Tax	Before Income Tax
	\$ 0.59	\$0.56	\$0.37
			\$0.25

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	Capital Stock (Note 29)		Retained Earnings (Notes 2 and 29)			Equity Adjustments		Total Stockholders' Equity
	Shares (in Thousands)	Common Stock	Capital Surplus (Notes 2 and 29)	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains or Losses on Financial Instruments (Note 2)
BALANCE, JANUARY 1, 2008	3,120,000	\$ 31,200,000	\$ 7,321,485	\$ 5,756,121	\$ -	\$ 3,135,470	\$ (8,906)	\$ (741,206)
Appropriation of prior year's earnings								
Legal reserve	-	-	-	777,436	-	(777,436)	-	-
Special reserve	-	-	-	-	741,206	(741,206)	-	-
Cash dividends	-	-	-	-	-	(1,248,000)	-	(1,248,000)
Remuneration to directors and supervisors	-	-	-	-	-	(13,277)	-	(13,277)
Bonus to employees	-	-	-	-	-	(66,383)	-	(66,383)
Balance after appropriation	3,120,000	31,200,000	7,321,485	6,533,557	741,206	289,168	(8,906)	(741,206)
Net income in 2008	-	-	-	-	-	781,963	-	-
Change in unrealized gain on financial instruments	-	-	-	-	-	-	-	105,015
Change in cumulative translation adjustments	-	-	-	-	-	-	(2,412)	-
BALANCE, DECEMBER 31, 2008	3,120,000	31,200,000	7,321,485	6,533,557	741,206	1,071,131	(11,318)	(636,191)
Reversal of special reserve	-	-	-	-	(105,015)	105,015	-	-
Appropriation of prior year's earnings (Note)								
Legal reserve	-	-	-	234,589	-	(234,589)	-	-
Stock dividends	62,400	624,000	-	-	-	(624,000)	-	-
Balance after appropriation	3,182,400	31,824,000	7,321,485	6,768,146	636,191	317,557	(11,318)	(636,191)
Share-based payment arrangements involving ESFHC's common stock	-	-	42,458	-	-	-	-	-
Capital increase in December 2009	180,000	1,800,000	720,000	-	-	-	-	-
Net income in 2009	-	-	-	-	-	1,774,435	-	-
Change in unrealized gain on financial instruments	-	-	-	-	-	-	-	978,323
Change in cumulative translation adjustments	-	-	-	-	-	-	(28,222)	-
BALANCE, DECEMBER 31, 2009	3,362,400	\$ 33,624,000	\$ 8,083,943	\$ 6,768,146	\$ 636,191	\$ 2,091,992	\$ (39,540)	\$ 342,132

Note: The remuneration to directors of \$6,638 thousand and bonus to employees of \$33,192 thousand were deducted from the income statements.

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated February 12, 2010)

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars)

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$1,774,435	\$781,963
Allowance for bad-debt expenses	2,112,036	3,536,372
Provision of reserve for losses on the sale of bonds	39,936	26,631
Recovery of written-off credits and reserve for losses on guarantees	514,292	356,821
Depreciation and amortization expenses	922,220	870,502
Salary expenses on share-based payment	42,458	-
Gains from equity investments under the equity method, net	-	(5,359)
Realized gains on the sale of financial instruments designated at fair value through profit or loss	(68,221)	(222,150)
Net loss on the sale of loans	228,805	-
Realized losses (gains) on the sale of available-for-sale financial assets	(267,601)	780,553
Amortization of premium or discount on bonds	218,175	220,339
Gains on the sale of properties, rentable assets, idle assets and foreclosed collaterals, net	(15,478)	(18,196)
Losses on valuation of financial instruments	797,660	184,745
Impairment losses on assets	27,850	213,987
Deferred income tax	53,714	74,287
Losses on the sale of held-to-maturity financial assets	6,954	296,278
Losses on the sale of debt instruments with no active market	2,435	51,136
Other	(13,762)	(99,131)
Net changes in operating assets and liabilities		
Held-for-trading financial assets	26,534,306	16,757,140
Held-for-trading financial liabilities	(1,459,403)	1,686,576
Receivables	(3,925,170)	(4,319,283)
Other assets	96,892	(38,996)
Payables	(2,163,901)	1,730,523
Other liabilities	(107,439)	(128,981)
Net cash provided by operating activities	<u>25,351,193</u>	<u>22,735,757</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in due from the Central Bank and call loans to other banks	(128,204,819)	(57,299,285)
Increase in securities purchased under resell agreements	(3,031,741)	(57,277)
Increase in discounts and loans	(18,880,268)	(20,211,043)
Decrease in financial assets designated at fair value through profit or loss	5,423,273	10,094,538
Acquisition of available-for-sale financial assets	(40,063,855)	(33,332,729)
Proceeds of the sale of available-for-sale financial assets	46,947,447	27,301,980
Acquisition of debt instruments with no active market	(386,112)	(1,216,576)
Return of principal on or proceeds of the sale of debt instruments with no active market	2,273,465	1,399,324
Acquisition of held-to-maturity financial assets	(5,308,187)	(1,670,011)
Return of principal on or proceeds of the sale of held-to-maturity financial assets	1,030,020	1,333,064
Return of principal on financial assets carried at cost	16,786	20,146
Return of principal on equity investments under the equity method	-	131,184
Acquisition of properties and intangible assets	(668,905)	(1,068,590)
Proceeds of the sale of properties	73,093	58,292
Proceeds of the sale of rentable assets, idle assets and foreclosed collaterals	14,285	8,738
Decrease (increase) in other financial assets	80,375	(64,976)
Decrease (increase) in other assets	(106,087)	459,428
Net cash used in investing activities	<u>(140,791,230)</u>	<u>(74,113,793)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to the Central Bank and other banks	17,883,737	(11,348,231)
Increase (decrease) in securities sold under repurchase agreements	(7,929,054)	6,083,785
Increase in deposits and remittances	108,603,734	67,686,436
Decrease in financial liabilities designated at fair value through profit or loss	(13,455,508)	(8,032,669)
Issuance of bank debentures	6,200,000	2,600,000
Repayment of bank debentures	-	(900,000)
Decrease in other financial liabilities	(236,208)	(598,963)
Cash dividends paid	-	(1,248,000)
Bonus to employees and remuneration to directors and supervisors	-	(79,660)
Capital increase	2,520,000	-
Net cash provided by financing activities	<u>113,586,701</u>	<u>54,162,698</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<u>81,455</u>	<u>15,156</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,771,881)</u>	<u>2,799,818</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>11,572,247</u>	<u>8,772,429</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 9,800,366</u>	<u>\$11,572,247</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest paid	\$ 8,658,296	\$14,472,174
Income tax paid	<u>\$ 417,979</u>	<u>\$506,806</u>

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated February 12, 2010)



## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

### 1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2009, the Bank had a business department, international banking department, trust department, credit card business division, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong) and 121 domestic branches.

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

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

To integrate resources, enhance operating effectiveness, strengthen the Bank’s equity structure, and ensure its long-term development, the stockholders resolved on August 25, 2006 for the Bank to merge with E.SUN Bills. The effective date of the share swap and the merger recording date were both December 25, 2006. The Financial Supervisory Commission (FSC) approved this merger on November 10, 2006.

As of December 31, 2009 and 2008, the Bank had 4,433 and 4,286 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The Bank’s financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC. In preparing financial statements, the Bank is required to make certain estimates and assumptions that could affect the valuation of financial instruments, the amounts of allowance for possible losses, reserve for losses on guarantees, property depreciation, amortization on intangible asset, pension, income tax, impairment loss on assets, accrued litigation loss, bonus to employees and remuneration to directors and supervisors. Actual results could differ from these estimates.

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Bank’s financial statements are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity. Please refer to Note 34 for the maturity analysis of assets and liabilities.

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

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

#### Basis of Preparation

The accompanying financial statements include the accounts of the Head Office, OBU, and all branches. All interoffice transactions and balances have been eliminated.

#### Basis of Fair Value

Fair value are determined as follows: (a) short-term bills - reference prices published by Reuters; (b) listed stocks and GreTai Securities Market (the “GTSM”) stocks - closing prices as of the balance sheet date; (c) beneficiary certificates (open-end funds) - net asset values as of the balance sheet date; (d) bonds - period-end reference prices published by the GTSM; (e) securities which is unlisted and not traded in GTSM with quoted market prices or trading records - quoted market prices or trading prices; and (f) financial instruments without active markets - fair value estimates based on valuation techniques.

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

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

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

Applying the fair value option eliminates accounting measurement mismatch for items that naturally offset each other or eliminates the burden of separating embedded derivatives that are not considered to be

closely related to the host contract pertaining to a hybrid instrument.

The Bank did not adopt hedge accounting in 2009 and 2008, respectively. If the hedged items are not designated as financial assets or liabilities at fair value through profit or loss (FVTPL), accounting measurement mismatches on these items will occur as a result of differences in measurement attributes. Thus, the Bank designated debt instruments and bank debentures issued as financial assets and liabilities at FVTPL. Moreover, the Bank designated a hybrid instrument as financial assets and liabilities at FVTPL because embedded derivatives are not separated from the host contract in a hybrid instrument.

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

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

### Overdue Loans

Under Ministry of Finance guidelines, the Bank classifies loans and other credits (including accrued interest) overdue for at least six months as overdue loans.

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

### Allowances for Possible Losses and Reserve for Losses on Guarantees

The Bank makes provisions for bad debts and losses on guarantees based on the evaluation of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances for their specific or general risks.

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers' overall credits. Under Ministry of Finance (MOF) guidelines, the Bank makes 100%, 50%, 10% and 2% provisions for credits deemed uncollectible, highly uncollectible, substandard and special mention, respectively, as minimum provisions for possible losses.

Under MOF guidelines, credits deemed uncollectible may be written off if the write-off is approved by the Board of Directors.

### Available-for-sale Financial Assets

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

settlement date accounting when recording transactions, except for stocks and beneficiary certificates, for which trade date accounting is used.

Cash dividends received within a year of asset acquisition are recognized as a reduction of the original investment cost and are subsequently recognized as investment income on the ex-dividend date. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new number of shares. Any difference between the initial carrying amount of a debt security and its amount on maturity is amortized and then recognized as earnings using the effective interest method.

### Financial Asset Securitization

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

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

### Held-to-maturity Financial Assets

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

### Equity Investments under the Equity Method

Investments in shares of companies in which the Bank exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are carried at cost on the acquisition date and subsequently adjusted for the Bank's proportionate share in the net income or loss of the investees. The proportionate share in the net income or loss is recognized as current income or loss, and any cash dividends received are reflected as a reduction of the carrying values of the investments. Capital increase of investees that results in the increase of the Bank's equity in the investees' net assets is credited to capital surplus, and any decrease is charged to such capital surplus. If capital surplus

is not enough for charging purposes, the difference is charged to unappropriated earnings.

For equity-method investments, stock dividends received are recognized only as increases in the number of shares held, and not as income. Cost of equity investments under the equity method sold is determined by the weighted-average method.

In June 2008, E.SUN Finance & Leasing Co. (the Bank's subsidiary) began to undergo liquidation, which was completed in September 2008.

### Other Financial Assets

Investments in equity instruments with no quoted market prices in an active market and with fair value that cannot be reliably measured (including unlisted stocks and emerging stocks) are measured at cost. The accounting treatment for dividends on these instruments is the same as that for dividends on available-for-sale financial assets, except for the recognition of cash dividends upon the declaration by an investee's stockholders under an approved resolution.

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

### Properties, Rentable Assets and Idle Assets

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

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

The cost, accumulated depreciation and accumulated impairment are removed from the accounts when an item of property is disposed of or retired, and any gain or loss is credited or charged to net income.

### Intangible Assets

Intangible assets are recorded at acquisition cost. Computer software is amortized by the straight-line method over its service life estimated at three years. The carrying value of goodwill is based on the cost, net of accumulated impairment.

### Asset Impairment

#### a. Available-for-sale financial assets

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

#### b. Held-to-maturity financial assets and debt instruments with no active market

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

#### c. Financial assets carried at cost

If there is objective evidence that a financial asset carried at cost is impaired, an impairment loss is recognized. However, impairment loss reversal is prohibited.

#### d. Properties, intangible assets, and other assets

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

If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

Goodwill is tested for impairment annually, or more frequently if events indicate goodwill impairment. Impairment loss is recorded if the book value exceeds value in use. No recording of a subsequent recovery in fair value of goodwill is allowed.

### Pension Costs

The Bank has two types of pension plans: Defined benefit and defined contribution. For the defined benefit plan, the Bank recognizes pension costs on the basis of actuarial calculations. Unrecognized net transitional assets are amortized over 27 to 29 years. For the defined contribution plan, the Bank recognizes as pension costs the amounts contributed to the employees' individual pension accounts during the employees' service periods.

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



## Recognition of Interest Revenue and Service Fees

Interest revenue on loans is recorded on an accrual basis. Under Ministry of Finance regulations, no interest revenue is recognized on loans and other credits extended by the Bank that are classified as overdue loans. The interest revenue on those loans is recognized upon collection.

The unpaid interest on rescheduled loans should be recorded as deferred revenue, and the paid interest is recognized as interest revenue.

Service fees are recorded when a major part of the earnings process is completed and revenue is realized.

## Income Tax

Provision for income tax is based on inter-period and intra-period tax allocation. The tax effects of deductible temporary differences, unused tax credits, operating loss carryforwards and debit of stockholders' equity adjustments are recognized as deferred income tax assets, and those of taxable temporary differences and credit of stockholders' equity adjustments are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred income tax assets that are not certain to be realized.

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

Income tax on interest in short-term negotiable instruments or special-purpose trust beneficiary securities, which is levied separately, and any adjustment of income taxes of prior years are added to or deducted from the current year's income tax expense.

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

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

## Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. A footnote disclosure is made of the situation that might result in a possible loss but the amount of loss cannot be reasonably estimated.

## Foreign-currency Transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. Every month-end, foreign currency income and expenses are translated into New Taiwan dollars at the closing exchange rates announced by the Central Bank of China (CBC). On the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reporting using the CBC closing exchange rates, and exchange differences are recognized in the income

statement.

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

## 3.ACCOUNTING CHANGES

Effective January 1, 2008, under an explanation issued by the Accounting Research and Development Foundation of the ROC, the Bank should recognize bonus to employees and remuneration to directors and supervisors as compensation expenses. These bonus and remuneration were previously recorded as appropriations from earnings. This accounting change decreased the Bank's net income in 2008 by \$29,872 thousand and basic earnings per share after income tax by NT\$0.01.

