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Printing Date : 2012.3.30

ANNUAL REPORT 2011



一 百 年 年 報



玉山銀行 E.SUN BANK



Pure as Jade, Stern as Mountain.

E.SUN Spokesman

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Telephone : +1 212 553 0300

Name : Taiwan Ratings Corporation

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The highest peak, the best bank.



Magnificent Mountains, Vast Visions, The Rising Eastern Sun,
Integrity, Professionalism, and a Like-Minded Partner.

E.SUN BANK 20th



The Colorful Spring and the Pleasant Greens.

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I. Letter to Shareholders

E.SUN has turned 20! The seed that was planted two decades ago has grown into a big tree. Groups of individuals deeply devoted to E.SUN have passed the torch over the years, exhibiting E.SUN's commitment to service, teamwork and ability to execute its policies. We have won the support of customers, shareholders and society in general, establishing E.SUN as a brandname that stands for excellence. This really is an amazing feat. Looking ahead to 2012, rapidly changing events and uncertainties hang over the domestic and international economies, and the financial sector continues to face various complexities. Nonetheless, E.SUN will continue to maintain its discipline. We must exercise even more wisdom in challenging times, and we will always embrace the business strategy of moving forward. E.SUN will continue to strive to maximize the strengths of its network and manage its targeted customer groups. At the same time, it will continue to carry out all operations with risk management in mind and further integrate its various product lines, which include innovative products and services, enabling overall business performance to continue to rise.

For year 2011, even though increasing its loan coverage ratio to 1% to comply with the new regulation of the Authority through raising a one-time provision of NTD 2.46 billion, E.SUN Bank's after-tax profit stood at NT\$3.158 billion, which was equivalent to earnings per share of NT\$0.84 and a return on equity of 5.27%. With further strengthening of BIS ratio and asset quality, the bank's NPL ratio stood at 0.20% at the end of the year, which was 19 basis points lower than the figure at the end of 2010; Loan loss coverage ratio was 515.47%, increased by 361.15 hundred basis points comparing to the figure at the end of last year, loan coverage ratio was 1.01%, increased by 41 basis points comparing to the figure at the end of last year, BIS self-own capital ratio was 12.29%, increased by 74 basis points comparing to the figure at the end of last year. Total asset at the end of 2011 amounts to NTD 1.1473 trillion



Leadership and Commitment to Excellence.

(annual growth rate of 6.77%). The Bank's total deposits stood at NT\$962.5 billion (annual growth of 6.42%), while its total outstanding loans stood at NT\$662.9 billion (a rise of 9.97% from 2010). E.SUN has 2.84 million credit cards in force. All areas of operations continued to display stable development. Moody's has assigned E.SUN Bank long- and short-term ratings of Baa1/P-2 (rating date of 30th November, 2011), while Taiwan Ratings has assigned the Bank ratings of twA+/twA-1, with a stable outlook (rating date of 8th December, 2011).

E.SUN's longstanding efforts and its commitment to innovative, professional, and differentiated services have helped to foster balanced development and expand its channel network. The Bank expanded its domestic network in 2011 with the acquisition of Chu Nan Credit-Cooperative Association. It continues to enhance business quality, internal controls and legal compliance, making the E.SUN brand name all the more esteemed. Amid increasing cross-strait dealings, E.SUN is seeking to have a greater presence throughout Asia and mainland China. It received approval at the 2011 to establish a branch in Dongguan, China, which in conjunction with the Hong Kong branch, will help create an even more efficient platform in meeting the needs of customers. Furthermore, E.SUN has been in the

process of application to open Singapore branch, and it is evaluating other possible sites in Asia that exhibit significant business potential with an eye to setting the foundation for global operations.

E.SUN has long believed that "Channel is King, Profitability is Priority." This is the key to maximizing value. It brings together the operations of its full-function banks and regional alliances to propel itself ahead of its counterparts. E.SUN's integrated marketing and dedication to customer service help it to generate the greatest value from its network. It puts integrated marketing in the forefront of its operations, while adding scientific and analytical research to help E.SUN exceed the expectations of its customers. Its comprehensive domestic branch network and development of overseas operations, together with its Internet bank and call center, are enabling E.SUN to maximize the benefits of its network and generate greater value for both E.SUN and its customers.

E.SUN focuses on further building its relationship with target customer groups, exhibiting its top-notch service and brand name. E.SUN takes advantage of each opportunity to strengthen the product lines of each FHC subsidiary in an effort to meet the needs of customers and continue to build on E.SUN's existing strengths. Brand marketing, direct marketing and joint vision among the subsidiaries are making E.SUN even more trustworthy in the eyes of customers. E.SUN's corporate and consumer banking divisions serve as two equal wings of the organization, attracting over one million customers. With the development of its wealth management business, E.SUN is increasingly focusing on VIP customers, creating value for these individuals, capturing the hearts of these clients, and generating even more "member gain member" business. Consequently, wealth management

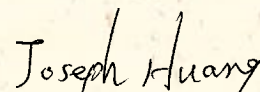
is becoming the third pillar of E.SUN's core operations.

E.SUN has included social responsibility as one of its core business strategies. E.SUN continues to invite its E.SUN World Card cardholders to participate in the Golden Seed Project. Under this program, 45 E.SUN libraries have been established in elementary schools in remote areas, helping to foster a love for reading among a greater number of elementary school students and broadening their horizons. E.SUN is also committed to promoting youth baseball on Taiwan through sponsorship of the E.SUN Youth Baseball National Tournament, the E.SUN Youth Baseball Pitcher & Catcher Training Camp, and the E.SUN Cup International Youth Baseball Invitational. E.SUN also holds blood drives and its volunteers provide service in a variety of areas. E.SUN is committed to further pooling its efforts, helping to give back to and generate a positive force within society, benefiting both E.SUN and society.

2012 bears special significance for E.SUN as it embarks on its third decade. E.SUN will continue to work to realize the hopes and dreams of the Bank and all persons affiliated with it. The Bank appreciates the encouragement provided to it by society over the years, as well as the recognition of the E.SUN brand name. Amid this honor and responsibility, we will continue to work to maximize the performance of the group, and strive to create even greater value for the Bank and its customers.



Kuo-Lieh Tseng
Chairman of the Board



Joseph Huang
President

II. Company Profile



20 Years of Foundation, Hundred Years of Prosperity.

1.Introduction



E.SUN Bank received the Most Trustworthy Bank award in consecutive terms, and was awarded the Service Capital Award and the Golden Service Award for its top Service in the banking industry.

(1) Date of Operation: 1992.2.21

(2) Company History

Since commencing operations on February 21, 1992, E.SUN's founder Huang Yung-Jen led the Bank and its employees in fulfilling the philosophies of professionalism, service and responsibility. E.SUN's longstanding objective has not only to be the best performing, but also Taiwan's most respected bank. E.SUN Financial Holding Company Ltd. was established on January 28, 2002, opening the page to a new era for E.SUN. Over the past 20 years, E.SUN, with its fresh and professional image, has provided the public with outstanding services. It continues to strive for excellence, creating new value for the E.SUN brand name.

E.SUN has focused on three pillars to underpin its development, namely establishment of systems, cultivation of human resources, and development of information. In today's rapidly changing banking environment, however, E.SUN always remembers that all operations are carried out with risk management in mind. It continues to strive to meet its goals, but in a stable and steady manner. Various competitive pressures and uncertainties within the banking sector, along with the gradual liberalization of the mainland Chinese banking market will test the wisdom of the E.SUN's management team. E.SUN is confident that each time the baton is passed, an opportunity arrives to become even stronger. Each

leg of the relay gives E.SUN the change to further excel, forging sustainable development for the Bank.

E.SUN Bank President Wu-Lin Duh retired in 2011, handing the baton over to E.SUN FHC President Joseph Huang. In the future, even closer ties will be forged in operations involving the FHC and the Bank. President Huang will continue to work to fulfill the core values, honor, and mission passed forward to him. On November 24, 2011, E.SUN Bank completed a capital injection by cash, which not only has strengthened its fiscal structure, but also will benefit the Bank in expanding its operations overseas.

E.SUN will continue to enhance its consumer banking, corporate banking, and wealth management operations. Together with its treasury and credit card businesses, the Bank has established a comprehensive line of products for its customers. The Bank will continue to embrace strict policies with regards to risk, discipline, and procedural management. In response to higher provisioning required by supervisory authorities, E.SUN in November 2011 set aside funds all at one time. E.SUN has a longstanding history of maintaining the best asset quality, helping to win its brand name widespread recognition.

E.SUN believes that "Channel is king", as the network serves as the foundation for customer service and is the decisive factor in business development. In 2011, E.SUN Bank acquired Chu Nan Credit-Cooperative Association, helping the Bank to expand its network to 132 branches eventually. This network works together with E.SUN's virtual, Internet-based network, creating a comprehensive tight-knit financial services web. It has integrated the resources of the FHC's various subsidiaries to provide well-rounded and integrated financial services.

(3) Condition of merger and acquisition; investment in affiliates and restructure; whether belonging to a specified financial holding company and the date belonging to that company; large transfer of shareholding from board members, supervisors or qualified persons who should report their shareholdings in accordance with Paragraph 3, Article 25 of the Taiwan Banking Act; significant change of business operation or business scope; and any other event and its impact that would affect the rights of shareholders during the most recent fiscal year and up until the publishing date of this annual report:

1. E.SUN Bank has been a subsidiary of E.SUN Financial Holding Co., Ltd. since January 28, 2002.

2. E.SUN Bank signed a purchase agreement with Chu Nan Credit-Cooperative Association on March 18, 2011 to acquire the latter's assets, liabilities and operations. The record date for the acquisition was July 9, 2011.

3. E.SUN Bank signed a purchase agreement with Chiayi City 4th Credit Union on March 16, 2012 to acquire the latter's assets, liabilities and operations under the condition of receiving approval from the related authority. The record date for the acquisition is November 3, 2012 in accordance with the resolution passed by the AGMs of both parties on March 25, 2012.

4. Others: None.

(4) Honors and Glory of E.SUN

In recent years, the joint efforts of all people associated with E.SUN have been widely recognized

by society and various organizations, helping the Bank win a large number of honors. With this honor, however, comes responsibility:

* 2011

- E.SUN Bank was awarded the Platinum Corporate Award for Management Excellence among Asian Enterprises for 2 consecutive years (the Asset magazine)
- E.SUN FHC was awarded the Golden Service Award for top service in the banking industry (CommonWealth magazine)
- E.SUN Bank was again recognized as the most trustworthy bank in wealth management services for the third consecutive year, and won the best personal finance consultant team award and the best performance award in wealth management services (Business Today)
- E.SUN Bank won the Dragon Award - Service Capital Award for top service, No. 1 in Employee Satisfaction, No.1 in Corporate Customer Service; Golden Eagle Award – No. 1 in Corporate Culture of Employees, No.1 in Operating Strategy, No.1 in Dedication and Responsibility, and Yop Customer Loyalty Awards (China Productivity Center)
- E.SUN Bank won the SME Credit Guarantee Partner Award for 6 consecutive years (MOEA's Credit Guarantee Fund)
- E.SUN Bank won the Youth Entrepreneur Lending Award (Executive Yuan's National Youth Commission)
- E.SUN Bank again received the Best Benchmark Recognition of Private Corporation Green Purchasement (Taipei City Government)
- E.SUN Bank received Golden Quality Award for Supporting Sports Development (Sports Affairs Council, Executive Yuan)

* 2010

- E.SUN FHC won the Corporate Social Responsibility Award for the third consecutive

year (Commonwealth magazine)

- E.SUN FHC was awarded the Corporate Social Responsibility Award (Taiwan Academy of Banking and Finance)
- E.SUN FHC received Certificate of Outstanding Corporate Governance for the third consecutive year (Taiwan Corporate Governance Association)
- E.SUN Bank was awarded the Platinum Corporate Award for Management Excellence among Asian Enterprises (the Asset magazine)
- E.SUN Bank was again ranked No. 1 among all financial companies in service quality survey (Global View magazine)
- E.SUN Bank won most trustworthy bank and first in service in wealth management service (Business Today)
- E.SUN Bank has won the SME Credit Guarantee Partner Award for many years (MOEA Credit Guarantee Fund)

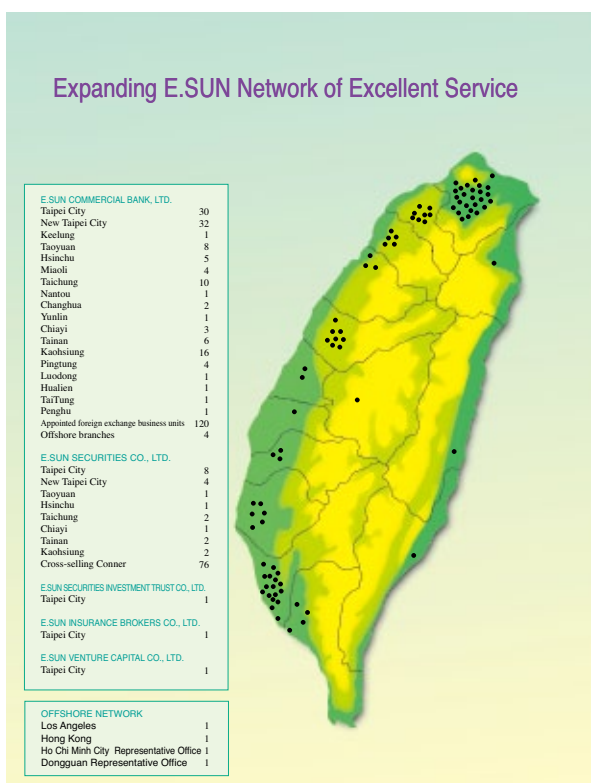
* 2009

- E.SUN FHC received Corporate Social Responsibility honorable award (Global View magazine)
- E.SUN FHC received Corporate Social Responsibility award (Commonwealth magazine)
- 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 feels that it can always do better and that its commitment to service is a never-ending pursuit. E.SUN realizes the responsibility that rests with these honors, and it always seeks to exceed expectations. At the same time that it pursues service quality, E.SUN is deeply aware of its corporate social responsibility. E.SUN shows its love for Taiwan

through its various activities to clean up mountainous areas and by promoting its Golden Seed Project in remote areas around Taiwan. The E.SUN libraries established at primary schools through this initiative help create knowledge and dreams for the next generation.

The path that E.SUN has chosen is a long one. As it embarks on another decade, E.SUN will strive for even more outstanding business performance amid extremely stringent corporate governance. It will work to fulfill its corporate social responsibility and continue to forge sustainable operations in the banking market. E.SUN, however, not only has its eyes set on Taiwan. The Bank has every intention of having an increasing global presence in the future.



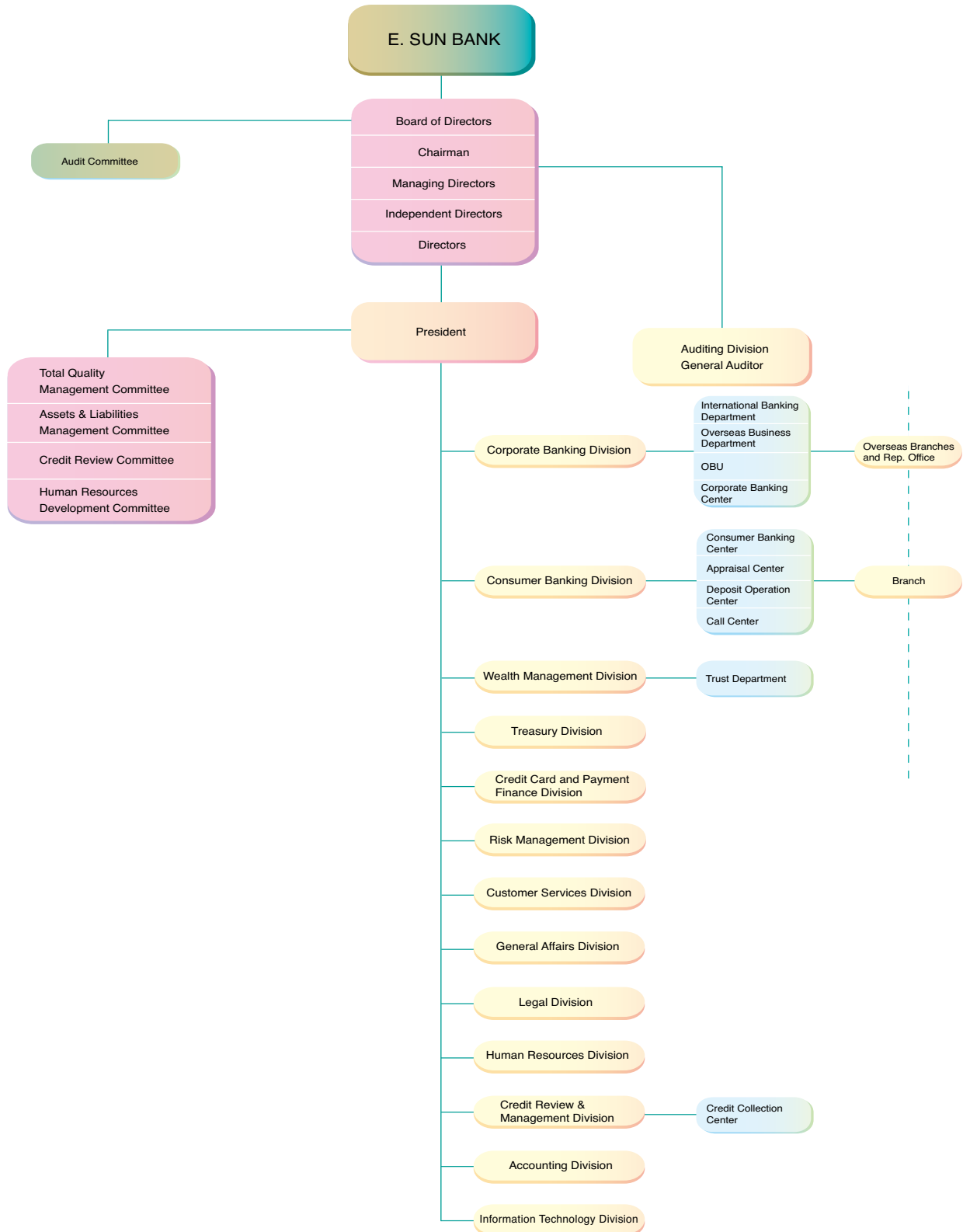
E.SUN has delivered the quality service through its nationwide branch network.

III. Corporate Governance Report



The Reflection of Sky in the Water Paving A Way for Long Prosperity.

1.Organization



2. Directors, Independent Directors and Management Team



Leadership of Professional Governance.

2.1 Directors and Independent Directors

2011.12.31 unit: 1,000 shares; %

Position	Representative (Name)	Date of Election	Term	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC						Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Member of the Management Team, Directors or Supervisors		
							Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name						
					Shares	Ratio%	Shares	Ratio%	Shares	Ratio%	Shares	Ratio%			Position	Name	Relation
Chairman	Representative of E.SUN Financial Holding Company Kuo-Lieh Tseng	2011.07.07	3	2010.5.14	3,510,000	100%	4,220,600	100%	0	0	0	0	Harvard University Master's in Public Administration, Director General of Banking Bureau, Financial Supervisory Commission	Director of E.SUN FHC	None	None	None
Managing Director & President	Representative of E.SUN Financial Holding Company Joseph Huang	2011.07.07	3	2008.6.13	3,510,000	100%	4,220,600	100%	0	0	0	0	MBA of the City University of New York, 19 years in Financial Industry	President of E.SUN Bank, Director and President of E.SUN FHC; Director of Kellong (International) Cosmetic Limited	None	None	None
Managing Director	Representative of E.SUN Financial Holding Company Jackson Mai	2011.07.07	3	1991.12.16	3,510,000	100%	4,220,600	100%	0	0	0	0	Kai-Nan Commercial & Technical High School	Chairman of Hsin Tung Yang Co., Ltd, Shang Yang Investment Co.Ltd, Ding Yang Investment Co.Ltd, Cheng Yang Investment Co.Ltd, Yuan Shang Co., Ltd, Hsin Tung Yang Real Estate Broker Co., Ltd, Sheng Yang Construction Co.Ltd, and Sing Yang Investment Co. Ltd.; Director of J.K. MULTILAYER TECHNOLOGY CO., LTD., LION TECH. CO., LTD., TDW PHARMACEUTICALS INC., and OCEAN BRIGHT CO., LTD.; Director of E.SUN FHC, Hsin Tung Yang Construction Co., Ltd, Shang Yang Marketing Co., Ltd, Shang Yang Hotel Co., Ltd, Shang Yang Development Co., Ltd.	None	None	None

Position	Representative (Name)	Date of Election	Term	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC						Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Member of the Management Team, Directors or Supervisors		
							Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name				Position	Name	Relation
					Shares	Ratio%	Shares	Ratio%	Shares	Ratio%	Shares	Ratio%					
Managing Director	Representative of E.SUN Financial Holding Company Chiu-Hsiung Huang	2011.07.07	3	1991.12.16	3,510,000	100%	4,220,600	100%	0	0	0	0	PhD of Business Administration at Dela Salle University	CPA; Supervisor of Ya Pu Construction; Representative of Comewell Investment (BVI) Co., Ltd; Chairman of Allcan Investment Co. Ltd, Perfect Source Technology Co. Ltd, and Sin Kang Investment Co.Ltd; Director of E.SUN FHC	None	None	None
Independent Director (Managing Director)	Chang Lin Jen Jen	2011.07.07	3	2007.8.16	3,510,000	100%	4,220,600	100%	0	0	0	0	Master of University of Michigan	Independent Director of E.SUN FHC	None	None	None
Independent Director	Chen –En Ko	2011.07.07	3	2007.8.16	3,510,000	100%	4,220,600	100%	0	0	0	0	PhD of Department of Accounting at University of Minnesota	Professor of Department of Accounting and Engineering at National Taiwan University; Independent Director of E.SUN FHC Chang Type Industrial Co., Ltd.; Supervisor of Faracstone Telecommunication Co., Ltd.	None	None	None
Independent Director	Chi-Jen Lee	2011.07.07	3	2007.8.16	3,510,000	100%	4,220,600	100%	0	0	0	0	PhD of Business Administration, University of Illinois, USA	Professor of Graduate Institute of International Business at National Taiwan University; Independent Director of E.Sun FHC; Director of Aver Media Technologies Co., Ltd. Wang Group.	None	None	None
Independent Director	Hsin-I Lin	2011.07.07	3	2008.6.13	3,510,000	100%	4,220,600	100%	0	0	0	0	Bachelor of Department of Mechanical Engineering, National Cheng-Kung University	Chairman of Guang Yuan Invest Co.Ltd.; Managing Director of China Motor Co.; Director of Yulon Motor Co. Ltd., Tai Yuen Textile Co., Ltd., Acer Incorporated and Shye Shyang Mechanical Industrial CO., Ltd.; Independent Director of E.SUN Bank and Sinyi Realty and E.SUN FHC.	None	None	None
Director	Representative of E.SUN Financial Holding Company Chai-Kuo Chen	2011.07.07	3	2008.11.21	3,510,000	100%	4,220,600	100%	0	0	0	0	MBA, UCLA	Chairman of Nien Hsing Textile Co.,Ltd., Nien Hsing Intl. Investment Co. Ltd., Ming Yuan Investment Co. Ltd., Chi Hsing Garment Co., Ltd., Wei Han Investment Co.Ltd, Ron Yuan Investment Co.Ltd., Jia Tien Sia Investment Co. Ltd. and Fu Yuan Construction Co.Ltd.; Director of Kuo Jhong Investment Co. Ltd. and E.SUN FHC.	None	None	None
Director	Representative of E.SUN Financial Holding Company Jian-Li Wu	2011.07.07	3	1995.4.17	3,510,000	100%	4,220,600	100%	0	0	0	0	Chung Jung High School .	Chairmean of Shang Li Car Co.,Ltd, Ruen Li Transportation Co., Ltd., Shen Li investment Co. Ltd., Shang Li Transportation Co., Ltd, Shan Li Transportation Co., Ltd, Shan Ben Intl. Investment Co.Ltd and San Li Investment Co. Ltd.; Director of Guang Yuan Investment Co. Ltd, KeeperTechnology Co. Ltd, TongLit Logistics Co., Ltd. and E.Sun FHC; Supervisor of Jung Shing Wire Co., Ltd.	None	None	None
Director	Representative of E.SUN Financial Holding Company Cheng-Pin Lee	2011.07.07	3	1991.12.16	3,510,000	100%	4,220,600	100%	0	0	0	0	Master at University of San Francisco	Chairman of Hsin-Nan Co., Ltd, Danver Trading Co. Ltd and Hua Bin Co., Ltd; Director of TideHold Deveopment Co, Ltd, Dai Kong Trading Co. Ltd, Kuan Cheng Limited, Danver Chemical & Pharmaceutical Co., Ltd, Tsai Hsing Co., Ltd; Supervisor of Taiwan Tanabe Seiyaku Co Ltd.	None	None	None

Position	Representative (Name)	Date of Election	Term	Date of First Elected	Shareholding When Elected		Shareholding in E.SUN FHC						Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Member of the Management Team, Directors or Supervisors		
							Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name						
					Shares	Ratio%	Shares	Ratio%	Shares	Ratio%	Shares	Ratio%			Position	Name	Relation
Director	Representative of E.SUN Financial Holding Company Tai-Chi Lee	2011.07.07	3	1992.11.26	3,510,000	100%	4,220,600	100%	0	0	0	0	Department of Business Administration at Fu Jen Catholic University	Chairman of Tidehold Development Co., Ltd., Tai Yo Investment Co. Ltd, TideHold Investment Co., Ltd, Jia Hsing Investment Co., Ltd, Yung Jia Investment Co. Ltd, Jia Yo Investment Co. Ltd, Hsing Hua Matches Co., Ltd; Director of Hsing Yung Li CO. Ltd, Pu Lien Auto Co. Ltd, Pro Car Leasing Co. Ltd, Po Li Investment Co. Ltd; Supervisor of Po Hsing Chemical Co. Ltd.	None	None	None
Director	Representative of E.SUN Financial Holding Company Magi Chen	2011.07.07	3	2011.07.07	3,510,000	100%	4,220,600	100%	0	0	0	0	MBA, The University of Tennessee	CFO and SEVP of E.SUN FHC and E.SUN Bank	None	None	None
Director	Representative of E.SUN Financial Holding Company J.C. Wang	2011.07.07	3	2011.07.07	3,510,000	100%	4,220,600	100%	0	0	0	0	Master of Agricultural Economics, National Chung Hsing University	Head of HR and SEVP of E.SUN FHC and E.SUN Bank, Supervisor of Shan Meng Investment Co. Ltd.	None	None	None
Director	Representative of E.SUN Financial Holding Company Mao-Chin Chen	2011.07.07	3	2011.07.07	3,120,000	100%	4,220,600	100%	0	0	0	0	Master of Economics, National Taiwan University	CEO of Corporate Banking Division of E.SUN Bank, SEVP of E.SUN FHC	None	None	None

Major shareholders of the institutional shareholders

2011.12.31

Name of institutional shareholders	Major shareholders of the institutional shareholders
E.SUN Financial Holding Co., Ltd.	Cathay Life Insurance Co., Ltd. (5.65%) Ron-Yuan Investment Co., Ltd. (3.63%) PCA Life Assurance Co., Ltd. (3.54%) Saudi Arabian Monetary Agency Investment Account (3.54%) Hsin Kang Investment Co., Ltd. (2.33%) Morgan Stanley Appollo Holdings (Cayman) Ltd. (2.33%) E.SUN Bank Trust Account (2.24%) Fubon Life Insurance Co. Ltd. (1.44%) Allcan Investment Co. Ltd. (1.43%) Vanguard Emerging Markets Stock Index Fund (1.36%)

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 Kuo-Lieh Tseng	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓		0
Managing Director Wu-Lin Duh			✓			✓	✓		✓	✓	✓	✓		0
Managing Director Chiu-Hsiung Huang		✓	✓	✓		✓	✓		✓	✓	✓	✓		0
Managing Director Jackson Mai			✓	✓		✓	✓		✓	✓	✓	✓		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			✓	✓	✓	✓	✓		✓	✓	✓	✓		1
Director Chai-Kuo Chen			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Jian-Li Wu			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Cheng-Pin Lee			✓	✓		✓		✓	✓	✓	✓	✓		0
Director Tai-Chi Lee			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Magi Chen			✓			✓	✓		✓	✓	✓	✓		0
Director J.C. Huang			✓			✓	✓		✓	✓	✓	✓		0
Director Mao-Chin 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 Officers



Prudent operation and innovation through stable management.