## 4.CASH AND CASH EQUIVALENTS

	December 31	
	2009	2008
Cash on hand	\$5,865,705	\$5,643,806
Checks for clearing	2,604,154	4,146,969
Due from banks	1,330,507	1,781,472
	<u>\$ 9,800,366</u>	<u>\$ 11,572,247</u>

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

	December 31	
	2009	2008
Deposit reserves - account A	\$ 12,812,619	\$ 10,164,082
Deposit reserves - account B	19,897,536	16,609,105
Reserve for deposits - foreign currency deposits	78,831	98,322
Deposit in the Central Bank	173,000,000	53,700,000
Call loan to banks	10,368,417	7,581,740
Due from the Central Bank - other	1,017,812	817,147
	<u>\$ 217,175,215</u>	<u>\$ 88,970,396</u>

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



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

	December 31	
	2009	2008
<b>Held-for-trading financial assets</b>		
Commercial paper	\$ 7,135,900	\$ 10,687,757
Interest rate swap contracts	2,415,101	3,333,205
Overseas bonds	575,538	420,149
Convertible corporate bonds	433,323	770,149
Listed stock - domestic	371,170	12,635
Treasury bills	356,758	11,712,460
Currency option contracts	252,962	\$ 502,982
Cross-currency swap contracts	232,252	614,988
Currency swap contracts	223,031	932,449
Bank debentures	93,553	1,112,074
Beneficiary certificates	89,633	100,976
Forward contracts	84,843	40,250
Futures exchange margins	67,735	16,610
Credit default swap contracts	33,799	89,687
Non-deliverable forward contracts	28,441	87,076
Foreign-currency margin contracts	27,340	37,057
Metal commodity swap contracts	13,344	-
Forward commodity contracts	9,525	21,091
Negotiable certificates of deposit	-	8,815,462
Government bonds	-	422,893
Corporate bonds	-	60,140
Bank acceptances	-	8,758
	<u>12,444,248</u>	<u>39,798,848</u>
<b>Financial assets designated at fair value through profit or loss</b>		
Bank debentures	15,768,353	16,908,298
Corporate bonds	10,228,135	12,773,164
Structured products	502,591	3,008,040
Overseas government bonds	414,896	-
Sold equity securities with interest receivable	131,295	202,091
	<u>27,045,270</u>	<u>32,891,593</u>
	<u>\$ 39,489,518</u>	<u>\$ 72,690,441</u>
<b>Held-for-trading financial liabilities</b>		
Interest rate swap contracts	\$ 2,482,752	\$ 3,343,197
Currency option contracts	327,495	350,051
Currency swap contracts	215,379	207,379
Cross-currency swap contracts	198,363	491,109
Non-deliverable forward contracts	31,744	88,894
Credit default swap contracts	22,690	29,148
Forward contracts	20,736	695,827
Metal commodity swap contracts	11,898	-
Forward commodity contracts	9,525	21,091
Foreign-currency margin contracts	47	608
	<u>3,320,629</u>	<u>5,227,304</u>
<b>Financial liabilities designated at fair value through profit or loss</b>		
Bank debentures (Note 21)	4,775,793	12,079,765
Structured products	2,963,047	9,181,216
	<u>7,738,840</u>	<u>21,260,981</u>
	<u>\$ 11,059,469</u>	<u>\$ 26,488,285</u>

As of December 31, 2009 and 2008, some of the securities which amounted to \$4,626,000 thousand and \$6,128,100 thousand (face value), respectively, had been sold under repurchase agreements.

The Bank engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and hedge its exchange rate and interest rate exposures as well as its credit

risks as a bond holder.

The contract (nominal) amounts of derivative transactions as of December 31, 2009 and 2008 were as follows:

	December 31	
	2009	2008
Interest rate swap contracts	\$295,907,950	\$234,935,065
Currency swap contracts	61,835,179	50,972,773
Currency option contracts	48,975,840	33,946,691
Credit default swap contracts	13,799,088	15,015,759
Cross-currency swap contracts	9,204,711	17,810,654
Forward contracts	7,111,741	6,499,979
Non-deliverable forward contracts	4,382,226	2,594,539
Foreign-currency margin contracts	610,948	469,181
Metal commodity swap contracts	549,953	-
Forward commodity contracts	242,510	247,017
Futures contracts	128,704	-

The gains (losses) on financial assets and liabilities at fair value through profit or loss (FVTPL) for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
<b>Financial assets at FVTPL</b>		
Realized gains	\$ 2,384,923	\$ 3,941,550
Valuation gains (losses)	(1,311,565)	2,142,491
	<u>1,073,358</u>	<u>6,084,041</u>
<b>Financial liabilities at FVTPL</b>		
Realized losses	(1,621,114)	(2,150,353)
Valuation gains (losses)	513,905	(2,327,236)
	<u>(1,107,209)</u>	<u>(4,477,589)</u>
	<u>\$ (33,851)</u>	<u>\$ 1,606,452</u>

## 7. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$3,384,993 thousand and \$353,252 thousand under resell agreements as of December 31, 2009 and 2008, respectively, will be sold for \$3,386,255 thousand and \$353,365 thousand by March 3, 2010 and January 7, 2009, respectively. As of December 31, 2009, some of the securities, which amounted to \$1,542,400 thousand (face value), had been sold under repurchase agreements.

## 8. RECEIVABLES, NET

	December 31	
	2009	2008
Credit cards	\$29,478,091	\$27,092,733
Accrued interest	1,471,953	2,218,542
Acceptances	1,335,674	750,481
Accounts receivable	573,458	366,963
Receivables on overdue securities	323,295	494,857
Other receivable - ESFHC	295,875	112,026
Tax refundable	97,035	44,027
Accrued income	675	100,950
Other	341,877	334,174
	<u>33,917,933</u>	<u>31,514,753</u>
Less: Allowance for possible losses	<u>927,782</u>	<u>954,965</u>
	<u>\$ 32,990,151</u>	<u>\$ 30,559,788</u>

The changes in allowance for possible losses are summarized below:

	2009	2008
Balance, January 1	\$ 954,965	\$ 357,325
Provisions	1,340,653	1,880,965
Write-offs	(1,517,487)	(1,423,367)
Recovery of written-off receivables	158,612	122,400
Effects of exchange rate changes	(8,961)	17,642
Balance, December 31	<u>\$ 927,782</u>	<u>\$954,965</u>

## 9.DISCOUNTS AND LOANS, NET

	December 31	
	2009	2008
Loans		
Short-term	\$ 90,348,550	\$ 93,512,386
Medium-term	127,221,157	129,963,895
Long-term	331,776,592	308,346,338
Overdue loans	3,430,524	3,679,605
Bills negotiated and discounts	<u>1,158,958</u>	<u>1,010,035</u>
	553,935,781	536,512,259
Less: Allowance for possible losses	<u>3,452,016</u>	<u>3,567,281</u>
	<u>\$ 550,483,765</u>	<u>\$ 532,944,978</u>

As of December 31, 2009 and 2008, the loan and credit balances, for which accrual of interest revenues was discontinued, amounted to \$3,430,524 thousand and \$3,679,605 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$76,127 thousand and \$132,289 thousand in 2009 and 2008, respectively.

In 2009 and 2008, the Bank carried out legal procedures required before writing off certain credits.

The details of and changes in allowance for credit losses are summarized below:

	2009		
	Specific Risk	General Risk	Total
Balance, January 1	\$ 2,498,972	\$ 1,068,309	\$ 3,567,281
Provisions (reversal)	1,160,210	(388,605)	771,605
Write-offs	(1,194,612)	-	(1,194,612)
Recovery of written-off credits	355,680	-	355,680
Effects of exchange rate changes	-	(47,938)	(47,938)
Balance, December 31	<u>\$ 2,820,250</u>	<u>\$ 631,766</u>	<u>\$ 3,452,016</u>

	2008		
	Specific Risk	General Risk	Total
Balance, January 1	\$ 1,958,393	\$ 511,652	\$ 2,470,045
Provisions	1,123,750	531,504	1,655,254
Write-offs	(817,592)	-	(817,592)
Recovery of written-off credits	234,421	-	234,421
Effects of exchange rate changes	-	25,153	25,153
Balance, December 31	<u>\$ 2,498,972</u>	<u>\$ 1,068,309</u>	<u>\$ 3,567,281</u>

The details of allowance for bad-debt expenses in 2009 and 2008 were as follows:

	2009	2008
Provisions for possible losses on discounts and loans	\$771,605	\$1,655,254
Provisions for possible losses on receivables	1,340,653	1,880,965
Provisions for (reversal of) reserve for guarantees	(222)	153
	<u>\$2,112,036</u>	<u>\$3,536,372</u>

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

	December 31	
	2009	2008
Bank debentures	\$13,474,351	\$4,270,565
Government bonds	11,514,703	26,450,843
Corporate bonds	5,918,361	5,934,364
Beneficiary securities under securitization	4,609,377	5,096,380
Listed stock - domestic	<u>1,301,699</u>	<u>854,087</u>
	<u>\$36,818,491</u>	<u>\$42,606,239</u>

The Bank recognized an impairment loss of \$185,529 thousand on bank debentures and beneficiary securities under securitization in 2008.

As of December 31, 2009 and 2008, the available-for-sale financial assets amounted \$5,682,300 thousand and \$14,490,400 thousand (face value), respectively, had been sold under repurchase agreements.

## 11.FINANCIAL ASSET SECURITIZATION

The Bank entered into four trust contracts with The Hong Kong and Shanghai Banking Corporation Limited (HSBC, the trustee) and transferred the Bank's rights and risks on bond holdings. These contracts amounted to \$10,060,287 thousand and \$18,340,853 thousand in the fourth quarter of 2005 and \$8,960,000 thousand and \$18,164,571 thousand in the second quarter of 2007 to the trustee in accordance with the Financial Asset Securitization Act. Upon the transfer, the trustee acquired the bondholder's rights from the Bank, and the trustee issued beneficiary securities named E.SUN CBO 2005-1, E.SUN CBO 2005-2, E.SUN CBO 2007-1 and E.SUN CBO 2007-2 to general investors and turned over to the Bank the funds raised on securities issuance along with the retained beneficiary securities (E.SUN CBO 2005-1 is Type D; E.SUN CBO 2005-2 is Type C) and the sold equity securities with interest receivable.

The issuance period for E.SUN CBO 2005-1, amounting to \$10,050,000 thousand, is between October 19, 2005 and July 20, 2012. Interest is payable quarterly. The beneficiary securities are categorized as follows:

Type of Beneficial Security	Repayment Priority	Issued Amount	Interest Rate
A	First	\$ 8,750,000	1.825%
B	Second	800,000	2.050%
C	Third	450,000	1.925%
D	Fourth/remainder	50,000	None

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

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

The issuance period for E.SUN CBO 2007-1, amounting to \$9,000,000 thousand, is between May 16, 2007 and March 15, 2047. The beneficiary securities are categorized as follows:

Type of Beneficial Security	Repayment Priority	Issued Amount	Interest Rate	Percentage to Total Amount Issued
A1	First	\$ 4,000,000	2.10%	100
B1	Second	4,400,000	2.45%	100
B2	Third	560,000	3.10%	100
B3	Fourth/remainder	40,000	12% and residual	100

The issuance period for E.SUN CBO 2007-2, amounting to \$19,650,000 thousand, is between June 22, 2007 and February 10, 2016. Interest is payable quarterly. The beneficiary securities are categorized as follows:

Type of Beneficial Security	Repayment Priority	Issued Amount	Interest Rate	Percentage to Total Amount Issued
A1	First	\$ 8,800,000	None	95.63
A2	Second	5,940,000	None	83.65
B	Third	1,720,000	3.0%	100.00
C	Fourth	990,000	4.0%	100.00
D	Fifth	2,200,000	Residual	100.00

The Bank is the servicer of E.SUN CBO 2005-1, E.SUN CBO 2005-2 and E.SUN CBO 2007-1. Future service income on these contracts is expected to cover all service costs; thus, no service asset or service liability is recognized. The Bank's retained beneficiary securities ensure that the Bank will retain its liquidity after the investor collects its income based on the trust contract. If the security issuers cannot disburse funds upon security maturity, the investors and the trustee have no right of recourse on the Bank's other assets. In addition, the investors' rights take precedence over the rights on the retained beneficiary securities. The value of the retained beneficiary

securities will be affected by the credit risk of the bond issuers, interest rate risk, etc.

#### a.Key assumptions used in measuring retained interests:

	E.SUN CBO 2005-1		E.SUN CBO 2005-2	
	December 31		December 31	
	2009	2008	2009	2008
Projected advance reimbursement rate	0%	0%	0%	0%
Projected credit loss rate	0%	0%	2%	2%
Discount rate for residual cash flows	2.519%	2.619%	1.579%	1.234%

All the bond issuers or guarantors in the asset pool of E.SUN CBO 2005-1 have attained the credit rating of twA or above, and during the past ten years, debtors with credit rating above twBBB never breached the contracts according to the Taiwan Ratings 2006 to 2008 research. Thus, the Bank's projected credit loss rate will be zero.

#### b.Sensitivity analysis:

As of December 31, 2009 and 2008, respectively, the key assumptions and the sensitivity of the current fair value of residual cash flows to the immediate 10% and 20% adverse changes in these assumptions were as follows:

	E.SUN CBO 2005-1		E.SUN CBO 2005-2	
	December 31		December 31	
	2009	2008	2009	2008
Carrying amount of retained interests	\$57,146	\$55,625	\$4,287,420	\$4,462,786
Projected credit loss rate (annual)	0%	0%	2%	2%
Impact on fair value of 10% adverse change	-	-	(72,474)	(127,170)
Impact on fair value of 20% adverse change	-	-	(147,761)	(252,815)

c.As of December 31, 2009 and 2008, there had been no credit loss on the securitized bonds; thus, the expected static pool credit loss rate is equal to projected credit loss rate.

#### d.Cash flows

Cash flows resulting from the securitization were as follows:

	E.SUN CBO 2005-1		E.SUN CBO 2005-2		E.SUN CBO 2007-1	
	2009	2008	2009	2008	2009	2008
Proceeds of the sale of bonds	\$ 836	\$ 1,868	\$ 3,003	\$ 3,375	\$ 1,505	\$ 1,765
Service income	15,944	-	-	-	-	-

e.In 2005, the Bank bought structured bonds from the mutual fund managed by E.SUN Securities Investment Trust Corp. (ESSIT) and securitized these bonds under E.SUN CBO 2005-2. ESSIT promised to compensate the Bank for any loss when the trust contract ends. This transaction had been approved by the board of directors and related authorities. However, on July 17, 2008, ESFHC decided to sell all shares of ESSIT and to undertake the obligation of ESSIT to compensate the Bank for any loss at the trust contract end. The Bank also agreed to waive the obligation of ESSIT.

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

	December 31	
	2009	2008
Government bonds	\$6,696,028	\$6,803,021
Bank debentures	6,034,374	2,974,113
Corporate bonds	4,783,171	3,638,741
Beneficiary securities under securitization	445,152	825,624
Overseas bonds	319,516	-
	<u>\$18,278,241</u>	<u>\$14,241,499</u>

The Bank recognized an impairment loss of \$63,079 thousand on corporate bonds in 2008.

As of December 31, 2009, held-to-maturity financial assets amounted \$1,708,600 thousand (face value) had been sold under repurchase agreements.

## 13.OTHER FINANCIAL ASSETS, NET

	December 31	
	2009	2008
Debt instruments with no active market, net	\$4,943,595	\$6,779,039
Financial assets carried at cost, net	587,407	601,347
Excess reserve trust assets for E.SUN CBO 2005-1	550,000	570,746
Restricted certificates of deposit	-	65,548
Others	65,63	80,460
	<u>\$ 6,146,635</u>	<u>\$ 8,097,140</u>

Financial assets carried at cost were unlisted common stocks with no quoted market prices in an active market and with fair value that cannot be reliably measured. Thus, these assets were measured at cost. The Bank recognized an impairment loss of \$13,197 thousand on financial assets carried at cost in 2009.

Debt instruments with no active market were as follows:

	December 31	
	2009	2008
Beneficiary securities under securitization	\$3,910,491	\$4,647,051
Corporate bonds	933,104	1,868,118
Credit-linked products - host contract	100,000	100,000
Bank debentures	-	163,870
	<u>\$ 4,943,595</u>	<u>\$6,779,039</u>

The Bank recognized an impairment loss of \$8,883 thousand on beneficiary securities under securitization in 2009.

## 14.PROPERTIES, NET

	December 31	
	2009	2008
Cost		
Land	\$8,126,091	\$7,112,299
Buildings	5,678,249	5,317,633
Computers	2,646,300	2,574,153
Transportation equipment	471,357	450,127
Miscellaneous equipment	1,379,102	1,316,823
	<u>18,301,099</u>	<u>16,771,035</u>
Less: Accumulated depreciation		
Buildings	1,292,763	1,052,451
Computers	2,063,452	1,880,860
Transportation equipment	282,676	228,278
Miscellaneous equipment	892,266	725,654
	<u>4,531,157</u>	<u>3,887,243</u>
	13,769,942	12,883,792
Prepayments	89,297	91,060
	<u>\$13,859,239</u>	<u>\$12,974,852</u>

## 15.INTANGIBLE ASSETS

	December 31	
	2009	2008
Goodwill	\$3,662,701	\$3,662,701
Computer software	368,055	360,044
	<u>\$4,030,756</u>	<u>\$4,022,745</u>

In testing assets for impairment, the Bank defined each branch or operation unit as a cash-generating unit (CGU), except for rentable assets and idle assets using net fair value as recoverable amount. Goodwill was allocated to branches or operating units (CGUs with allocated goodwill) resulting from the acquisition of the Kaohsiung Business Bank Co., Ltd. The recoverable amount of a CGU was determined at its value in use. The Bank estimates the next five years' cash flows of a CGU as a going-concern entity on the basis of each CGU's operations or business cycle, etc., and this estimate is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs with allocated goodwill were 12.15% and 9.67% as of December 31, 2009 and 2008, respectively. No impairment losses were incurred after the testing assets for impairment.



## 16. OTHER ASSETS, NET

	December 31	
	2009	2008
Refundable deposits	\$1,213,159	\$1,113,832
Rentable assets, net (less accumulated depreciation amounting to \$18,191 thousand in 2009 and \$57,511 thousand in 2008 and less accumulated impairment amounting to \$25,829 thousand in 2009 and \$121,641 thousand in 2008)	630,245	1,863,607
Idle assets, net (less accumulated depreciation amounting to \$23,026 thousand in 2009 and \$6,522 thousand in 2008 and less accumulated impairment amounting to \$137,251 thousand in 2009 and \$41,439 thousand in 2008)	261,488	241,396
Prepaid expenses	120,982	217,874
Deferred income tax assets, net	110,757	175,883
Deferred charges, net	2,862	5,080
	<u>\$2,339,493</u>	<u>\$3,617,672</u>

There were no indications that the value in use of rentable assets and idle assets significantly exceeded net fair value, the net fair value should be used as the recoverable amount. Thus, the Bank designated real estate appraisal firms and the Bank's appraisal center to value these assets. As a result, the Bank recognized a net reversal of impairment loss of \$34,703 thousand in 2008.

The Bank recognized an impairment loss of \$5,770 thousand and \$82 thousand on refundable deposits in 2009 and 2008, respectively.

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

## 18. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2009	2008
Call loans from banks	\$25,705,056	\$5,955,280
Deposits from Chunghwa Post Co., Ltd.	12,522,380	12,565,901
Due to banks	548,024	2,399,181
Bank overdraft	232,300	198,308
Due to the Central Bank	44,197	49,550
	<u>\$39,051,957</u>	<u>\$21,168,220</u>

Securities sold for \$14,518,968 thousand and \$22,448,022 thousand, under repurchase agreements as of December 31, 2009 and 2008, respectively, would be purchased for \$14,527,740 thousand and \$22,479,178 thousand by August 23, 2010 and June 30, 2009, respectively.

## 19. PAYABLES

	December 31	
	2009	2008
Checks for clearing	\$2,604,154	\$4,146,969
Accrued interest	1,341,157	2,701,645
Acceptances	1,339,890	749,342
Accrued expenses	861,153	648,389
Collections payable	488,400	482,340
Tax payable	137,209	151,576
Accounts payable	44,205	213,393
Other	740,084	625,140
	<u>\$7,556,252</u>	<u>\$9,718,794</u>

## 20. DEPOSITS AND REMITTANCES

	December 31	
	2009	2008
Deposits:		
Checking	\$8,181,983	\$7,647,756
Demand	157,557,326	94,258,482
Savings - demand	191,774,073	137,574,047
Time	206,143,109	196,705,677
Negotiable certificates of deposit	19,821,200	14,407,300
Savings - time	191,374,338	215,766,864
Remittances	211,980	100,149
	<u>\$775,064,009</u>	<u>\$666,460,275</u>

## 21.BANK DEBENTURES

	December 31	
	2009	2008
Subordinated bonds issued on September 16, 2004; 2.95% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	\$1,300,000	\$1,300,000
Subordinated bonds issued on December 17, 2004; 2.80% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	3,700,000	3,700,000
Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity date (10 years after the issue date).	5,000,000	5,000,000
Subordinated bonds issued on October 11, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.425%, payable quarterly; principal repayable on maturity (7 years after the issue date).	2,000,000	2,000,000
Subordinated bonds issued on October 19, 2005; 2.725% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	1,400,000	1,400,000
Subordinated bonds issued on November 4, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.4%, payable annually; principal repayable on maturity (7 years after the issue date).	1,600,000	1,600,000
Two types of subordinated bonds issued on August 24, 2006; interest rate at (a) 90 days' interest rate for commercial paper (stated below) plus 0.25% for type A bond; and (b) 2.60% interest for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years after the issue date).	6,000,000	6,000,000
Two types of subordinated bonds issued on June 29, 2007; interest rate at (a) the one-year time savings deposit floating rate of Bank of Taiwan plus 0.5% for type A bond; and (b) 90 days' interest rate for commercial paper plus 0.39% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years after the issue date).	3,700,000	3,700,000
Subordinated bonds issued on February 15, 2008; 3.10% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	2,300,000	2,300,000
Subordinated bonds issued on October 24, 2008; 3.15% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	300,000	300,000
Subordinated bonds issued on February 20, 2009; 2.10% interest payable annually; principal repayable on maturity date (5 years after the issue date).	1,000,000	-
Subordinated bonds issued on March 5, 2009; 2.15% interest payable annually; principal repayable on maturity date (5.5 years after the issue date).	500,000	-
Two types of subordinated bonds issued on April 3, 2009; interest rate at (a) 2.15% for Type A bond and (b) 2.50% for Type B bond; interest payable annually for both bond types; principal repayable on maturity date (5.5 years for Type A bond and 7 years for Type B bond after the issue date).	500,000	-
Subordinated bonds issued on May 18, 2009; 2.35% interest payable annually; principal repayable on maturity date (5.5 years after the issue date).	1,800,000	-
Subordinated bonds issued on July 17, 2009; 2.50% interest payable annually; principal repayable on maturity date (7 years after the issue date).	900,000	-
Subordinated bonds issued on October 20, 2009; 2.35% interest payable annually; principal repayable on maturity date (7 years after the issue date).	1,500,000	-
	<u>\$33,500,000</u>	<u>\$27,300,000</u>

The details of bank debentures designated at fair value through profit or loss are summarized below:

	December 31	
	2009	2008
Seven types of bonds issued on February 27, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.6% if 6M LIBOR is between 1.05% and 2%, or 4.52% minus 6M LIBOR if 6M LIBOR is more than 2% for types A to D bonds; and (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types E to G bonds, with all interest rates not to fall below 0% and interest payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	\$ -	\$2,000,000
Eight types of secured bonds issued on February 20, 2004; interest rates at (a) 6M LIBOR for type A bond, 6M LIBOR + 0.001% for type B bond, 6M LIBOR + 0.002% for type C bond, 6M LIBOR + 0.003% for type D bond, 6M LIBOR + 0.004% for type E bond, 6M LIBOR + 0.005% for type F bond, 6M LIBOR + 0.006% for type G bond, 6M LIBOR + 0.007% for type H bond if 6M LIBOR is less than 1.05%; (b) 3.8% if 6M LIBOR is between 1.05% and 2.00% for types A to H bonds; and (c) 5% minus 6M LIBOR if 6M LIBOR is more than 2% for types A to H bonds, with all interest rates not to fall below 0% and interest payable semiannually for all bond types; principal repayable on the maturity date (5 years after the issue date).	-	2,000,000
Three types of bonds issued on February 27, 2004; interest rates at 3.03% if 6M LIBOR is less than or equal to 2.5%, or 5.2% minus 6M LIBOR if 6M LIBOR is more than 2.5%, with all interest rates not to fall below 0% and interest payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	1,000,000	1,000,000
Eight types of bonds issued on March 18, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2.00%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types A and B bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.40% if 6M LIBOR is between 1.05% and 2.00%, or 4.4% minus 6M LIBOR if 6M LIBOR is more than 2% for types C to E bonds; (c) 2.5 times of the five years' NT\$ IRS minus the two years' NT\$ IRS and plus 0.5% if the five years' NT\$ IRS minus the two years' NT\$ IRS is less than or equal to 1.2%, or 2% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% for types F and G bonds; and (d) 2 times of the five years' NT\$ IRS minus the two years' NT\$ IRS and plus 1.75% if the five years' NT\$ IRS minus the two years' NT\$ IRS is less than or equal to 1.2%, or 2.65% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% in the first and second years, and 3 times of the five years' NT\$ IRS minus the two years' NT\$ IRS if the five years' NT\$ IRS minus the two years' NT\$ IRS is less than or equal to 1.2%, or 2.1% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% in the third to fifth year for type H bond, with all interest rates not to fall below 0% and interest payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	-	2,000,000
Five bond types issued on May 10, 2004; interest rates at (a) $(6M \text{ LIBOR plus } 0.5001\%) \times n/N$ for type A bond; (b) $(6M \text{ LIBOR plus } 0.5002\%) \times n/N$ for type B bond; (c) $(6M \text{ LIBOR plus } 0.5003\%) \times n/N$ for type C bond; (d) $(6M \text{ LIBOR plus } 0.5004\%) \times n/N$ for type D bond, with 6M LIBOR for types A to D bonds between 1% and 2% in the first year, between 1% and 2.25% in the second year, between 1.05% and 3.00% in the third year, between 1.05% and 3.50% in the fourth year, between 1.1% and 4.0% in the fifth year, between 1.10% and 4.25% in the sixth year, between 1.1% and 4.5% in the seventh year, "n" means the total days of 6M LIBOR between the foregoing interest rate range in each interest-bearing period, "N" means total days of each interest-bearing period; and (e) 1.15 times of the ten years' US\$ Constant Maturity Swap (CMS) minus the two years' US\$ CMS with interest rates not to fall below 0% for type E bond; interest payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	2,300,000	2,300,000

	December 31	
	2009	2008
Three types of bonds issued on May 19, 2004, interest rates at (a) 3% if 6M LIBOR is less than or equal to 2.5%, or 5.3% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.82% if 6M LIBOR is between 1.1% and 2.5%, or 5% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type B bond; and (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 2.0%, or 5.1% minus 6M LIBOR if 6M LIBOR is more than 2%, with all interest rates not to fall below 0% and interest payable semiannually for all bond types; principal repayable on the maturity date (7 years after the issue date).	\$900,000	\$900,000
Five types of bonds issued on June 1, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.5% if 6M LIBOR is between 1.1% and 2.5%, or 5.15% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5% for types B and C bonds; and (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 6.05% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and interest payable semiannually for all bond types; principal repayable on the maturity date (5 years after the issue date).	-	1,300,000
Bonds issued on June 1, 2004; interest rate at 6M LIBOR if 6M LIBOR is less than 0.9%, or 4% if 6M LIBOR is between 0.9% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and interest payable semiannually; principal repayable on the maturity date (7 years after the issue date).	500,000	500,000
	4,700,000	12,000,000
Valuation adjustment	75,793	79,765
Financial liabilities designated at fair value through profit or loss	\$4,775,793	\$12,079,765

Commercial paper interest rates for 90 days and 180 days were based on the average interest rate quoted by Hong Kong's Moneyline Telerate and Reuters.

To increase its capital adequacy ratio and strengthen its capital structure, the Bank proposed the issuance of domestic bank debentures with aggregate face value of \$3,000,000 thousand and domestic subordinated bank debentures with aggregate face value of \$7,000,000 thousand. The issuance was approved by the Financial Supervisory Commission on September 22, 2009. As of December 31, 2009, the bank debentures amounting to \$8,500,000 thousand had not yet been issued.



## 22. OTHER FINANCIAL LIABILITIES

	December 31	
	2009	2008
Credit-linked structured products - host contract	\$1,850,000	\$2,050,000
Appropriations for loans	182,591	223,343
Guarantee deposits received	104,138	99,594
	<u>\$2,136,729</u>	<u>\$2,372,937</u>

Credit-linked structured products refer to money deposited in accordance with the structured-product contracts, valued in New Taiwan dollars, between the Bank and other parties, in which credit risks on certain bonds will be transferred to the counter-parties. When the bond issuers face certain situations as described in the contract, the Bank can make repayments by giving the bonds to the counter parties. The interest rate for this product is from 2.18% to 2.40%, and product maturity is in November 2010.

## 23. OTHER LIABILITIES

	December 31	
	2009	2008
AAvance interest receipts	\$91,214	\$138,340
Other advance receipts	87,711	112,720
Unearned revenue	73,092	109,775
Reserve for land revaluation increment tax	58,203	58,203
Reserve for losses on the sale of bonds	61,642	21,706
Reserve for losses on guarantees	11,271	11,496
Other	19,482	22,606
	<u>\$402,615</u>	<u>\$474,846</u>

## 24. PENSION PLAN

The Bank has a defined benefit pension plan for all regular employees. Under this plan, the Bank makes monthly contributions, equal to 2% of salaries to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the employees' fund administration committee, which manages the fund. The difference between the foregoing contributions and the pension costs based on actuarial calculations is deposited in a financial institution in the name of the employees' pension fund administration committee. The Bank amended the defined benefit plan in 2005. Upon retirement, an employee will receive an amount calculated on the basis of service years.

The Labor Pension Act (the "Act"), which took effect on July 1, 2005, provides for a new, defined contribution pension plan. Bank employees who were subject to the Labor Standards Act (LSA) before the enforcement of this Act were allowed to choose to continue being subject to the LSA or to be subject instead to the pension mechanism under the Act, with their service years before the enforcement of this Act to be retained. Based on the Act, the rate of the Bank's monthly contributions to the employees' individual pension accounts is at 6% of

monthly salaries and wages. For employees who chose to keep on using the pension mechanism under the LSA, the Bank has continued to make monthly contributions to the pension fund from July 1, 2005 at the same rate of 2% of salaries. Pension expenses were \$172,411 thousand and \$165,696 thousand in 2009 and 2008, respectively, of which \$129,155 thousand and \$123,083 thousand were under the Act.

Other information in 2009 and 2008 on the defined benefit plan is as follows:

	2009	2008
a. Net pension cost		
Service cost	\$28,412	\$32,310
Interest cost	25,143	28,011
Actual return on plan assets	(99,371)	120,910
Amortization	89,072	(138,618)
Net pension cost	<u>\$43,256</u>	<u>\$42,613</u>

	December 31	
	2009	2008
b. Reconciliation of the plan funded status to balance sheet amounts		
Benefit obligation:		
Vested benefit obligation	\$(127,279)	\$(105,236)
Non-vested benefit obligation	(539,808)	(534,624)
Accumulated benefit obligation	(667,087)	(639,860)
Additional benefits based on future salaries	(363,312)	(365,874)
Projected benefit obligation	(1,030,399)	(1,005,734)
Fair value of plan assets	934,590	808,268
Funded status	(95,809)	(197,466)
Unrecognized transitional net asset	(20,261)	(21,518)
Unamortized prior service cost	84,607	94,411
Unamortized net pension gains or losses	54,613	148,673
Prepaid pension	<u>\$23,150</u>	<u>\$24,100</u>
Vested benefits	<u>\$(146,342)</u>	<u>\$(122,279)</u>

c. Actuarial assumptions		
Discount rate	2.50%	2.50%
Rate of increase in compensation	2.50%	2.50%
Expected long-term rate of return on plan assets	2.50%	2.50%

	2009	2008
d. Summary of pension fund contributions and payments		
Contributions	<u>\$42,306</u>	<u>\$36,868</u>
Payment of benefits	<u>\$15,355</u>	<u>\$23,208</u>

## 25.SERVICE FEE INCOME, NET

	2009	2008
Service fee	\$3,931,102	\$3,436,918
Service charge	(770,072)	(729,691)
	<u>\$3,161,030</u>	<u>\$2,707,227</u>

## 26.PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2009	2008
Personnel expenses		
Salaries	\$3,239,270	\$3,059,624
Insurance	230,357	219,816
Pension	172,411	165,696
Other	184,299	217,018
Depreciation expenses	736,940	746,007
Amortization expenses	185,280	124,495

## 27.INCOME TAX

a.Income tax was calculated as follows:

	2009	2008
Income tax expense - current before tax credits	\$45,053	\$323,888
Net change in deferred income tax:		
Goodwill	203,914	305,871
Effect of tax law changes on deferred income tax	15,567	-
Tax credits	(2,721)	(4,914)
Unrealized foreign exchange gain or loss	(5,233)	2,537
Impairment losses on assets	(6,963)	509
Loss carryforwards	(45,459)	(219,108)
Unrealized gain or loss on financial instruments	(106,811)	(10,898)
Tax on unappropriated earnings (10%)	2,839	-
Adjustment of prior year's tax	(6,562)	4,675
Income tax expense	<u>\$93,624</u>	<u>\$402,560</u>

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Bank recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting difference as an income tax expense.