2012.03.30 Unit: 1,000 shares; %

Department	Position	Name	Date of Appointment	Shareholding in E.SUN FHC (2011.12.31)						Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Manager of the Company		
				Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name				Position	Name	Relation
				Shares	Ratio%	Shares	Ratio%	Shares	Ratio%					
Headquarter Division	President	Joseph Huang	2011.08.01	3,562	0.078	170	0.004	0	0	President, E.SUN FHC	Director and President, E.SUN FHC Managing Director, ESB	None	None	None
Corporate Banking Division	CEO of Corporate Banking Division	Mao-Chin Chen	2011.08.01	1,102	0.024	5	0.0001	0	0	SEVP, ESB Corporate Banking Division	SEVP, E.SUN FHC Director, ESB	None	None	None
Corporate Banking Division	Senior Vice President	Yao-Bing Lin	2010.01.29	547	0.012	1	0.00002	0	0	GM, ESB Corporate Banking Division	None	None	None	None
Corporate Banking Division	EVP	Da-Tan Lin	2011.01.24	463	0.010	7	0.0002	0	0	Senior VP of Corporate Banking Division	None	None	None	None
Corporate Banking Division	EVP	L.C. Lin	2012.01.07	415	0.009	0	0	0	0	EVP, ESB Corporate Banking Division	SEVP, E.SUN FHC	None	None	None
Corporate Banking Division	Senior Vice President	Cathy Kuo	2010.01.29	641	0.014	0	0	0	0	General Manager, ESB OBU Branch	None	None	None	None
International Banking Department	Senior Vice President	Maggy Chou	2010.01.29	850	0.019	283	0.006	0	0	GM, ESB International Banking Department	None	Senior VP	Chun-Nan Tsai	Spouse
Consumer Banking Division	CEO of Consumer Banking Division	Suka Chen	2012.01.07	1,352	0.030	51	0.001	0	0	President, E.SUN Securities	Director and Deputy President, E.SUN FHC	None	None	None
Consumer Banking Division	EVP	Wu-Ming Hsieh	2012.01.07	472	0.010	19	0.0004	0	0	Senior VP, ESB Consumer Banking Division	None	None	None	None
Consumer Banking Division	EVP	Chi-Gan Chung	2012.01.07	788	0.017	0	0	0	0	Senior VP, ESB Consumer Banking Division	None	None	None	None

Department	Position	Name	Date of Appointment	Shareholding in E.SUN FHC (2011.12.31)						Education (Experience)	Current Position with Other Company	Spouse or Relatives within the 2nd Degree of Kinship who is a Manager of the Company		
				Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name				Position	Name	Relation
				Shares	Ratio%	Shares	Ratio%	Shares	Ratio%					
Consumer Banking Division	Senior Vice President	Te-Ming Chung	2010.01.29	498	0.011	0	0	0	0	Senior VP, ESB Minchung Consumer Banking Center	None	None	None	None
Consumer Banking Division	Senior Vice President	Mei-Lee Hsu	2010.01.29	605	0.013	0	0	0	0	GM, ESB Consumer Banking Division	Director of E.SUN Securities	None	None	None
Consumer Banking Division	Senior Vice President	Dian-An Huang	2006.04.14	257	0.006	0	0	0	0	GM, ESB Consumer Banking Division	None	None	None	None
Call Center	Senior Vice President	Ming-Ching Tai	2010.01.29	540	0.012	27	0.001	0	0	GM, ESB Call Center	None	None	None	None
Wealth Management	SEVP	Shui-Chin Shen ang Huang	2012.01.07	679	0.015	74	0.002	0	0	EVP, ESB North Koahsiung Consumer Banking Center	SEVP, E.SUN FHC	None	None	None
Wealth Management Division	Senior Vice President	Louis Chang	2010.01.29	610	0.013	141	0.003	0	0	GM, ESB Wealth Management Division	Director, E.SUN Insurance Brokers	None	None	None
Trust Division	GM	Edward Chen	2005.02.24	292	0.006	75	0.002	0	0	Assistant VP, ESB Trust Division	None	None	None	None
Treasury Division	CFO/SEVP	Magi Chen	2012.01.07	703	0.015	0	0	0	0	SEVP, ESB Treasury Division	CFO, E.SUN FHC	None	None	None
Treasury Division	Vice CFO/EVP	Joseph Shue	2011.01.24	529	0.012	0	0	0	0	EVP, ESB Treasury Division	CFO, E.SUN FHC	None	None	None
Treasury Division	Senior Vice President	Peter Shih	2010.01.29	677	0.015	0	0	0	0	GM, ESB Treasury Division	None	None	None	None
Credit Card and Payment Finance Division	SEVP	Ben Chen	2012.01.07	1,928	0.042	640	0.014	0	0	SEVP, ESB Credit Card and Payment Finance Division	SEVP, E.SUN FHC	None	None	None
Credit Card and Payment Finance Division	EVP	Jung-Hua Lin	2012.01.07	656	0.014	15	0.0003	0	0	EVP, ESB Credit Card and Payment Finance Division	None	None	None	None
Credit Card and Payment Finance Division	Senior Vice President	Fu-Chung Huang	2010.01.29	554	0.012	26	0.001	0	0	GM, ESB Credit Card and Payment Finance Division	None	None	None	None
Audit Division	General Auditor	Wei-Chin Chien	2004.02.13	1,018	0.022	0	0	0	0	General Auditor, E.SUN Bill Finance	General Auditor, E.SUN FHC	None	None	None
General Affairs Division	EVP	Chien-Yu Chou	2007.02.15	1,442	0.032	376	0.008	0	0	EVP, ESB General Affairs Division	EVP, E.SUN FHC	None	None	None
Accounting Division	EVP	Kuan-Her Wu	2005.02.24	349	0.008	0	0	0	0	EVP, ESB Accounting Division	CAO of E.SUNFHC,	None	None	None
Accounting Division	Senior Vice President	Alan Chang	2010.01.29	730	0.016	0	0	0	0	GM, ESB Accounting Division	Supervisor, E.SUN Insurance Brokers	None	None	None
IT Division	CIO/EVP	Wan-Li Hsieh	2012.01.07	313	0.007	47	0.001	0	0	Senior VP, ESB IT Division	CIO of E.SUN FHC	None	None	None
IT Division	Senior Vice President	Po-Hsuan Hsu	2010.01.29	437	0.010	117	0.003	0	0	GM, ESB IT Division	None	None	None	None
HR Division	Head of HR/ SEVP	J.C Wang	2012.01.07	1,600	0.035	557	0.012	0	0	EVP, ESB HR Division	Head of HR, E.SUN FHC	None	None	None
Risk Management Division	CRO/EVP	Oliver Hsieh	2012.01.07	553	0.012	0	0	0	0	GM, ESB Risk Management Division	Vice CRO of E.SUN FHC	None	None	None
Credit Review & Management Division	Vice CRO/EVP	Jhong-Cheng Shun	2011.01.24	862	0.019	69	0.002	0	0	EVP, Credit Review & Management Division	Vice CRO of E.SUN FHC	None	None	None

2.3 Renumeration of Directors (including Independent Directors), President and Vice President

(1) Remuneration of Directors

2011.12.31 Unit: NT\$ thousands

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)				Exercisable Employee Stock Options (H)						
		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							Cash	Stock							
List as following		5,532	5,532	0	0	20,654	20,654	2,640	2,640	0.91%	0.91%	16,853	16,853	13,870	13,870	1,078	0	1,078	0	0	0	1.92%	1.92%	None		

* E.SUN FHC Representative: Chairman Kuo-Lieh Tseng; Managing Directors Joseph Huang, 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, Magi Chen, J.C. Wang, Mao-Chin Chen. (E.SUN FHC appointed its 8th term of representative directors on July 7, 2011; Mr. Wu-Lin Duh retired from the position of E.SUN Bank president on July 31, 2011; Mr. Yung-Hsung Hou and Mr. Suka Chen were discharged from the responsibility of representative directors on July 7, 2011.)

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

Remuneration Bracket

Unit: NT\$ thousands

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements (I)	The Company	Companies in the consolidated financial statements (J)
Under NT\$ 2,000,000	Joseph Huang, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin Chai-Kuo Chen, Jian-Li Wu, Cheng-Pin Lee, Tai-Chi Lee, Magi Chen, J.C. Wang, Mao-Chin Chen	Joseph Huang, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin Chai-Kuo Chen, Jian-Li Wu, Cheng-Pin Lee, Tai-Chi Lee, Magi Chen, J.C. Wang, Mao-Chin Chen	Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Joseph Huang, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin, Suka Chen	Chai-Kuo Chen, Jian-Li Wu, Tai-Chi Lee, Cheng-Pin Lee, Joseph Huang, Suka Chen, Chiu-Hsiung Huang, Chang Lin Jen Jen, Chen-En Ko, Chi-Jen Lee, Hsin-I Lin
NT\$ 2,000,000 ~ NT\$ 5,000,000			J.C. Wang, Mao-Chin Chen	J.C. Wang, Mao-Chin Chen
NT\$ 5,000,000 ~ NT\$ 10,000,000	Kuo-Lieh Tseng	Kuo-Lieh Tseng	Kuo-Lieh Tseng, Magi Chen	Kuo-Lieh Tseng, Magi Chen
NT\$ 10,000,000 ~ NT\$ 15,000,000				
NT\$ 15,000,000 ~ NT\$ 30,000,000			Wu-Lin Duh (Retirement)	Wu-Lin Duh (Retirement)
NT\$ 30,000,000 ~ NT\$ 50,000,000				
NT\$ 50,000,000 ~ NT\$ 100,000,000				
Over NT\$ 100,000,000				
Total	28,826	28,826	60,627	60,627

(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	2011						2010					
	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	28,826	0.91%	15	28,826	0.91%	15	36,621	0.92%	15	36,621	0.92%
President and SEVP	11	62,693	1.99%	11	62,693	1.99%	11	57,938	1.46%	11	57,938	1.46%

Note : 2011 Bank Net Profit after tax was NT\$ 3,157,630 thousand; 2010 Bank Net Profit after tax was NT\$ 3,981,361 thousand.

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

- a. The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 40 of the Company's Articles of Incorporation. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 22. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of this compensation.
- b. The performance review system and remuneration framework for high-level managers is first screened by the Company's Remuneration 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 and be given in accordance with E.SUN FHC Management Salary Payment Policy. The company will periodically evaluate the linkage of individual performance, profitability, operation, potential risk and salary to incentivate managers to achieve the set goal of the company which 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 11 (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 Kuo-Lieh Tseng	11	0	100	Re-elected
Managing Director	E.SUN FHC representative Josph Huang	11	0	100	Re-elected
Managing Director	E.SUN FHC representative Chiu-Hsiung Huang	10	1	90.91	Re-elected
Managing Director	E.SUN FHC representative Jackson Mai	11	0	100	Re-elected
Independent Director (Managing Director)	E.SUN FHC representative Chang Lin Jen Jen	11	0	100	Re-elected
Independent Director	E.SUN FHC representative Chen-En Ko	11	0	100	Re-elected
Independent Director	E.SUN FHC representative Chi-Jen Lee	9	2	81.82	Re-elected
Independent Director	E.SUN FHC representative Hsin-I Lin	8	3	72.73	Re-elected
Director	E.SUN FHC representative Chai-Kuo Chen	8	3	72.73	Re-elected
Director	E.SUN FHC representative Jian-Li Wu	10	1	90.91	Re-elected
Director	E.SUN FHC representative Cheng-Pin Lee	9	2	81.82	Re-elected
Director	E.SUN FHC representative Tai-Chi Lee	10	1	90.91	Re-elected
Director	E.SUN FHC representative Magi Chen	5	0	100	Newly appointed
Director	E.SUN FHC representative J.C. Wang	5	0	100	Newly appointed
Director	E.SUN FHC representative Mao-Chin Chen	5	0	100	Newly appointed

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
Suka Chen	Conducting Business of Payment Collection	FHC Law related party	No
Suka Chen	Granting Loan to Related Party	Bank Law related party	No
Cheng-Pin Lee	Granting Loan to Related Party	Bank Law related party	No
Chai-Kuo Chen	Granting Loan to Related Party	Bank Law related party	No
Tai-Chi Lee	Granting Loan to Related Party	Bank Law related party	No
Hsin-I Lin	Granting Loan to Related Party	Bank Law related party	No

Motion Concerning Compensation for Managers:

Director Joseph Huang and former Director Wu-Lin Duh excused themselves from discussions and voting to avoid conflict of interest.

Motion Concerning New President:

Related party Joseph Huang and attending managers (including Director Magi Chen and Director Mao-Chin Chen) excused themselves from discussions and voting to avoid conflict of interest.

Motion Concerning Nomination for Spokesperson and Deputy Spokesperson:

Related parties Magi Chen and Mao-Chin Chen excused themselves from discussions and voting to avoid conflict of interest.

Motion Concerning Promotion and Compensation Adjustment for Managers:

Interested party Mao-Chin Chen and attending manager Magi Chen excused themselves from discussions and voting to avoid conflict of interest.

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

The Board of Directors has established Audit Committee, Corporate Governance and Nomination Committee, 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 7 (A) Audit Committee meetings were held in the previous period. The attendances of Independent Directors was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B / A]	Remarks
Independent Director	Chen-En Ko	7	0	100	Re-elected
Independent Director	Chi-Jen Lee	5	2	71.43	Re-elected
Independent Director	Chang Lin Jen Jen	7	0	100	Re-elected
Independent Director	Shin-I Lin	6	1	85.71	Re-elected

Other mentionable items:

1. If there are the circumstances referred to in Article 14-5 of Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motions, resolutions of Audit Committee and the Company's response to Audit Committee's opinion should be specified: None
2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified:
-Practice of Directors' avoidance of motions in conflict of interest:

Director Name	Content of Motion	Cause of Avoidance	Voting
Hsin-I Lin	Granting Loan to Related Party	Related party	No

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.)
The Audit Division reports quarterly on its auditing results to the board; CPA reports 2010 Financial Report and 2011H1 Financial Report to the 16th of Term 1 and the 2nd of Term 2 Audit Committee respectively.
Independent Directors enjoy a sufficient communication and interaction with Internal Auditors and CPAs.

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

Item	State of Operation	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 shareholder can file opinions via the FHC's Stock service department or customer service division. Qualified persons will then handle these Issues. Avenue 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 7th of July, 2011. 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)a.Disclose status of Financial information, Business operation and Corporate governance in the website (http://www.esunfbc.com.tw/info)</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) 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>E.SUN Bank Spokespersons Name: Magi Chen Position:SEVP Telephone +8862-2175-1313 #1833 Email: magi@email.esunbank.com.tw</p> <p>Deputy Spokesman Name: Mao-Chin Chen Position: CEO of Corporate Banking Division Telephone: +8862-2175-1313 #7048 Email: James-0081@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 2011.7.7 and E.SUN FHC appoints 4 Independent Directors to the Committee.</p> <p>a. Rules of Audit committee organization has been established.</p> <p>b.The committee is composed with all independent directors, the committee has the following main objectives in its work:</p> <p>1.Ensuring the Company's financial statements are in proper form.</p> <p>2.Selecting (dismissing) certified Public Accountant(CPA),and to verifying CPA's independence and monitoring performance.</p> <p>3.Ensuring effective implementation of the Company's internal controls.</p> <p>4.Ensuring Company compliance with related rules and regulations</p> <p>5. Control the internal risk within the company</p>	No Difference

Item	State of Operation	Deviations from "Bank Corporate Governance Best Practice Principles" and reasons
	<p>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:</p> <p>The Company practices Corporate Governance fully in accordance with "Bank Corporate Governance Best-Practice Principles" and there has been no difference. E.SUN Bank and E.SUN FHC have participated in the corporate governance certification system hosted by Taiwan Corporate Governance Association in an effort to strengthen the corporate governance systems of the companies</p>	
	<p>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):</p> <p>(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.</p> <p>(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 "IFRS global practices and response by Taiwan enterprises," "Corporate governance assessment and fulfillment of duties by directors and supervisors," "Corporate M&D practices; Risk assessment and controls," "Fund-raising methods and scale," "Corporate governance and securities laws," "Seminar to explain compliance with equity exchange laws in 2010," and "Balancing role, position, and interests of major and small shareholders in corporate M&A."</p> <p>(3) The Company has established a Risk Management Division to draft and carry out risk control policies. The scope of risk reports and measurement systems cover the following:</p> <p>a. Credit Risk</p> <p>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.</p> <p>b. Market Risk</p> <p>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.</p> <p>c. Operational Risk</p> <p>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.</p> <p>d. Banking Book Risk</p> <p>E.SUN has established banking book interest risk management structure, related policy, method and procedure to measure, monitor and control Banking Book interest, and set up management index, warning threshold and limits.</p> <p>e. Legal and Compliance Risk</p> <p>E.SUN has established compliance officer system to effectively manage and improve the legal and compliance risk.</p> <p>f. Liquidity Risk</p> <p>E.SUN has established the mechanism of evaluating and monitoring liquidated positions to manage liquidity risk.</p> <p>g. Other Risk</p> <p>E.SUN has mechanisms to carry out and manage risk of reputation and other major risk via scenario stress tests, risk appetite analysis and capital adequacy.</p> <p>(4) E.SUN has always emphasized customer service quality. It provides customer complain channel and has implemented a number of customer protection policies.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	
	<p>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:</p> <p>The Company's parent company, E.SUN FHC, received Corporate Governance Certificate from Taiwan Corporate Governance Association in 2010. The Taiwan Corporate Governance Association has singled out E.SUN for its concise introduction to the Bank's core businesses, strict discipline of managerial-level personnel, fulfillment of social responsibility and paying back society.</p>	

4. Social Responsibility

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. Fulfilling its corporate responsibility to society constitutes a core principle within E.SUN's operations. 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 also seeks to lend its corporate support with the objective of building something greater for the public, thereby fulfilling its responsibility as a corporate citizen. E.SUN's CSR Report has passed the double international standards of "AA1000 Assurance Standard" and "Global Reporting Initiative, G3.1" from BSI, which indicates its fine performance and connection to global standards of CSR.

E.SUN initiated the Golden Seed Project at the end of 2007. This long-term initiative is aimed at creating E.SUN libraries in remote areas, thereby improving facilities to offer a more conducive environment for reading and study. The project also promotes gifts of books and long-term maintenance of the facilities. E.SUN hopes that the systematic promotion and implementation of this program will help to close the gap between urban and rural areas and will provide the environment and resources to foster a love of reading among schoolchildren. Having greater access to books will enable them to read more, expanding their horizons and leading to new opportunities. As of the end of 2011, 45 E.SUN libraries had been established in 18 counties and cities throughout Taiwan, including Keelung City, Yilan County, New Taipei City,

Taoyuan County, Miaoli County, Taichung City, Changhua County, Nantou County, Yunlin County, Chiayi County, Chiayi City, Tainan City, Kaohsiung City, Pingtung County, Hualien County, Taitung County, and Penghu County.

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 encourages energy conservation. The Bank also holds many environmental protection activities. From October 22 to December 3, E.SUN initiated activities to clean up mountains. Company employees and volunteers cleaned up 21 mountain trails throughout the island. The Bank is cooperating with Shinhua Forest Station, which is managed by National Chung Hsing University, in promoting a six-year activity to plant trees. In 2011, the Bank provided assistance in planting 10,000 trees on forest grounds, helping to do its part in protecting the environment. It participated in an activity on March 26 to encourage people to turn off their lights on the summer solstice, while on April 22, Earth Day, it urged people to turn off lights for one hour. On September 12 it also called for people to switch off their lights on the Mid-Autumn Festival for one hour so people could see the moon better, while on September 17, E.SUN participated in the Clean Up the World, Protect Taiwan's Environment activity. It also participated in International Car Free Day on September 22, joining with the rest of the world in advocating energy conservation and reducing carbon emissions. Meanwhile, on the 13th day of each month, each department in

E.SUN holds activities to promote energy saving and environmental protection concepts both at home and in the workplace. E.SUN hopes that environmental protection becomes a part of everyone's life.

On another front, E.SUN in 2007 began providing resources to improve the environment in Taiwan to foster the development of baseball. The Bank established the E.SUN Youth Baseball Fund Special Account, and 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 also is cooperating with the Chinese Taipei Baseball Association to hold the E.SUN Cup International Youth Baseball Invitational. Top youth teams from Taiwan, Japan, and Korea are invited to participate with the aim of boosting the skills of young baseball players. Meanwhile, as of the end of 2011, E.SUN has provided baseball gear worth NT\$100,000 each to baseball teams at 15 schools, including Meiho Senior High School, Mailiao Senior High School, Hsinshu Senior High School, and Cheng Te High School. E.SUN also invites coaches from Major League Baseball to Taiwan to give lectures and impart the latest techniques, skills, and psychology with regards to coaching. This has 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 outstanding students exhibiting potential,

offering these individuals with scholarships so they can complete their education free from financial worries. To date, the Bank has provided scholarships to 48 students over the past seven years under its Outstanding Manager Training Program. It hopes that the financial assistance will help to create the groundwork for these students to become outstanding managers. In an effort to encourage the publishing of papers in the world's leading management publications, E.SUN has, in conjunction with National Taiwan University, established the E.SUN Academic Prize, which is awarded to two individuals. This is aimed at helping to raise the research standards in Taiwan's field of management. E.SUN is also actively providing assistance to the Financial Supervisory Commission in an activity carried out in neighborhoods and on 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. Meanwhile, E.SUN employees and volunteers continue to accompany children living in orphanages to baseball games and story-telling activities. Assistance is also 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.

5. State of E.SUN Achieving Trustworthy Operations and Related Measures

E.SUN FHC, the parent company of E.SUN Bank, engages in commercial activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement trustworthy business policies and prevent behavior that would be deemed otherwise, E.SUN has formulated the Trustworthy Operations Regulations, Operational Procedures, and Guide to Behavior. All individuals at E.SUN are to comply with the regulations and guidelines stated within, with points being:

(1) Scope of Application:

Corporations and entities of the Group including E.SUN Financial Holding Co. [E.SUN FHC], its subsidiaries, non-profit seeking foundations 50% or more of whose funds are contributed directly or indirectly by E.SUN FHC, and other institutions or corporate persons substantially controlled by E.SUN FHC.

(2) Applicable Persons:

Includes directors, managers, employees, and others with the ability to control their actions.

(3) Prohibited Behavior:

Prohibited behavior means the act, conduct or practice of directly or indirectly offering, accepting, committing to offer or requesting for undue interests of any kind or any other act, conduct or practice contrary to good faith, in violation of laws, regulations or the fiduciary duties, which is done by the personnel of the Company in the course of performing his/her functions and duties with a view to obtaining or sustaining interests.

(4) Legal Compliance:

All corporations and entities of the Group shall act in compliance with the Company Act, Securities & Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Functionaries Due to Conflict of Interests, regulations and orders relating to public listing and over-the-counter trading, other commercial acts and activities, and the applicable local laws and regulations.

(5) Responsibility of the Board of Directors:

The Board of Directors should fulfill its obligations as manager of the Company, oversee measures to prevent untrustworthy behavior, and review the efficacy of related measures and any improvement needed to ensure that trustworthy operational policies are implemented.

(6) Prohibition of Insider Trading:

Individuals at E.SUN are not to use information that has not been made available to the public to engage in insider trading. This information is also not to be disclosed to other persons, thereby preventing others from using this information to engage in insider trading prior to the public disclosure of the said information.

(7) Avoidance of Dishonest Trading Counterparts:

Commercial transactions with dishonest agents, suppliers or business counterparts shall be avoided. All business exchanges with a trading counterpart or cooperative partner shall cease upon information of any dishonest act or practice of that counterpart or partner, who in such case shall be foreclosed

from business dealings with the Company in consideration of the good-faith policy of the Company.

(8) Accounting and Internal Controls:

An effective accounting system shall be instituted and no external accounting processing or secret account is allowed. The above accounting system shall be reviewed and evaluated from time to time to sustain the continued efficiency of its design and operation.

(9) Disposition of Prohibited Behavior:

Investigation of the relevant transactions and occurrences will be initiated upon information of any personnel of the Company allegedly engaged in prohibited behavior of any kind in violation of laws, regulations or the Company's policy. Upon verification of the allegations, the offending personnel shall be ordered to immediately cease the prohibited behavior and the matter shall be appropriately disposed. Where necessary, the Company will legally claim damages against the offending personnel to protect the reputation and rights and interests of the Company.

posted on the Market Observation Post System.

Donations made by E.SUN are as follows:

(1) Political Donations: None

(2) Interested Parties:

E.SUN Cultural & Educational Foundation:
NT\$2,000,000.

E.SUN Volunteers Social Welfare and Charitable Foundation: About NT\$28,227,586. (These donations include the E.SUN World Card activity -- the E.SUN Golden Seed Project -- that is jointly carried out with E.SUN Bank and E.SUN Volunteers Foundation. A portion of the World Card annual fee and 0.3% of the spending made using the card is donated to the cause, which will create 100 libraries at elementary schools in remote areas.)

(3) Public welfare or charitable groups:
NT\$5,192,779.

6. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at

http://www.esunbank.com.tw/about/legal_info_info

7. Other Important Information Enhancing Understanding of the State of the Company's Corporate Governance

The parent company, E.SUN FHC, has also produced the Self-assessment Report on Corporate Governance. This document was

8. Internal Control

8.1 Representation on Internal Control

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

March 18, 2012

On behalf of E.SUN Commercial Bank, Ltd., we hereby declare that the company indeed complied with the Enforcement Regulations for FHC and Bank Internal Audit Control System during the fiscal year of 2011, and have established the internal control system and risk management mechanism and been audited by the independent internal auditors; the internal audit reports have been periodically presented to the Bank's board of directors and auditing committee.

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 of 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 2011 are effectively in place. This representation will be a 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.

Submitting to,

Financial Supervisory Commission, Executive Yuan

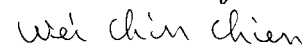
Chairman



President



General Auditor



Compliance Officer



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

9. Legal Infractions and Punishment and Major Shortfalls and the State of Improvement over the Past Two Years

(1)Litigation filed by prosecutors of E.SUN's managers or employees in the line of work: None.

(2)Fines Levied by the FSC for Regulatory Violations:

a.In adherence to the Financial Supervisory Commission's decision (with due administrative fines imposed against the Bank) on the Bank's failure to establish appropriate internal control procedure with respect to information security control, the Bank had the relevant operational procedure and environment as well as the personal e-banking interface improved, which improvement is completed and has been inspected and tested by external impartial experts to ensure its effective operation.

b.With respect to the control of real property for proprietary use, due to the Bank's assumption of the lease agreement owned by Kaohsiung Business Bank in 2004, the area of certain building reserved for use by and only by the Bank falls under the legally-required percentage of 50% of the total area of the same building. The Bank conducted an overall review of and improve the relevant procedure and operation.

c.With respect to the issuance of corporate bonds by the enterprise in which the person in charge of the Bank's investments acts as a director and the underwriting of DCI (Dual Currency Investment) with company's individual manager in the January 2009-January 2010 period, both of which were conducted in violation of the regulatory procedure governing transactions with interested parties due to certain procedural error, the Bank has examined, reviewed and improved

the relevant control procedure to prevent any operational error.

(3)Irregularities, if any, of which prompt correction is ordered by the Financial Supervisory Commission: An employee was found to have secretly made photocopies and kept to himself the same photocopies in about February 2004 of the information of certain customers of the Bank. The Bank took the initiative to dispose of the matter. In compliance with the competent authority's order for the Bank to take necessary rectifying measures, the Bank had the relevant internal control procedure strengthened and continues to conduct training and education programs on legal compliance.

(4)Adverse decision(s), if any, by the Financial Supervisory Commission under Article 61bis of the Banking Act: None.

(5)Losses, if any, resulted by events of corruption of personnel, serious accidents or incidents of security failure due to failed compliance with the Security Maintenance Requirements of Financial Institutions, of which the amount incurred during the period or cumulative actual amount incurred exceeds TWD50 million (where serious accidents means events of fraud, theft, misappropriation and embezzlement of company assets, false transactions, forgery of evidence and securities, acceptance of rebate, act of Nature, external force, computer hacking, theft of data and divulgence of trade secret and customer information): None.

(6)Other disclosures, if any, designated by the Financial Supervisory Commission: None.

IV. Capital Overview



Embracing the Mountain and Lake for the Nurture of Life.

1. Shares and Dividends

1.1 Source of Capital

2011.12.31 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	
2010.6.3 (note5)	10	147,600	1,476,000	147,600	1,476,000	Retained Earnings	
2011.6.13(note6)	10	210,600	2,106,000	210,600	2,106,000	Retained Earnings	
2011.11.22(note7)	15	500,000	5,000,000	500,000	5,000,000	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.

Note5:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on June 3, 2010 granted approval for issuance in its letter Zidi 0990027492.

Note6:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on June 13, 2011 granted approval for issuance in its letter Zidi 1000025959.

Note7:The Banking Bureau of the Executive Yuan's Financial Supervisory Committee on November 22, 2011 granted approval for issuance in its letter Zidi 10000401021.

1.2 Type of Shares

2011.12.31 Unit: Share

Type of Shares	Authorized Capital			Remark
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	4,220,600,000	0	4,220,600,000	

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

In order to achieve the goal of sound financial structure and to enhance the self-owned capital ratio, the policy of dividend distribution of the bank shall be primarily on the basis of stock dividend. In the event that at the year dividends proposed to be distributed the bank's BIS ratio after compilation of final financial statements is greater than the requirement by the regulatory agencies, the cash dividend may therefore be distributed but shall not be less than 10% of the total dividends. However, in case of the proposed

distribution of cash dividend lower than NT\$0.1 per share, the bank may, at its sole discretion, opt to make such distribution out of stock dividends. Before the legal reserve equals the total capital amount, the maximum cash distribution of profit shall not exceed fifteen percent of the total, paid-up capital amount. The proposed stock dividends payout for the 2011 financial year is NT\$0.36 per share.

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 Bonus 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

E.SUN Bank 2011 Statement of Profit Allocation

Unit: NT\$

Balance at beginning of the period	156,821,555
Add: 2011 net profit	3,157,630,329
Subtract: 30% Legal Reserved	947,289,099
Net Profit for distribution	221,557,309
Distribution:	2,145,605,476
Shareholders' Bonus(NT\$0.36 Stock Dividend per share)	1,519,000,000
Shareholders' Bonus(NT\$0.10 Cash Dividend per share)	422,476,000
Total Shareholders' Bonus	1,941,476,000
Undistributed Profit at the end of the period	204,129,476

Note 1: Employee Bonus is NT\$ 103,270,000 and Directors' compensation is NT\$20,654,000.

Note 2: Ratio between proposed stock dividends given out to employees and capital increments from retained earnings: Not applicable.

Note 3: Consider calculating EPS after the distribution of employees' bonuses and directors' and supervisors remuneration: Since 2008/1/1, the Bank adopted EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., the costs of employees' bonuses and directors' and supervisors remuneration are accounted for as expenses rather than distribution of profits. Thus, not applicable.

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:

- (1) E.SUN Bank signed the Purchase Agreement with Chu Nan Credit-Cooperation Association on March 18, 2011 to acquire its assets, liabilities and operations. The transaction was approved by the AGMs of both parties on March 31, 2011, and received approval from the Banking Bureau of FSC. The transaction was completed on the date of July 9, 2011.
- (2) E.SUN Bank signed the Purchase Agreement with Chia-Yi City Fourth Credit Union on March 18, 2012 to acquire its assets, liabilities and operations. The transaction was approved by the AGMs of both parties on March 25, 2012, and set the date of November 3, 2012 as the transaction date of completion. (The case still requires approval from Taiwanese regulator before being effective.)

- a. Disclosure of CPA's opinion on the rationality of stock exchange ratio if conducting merger or acquisition of other financial institutions in recent one year: N/A
- b. Mergers and acquisitions with other financial institutions over the past five years. Issuance of new shares for mergers and acquisitions with other financial institutions should disclose the main underwriter's evaluation opinions: N/A
- c. Disclosure of the execution of newly issued shares for merger and acquisition or to receive share from other financial institutions and its impact to shareholders, if an unlisted bank: N/A
- d. Upon the resolution of the Board of Directors on any merger or acquisition of other financial institution through new share issuance in the recent one year and until the date of publication of the financial statement, the enforcement thereof and basic information of the merged or acquired financial institutions shall be disclosed: N/A

6. Financing Plan and Implementation:

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

V. Operational Highlights



Beautiful Mountain Blossoms in Spring.

1. Business Activities



The Nature Wonder of Cloud and Fog.

In the face of the European debt crisis in 2011 and the threat of another recession, E.SUN continued to emphasize stable operations as a means to profitability. The Bank continued to stress risk controls and maintaining outstanding asset quality. At the same time, it effectively integrated the resources of the FSC in a bid to provide customers with a comprehensive array of top-notch services. Looking ahead to 2012, the Bank will strive to expand its domestic and overseas service network, thereby creating even greater tangible and intangible business value. At the same time, it will boost services through its network for integrated product lines in pursuit of comprehensive and stable development.

1.1 Corporate Banking

(1) Corporate Lending

E.SUN's lending policies continue to operate under the same principle, which is 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 2011, the outstanding of corporate lending

stood at NT\$317,845 million, representing 48% of the Bank's total loan portfolio. Corporate lending increased NT\$55,164 million in 2011. Of these loans, 54% were extended to the manufacturing industry, 14% to the financial, insurance and real estate industries, and 14% to the wholesale and retail sector.

E.SUN's operations are customer- and value-driven. It strives to provide the products and services that enterprises need as they grow. The Bank provides credit to enterprises, is involved in syndicated loans, and offers trade financing, corporate treasury services and hedging and cash management. E.SUN Bank continues to integrate resources from the FHC, and its enthusiastic service teams together with ever-expanding product lines and services help to satisfy the overall needs of corporate customers, creating a win-win situation for all involved.



Best Navigator for Taiwan Businessmen.

1.2 Foreign Exchange

In 2011, the total number of Designated Foreign Exchange Branches at E.SUN reached 119, enabling the Bank to provide comprehensive foreign exchange services. It continues to expand its trade services and cash flow services, becoming the bank of choice for its customers in their foreign exchange dealings. In addition to completing SWIFT centralization, the Bank continues to promote automated remittance tools and its Internet bank, providing a convenient and real time electronic platform. On October 17, E.SUN commenced renminbi services at its OBU, putting it on the path to gradually expanding the scope of these operations. In order to provide Taiwan companies with diversified banking services throughout the world, E.SUN has a foreign exchange transaction network that circles major cities throughout the globe. The Bank is striving to provide convenient and secure trade and commerce payment and receipt services around the globe, making E.SUN the best service brand name in this area of operations. In 2011, E.SUN's total export/import and exchange volume stood at US\$93.59 billion, equivalent to growth of 23% from the previous year.

1.3 Consumer Banking

(1) Deposit and Remittance business

At the end of 2011, the Bank's total deposits amounted to NT\$962,526 million, a rise of 6.42% from the end of 2010. Demand deposits amounted to NT\$460,568 million, comprising 47.85% of all deposits. Time deposits amounted to 52.15% of all deposits, amounting to NT\$501,958 million. The structure of deposits is advantageous to the Bank and the amount of deposits continues to grow.



E.SUN's Quality Service Creates Customer Value.

(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. The level of outstanding mortgage loans at the end of 2011 stood at NT\$313.1 billion. In terms of credit risk, E.SUN believes that the number of uncertainties in the real estate market is on the rise. Consequently, it is adjusting the ratio of lending it is providing and is also appropriately hiking interest rates for specific projects to manage the quality of its mortgage assets. E.SUN also continues to utilize stress tests to strengthen its ability to monitor risk.



(3) Unsecured Personal Loans

E.SUN in 2011 became the market's third largest player in the Unsecured Personal Loans(UPL). The Bank has continued to enhance its screening system and operational procedures, thereby significantly expanding the volume of new credit lending while maintaining asset quality. Looking to 2012, the Bank believes that global economic uncertainties may have an impact on the domestic job market and personal incomes. Consequently, it will continue to use database analysis and turn to related credit rating models to select an outstanding pool of customers for new loans. This will maintain stable profitability in E.SUN's UPL product.

(4) Micro SME

E.SUN aims to provide lending services to small companies and stores in the vicinity of each of its branches. It also is strengthening cash flow management for its customers and is providing payroll services, thus making E.SUN the primary bank for these customers. E.SUN will boost its business with MSMEs by honing its relationship with vendors in the vicinity of its branches and working to create an even more tightly knit service network. E.SUN's targeted clientele in this area of business are vendors involved in the garment, food and beverage, lodging, and travel sectors, as these companies are less directly impacted by international economic issues and fluctuations in the export sector. E.SUN will continue to pursue business development in 2012, but risk controls will still be foremost in mind.

(5) E-commerce and Internet Banking

E.SUN continues to strive to provide innovative electronic banking services and enhanced functionality to meet the financial service needs of its customers. The Bank markets appropriate to various groups of customers, with E.SUN's chip card merchant acquiring services already taking the leading position in the marketplace, with over 1,000 participating Internet-based stores. In the future, E.SUN will continue to develop its website and Internet bank functionality, generating new value to its customers through its innovation. This will maximize the value of E.SUN's virtual network.



E.SUN e-Commerce, Leading the Trend.

1.3 Wealth Management

(1) Mutual Funds

Mutual funds constitute the main focus of E.SUN's wealth management, helping customers to build up more assets. It also assists customers in allocating assets and understanding the importance of stop-loss orders and when to take profits. E.SUN's efforts in this regard were instrumental in its being named for the third consecutive year as the most trustworthy bank in wealth management by Business Today magazine. It also won first place in the Best Performance Award and the Best Teamwork of Financial Consultant Award. As of the end of 2011, the total amount of overseas trust assets stood at NT\$85,467 million, while the total amount of domestic trust assets stood at NT\$25,407 million.

(2) Bancassurance

In the field of bancassurance, E.SUN Bank continuously strives to integrate various product lines under the FHC, thereby providing customers with one-stop shopping in terms of advice and services. This customer-driven line of business in which a comprehensive range of products is available provides customers with well-rounded insurance protection and asset allocation. E.SUN continues to engage in research with cooperating insurance companies to develop special products for E.SUN customers that satisfy the varying needs of various client groups and thereby differentiating E.SUN's banking services from its industry counterparts. E.SUN also relies on database analysis to enhance marketing efficiency and returns.

(3) Trust

E.SUN takes every opportunity to demonstrate its dedication to providing trustworthy services. It tailors trust products to individuals and provides comprehensive trust services to meet the needs of customers, as well as changes in the banking environment or government policy. E.SUN has created a trust blueprint for people at every stage of life. The products it offers include money trusts, purchase proceed trusts, securities

trusts, real estate trusts, public welfare trusts, insurance trusts, and employee savings trusts. As of the end of 2011, total assets under trust stood at NT\$210,166 million, which was a rise of NT\$49,262 million, or 31%, from the previous year. Assets under custodianship in the form of securities stood at NT\$4,430 million, while asset funds under custodianship in special accounts amounted to NT\$88,140 million.



E.SUN Carrefour Co-Brand Card.



E.SUN Gold Account, Best Way to Invest in Gold.

1.4 Credit Card

The credit card market in 2011 was impacted by a downturn in consumer confidence caused by the European debt crisis. Consequently, the total amount of credit card spending, the number of cards in issuance, and the cards in force all experienced slower growth. As of the end of 2011, E.SUN had 2.84 million cards in issuance, with 1.77 million cards in issuance force. The amount charged on the cards during the year was NT\$138,020 million, which was a growth of 19.43% from 2010. Meanwhile, E.SUN's NPL ratio of credit card revolving stood at 0.23%, which was considerably lower than the previous year, pointing to a continued strong asset quality.

In an effort to develop business and maintain its leading position in the market, E.SUN continued to attract more customers and pursue a strategy of growth in this area of operations in 2011,

providing differentiated marketing initiatives in an effort to expand market share and boost market visibility. This helped to create value for customers and make E.SUN's cards the preferred ones when customers made charges. E.SUN emphasized integrated marketing in each of its product lines, making customers even more inclined to use the Bank's cards. Consequently, significant growth was seen in both the amount of consumption and market share.

1.5 Investment

Investments by E.SUN Bank at the end of 2011 stood at NT\$329 million. The Bank maintains stakes in the following companies: Taipei Forex Inc. (0.81%), Fu Ji Management Consulting Co. Ltd. (2.56%), Taiwan Futures Exchange (0.45%), Financial Information Service (2.28%), 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 (11.11%), and Sunny Asset Management Corp. (4.35%).

2. Business Plan

In 2012, E.SUN will continue to pursue a value-oriented strategy. It will continue to create cash flow service teams throughout its branch network and provide comprehensive services to boost satisfaction and loyalty among its customers. It will also integrate resources from other industries and work with cooperative partners in providing appropriate services and products to its clientele and generating greater value. This will also boost the depth and breadth of E.SUN's relationship with its customers.

2.1 Corporate Banking

- (1) E.SUN will continue to be customer-oriented and will work to add depth to its relationship with customers. In addition, it will work in conjunction with government policy to nurture the development of SMEs, becoming the best partner for SMEs as they grow.
- (2) E.SUN will utilize the SME Credit Guarantee Fund, self-liquidating financing and risk control tools to reduce credit risk, in an effort to maintain the superiority and asset quality of a Tier 1 bank.
- (3) In conjunction with its expanding operations overseas, E.SUN will use information technology and expertise as a foundation, and its brand name and professional workforce as the core of its efforts to meet the service needs of customers, thus providing a comprehensive range of diverse financial products and services, and helping E.SUN become best partner for successful companies.

2.2 Consumer Banking

- (1) E.SUN's full-function branch network continues to grow, now reaching 132. The comprehensive services provided by these branches enhance customer satisfaction and loyalty. In tandem with its virtual network, E.SUN has established an even more well-rounded and tight-knit financial services network.
- (2) Through integrated marketing of its product

lines, E.SUN is able to effectively market its products and services to different groups of customers, thereby generating greater business opportunities and profitability.

- (3) E.SUN will focus on marketing to its outstanding group of customers, expand personal banking operations, boost the number of products that customers use and also provide value-added services, thereby creating an even closer relationship with its clients.
- (4) In light of changes in the international macro-banking environment, E.SUN will continue to implement risk control mechanisms and pursue a policy in which profitability supports growth.

2.3 Wealth Management

- (1) Cultivating talents, developing information and establishing systems are the constant objectives of E.SUN. The Bank cultivates outstanding talents in wealth management, thus enabling its employees to exhibit the highest level of professionalism with regards to personal finance products, trust and tax planning, and market research. E.SUN's staff provides customers with top-notch services and assists them in building both tangible and intangible wealth, all the while generating customer value and loyalty.
- (2) 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 investment and protection objectives of customers. E.SUN will also assist customers in asset allocation for different stages in their life.
- (3) E.SUN will continue to rely on its outstanding corporate image in seeking to garner a greater share of mutual fund custodian services and discretionary custodian services for overseas

Chinese and foreigners investing in local securities. E.SUN seeks to boost its market ranking and influence in this line of business.

- (4) E.SUN continues to develop its virtual network, enhance voice command functionality, and provide mobile Internet bank services, creating a user-friendly and convenient service platform. This offers customers with an option to carry out transactions on their own.

2.4 Credit Card

- (1) In response to growth and changes in the consumer market, E.SUN makes sure that it is customer-driven. It continues to introduce innovative products and campaigns in the various activities in promote and through its network. It provides total solution services for cash flow transactions, and works to promote contracted stores to the most appropriate customers.
- (2) E.SUN introduces a wide variety of activities promoting its credit cards, raising the credit card consumption charged and frequency of card use. This also helps to boost customer dealings with the Bank and boost customer loyalty. Integrated marketing is used to maximize benefits for each line of cards.
- (3) E.SUN continues to enhance models and test customer preferences to best understand the current interests of its clientele. It then markets the most appropriate products and services to customers, helping to manage value of customers.
- (4) E.SUN utilizes model applications and information systems to forge a comprehensive risk management mechanism based on changes in the environment, and ensure legal compliance and the constant betterment of systems. These plans help to 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.

3. Market Analysis

The international economic situation has become extremely complicated in the post-financial tsunami era. While the global economy posted a rapid rebound, the recovery was imbalanced. The situation was made even more perilous in 2011 as countries in the developed world continued to be threatened by debt problems. Emerging market economies had to take aggressive action to combat inflation. Meanwhile, the Jasmine Revolution, the earthquake and tsunami in Japan, conflict between the two Koreas, and the massive flooding in Thailand made turbulence an everyday event in the financial markets. These issues, however, caused the global economic recovery to stall. Looking ahead to 2012, the world economy will continue to exhibit weak growth and various factors in Europe and the United States could lead to further instability. Leaders have limited policy tools at their disposal to stimulate the economy. Consequently, the outlook for the economy is full of challenges.

Complex, Rapidly Changing, Uncertain International Economic Trends

Governments throughout the world took aggressive action to rescue and assist economies after the financial tsunami. Emerging market economies posted strong growth and the electronics sector experienced a rapid recovery. The global economy registered seven impressive quarters of growth starting from the third quarter of 2009 until the first quarter of 2011. However, as many fundamental problems remain unsolved and the side effects of market rescue measures began to be felt, economic uncertainties began to increase in the second quarter. The manufacturing sectors in major countries began to weaken, and consumer confidence in Europe and the United States remained lethargic. Meanwhile, the effects from tightening policies in emerging market nations began to be felt. Originally optimistic economic forecasts issued at the end of 2010 began to be revised lower. Combined with the complexities associated with the European debt crisis, markets became increasingly jittery. Overall, the global economy remains in the process of a gradual adjustment. The most urgent task

at hand is to resolve the debt crisis so as to be able to rebuild market confidence. Economic growth momentum looks to be limited over the coming year. Global Insight, which in December 2011 forecast global economic growth for 2011 of 3%, has slashed its forecast growth for 2012 from 3.6% to 2.7%.

The US economic recovery in 2011 was weaker than expected. Real GDP only recovered to pre-financial tsunami levels in the third quarter. While manufacturing output remained satisfactory in the first half of the year and the economy exhibited stable expansion, the structure of the economy remained fragile. The unemployment rate began to improve, but at a slow pace. In addition, private consumption grew modestly. These factors made it impossible for a strong recovery to take hold. Meanwhile, the manufacturing sector accounted for less than 20% of GDP, which made it difficult to support a recovery. Growth in the second half of the year waned and economic indicators clearly slid. Consumer confidence was particularly weak. While the unemployment rate fell slightly in the fourth quarter, the main reason was that some unemployed persons gave up looking for work. At the same time, the US debt ceiling and European debt crisis added to uncertainties. The US Federal Reserve expressed its belief that the economy faced considerable risk of taking a turn downward, and therefore announced that it would maintain interest rates at low levels until the middle of 2013. In September, Operation Twist was carried out with the hope of depressing long-term interest rates in an effort to stimulate the economy. The United States at present remains entrenched in a long-term period of post-bubble adjustment. Low economic growth can be expected to continue for a while. In light of this weak recovery, Global Insight reduced its forecast GDP growth for the United States to 1.8% this year from 2.9% in 2010. It expects growth to remain at 1.8% in 2012.

The US economy has been subject to political wrangling and interference. While the two parties ultimately were able to reach an agreement on

raising the debt ceiling, they pledged to gradually pare the budget deficit. This will make it difficult to maintain expansionary fiscal policies and will be disadvantageous to economic growth. The negotiations exposed the polemic stances of the two parties, and subsequently it has been difficult to reach consensus on an economic stimulus plan or a plan to reduce the budget deficit. The political stalemate will be difficult to effectively resolve in the near term, which will weaken the government's ability to address the problems and create barriers to stronger economic growth. This will also impact America's credit ratings. Should a major event occur, policy uncertainties could spark a crisis in confidence, dealing a blow to an already weak economy.

Dark clouds shrouded the euro zone, with sovereign debt issues continuing to plague countries throughout the region and ultimately impacting the real economy. It will be difficult to emerge from this environment in the near term. In an effort to solve the debt crisis, many countries in the euro zone in 2011 actively sought to reduce debt, which in turn dampened economic growth. Concerned about rising inflationary pressure, the European Central Bank continued to adopt tight monetary policies, ignoring the debt crisis. The ECB lifted interest rates by 25 basis points each in April and July, bringing its benchmark rate to 1.5%. This added to downward pressure on the economy. Nonetheless, the economic performance of countries within the region varied greatly. Those nations with high levels of debt were unable to exercise a monetary policy that would help them emerge from weak economic growth. As the European debt crisis became more severe and international economic growth waned, the euro zone manufacturing PMI in the second half of the year fell to below 50 and the unemployment rate surpassed 10%. Retail sales turned quite weak. Germany's economy began to slow in the second quarter, and GDP growth waned to nearly zero. In order to prevent the economy from continuing to worsen, ECB President Mario Draghi upon taking office began to adopt a looser monetary policy. The bank cut interest rates

by 25 basis points each in November and December. Given the difficulties in resolving the debt crisis and the impacts of reducing budget deficits, chances that the euro zone will fall back into recession are considerable. Global Insight expects the euro zone's GDP growth in 2011 to have been 1.6% and it expects the zone's economy to contract 0.7% in 2012.

Emerging market economies posted stable economic growth in 2011, serving as the locomotive for global economic growth. However, high oil, raw materials and commodities prices caused many countries to adopt tighter monetary policies in the first half of the year to ward off inflation and asset bubbles. As the effects of these tightening measures began to be felt, along with turbulence with the international financial markets, economic momentum began to wane. Global Insight forecasts that economic growth for emerging markets in 2011 would be 6.2%.

China's position in the global economy continued to rise. Under the 12th Five-Year Plan, which focuses on stable growth, structural adjustments, and promoting consumption, GDP growth in the first three quarters continued to exceed 9%. The strong growth in China was seen as helping to moderate the impact of the euro zone debt crisis. China, however, began to adopt tightening policies and measures to combat skyrocketing real estate prices. Credit in the banking market became tighter, impacting private investment willingness. Growth in private consumption also began to wane due to soaring prices. China's economy began to exhibit a soft landing. In order to avoid a hard landing, minor adjustments were made to monetary policies in the fourth quarter. In 2012, economic policy will focus on "seeking progress while promoting stability." Exports are slowing in reflection of a weakening global economy. Consequently, authorities are looking at expanding domestic demand and promoting consumption in the pursuit of stable economic growth. China's economic trends have considerable impact on the global economy. Given the potential problems from China's real estate

bubble, heavy debt burdens of local governments, and excessive private lending activities, many have widely differing views on economic prospects, with close monitoring of changes required. The ability to effectively implement the 12th Five-Year Plan will be critical to China's future economic development. Global Insight forecasts China's GDP growth in 2011 to have reached 9.3%, but expects a slowdown to 7.8% growth in 2012.

The potential risk to China's economy from the local government lending platforms is considerable. The actual amount of lending is difficult to ascertain. According to China's National Audit Office, local government debts at the end of 2010 stood at about 10.7 trillion yuan, with some 6,576 financing platforms in existence and lending of about 4.9 trillion yuan. This is a significant difference from the estimates of the People's Bank of China of between 9 trillion yuan and 10 trillion yuan. Markets are concerned that the local lending platforms are a potential landmine that could harm the economy and the ability among some platforms to repay loans is somewhat weak. In 2011, some defaults were seen. However, the government in 2010 began to aggressively address this problem and the profitability of China's banks is quite strong. Therefore, the system should be able to withstand possible losses, thereby limiting the systemic risks. The primary impact will be that local governments have limited financing avenues. Even if the State Council allows local governments to issue bonds to alleviate the severity of the problem, local governments will still be impacted in their ability to turn to fiscal expansion measures. This will make it impossible for certain infrastructure projects to be implemented. Investment momentum will wane, which will be felt by related industries. As an economic model that rests on consumption has yet to be fully developed, economic momentum in China will inevitably be impacted to a certain degree.

Future of Euro Zone Unclear Due to Debt Crisis

Since 2010, the euro zone debt crisis has been a

time bomb for the global economy. Initially, the impact was considered to be limited due to the relatively small size of Greece and other countries facing similar problems. However, resolution of the problem kept getting delayed and then political factors made it more than just an economic problem. Each nation began to act based on its own economic interests and considerations, making it difficult to reach a consensus. Debtor nations faced enormous domestic pressure, making it difficult to implement the conditions set forth by lending nations. Combined with difficult structural problems that had to be addressed within the euro zone, the crisis became increasingly severe in the second half of 2011. International credit rating agencies continually lowered the credit ratings of Greece, Italy, Spain and other core countries, leading to huge fluctuations in the financial markets. The markets worried that European banks could face liquidity problems. Meanwhile, banks had to increase their US dollar positions while facing tightening credit. Tight fiscal policies and the debt crisis created a scenario in which euro zone economies could face the challenge of sluggish growth over the long term.

Greece was originally considered to be a model for the resolution of the debt crisis. It was expected that a comprehensive assistance mechanism would be established. However, all of the rescue plans formulated by the EU failed. Meanwhile, the countries at risk in the euro zone faced peak maturity of their debts between February and April of 2012, which constituted a serious test. Countries throughout the euro zone had different views on how to handle the crisis. Germany and France shouldered a larger social responsibility and at the end of October reached an agreement on a 50% haircut for Greek debt. The size of the EFSF was expanded to 1 trillion euro and European banks were required to boost their capital adequacy ratios to 9%. This was aimed at creating a firewall and strengthening the structure of Europe's banks, while also reducing the impact of the debt crisis on them. The euro helped to foster regional economic growth in its first decade of existence and also solidified the international

status of the currency. However, the euro zone debt crisis that emerged as the currency began its second decade presented considerable challenges. Markets believed there was a high probability of Greece leaving the euro zone and worried that the euro zone was moving towards collapse. Looking at things from an historical perspective, however, the EU's survival is the foundation of regional peace and stability. In order to thoroughly resolve the fundamental problems in the zone, the EU has pursued fiscal cooperation. It is expected that this mechanism will further evolve, turning the crisis into an opportunity and helping to ensure long-term stability in the area.

Domestic Economic Trends and Outlook

On the back of strong growth in 2010, emerging markets continued to see heady growth in the first half of 2011. Exports remained at historical highs due to demand associated with the introduction of new high-tech products. Private consumption exhibited stable growth in part to an improvement in employment. Meanwhile, retail sales registered growth of 7.9%, which was one of the stronger performances in recent years. Driven by exports and consumption, the economy was fueled by both domestic and overseas demand. GDP growth reached 5.54% in the first half of 2011. International economic uncertainties increased in the second half of the year and a sharp slowdown in exports was seen. In November, exports to Europe, the United States and China even contracted from the year-earlier period, while annualized growth in retail sales slowed to around 5%. The Directorate-General of Budget, Accounting and Statistics (DGBAS) revised lower its GDP forecast for 2011 from 5.03% made in January to 4.51% in November.

With end-user demand in Europe and the United States weak and a tepid Christmas holiday season, electronics factories felt the cool wind in their faces. Broadly speaking, the outlook for 2012 was pessimistic, and some firms began to lay off or furlough workers. A survey by the Taiwan Institute of Economic Research showed that in October 17.7%

of companies were bullish about economic prospects for the coming six months, while 30.5% were bearish and 51.8% thought that conditions would remain constant. The conservative outlook among companies was poised to impact willingness to make capital outlays. In general, slowing global economic growth in 2012, a waning of export growth momentum, economic uncertainties, as well as a slowdown in private consumption caused forecasting agencies to pare their outlook for the year. The DGBAS in August had predicted growth for 2012 of 4.58%, but cut this forecast in November to 4.19%. Many forecasting institutions predicted that the economy would bottom out in the first quarter and then would gradually gain steam as the year progressed. However, the ever-changing global economic situation could end up prolonging the period of adjustment.

In recent years, some 60% of Taiwan's exports have headed to China or the six major ASEAN nations. Consequently, the situation in these nations plays a crucial role in determining Taiwan's economy. The rapid economic recovery here after the financial tsunami was largely related to the rescue measures instituted by China. In addition, the formal introduction of the cross-strait Economic Cooperation Framework Agreement in 2011 helped to forge an even closer economic and trade relationship between the two sides of the Taiwan Strait and boosted Taiwan's market competitiveness. However, Taiwan's increasing reliance on China means that its own economy may feel the effects of a slowdown in China as the economy there experiences a period of adjustment. Meanwhile, South Korea in 2011 signed free trade agreements with the United States and Europe. As Korea's industrial structure is similar to Taiwan's, local companies could see a blow to their business and exports. The LCD TV, textile, plastics, and rubber industries face the greatest threat. Although the government has already taken steps to help local companies respond to the situation, a period will be needed to observe the degree to which these industries will suffer.

Domestic and Foreign Financial Trends and Outlook

The euro zone debt crisis was one of the most frequently discussed issues of 2011. Also making headlines was the cut in the US credit rating, and rising economic risks. International financial markets exhibited a high degree of volatility, and investor confidence was weak, with fear becoming a key element in many markets. Most of the world's major markets traded lower. Raw material and commodities prices continued to rise in the first half, leading to increased inflationary pressure. Economic uncertainties in the second half, however, caused considerable pullbacks in prices. As an important hedging tool, a massive amount of funds headed into gold, with the price of the yellow metal in September at one point surpassing US\$1,900 per ounce. A strengthening US dollar, however, then triggered profit-taking, and the price of gold fell to about US\$1,600. Even though the outlook for gold remains bullish, the metal could see considerable price volatility in the short term.

In the second half of the year, monetary policy throughout the world veered in the same direction. Slowing economies caused many countries to re-adopt looser policies. The euro zone, Australia, Brazil, Indonesia, and Thailand all began to cut interest rates. Meanwhile, in the effort to stimulate the economy, the United States maintained an extremely loose monetary policy throughout the year. Even though QE2 came to an end in June, the Federal Reserve sought to maintain the scale of its balance sheet and continued to pressure market interest rates lower. Given weak economic fundamentals, markets still have expectations that a QE3 will be introduced. In another part of the world, China's foremost goal was to maintain price stability. In the first half of the year, it intensified its tightening, including raising bank reserve ratios six times and hiking interest rates on three occasions. This led to tightened credit in the banking market and caused private lending rates to soar. In light of waning inflationary pressure and to improve tightness in the market, China in October began increasing the pace of credit and in December lowered bank reserve ratios twice. Monetary policy had begun to be loosened. It is anticipated that in 2012 China will continue to adopt a looser monetary policy, with the degree of the policy to be determined by the state of the economy.

International currency markets fluctuated rapidly in 2011, with extreme levels of short-term volatility seen. As weakness in the US economy led to a continued loose monetary policy, the US dollar was on the weak side in the first half of the year. In the second half, various factors caused the dollar to fluctuate within a range. Starting in September, nervousness associated with the euro zone debt crisis and a weakening global economy created an increased desire to carry out hedging. A large amount of capital quickly retreated from Asian markets and was converted into US dollar assets, causing the greenback to rise sharply. Currencies such as the euro, the Australian dollar, the pound, the won, and the NT dollar weakened to levels not seen since the end of 2010. While many market watchers predicted that the US dollar will continue to weaken in 2012, various uncertainties add to the difficulty of making an accurate forecast, such as the track that the euro debt crisis will take and the direction of Fed monetary policy. Meanwhile, the yen and the yuan took their own track. The movement of the yen varied widely from original forecasts. Demand associated with hedging and speculation caused the yen to continue to strengthen, with it rising above 80 to the dollar in July, after which it fluctuated between 75 and 80. Even though the Japanese government intervened in the market numerous times, the impact was limited. The yuan maintained a gradual rise throughout the year, frequently setting new post-2005 currency reform highs. In 2012, the yuan is forecast to continue to appreciate modestly. However, changes in the marketplace and policy factors could cause the yuan to fluctuate more widely in both directions in 2012.

Taiwan's Central Bank of China gradually hiked interest rates in the first half of the year, in 0.125 percentage point increments, in light of stable economic growth and rising inflationary pressure. The overnight rate also exhibited a modest rise. In the second half of the year, the CBC halted its interest rate hikes as the international economy began to falter. The New Taiwan dollar depreciated to around 30 against the US dollar, after which it traded around that level. Interest rates and currency rates will continue to move in a stable manner, with the CBC exacting changes in reflection of economic changes, both at home and abroad.

4. Financial Products R&D and Business Status

E.SUN pays close attention to the banking environment and changes in customer needs. It has made efforts to develop the following product lines to meet client demands.

In the area of corporate banking, E.SUN is customer value-oriented, constantly striving to enhance banking service products and efficiency, thereby boosting its competitiveness. It has developed customized products and services in order to bolster the range of dealings it has with customers. In terms of foreign exchange operations, besides establishing a comprehensive Greater China Internet banking platform, E.SUN brings together its OBU and Hong Kong branch in providing yuan operations, and is expanding foreign currency deposits and the scale of its trade financing. As for e-banking, the Bank continues to enhance its corporate Internet bank and cash management products, providing safe and convenient cross-strait services and increasing demand deposits and handling fee income. With regards to risk management, E.SUN will continue to turn to information technology systems and models in an effort to respond appropriately to any possible impact from the implementation of IFRS and Basel III.



Professional Corporate Banking Team Provides Best Supports to Clients.