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

	December 31	
	2009	2008
Income tax expense on income before income tax at statutory rate (25%)	\$467,005	\$296,121
Permanent differences:		
Tax-exempt income	(615,585)	(308,333)
Others	279,544	634,120
Temporary differences	(90,306)	(298,020)
Tax under the Alternative Minimum Tax Act	4,395	-
Income tax expense - current before tax credits	<u>\$45,053</u>	<u>\$323,888</u>

c. Net deferred income tax assets were as follows:

	December 31	
	2009	2008
Deferred income tax assets (liabilities)		
Loss carryforwards	\$726,519	\$862,689
Unrealized gain or loss on valuation on financial instruments	119,166	52,397
Impairment losses on assets	12,994	9,281
Tax credits	9,516	8,215
Cumulative translation adjustments	9,885	3,773
Unrealized foreign exchange gain	(34,783)	(48,710)
Goodwill	(732,540)	(711,762)
Net deferred income tax assets	<u>\$110,757</u>	<u>\$175,883</u>

The loss carryforwards not yet expired as of December 31, 2009 are summarized as follows:

Expiration	Amount
2016	\$2,574,324
2018	838,117
2019	220,151

As of December 31, 2009, there were unused tax credits amounting to \$9,516 thousand for personnel training expenditures. Unexpired tax credits are summarized as follows:

Expiration	Amount
2011	\$1,881
2012	4,917
2013	2,718

d.Imputed tax credit was summarized as follows:

	December 31	
	2009	2008
Balance of stockholders' imputed tax credit	<u>\$29,627</u>	<u>\$175,462</u>

The actual creditable tax ratio was 23.49% for distributing 2008 earnings. The Bank estimated the creditable tax ratio for distributing 2009 earnings at 1.69%. The actual creditable tax ratio may differ from the estimated creditable tax ratio since such ratio is computed on the date the dividend is actually paid or distributed.

e. The unappropriated earnings generated before January 1, 1998 as of December 31, 2009 and 2008 were both \$91,777 thousand.

f. The main effective tax rates to calculate deferred income tax for 2009 and 2008 were about 20% and 25%, respectively.

g. Income tax returns through 2005 had been examined by the tax authorities. In their assessment of the 1994 to 2001 (except 1996 and 1999) tax returns, the tax authorities denied the creditability of 10% withholding tax on interest revenue on bonds pertaining to periods when those bonds, totaling \$290,044 thousand, were held by other investors. The Bank had accrued liabilities and written off assets that were related to the foregoing withholding taxes as part of income tax expense in 2001. In August 2002, the Supreme Administrative Court decided that the Taipei National Tax Administration should review the withholding tax issue again.

In 2003, the Taipei National Tax Administration decided to rebate 65% of the foregoing withholding taxes. The Bank accepted this decision and thus recognized a tax refund receivable in 2003. As of December 31, 2009, the Bank had received the entire tax refund.

The tax authorities examined the Bank's over-distribution of the stockholders' imputed tax credit amounting to \$27,416 thousand in their assessment of the 2001 to 2005 (except 2003) stockholders' imputed tax credit returns because of foregoing withholding taxes. The Bank filed an application for the refund of overpaid tax and also initiated an administrative litigation. In addition, the Bank did not accrue the related liabilities because the possibility of a positive result on the Bank's application and administrative litigation is high.

On the goodwill amortization of \$407,828 thousand and \$1,223,483 thousand resulting from the merger of the Bank with Kaohsiung Business Bank Co., Ltd. (KBB) and reported in the income tax returns of 2004 and 2005, respectively, the tax authorities disapproved the related expense because the authorities considered the goodwill on the purchase of KBB's assets, liabilities and operations as having resulting from a subsidy authorized by the Executive Yuan to be released from the Resolution Trust Corporation fund and not the Bank's use of its own cash. The Bank disagreed with the tax authorities' decision and initiated an administrative litigation. In addition, the Bank did not accrue the related liabilities because the possibility of a positive result on the Bank's administrative litigation is high.

## 28. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator in Thousands)	Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
2009					
Basic earnings per share					
Net income	<u>\$1,868,059</u>	<u>\$1,774,435</u>	<u>3,189,304</u>	<u>\$ 0.59</u>	<u>\$ 0.56</u>
2008					
Basic earnings per share					
Net income	<u>\$1,184,523</u>	<u>\$781,963</u>	<u>3,182,400</u>	<u>\$0.37</u>	<u>\$0.25</u>

The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. Because of this adjustment, the basic earnings per share before and after income tax decreased from NT\$0.38 to NT\$0.37 and from NT\$0.25 to NT\$0.25 for 2008.

## 29. STOCKHOLDERS' EQUITY

The stockholders resolved to use the unappropriated earnings of \$624,000 thousand as stock dividends of 62,400 thousand shares. This issuance was approved by the Ministry of Economic Affairs (MOEA).

In December 2009, the Bank increased its capital by \$2,520,000 thousand and issued 180,000 thousand shares at NT\$14.00 per share. ESUN Financial Holdings Company, Ltd. (ESFHC) subscribed for all the new shares. This issuance was approved by the MOEA. As of December 31, 2009, the Bank's issued and outstanding capital stock amounted to \$33,624,000 thousand.

The Bank's Articles of Incorporation provide that the following should be appropriated from the annual net income less any accumulated deficit:

- a. 30% as legal reserve;
- b. Special reserve, if needed; and
- c. From any remainder -
  - 1) 94% as dividends
  - 2) 1% as remuneration to directors (known as 1% as remuneration to directors and supervisors before the revision of the Bank's Articles of Incorporation on June 13, 2008)
  - 3) 5% as bonus to employees.

The stockholders may decide not to declare any dividends or decide to distribute only a portion of the distributable earnings.

Under the Bank's policy, cash dividends are the major portion of the declared dividends. However, cash dividends should not be more than 15% of paid-in capital if legal reserve is less than the total paid-in capital.

For the year ended December 31, 2009 and 2008, the bonus to employees and remuneration to directors of \$128,807 thousand and \$39,830 thousand, respectively, representing 5% and 1% of the appropriation of earnings, were accrued on the basis of past experience. If the bonus and remuneration proposed by the Bank's Board of Directors change materially, the change should be included in the expenses of the current year. If the bonus and remuneration approved by the Bank's stockholders differ from the Board of Directors' proposal, this change should be treated as a revision of the accounting estimate, and the related accrued expenses should be adjusted in the year of the stockholders' approval of the bonus and remuneration.

On May 8, 2009, the board of directors resolved the following appropriation of the 2008 earnings:

a. Legal reserve	\$234,589
b. Stock dividend - NT\$0.2 per share	624,000

On May 8, 2009, the board of directors also resolved the bonus to employees of \$33,192 thousand and remuneration to directors of \$6,638 thousand.

On April 24, 2008, the stockholders resolved the following appropriation of the 2007 earnings:

a. Legal reserve	\$ 777,435
b. Special reserve	741,206
c. Cash dividend - NT\$0.4 per share	1,248,000
d. Remuneration to directors and supervisors	13,277
e. Bonus to employees - cash	66,383

As of February 12, 2010, the date of the accompanying auditors' report, the board of directors had not resolved the appropriation of the 2009 earnings. Information on the appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset a deficit. When the reserve exceeds 50% of the Bank's paid-in capital, the excess may be distributed as follows: (a) if the Bank has no earnings, the excess may be declared as dividends or bonus; and (b) if the Bank has no deficit, only the excess portion that is over 25% of the Bank's paid-in capital may be declared as stock dividends. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Under a Securities and Futures Bureau directive, a special reserve is appropriated from the balance of the retained earnings at an amount that is equal to the debit balance of unrealized loss on financial instruments in the stockholders' equity section. The balance of the special reserve is

adjusted to reflect any changes in the debit balance of unrealized loss on financial instruments.

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (including issuance in excess of common stock par value, issuance of shares for combinations and treasury stock transactions) and donations may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Under the integrated income tax system, which took effect on January 1, 1998, the stockholders are allowed a tax credit for their proportionate share of the income tax paid by the Bank on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Bank for such income tax and the tax credit allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of dividend distribution.



### 30. RELATED-PARTY TRANSACTIONS

In addition to Table 1 and those mentioned in other notes, the significant related-party transactions are summarized as follows:

#### a. Related parties

Related Party	Parent company
E.SUN Financial Holding Company, Ltd. (ESFHC)	Parent company
E.SUN Securities Corporation (“E.SUN Securities”), E.SUN Venture Capital Co., Ltd. (ESVC), E.SUN Insurance Broker Co., Ltd. (“E.SUN Insurance Broker”) and E.SUN Securities Investment Consulting Corp.	Subsidiaries of ESFHC
E.SUN Securities Investment Trust Corp. (ESSIT)	Subsidiary of ESFHC (until September 2008)
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	One-third of the funds are donated by the Bank
E.SUN Finance & Leasing Co.	Equity-method investee (until its liquidation in September 2008)
Fubon Securities Finance Co. and Bank-Pro E-Service Technology Co., Ltd.	The Bank is a director of these two companies
Financial Information Service Co., Ltd.	The Bank is a supervisor of the Company
Chiu-Hsiung Huang	Representative of an institutional director of the Bank
Joseph N. C. Huang	Representative of an institutional director of the Bank
Heng-Hwa Yang	Deputy president
Joe Huang	Head of consumer banking
J. C. Wang	Vice president
Shuei-Ping Wan	Vice president
Kuan-Her Wu	Executive vice president
Shih-Hui Lin	Manager
I-Shun Chou	Manager
Cheng-Ren Liu	Manager
Jia-Tie Huang	Manager
Edward Chen	Manager
Tsung-Pin Chen	Manager
Wen-Yuh Chen	Manager
Hao-Wei Tsai	Manager
Rong-Huel Chang	Manager
Day-Yu Chen	Manager
Nan-Ming Chen	Manager
Huei-Ling Tsai	Manager
Bruce Lee	ESFHC’s manager
Yin-Sung Liu	Relative within the second degree of consanguinity of chairman
Yi-Hung Liu	Relative within the second degree of consanguinity of chairman
Shu-Hua Yang	Relative within the second degree of consanguinity of president
Other	Chairman, president, directors, supervisors, other managers and their relatives within the second degree of consanguinity

b. Significant transactions between the Bank and related parties

	December 31			
	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
<u>2009</u>				
1)Loans	\$435,067	-	0.75-3.81	\$8,049
2)Deposits	\$7,230,697	1	0-8.65	\$(93,205)
<u>2008</u>				
1)Loans	\$532,020	-	1.62-4.32	\$11,703
2)Deposits	\$8,884,350	1	0-9.99	\$(211,663)
3)Securities sold under repurchase agreements	\$ -	-	1.75-1.85	\$(121)
<u>December 31</u>				
	2009	% to Total	Interest Rate (%)	Revenue (Expense)
4)Other receivable (part of receivables)				
ESFHC	\$295,875	1	\$112,026	-
5)Prepaid expense (part of other assets - other)	\$1,667	-	\$ -	-
6)Interest payable (part of payables)	\$4,000	-	\$60,576	1
7)Remuneration to directors and supervisors (part of payables)	\$21,468	-	\$6,638	-
8)Guarantee deposits received (part of other financial liabilities)	\$8,293	-	\$3,843	-
9)Unearned revenue (part of other liabilities)	\$3,443	1	\$1,984	-

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

10)Purchases and sales of securities	2008			
	Purchases	Sales		
Related Party	Amount	Amount		
Other	\$ -	\$ 15,098		
	December 31			
	2009	2008		
	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
11)Service fee (part of service fee income, net)	\$40	-	\$446	-
12)Rental income	\$16,837	20	\$18,185	16
13)Rental expense				
(part of general and administrative expenses)	\$ -	-	\$2,500	
14)Donation				
(part of general and administrative expenses)	\$9,229	-	\$4,647	-
15)Other				
(part of general and administrative expenses)	\$32,476	1	\$11,412	

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

#### 16) Directors as credit guarantors

	December 31			
	Amount	% to Total	Interest Rate (%)	Rate of Guarantee Service Fee (%)
2009	<u>\$ 81,799</u>	-	1.21-2.47	-
2008	<u>\$ 155,307</u>	-	2.72-4.02	-

17) The Bank made cross-currency swap with ESFHC. The contract (nominal) amounts were \$1,293,475 thousand as of December 31, 2009, and the valuation loss was \$1,011 thousand in 2009. The realized gain was \$252 thousand in 2009.

18) The Bank made currency swap contracts with ESFHC. The contract (nominal) amounts were \$327,740 thousand as of December 31, 2008, and the valuation gain was \$12,240 thousand in 2008. In 2009 and 2008, the realized gain was \$14,350 thousand and \$15,200 thousand, respectively.

19) The Bank sold transportation equipment to ESVC for \$325 thousand in 2008, and the gain on the sale of equipment was \$112 thousand.

The Bank has operating lease contracts with related parties, which cover certain office spaces within the Bank's building. The monthly or quarterly rentals, which were receivable in advance, were based on rentals for buildings near the Bank.

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

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

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

	2009	2008
Salaries	\$34,380	\$34,300
Incentives	11,770	11,490
Special compensation	3,600	4,163
Bonus	<u>24,243</u>	<u>8,198</u>
	<u>\$73,993</u>	<u>\$58,151</u>

### 31. PLEDGED ASSETS

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

	December 31	
	2009	2008
Due from the Central Bank and calls loans to other banks	\$ -	\$1,000,000
Financial assets at fair value through profit or loss (securities at face value)	414,900	4,000,000
Receivables (bonds)	200	400
Available-for-sale financial assets (bonds at face value)	339,900	394,000
Held-to-maturity financial assets (face value)	3,470,552	2,120,000
Other financial assets (face value)	<u>804</u>	<u>65,548</u>
	<u>\$4,226,356</u>	<u>\$7,579,948</u>

As of December 31, 2009 and 2008, the foregoing securities, with aggregate face value of \$3,400,000 thousand and \$5,000,000 thousand, respectively, had been provided as collaterals for day-term overdraft to comply with the Central Bank's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of a day can also be treated as the Bank's liquidity reserve.

As of December 31, 2008, the above-mentioned securities purchased amounting to \$2,120,000 thousand had been provided to the Mega International Commercial Bank as collaterals for the issuance of bank debentures. Other securities were placed with courts of justice for various collection cases on overdue loans or were used as business reserve.