E.SUN has developed two smartphone applications – E.SUN Internet Bank and GoodCalendar to provide convenience to customers in the area of consumer banking. The E.SUN Internet Bank APP enables

customers to use their mobile devices to see the location of branches and to provide account inquiry and transaction data. GoodCalendar provides customers with push notification services, as well as text, voice, and photo memory functions. In the future, E.SUN will enhance and further expand the functionality of its APPs to satisfy the diversities of customer's needs.

As for wealth management, the Bank in 2012 will continue to develop and enhance its various transaction systems and its customer relationship management system. At the same time, it will boost operational efficiency and customer service quality. Besides establishing an online mutual fund personal finance platform, effectively providing VIP customers unable to visit branches with a channel to carry out trades on a real-time basis, E.SUN also is developing a mobile personal finance banking network that overcomes time and space limitations. This is aimed at attracting business customers and clients who have become increasingly wealthy in recent years. E.SUN also continues to expand its number of personal finance account executives, helping to provide guidance and assistance to AEs and boosting their expertise and quality of service they offer.



Trustworthy and Professional.

As for the credit card business, E.SUN makes every effort to provide a comprehensive range of products, and it introduces activities and services for different groups of customers to spark demand for these items. The Bank issues the E.SUN World Card as a means for it and its customers

to assist society. A fixed percentage of spending on each card is donated for charitable activities, one of which is E.SUN's Golden Seed Project, an initiative responsible for establishing E.SUN libraries at elementary schools in remote areas. A total of 45 libraries had been established by the end of 2011, with the goal to eventually create 100 libraries.

E.SUN has introduced the E.SUN EasyCard Affinity Card, which serves as a credit card, an EasyCard used for bus, railway, subway, and taxi fares, parking fees, and a tool to make small-amount payments at over 10,000 convenience stores throughout Taiwan. E.SUN will continue to promote activities to encourage people to use the autoloading function. For instance, customers who go to 7-Eleven convenience stores and add stored value to their card through the Autoload function three times will receive a free cup of coffee. Customers are also encouraged to visit contracted stores with various themes, providing benefits to all concerned.

E.SUN's National Travel Card has won enormous support from civil servants. In 2011, the Bank continued to cooperate with tourism bureaus from various cities and county governments to provide discounted entrance tickets to holders of the National Travel Card. For instance, customers received special price tickets to the Yilan International Children's Folkgame and Folklore Festival and the Yilan Green Expo. Other events included the Folk Music Festival, the Penghu Fireworks Festival, the Hengchun International Folk Music Festival, and the Hualien International Sculptures and Arts Festival.



Convenient GoodCalendar APP from E.SUN Bank.



Yilan International Children's Folk Game and Folklore Festival.



E.SUN World Card's Golden Seed Project Helps to Improve the Rural Education Environment.

E.SUN and the respective government agencies are working together to promote the tourism industry, and visitors are experiencing memorable moments during every leg of their itineraries.

E.SUN has introduced the Carrefour Affinity Card in cooperation with the largest hypermart in Taiwan. The card offers early-bird discounts and enticements with extra membership bounces, making the card the best choice for shoppers. E.SUN is also working with ATT4FUN in issuing the ATT4FUN EasyCard Affinity Card. Card users receive extra bonuses, price discounts, and zero interest rate installment plans when shopping at designated stores. This has made the card wildly popular among the fashion set.

In celebration of pitcher Wang Chien-ming's return to the Major League Baseball mound, E.SUN has introduced a brand new Wang Chien-ming Affinity Card that is designed to accentuate the Washington National baseball team. The card features with the EasyCard small-amount payment mechanism and a rapid sensor transaction function. In addition, a small percentage of the spending goes to the E.SUN Youth Baseball Development Foundation in order to nurturing a greater number

of Taiwanese baseball stars. This card has been enthusiastically embraced by baseball fans. Meanwhile, to further emphasize E.SUN credit cards as a leader in the travel and leisure sector, E.SUN cooperates with many of Taiwan's largest travel agencies in promoting various travel activities both within the country and overseas throughout the year. Customers can pay their travel fees in installments without any handling fee. In addition, they receive gifts upon reaching certain spending thresholds and enjoy cash rebates on their overseas spending. E.SUN also cooperates with many of Taiwan's gasoline station chains. When customers use their E.SUN credit cards to pay for their gasoline, they receive discounted prices.

E.SUN hopes that its considerate and comprehensive service will encourage its customers to use the Bank's credit cards when making purchases. E.SUN holds various promotional activities, such as one in which lucky customers could win an iPad 2. It also works with various stores to create shopping areas with specific themes, and then helps to promote these vendors by offering zero-interest installment payment options. E.SUN makes posters, three-dimensional displays, billboards and other advertisements to increase interaction with customers. E.SUN's credit cards are designed specially for customers, and the Bank provides a range of innovative products and services, helping to boost customer satisfaction.

E.SUN complies with regulations set forth by supervisory agencies and makes sure that it has comprehensive internal controls in place to manage its risk. Each line of business sets forth internal controls and these measures are amended as appropriate. Internal control handbooks are regularly updated to ensure strong internal controls. With the assistance of Standard & Poor's risk advisory team, the Bank has established economic cycle forecast models, which pinpoint at the stage of economic cycles on Taiwan and overseas. This helps the Bank in its decision-making. Meanwhile, E.SUN has upgraded its treasury product value system

and is completing the introduction of the operations risk standardized method. The Bank will also foster a sense of risk awareness and theory among all business sectors and nurture risk management specialists.

R&D Expenditures in recent two years:

Unit: NT\$ thousand

Item	2011	2010
R&D Expenditures	556,922	482,385

E.SUN will review developments in the macro-financial environment and focus on the following:

- (1) The Bank works to best manage its various customer segments. It relies on its databases as a core means in managing its customers, and it continues to enhance and innovate products to meet the needs of its customers.
- (2) E.SUN adopts a scientific approach towards system operation and the monitoring of procedures, enabling it to effectively realize risk controls and ensure asset quality.
- (3) E.SUN integrates its virtual and physical branch networks to maximize the impact of the cash flow services it offers. The Bank also embraces the latest trends pertinent to its corporate and retail customers, meeting their banking needs amid a highly digitized lifestyle.

5. Long-term and Short-term Development Plan



Preparing for a Long Journey.

E.SUN Bank operations are based on professionalism and stability. In addition to the development of new products and enhancements in its operational procedures, E.SUN continues to leverage its core values to increase competitiveness and formulate short- and long-term business development plans.

5.1 Corporate Banking

(1) Short-term Business Development Plan

- a.E.SUN will continue to focus on credit guarantee operations and will work in conjunction with the Small- and Medium Enterprise Credit Guarantee Fund to assist SMEs in obtaining working capital. Its cooperation with the fund will enable E.SUN to reduce risks and more effectively utilize capital.
- b.E.SUN will provide syndicated loans, trade financing, factoring, corporate finance, and hedging products to outstanding companies, assisting in the stable operation of these enterprises.
- c.E.SUN will strengthen its cash management platform and continue to develop a wide array of product lines to satisfy the financial service needs of enterprises.
- d.E.SUN will further enhance its risk control mechanism. The Bank has utilized information technology to establish an automated risk management system, thereby continuing to

boost capital utilization efficiency and asset quality.

(2) Long-term Business Development Plan

- a.The Bank will integrate the FHC's resources, maximize the benefits of joint marketing, and satisfy the diverse needs of customers.
- b.E.SUN will continue to enhance its information systems and will create a user-friendly capital allocation platform to effectively operate in the competitive banking environment.
- c.E.SUN will strengthen its presence throughout Asia, providing Taiwan companies with cash flow, personal finance, and lending services.

5.2 Consumer Banking

(1) Short-term Business Development Plan

- a.E.SUN will make every effort to integrate its resources of network, enhance its operating procedures and efficiency, in an effort to provide better environment of service.
- b.E.SUN will cultivate omnibearing financial staff member, it will also quickly build a strong

foundation consisting of outstanding customers and increase the number of E.SUN products used by customers.

- c. The Bank will focus on management of fine customers, boosting interaction with them, helping to increase loyalty of customers and enhance the efficiency of business operation.

(2) Long-term Business Development Plan

- a. E.SUN will take advantage of its 132-branch strong network, maximizing the functionality of these branches. It will provide comprehensive financial services and integrate FHC resources, continuing to expand its financial services blueprint.
- b. Continuing to embrace the principle that risk is the foremost consideration in all operations, E.SUN will apply technology in product innovation and will introduce more efficient operational procedures, boosting operational efficiency and maximizing synergy.
- c. The Bank will take advantage of the E.SUN brand name. It will integrate resources from other industries and work with its cooperative partners to satisfy the diverse needs of its clientele. This will strengthen customer loyalty, boost operational synergy and profitability, and enable E.SUN to become a leader in the banking market.

5.3 Wealth Management

(1) Short-term Business Development Plan

- a. The Bank will continue to expand its wealth management staff. It will strengthen its education and training, provide professional services, focus on management of VIP and VVIP customers, and expand business scale and market share, becoming more influential and having a greater voice in the market.
- b. E.SUN will design innovative products in an effort to round out its personal finance product blueprint. It will continue to focus on the marketing of mutual funds, but at the same time will promote various types of investment in periodic manner, the balanced portfolio

allocation and transactions via its Internet Bank. The Bank will develop insurance and custodian operations, and will sell a selection of ETFs, overseas bonds, trusts, and other financial products to satisfy the personal finance needs of customers.

- c. E.SUN will further educate customers on trusts and boost the exposure of trust products. It will provide and develop many types of products that meet the needs of customers and reflect the rapidly changing financial environment. E.SUN will expand its pool of trust customers by best utilizing the E.SUN brand name and network resources.
- d. Under the principle that risk is the foremost consideration in all operations, E.SUN will continue to strengthen risk controls, enhance information procedures, and boost the function of operating systems. It will periodically examine the asset positions of customers and when appropriate adjust investment portfolio planning and provide suggestions on asset allocation. This will create value for customers and yield greater customer loyalty.

(2) Long-term Business Development Plan

- a. E.SUN will continue to demonstrate the spirit and values of the E.SUN wealth management brand name. The Bank's conservative style helps customers manage tangible and intangible wealth, and protects the assets of customers, making E.SUN a highly trusted brand name.
- b. Effective marketing initiatives will help to promote E.SUN's comprehensive product blueprint. The Bank will provide customers well-rounded products and services, and will offer personal finance planning and asset allocation suggestions at appropriate times, creating value for customers and boosting customer loyalty. This will create a win-win situation for the Bank and its customers.
- c. E.SUN will develop a pool of VIP and wealth customers, targeting its services to VIP and VVIP customer segments. Its integrated product lines and platforms, along with integrated marketing

by its professional staff will provide outstanding and refined services, helping to boost customer loyalty.

- d.E.SUN has created trust operations that address the various needs of its customers in different stages of their lives. E.SUN taps into its outstanding selection of financial products and combines them with insurance trusts, entrepreneurial trusts, children's education trusts, and retirement trusts to achieve the objective of asset security, the transfer of assets, investment, and tax planning. E.SUN provides comprehensive trust services to satisfy the needs of its customers

5.4 Credit Card Business

(1) Short-term Business Development Plan

- a.E.SUN eyes continued growth and aims to be the market leader. It appropriately manages different customer segments to satisfy their respective needs. The Bank works to expand the number of its contracted vendors and also continues to hone its risk models, thereby ensuring comprehensive risk management.
- b.E.SUN provides new products and even better services in an effort to seek greater opportunities to interact with customers. It seeks to generate cooperative opportunities with various businesses and bolster relations with public agencies. Joint marketing also helps to generate businesses.
- c. With regards to risk management, E.SUN appropriately adjusts and refines its risk management procedures in response to changes in the external environment. At the same time, it establishes clear directions for risk management. The Bank is able to expertly evaluate the risk 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 and boost interaction between customers and the Bank.

(2) Long-term Business Development Plan

- a.E.SUN's credit card business will continue to pursue generating value from customers. It will adopt well thought-out risk management policies. The Bank will utilize flexible and speedy information systems and provide customer-driven information service platforms to encourage customers to make E.SUN-issued cards their main cards.
- b. In response to changes in the external environment, E.SUN seeks to boost dealings with its customers. The Bank works to boost the visibility and talk about its cards in the marketplace and provides potential customers with the most appropriate products. It is constantly seeking new customers and aims to provide these customers with top-notch services.
- c. E.SUN plans various credit card related activities to boost customer value and loyalty. It is continuously expanding the number of stores with which it maintains agreements and looks to increase cooperative activities with various vendors, helping to increase E.SUN brand name awareness in the marketplace and provide convenience for customers in using E.SUN credit cards.
- d. E.SUN will cultivate customer value and will seek to maximize its relationship with customers. It will understand the actual needs of its customers and make them understand that E.SUN values their business. E.SUN wants to provide one-stop services and be a lifelong friend to its customers, making the Bank's credit cards the preferred ones among customers when shopping.

6. Human Resource

Cultivating Human Capital

The key to boosting an enterprise's competitiveness in this era of globalization is the cultivation of human resources who are able to think creatively and who have a world view. E.SUN, through its comprehensive training system and digital learning platform, provides each of its employees avenues and opportunities to learn and enables each of them to be able to react quickly and accurately amid rapid market changes in the competitive banking market. This pool of knowledge forms the bedrock of E.SUN's excellence.

Training and Education

Human resources are E.SUN's most important asset. In 2011, E.SUN held 132 internal training courses, while various staff were selected to participate in 487 training courses held by professional organizations. Each employee on average attended four of these training courses during the year, strengthening their professional background and enhancing their abilities.

As of the end of 2011, E.SUN had 5,301 employees. The average age of its staff was 31.4 years old. Meanwhile, 19.3% held master's degrees, 70.5% had bachelor's degrees, and 10.2% were graduates of technical colleges. Continued training and education enables E.SUN's employees to grow and excel in an environment that encourages learning.

E.SUN wants its employees to enjoy their work, and have their work benefit them in their personal lives. The Bank wants to act as a second home for all of its employees. It seeks to create a harmonious and pleasant working environment. Meanwhile, the Bank continues to emphasize training for all of its employees at every stage of their career. E.SUN also encourages employees

to strengthen their backgrounds and hone their expertise, it has becoming the foundation in the Bank's long-term operations.

6.1 E.SUN Bank Human Resource information

Item \ Year		2011	2010	2009
No. of Employees		5,301	4,583	4,433
Average Age		31.4	31.5	31.1
Average Years of Service		6.1	6.2	5.9
Educational Background (%)	Master's	19.3	20.5	20.7
	Bachelor's	70.5	68.1	66.6
	College	9.2	10.4	11.6
	High School (Vocational)	1.0	1.0	1.1
Number of Professional License	Bank	13,884	12,066	11,453
	Insurance	4,785	3,945	3,552
	Security	3,428	2,596	2,586
	Others	299	234	200

6.2 Advanced Training for Employees

- (1) In accordance with its employee training guidelines, E.SUN arranges training and education opportunities for its employees each year.
- (2) Based on the Bank's employee training and study guidelines, the supervisors in each department select employees to attend training courses or workshops either in Taiwan or overseas.
- (3) In an effort to nurture a workforce with top-notch expertise and acumen in the banking industry, E.SUN built its own human resource development center to provide necessary training. Since its inauguration in June 2004, the facility has provided numerous learning opportunities for its employees.

7. Corporate Responsibility and Ethical Behavior

- (4) In 2011, E.SUN held a total of 132 internal training courses, while various staff were selected to participate in 487 training courses held by professional organization, with each employee on average attending 4 of these courses.

6.3 Advocacy or Implementation of Employee Behavior or Code of Ethics Concepts

- (1) E.SUN's employees must sign a pledge to fulfill the E.SUN employee service and behavior guidelines and regulations.
- (2) E.SUN will disclose these guidelines and regulations both on internal and external websites to enable employees to browse through and familiarize with the information at will.
- (3) E.SUN will periodically publicize and provide online quizzes for its employees on the information included in the guidelines and regulations.
- (4) E.SUN also implements personal data protection and information security regulations



Building up Consensus for Excellence.



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. Fulfilling its corporate responsibility to society constitutes a core principle within E.SUN's operations. 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 also seeks to lend its corporate support with the objective of building something greater for the public, thereby fulfilling its responsibility as a corporate citizen.

E.SUN initiated the Golden Seed Project at the end of 2007. This long-term initiative is aimed at creating E.SUN libraries in remote areas, thereby improving facilities to offer a more conducive environment for reading and studying. The project also promotes gifts of books and long-term maintenance of the facilities. E.SUN hopes that the systematic promotion and implementation of this program will help to close the gap between urban and rural areas and will provide the environment and resources to foster a love of reading amount schoolchildren. Having greater access to books will enable them to read more, expanding their horizons and leading to new opportunities. As of the end of 2011, 45 E.SUN libraries had been established in 18 counties and cities throughout Taiwan, including Keelung City, Yilan County, New Taipei City, Taoyuan County, Miaoli County, Taichung City, Changhua County, Nantou County, Yunlin County, Chiayi County, Chiayi City, Tainan City, Kaohsiung City, Pingtung County, Hualien County, Taitung County, and Penghu County.

E.SUN produced the E.SUN Green Policy, which exhibits its commitment and determination to environmental protection. It continues to include environmental protection considerations

in its lending activities and encourages energy conservation. The Bank also holds many environmental protection activities. From October 22 to December 3, E.SUN initiated activities to clean up mountains. Company employees and volunteers cleaned up 21 mountain trails throughout the island. The Bank is cooperating with Shinhua Forest Station, which is managed by National Chung Hsing University, in promoting a six-year activity to plant trees. In 2011, the Bank provided assistance in planting 10,000 trees on forest grounds, helping to do its part in protecting the environment. It participated in an activity on March 26 to encourage people to turn off their lights on the summer solstice, while on April 22, Earth Day, it urged people to turn off lights for one hour. On September 12 it also called for people to switch off their lights on the Mid-Autumn Festival for one hour so people could see the moon better, while on September 17, E.SUN participated in the Clean Up the World, Protect Taiwan's Environment activity. It also participated in International Car Free Day on September 22, joining with the rest of the world in advocating energy conservation and reducing carbon emissions. Meanwhile, on the 13th day of each month, each department in E.SUN holds activities to promote



energy saving and environmental protection concepts both at home and in the workplace. E.SUN hopes that environmental protection becomes a part of everyone's life.

On another front, E.SUN in 2007 began providing resources to improve the environment in Taiwan to foster the development of baseball. The Bank established the E.SUN Youth Baseball Fund Special Account, and 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 also is cooperating with the Chinese Taipei Baseball Association to hold the E.SUN Cup International Youth Baseball Invitational. Top youth teams from Taiwan, Japan, and Korea are invited to participate with the aim of boosting the skills of young baseball players. Meanwhile, as of the end of 2011, E.SUN has



E.SUN CSR Report Passed BSI.



Members of E.SUN Volunteers Deliver Loves throughout Taiwan.

provided baseball gear worth NT\$100,000 each to baseball teams at 15 schools, including Meiho Senior High School, Mailiao Senior High School, Hsinshe Senior High School, and Cheng Te High School. E.SUN also invites coaches from Major League Baseball to Taiwan to give lectures and impart the latest techniques, skills, and psychology with regards to coaching. This has 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 outstanding students exhibiting potential, offering these individuals with scholarships so they can complete their education free from financial worries. To date, the Bank has provided scholarships to 48 students over the past seven years under its Outstanding Manager Training Program. It hopes that the financial assistance will help to create the groundwork for these students to become outstanding managers. In an effort to encourage the publishing of papers in the world's leading management publications, E.SUN has, in conjunction with National Taiwan

University, established the E.SUN Academic Prize, which is awarded to two individuals. This is aimed at helping to raise the research standards in Taiwan's field of management. E.SUN is also actively providing assistance to the Financial Supervisory Commission in an activity carried out in neighborhoods and on 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. Meanwhile, E.SUN employees and volunteers continue to accompany children living in orphanages to baseball games and storytelling activities. Assistance is also 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.



Enjoying the event with passion.



Passionate Lines for Blood Donation.

VI. Financial Information



Colorful scenery for pleasant heart.

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1. Condensed Financial Statements from 2007~2011

(1) Condensed Balance Sheet

Unit NT\$1,000

Item		Year	Financials from 2007 to 2011 (Note 1)				
			2011	2010	2009	2008	2007
Cash and cash equivalents due from the central bank and call loans to other banks			64,947,853	57,888,365	226,975,581	100,542,643	40,443,540
Financial assets at fair value through profit or loss, net			52,152,745	54,900,270	39,489,518	72,690,441	97,181,827
Securities purchased under resell agreements			29,789	1,439,552	3,384,993	353,252	295,975
Available-for-sale financial assets, net			52,860,765	47,546,797	36,818,491	42,606,239	37,638,457
Discounts and loans			656,008,834	599,161,337	550,483,765	532,944,978	514,648,763
Receivables			42,260,221	35,891,606	32,990,151	30,559,788	28,262,525
Held-to-maturity financial assets			253,283,859	254,655,585	18,278,241	14,241,499	14,389,915
Equity investments under the equity method			0	0	0	0	130,259
Properties			15,599,517	14,194,456	13,859,239	12,974,852	12,581,563
Goodwill and Intangible assets			4,036,275	3,991,910	4,030,756	4,022,745	3,908,466
Other financial assets, net			3,497,546	2,801,199	6,146,635	8,097,140	8,069,883
Other assets			2,667,589	2,169,454	2,339,493	3,617,672	4,409,031
Total assets			1,147,344,993	1,074,640,531	934,796,863	822,651,249	761,960,204
Due to central bank and other banks			38,052,926	38,869,814	39,051,957	21,168,220	32,516,451
Deposits and remittances			962,841,827	904,760,847	775,064,009	666,460,275	598,773,839
Financial liabilities at fair value through profit or loss			7,850,768	12,945,397	11,059,469	26,488,285	30,507,142
Securities sold under repurchased agreement			13,247,387	17,394,242	14,518,968	22,448,022	16,364,237
Payables			18,017,856	9,911,896	7,556,252	9,718,794	7,980,699
Financial Bonds			39,000,000	34,000,000	33,500,000	27,300,000	25,600,000
Other financial liabilities			1,943,715	304,715	2,136,729	2,372,937	2,799,588
Other liabilities			1,481,045	1,511,978	402,615	474,846	755,284
Total liabilities	Before distribution		1,082,435,452	1,019,698,889	883,289,999	776,356,379	715,297,240
	After distribution		(Note2)	1,020,400,809	883,831,983	776,980,379	716,624,900
Capital stock			42,206,000	35,100,000	33,624,000	31,200,000	31,200,000
Capital surplus			11,037,856	8,290,091	8,083,943	7,321,485	7,321,485
Retained earnings	Before distribution		11,893,202	11,459,706	9,496,329	8,345,894	8,891,591
	After distribution		(Note2)	8,651,706	7,478,345	7,721,894	7,563,931
Cumulative translation adjustments			(5,960)	(128,172)	(39,540)	(11,318)	(8,906)
Unrealized losses on Financial instruments			221,557	220,017	342,132	(636,191)	(741,206)
Total stockholders' equity	Before distribution		64,909,541	54,941,642	51,506,864	46,219,870	46,662,964
	After distribution		(Note2)	54,239,642	50,964,880	45,595,870	45,335,304

Note1: Audited by certified public accountants.

Note2: Earnings apportion of 2011 is to be determined by shareholders meeting.

(2) Condensed Income Statement

Unit: NT\$1,000 except earnings per share

Item \ Year	Financial from 2011 - 2007 (note)				
	2011	2010	2009	2008	2007
Net interest	12,600,196	11,376,853	8,601,685	9,375,272	8,822,737
Total net revenues and gains other than interest	6,253,999	5,429,956	3,714,781	3,623,824	4,114,977
Total net revenues	18,854,195	16,806,809	12,316,466	12,999,096	12,937,714
Bad-debt expenses	(4,540,028)	(2,727,059)	(2,112,036)	(3,536,372)	(2,174,707)
Operating expenses	(10,711,433)	(9,489,674)	(8,336,371)	(8,278,201)	(7,473,608)
Income before income tax	3,602,734	4,590,076	1,868,059	1,184,523	3,289,399
Income tax benefit(expense)	(445,104)	(608,715)	(93,624)	(402,560)	(697,948)
Income before cumulative effect of changes in accounting principles	3,157,630	3,981,361	1,774,435	781,963	2,591,451
Cumulative effect of changes in accounting principles (After income tax)	0	0	0	0	0
Net income	3,157,630	3,981,361	1,774,435	781,963	2,591,451
Earnings per share (NT\$)	0.84	1.13	0.56	0.25	0.86

Note 1: Audited by certified public accountants.

(3) CPAS' Auditing Opinion for the Recent Five Years

Chen Li Chi, CPA, and Wu Mei Hui, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2007, each ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2008, ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial

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

2. Financial Analyses from 2007 to 2011

Item \ Year		Financials from 2007 to 2011				
		2011	2010	2009	2008	2007
Operating ratio	Ratio of loans to deposits	68.87	66.65	71.49	80.51	86.38
	NPL ratio (Note1)	0.20	0.39	0.67	0.90	0.89
	Ratio of interest expenses to average deposit (Note2)	0.71	0.58	0.84	1.86	1.85
	Ratio of interest revenues to average loans	2.18	1.97	1.89	3.25	3.24
	Total assets turnover (Times)	0.02	0.02	0.01	0.02	0.02
	Average revenue per employee (Note3)	3,557	3,667	2,778	3,033	3,270
	Average net income per employee (Note3)	596	869	400	182	655
Profitability ratio (%)	Ratio of return on tier 1 capital (%) (Note3)	6.54	9.82	4.44	2.91	8.41
	Ratio of return on total assets(%) (Note3)	0.28	0.40	0.20	0.10	0.36
	Ratio of return on stockholders' equity(%) (Note3)	5.27	7.48	3.63	1.68	5.91
	Profit margin ratio(%) (Note3)	16.75	23.69	14.41	6.02	20.03
	Basic earnings per share (NT\$) (Note3)	0.84	1.13	0.56	0.25	0.86
debt-paying ability	Interest protection multiples (%) (Note3)	142.68	176.79	125.49	108.13	125.02
Financial structure	Ratio of debt to assets	94.34	94.89	94.49	94.38	93.88
	Ratio of properties to stock holders equity	24.03	25.84	26.91	28.07	26.96
Ratio of growing	Ratio of assets growing(%)	6.77	14.96	13.63	7.97	11.53
	Ratio of income growing(%) (Note3)	-31.21	145.71	57.71	-63.99	806.38
Analyses of Liquidity	Cash flow ratio	23.00	note 4	39.34	38.82	note 4
	Cash flow Adequacy ratio (Note5)	1.30	6.24	46.83	23.20	12.66
	Cash flow content ratio	4.97	note 4	note 4	note 4	note 4
Ratio of liquidity preparation		30.68	32.03	26.26	16.95	13.78
Secured loan balance of related-party (Note6)		6,330,065	5,093,609	5,316,351	5,617,704	3,441,334
Ratio of secured loans balance of related-party to total loan blance (%)		0.95	0.85	0.96	1.05	0.67
Operating Scale	Market share of assets (%)	2.88	2.87	2.36	2.37	2.32
	Market share of equity (%)	2.69	2.40	2.41	2.31	2.35
	Market share of deposit (%)	3.58	3.53	3.19	2.91	3.21
	Market share of assets loans (%)	3.16	3.04	2.98	2.90	2.87

Note 1: In order to maintain superior asset quality, the Bank wrote off its bad debt, as a result, the default rate decreased in 2011.

Note 2: The lower ratio in 2011 was caused by the lower average interest rate for deposit of 2011 than that of 2010.

Note 3: The profit volatility of the Company and of its subsidiary reached 20% was due to E.SUN Bank's compliance to the differentiated management initiative of the regulator on provisioning, and took a one-time provision of NTD 2,461,981,000 at Q4 2011, which resulted in a significant reduction on the annual profit but boosted the total loan coverage ratio to 1%.

Note 4: Since cash flows from operating activities, cash flows from investing activities or cash flows from operating activities in the recent five years are negative, analysis is not required.

Note5: Held-to-maturity financial assets increased in 2011.

Note6: Secured loan balance of related-party increased in 2011.

1. Operating Ratio

- (1) Ratio of loans to deposits = Total loans / Total deposits
- (2) NPL ratio = Nonperforming loans / Total loans
- (3) Interest expense to average total deposits = Total interest expense / Average total deposit.
- (4) Interest revenue to average total loans = Total interest revenue / Average total loans
- (5) Total assets turnover rate = Net income / Total asset
- (6) Average net income per
- (7) Average revenue per employee = Net revenues / Employee

2. Profitability ratio

- (1) First tier capital ROE = Net income before tax / Average total first tier capital
- (2) Ratio of return on total assets = $\frac{\text{Income after income tax} + \text{interest expenses} \times (1 - \text{tax rate})}{\text{Average assets}}$
- (3) Ratio of return on stockholders' equity = Income after income tax / Average stockholders' equity
- (4) Profit margin ratio = Income after income tax / Net revenues
- (5) Earnings per share = $\frac{\text{Income after income tax} - \text{Dividends for preferred stocks}}{\text{Average issued shares}}$

3. Debt-paying ability

- (1) Interest protection multiples = $\frac{\text{income before income tax} - \text{interest expense}}{\text{interest expense}}$

4. Financial structure

- (1) Ratio of debt to assets = Total liabilities / Total assets

5. Ratio of growing

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

6. Analyses for liquidity

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

7. Liquidity Reserve Ratio = $\frac{\text{Current assets required by the CBC}}{\text{Liabilities for which the various current reserve shall be provided}}$

8. Operating Scale

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

Capital adequacy Ratio from 2007 to 2011

Item		Year	Financial from 2011 - 2007					
		2011	2010	2009	2008	2007		
Equity capital	Tier 1 capital	Common stock	42,206,000	35,100,000	33,624,000	31,200,000	31,200,000	
		Non-cumulative Preferred Shares	0	0	0	0	0	
		Perpetual non-cumulative subordinated debentures	0	0	0	0	0	
		Capital collected in advance	0	0	0	0	0	
		Additional paid-in-capital(excluding reserve derived from rise in value of fixed assets)	11,037,856	8,290,091	8,083,943	7,321,485	7,321,485	
		Legal reserve	8,494,884	7,300,476	6,768,146	6,533,557	5,756,121	
		Special reserve	83,866	0	636,191	741,206	0	
		Retained earnings	3,314,452	4,159,230	2,091,992	1,071,131	3,135,470	
		Minority interest	0	0	0	0	0	
		Other stockholders' equity	(398,778)	(394,412)	(363,049)	(1,348,758)	(57,408)	
		Less:Goodwill	3,798,806	3,662,701	3,662,701	3,662,701	3,662,701	
		Less:non-amortized loss on the sales of NPL	0	0	0	0	0	
		Less:Capital Allowances	555,935	920,246	3,528,928	1,448,709	1,725,012	
		Total tier 1 capital	60,383,539	49,872,438	43,649,594	40,407,211	41,067,955	
	Tier 2 capital	Perpetual accumulated preferred shares	0	0	0	0	0	
		Perpetual cumulative subordinated debentures	0	0	0	0	0	
		Reserve derived from rise in value of fixed assets	0	0	0	0	0	
		45%of capital surplus via unrealized long-term equity investment	77,067	218,816	299,538	315,562	93,283	
		Convertible bonds	0	0	0	0	0	
		Operating reserve and bad loan provisioning	4,100,476	177,479	0	0	0	
		Long-term subordinated debentures	18,300,000	18,000,000	16,660,000	15,100,000	15,700,000	
		Non-perpetual preferred shares	0	0	0	0	0	
		The total of perpetual non-cumulative preferred shares & subordinated debentures excess of 15 of Tier 1 capital	0	0	0	0	0	
		Less:Capital Allowances	555,935	920,246	2,555,890	1,028,897	1,007,419	
		Total tier 2 capital	21,921,608	17,476,049	14,403,648	14,386,665	14,785,864	
		Tier 3 capital	Short-term subordinated debentures	0	0	0	0	0
			Non-perpetual preferred shares	0	0	0	0	0
			Total tier 3 capital	0	0	0	0	0
	Equity capital		82,305,147	67,348,487	58,053,242	54,793,876	55,853,819	
Weighted Risk Assets	Credit Risk	The standardized approach	609,421,646	529,891,296	467,100,520	458,686,467	424,965,189	
		Internal rating-based approach	-	-	-	-	-	
		Asset securitisation	1,195,353	1,193,323	2,104,311	4,622,215	3,105,807	
	Operational Risk	Basic indicator approach	36,140,025	26,757,188	24,446,038	24,659,738	25,549,112	
		Standardized approach/Alternative standardized approach	-	-	-	-	-	
		Advanced measurement approaches	-	-	-	-	-	
	Market Risk	The standardized approach	22,810,125	25,347,388	32,578,363	30,842,550	35,621,250	
		Internal model approach	-	-	-	-	-	
		Total risk-weighted assets	669,567,149	583,189,195	526,229,232	518,810,970	489,241,358	
	Capital adequacy ratio(%)		12.29%	11.55%	11.03%	10.56%	11.42%	
Group capital adequacy ratio(%)		-	-	-	-	-		
Ratios of tier 1 capital to risk-weighted assets(%)		9.02%	8.55%	8.29%	7.79%	8.40%		
Ratios of tier 2 capital to risk-weighted assets(%)		3.27%	3.00%	2.74%	2.77%	3.02%		
Ratios of tier 3 capital to risk-weighted assets(%)		0	0	0	0	0		
Ratios of common stockholders' equity to total assets(%)		3.68%	3.27%	3.60%	3.79%	4.09%		

Note1: The respected year that has not been audited by the CPA should be stated.

Note2: The equity capital and risk weighted assets in the table should be filled in according to Regulations Governing the Capital Adequacy Ratio of Banks and calculation methodology and table published by FSC.

Note3: The Bank which calculated credit risk according to regulation of transient period, please fill in risk weighted assets of credit risk standardised approach.

Note4: The following formulas should be listed at the end of the year book.

1. Entity capital= Tier 1 capital + Tier 2 capital + Tier 3 capital.
2. Risk weighted assets = Credit Risk Weighted Assets + (operation risk + market risk) capital chargex12.5
3. Capital Adequacy Ratio = Entity capital / Risk weighted assets.
4. Tier 1 capital as a percentage of risk weighted assets = Tier 1 capital / risk weighted assets.
5. Tier 2 capital as a percentage of risk weighted assets = Tier 2 capital / risk weighted assets.
6. Tier 3 capital as a percentage of risk weighted assets = Tier 3 capital / risk weighted assets.
7. Common stock's equities as a percentage of total asset = Common stock's equities / Total Asset.

3. Audit Committee Report

Audit Committee Report.

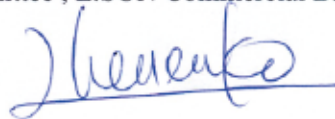
Audit Committee Report

To: E.SUN Commercial Bank

The 2011 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



Date: March 15, 2012

4. Financial statements of 2011

Independent Auditors' report.



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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, 2011 and 2010, 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 2010. The Branch's total assets were 1.36% (NT\$14,595,045 thousand) of the Bank's total assets as of December 31, 2010. The Branch's net revenue was 1.42% (NT\$238,309 thousand) of the Bank's net revenue in 2010. 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 report 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, 2011 and 2010 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, Guidelines Governing the Preparation of Financial Reports by Securities Firms, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 9 to the financial statements, following the Financial Supervisory Commission's letter dated November 21, 2011 (Ref. No. 10010006830), the Bank has raised the coverage ratio of allowance for possible losses on loans to over 1% in the last quarter of 2011.

Deloitte & Touche

March 16, 2012

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, 2011 AND 2010

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

	2011	2010	Percentage Increase (Decrease)
ASSETS	Amount	Amount	%
CASH AND CASH EQUIVALENTS (Note 4)	\$19,931,437	\$11,159,112	79
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 5)	45,016,416	46,729,253	(4)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET (Notes 2, 6 and 31)	52,152,745	54,900,270	(5)
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 7)	29,789	1,439,552	(98)
RECEIVABLES, NET (Notes 2, 8, 30 and 31)	42,260,221	35,891,606	18
DISCOUNTS AND LOANS, NET (Notes 2, 9, 30 and 31)	656,008,834	599,161,337	9
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 10, 11 and 31)	52,860,765	47,546,797	11
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 2, 12 and 31)	253,283,859	254,655,585	(1)
OTHER FINANCIAL ASSETS, NET (Notes 2, 13 and 31)	3,497,546	2,801,199	25
PROPERTIES, NET (Notes 2 and 14)	15,599,517	14,194,456	10
INTANGIBLE ASSETS (Notes 2 and 15)	4,036,275	3,991,910	1
OTHER ASSETS, NET (Notes 2, 16, 24, 30 and 32)			
Idle assets, net	345,993	85,125	306
Rentable assets, net	870,339	628,507	38
Refundable deposits	1,229,609	1,225,445	-
Others	<u>221,648</u>	<u>230,377</u>	(4)
Total other assets, net	<u>2,667,589</u>	<u>2,169,454</u>	23
TOTAL	<u>\$1,147,344,993</u>	<u>\$1,074,640,531</u>	7

	2011	2010	Percentage Increase (Decrease)
LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	Amount	%
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 17)	\$38,052,926	\$38,869,814	(2)
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 21)	7,850,768	12,945,397	(39)
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 6, 7, 10, 12 and 18)	13,247,387	17,394,242	(24)
PAYABLES (Notes 2, 19 and 30)	18,017,856	9,911,896	82
DEPOSITS AND REMITTANCES (Notes 20 and 30)	962,841,827	904,760,847	6
BANK DEBENTURES (Note 21)	39,000,000	34,000,000	15
OTHER FINANCIAL LIABILITIES (Notes 22 and 30)	1,943,643	304,715	538
OTHER LIABILITIES (Notes 2, 23, 27 and 30)	<u>1,481,045</u>	<u>1,511,978</u>	(2)
Total liabilities	<u>1,082,435,452</u>	<u>1,019,698,889</u>	6
CAPITAL STOCK			
Common stock, NT\$10.00 par value, authorized, issued and outstanding:			
4,220,600 thousand shares in 2011 and 3,510,000 thousand shares in 2010	<u>42,206,000</u>	<u>35,100,000</u>	20
CAPITAL SURPLUS			
Additional paid-in capital from share issuance in excess of par value	10,949,525	8,189,144	34
From treasury stock transactions	483	483	-
Others	<u>87,848</u>	<u>100,464</u>	(13)
Total capital surplus	<u>11,037,856</u>	<u>8,290,091</u>	33
RETAINED EARNINGS			
Legal reserve	8,494,884	7,300,476	16
Special reserve	83,866	-	-
Unappropriated earnings	<u>3,314,452</u>	<u>4,159,230</u>	(20)
Total retained earnings	<u>11,893,202</u>	<u>11,459,706</u>	4
EQUITY ADJUSTMENTS			
Cumulative translation adjustments	(5,960)	(128,172)	(95)
Unrealized valuation gains (losses) on financial instruments	<u>(221,557)</u>	<u>220,017</u>	(201)
Total equity adjustments	<u>(227,517)</u>	<u>91,845</u>	(348)
Total stockholders' equity	<u>64,909,541</u>	<u>54,941,642</u>	18
CONTINGENCIES AND COMMITMENTS (Notes 2 and 32)			
TOTAL	<u>\$1,147,344,993</u>	<u>\$1,074,640,531</u>	7

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

(With Deloitte & Touche audit report dated March 16, 2012)

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2011	2010	Percentage Increase (Decrease)
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 30)	\$21,041,767	\$17,354,284	21
INTEREST EXPENSE (Notes 2 and 30)	<u>(8,441,571)</u>	<u>(5,977,431)</u>	41
NET INTEREST	<u>12,600,196</u>	<u>11,376,853</u>	11
NET REVENUES AND GAINS OTHER THAN INTEREST			
Service fee income, net (Notes 2 and 25)	4,999,909	4,506,952	11
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 2, 6 and 30)	(87,751)	61,283	(243)
Realized gains on available-for-sale financial assets (Note 2)	68,703	318,876	(78)
Realized losses on held-to-maturity financial assets (Note 2)	(12,900)	(104,392)	(88)
Foreign exchange gains, net (Note 2)	777,167	472,982	64
Reversal of impairment losses (impairment losses) on assets (Notes 2, 13 and 16)	(17,544)	91,113	(119)
Gains on financial assets carried at cost (Note 2)	323,125	48,426	567
Rental income (Note 30)	52,066	42,842	22
Gains on the sale of properties, rentable assets and idle assets (Note 2)	117,993	1,311	8,900
Other noninterest gains (losses), net	<u>33,231</u>	<u>(9,437)</u>	452
Total net revenues and gains other than interest	<u>6,253,999</u>	<u>5,429,956</u>	15
TOTAL NET REVENUES	<u>18,854,195</u>	<u>16,806,809</u>	12
ALLOWANCE FOR BAD-DEBT EXPENSES (Notes 2 and 9)	<u>(4,540,028)</u>	<u>(2,727,059)</u>	66
OPERATING EXPENSES (Notes 2, 24, 26 and 30)			
Personnel	(4,795,103)	(4,369,570)	10
Depreciation and amortization	(813,291)	(902,614)	(10)
General and administrative	<u>(5,103,039)</u>	<u>(4,217,490)</u>	21
Total operating expenses	<u>(10,711,433)</u>	<u>(9,489,674)</u>	13
INCOME BEFORE INCOME TAX	3,602,734	4,590,076	(22)
INCOME TAX EXPENSE (Notes 2 and 27)	<u>(445,104)</u>	<u>(608,715)</u>	(27)
NET INCOME	<u>\$3,157,630</u>	<u>\$3,981,361</u>	(21)

	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 28)				
Basic earnings per share	<u>\$0.96</u>	<u>\$ 0.84</u>	<u>\$1.23</u>	<u>\$ 1.07</u>
The accompanying notes are an integral part of the financial statements.				
(With Deloitte & Touche audit report dated March 16, 2012)				
(Concluded)				

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	Capital Stock (Note 28)		Retained Earnings (Notes 2 and 28)			Equity Adjustments			Total Stockholders' Equity
	Shares (in Thousands)	Common Stock	Capital Surplus (Notes 2 and 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains or Losses on Financial Instruments (Note 2)	
BALANCE, JANUARY 1, 2010	3,362,400	\$33,624,000	\$8,083,943	\$6,768,146	\$636,191	\$2,091,992	\$(39,540)	\$342,132	\$51,506,864
Reversal of special reserve	-	-	-	-	(636,191)	636,191	-	-	-
Appropriation of prior year's earnings (Note)									
Legal reserve	-	-	-	532,330	-	(532,330)	-	-	-
Cash dividends	-	-	-	-	-	(541,984)	-	-	(541,984)
Stock dividends	147,600	1,476,000	-	-	-	(1,476,000)	-	-	-
Balance after appropriation	3,510,000	35,100,000	8,083,943	7,300,476	-	177,869	(39,540)	342,132	50,964,880
Share-based payment arrangements involving ESFHC's common stock	-	-	206,148	-	-	-	-	-	206,148
Net income in 2010	-	-	-	-	-	3,981,361	-	-	3,981,361
Change in unrealized loss on financial instruments	-	-	-	-	-	-	-	(122,115)	(122,115)
Change in cumulative translation adjustments	-	-	-	-	-	-	(88,632)	-	(88,632)
BALANCE, DECEMBER 31, 2010	3,510,000	35,100,000	8,290,091	7,300,476	-	4,159,230	(128,172)	220,017	54,941,642
Appropriation of prior year's earnings (Note)									
Legal reserve	-	-	-	1,194,408	-	(1,194,408)	-	-	-
Cash dividends	-	-	-	-	-	(702,000)	-	-	(702,000)
Stock dividends	210,600	2,106,000	-	-	-	(2,106,000)	-	-	-
Balance after appropriation	3,720,600	37,206,000	8,290,091	8,494,884	-	156,822	(128,172)	220,017	54,239,642
Reclassification of trading loss reserve in place until December 31, 2010 to special reserve	-	-	-	-	83,866	-	-	-	83,866
Share-based payment arrangements involving ESFHC's common stock	-	-	247,765	-	-	-	-	-	247,765
Capital increase in November 2011	500,000	5,000,000	2,500,000	-	-	-	-	-	7,500,000
Net income in 2011	-	-	-	-	-	3,157,630	-	-	3,157,630
Change in unrealized loss on financial instruments	-	-	-	-	-	-	-	(441,574)	(441,574)
Change in cumulative translation adjustments	-	-	-	-	-	-	122,212	-	122,212
BALANCE, DECEMBER 31, 2011	4,220,600	\$42,206,000	\$11,037,856	\$8,494,884	\$83,866	\$3,314,452	\$(5,960)	\$(221,557)	\$64,909,541

Note: For the years ended December 31, 2010 and 2009, the remuneration to directors of \$29,872 thousand and \$21,468 thousand, respectively, and bonus to employees of \$149,362 thousand and \$107,340 thousand, respectively, were deducted from the income statements.

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 16, 2012)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$3,157,630	\$3,981,361
Allowance for bad-debt expenses	4,540,028	2,727,059
Provision of reserve for losses on the sale of bonds	-	22,625
Recovery of written-off credits and reserve for losses on guarantees	1,050,011	669,333
Depreciation and amortization expenses	813,291	902,614
Salary expenses on share-based payment	247,765	206,148
Realized losses on the sale of financial instruments designated at fair value through profit or loss	29,911	56,598
Realized gains on the sale of available-for-sale financial assets	(29,026)	(277,069)
Amortization of premium or discount on bonds	213,941	223,920
Losses (gains) on the sale of properties, rentable assets, idle assets and foreclosed collaterals, net	(113,892)	15,021
Gains on valuation of financial instruments	(243,134)	(139,092)
Impairment losses (reversal of impairment losses) on assets	17,544	(91,113)
Deferred income tax	113,599	344,138
Realized gains on the sale of financial assets carried at cost	(293,326)	(3,570)
Realized losses on the sale of held-to-maturity financial assets	12,900	104,392
Realized gains on the sale of debt instruments with no active market	-	(16,973)
Net changes in operating assets and liabilities		
Held-for-trading financial assets	6,682,652	(13,660,857)
Held-for-trading financial liabilities	715,720	878,648
Receivables	(7,716,069)	(4,668,392)
Other assets	67,944	(106,970)
Payables	7,881,055	2,168,497
Other liabilities	(146,528)	850,728
Net cash provided by (used in) operating activities	<u>17,002,016</u>	<u>(5,812,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in due from the Central Bank and call loans to other banks	3,360,996	170,445,962
Decrease in securities purchased under resell agreements	1,409,763	1,945,441
Increase in discounts and loans	(52,242,124)	(50,172,703)
Increase in financial assets designated at fair value through profit or loss	(4,001,070)	(1,604,353)
Acquisition of available-for-sale financial assets	(61,856,458)	(56,584,175)
Proceeds of the sale of available-for-sale financial assets	56,940,815	45,239,186
Acquisition of debt instruments with no active market	(2,216,350)	(885,000)
Return of principal on or proceeds of the sale of debt instruments with no active market	796,500	4,114,809
Acquisition of held-to-maturity financial assets	(2,292,538,229)	(642,963,253)
Return of principal on or proceeds of the sale of held-to-maturity financial assets	2,293,857,076	405,785,240
Return of principal on or proceeds of the sale of financial assets carried at cost	423,371	12,352
Acquisition of properties and intangible assets	(2,018,547)	(748,457)
Proceeds of the sale of properties	46,121	1,543
Proceeds of the sale of rentable assets, idle assets and foreclosed collaterals	232,429	66,980
Decrease in other financial assets	579,809	30,097
Decrease (increase) in other assets	69,925	(13,405)
Payment for the acquisition of Chu Nan Credit-Cooperative Association	(1,834,000)	-
Increase in cash arising from the acquisition of Chu Nan Credit-Cooperative Association on July 9, 2011	<u>5,444,168</u>	<u>-</u>
Net cash used in investing activities	<u>(53,545,805)</u>	<u>(125,329,736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and other banks	(816,888)	(182,143)
Increase (decrease) in securities sold under repurchase agreements	(4,146,855)	2,875,274
Increase in deposits and remittances	42,510,365	129,696,838
Increase (decrease) in financial liabilities designated at fair value through profit or loss	(5,344,250)	944,232
Issuance of bank debentures	5,000,000	5,500,000
Repayment of bank debentures	-	(5,000,000)
Decrease (increase) in other financial liabilities	1,636,070	(1,832,014)
Cash dividends paid	(702,000)	(541,984)
Capital increase	<u>7,500,000</u>	<u>-</u>
Net cash provided by financing activities	<u>45,636,442</u>	<u>131,460,203</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(320,328)</u>	<u>1,041,233</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>8,772,325</u>	<u>1,358,746</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,159,112</u>	<u>9,800,366</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$19,931,437</u></u>	<u><u>\$11,159,112</u></u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	<u>\$8,092,437</u>	<u>\$5,952,421</u>
Income tax paid	<u>\$390,389</u>	<u>\$287,642</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 16, 2012)

(Concluded)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010
(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, 2011, the Bank had a business department, international banking department, trust department, credit card and payment division, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong), 126 domestic branches and 2 representative offices (Ho Chi Minh City in Vietnam and Dongguan in China).

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.

On July 9, 2011, the Bank acquired the assets, liabilities and business of Chu Nan Credit-Cooperative Association. Please refer to Note 38 to the financial statements.

As of December 31, 2011 and 2010, the Bank had 5,301 and 4,583 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Reports by Securities Firms, Business

Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC.

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.

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.

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 prevailing exchange rates. On the balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in the income statement.

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

Accounting Estimates

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 of intangible assets, pension, income tax, impairment loss on assets, accrued litigation loss, bonus to employees and remuneration to directors and supervisors. Actual results could differ from these estimates.

Current and Noncurrent Assets and Liabilities

Since the operating cycle in the 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 in accordance with the nature of each account and sequenced by liquidity. Please refer to Note 34 for the maturity analysis of assets and liabilities.

Basis of Fair Value

Fair values are determined as follows: (a) short-term bills - reference prices published by Reuters; (b) listed stocks and GreTai Securities Market (GTSM) stocks - closing prices as of the balance sheet date; (c) beneficial certificates (open-end funds) - net asset values as of the balance sheet date; (d) bonds - period-end reference prices published by the GTSM; (e) securities that are unlisted and not traded in GTSM with quoted market prices or trading records - quoted market prices or trading prices; and (f) 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 and beneficial certificates, 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 2011 and 2010. 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.

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 beneficial 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.

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.

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.

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

Other Financial Assets

Investments in equity instruments with no quoted market prices in an active market and with fair values that cannot be reliably measured (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. If there is objective evidence that a financial asset carried at cost is impaired, an impairment loss is recognized. However, impairment loss reversal is prohibited.

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

Financial Asset Securitization

Under the Financial Asset Securitization Act, the Bank securitized part of its bonds and entrusted those bonds to a trustee for the issuance of beneficial securities. Except for beneficial securities being retained for credit enhancement and reclassified as available-for-sale financial assets, 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 beneficial 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.

Overdue Loans

Under Financial Supervisory Commission 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 provides allowances for bad debts and losses on guarantees on the basis of the evaluation of the collectibility of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances.

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

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

Loans and receivables that are individually assessed as not impaired are further assessed collectively for impairment. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with

defaults on loans and receivables.

The impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates of the loans and receivables, after taking into account the related collaterals and guarantees. The carrying amount of the loans and receivables is reduced through the use of an allowance account. When loans and receivables are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad-debt expenses.

Under Financial Supervisory Commission (FSC) guidelines, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as special mention, substandard, collectibility highly doubtful and uncollectible, on the basis of the customers' financial position, valuation of collaterals and the length of time the principal repayments or interest payments have become overdue.

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

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

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 on an accrual basis over the life of each agreement.

Asset Impairment

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.

Properties, Rentable Assets and Idle Assets

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

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 5 to 50 years; computers, 3 to 8 years; transportation equipment, 5 to 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 properties, rentable assets and idle assets 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.

Foreclosed Collaterals

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

Trading Loss Reserve

Until December 31, 2010, a reserve for losses on the sale of bonds (part of other liabilities) was computed at 10% of the net gain on the sale of bonds until the balance of the reserve reached \$200,000 thousand. This reserve was used only to offset actual losses on the sale of the bonds. As the Financial Supervisory Commission revised the related guidelines effective January 1, 2011, the Bank became no longer required to provide a trading loss reserve. Thus, the Bank reclassified the reserve made until December 31, 2010 to special reserve.

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.

Income Tax

Provision for income tax is based on inter-period and intra-period tax allocation. The tax effects of deductible temporary differences, operating loss carryforwards, unused tax credits 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 beneficial securities, which is levied separately according to the tax laws, 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.

Share-based Payment

The Bank retroactively applied an explanation released in February 2012 by the Accounting Research and Development Foundation to determine the grant date pertaining to a portion of shares issued in 2011 by ESFHC that was reserved for the subscription by Bank employees. The Bank's employees subscribed for the reserved shares of ESFHC in accordance with the Financial Holding Company Act, and the Bank recognized the fair value of the stock options under salary expenses for share-based payment and under capital surplus on the grant date, i.e., the date when the Bank and its employees made an agreement for the employees to subscribe for ESFHC's shares.

Recognition of Interest Revenue and Service Fees

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

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

Contingencies

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

3.EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

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

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

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.

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

4.CASH AND CASH EQUIVALENTS

	December 31	
	2011	2010
Cash on hand	\$6,093,294	\$5,925,959
Checks for clearing	9,408,051	3,195,583
Due from banks	4,430,092	2,037,570
	<u>\$19,931,437</u>	<u>\$11,159,112</u>

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

	December 31	
	2011	2010
Deposit reserves - account A	\$13,492,185	\$16,731,208
Deposit reserves - account B	26,089,659	23,462,401
Reserves for deposits - foreign currency deposits	99,917	91,450
Deposit in the Central Bank - deposits of government agencies	4,544	8,033
Call loan to banks	3,824,240	5,433,500
Due from the Central Bank - other	1,505,871	1,002,661
	<u>\$45,016,416</u>	<u>\$46,729,253</u>

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

	December 31	
	2011	2010
Held-for-trading financial assets		
Commercial paper	\$12,380,268	\$9,362,593
Interest rate swap contracts	2,199,546	1,954,425
Beneficial certificates	1,087,318	168,178
Currency option contracts	977,597	833,359
Treasury bills	796,085	4,596,802
Overseas bonds	726,428	545,967
Currency swap contracts	604,888	498,096
Cross-currency swap contracts	157,496	422,106
Non-deliverable forward contracts	141,918	30,871
Listed stock - domestic	138,471	295,199
Bank debentures	88,690	85,895
Futures exchange margins	86,080	80,932
Forward contracts	82,884	357,119
Metal commodity swap contracts	78,989	52,166
Credit default swap contracts	35,922	45,400
Convertible corporate bonds	19,500	1,855
Foreign-currency margin contracts	17,437	12,097
Commodity option contracts	15,283	1,620
Forward commodity contracts	9,328	4,574
Negotiable certificates of deposit	-	6,999,501
Financial assets designated at fair value through profit or loss	19,644,128	26,348,755
Bank debentures	17,078,725	15,868,075
Corporate bonds	15,027,611	12,245,346
Overseas government bonds	389,205	377,939
Sold equity securities with interest receivable	13,076	60,155
	<u>32,508,617</u>	<u>28,551,515</u>
	<u>\$52,152,745</u>	<u>\$54,900,270</u>

Held-for-trading financial liabilities		
Interest rate swap contracts	\$2,300,655	\$2,102,296
Currency option contracts	1,134,114	840,549
Forward contracts	560,450	160,978
Currency swap contracts	322,099	783,691
Cross-currency swap contracts	157,082	319,717
Metal commodity swap contracts	69,865	36,551
Non-deliverable forward contracts	33,788	60,429
Commodity option contracts	15,283	1,620
Forward commodity contracts	9,328	4,574
Credit default swap contracts	432	4,831
Foreign-currency margin contracts	169	20
	<u>4,603,265</u>	<u>4,315,256</u>

Financial liabilities designated at fair value through profit or loss		
Structured products	3,247,503	3,911,893
Bank debentures (Note 21)	-	4,718,248
	<u>3,247,503</u>	<u>8,630,141</u>
	<u>\$7,850,768</u>	<u>\$12,945,397</u>
		(Concluded)

As of December 31, 2011 and 2010, some of the securities, which amounted to \$3,502,892 thousand and \$4,563,500 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 against its exchange rate and interest rate exposures as well as its credit risks as a bondholder.

The contract (nominal) amounts of derivative transactions as of December 31, 2011 and 2010 were as follows:

	December 31	
	2011	2010
Interest rate swap contracts	\$239,566,385	\$240,650,173
Currency option contracts	182,699,277	84,054,552
Currency swap contracts	85,331,327	62,112,617
Forward contracts	21,584,566	14,829,074
Credit default swap contracts	9,321,414	9,823,500
Non-deliverable forward contracts	8,029,941	7,465,334
Cross-currency swap contracts	3,193,995	6,226,155
Metal commodity swap contracts	1,510,279	1,774,387
Foreign-currency margin contracts	272,650	142,348
Forward commodity contracts	228,205	222,341
Commodity option contracts	149,271	84,075

The gains (losses) on financial assets and liabilities at fair value through profit or loss (FVTPL) in 2011 and 2010 were as follows:

	2011	2010
Financial assets at FVTPL		
Realized gains	\$572,775	\$2,044,959
Valuation gains (losses)	(222,964)	202,140
	<u>349,811</u>	<u>2,247,099</u>
Financial liabilities at FVTPL		
Realized losses	(903,660)	(2,122,768)
Valuation gains (losses)	466,098	(63,048)
	<u>(437,562)</u>	<u>(2,185,816)</u>
	<u>\$(87,751)</u>	<u>\$61,283</u>

7. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$29,789 thousand and \$1,439,552 thousand under resell agreements as of December 31, 2011 and 2010, respectively, will be sold for \$29,833 thousand and \$1,439,933 thousand by January 30, 2012 and January 18, 2011, respectively. Some of the securities, which amounted to \$40,000 thousand (face value), had been sold under repurchase agreements as of December 31, 2010.

8. RECEIVABLES, NET

	December 31	
	2011	2010
Credit cards	\$32,789,829	\$30,684,185
Acceptances	5,598,969	1,365,701
Accrued interest	2,229,997	1,815,729
Factoring accounts receivable without recourse	1,608,926	1,598,891
Receivable on overdue securities	356,713	145,650
Other receivable - ESFHC	304,225	296,407
Accounts receivable	242,628	176,533
Tax refundable	207,526	233,161
Other	21,483	23,446
	<u>318,971</u>	<u>318,147</u>
	43,679,267	36,657,850
Less: Allowance for possible losses	1,419,046	766,244
	<u>\$42,260,221</u>	<u>\$35,891,606</u>

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

	Items	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment of individual impairment	\$307,872	\$285,323
	Assessment of collective impairment	1,791,952	662,955
With no objective evidence of impairment	Assessment of collective impairment	40,195,527	470,768
	Total	42,295,351	1,419,046

The changes in allowance for possible losses are summarized below:

	2011	2010
Balance, January 1	\$766,244	\$927,782
Transfer of allowance from Chu Nan Credit-Cooperative Association	69	-
Allowance	890,314	1,629,375
Write-offs	(727,234)	(2,030,794)
Recovery of written-off receivables	481,817	267,302
Effects of exchange rate changes	7,836	(27,421)
Balance, December 31	\$1,419,046	\$766,244

9. DISCOUNTS AND LOANS, NET

	December 31	
	2011	2010
Loans		
Short-term	\$148,124,194	\$121,799,926
Medium-term	187,441,903	152,540,092
Long-term	323,570,945	324,362,571
Overdue loans	918,756	1,873,841
Bills negotiated and discounts	2,837,704	2,199,917
	662,893,502	602,776,347
Less: Allowance for possible losses	6,751,170	3,615,010
Less: Adjustment of premium or discount	133,498	-
	\$656,008,834	\$599,161,337

As of December 31, 2011 and 2010, the loan and credit balances, for which accrual of interest revenues were discontinued, amounted to \$918,756 thousand and \$1,873,841 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$26,835 thousand in 2011 and \$48,319 thousand in 2010.