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

Date	(In Thousands of U.S. Dollars)	
	Outstanding Loan Balance	Collateral Value
December 31, 2009	<u>\$21,868</u>	<u>\$13,121</u>
December 31, 2008	<u>\$31,748</u>	<u>\$23,811</u>

### 32. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2009 were as follows:

a. Renewable operating lease agreements on premises occupied by the Bank's branches, which will expire on various dates by July 2019. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2009, refundable deposits on these leases totaled \$910,266 thousand (shown as "refundable

deposits”). Minimum annual rentals for the next five years are as follows:

Year	Amount
2010	\$ 479,132
2011	376,675
2012	310,544
2013	235,255
2014	178,609

Total rentals for January 2015 to July 2019 will aggregate \$87,428 thousand. The present value of these rentals is \$81,972 thousand, based on 0.83%, which is the annual fixed interest rate set by Chunghwa Post Co., Ltd. for its one-year time savings deposits on the balance sheet date.

b. Agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank’s branches amounted to approximately \$314,433 thousand. As of December 31, 2009 the remaining unpaid amount was approximately \$225,880 thousand.

### 33. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

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

	2009		2008	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents - due from banks	\$1,295,487	0.11	\$1,188,439	1.31
Call loans to banks	10,050,054	0.82	4,521,042	2.19
Due from the Central Bank	123,076,143	0.63	16,480,880	1.54
Held-for-trading financial assets - bonds	2,462,622	1.81	1,813,739	1.33
Held-for-trading financial assets - bills	19,838,890	0.86	56,998,413	2.18
Financial assets designated at fair value				
through profit or loss - bonds and bills	29,320,370	2.47	38,587,903	2.97
Securities purchased under resell agreements	2,619,371	0.06	642,757	1.56
Discounts and loans	536,973,072	1.89	537,267,151	3.25
Receivables on credit cards	16,990,288	12.48	17,340,616	13.10
Available-for-sale financial assets - bonds	39,187,961	2.09	29,503,886	2.78
Held-to-maturity financial assets	17,966,090	2.26	13,782,745	2.20
Debt instruments with no active market	6,080,789	2.24	7,289,366	2.50
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	\$21,371,779	0.43	\$25,261,764	2.81
Financial liabilities at fair value through profit or loss				
(exclusive of financial liabilities designated at fair				
value through profit or loss - bank debentures)	3,608,375	0.57	10,590,710	2.38
Securities sold under repurchase agreements	26,293,478	0.24	26,460,185	1.65
Demand deposits	110,668,431	0.09	77,880,720	0.38
Savings - demand deposits	167,405,007	0.25	130,972,363	0.57
Time deposits	208,009,400	1.07	197,998,539	2.61
Time savings deposits	210,870,315	1.51	201,611,543	2.53
Negotiable certificates of deposit	12,415,442	0.72	12,949,152	2.13
Bank debentures (inclusive of financial liabilities				
designated at fair value through profit or				
loss - bank debentures)	37,038,639	2.29	46,189,757	2.30



### 34. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

	December 31			
	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Financial assets - with fair value approximating carrying amounts	\$264,170,974	\$264,170,974	\$132,413,462	\$132,413,462
Financial assets at fair value through profit or loss	39,489,518	39,489,518	72,690,441	72,690,441
Available-for-sale financial assets	36,818,491	36,818,491	42,606,239	42,606,239
Discounts and loans	550,483,765	550,483,765	532,944,978	532,944,978
Held-to-maturity financial assets	18,278,241	18,585,200	14,241,499	14,460,273
Other financial assets (exclusive of financial assets carried at cost)	5,559,228	5,580,481	7,495,793	7,460,285
<u>Financial liabilities</u>				
Financial liabilities - with fair value approximating carrying amounts	\$60,989,968	\$60,989,968	\$53,183,460	\$53,183,460
Financial liabilities at fair value through profit or loss	11,059,469	11,059,469	26,488,285	26,488,285
Deposits and remittances	775,064,009	775,064,009	666,460,275	666,460,275
Bank debentures	33,500,000	33,919,422	27,300,000	27,162,767
Other financial liabilities	2,136,729	2,136,729	2,372,937	2,372,937

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

1) The carrying amounts of short-term financial instruments approximate their fair values because of the short maturities of these instruments. Other short-term financial assets are cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables (except tax refundable) and refundable deposits. Other short-term financial liabilities are due to the Central Bank and other banks, securities sold under repurchase agreements, payables (except tax payable), and remittances.

2) For financial instruments at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and bank debentures, fair value is best determined on the basis of quoted market prices. However, in many instances where there are no quoted market prices for the Bank's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies.

The Bank estimated the fair value of each forward contract on the basis of the exchange rates quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap

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

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Bank uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollar, U.S. dollar, etc.) to be used for payments. As of December 31, 2009 and 2008, the discount rates used were between 0.108% and 2.185% and between 0.471% and 1.842%, respectively, for the New Taiwan dollar and between 0.175% and 4.477% and between 0.15% and 2.695%, respectively, for the U.S. dollar.

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

3) Discounts and loans, and deposits are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair value. The fair value of overdue loans is based on their carrying amount, net of allowance for credit losses.

4) If equity investments under the equity method and financial assets

carried at cost both consist of unlisted stock, these investments have no quoted market prices in an active market and their fair value cannot be reliably measured. Thus, the Bank does not disclose their fair value.

5) Other financial liabilities include guarantee deposits received, appropriations for loans and credit-linked structured products. They are interest-bearing liabilities or items that can be transferred to other banks at any time depending on the business situation or withdrawn by providers. The carrying amounts of these liabilities represent their fair values.

c. As of December 31, 2009 and 2008, respectively, fair values of financial assets and liabilities determined using quoted market prices or market prices estimated on the basis of valuation method were as follows:

	December 31			
	2009		2008	
	Quoted Market Prices	Estimated Market Prices	Quoted Market Prices	Estimated Market Prices
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$8,869,416	\$30,620,102	\$32,538,940	\$40,151,501
Available-for-sale financial assets	12,816,402	24,002,089	27,304,930	15,301,309
Held-to-maturity financial assets	6,952,915	11,632,285	7,030,651	7,429,622
Other financial assets (exclusive of financial assets carried at cost)	615,632	4,964,849	720,433	6,739,852
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	-	11,059,469	-	26,488,285
Bank debentures	-	33,919,422	-	27,162,767

d. A valuation of financial instruments at estimated market prices, the loss was \$837,390 thousand and \$162,594 thousand in 2009 and 2008, respectively.

e. For the years ended December 31, 2009 and 2008, the adjustments of stockholders' equity credited directly from the available-for-sale financial assets amounted to \$1,245,924 thousand and debited directly from the available-for-sale financial assets amounted to \$675,538 thousand, respectively; the gain or loss recognized and deducted from the adjustments of stockholders' equity amounted to a gain of \$267,601 thousand and a loss of \$780,553 thousand, respectively.

f. Financial risk information

1) Risk management

The Bank established the Risk Management Division to draw up the principles and policies of risk management followed by each department, to coordinate and monitor the enforcement of risk

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

2) Market risk

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

Net positions on foreign-currency transactions were as follows:

Unit: In Thousands of Dollars

Items	December 31, 2009		December 31, 2008	
	Currency	NT\$	Currency	NT\$
Net position on foreign-currency transactions (market risk)	USD (36,226)	(1,165,608)	HKD (76,308)	\$(322,693)
	SGD 10,966	251,391	USD 21,333	321,185
	AUD 7,043	203,352	JPY (680,531)	(246,723)
	HKD 46,205	191,705	EUR 3,069	141,911
	CNY (24,523)	(115,576)	CNY 14,043	67,351

Note: The foreign currencies represent the top five currencies in the Bank's basket of international currencies.

### 3) Credit risk

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

As of December 31, 2009 and 2008, the interest rates for loans were between 0.15% and 18.25% and between 0.59% and 18.25%, respectively. The highest interest rate for credit cards was 19.71% in both years.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to the Bank.

The Bank evaluates the creditworthiness of credit applications case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories, marketable securities and other assets, may be required depending on the evaluation result. As of December 31, 2009 and 2008, about 70% and 65% of total loans granted, respectively, and about 15% and 18%, respectively, for both the aggregate guarantees and letters of credit issued, were secured. If the customers break a contract, the Bank will execute its right on the collaterals and decrease its credit risk. However, the Bank discloses the maximum credit exposure without consideration of collateral fair value.

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

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2009 and 2008 were as follows:

	December 31	
	2009	2008
Credit card commitments	\$248,796,255	244,073,452
Guarantees and letters of credit issued	17,880,961	14,793,569

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Groups or industries and regions with outstanding loans that were 10% or more of total outstanding loans were as follows:

	December 31			
	2009		2008	
Credit Risk Profile by Group or Industry	Amount	%	Amount	%
Natural person	\$ 322,569,407	57	\$286,616,096	53
Manufacturing	124,544,378	22	133,970,694	25
	December 31			
	2009		2008	
Credit Risk Profile by Region	Amount	%	Amount	%
Domestic	\$ 525,862,522	93	\$503,274,180	92
North America	10,796,412	2	14,141,824	3
Asia	10,852,963	2	12,936,053	2

#### 4) Liquidity risk

In December 2009 and 2008, the liquidity reserve ratio was 26.26% and 16.95%, respectively. The Bank has sufficient equity capital and working capital to execute all contract obligations and had no liquidity risk.

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

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

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

	December 31, 2009					
	Due in One Month	Due after One Month Up to Three Months	Due after Three Months Up to One Year	Due after One Year Up to Seven Years	Due after Seven Years	Total
<u>Assets</u>						
Cash and cash equivalents	\$9,800,366	\$ -	\$ -	\$ -	\$ -	\$9,800,366
Due from the Central Bank and call loans to other banks	150,389,990	52,802,585	13,982,640	-	-	217,175,215
Financial assets at fair value through profit or loss	11,592,696	1,469,807	4,481,713	20,703,697	1,241,605	39,489,518
Securities purchased under resell agreements	-	3,384,993	-	-	-	3,384,993
Receivables	294,487	29,445,511	130,313	4,047,622	-	33,917,933
Discounts and loans	56,965,804	34,209,971	57,689,394	199,327,741	205,742,871	553,935,781
Available-for-sale financial assets	7,039,034	86,537	3,413,240	24,551,649	1,728,031	36,818,491
Held-to-maturity financial assets	160,599	224,319	402,978	16,627,442	862,903	18,278,241
Other financial assets (exclusive of financial assets carried at cost)	772	-	969,655	1,586,246	3,002,555	5,559,228
	<u>\$236,243,748</u>	<u>\$121,623,723</u>	<u>\$81,069,933</u>	<u>\$266,844,397</u>	<u>\$212,577,965</u>	<u>\$918,359,766</u>
<u>Liabilities</u>						
Due to the Central Bank and other banks	\$22,751,593	\$3,508,184	\$12,792,180	\$ -	\$ -	\$39,051,957
Financial liabilities at fair value through profit or loss	2,900,000	45,000	3,414,469	4,700,000	-	11,059,469
Securities sold under repurchase agreements	10,684,799	2,126,860	1,707,309	-	-	14,518,968
Payables	3,241,111	792,217	1,617,918	1,901,139	3,867	7,556,252
Deposits and remittances	430,737,338	98,117,703	234,411,849	11,797,119	-	775,064,009
Bank debentures	-	1,300,000	3,700,000	28,500,000	-	33,500,000
Other financial liabilities	500,000	1,948	1,379,922	182,591	72,268	2,136,729
	<u>\$470,814,841</u>	<u>\$105,891,912</u>	<u>\$259,023,647</u>	<u>\$47,080,849</u>	<u>\$76,135</u>	<u>\$882,887,384</u>



December 31, 2008						
<u>Assets</u>	Due in One Month	Due after One Month Up to Three Months	Due after Three Months Up to One Year	Due after One Year Up to Seven Years	Due after Seven Years	Total
Cash and cash equivalents	\$11,572,247	\$ -	\$ -	\$ -	\$ -	\$11,572,247
Due from the Central Bank and call loans to other banks	60,321,437	19,148,959	9,500,000	-	-	88,970,396
Financial assets at fair value through profit or loss	13,622,141	11,116,416	20,346,654	25,664,649	1,940,581	72,690,441
Securities purchased under resell agreements	353,252	-	-	-	-	353,252
Receivables	323,822	27,738,510	68,494	3,383,927	-	31,514,753
Discounts and loans	61,107,424	38,555,538	52,569,158	193,317,896	190,962,243	536,512,259
Available-for-sale financial assets	4,631,754	-	6,331,571	30,177,512	1,465,402	42,606,239
Held-to-maturity financial assets	-	163,610	335,836	11,253,257	2,488,796	14,241,499
Other financial assets (exclusive of financial assets carried at cost)	492,070	-	1,278,365	5,725,358	-	7,495,793
	<u>\$152,424,147</u>	<u>\$96,723,033</u>	<u>\$90,430,078</u>	<u>\$269,522,599</u>	<u>\$196,857,022</u>	<u>\$805,956,879</u>
<u>Liabilities</u>						
Due to the Central Bank and other banks	\$5,906,839	\$655,480	\$14,605,901	\$ -	\$ -	\$21,168,220
Financial liabilities at fair value through profit or loss	8,396,921	10,000,000	1,302,126	6,789,238	-	26,488,285
Securities sold under repurchase agreements	15,907,397	5,059,406	1,481,219	-	-	22,448,022
Payables	5,540,907	76,924	174,933	3,926,030	-	9,718,794
Deposits and remittances	314,092,225	97,372,256	236,113,737	18,882,057	-	666,460,275
Bank debentures	-	-	-	27,300,000	-	27,300,000
Other financial liabilities	509,700	625,270	950,000	287,967	-	2,372,937
	<u>\$350,353,989</u>	<u>\$113,789,336</u>	<u>\$254,627,916</u>	<u>\$57,185,292</u>	<u>\$ -</u>	<u>\$775,956,533</u>

### 35.ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

#### a. Asset quality

Table 2 (attached)

b. Concentration of credit extension

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2009			December 31, 2008		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity
1	Group A Integrated circuits production	\$ 6,125,680	11.89	Group A Integrated circuits production	\$6,962,631	15.32
2	Group B Iron and steel smelting	5,357,218	10.40	Group D Liquid crystal panel and components production	5,015,209	11.04
3	Group C Liquid crystal panel and components production	5,275,618	10.24	Group C Liquid crystal panel and components production	4,775,568	10.51
4	Group D Liquid crystal panel and components production	5,070,856	9.85	Group E Railway transportation	4,053,941	8.92
5	Group E Railway transportation	3,804,407	7.39	Group B Iron and steel smelting	3,992,000	8.79
6	Group F Petroleum and coal products production	3,000,804	5.83	Group K Synthetic fiber production	3,664,795	8.07
7	Group G Liquid crystal panel and components production	2,911,598	5.65	Group H Real estate development	3,018,500	6.64
8	Group H Real estate development	2,911,500	5.65	Group L Other real estate not classified elsewhere	2,975,793	6.55
9	Group I Footwear manufacturing	2,778,518	5.39	Group M Electric wires and cables production	2,154,043	4.74
10	Group J Civil air transportation	2,492,578	4.84	Group N Financial leasing	2,046,994	4.51

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

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2009

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$709,246,308	\$20,070,792	\$2,204,275	\$35,442,324	\$766,963,699
Interest rate-sensitive liabilities	334,062,458	373,152,769	43,925,381	23,190,420	774,331,028
Interest rate sensitivity gap	375,183,850	(353,081,977)	(41,721,106)	12,251,904	(7,367,329)
Net worth					50,107,296
Ratio of interest rate-sensitive assets to liabilities					99.05
Ratio of interest rate sensitivity gap to net worth					(14.70)

### Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2008

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$559,528,704	\$31,321,810	\$16,245,299	\$64,575,594	\$671,671,407
Interest rate-sensitive liabilities	307,187,721	258,755,003	87,082,683	29,259,069	682,284,476
Interest rate sensitivity gap	252,340,983	(227,433,193)	(70,837,384)	35,316,525	(10,613,069)
Net worth					46,104,480
Ratio of interest rate-sensitive assets to liabilities					98.44
Ratio of interest rate sensitivity gap to net worth					(23.02)