In 2011 and 2010, the Bank carried out legal procedures required before writing off certain credits.

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

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

The changes in allowance for possible losses are summarized below:

	December 31	
	2011	2010
Balance, January 1	\$3,615,010	\$3,452,016
Transfer of allowance from Chu Nan Credit-Cooperative Association	129,357	
Allowance	3,597,576	1,094,633
Write-offs	(1,176,647)	(1,262,137)
Recovery of written-off credits	568,194	402,031
Effects of exchange rate changes	17,680	(71,533)
Balance, December 31	\$6,751,170	\$3,615,010

The details of allowance for bad-debt expenses in 2011 and 2010 were as follows:

	2011	2010
Allowance for possible losses on discounts and loans	\$3,597,576	\$1,094,633
Allowance for possible losses on receivables	890,314	1,629,375
Allowance for possible losses on guarantees	52,138	3,051
	\$4,540,028	\$2,727,059

As stated in the Financial Supervisory Commission's (FSC) letter dated November 21, 2011 (Ref. No. 10010006830), for the financial and managerial soundness of financial institutions, the FSC will oversee these institutions in consideration of their different natures and purposes. Effective January 1, 2012, the FSC will accept the application of the entities that intend to do, and are eligible for doing, banking business in China, investments, extension of domestic or overseas branches, etc. However, only those entities having a loan loss coverage ratio of 1% may initiate the above businesses or make relevant applications to overseas authorities. To meet the requirements for doing the foregoing businesses, the Bank increased by \$2,461,981 thousand the allowance for possible losses on loans and raised the loan loss coverage ratio to over 1% in the last quarter of 2011, resulting in a decrease of NT\$0.54 in the basic earnings per share after income tax.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2011	2010
Bank debentures	\$28,535,815	\$21,346,714
Government bonds	15,222,035	15,287,603
Beneficial securities under securitization	4,547,001	4,588,339
Corporate bonds	4,068,993	4,899,885
Listed stock - domestic	486,921	1,424,256
	\$52,860,765	\$47,546,797

As of December 31, 2011 and 2010, the available-for-sale financial assets, which amounted to \$3,248,136 thousand and \$5,237,500 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 bondholdings to the trustee in accordance with the Financial Asset Securitization Act. Upon the transfer, the trustee acquired the bondholder's rights from the Bank. The trustee issued beneficial securities named E.SUN CBO 2005-1, E.SUN CBO 2005-2, E.SUN CBO 2007-1 and E.SUN CBO 2007-2 to general investors and passed to the Bank the fund raised on securities issuance along with the retained beneficial securities (E.SUN CBO 2005-1 is Type D; E.SUN CBO 2005-2 is Type C) and the sold equity securities with interest receivable.

The issuance period for E.SUN CBO 2005-1, which amounted to \$10,050,000 thousand, is between October 19, 2005 and July 20, 2012, with interest payable quarterly. On January 20, 2011, the beneficial securities were settled before the maturity date. The beneficial 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, which amounted to \$18,341,000 thousand, is between December 28, 2005 and September 20, 2014. The beneficial securities are categorized as follows:

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

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 keeps the retained beneficial securities and claims the residual future cash flow after the investors collect their income based on the trust contract. If the security issuer 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' priorities of payment take precedence over those of the retained beneficial securities. The value of the retained

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

a. Key assumptions used in measuring retained beneficial securities:

	E.SUN CBO 2005-1	E.SUN CBO 2005-2	
	December 31,	December 31	
	2010	2011	2010
Projected advance reimbursement rate	0%	0%	0%
Projected credit loss rate	0%	2%	2%
Discount rate for residual cash flows	1.538%	0.833%	1.142%

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 1999 to 2009, debtors with credit rating above twBBB never breached the contracts according to the Taiwan Ratings 2006 to 2009 research. Thus, the Bank's projected credit loss rate will be zero.

b. Sensitivity analysis:

As of December 31, 2011 and 2010, the key assumptions and the sensitivity of the current fair value of residual cash flows to the immediate adverse changes by 10% and 20%, respectively, were as follows:

	E.SUN CBO 2005-1	E.SUN CBO 2005-2	
	December 31,	December 31	
	2010	2011	2010
Carrying amount of retained beneficial securities	\$50,000	\$4,285,209	\$4,324,036
Projected credit loss rate (annual)	0%	2%	2%
Impact on fair value of 10% adverse change	-	(69,467)	(92,543)
Impact on fair value of 20% adverse change	-	(74,163)	(196,829)

c. As of December 31, 2011 and 2010, there had been no credit loss on the securitized bonds; thus, the expected static pool credit loss rate was equal to the projected credit loss rate.

d. Cash flows

Cash flows resulting from the securitization were as follows:

	E.SUN CBO 2005-1		E.SUN CBO 2005-2		E.SUN CBO 2007-1	
	December 31		December 31		December 31	
	2011	2010	2011	2010	2011	2010
Service income	\$40	\$431	\$2,067	\$2,598	\$600	\$600
Receipt of reserve deposit	34,422	18,516	-	-	-	-
Receipt of retained beneficial securities	34,422	-	-	-	-	-

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	
	2011	2010
Negotiable certificates of deposit	\$235,210,000	\$235,900,000
Government bonds	9,825,349	8,408,541
Bank debentures	4,434,944	5,635,821
Corporate bonds	3,381,152	4,349,985
Overseas bonds	301,236	293,215
Beneficial securities under securitization	70,622	68,023
Overseas certificates of deposit	60,556	-
	<u>\$253,283,859</u>	<u>\$254,655,585</u>

As of December 31, 2011 and 2010, the held-to-maturity financial assets, which amounted to \$5,522,000 thousand and \$6,426,200 thousand (face value), respectively, had been sold under repurchase agreements.

13. OTHER FINANCIAL ASSETS, NET

	December 31	
	2011	2010
Debt instruments with no active market, net	\$3,163,239	\$1,739,498
Financial assets carried at cost, net	328,580	476,165
Excess reserve trust assets for E.SUN CBO-2005-1	5,727	550,000
Others	-	35,536
	<u>\$3,497,546</u>	<u>\$2,801,199</u>

Financial assets carried at cost were unlisted common stocks with no quoted market prices in an active market and with fair values that could not be reliably measured. Thus, these assets were measured at cost. Some investees had operating losses; thus, the Bank recognized impairment losses of \$17,544 thousand on financial assets carried at cost in 2011.

Debt instruments with no active market were as follows:

	December 31	
	2011	2010
Corporate bonds	\$2,367,740	\$944,000
Beneficial securities under securitization	695,499	695,498
Credit-linked products - host contract	100,000	100,000
	<u>\$3,163,239</u>	<u>\$1,739,498</u>

There were default events involved in the underlying asset pool of IBT CBO 2005-1; thus, the Bank recognized an impairment loss of \$10,399 thousand on beneficial securities under securitization in 2010.

14. PROPERTIES, NET

	December 31	
	2011	2010
Cost		
Land	\$9,385,367	\$8,561,175
Buildings	6,554,856	6,099,092
Computers	2,851,414	2,627,938
Transportation equipment	503,728	482,010
Miscellaneous equipment	1,506,314	1,408,625
	<u>20,801,679</u>	<u>19,178,840</u>
Less: Accumulated depreciation		
Buildings	1,764,995	1,550,597
Computers	2,291,258	2,159,612
Transportation equipment	370,902	331,960
Miscellaneous equipment	<u>1,124,733</u>	<u>1,025,072</u>
	<u>5,551,888</u>	<u>5,067,241</u>
	15,249,791	14,111,599
Prepayments	349,726	82,857
	<u>\$15,599,517</u>	<u>\$14,194,456</u>

15. INTANGIBLE ASSETS

	December 31	
	2011	2010
Goodwill	\$3,798,806	\$3,662,701
Computer software	237,469	329,209
	<u>\$4,036,275</u>	<u>\$3,991,910</u>

In testing assets for impairment, the Bank defined an operating unit or operating segment as a cash-generating unit (CGU), except for rentable assets and idle assets using net fair value as recoverable amount. Goodwill on the acquisition of the Kaohsiung Business Bank Co., Ltd. and Chu Nan Credit - Cooperative Association was allocated to operating units or operating segments (CGUs with allocated goodwill). 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 by taking into consideration the actual performance of each CGU, business cycle, etc. under the going-concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs were determined using the capital asset pricing model (CAPM). The testing for asset impairment showed that no impairment losses had been incurred.

16. OTHER ASSETS, NET

	December 31	
	2011	2010
Refundable deposits	\$1,229,609	\$1,225,445
Rentable assets, net (less accumulated depreciation amounting to \$23,076 thousand in 2011 and \$21,621 thousand in 2010 and less accumulated impairment amounting to \$24,139 thousand in 2011 and \$24,139 thousand in 2010)	870,339	628,507
Idle assets, net (less accumulated depreciation amounting to \$25,186 thousand in 2011 and \$4,320 thousand in 2010 and less accumulated impairment amounting to \$28,831 thousand in 2011 and \$30,042 thousand in 2010)	345,993	85,125
Prepaid expenses	162,900	227,952
Foreclosed collaterals	54,602	-
Deferred charges, net	4,146	2,425
	<u>\$2,667,589</u>	<u>\$2,169,454</u>

There were no indications that the value in use of rentable assets, idle assets and foreclosed collaterals significantly exceeded net fair value, which was used as the recoverable amount. Thus, the Bank designated real estate appraisal firms and the Bank's appraisal center to value these assets. The Bank recognized a net reversal of impairment loss of \$100,362 thousand in 2010. This reversal was mainly due to the transfer of some idle assets to properties.

In accordance with the evaluation of the recoverable amount of refundable deposits, the Bank recognized an impairment loss reversal of \$1,150 thousand in 2010.

17. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2011	2010
Call loans from banks	\$29,683,742	\$28,940,878
Deposits from Chunghwa Post Co., Ltd.	8,026,290	9,623,530
Due to banks	275,532	178,109
Bank overdraft	34,946	105,681
Due to the Central Bank	32,416	21,616
	<u>\$38,052,926</u>	<u>\$38,869,814</u>

18. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$13,247,387 thousand and \$17,394,242 thousand, under repurchase agreements as of December 31, 2011 and 2010, respectively, would be purchased for \$13,261,731 thousand and \$17,406,396 thousand by June 28, 2012 and August 4, 2011, respectively.

19. PAYABLES

	December 31	
	2011	2010
Checks for clearing	\$9,408,051	\$3,195,583
Acceptances	2,263,778	1,859,329
Accrued interest	1,740,532	1,396,670
Factoring accounts payable	1,380,320	258,492
Accrued expenses	1,379,346	1,212,210
Collections payable	428,396	412,486
Accounts payable	303,392	292,010
Tax payable	157,821	148,277
Other payable - ESFHC	6,161	-
Other	950,059	1,136,839
	<u>\$18,017,856</u>	<u>\$9,911,896</u>

20. DEPOSITS AND REMITTANCES

	December 31	
	2011	2010
Deposits:		
Checking	\$11,197,957	\$9,175,765
Demand	200,694,046	184,974,280
Savings - demand	248,676,075	224,739,514
Time	260,304,146	253,836,574
Negotiable certificates of deposit	9,469,600	29,166,300
Savings - time	232,184,461	202,511,734
Remittances	315,542	356,680
	<u>\$962,841,827</u>	<u>\$904,760,847</u>

21. BANK DEBENTURES

	December 31	
	2011	2010
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 (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 (7 years after the issue date).	2,300,000	2,300,000
Subordinated bonds issued on October 24, 2008; 3.15% interest, payable annually; principal repayable on maturity (7 years after the issue date).	300,000	300,000
Subordinated bonds issued on February 20, 2009; 2.10% interest, payable annually; principal repayable on maturity (5 years after the issue date).	1,000,000	1,000,000
Subordinated bonds issued on March 5, 2009; 2.15% interest, payable annually; principal repayable on maturity (5.5 years after the issue date).	500,000	500,000
Two types of subordinated bonds issued on April 3, 2009; interest rate at (a) 2.15% for Type A bond and (b) 2.50% for Type B bond; interest payable annually for both bond types; principal repayable on maturity (5.5 years for Type A bond and 7 years for Type B bond after the issue date).	500,000	500,000
Subordinated bonds issued on May 18, 2009; 2.35% interest payable annually; principal repayable on maturity (5.5 years after the issue date).	1,800,000	1,800,000
Subordinated bonds issued on July 17, 2009; 2.50% interest payable annually; principal repayable on maturity (7 years after the issue date).	900,000	900,000
Subordinated bonds issued on October 20, 2009; 2.35% interest payable annually; principal repayable on maturity (7 years after the issue date).	1,500,000	1,500,000
Subordinated bonds issued on May 28, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date).	3,000,000	3,000,000
Subordinated bonds issued on July 13, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,500,000	2,500,000
Subordinated bonds issued on May 24, 2011; 1.73% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,100,000	-
Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,900,000	-
	<u>\$39,000,000</u>	<u>\$34,000,000</u>

(Concluded)

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

	December 31
	2010
Three types of bonds issued on February 27, 2004; interest rates at 3.03% if six-month London Interbank Offered Rate for U.S. Dollar (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 maturity (7 years after the issue date).	\$1,000,000
Five bond types issued on May 10, 2004; interest rates at (a) (6M LIBOR plus 0.5001%) \times n/N for type A bond; (b) (6M LIBOR plus 0.5002%) \times n/N for type B bond; (c) (6M LIBOR plus 0.5003%) \times n/N for type C bond; (d) (6M 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 maturity (7 years after the issue date).	2,300,000
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 maturity (7 years after the issue date).	900,000
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 maturity (7 years after the issue date).	500,000
	4,700,000
Valuation adjustment	18,248
Financial liabilities designated at fair value through profit or loss	\$4,718,248

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

To increase the Bank’s capital adequacy ratio and strengthen its capital structure, the Board of Directors resolved the issuance of domestic subordinated bank debentures with aggregate face value of \$5,000,000 thousand on March 16, 2012. The Bank is going to apply to the Financial Supervisory Commission for approval of this issuance.

22. OTHER FINANCIAL LIABILITIES

	December 31	
	2011	2010
Principal of structured products	\$1,631,949	\$-
Guarantee deposits received	217,088	171,739
Appropriations for loans	94,606	132,976
	<u>\$1,943,643</u>	<u>\$304,715</u>

Under the Financial Supervisory Commission's guidelines, "Accounting for the Principal of Structured Products," effective January 1, 2011, the Bank records the principal of structured products as other financial liabilities instead of deposits.

23. OTHER LIABILITIES

	December 31	
	2011	2010
Advance receipts	\$963,921	\$1,106,189
Deferred income tax liabilities	351,023	236,345
Reserve for land revaluation increment tax	79,368	55,197
Reserve for losses on guarantees	66,504	14,294
Reserve for losses on the sale of bonds	-	83,866
Other	20,229	16,087
	<u>\$1,481,045</u>	<u>\$1,511,978</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 and wages, 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 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, 2% of salaries and wages. Pension expenses were \$181,219

thousand in 2011 and \$168,009 thousand in 2010, of which \$147,534 thousand and \$131,544 thousand, respectively, were under the Act.

Other information in 2011 and 2010 on the defined benefit plan was as follows:

	December 31	
	2011	2010
a. Net pension cost		
Service cost	\$23,461	\$26,035
Interest cost	24,003	25,760
Actual loss (return) on plan assets	104,685	(161,348)
Amortization	(118,464)	146,018
Net pension cost	<u>\$33,685</u>	<u>\$36,465</u>

	December 31	
	2011	2010
b. Reconciliation of the plan funded status to balance sheet amounts		
Benefit obligation:		
Vested benefit obligation	\$ (130,877)	\$ (124,294)
Non-vested benefit obligation	(725,995)	(653,426)
Accumulated benefit obligation	(856,872)	(777,720)
Additional benefits based on future salaries	(455,294)	(422,414)
Projected benefit obligation	(1,312,166)	(1,200,134)
Fair value of plan assets	997,413	1,096,313
Funded status	(314,753)	(103,821)
Unrecognized transitional net asset	(17,747)	(19,004)
Unamortized prior service cost	64,999	74,803
Unamortized net pension gains or losses	287,844	68,499
Prepaid pension (part of other assets - others)	<u>\$20,343</u>	<u>\$20,477</u>
Vested benefits	<u>\$ (150,663)</u>	<u>\$ (141,696)</u>

c. Actuarial assumptions		
Discount rate	1.75%	2.00%
Rate of increase in compensation	2.50%	2.50%
Expected long-term rate of return on plan assets	1.75%	2.00%

	December 31	
	2011	2010
d. Summary of pension fund contributions and payments		
Contributions	<u>\$33,551</u>	<u>\$33,792</u>
Payment of benefits	<u>\$27,766</u>	<u>\$33,417</u>

25. SERVICE FEE INCOME, NET

	December 31	
	2011	2010
Service fee	\$5,972,205	\$5,366,727
Service charge	(972,296)	(859,775)
	<u>\$4,999,909</u>	<u>\$4,506,952</u>

26. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2011	2010
Personnel expenses		
Salaries	\$4,121,475	\$3,766,521
Insurance	281,615	244,174
Pension	181,219	168,009
Other	210,794	190,866
Depreciation expenses	615,101	678,630
Amortization expenses	198,190	223,984

27. INCOME TAX

a. Income tax was calculated as follows:

	2011	2010
Income tax expense - current before tax credits	\$325,314	\$263,312
Net change in deferred income tax:		
Loss carryforwards	234,729	330,416
Unrealized gain or loss on financial instruments	17,857	3,740
Unrealized foreign exchange gain	4,629	(15,922)
Goodwill	2,314	-
Tax credits	1,881	338
Effect of tax law changes on deferred income tax	-	9,363
Impairment losses on assets	(2,964)	7,025
Valuation allowance for deferred income tax assets	(9,178)	9,178
Allowance for possible losses and reserve for losses on guarantees	(135,669)	-
Adjustment of prior year's tax	<u>6,191</u>	<u>1,265</u>
Income tax expense	<u>\$445,104</u>	<u>\$608,715</u>

In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, 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 in 2010.

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

	2011	2010
Income tax expense on income before income tax at statutory rate (17%)	\$612,465	\$780,313
Permanent differences:		
Tax-exempt income	(235,025)	(278,365)
Others	(165,959)	(243,794)
Temporary differences	<u>113,833</u>	<u>5,158</u>
Income tax expense - current before tax credits	<u>\$325,314</u>	<u>\$263,312</u>

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

	December 31	
	2011	2010
Deferred income tax assets		
Allowance for possible losses and reserve for losses on guarantees	\$135,669	\$-
Unrealized loss on the valuation of financial instruments	88,654	82,559
Loss carryforwards	52,396	287,125
Tax credits	7,297	9,178
Impairment losses on assets	6,985	4,021
Cumulative translation adjustments	<u>1,221</u>	<u>26,252</u>
	292,222	409,135
Less: Valuation allowance for deferred income tax assets	-	9,178
	<u>292,222</u>	<u>399,957</u>
Deferred income tax liabilities	(18,272)	(13,643)
Unrealized foreign exchange gain	<u>(624,973)</u>	<u>(622,659)</u>
Goodwill	<u>(643,245)</u>	<u>(636,302)</u>
Net deferred income tax liabilities	<u>\$ (351,023)</u>	<u>\$ (236,345)</u>

As of December 31, 2011, there were unused loss carryforwards amounting to \$308,211 thousand and tax credits amounting to \$7,297 thousand for personnel training expenditures.

d. Imputed tax credit is summarized as follows:

	December 31	
	2011	2010
Balance of stockholders' imputed tax credit	<u>\$21,485</u>	<u>\$17,112</u>

For the distribution of the 2010 earnings, the actual creditable tax ratios were 0.77% for both cash dividends and stock dividends. The Bank estimates the creditable tax ratio for distributing 2011 earnings at 0.67%. The actual creditable tax ratio may differ from the estimated creditable tax ratio since this ratio is computed on the date the dividend is actually paid or distributed.

e. The unappropriated earnings generated before January 1, 1998 as of December 31, 2011 and 2010 were \$91,777 thousand for each of these year-end dates.

f. The main effective tax rate for calculating the deferred income taxes for 2011 and 2010 was 17%.

g. Income tax returns through 2006 had been examined by the tax authorities. In their assessment of the 2001 to 2005 (except 2003) tax returns, the tax authorities denied the creditability of 10% withholding tax on interest revenue on bonds pertaining to periods when those bonds were held by other investors. The tax authorities examined 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 the foregoing withholding taxes. The Bank filed an application for the refund of overpaid tax and also initiated an administrative litigation. The Bank did not accrue the related liabilities because the tax authorities' reexamination showed no over-distribution of the stockholders' imputed tax credit on the 2002 to 2005 (except 2003) stockholders' imputed tax credit returns.

On the goodwill amortization of \$2,854,794 thousand resulting from the merger of the Bank with Kaohsiung Business Bank Co., Ltd. (KBB) and reported in the income tax returns from 2004 to 2006, 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 resulted 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
2011					
Basic earnings per share					
Net income	<u>\$ 3,602,734</u>	<u>\$ 3,157,630</u>	<u>3,771,285</u>	<u>\$ 0.96</u>	<u>\$ 0.84</u>
2010					
Basic earnings per share					
Net income	<u>\$ 4,590,076</u>	<u>\$ 3,981,361</u>	<u>3,720,600</u>	<u>\$ 1.23</u>	<u>\$ 1.07</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 NTS1.31 to NTS1.23 and from NTS1.13 to NTS1.07 for 2010.

29. STOCKHOLDERS' EQUITY

The stockholders resolved to use the unappropriated earnings of \$1,476,000 thousand as stock dividends of 147,600 thousand shares. This issuance was approved by the Ministry of Economic Affairs (MOEA).

The stockholders resolved to use the unappropriated earnings of \$2,106,000 thousand as stock dividends of 210,600 thousand shares. This issuance was approved by the MOEA.

In November 2011, the Bank increased its capital by \$7,500,000 thousand and issued 500,000 thousand shares at NT\$15.00 per share. E.SUN Financial Holdings Company, Ltd. (ESFHC) subscribed for all the new shares. This issuance was approved by the MOEA. As of December 31, 2011, the Bank's issued and outstanding capital stock amounted to \$42,206,000 thousand.

The Board of Directors resolved to distribute the unappropriated earnings of \$1,519,000 thousand as stock dividends of 151,900 thousand shares and to raise the authorized capital to \$43,725,000 thousand on March 16, 2012. The issuance of common stock is waiting for the approval of the stockholders.

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; and
- 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 dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen the Bank's financial structure. This policy is also intended to improve the Bank's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. When dividends are declared, cash dividends must be at least 10% of total dividends declared, unless the resulting cash dividend per share falls below NT\$0.10. 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 2011 and 2010, the bonus to employees and remuneration to directors, which totaled \$123,924 thousand and \$179,234 thousand, respectively, and were 5% (employees' bonus) and 1% (directors' remuneration) of the appropriation of earnings, were accrued on the basis of past experience. If the bonus and remuneration proposed by the 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.

The appropriations of earnings for 2010 and 2009 were approved in the stockholders' meetings on May 6, 2011 and April 30, 2010, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2010	2009	2010	2009
Legal reserve	\$1,194,408	\$532,330		
Cash dividends	702,000	541,984	\$0.20	\$0.16
Stock dividends	2,106,000	1,476,000	0.60	0.44

The bonus to employees and the remuneration to directors for 2010 and 2009, which were approved in the stockholders' meetings on May 6, 2011 and April 30, 2010, respectively, were as follows:

	2010	2009
Bonus to employees - cash	\$149,362	\$107,340
Remuneration to directors - cash	29,872	21,468

On the bonus to employees and the remuneration to directors, there was no difference between the approved amounts and the accrued amounts recognized in the financial statements for the years ended December 31, 2010 and 2009.

The appropriations of earnings for 2011 were approved in the Board of Directors' meeting on March 16, 2012. The appropriations and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$947,289	
Special reserve	221,557	
Cash dividends	422,476	\$0.10
Stock dividends	1,519,000	0.36

The proposal on appropriations of earnings for 2011, which includes the bonus to employees and remuneration to directors, is waiting for the approval of the stockholders. 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 may be used to offset a deficit. Under the Company Law revised on January 4, 2012, when the reserve exceeds 25% of the Bank's paid-in capital, the excess may be distributed as capital or cash 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 Financial Supervisory Commission (FSC) guidelines, the Bank reclassified to special reserve an \$83,866 thousand trading loss reserve in place until December 31, 2010. This special reserve may be used to offset a deficit and may be appropriated when legal reserve reaches 50% of the Bank's paid-in capital.

In their meeting on June 28, 2011, ESFHC's stockholders resolved to increase its capital by issuing new shares and reserved 15% of the new shares for the subscription by the employees of ESFHC and its subsidiaries. The Bank recognized \$160,418 thousand, the fair value of the options on the grant date, under salary expenses for share-based payment and under capital surplus in 2011.

On June 29, 2010, ESFHC announced the transfer of shares to employees of ESFHC and its subsidiaries at per share amounts of NT\$8.02 and NT\$13.50, respectively, based on the date of share

acquisition. Under an explanation issued by the Accounting Research and Development Foundation (ARDF) of the Republic of China, the Bank recognized \$105,684 thousand under salary expenses for share-based payment and under capital surplus in 2010.

Under the Articles of Incorporation of ESFHC, the employees of ESFHC's subsidiaries could be included in the distribution of bonus to employees. Thus, the Bank recognized the estimated distribution of share bonus to the Bank's employees under salary expenses and under capital surplus at \$87,848 thousand each in 2011 and \$100,464 thousand each in 2010.

If the bonus proposed by ESFHC's Board of Directors change materially, the change should be included in the expense of the current year. If the actual distribution of share bonus to the Bank's employees differ from the estimated distribution, this change should be treated as a revision of the accounting estimate, and the related accrued expenses and capital surplus should be adjusted in the year of ESFHC's stockholders' approval of the bonus.

Under related regulations, capital surplus may be used to offset a deficit. 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. Based on the Company Law revised on January 4, 2012, the foregoing capital surplus may be distributed as cash dividend as well.

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., E.SUN Insurance Broker Co., Ltd. (“E.SUN Insurance Broker”), and E.SUN Securities Investment Consulting Corp.	Subsidiaries of ESFHC
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	One third of the funds are donated by the Bank
Fugui Consulting Co., Ltd. (formerly 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 was a supervisor of the company until June 25, 2010
Joseph N. C. Huang	Representative of an institutional director and president of the Bank
Suka Chen	Vice president of ESFHC
Heng-Hwa Yang	Deputy president (retired in November 2010)
Joe Huang	Head of consumer banking
Wei-Chin Chien	General auditor
J.C. Wang	Vice president
Shuei-Ping Wan	Vice president
Kuan-Her Wu	Executive vice president
Wu-Shin Chen	Executive vice president
Jhong-Cheng Shun	Executive vice president
Jih-Hsiung Tseng	Executive vice president
Zhi-Guang Huang	Executive vice president
Shui-Chin Shen	Executive vice president
Chin-Lung Wang	Manager
Chien-Li Huang	Manager
Oliver Hsieh	Manager
Ching-Lee Kao	Manager
Wen-Chuan Tu	Manager
Cji-Gan Chung	Manager
Cheng-Ta Lee	Manager
Davis Tsai	Manager
Daniel Lin	Manager
Edward Chen	Manager
Vivian Ho	Manager
Yi-Hsin Tseng	Manager
Chun-Nan Tsai	Manager
Yu-Shyang Guo	Manager
Te-Ming Chung	Manager
Tung-Pao Cheng	Manager
Rong-Huel Chang	Manager
L.C. Lin	Manager
Jia-Tie Huang	Manager
Renny Wang	Manager
Tung-Chiang Chen	Manager
San-I Chen	Manager
Edward Chen	Manager
Yao-Bing Lin	Manager
David H.C. Lien	Manager
Mei-Nu Chen	Manager
James Wu	Manager

Related Party	Parent company
I-Chih Liu	Manager
Day-Yu Chen	Manager
Cheng-Hao Chang	Manager
Gilbert Chang	Manager
Shin-Ching Wei	Manager
Wan-Li Hsieh	Manager
Kuo-Hsien Huang	Manager
Ping-Huei Chen	Manager
Kuo-Chin Cheng	Manager
Tsun-Jen Ke	Manager
Ming-Chang Huang	Manager
Fu-Shun Chang	Manager
Tomy Wong	Manager
Ing-Dar Wu	Manager
Tung-Yu Hung	Manager
Feng-Tin Liao	Manager
Yung-Cheng Chen	Manager
Yueh-Pin Liu	Manager
Benny Chen	Manager
Cheng-Hsien Tseng	Manager
I-Shun Chou	Manager
Kuo-Huei Chang	Manager
Peter Chen	Manager
Tsung-Pin Chen	Manager
Dena Chiou	Manager
Shih-Hui Lin	Manager
Ho Hsu	Manager
Fu-Chung Huang	Manager
Kuang-Yi Hung	Manager
Sin-Hua Chen	Manager
Yu-Kai Huang	Manager
Wen-Chian Chang	Manager
Ming-Hong Lee	Manager
Huei-Ling Tsai	Manager
Cyong-Ru Lu	Manager
Cheng-Lin Ko	Manager
Po-Liang Hsieh	Manager
Vincent Chen	Manager
Nan-Ming Chen	Manager
Wu-Tzeng Li	Manager
Yi-Shing Hsiao	Manager
Gwo-Shyang Lin	Manager
Babby Huang	Manager
Shih-Jung Cheng	Manager
Eric Huang	Manager
Shu-Lin Cheng	Manager
Randy Cheng	Manager
Chiun-Cheh Lin	Manager
Bruce Lee	Manager
Don-Wen Liu	Manager
Yin-Sung Liu	Related to the ex-chairman within the second degree of consanguinity
Other	Directors, supervisors, managers and related to the Bank's chairman and president within the second degree of consanguinity

(Concluded)

b. Significant transactions between the Bank and related parties

	December 31			
	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
2011				
1)Loans	<u>\$769,762</u>	-	1.197-3.87	<u>\$8,916</u>
2)Deposits	<u>\$10,304,861</u>	1	0-6.90	<u>\$(77,644)</u>
2010				
1)Loans	<u>\$520,301</u>	-	0.75-2.75	<u>\$7,137</u>
2)Deposits	<u>\$9,214,102</u>	1	0-7.60	<u>\$(49,658)</u>
3)Other receivable (part of receivables)				
ESFHC	<u>\$242,628</u>	<u>1</u>	<u>\$176,533</u>	<u>-</u>
4)Refundable deposit	<u>\$1,086</u>	<u>-</u>	<u>\$1,086</u>	<u>-</u>
5)Prepaid expense (part of other assets)	<u>\$2,391</u>	<u>-</u>	<u>\$2,391</u>	<u>-</u>
6)Interest payable (part of payables)	<u>\$11,975</u>	<u>-</u>	<u>\$12,260</u>	<u>-</u>
7)Remuneration to directors and supervisors (part of payables)				
8)Other payable (part of payables)	<u>\$20,654</u>	<u>-</u>	<u>\$29,872</u>	<u>-</u>
ESFHC	<u>\$6,161</u>	<u>-</u>	<u>\$-</u>	<u>-</u>
9)Accrued expenses (part of payables)	<u>\$7,962</u>	<u>-</u>	<u>\$-</u>	<u>-</u>
10)Guarantee deposits received (part of other financial liabilities)	<u>\$8,910</u>	<u>-</u>	<u>\$8,557</u>	<u>3</u>
11)Unearned revenue (part of other liabilities)	<u>\$3,510</u>	<u>-</u>	<u>\$3,376</u>	<u>-</u>

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.

	2011		2010	
	Amount	% to Total	Amount	% to Total
12)Rental income				
E.SUN Securities	\$28,027	54	\$23,345	54
ESFHC	5,578	11	5,460	13
Other	<u>4,924</u>	<u>9</u>	<u>3,864</u>	<u>9</u>
	<u>\$38,529</u>	<u>74</u>	<u>\$32,669</u>	<u>76</u>
13)Donation (part of general and administrative expenses)	<u>\$30,228</u>	<u>1</u>	<u>\$16,485</u>	<u>-</u>
14)Other (part of general and administrative expenses)	<u>\$47,029</u>	<u>1</u>	<u>\$45,014</u>	<u>1</u>

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.

15)Directors as credit guarantors

December 31				
	Amount	% to Total	Interest Rate (%)	Rate of Guarantee Service Fee (%)
2011	<u>\$155,250</u>	-	1.261-2.17	-
2010	<u>\$37,500</u>	-	2.02-2.08	-

16)The Bank made cross-currency swap transactions with ESFHC. The realized gain was \$8,240 thousand in 2010.

17)For expansion purposes, the Bank took over the operating lease of the Hsinchu branch of E.SUN Securities; thus, the latter preterminated its the lease contract and disposed of the furnishing and Internet facilities installed during E.SUN Securities' tenancy. Under a bilateral agreement, the Bank gave E.SUN Securities a compensation of \$7,962 thousand (part of general and administrative expenses) for the loss from relocation. The compensation was based on the carrying value of the foregoing assets of E.SUN Securities. As of December 31, 2011, the unpaid amount was \$7,962 thousand (part of payables).

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

	2011	2010
Salaries	\$36,542	\$34,646
Incentives	14,891	14,775
Special compensation	2,640	3,320
Bonus	<u>23,185</u>	<u>33,246</u>
	<u>\$77,258</u>	<u>\$85,987</u>

31.PLEDGED ASSETS

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

	December 31	
	2011	2010
Financial assets at fair value through profit or loss (bonds and securities at face value)	\$389,688	\$5,390,800
Receivables (bonds)	9,900	200
Available-for-sale financial assets (bonds at face value)	\$51,000	\$243,300
Held-to-maturity financial assets (bonds and securities at face value)	22,936,936	9,552,700
Other financial assets	<u>757</u>	<u>737</u>
	<u>\$23,388,281</u>	<u>\$15,187,737</u>

(Concluded)

As of December 31, 2011 and 2010, the foregoing securities, with aggregate face value of \$10,900,000 thousand and \$9,000,000 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.

The Bank is authorized by the Central Bank (CB) of the Republic of China to act as a national treasury agent bank. For its role as the CB's agent and for covering its call loans from the CB, the Bank had provided securities as collaterals with aggregate face value of \$10,300,000 thousand and \$4,100,000 thousand as of December 31, 2011 and 2010, respectively. It had also provided other securities as collaterals for operating reserve and judiciary provisional seizure.

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:

(In Thousands of U.S. Dollars)

Date	Outstanding Loan Balance	Collateral Value
December 31, 2011	<u>\$10,100</u>	<u>\$8,997</u>
December 31, 2010	<u>\$16,488</u>	<u>\$12,860</u>

32. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2011 were as follows:

a. Renewable operating lease agreements on premises occupied by the Bank's branches will expire sequentially before May 2020. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2011, refundable deposits on these leases totaled \$847,883 thousand (shown as "refundable deposits"). Minimum annual rentals for the next five years are as follows:

Year	Amount
2012	\$537,544
2013	459,165
2014	372,623
2015	301,518
2016	210,938

Total rentals for January 2017 to May 2020 will aggregate \$54,417 thousand. The aggregate present value of these rentals is \$50,465 thousand, discounted at 1.08%, which was the annual fixed interest rate set by Chunghwa Post Co., Ltd. for its one-year time savings deposits as of the balance sheet date.

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 \$370,394 thousand. As of December 31, 2011, the remaining unpaid amount was approximately \$180,332 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.

	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents - due from banks	\$2,855,008	0.12	\$1,654,719	0.08
Call loans to banks	2,954,736	0.43	2,879,923	0.39
Due from the Central Bank	25,378,321	0.59	75,581,859	0.57
Held-for-trading financial assets - bonds	1,065,991	2.68	1,249,268	2.24
Held-for-trading financial assets - bills	13,306,210	0.73	94,515,070	0.56
Financial assets designated at fair value through profit or loss - bonds and bills	32,362,593	1.92	29,983,950	2.14
Securities purchased under resell agreements	162,352	0.69	1,955,642	0.31
Discounts and loans	634,188,081	2.18	579,552,768	1.97
Receivables of credit cards	15,518,646	13.98	16,354,055	13.10
Available-for-sale financial assets - bonds	42,353,424	2.56	40,326,020	2.17
Held-to-maturity financial assets	272,826,039	0.89	73,198,890	0.96
Debt instruments with no active market	2,172,774	2.03	3,570,020	2.17

	2011		2010	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	37,833,874	0.84	36,665,881	0.51
Financial liabilities at fair value through profit or loss (excluding financial liabilities designated at fair value through profit or loss - bank debentures)	3,231,492	1.32	2,900,000	1.42
Securities sold under repurchase agreements	13,239,691	0.59	20,277,755	0.34
Demand deposits	185,215,762	0.17	157,915,171	0.12
Savings - demand deposits	234,391,123	0.31	208,374,053	0.24
Time deposits	285,426,718	0.96	224,620,522	0.74
Time savings deposits	213,738,002	1.26	195,367,148	1.05
Negotiable certificates of deposit	17,614,025	0.73	25,366,667	0.43
Bank debentures (including financial liabilities designated at fair value through profit or loss - bank debentures)	37,315,343	2.07	38,126,795	2.00
Principal of structured products	2,267,849	1.54	-	-

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	December 31			
	2011		2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Financial assets - with fair values approximating carrying amounts	\$108,203,361	\$108,203,361	\$96,244,989	\$96,244,989
Financial assets at fair value through profit or loss	52,152,745	52,152,745	54,900,270	54,900,270
Available-for-sale financial assets	52,860,765	52,860,765	47,546,797	47,546,797
Discounts and loans	656,008,834	656,008,834	599,161,337	599,161,337
Held-to-maturity financial assets	253,283,859	253,513,119	254,655,585	254,980,994
Other financial assets (excluding financial assets carried at cost)	3,168,966	3,175,023	2,325,034	2,336,975
<u>Financial liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	69,154,187	69,154,187	66,027,675	66,027,675
Financial liabilities at fair value through profit or loss	7,850,768	7,850,768	12,945,397	12,945,397
Deposits and remittances	962,841,827	962,841,827	904,760,847	904,760,847
Bank debentures	39,000,000	39,741,888	34,000,000	34,659,058
Other financial liabilities	1,943,643	1,943,643	304,715	304,715

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

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The 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, 2011 and 2010, the discount rates used ranged from 0.401% to 1.83% and from 0.25% to 1.87%, respectively, for the New Taiwan dollar and from 0.13% to 2.606% and from 0.23% to 4.161%, respectively, for the U.S. dollar.

If there are trade prices or prices quoted by major market players, the latest trade prices and quoted prices are used as the basis for valuating the fair value of debt instruments with no active market, which are classified as other financial assets; otherwise, the 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) Financial assets carried at cost consist of unlisted stocks; these investments have no quoted market prices in an active market and their fair values could not be reliably measured. Thus, the Bank does not disclose their fair values.

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

c. The fair value hierarchy of the Bank's financial instruments as of December 31, 2011 was as follows:

	2011		2010	
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Held-for-trading financial assets				
Stock	\$138,471	\$138,471	\$-	\$-
Debt instruments	834,618	834,618	-	-
Others	14,263,671	1,087,318	13,176,353	-
Designated at FVTPL on initial recognition	32,508,617	3,527,792	28,980,825	-
Available-for-sale financial assets				
Stock	486,921	486,921	-	-
Debt instruments	52,373,844	39,582,492	8,121,106	4,670,246
Other financial assets				
Debt instruments with no active market	3,169,296	-	2,594,998	574,298
<u>Liabilities</u>				
Financial liabilities at FVTPL	3,247,503	-	3,247,503	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	4,407,368	103,517	4,294,523	9,328
<u>Liabilities</u>				
Financial liabilities at FVTPL	4,603,265	169	4,593,768	9,328

(Concluded)

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

2) Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices).

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

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

(In Thousands of New Taiwan Dollars)

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

As of December 31, 2010, the 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, 2010	
	Quoted Market Prices	Estimated Market Prices
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 21,883,000	\$ 33,017,270
Available-for-sale financial assets	16,711,859	30,834,938
Held-to-maturity financial assets	244,539,685	10,441,309
<u>Other financial assets</u> (excluding financial assets carried at cost)	585,536	1,751,439
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	-	12,945,397
Bank debentures	-	34,659,058

d.A valuation of financial instruments at estimated market prices showed gains of \$229,803 thousand in 2011 and \$123,925 thousand in 2010.

e.The adjustments of stockholders' equity debited directly from the available-for-sale financial assets amounted to \$412,548 thousand in 2011 and those credited directly from the available-for-sale financial assets amounted to \$154,954 thousand in 2010; the gains recognized and deducted from the adjustments of stockholders' equity were \$29,026 thousand and \$277,069 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 intervals for a specified period. The Bank estimated VaR on the basis of the changes in prices of financial instruments in the past two years.

Information on the foreign-currency financial assets and liabilities with significant effect in shown in Table 4 (attached).

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 guarantees and obligations under letters of credit issued. Generally, these transactions are for one year.

As of December 31, 2011 and 2010, the interest rates for loans ranged from 0.43143% to 19.46% and from 0.405% to 19.46%, respectively. The highest interest rate for credit cards was 19.71% in both years.

There was no concentration of maturity dates in one particular period

that would potentially result in liquidity problems 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, 2011 and 2010, about 65% and 69%, respectively, of total loans granted, and about 16% and 14%, respectively, of 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, 2011 and 2010 were as follows:

	December 31	
	2011	2010
Credit card commitments	\$304,417,180	\$263,899,255
Guarantees and letters of credit issued	20,104,095	22,577,834

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			
	2011		2010	
Credit Risk Profile by Group or Industry	Amount	%	Amount	%
Natural person	\$341,328,300	50	\$336,050,327	55
Manufacturing	186,020,462	27	152,817,100	25

	December 31			
	2011		2010	
Credit Risk Profile by Region	Amount	%	Amount	%
Domestic	\$620,391,870	91	\$574,364,486	93
Asia	25,409,424	4	16,251,981	3
South America	16,995,674	3	12,372,766	2
North America	7,972,351	1	6,681,992	1

4)Liquidity risk

In December of 2011 and 2010, the liquidity reserve ratios were 30.68% and 32.03%, 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 to be delivered to the counter-parties nor the cash requirement for the Bank. Also, the Bank can enter into derivative financial contracts at reasonable

market terms. Thus, the Bank does 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, 2011					
	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
Assets						
Cash and cash equivalents	\$19,931,437	\$-	\$-	\$-	\$-	\$19,931,437
Due from the Central Bank and call loans to other banks	45,014,416	2,000	-	-	-	45,016,416
Financial assets at fair value through profit or loss	18,822,589	332,925	2,422,836	29,847,967	726,428	52,152,745
Securities purchased under resell agreements	29,789	-	-	-	-	29,789
Receivables	696,436	32,767,196	48,099	10,167,536	-	43,679,267
Discounts and loans	84,226,196	47,538,489	80,078,411	255,636,933	195,413,473	662,893,502
Available-for-sale financial assets	7,006,230	7,028,755	3,661,438	34,793,077	371,265	52,860,765
Held-to-maturity financial assets	151,270,452	75,749,702	12,601,765	10,175,515	3,486,425	253,283,859
Other financial assets (excluding financial assets carried at cost)	4,893	-	-	3,164,073	-	3,168,966
	<u>\$327,002,438</u>	<u>\$163,419,067</u>	<u>\$98,812,549</u>	<u>\$343,785,101</u>	<u>\$199,997,591</u>	<u>\$1,133,016,746</u>
Liabilities						
Due to the Central Bank and other banks	\$17,401,553	\$12,624,083	\$8,027,290	\$-	\$-	\$38,052,926
Financial liabilities at fair value through profit or loss	3,247,503	2,055,414	-	4,603,265	-	7,850,768
Securities sold under repurchase agreements	9,524,552	317,967	1,667,421	-	-	13,247,387
Payables	11,652,406	118,991,267	245,212	5,802,271	-	18,017,856
Deposits and remittances	560,079,990	-	271,387,413	12,383,157	-	962,841,827
Bank debentures	-	-	5,000,000	34,000,000	-	39,000,000
Other financial liabilities	1,599,045	-	180,683	94,606	69,309	1,943,643
	<u>\$603,505,049</u>	<u>\$133,988,731</u>	<u>\$286,508,019</u>	<u>\$56,883,299</u>	<u>\$69,309</u>	<u>\$1,080,954,407</u>

December 31, 2010

	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
Assets						
Cash and cash equivalents	\$11,159,112	\$-	\$-	\$-	\$-	\$11,159,112
Due from the Central Bank and call loans to other banks	45,253,253	1,476,000	-	-	-	46,729,253
Financial assets at fair value through profit or loss	18,914,048	10,856,388	3,387,726	21,027,434	714,674	54,900,270
Securities purchased under resell agreements	1,439,552	-	-	-	-	1,439,552
Receivables	318,217	30,641,861	131,177	5,566,595	-	36,657,850
Discounts and loans	78,887,226	34,736,785	67,316,256	217,786,064	204,050,016	602,776,347
Available-for-sale financial assets	17,740,125	15,230,166	4,224,860	10,215,562	136,084	47,546,797
Held-to-maturity financial assets	236,176,713	1,522,561	3,199,205	13,701,362	55,744	254,655,585
Other financial assets (excluding financial assets carried at cost)	584,798	501,500	-	1,238,736	-	2,325,034
	<u>\$410,473,044</u>	<u>\$94,965,261</u>	<u>\$78,259,224</u>	<u>\$269,535,753</u>	<u>\$204,956,518</u>	<u>\$1,058,189,800</u>
Liabilities						
Due to the Central Bank and other banks	\$19,303,784	\$9,942,500	\$9,623,530	\$-	\$-	\$38,869,814
Financial liabilities at fair value through profit or loss	4,292,515	1,307,184	3,419,650	3,920,882	5,166	12,945,397
Securities sold under repurchase agreements	13,640,188	1,805,327	1,948,727	-	-	17,394,242
Payables	5,479,619	410,835	686,994	3,334,448	-	9,911,896
Deposits and remittances	537,212,645	122,417,779	231,791,364	13,339,059	-	904,760,847
Bank debentures	-	-	-	34,000,000	-	34,000,000
Other financial liabilities	551	29,070	90,306	132,975	51,813	304,715
	<u>\$579,929,302</u>	<u>\$135,912,695</u>	<u>\$247,560,571</u>	<u>\$54,727,364</u>	<u>\$56,979</u>	<u>\$1,018,186,911</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 extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2011			December 31, 2010		
	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 Liquid crystal panel and components production	\$13,071,482	20.14	Group A Liquid crystal panel and components production	\$9,322,367	16.97
2	Group B Liquid crystal panel and components production	8,081,178	12.45	Group D Integrated circuit production	7,746,499	14.10
3	Group C Iron and steel smelting	7,479,117	11.52	Group C Iron and steel smelting	6,376,403	11.61
4	Group D Integrated circuits production	7,144,633	11.01	Group B Liquid crystal panel and component production	5,753,178	10.47
5	Group E Activities of head offices	4,597,689	7.08	Group F Civil air transportation	3,886,230	7.07
6	Group F Civil air transportation	4,359,215	6.72	Group K Real estate development	3,315,500	6.03
7	Group G Activities of head offices	3,107,450	4.79	Group L Semiconductors packaging and testing	2,970,438	5.41
8	Group H Shoes manufacturing	2,879,586	4.44	Group M Cement manufacturing	2,695,899	4.91
9	Group I Paper manufacturing	2,805,438	4.32	Group N Real estate for sale and rental with own or leased property	2,675,000	4.87
10	Group J Liquid crystal panel and component production	2,636,835	4.06	Group O Wholesale of computers and peripheral equipment and software	2,607,350	4.75

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

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2011

(In Thousands of New Taiwan Dollars, %)

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

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2010

(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	\$828,318,706	\$10,932,206	\$3,411,177	\$32,001,860	\$874,663,949
Interest rate-sensitive liabilities	434,439,782	393,874,015	29,775,827	27,127,604	885,217,228
Interest rate sensitivity gap	393,878,924	(382,941,809)	(26,364,650)	4,874,256	(10,553,279)
Net worth					53,325,461
Ratio of interest rate-sensitive assets to liabilities					98.81
Ratio of interest rate sensitivity gap to net worth					(19.79)

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

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

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

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

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

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

Interest Rate Sensitivity (U.S. Dollars)

December 31, 2010

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$4,221,419	\$517,492	\$156,942	\$201,473	\$5,097,326
Interest rate-sensitive liabilities	4,733,880	303,530	211,466	51,444	5,300,320
Interest rate sensitivity gap	(512,461)	213,962	(54,524)	150,029	(202,994)
Net worth					52,051
Ratio of interest rate-sensitive assets to liabilities					96.17
Ratio of interest rate sensitivity gap to net worth					(389.99)

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, 2011	Year Ended December 31, 2010
Interest rate-sensitive assets	Before income tax	0.32	0.46
Interest rate-sensitive liabilities	After income tax	0.28	0.40
Interest rate sensitivity gap	Before income tax	6.01	8.62
Net worth	After income tax	5.27	7.48
Ratio of interest rate-sensitive assets to liabilities		16.75	23.69

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 was income for 2011 and 2010.

Note 5: The above profitability ratios are expressed annually.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2011

(In Millions of New Taiwan Dollars)

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

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2010

(In Millions of New Taiwan Dollars)

	Remaining Period to Maturity					
	Total	1-30 Days	31-90 Days	91-180 Days	181 Days-	Over 1 Year
Main capital inflow on maturity	\$960,162	\$313,119	\$77,509	\$41,112	\$61,369	\$467,053
Main capital outflow on maturity	1,173,511	164,138	170,577	180,481	272,089	386,226
Gap	(213,349)	148,981	(93,068)	(139,369)	(210,720)	80,827

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, 2011

(In Thousands of U.S. Dollars)

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2010

(In Thousands of U.S. Dollars)

	Remaining Period to Maturity					
	Total	1-30 Days	31-90 Days	91-180 Days	181 Days-	Over 1 Year
Main capital inflow on maturity	\$4,439,875	\$1,274,095	\$639,628	\$578,962	\$402,010	\$1,545,180
Main capital outflow on maturity	4,759,974	2,077,542	1,098,051	754,671	735,431	94,279
Gap	(320,099)	(803,447)	(458,423)	(175,709)	(333,421)	1,450,901

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, 2011	December 31, 2010
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	<p>The Bank leased 100% of one of its own properties in 2010. The lease was in violation of Article 75 of Paragraph 2 of the Banking Law of the Republic of China and entailed an administrative fine of \$1,000 thousand.</p> <p>The Bank invested in debentures, of which the Bank's director is also a director of the issuer. This investment was in violation of Article 74-1 of the Banking Law of the Republic of China and entailed an administrative fine of \$1,000 thousand.</p> <p>The Bank made dual-currency investment (DCI) transactions with counter-parties regulated by the Financial Holding Company Act. However, the Bank did not give its board of directors prior information on these transactions. These transactions were in violation of Article 45-1 of the Financial Holding Company Act and entailed an administrative fine of \$2,000 thousand.</p>	The Bank found a leakage of customers' information due to the weak security management of its e-Banking system. This leakage was in violation of Article 45-1 of Paragraph 1 and Article 48 of Paragraph 2 of the Banking Law of the Republic of China and entailed an administrative fine of \$4,000 thousand.
Within the past year, misconduct occurred, resulting in the authorities imposing strict corrective measures on the Bank	None	None
Within the past year, the Bank faced penalties due to violations of "the Banking Law of the Republic of China" Article 61-1	The Bank found a leakage of customers' information due to a former employee's keeping of customers' information for improper use. This leakage was in violation of Article 61-1 of Paragraph 1 of the Banking Law of the Republic of China and entailed corrective measures.	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.

(Concluded)

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, 2011 and 2010

Trust Assets	2011	2010	Trust Liabilities	2011	2010
Cash in banks	\$2,125,994	\$2,346,217	Account payable on securities under custody	\$88,140,100	\$43,987,187
Short-term investments	112,242,024	110,729,159	Trust capital		
Land	5,572,826	1,731,924	Cash	117,900,458	113,781,875
Collective investment trust fund account	4,566	50,847	Securities	3,128,786	4,522,085
Securities under custody	<u>88,140,100</u>	<u>43,987,187</u>	Real estate	5,646,110	1,731,924
			Collective investment trust fund account	4,566	50,847
			Reserves and accumulated deficit	(7,361,356)	(9,165,890)
			Net income	<u>626,846</u>	<u>3,937,306</u>
Total assets	<u>\$208,085,510</u>	<u>\$158,845,334</u>	Total liabilities	<u>\$208,085,510</u>	<u>\$158,845,334</u>

Trust Property List
December 31, 2011 and 2010

Investment Items	2011	2010
Cash in banks	2,125,994	2,346,217
Stocks	3,412,277	4,594,836
Mutual funds	108,092,021	105,694,153
Bonds	736,986	438,825
Unsettled beneficial certificates	-	605
Collective investments	740	740
Land	5,572,826	1,731,924
Collective investment trust fund account	4,566	50,847
Securities under custody	<u>88,140,100</u>	<u>43,987,187</u>
	<u>208,085,510</u>	<u>158,845,334</u>

Statements of Income on Trust Accounts
Years Ended December 31, 2011 and 2010

	2011	2010
<u>Revenues</u>		
Interest	\$6,336	\$5,126
Cash dividend	2,690,434	2,447,742
Property gain	921,190	3,196,394
Realized capital gain - mutual funds	22,271	28,668
Realized capital gain - common stock	1,115	-
Realized capital gain - bonds	14	492
Revenues from beneficial certificates	685	693
Realized foreign exchange gain	<u>51</u>	<u>7</u>
	<u>3,642,096</u>	<u>5,679,122</u>
<u>Expenses</u>		
Management fees	262,191	187,109
Supervisor fees	120	230
Tax expenditure	37	-
Service fees	1,602	1,872
Property loss	2,724,851	1,500,453
Income tax	423	285
Other expenses	25,768	51,270
Realized capital loss - mutual funds	176	597
Realized capital loss - collective investments	82	-
	<u>3,015,250</u>	<u>1,741,816</u>
Net income	<u>\$626,846</u>	<u>\$3,937,306</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>2011</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	<u>1,356</u>	<u>1,258</u>	<u>2,614</u>	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$3,552</u>	<u>\$2,374</u>	<u>\$5,926</u>	

	Bank	E.SUN Securities	Total	Allocation Method
<u>2010</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	<u>1,38</u>	<u>1,283</u>	<u>2,664</u>	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$3,577</u>	<u>\$2,399</u>	<u>\$5,976</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 from 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 2011 and 2010, ESIB should have paid the Bank \$75,305 thousand and \$59,094 thousand, respectively; the unpaid amounts were \$10,762 thousand and \$4,469 thousand as of December 31, 2011 and 2010, respectively.

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

	2011	2010
Revenue	<u>\$4,608</u>	<u>\$3,796</u>
Expense	<u>\$68,605</u>	<u>\$60,704</u>

38.ACQUISITION OF ANOTHER FINANCIAL INSTITUTION'S ASSETS, LIABILITIES AND OPERATION

To expand its business, enhance its competitiveness and ensure its long-term development, the Bank entered into a general assignment and assumption agreement with Chu Nan Credit-Cooperative Association (CNCA) on March 18, 2011. Under this agreement, the Bank would pay \$1,860,000 thousand to acquire CNCA's assets, liabilities and operations. The acquisition was approved by the Bank's stockholders and CNCA's members on March 31, 2011. The effective date of the acquisition was July 9, 2011, and this acquisition was approved by the Financial Supervisory Commission on May 31, 2011. The Bank had finished the acquisition as scheduled and adjusted the acquisition payment to \$1,834,000 thousand in accordance with the general assignment and assumption agreement.

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

CNCA had 10 domestic branches as of the acquisition date.

The fair values of CNCA's assets and liabilities were as follows:

Acquisition payment	<u>\$1,834,000</u>
Fair value	
Cash and cash equivalents	5,444,168
Due from the Central Bank and call loans to other banks	1,648,159
Financial assets at fair value through profit or loss, net	186,932
Receivables, net	28,372
Discounts and loans, net	8,788,823
Available-for-sale financial assets, net	460,767
Held-to-maturity financial assets, net	58,894
Other financial assets, net	4
Properties, net	343,483
Other assets, net	487,169
Payables	(123,404)
Deposits and remittances	(15,570,615)
Other financial liabilities	(2,858)
Other liabilities	<u>(51,999)</u>
	<u>1,697,895</u>
Goodwill	<u>\$136,105</u>

All major asset additions from the acquisition are going to be used for future operations and are not going to be disposed of. All operating results of CNCA after July 9, 2011 were included in E.SUN Bank's income statement, but no profit or loss before the acquisition date was included. For comparison purposes, the combined pro forma income

statements for the years ended December 31, 2011 and 2010 are shown as follows (CNCA's data for 2010 and for the period from January 1, 2011 to July 8, 2011 were audited by other auditors).

	Years Ended December 31		
	2011	2010	%
Net interest	\$12,698,653	\$11,573,663	10
Net revenues and gains other than interest	<u>6,264,468</u>	<u>5,481,429</u>	14
Total net revenues	18,963,121	17,055,092	11
Allowance for bad-debt expenses	(4,541,992)	(2,727,059)	67
Operating expenses	<u>(10,909,433)</u>	<u>(9,669,201)</u>	13
Income before income tax	3,511,696	4,658,832	(25)
Income tax expense	<u>(445,147)</u>	<u>(624,694)</u>	(29)
Net income	<u>\$3,066,549</u>	<u>\$4,034,138</u>	(24)
Earnings per share	<u>\$0.81</u>	<u>\$1.08</u>	

(Concluded)

39. CAPITAL ADEQUACY RATIO

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

Items			Year	December 31, 2011	December 31, 2010
Eligible capital	Tier 1 capital			\$60,383,539	\$ 49,872,438
	Tier 2 capita			21,921,608	17,476,049
	Tier 3 capital			-	-
	Eligible capital			82,305,147	67,348,487
Risk-weighted assets	Credit risk	Standardized approach		609,421,646	529,891,296
		Internal ratings - based approach		-	-
		Securitization		1,195,353	1,193,323
	Operational risk	Basic indicator approach		36,140,025	26,757,188
		Standardized approach/Alternative standardized approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		22,810,125	25,347,388
		Internal model approach		-	-
	Risk-weighted assets			669,567,149	583,189,195
Capital adequacy ratio				12.29	11.55
Ratio of tier 1 capital to risk-weighted assets				9.02	8.55
Ratio of tier 2 capital to risk-weighted assets				3.27	3.00
Ratio of tier 3 capital to risk-weighted assets				-	-
Ratio of common stock to total assets				3.68	3.27
Ratio of leverage				5.46	4.99

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

Note 2: Formulas used were as follows:

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

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.

40. OTHERS

On December 6, 2010, the Bank signed a letter of intent of collaboration with China Zheshang Bank Co., Ltd. Under the regulations of relevant authorities, both parties will exchange business and staff training experience and collaborate in related matters under the principles of equality, mutual benefit, amity and cooperation.

The Bank's application to set up the Dongguan Branch in Mainland China was approved by the Financial Supervisory Commission on June 17, 2011. The Bank will invest RMB600,000 thousand in the branch and adhere to the rules of the "Regulations Governing Approvals of Banks to Engage in Financial Activities Between the Taiwan Area and the Mainland Area." This investment was approved by the Investment Commission under the Ministry of Economic Affairs and the relevant authorities of Mainland China.