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

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

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

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

### Interest Rate Sensitivity (U.S. Dollars)

December 31, 2009

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$3,353,219	\$456,559	\$145,603	\$326,979	\$4,282,360
Interest rate-sensitive liabilities	3,712,607	289,952	216,744	-	4,219,303
Interest rate sensitivity gap	(359,388)	166,607	(71,141)	326,979	63,057
Net worth					41,084
Ratio of interest rate-sensitive assets to liabilities					101.49
Ratio of interest rate sensitivity gap to net worth					153.48

### Interest Rate Sensitivity (U.S. Dollars)

December 31, 2008

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$2,713,565	\$437,948	\$150,441	\$230,364	\$3,532,318
Interest rate-sensitive liabilities	2,901,286	434,538	169,919	-	3,505,743
Interest rate sensitivity gap	(187,721)	3,410	(19,478)	230,364	26,575
Net worth					2,874
Ratio of interest rate-sensitive assets to liabilities					100.76
Ratio of interest rate sensitivity gap to net worth					924.67

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

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

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

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

d.Profitability

(%)

Items		Year Ended December 31, 2008	Year Ended December 31, 2007
Return on total assets	Before income tax	0.21	0.15
	After income tax	0.20	0.10
Return on equity	Before income tax	3.82	2.55
	After income tax	3.63	1.68
Net income ratio		14.41	6.02

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

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

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

Note 4:Income before (after) income tax represents income for the years ended December 31, 2009 and 2008.

e.Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)  
December 31, 2009

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year
Main capital inflow on maturity	\$845,822	\$190,812	\$96,124	\$45,418	\$49,035	\$464,433
Main capital outflow on maturity	1,053,093	120,877	149,164	182,505	261,983	338,564
Gap	(207,271)	69,935	(53,040)	(137,087)	(212,948)	125,869

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)  
December 31, 2008

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days- 1 Year	Over 1 Year
Main capital inflow on maturity	\$748,464	\$148,906	\$59,057	\$41,935	\$44,253	\$454,313
Main capital outflow on maturity	921,969	114,736	126,865	129,832	242,890	307,646
Gap	(173,505)	34,170	(67,808)	(87,897)	(198,637)	146,667

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



Maturity Analysis of Assets and Liabilities (U.S. Dollars)  
December 31, 2009

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$3,626,444	\$843,685	\$670,001	\$490,237	\$295,151	\$1,327,370
Main capital outflow on maturity	3,729,442	1,563,170	890,782	602,067	546,998	126,425
Gap	(102,998)	(719,485)	(220,781)	(111,830)	(251,847)	1,200,945

Maturity Analysis of Assets and Liabilities (U.S. Dollars)  
December 31, 2008

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$2,961,716	\$78,487	\$353,444	\$240,446	\$163,983	\$1,425,356
Main capital outflow on maturity	3,118,602	1,507,141	689,890	471,539	201,391	248,641
Gap	(156,886)	(728,654)	(336,446)	(231,093)	(37,408)	1,176,715

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

f. Operation and legal risk

Matters Requiring Special Notation

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount	
	December 31, 2009	December 31, 2008
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on the Bank resulting in the authorities for violations of laws and regulations	None	None
Within the past year, misconduct occurred, resulting in the authorities imposing strict corrective measures on the Bank	None	None
Within the past year, the Bank faced penalties due to violations of "the Banking Law of the Republic of China" Article 61-1	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars	None	None
Other	None	None

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

### 36. TRUST BUSINESS UNDER THE TRUST LAW

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

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

Balance Sheets of Trust Accounts  
December 31, 2009 and 2008

Trust Assets	2009	2008	Trust Liabilities	2009	2008
Cash in banks	\$1,224,668	\$809,343	Account payable on securities under custody	\$8,752,604	\$19,981,270
Short-term investments	95,570,898	77,305,712	Trust capital		
Land	857,840	727,537	Cash	98,625,763	77,127,405
Collective investment trust fund account	68,303	39,521	Security	3,613,791	3,564,895
Securities under custody	<u>8,752,604</u>	<u>19,981,270</u>	Real estate	857,840	727,537
			Collective investment trust fund account	68,303	39,521
			Reserves and retained earnings (accumulated deficit)	(6,035,053)	3,836,238
			Net income (loss)	<u>591,065</u>	<u>(6,413,483)</u>
Total assets	<u>\$106,474,313</u>	<u>\$98,863,383</u>	Total liabilities	<u>\$106,474,313</u>	<u>\$98,863,383</u>

Trust Property List  
December 31, 2009 and 2008

Investment Items	2009	2008
Cash in banks	\$1,224,668	\$809,343
Stocks	3,597,902	3,393,112
Mutual funds	91,482,799	73,838,286
Bonds	488,425	72,424
Unsettled beneficiary certificates	1,032	150
Collective investments	740	1,740
Land	857,840	727,537
Collective investment trust fund account	68,303	39,521
Securities under custody	<u>8,752,604</u>	<u>19,981,270</u>
	<u>\$106,474,313</u>	<u>\$98,863,383</u>

Statements of Income on Trust Accounts  
Years Ended December 31, 2009 and 2008

	2009	2008
<u>Revenues</u>		
Interest	\$6,372	\$8,020
Cash dividend	1,627,451	2,145,384
Property gain	1,993,858	898,788
Realized capital gain - mutual funds	7,457	3,997
Realized capital gain - collective investments	-	519
Revenues from beneficiary certificates	578	865
	<u>3,635,716</u>	<u>3,057,573</u>
<u>Expenses</u>		
Management fees	218,268	163,939
Supervisor fees	133	60
Service charge	3,198	452
Realized capital loss - bonds	-	188
Property loss	2,795,992	9,301,437
Income tax	378	531
Other expenses	25,638	1,436
Realized capital loss - mutual funds	913	2,944
Realized capital loss - collective investments	131	67
Realized foreign exchange loss	-	2
	<u>3,044,651</u>	<u>9,471,056</u>
 Net income (loss)	 <u>\$591,065</u>	 <u>\$(6,413,483)</u>

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

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

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

	Bank	E.SUN Securities	Total	Allocation Method
<u>2009</u>				
Rental expense	\$2,160	\$1,080	\$3,240	The Bank - 2/3 and E.SUN Securities - 1/3
Broadcasting and security systems	36	36	72	50% each
Others	1,607	1,268	2,625	Cleaning expenses - the Bank - 24% and E.SUN Securities - 76%
				Utilities - 50% each
				Building maintenance fee. Based on space actually occupied
	<u>\$3,553</u>	<u>\$2,384</u>	<u>\$5,937</u>	

	Bank	E.SUN Securities	Total	Allocation Method
<u>2008</u>				
Rental expense	\$2,160	\$ 1,080	\$ 3,240	The Bank - 2/3 and E.SUN Securities - 1/3
Broadcasting and security systems	176	176	352	50% each
Others	1,607	1,368	2,975	Cleaning expenses - the Bank - 24% and E.SUN Securities - 76%
				Utilities - 50% each, but for the Bank's Chiayi Branch - 2/3 and E.SUN Securities - 1/3
				Building maintenance expenses - based on space actually occupied
	<u>\$ 3,943</u>	<u>\$ 2,624</u>	<u>\$ 6,567</u>	

Under cooperation arrangements, the Bank and E.SUN Insurance Broker Co., Ltd. (ESIB) shared some equipment and operating sites, personnel, and an internet service system and provided cross-selling financial services starting in 2004. The service fees earned by the Bank were based on 10% of the gross revenue derived from the insurance companies' products sold by the Bank. In 2009 and 2008, ESIB should have paid the Bank \$39,113 thousand and \$17,445 thousand, respectively; the unpaid amount was \$4,298 thousand and \$3,497 thousand on December 31, 2009 and 2008, respectively.

The Bank recognized \$123 thousand in cross-selling revenues from E.SUN Securities Investment Trust Corp. (ESSIT) in 2008.



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

	2009	2008
Revenue	<u>\$2,459</u>	<u>\$1,680</u>
Expense	<u>\$56,802</u>	<u>\$3,459</u>

### 38. CAPITAL ADEQUACY RATIO

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

(Unit: In thousands of New Taiwan Dollars)

Items			Year	December 31, 2009	December 31, 2008
Eligible capital	Tier 1 capital			\$43,649,594	\$40,407,211
	Tier 2 capita			14,403,648	14,386,665
	Tier 3 capital			-	-
	Eligible capital			58,053,242	54,793,876
Risk-weighted assets	Credit risk	Standardized approach		467,100,520	458,686,467
		Internal ratings - based approach		-	-
		Securitization		2,104,311	4,622,215
	Operational risk	Basic indicator approach		24,446,038	24,659,738
		Standardized approach/Alternative standardized approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		32,578,363	30,842,550
		Internal model approach		-	-
	Risk-weighted assets			526,229,232	518,810,970
Capital adequacy ratio				11.03	10.56
Ratio of tier 1 capital to risk-weighted assets				8.29	7.79
Ratio of tier 2 capital to risk-weighted assets				2.74	2.77
Ratio of tier 3 capital to risk-weighted assets				-	-
Ratio of common stock to total assets				3.60	3.79
Ratio of leverage				5.01	5.13

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks”.

Note 2: Formulas used were as follows:

- 1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.
- 5) Ratio of tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.
- 6) Ratio of tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.
- 7) Ratio of common stock to total assets = Common stock ÷ Total assets.
- 8) Ratio of leverage = Tier 1 capital ÷ Adjusted average total asset (the average total asset excludes goodwill, deferred losses on the sale of nonperforming loans and ineligible items deducted from tier 1 capital under the “Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks” ).

The Banking Law and related regulations require that the Bank maintain its unconsolidated and consolidated CARs at a minimum of 8%. In addition, if the Bank’s CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

### 39.ADDITIONAL DISCLOSURE

Following are the additional disclosures for the Bank and its investees:

a.Related information of significant transactions and investees:

- 1)Financing provided: The Bank - not applicable; investee - none.
- 2)Endorsement/guarantee provided: The Bank - not applicable; investee - none.
- 3)Marketable securities held: The Bank - not applicable; investee - none.
- 4)Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (the Bank disclosed its investments accumulated or disposed of): None.
- 5)Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 6)Disposal of individual real estates at costs of at least NT\$300 million or 10% of the paid-in capital: None.
- 7)Financial asset securitization: Note 11 to the financial statements.
- 8)Allowance of service fees to related parties amounting to at least NT\$5 million: None.
- 9)Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None.
- 10)Sale of nonperforming loans: None.
- 11)Other significant transactions which may affect the decisions of users of financial reports: None.
- 12)The related information and proportionate share in investees: Table 3 (attached).
- 13)Derivative transactions: The Bank - Notes 6 and 34 to the financial statements; investee - none.

bInvestment in Mainland China: None.

### 40.SEGMENT AND GEOGRAPHIC INFORMATION

The Bank's operations all belong to one business segment, namely, banking. Also, all overseas units individually represent less than 10% of the Bank's total revenues and 10% of its total assets. Thus, no segment and geographic information is required to be disclosed.

TABLE 1

## E.SUN COMMERCIAL BANK, LTD.

RELATED-PARTY TRANSACTIONS  
DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars)

## 1. Loans

## December 31, 2009

Type	Account Volume or Name	Highest Balance in the Nine Months Ended December 31, 2009 (Note)	Ending Balance	Loans Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	75	\$ 211,719	\$ 168,019	\$ 168,019	\$ -	Land and buildings as collateral for part of the loans	None
Self-used housing mortgage loans	52	330,067	217,222	217,222	-	Land and buildings	None
Other loans	Chiu-Hsiung Huang	35,000	-	-	-	Land and buildings	None
Other loans	Joseph N. C. Huang	10,000	1,000	1,000	-	Land and buildings	None
Other loans	Joseph N. C. Huang	4,947	4,717	4,717	-	Land and buildings	None
Other loans	Heng-Hwa Yang	363	-	-	-	Land and buildings	None
Other loans	Heng-Hwa Yang	356	320	320	-	Land and buildings	None
Other loans	Joe Huang	1,300	-	-	-	Land and buildings	None
Other loans	Joe Huang	6,000	6,000	6,000	-	Land and buildings	None
Other loans	J.C. Wang	1,834	1,712	1,712	-	Land and buildings	None
Other loans	Shuei-Ping Wan	870	870	870	-	Land and buildings	None
Other loans	Kuan-Her Wu	1,933	1,845	1,845	-	Land and buildings	None
Other loans	Rong Huel Chang	463	-	-	-	Land and buildings	None
Other loans	Rong Huel Chang	4,000	3,940	3,940	-	Land and buildings	None
Other loans	Shih-Hui Lin	2,156	1,675	1,675	-	Land and buildings	None
Other loans	Yin-Sung Liu	6,445	6,445	6,445	-	Land and buildings	None
Other loans	Yin-Sung Liu	1,500	-	-	-	Land and buildings	None
Other loans	Yin-Sung Liu	1,400	-	-	-	Land and buildings	None
Other loans	Yin-Hung Liu	35,000	-	-	-	Land and buildings	None
Other loans	I-Shun Chou	2,991	-	-	-	Land and buildings	None
Other loans	Cheng-Ren Liu	2,660	-	-	-	Land and buildings	None
Other loans	Jia-Tie Huang	2,000	2,000	2,000	-	Land and buildings	None
Other loans	Edward Chen	4,000	3,825	3,825	-	Land and buildings	None
Other loans	Tsung-Pin Chen	4,000	3,828	3,828	-	Land and buildings	None
Other loans	Tsung-Pin Chen	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Day-Yu Chen	5,100	700	700	-	Land and buildings	None
Other loans	Shu-Hua Yang	150	-	-	-	Time deposit	None
Other loans	Nan-Ming Chen	2,000	1,949	1,949	-	Land and buildings	None
Other loans	Huei-Ling Tsai	4,000	4,000	4,000	-	Land and buildings	None

**December 31, 2008**

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2008 (Note)	Ending Balance	Loans Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	78	\$232,616	\$198,934	\$198,934	\$ -	Land and buildings as collateral for part of the loans	None
Self-used housing mortgage loans	53	298,259	233,294	233,294	-	Land and buildings	None
Other loans	Chiu-Hsiung Huang	35,000	20,000	20,000	-	Land and buildings	None
Other loans	Joseph N. C. Huang	10,000	10,000	10,000	-	Land and buildings	None
Other loans	Joseph N. C. Huang	5,000	4,947	4,947	-	Land and buildings	None
Other loans	Heng-Hwa Yang	997	363	363	-	Land and buildings	None
Other loans	Joe Huang	6,000	1,300	1,300	-	Land and buildings	None
Other loans	J.C. Wang	1,948	1,834	1,834	-	Land and buildings	None
Other loans	Kuan-Her Wu	2,000	1,933	1,933	-	Land and buildings	None
Other loans	Wen-Yuh Chen	6,300	6,300	6,300	-	Land and buildings	None
Other loans	Hao-Wei Tsai	1,752	-	-	-	Land and buildings	None
Other loans	Rong Huel Chang	1,956	463	463	-	Land and buildings	None
Other loans	Bruce Lee	800	-	-	-	None	None
Other loans	Shih-Hui Lin	2,200	2,156	2,156	-	Land and buildings	None
Other loans	Yin-Sung Liu	8,000	6,445	6,445	-	Land and buildings	None
Other loans	Yin-Sung Liu	1,400	1,400	1,400	-	Land and buildings	None
Other loans	Yin-Hung Liu	35,000	35,000	35,000	-	Land and buildings	None
Other loans	I-Shun Chou	3,000	2,991	2,991	-	Land and buildings	None
Other loans	Cheng-Jen Liu	2,700	2,660	2,660	-	Land and buildings	None
Other loans	Jia-Tie Huang	2,000	2,000	2,000	-	Land and buildings	None
Other loans	Fubon Securities Finance Co., Ltd.	50,000	-	-	-	None	None

**2. Derivatives**

**December 31, 2009**

Name	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
E.SUN Financial Holding Company, Ltd.	Currency swap contracts	2008.9.15-2009.3.18	\$314,820	\$ -	-	\$ -
E.SUN Financial Holding Company, Ltd.	Currency swap contracts	2009.1.23-2009.2.6	33,540	-	-	-
E.SUN Financial Holding Company, Ltd.	Cross-currency swap contracts	2009.12.16-2010.12.17	1,293,475	(1,011)	Financial liabilities at fair value through profit or loss	1,011

**December 31, 2008**

Name	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
E.SUN Financial Holding Company, Ltd.	Currency swap contracts	2008.9.15-2009.3.18	\$ 327,740	\$12,240	Financial assets at fair value through profit or loss	\$12,240
E.SUN Financial Holding Company, Ltd.	Currency swap contracts	2008.3.13-2008.9.15	327,740	-	-	-

Note: The sum of the respective highest balances of all accounts in the year ended December 31, 2009 and 2008.



TABLE 2

## E.SUN COMMERCIAL BANK, LTD.

## ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2009					December 31, 2008				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate	Secured		\$586,353	\$90,561,093	0.65	\$586,353	100.00	\$686,417	\$86,620,588	0.79	\$308,695	44.97
Banking	Unsecured		1,296,494	136,370,502	0.95	1,296,494	100.00	1,605,071	160,902,386	1.00	1,530,071	95.33
Consumer Banking	Housing mortgage (Note 4)		819,020	255,536,546	0.32	549,736	67.12	1,163,567	236,456,735	0.49	418,090	35.93
	Cash card		3,990	40,746	9.79	3,990	100.00	9,193	57,986	15.85	9,193	100.00
	Small scale credit loans (Note 5)		861,627	14,181,548	6.08	861,627	100.00	1,162,038	9,020,801	12.88	1,162,038	100.00
	Other (Note 6)	Secured	51,252	51,479,366	0.10	51,252	100.00	90,324	39,391,462	0.23	21,777	24.11
		Unsecured	102,564	5,765,980	1.78	102,564	100.00	117,417	4,062,301	2.89	117,417	100.00
Loan			3,721,300	553,935,781	0.67	3,452,016	92.76	4,834,027	536,512,259	0.90	3,567,281	73.80
			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			430,815	29,849,038	1.44	575,489	133.58	466,020	28,140,324	1.66	446,353	95.78
Factoring accounts receivable without recourse (Note 7)			-	528,849	-	2,000	-	-	63,725	-	-	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			96,047					126,470				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			1,018,770					1,301,502				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			85,078					-				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			800,828					186,262				

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrued Loans."

Nonperforming receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming receivables: Nonperforming receivables ÷ Outstanding receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of receivables: Allowance for possible losses for receivables ÷ Nonperforming receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash cards, credit cards and small scale credit loans.

Note 7:As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factoring accounts receivable without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8:Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9:Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

**TABLE 3**

**E.SUN COMMERCIAL BANK, LTD.**

**THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES  
YEAR ENDED DECEMBER 31, 2009  
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	The Proportionate Share of the Bank and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total Shares (Thousands)	Percentage of Ownership	
E.SUN Commercial Bank, Ltd. (the "Bank")	Finance-related business										
	Fubon Securities Finance Co.	Taipei	Securities financing	2.56	\$98,957	\$1,794	10,253	-	10,253	2.56	
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	2,000	512	160	-	160	0.81	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	0.45	9,000	1,056	1,127	-	1,127	0.45	
	Taiwan Asset Management Corporation	Taipei	Acquisition of delinquent loans	0.57	100,000	7,919	10,000	-	10,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	50,000	1,500	5,000	-	5,000	2.94	
	Taiwan Finance Corp.	Taipei	Bills financing	0.41	21,355	424	2,120	-	2,120	0.41	
	Sunny Asset Management Co.	Taipei	Acquisition of delinquent loans	4.34	2,603	273	260	-	260	4.34	
	Non-finance related business										
	Financial Information Service Co., Ltd.	Taipei	Information service	2.28	108,954	18,200	9,100	-	9,100	2.28	
	Apex Venture Capital Corp.	Taipei	Investment	4.67	25,168	-	2,517	-	2,517	4.67	
	Gapura Incorporated	Taipei	Investment	11.10	3,544	(6,133)	592	-	592	11.10	
	National Venture Capital Corp.	Taipei	Investment	4.99	9,136	(7,064)	1,620	-	1,620	4.99	
	BankPro E-Service Technology Co., Ltd.	Taipei	E-commerce application service	3.33	4,500	1,449	450	-	450	3.33	
	Taiwan Incubator Small & Medium Enterprises Development Co., Ltd.	Taipei	Small and medium enterprise incubation	3.44	24,071	-	2,425	-	2,425	3.44	

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

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.

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

c. Derivative contracts are those conforming to the definition of derivatives in Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments," such as stock options.



## VII. Risk Management



Vision for Glorious Future.

## 6. Risk Management

E.SUN's business development policies place security and liquidity first, followed by returns and then growth. In addition, all activities should take into account public interest. Amid the pursuit of growth, E.SUN is adamant that business development should not come at the expense of risk. E.SUN's five main business divisions – consumer banking, corporate banking, wealth management, treasury and credit cards – have all established risk management units that are responsible for direct management of risk operations, overseeing the design of operations, determining whether operational procedures conform to risk guidelines, and engaging in risk Measurement, supervision and control tasks that are independent of the respective business operations.

E.SUN has established the Risk Management Division in order to centralize screening, supervision and coordination of the Bank's risk management mechanisms. The division is in charge of drafting risk management policies and principles that serve as a guide for all business units. It also supervises and coordinates the operation of risk management mechanisms in these offices. In addition, E.SUN's risk management policies are linked with capital adequacy. Guidelines under the Basel II Accord have been used as a basis in formulating rules and procedures that are intended to ensure an appropriate risk appetite, risk reporting lines, and capital adequacy. Reports are regularly provided to the Risk Management Committee so management can periodically review E.SUN's risk appetite and risk reporting lines.

### 1. Qualitative and Quantitative Information

#### Concerning Risk Types

#### 1.1 Credit Risk Management System and Capital Charges

##### (1) Credit Risk Management System

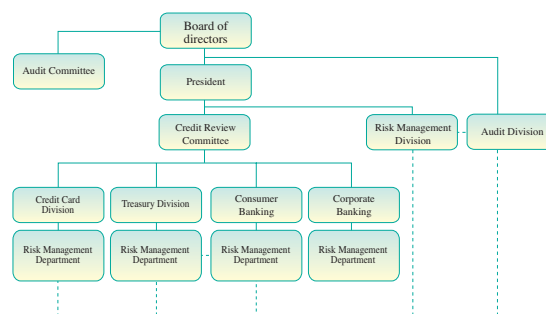
##### a. Credit Risk Strategies, Goals, Policies and Processes

The objective of the Bank's risk management is to comply with the regulatory system and internal lending and transaction risk control mechanisms, assess domestic and foreign economic and financial trends, make adjustments to internal criteria as appropriate. E.SUN complies with the rules of Basel II, set up comprehensive

credit management system and adopt credit evaluation models, formulate guidelines for short-term bills guarantees with any single company or affiliate, and determine internal guidelines for lending ratios for each industry in compliance with regulations set forth by regulators.

##### b. Credit Risk Management Organization and Framework

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



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

The objective of Bank units responsible for establishing risk controls and managing risk, as well as credit risk assessment and management procedures, is to screen credit risk, engage in credit rating, manage the level of credit extended, and monitor loans after they have been disbursed. E.SUN adopts various measures to effectively monitor such risk and regularly produces reports that detail its efforts to manage credit risk. The Bank also releases data that provide a true picture on all types of credit risk, including sovereign risk, trading counterparty credit risk, large amounts of



exposure, concentration of credit in specific industries, and amount of credit extended to a single institution or conglomerate. This data is forwarded to managers at all levels so they are aware of the level of risk exposure.

To comply with Basel II, E.SUN has completed the roll-out of credit risk datamart, a consumer banking and corporate banking IRB model. The IRB rating model has been integrated with the Bank's credit processing system (CPS). In addition, reviews and improvements to the mechanisms are constantly being carried out, including credit risk control policies, Measurement procedures, and credit development strategies.

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

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

e. Approach to Determining Regulatory Capital Charges

Standardized approach.

## (2) Credit Risk Capital Charged

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

2009.12.31 unit: NT\$ thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charges
Sovereign	0	0
Public Sector (Non-central government)	0	0
Banks (including multilateral development banks)	16,261,905	1,300,952
Corporate (including securities and insurance companies)	202,616,919	16,209,354
Retail Bonds	117,853,406	9,428,272
Residential Real Estate	110,922,505	8,873,800
Equity Investments	710,620	56,850
Other Assets	18,735,165	1,498,813
Total合計	467,100,520	37,368,042

## 1.2 Asset Securitization Risk Management System, Exposure and Capital Charge

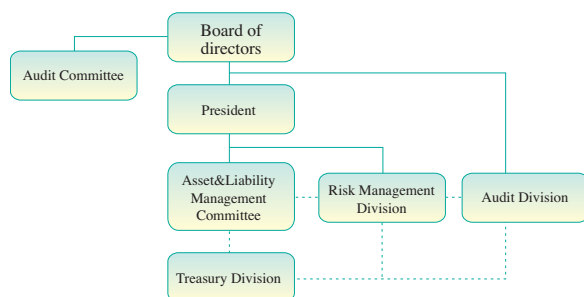
### (1) Asset Securitization Risk Management System

#### a. Asset Securitization Strategy, Goals, Policies and Processes

Asset securitization aims to reduce the risk of structured bonds in bond funds, enhance secondary market liquidity, expand participation in the securitized product market, and build global markets for Taiwan's securitized products.

#### b. Asset Securitization Management Organization and Framework

Regulators have prescribed that the board of directors of the originating organization must approve asset securitization cases, and securitized products may be issued by a trust organization only upon approval by regulators. Consequently, E.SUN obtains board approval for each instance of asset securitization, and it manages each case separately. The Treasury Division is responsible for instigating asset securitization cases, financial assessment and implementation of relevant issuance procedures. The Risk Management Division bears responsibility for asset securitization risk management and fair value assessment. E.SUN's asset securitization risk management organization is shown in the diagram below.



## (2) Asset Securitization Capital Charged

2009.12.31 Unit: NT\$ thousands

Type of Exposure	Non-Originator		Originator					
	Buy or Hold	Capital Charged	Exposure Amount				Asset Based Commercial Paper	Capital Charged before Securitization
			Non-Asset Based Commercial Paper		Asset Based Commercial Paper			
			Traditional	Structured	Traditional	Structured		
			Hold Position	Non-Hold	Hold Position	Non-Hold		
Bank Type	382,140	96,692						
Corporate Type	1,800,969	71,653						
E SUN BANK 2005-1 Collateralized Bond Obligation SPT			671,202	0	0	0	0	402,800
E SUN BANK 2005-2 Collateralized Bond Obligation SPT			4,287,420	0	0	0	0	475,520
E SUN BANK 2007-1 Collateralized Bond Obligation SPT			0	0	0	0	0	382,400
E SUN BANK 2007-2 Collateralized Bond Obligation SPT			0	0	0	0	0	540,800
Total	2,183,109	168,345	4,958,622	0	0	0	0	1,801,520

### c. Scope and Features of Asset Securitization Reporting and Measurement System

The Bank, as the initiator of the securitization, is responsible for creating a fair value assessment of the securities. The Bank and the financial advisor for each case establish a cash flow model prior to issuance. The model is used in conjunction with market data to generate an estimated cash flow. This data is then entered into the Reuters Kondor+ system to appraise market value and thereby accurately reflect market risk.

### d. Asset Securitization Hedging and Risk Mitigation Policies; Strategies and Processes for Monitoring the Continued Effectiveness of Risk Avoidance and Risk Mitigation Tools

Risk avoidance and risk mitigation tools comply with related rules set forth by regulators and internal risk control mechanisms. They are adjusted at appropriate times based on domestic and foreign economic and financial trends in order to ensure that they remain effective.

### e. Approach to Determining Regulatory Capital Charges

Standardized approach.

## 1.3. Operations Risk Management System, Exposure and Capital Charges

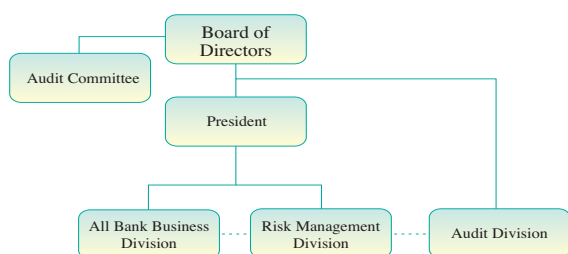
### (1) Operations Risk Management System

#### a. Operations Risk Strategy, Goals, Policies and Processes

E.SUN believes the international measures to minimize operations risk are founded on an excellent operating system, a high degree of risk awareness among all employees, a rule-abiding and disciplined corporate culture, and a comprehensive internal audit system. In addition to providing extensive education and training to personnel, E.SUN has also drafted rules and regulations to guard against operations risk, including employee guidelines, customer service (including KYC), product design criteria, enforcement rules, operating regulations, data security, system backup, and emergency response guidelines. In addition, in order to ensure protection against risk caused by external events, E.SUN continuously monitors the market environment, customer behavior, changes in technology, and laws and regulations. This enables it to be sensitive to any steps that need to be taken and react appropriately and immediately.

b. Operations Risk Management Organization and Framework

Each business division has its respective operating guidelines and internal criteria. In addition, each must perform regular self-audits. Furthermore, the Audit Division carries out audits on a regular or periodic basis. The Risk Management Division has assisted in establishing internal control system indicators, and it regularly reports to the Risk Management Committee. The Bank's operations risk management organization is depicted in the diagram below.



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

The Bank has incorporated operational risk in its stress testing monitoring and regularly reviews its appetite for operations risk and determines management limits based on assessments of bank-wide operations risk. The limits serve as an early warning system and also reflect overall risk appetite. This allows the Bank to draft policies to improve systems as needed.

The operations risk management unit at the headquarters will regularly disclose information detailing its monitoring of operations risk throughout the Bank. Operations risk data and other related information is compiled and presented in reports to senior management, the Risk Management Committee, and the board of directors.

E.SUN has completed development of a database on losses associated with operations risk. Related units input information on

a regular basis. E.SUN in the future will continue to enhance the development of its internal and external operating procedures, and it will set forth rules and regulations in this regard in order to strengthen internal controls.

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

E.SUN has taken out general insurance to cover the daily operations of its branches. This insurance covers cash on hand, cash in transport, cash in automated machinery, machinery and assets in offices and employee fidelity.

e. Approach to Regulatory Capital Charges Indicator approach.

(2) Operational Risk Capital Charged

2009.12.31 unit: NT\$ thousands

Year	Gross Income	Capital Charged
2007	13,150,758	
2008	13,378,019	
2009	12,584,888	
合計	39,113,665	1,955,683

1.4 Market Risk Management System, Exposure and Capital Charges

(1) Market Risk Management System

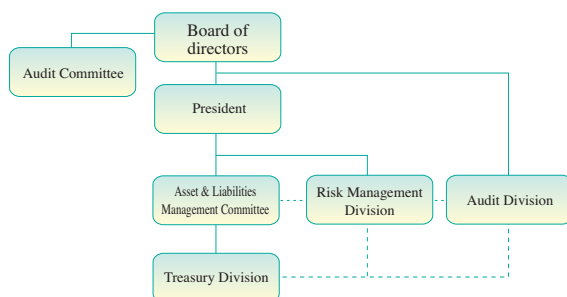
a. Market Risk Strategy, Goals, Policies and Processes

In order to avoid excessive risk from fluctuations in the prices of equities, products, interest rates and foreign exchange rates, and from any linkage between these prices of these items, all financial product transactions must be carried out in accordance with the Bank's Compliance Principles for Transactions, Investments and Funding, and Procedures for Handling Derivatives Transactions. In addition, VaR must be calculated in accordance with definitions set forth by the Bank for International Settlements. In order to strictly control E.SUN's market risk, the Bank

has a policy in which VaR to net worth should not exceed 3.5%.

b. Market Risk Management Organization and Framework

E.SUN has set forth market risk management policies. In addition, the Risk Management Division is responsible for risk management and fair value assessment of financial products. The Assets and Liabilities Management Committee is charged with allocation of the Bank's assets and liabilities in order to fully realize market risk management objectives. The Bank's market risk management organizational framework is shown in the diagram below.



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

E.SUN presently employs the Reuters Kondor+ system to monitor trading positions and real-time pricing. The system also generates VaR for all transactions carried out in the Bank and all investment positions. Besides, E.SUN Bank uses KGL System to manage position limits, taking market volatility into consideration to manage counter-party risk limits.

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

The Bank uses derivatives such as credit default swaps or total return swaps to ensure credit safeguards and thereby reduces ordinary market risk, specific risks and counterparty risk.

e. Approach to Determining Regulatory Capital Charges

In accordance with the capital charge requirements prescribed by the New Basel Accord, foreign exchange options positions are calculated using sensitivity analysis (Delta-plus), for which E.SUN has been approved to do by the FSC. All other financial products are calculated using the standardized approach.

(2) Market Risk Capital Charged

2009.12.31 unit: NT\$ thousands

Risk Type	Capital Charged
Interest rate risk	2,019,426
Securities risk	206,976
FX risk	371,423
Commodity Risk	8,444
Option based on simple method	0
Total	2,606,269

1.5 Liquidity Risk Management and Asset and Liability Maturity Analysis

(1) Liquidity Risk Management

E.SUN has drafted NT Dollar Liquidity Risk Management Policies and Principles for Liquidity Risk Management to guide liquidity risk management. Various control factors are monitored on a daily basis, and Bank-wide liquidity risk is regularly subjected to stress tests and reported to Asset & Liabilities Management Committee.

2. Impact of Important Domestic or Foreign Policy and Legal Changes on the Bank's financial Operations, and Countermeasures

- (1) In order to be in sync with international accounting practices, the Executive Yuan's Financial Supervisory Commission announced that the 34th Bulletin for Financial Accounting Standards calls for new methods starting in 2011 to measure loans and receivables. It is



expected that this will lead to greater accuracy in estimating loan and receivables impairment losses among banks. The FSC has asked financial institutions to adopt the measures on a trial basis before they go into effect. E.SUN has gradually planned and implemented related measures in response, helping to mitigate any negative impact after the institution of this new policy and maintain the Bank's competitive edge.

- (2) In an effort to promote economic integration between Taiwan and the rest of the world, and also with an eye to boosting Taiwan's international competitiveness, the government is engaged in negotiations on various pacts and an economic cooperation framework agreement with mainland China. Once realized, these agreements are likely to trigger major changes in financial interaction between the two sides of the Taiwan Strait. E.SUN has already begun evaluating the possible impact of these agreements and will be closely analyzing the details therein. The Company will be poised to take advantage of any opportunities that will effectively boost its competitiveness as a result of these developments and will also evaluate any associated risks

### 3. Impact of Technological and Industrial Changes on the Bank's Financial Operations, and Countermeasures

Technological and industrial changes not only inevitably influence the structural allocation of social resources, the method of utilizing capital and financial management tools, but also trigger fundamental conceptual changes in financial operations with respect to performance management, lending strategies, risk management and even strategic management. As a result, E.SUN constantly monitors technological and industrial trends, applies the advice of world-class consultants, and strives to ensure that its overall business knowledge and skills adhere to global standards and

to provide customer the most suitable products and comprehensive data security protection.

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

E.SUN has made every effort to be a model in terms of corporate governance. Transparency is provided for transactions carried out by affiliated parties in order to avoid conflicts of interest. At the same time, the Bank emphasizes protecting the interests of shareholders, providing better framework in risk management, employees training and benefits to employees. E.SUN is committed to social welfare and environmental protection causes. In order to maintain its image, internal departments will regularly examine if any of its actions lead to damage or decline in its image. E.SUN desires to be an example of an outstanding company and seeks to fulfill its corporate social responsibility, thereby continually maintaining its image. The Bank places great importance on having a strong image and caring for its customers. In 2009, E.SUN received several awards in this field, including No.1 among all financial companies in service quality survey by Global View magazine, the most trustworthy bank and No.2 most satisfactory bank in Wealth Management Business by Business Today.

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

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

E.SUN established five new branches in 2009, bringing its total domestic and overseas branch network to 125 (including

the Los Angeles and Hong Kong branches, and the OBU). In addition to the gradual expansion of its physical branch network, E.SUN also offers expansive electronic banking services and a call center, creating a tight-knit financial services network and boosting customer value. Integrated marketing initiatives also promise to maximize synergy. With regards to any unexpected impact of or possible operations risks associated with new branches, the Bank carries out detailed planning and analysis prior to any expansion in its branch network and thereby reduces any impact to a minimum due to its strict internal controls.

#### 7. Risks from Concentration of Operations, and Countermeasures

With regards to concentration of operations, E.SUN remains sensitive to any changes in the financial industry. It stays abreast of macroeconomic and industrial trends, as well as the direction of prices. It adjusts its business development strategies as appropriate. With regards to risk associated with concentration of counterparties, the Bank sets upper limits of risk exposure for recipients of loans and investment, as well as individual conglomerates, and it strictly adheres to these limits. It acts in accordance with post-disbursement management regulations to regularly review the suitability of credit terms and assess the possibility of systemic risk. It also carries out Bank-wide risk appetite stress tests to ensure that possible risk associated with the development of new areas of business is kept within acceptable limits.

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

E.SUN Commercial Bank was 100% owned subsidiary of E.SUN Financial

Holdings Company at the end of 2009, and there had been no major change in managerial authority.

#### 9. Litigious or Non-litigious Incidents: None

#### 10. Other Major Risk Countermeasures: None

#### 11. Crisis Management and Response Mechanism

E.SUN has drafted Emergency Response and Crisis Management Regulations, Guidelines Governing Handling of Extraordinary Events, and Rules to Maintain Safety. These measures are mobilized should the Bank face a run on deposits, embezzlement, plunder, robbers, violence, damage, fire, air raid, natural disaster or other major events. In addition, E.SUN has created a Crisis Management Task Force and a position of Emergency Contact that takes action and provides real-time reports and notification upon any irregular internal or external events. Each business unit also carries out drills on a regular basis to determine the effectiveness of contingency measures. This strengthens the Bank's ability to address emergencies and handle and manage crises in a well thought-out manner.

## VIII. Special Disclosure



Look and Plan further for Long Prosperity



# 1. Summary of Affiliated Companies

## 1.1 Consolidated Operating Report on Affiliated Companies

### (1) Organization Chart of Affiliated Companies



### (2) Range of Operations of E.SUN Bank and Affiliates

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

### (3) Operation Status of Affiliated Companies

2009.12.31 Unit: NT\$ thousands

Name	Capital	Total Asset	Total Liability	Net Worth	2009 P/L (after tax)	EPS (after tax in NT\$)
E.SUN FHC	36,528,000	62,887,895	10,950,179	51,937,716	1,928,338	0.53
E.SUN Securities	3,060,000	5,903,050	2,427,558	3,475,492	238,055	0.78
E.SUN Venture Capital	1,500,000	1,666,419	8,142	1,658,277	49,531	0.37
E.SUN Insurance Brokers	113,000	453,097	87,146	365,951	210,678	18.64
E.SUN Investment Consulting	20,000	27,507	4,937	22,570	1,225	0.71

## 1.2 Report on Affiliation

### (1) as following table:

2009.12.31

Name of Controlling Company	Reason of Control	Shareholding and Pledge status of Controlling Company			Representation of Directors, Independent Directors or Managers of Controlling Company
		No. of Shareholding	Shareholding Ratio	Pledged Share Number	
E.SUN Financial Holding Company	100% shareholding	3,362,400,000 shares	100%	0 share	Title and name as following note

\*Note:

Chairman: Yung-Jen Huang

Managing Directors: Wu-Lin Duh, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen (also Independent Director)

Independent Directors: Chen-En Ko, Chi-Jen Lee, Hsin-I Lin

Directors: Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Yung-Hsung Hou, Joseph Huang, Suka Chen



### 1.3 Other Important Transaction

- (1) The Bank engages in cross currency swap trades with E.SUN FHC. The contract (nominal) amount as of the end of 2009 was NT\$1.293 billion, and the unrealized valuation loss was NT\$1.011 million. In 2009, the realized gain was NT\$252,000
- (2) The Bank engages in FX swap trades with E.SUN FHC. The contract (nominal) amount as of the end of 2009 was NT\$327.74 million, and the unrealized valuation loss was NT\$12.24 million. In 2009 and 2008, the realized gain were NT\$14.35 million and NT\$15.20 million, respectively.

1.4 Guarantee for Affiliated Companies: None

2.Private Placement Securities in the Most Recent Years: None

3.The Shares in the Company Held Disposed of by Subsidiaries in the Most Recent Years: None

4.Other Required Supplementary Disclosure: None

#### 4.1 Representation of Consolidated Financial Statements of Affiliated Enterprises

##### Representation

February 12, 2010

On behalf of E.SUN Commercial Bank Ltd., we hereby certify that the company's 2009 Affiliation Report is followed the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. There is no material discrepancy with the information disclosed in the notes of financial report for the said period.

E.SUN Commercial Bank, Ltd.

Chairman





是至高的榮譽 更是責任



玉山金控  社會責任獎  
企業公民獎

我們會更用心、更謙虛、更努力！

感謝您長期的支持與愛護

更期盼您繼續鼓勵與指教！

CSR  
CSR

E.SUN Commercial Bank, Ltd.

Chairman of the Board

*Yung-Jen Huang*

March 30, 2010 Printed





**With our heartfelt appreciation and eternal blessing.**

## Service Network of E.SUN FHC

E.SUN BANK	phone		phone		phone
Head Office Business Division	+886 2 2719 1313	Nanshijiao Branch	+886 2 2942 8813	Dali Branch	+886 4 2485 1313
International Banking Division/OBU	+886 2 2175 1313	Banciao Branch	+886 2 8257 1313	Caotun Branch	+886 4 9238 1313
Trust Division	+886 2 2175 1313	Pu Chain Branch	+886 2 2963 1313	Changhua Branch	+886 4 728 1313
Credit Card Division	+886 2 2182 1313	Banhsin Branch	+886 2 8952 1313	Yuanlin Branch	+886 4 836 1313
Nanching East Road Branch	+886 2 2760 1313	Haishan Branch	+886 2 2256 1313	Douliou Branch	+886 5 532 1313
Chengj hong Branch	+886 2 2389 1313	Guangfu Branch	+886 2 2957 1313	Chiayi Branch	+886 5 223 1313
Dongmen Branch	+886 2 2321 1313	Sanchung Branch	+886 2 2280 1313	East Chiayi Branch	+886 5 216 1313
Chengtung Branch	+886 2 2504 1313	Chongsin Branch	+886 2 2984 1313	Puzih Branch	+886 5 379 1313
Keelungroad Branch	+886 2 2378 1313	Er-Chong Branch	+886 2 2278 1313	Tainan Branch	+886 6 241 1313
Hsinyi Branch	+886 2 8789 1313	East Sanchung Branch	+886 2 2971 1313	East Tainan Branch	+886 6 289 1313
Tienmu Branch	+886 2 2835 1313	Tucheng Branch	+886 2 2274 1313	Jin hua Branch	+886 6 291 1313
Minsheng Branch	+886 2 2509 1313	SouthTucheng Branch	+886 2 2267 1313	Yungkang Branch	+886 6 201 1313
Fuhshing Branch	+886 2 2771 1313	Shulin Branch	+886 2 8675 1313	Chiali Branch	+886 6 721 1313
Tunnan Branch	+886 2 2754 1313	Hueilong Branch	+886 2 2689 1313	Rende Branch	+886 6 270 6613
Changchun Branch	+886 2 2546 1313	Wugu Branch	+886 2 2290 1313	Kaohsiung Branch	+886 7 336 1313
Chungshan Branch	+886 2 2537 1313	Sindian Branch	+886 2 2916 1313	Dashun Branch	+886 7 727 1313
Neihu Branch	+886 2 2659 1313	Beisin Branch	+886 2 8911 1313	Lingya Branch	+886 7 716 1313
Shilin Branch	+886 2 2834 1313	Sanxia Branch	+886 2 2673 6613	Cianjhen Branch	+886 7 761 1313
Dong-Hu Branch	+886 2 2632 1313	Taishan Branch	+886 2 2297 1313	Chihshien Branch	+886 7 235 1313
North Tienmu Branch	+886 2 2877 1313	Sinshu Branch	+886 2 2203 1313	Zuoying Branch	+886 7 559 1313
Songshan Branch	+886 2 3765 1313	Taoyuan Branch	+886 3 332 1313	Nanzih Branch	+886 7 364 1313
Heping Branch	+886 2 2362 1313	South Taoyuan Branch	+886 3 337 1313	North Kaohsiung Branch	+886 7 350 1313
Mincyuan Branch	+886 2 2568 1313	Tao Yin Branch	+886 3 375 1313	Sanmin Branch	+886 7 315 1313
Jhonglun Branch	+886 2 2577 1313	Linkou Branch	+886 3 396 1313	Dachang Branch	+886 7 341 1313
Daan Branch	+886 2 2755 1313	Nankan Branch	+886 3 352 1313	Chengcing Branch	+886 7 386 1313
Guting Branch	+886 2 2364 1313	Bade Branch	+886 3 367 1313	Siaogang Branch	+886 7 807 1313
Beitou Branch	+886 2 2895 1313	Jhongli Branch	+886 3 427 1313	Fongshan Branch	+886 7 743 1313
Songjiang Branch	+886 2 2562 1313	Lisin Branch	+886 3 492 1313	Gangshan Branch	+886 7 621 1313
Mujha Branch	+886 2 2936 1313	Yangmei Branch	+886 3 488 1313	Linyuan Branch	+886 7 643 1313
Shwang-yuan Branch	+886 2 2301 1313	Hsinchu Branch	+886 3 523 1313	Houjhuang Branch	+886 7 702 1313
Sinhu Branch	+886 2 8791 6613	Guanghua Branch	+886 3 533 1313	Pingtung Branch	+886 8 733 1313
Nangang Branch	+886 2 2789 1313	Jhu Bei Branch	+886 3 554 1313	Chaozhou Branch	+886 8 786 1313
Hsinchuang Branch	+886 2 2202 1313	Sinfong Branch	+886 3 557 1313	Donggang Branch	+886 8 835 1313
North Hsinchuang Branch	+886 2 2997 1313	Jhunan Branch	+886 3 746 1313	Neipu Branch	+886 8 778 1313
Lujhou Branch	+886 2 2848 1313	Taichung Branch	+886 4 2291 1313	Keelung Branch	+886 2 2427 1313
Shwangho Branch	+886 2 2923 1313	Dadun Branch	+886 4 2320 1313	Luodong Branch	+886 3 957 1313
Yonghe Branch	+886 2 2949 1313	Nantun Branch	+886 4 2380 1313	Hualien Branch	+886 3 831 1313
Fu-Hei Branch	+886 2 8923 1313	Situn Branch	+886 4 2461 1313	Taitung Branch	+886 8 936 1313
Yung An Branch	+886 2 8921 1313	Daya Branch	+886 4 2568 1313	Penghu Branch	+886 6 927 1313
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