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

On March 16, 2012, the Board of Directors resolved to sign a memorandum of understanding with Bank of Communications Co., Ltd and China Merchants Bank Co., Ltd. Under the regulations of relevant authorities, both parties will exchange business experience, market information and staff training experience and collaborate in related matters under the principles of equality, mutual benefit, amity and cooperation.

To expand its business, enhance its competitiveness and ensure its long-term development, the Bank entered into a general assignment and assumption agreement with Chiayi The Fourth Credit Cooperation on March 16, 2012. Under this agreement, the Bank would pay \$110,000 thousand to acquire Chiayi The Fourth Credit Cooperation's assets, liabilities and operations (excluding certain assets and liabilities to be retained by Chiayi The Fourth Credit Cooperation). The planned effective date of acquisition is November 3, 2012. The acquisition had not yet been approved by the Bank's stockholders, Chiayi The Fourth Credit Cooperation's members and the authorities.

41. ADDITIONAL DISCLOSURES

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

a. Significant transactions and investees:

- 1) Financing provided: Not applicable.
- 2) Endorsement/guarantee provided: Not applicable.
- 3) Marketable securities held: Not applicable.
- 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: Table 5 (attached).
- 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: Table 6 (attached).
- 11) Other significant transactions which may affect the decisions of users of financial reports: Note 40 to the financial statements.
- 12) The related information and proportionate share in investees: Table 3 (attached).
- 13) Derivative transactions: Notes 6 and 34 to the financial statements.

b. Investment in Mainland China: None.

42. OPERATING SEGMENTS

The information reported to the Bank's chief operating decision makers for the assessment of segment performance focuses mainly on operating and profit or loss. The Bank's reportable segments under the Statement of Financial Accounting Standards No. 41 - "Operating Segments" are as follows:

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

The accounting policies of the reportable segments are the same as the Bank's accounting policies described in Note 2. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenues, expenses and related information of the Bank's reportable segments were as follows:

Years Ended December 31, 2011				
	Corporate Banking Unit	Individual Banking Unit	Others	Total
Net interest revenues (expenses)	<u>\$6,266,586</u>	<u>\$7,101,668</u>	<u>\$(768,058)</u>	<u>\$12,600,196</u>
Total net revenues	\$6,071,722	\$11,871,104	\$911,369	\$18,854,195
Allowance for bad-debt expenses	(1,020,405)	(2,211,913)	(1,307,710)	(4,540,028)
Operating expenses	<u>(2,056,203)</u>	<u>(6,370,303)</u>	<u>(2,284,927)</u>	<u>(10,711,433)</u>
Income (loss) before income tax	<u>\$2,995,114</u>	<u>\$3,288,888</u>	<u>\$(2,681,268)</u>	<u>\$3,602,734</u>

Years Ended December 31, 2010				
	Corporate Banking Unit	Individual Banking Unit	Others	Total
Net interest revenues (expenses)	<u>\$4,805,487</u>	<u>\$5,553,070</u>	<u>\$1,018,296</u>	<u>\$11,376,853</u>
Total net revenues	\$5,123,368	\$9,711,629	\$1,971,812	\$16,806,809
Allowance for bad-debt expenses	262,075	(1,223,965)	(1,765,169)	(2,727,059)
Operating expenses	<u>(1,914,619)</u>	<u>(5,225,542)</u>	<u>(2,349,513)</u>	<u>(9,489,674)</u>
Income (loss) before income tax	<u>\$3,470,824</u>	<u>\$3,262,122</u>	<u>\$(2,142,870)</u>	<u>\$4,590,076</u>

The chief operating decision makers of the Bank rely only on the average amounts of loans and deposits during the period to assess the performance of the operating segments and make decisions. Under an explanation issued by Accounting Research and Development Foundation of ROC, the measured amount of segment assets is zero.

43. PLAN FOR THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

a. Under Rule No. 0980027134 issued by the FSC, effective 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market and financial institutions supervised by the FSC should prepare their financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards (IAS), and the Interpretations as well as related guidances translated by the Accounting Research Development Foundation (ARDF) and issued by the FSC. To comply with this rule, the Bank has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is the Chief Accounting Officer. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

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

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

Accounting Issues	Description of Differences
Valuation allowance for deferred income tax assets	Under ROC GAAP, a valuation allowance is provided if it is more likely than not that a deferred income tax asset will not be realized. Under IFRSs, a deferred income tax asset is recognized only when it is probable that taxable profits will be available, against which the deferred income tax assets can be used; thus, a valuation allowance is not needed.
Short-term compensated absences	The Bank recognizes short-term compensated absences as the vacation leaves are actually taken by the employees. Under IFRSs, the Bank recognizes the cost of short-term cumulative compensated absences as the employees render services that increase their entitlement to these compensated absences.
Regular way purchase or sale of financial assets	The Bank applies trade date accounting to stocks and beneficial certificates and settlement date accounting to the rest of its financial assets. However, under IAS 39: "Financial Instruments: Recognition and Measurement," only one method should be used for recognizing all regular way purchases or sales of financial assets, and this method should be consistently applied to all financial assets that belong to the same category as defined in IAS 39. As a result, the Bank will apply trade date accounting to all regular way purchase or sale of financial assets upon conversion to IFRSs.
Actuarial gains and losses	Under ROC GAAP, the corridor approach is applied. On conversion to IFRSs, the Bank will recognize all actuarial gains and losses on retirement benefits to be immediately recognized under other comprehensive income.
Preferential rates for employees' deposits	The interest expense for employees' preferential deposits is currently recognized at actual cost under the accrual basis. Under IFRSs, the preferential rate for employees' deposits that is in excess of market rate should be treated as employee benefit and recognized under personnel expenses. Under the current policy, the preferential interest-related amounts are all treated as interest expense, which affects the classification and disclosure of these amounts in the financial statements.
Customer loyalty program	The liability from the bonus points earned by customers on the use of credit cards is currently estimated and then recorded as selling expenses as bonus points are granted. IFRIC 13 requires that a portion of the price of selling goods or services be allocated to bonus points, and revenue should be calculated separately at the fair value of selling goods or services and the fair value of bonus points. Revenue allocated to bonus points should be recognized when points are redeemed.

c. The Bank has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Public Banks amended and issued by the FSC on December 26, 2011. These assessments may be changed as the regulators may issue new rules governing the adoption of IFRSs. Actual accounting policies adopted under IFRSs in future may differ from those contemplated during the assessments.

TABLE 1**E.SUN COMMERCIAL BANK, LTD.**

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

1.Loans**December 31, 2011**

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2011 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	101	\$135,638	\$87,575	\$87,575	\$	Land and buildings as collateral for part of the loans	None
Self-used housing mortgage loans	87	603,292	435,953	435,953	-	Land and buildings	None
Other loans	Chin-Lung Wang	520	-	-	-	Land and buildings	None
Other loans	Chin-Lung Wang	2,500	2,464	2,464	-	Land and buildings	None
Other loans	Jhong-Cheng Shun	4,000	3,894	3,894	-	Land and buildings	None
Other loans	Chien-Li Huang	3,100	3,100	3,100	-	Land and buildings	None
Other loans	J.C. Wang	1,586	1,459	1,459	-	Land and buildings	None
Other loans	J.C. Wang	1,476	1,410	1,410	-	Land and buildings	None
Other loans	J.C. Wang	8,000	5,000	5,000	-	Land and buildings	None
Other loans	Oliver Hsieh	2,500	2,465	2,465	-	Land and buildings	None
Other loans	Ching-Lee Kao	2,187	-	-	-	Land and buildings	None
Other loans	Ching-Lee Kao	20,000	10,000	10,000	-	Land and buildings	None
Other loans	Wen-Chuan Tu	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Wen-Chuan Tu	2,000	2,000	2,000	-	Land and buildings	None
Other loans	Cji-Gan Chung	10,000	10,000	10,000	-	Land and buildings	None
Other loans	Cheng-Ta Lee	580	-	-	-	Land and buildings	None
Other loans	Cheng-Ta Lee	1,170	1,146	1,146	-	Land and buildings	None
Other loans	Davis Tsai	1,500	1,481	1,481	-	Land and buildings	None
Other loans	Daniel Lin	1,000	600	600	-	Land and buildings	None
Other loans	Edward Chen	2,280	2,280	2,280	-	Land and buildings	None
Other loans	Jih-Hsiung Tseng	4,000	4,000	4,000	-	Land and buildings	None
Other loans	Vivian Ho	1,081	1,033	1,033	-	Land and buildings	None
Other loans	Yi-Hsin Tseng	2,500	2,464	2,464	-	Land and buildings	None
Other loans	Chun-Nan Tsai	2,478	2,369	2,369	-	Land and buildings	None
Other loans	Yu-Shyang Guo	1,300	1,277	1,277	-	Land and buildings	None
Other loans	Te-Ming Chung	3,500	3,430	3,430	-	Land and buildings	None
Other loans	Tung-Pao Cheng	5,000	4,089	4,089	-	Land and buildings	None
Other loans	Rong-Huel Chang	2,054	1,917	1,917	-	Land and buildings	None
Other loans	L.C. Lin	900	-	-	-	Land and buildings	None
Other loans	L.C. Lin	3,700	3,700	3,700	-	Land and buildings	None
Other loans	Jia-Tie Huang	1,807	1,595	1,595	-	Land and buildings	None
Other loans	Renny Wang	420	398	398	-	Land and buildings	None

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2011 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Other loans	Tung-Chiang Chen	\$1,600	\$1,379	\$1,379	\$-	Land and buildings	None
Other loans	San-I Chen	2,000	2,000	2,000	-	Land and buildings	None
Other loans	Edward Chen	3,612	3,397	3,397	-	Land and buildings	None
Other loans	Edward Chen	1,400	1,370	1,370	-	Land and buildings	None
Other loans	Yao-Bing Lin	2,000	2,000	2,000	-	Land and buildings	None
Other loans	David H.C. Lien	3,000	2,034	2,034	-	Land and buildings	None
Other loans	Mei-Nu Chen	1,922	-	-	-	Land and buildings	None
Other loans	Mei-Nu Chen	2,000	1,967	1,967	-	Land and buildings	None
Other loans	Zhi-Guang Huang	5,400	5,400	5,400	-	Land and buildings	None
Other loans	James Wu	2,650	2,611	2,611	-	Land and buildings	None
Other loans	I-Chih Liu	1,000	960	960	-	Land and buildings	None
Other loans	Cheng-Hao Chang	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Cheng-Hao Chang	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Gilbert Chang	1,600	1,600	1,600	-	Land and buildings	None
Other loans	Shin-Ching Wei	1,900	1,900	1,900	-	Land and buildings	None
Other loans	Wan-Li Hsieh	2,250	2,210	2,210	-	Land and buildings	None
Other loans	Kuo-Hsien Huang	1,900	1,855	1,855	-	Land and buildings	None
Other loans	Ping-Huei Chen	5,000	-	-	-	Land and buildings	None
Other loans	Ping-Huei Chen	6,030	6,030	6,030	-	Land and buildings	None
Other loans	Kuo-Chin Cheng	2,700	2,700	2,700	-	Land and buildings	None
Other loans	Tsun-Jen Ke	2,930	-	-	-	Land and buildings	None
Other loans	Tsun-Jen Ke	4,800	-	-	-	Land and buildings	None
Other loans	Tsun-Jen Ke	500	500	500	-	Land and buildings	None
Other loans	Ming-Chang Huang	2,000	1,975	1,975	-	Land and buildings	None
Other loans	Fu-Shun Chang	3,000	2,925	2,925	-	Land and buildings	None
Other loans	Tomy Wong	5,800	-	-	-	Land and buildings	None
Other loans	Tomy Wong	7,300	7,300	7,300	-	Land and buildings	None
Other loans	Ing-Dar Wu	1,000	984	984	-	Land and buildings	None
Other loans	Suka Chen	3,000	-	-	-	Land and buildings	None
Other loans	Tung-Yu Hung	586	-	-	-	Land and buildings	None
Other loans	Tung-Yu Hung	800	794	794	-	Land and buildings	None
Other loans	Wei-Chin Chien	1,300	1,255	1,255	-	Land and buildings	None
Other loans	Feng-Tin Liao	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Yung-Cheng Chen	840	830	830	-	Land and buildings	None
Other loans	Yueh-Pin Liu	1,800	1,800	1,800	-	Land and buildings	None
Other loans	Benny Chen	975	-	-	-	Land and buildings	None
Other loans	Benny Chen	2,000	1,965	1,965	-	Land and buildings	None
Other loans	Cheng-Hsien Tseng	3,500	3,500	3,500	-	Land and buildings	None
Other loans	I-Shun Chou	1,986	-	-	-	Land and buildings	None
Other loans	I-Shun Chou	5,000	4,248	4,248	-	Land and buildings	None
Other loans	Kuo-Huei Chang	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Peter Chen	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Peter Chen	3,000	3,000	3,000	-	Land and buildings	None
Other loans	Dena Chiou	2,500	2,469	2,469	-	Land and buildings	None
Other loans	Shih-Hui Lin	1,595	1,514	1,514	-	Land and buildings	None
Other loans	Ho Hsu	1,300	1,274	1,274	-	Land and buildings	None

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2011 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Other loans	Fu-Chung Huang	\$1,300	\$1,281	\$1,281	\$-	Land and buildings	None
Other loans	Kuang-Yi Hung	700	673	673	-	Land and buildings	None
Other loans	Kuang-Yi Hung	1,441	1,261	1,261	-	Land and buildings	None
Other loans	Joe Huang	2,800	-	-	-	Land and buildings	None
Other loans	Joe Huang	20	20	20	-	Land and buildings	None
Other loans	Sin-Hua Chen	3,596	3,375	3,375	-	Land and buildings	None
Other loans	Yin-Sung Liu	6,201	-	-	-	Land and buildings	None
Other loans	Yin-Sung Liu	7,750	7,750	7,750	-	Land and buildings	None
Other loans	Yu-Kai Huang	15,000	15,000	15,000	-	Land and buildings	None
Other loans	Wen-Chian Chang	393	-	-	-	Land and buildings	None
Other loans	Wen-Chian Chang	1,200	1,187	1,187	-	Land and buildings	None
Other loans	Wen-Chian Chang	800	781	781	-	Land and buildings	None
Other loans	Ming-Hong Lee	3,000	3,000	3,000	-	Land and buildings	None
Other loans	Huei-Ling Tsai	2,350	-	-	-	Land and buildings	None
Other loans	Huei-Ling Tsai	4,000	3,459	3,459	-	Land and buildings	None
Other loans	Cyong-Ru Lu	3,150	2,070	2,070	-	Land and buildings	None
Other loans	Wu-Shin Chen	189	-	-	-	Land and buildings	None
Other loans	Wu-Shin Chen	1,200	-	-	-	Land and buildings	None
Other loans	Shui-Chin Shen	4,000	3,818	3,818	-	Land and buildings	None
Other loans	Cheng-Lin Ko	2,000	1,945	1,945	-	Land and buildings	None
Other loans	Cheng-Lin Ko	1,000	977	977	-	Land and buildings	None
Other loans	Joseph N. C. Huang	1,000	-	-	-	Land and buildings	None
Other loans	Joseph N. C. Huang	10,000	10,000	10,000	-	Land and buildings	None
Other loans	Po-Liang Hsieh	2,050	2,012	2,012	-	Land and buildings	None
Other loans	Vincent Chen	950	936	936	-	Land and buildings	None
Other loans	Nan-Ming Chen	1,861	1,772	1,772	-	Land and buildings	None
Other loans	Wu-Tzeng Li	1,500	1,484	1,484	-	Land and buildings	None
Other loans	Yi-Shing Hsiao	786	-	-	-	Land and buildings	None
Other loans	Yi-Shing Hsiao	4,950	4,888	4,888	-	Land and buildings	None
Other loans	Gwo-Shyang Lin	3,000	2,834	2,834	-	Land and buildings	None
Other loans	Babby Huang	800	790	790	-	Land and buildings	None
Other loans	Shih-Jung Cheng	3,000	1,081	1,081	-	Land and buildings	None
Other loans	Randy Cheng	1,350	1,330	1,330	-	Land and buildings	None
Other loans	Chiun-Cheh Lin	3,250	3,193	3,193	-	Land and buildings	None
Other loans	Bruce Lee	2,000	2,000	2,000	-	Land and buildings	None

December 31, 2010

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2011 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	82	\$160,920	\$114,253	\$114,253	\$-	Land and buildings as collateral for part of the loans	None
Self-used housing mortgage loans	66	427,672	335,652	335,652	-	Land and buildings	None
Other loans	J.C. Wang	1,712	1,586	1,586	-	Land and buildings	None
Other loans	J.C. Wang	1,500	1,476	1,476	-	Land and buildings	None
Other loans	Ching-Lee Kao	5,000	2,187	2,187	-	Land and buildings	None
Other loans	Wen-Chuan Tu	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Cheng-Ta Lee	600	580	580	-	Land and buildings	None
Other loans	Davis Tsai	671	-	-	-	Land and buildings	None
Other loans	Vivian Ho	1,100	1,081	1,081	-	Land and buildings	None
Other loans	Shuei-Ping Wan	870	-	-	-	Land and buildings	None
Other loans	Chun-Nan Tsai	2,500	2,478	2,478	-	Land and buildings	None
Other loans	Rong-Huei Chang	3,940	2,054	2,054	-	Land and buildings	None
Other loans	L.C. Lin	900	900	900	-	Land and buildings	None
Other loans	Jia-Tie Huang	2,000	1,807	1,807	-	Land and buildings	None
Other loans	Kuan-Her Wu	1,845	-	-	-	Land and buildings	None
Other loans	Town-Wen Liu	800	-	-	-	Land and buildings	None
Other loans	Edward Chen	3,825	3,612	3,612	-	Land and buildings	None
Other loans	David H. C. Lien	3,000	786	786	-	Land and buildings	None
Other loans	Mei-Nu Chen	2,000	1,922	1,922	-	Land and buildings	None
Other loans	Day-Yu Chen	700	-	-	-	Land and buildings	None
Other loans	Cheng-Hao Chang	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Cheng-Hao Chang	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Shin-Ching Wei	1,900	1,900	1,900	-	Land and buildings	None
Other loans	Ping-Huei Chen	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Tomy Wong	5,800	5,800	5,800	-	Land and buildings	None
Other loans	Benny Chen	1,000	975	975	-	Land and buildings	None
Other loans	I-Shun Chou	3,000	2,040	2,040	-	Land and buildings	None
Other loans	Peter Chen	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Tsung-Pin Chen	3,828	-	-	-	Land and buildings	None
Other loans	Tsung-Pin Chen	5,000	-	-	-	Land and buildings	None
Other loans	Shih-Hui Lin	1,675	1,595	1,595	-	Land and buildings	None
Other loans	Kuang-Yi Hung	1,500	1,441	1,441	-	Land and buildings	None
Other loans	Joe Huang	13,000	-	-	-	Land and buildings	None
Other loans	Joe Huang	5,000	2,800	2,800	-	Land and buildings	None
Other loans	Sin-Hua Chen	3,800	3,596	3,596	-	Land and buildings	None
Other loans	Yin-Sung Liu	6,445	6,201	6,201	-	Land and buildings	None
Other loans	Wen-Chian Chang	400	393	393	-	Land and buildings	None
Other loans	Heng-Hwa Yang	320	-	-	-	Land and buildings	None
Other loans	Huei-Ling Tsai	4,000	2,350	2,350	-	Land and buildings	None
Other loans	Wu-Shin Chen	800	189	189	-	Land and buildings	None
Other loans	Joseph N. C. Huang	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Nan-Ming Chen	1,949	1,861	1,861	-	Land and buildings	None
Other loans	Yi-Shing Hsiao	800	786	786	-	Land and buildings	None

2.Derivatives

December 31, 2010

Name	Type of Derivatives	Contract Period	Nominal Amounts	Valuation Gain (Loss)	Amounts on the Balance Sheet	
					Account	Amounts
E.SUN Financial Holding Company, Ltd.	Cross-currency swap contracts	2010.06.04-2010.09.15	\$975,640	\$-	-	\$-

Note: The sum of the respective highest balances of all accounts in the years ended December 31, 2011 and 2010.

TABLE 2

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2011					December 31, 2010				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured	34,627	\$123,474,193	0.03	\$1,234,742	3,565.84	\$ 372,086	\$110,691,000	0.34	\$ 765,484	205.73
	Unsecured	197,209	184,160,139	0.11	1,841,601	933.83	718,342	146,957,474	0.49	1,301,743	181.21
Consumer Banking	Housing mortgage (Note 4)	348,608	233,168,931	0.15	2,174,898	623.88	632,569	247,911,168	0.26	667,134	105.46
	Cash card	1,127	20,156	5.59	2,594	230.17	1,168	26,839	4.35	10,707	916.70
	Small scale credit loans (Note 5)	536,241	28,844,744	1.86	565,082	105.38	502,203	21,957,675	2.29	637,331	126.91
	Other (Note 6)										
	Secured	112,391	84,829,197	0.13	848,292	754.77	55,265	68,867,637	0.08	154,506	279.57
	Unsecured	79,504	8,396,142	0.95	83,961	105.61	60,851	6,364,555	0.96	78,105	128.35
Loan		1,309,707	662,893,502	0.20	6,751,170	515.47	2,342,484	602,776,347	0.39	3,615,010	154.32
		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		76,735	32,848,546	0.23	1,053,388	1,372.76	111,421	30,887,743	0.36	436,132	391.43
Factoring accounts receivable without recourse (Note 7)		-	5,598,969	-	36,039	-	-	1,365,701	-	3,464	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)		117,688					158,038				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)		371,548					620,348				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)		383,703					141,981				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)		1,129,323					772,477				

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).

(Concluded)

TABLE 3

E.SUN COMMERCIAL BANK, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES

YEAR ENDED DECEMBER 31, 2011

(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”)	<u>Finance-related business</u>										
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	\$ 2,000	\$ 511	160	-	160	0.81	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	0.45	9,000	1,804	1,223	-	1,223	0.45	
	Taiwan Asset Management Corporation	Taipei	Acquisition of delinquent loans	0.57	100,000	7,072	10,000	-	10,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	50,000	500	5,000	-	5,000	2.94	
	Taiwan Finance Corp.	Taipei	Bills financing	0.41	21,355	636	2,120	-	2,120	0.41	
	Sunny Asset Management Co.	Taipei	Acquisition of delinquent loans	4.35	2,607	341	260	-	260	4.35	
	<u>Non-finance related business</u>										
	Fugui Consulting Co., Ltd. (formerly Fubon Securities Finance Co.)	Taipei	Investment consulting	2.56	-	37,665	51	-	51	2.56	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.28	108,954	11,375	10,237	-	10,237	2.28	
	Apex Venture Capital Corp.	Taipei	Investment	4.67	6,093	(14,000)	2,009	-	2,009	4.67	
	Gapura Incorporated	Taipei	Investment	11.11	-	(3,544)	592	-	592	11.11	
	BankPro E-Service Technology Co., Ltd.	Taipei	E-commerce application service	3.33	4,500	1,539	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 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 the "Securities and Exchange Law Enforcement Rules," such as convertible bonds and warrants.

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

E.SUN COMMERCIAL BANK, LTD.

TABLE 4

**INFORMATION ON THE FOREIGN-CURRENCY FINANCIAL ASSETS AND
LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2011 AND 2010**

(Currency Unit: In Thousands)

	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
USD	\$4,655,368	30.2780	\$140,955,232	\$3,826,695	29.5000	\$112,887,503
AUD	460,218	30.7534	14,153,268	319,903	30.0281	9,606,079
HKD	2,158,441	3.8969	8,411,229	1,738,109	3.7900	6,587,433
JPY	12,071,016	0.3898	4,705,282	10,220,888	0.3622	3,702,006
EUR	73,494	39.2070	2,881,479	67,039	39.2468	2,631,066
RMB	198,596	4.7980	952,864	23,050	4.4664	102,951
GBP	3,588	46.6735	167,465	1,875	45.5510	85,408
CHF	2,705	32.1969	87,093	3,511	31.5339	110,716
SGD	2,283	23.3033	53,201	3,886	22.8718	88,880
CAD	1,790	29.6785	53,125	1,616	29.5118	47,691
ZAR	10,150	3.7208	37,766	7,376	4.4426	32,769
NZD	1,289	23.4261	30,196	7,752	22.7593	176,430
SEK	2,139	4.3910	9,392	2,539	4.3671	11,088
THB	5,359	0.9542	5,114	7,667	0.9788	7,504
MYR	77	9.5409	735	77	9.5624	736
MXN	693	2.1619	1,498	-	-	-
<u>Financial liabilities</u>						
USD	4,631,902	30.2780	140,244,729	4,190,070	29.5000	123,607,065
AUD	215,873	30.7534	6,638,829	139,638	30.0281	4,193,064
EUR	149,595	39.2070	5,865,171	171,945	39.2468	6,748,291
HKD	1,065,460	3.8969	4,151,991	950,202	3.7900	3,601,266
ZAR	1,093,291	3.7208	4,067,917	543,863	4.4426	2,416,166
JPY	8,622,514	0.3898	3,361,056	10,938,607	0.3622	3,961,963
RMB	490,850	4.7980	2,355,098	230	4.4664	1,027
SGD	67,353	23.3033	1,569,547	5,835	22.8718	133,457
NZD	57,865	23.4261	1,355,551	96,299	22.7593	2,191,698
GBP	22,006	46.6735	1,027,097	32,942	45.5510	1,500,541
CAD	24,858	29.6785	737,748	25,804	29.5118	761,522
CHF	7,704	32.1969	248,045	2,470	31.5339	77,889
SEK	9,430	4.3910	41,407	15,824	4.3671	69,105
MYR	1	9.5409	10	-	9.5624	-
MXN	-	2.1619	-	-	-	-

E.SUN COMMERCIAL BANK, LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2011 (In Thousands of New Taiwan Dollars)

Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other terms
							Owner	Relationship	Transfer Date	Amount			
E.SUN Commercial Bank, Ltd.	Land No. 0184-0000, Sec. Hui Guoduan, Xitun Dist., Taichung City Building 1F and 2F, No. 386, Shizheng Rd., Xitun Dist., Taichung City. 1F and 2F, No. 388, Shizheng Rd., Xitun Dist., Taichung City. 34F-1 (and #3, -5, -6, -7, -8), No. 386, Shizheng Rd., Xitun Dist., Taichung City Parking lots in B3, B5 and B6 of the above No. 386 building	Board approval date: 2010.12.14 Contract date: 2011.01.14 Settlement date: 2011.01.26	\$821,410	Fully paid	Fong-Yi Construction Co., Ltd., O O Wang					\$-	Appraisal report of Savills Taiwan	Office use	

TABLE 6

E.SUN COMMERCIAL BANK, LTD.

SALE OF NONPERFORMING LOANS YEAR ENDED DECEMBER 31, 2011 (In Thousands of New Taiwan Dollars)

1.Sale of nonperforming loans

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Terms	Relationship Between the Counterparty and the Bank
2011.2.9	Yuan Tai Asset Management Co., Ltd.	Syndicated loan	\$-	\$40,244	\$40,244	None	None

Note: The credit assets have been written off.

2.The sale of a batch of nonperforming loans of over NT\$1 billion (excluding those sold to related-parties): None.

VII. Risk Management



Nature of Solid and Sustainable Development.

1. Risk Management

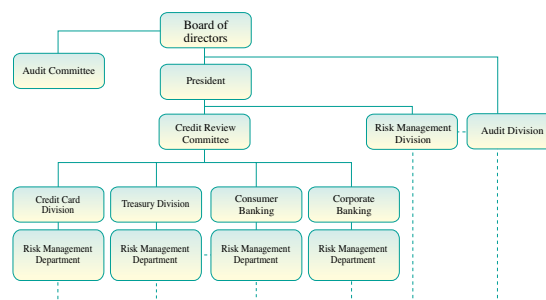
E.SUN's business development policies place security and liquidity first, followed by returns and then growth. E.SUN's main business divisions have all established risk management units that are responsible for direct management of risk operations. Regarding product designation, operational procedures and business marketing, E.SUN is continuously engaging in risk measurement, supervision and control tasks that are independent of the respective business operations.

Apart from each risk management unit under different business divisions, 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.

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 organizations is shown in the schematic diagram below.



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 and development strategy is to comply with the regulatory system and internal lending and transaction risk control mechanisms, thus continuing to assess and to follow with 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

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, mid-term management, engage in credit rating, manage the level of credit extended, and monitor loans after they have been disbursed. Every unit which is responsible for risk management in 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 instantaneously 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

2011.12.31 unit: NT\$ thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charges
Sovereign	286,528,761	0
Public Sector (Non-central government)	0	0
Banks (including multilateral development banks)	39,651,136	1,810,742
Corporate (including securities and insurance companies)	302,118,344	22,941,619
Retail Bonds	240,562,913	14,652,892
Residential Real Estate	210,931,778	7,599,376
Equity Investments	143,619	45,958
Other Assets	36,790,656	1,703,145
Total	1,116,727,208	48,753,732

1.2 Asset Securitization Risk Management System, Exposure and Capital Charge

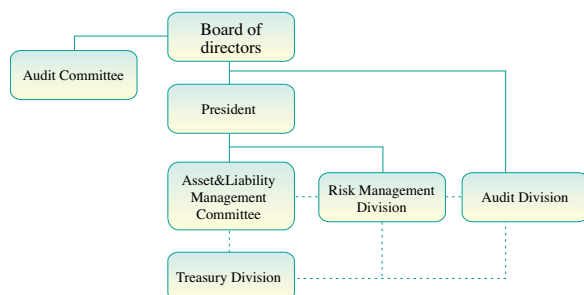
(1) Asset Securitization Risk Management System

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, in an effort to comply with the requirement set forth by the competent authority. 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

2011.12.31 Unit: NT\$ thousands

Type of Exposure	Non-Originator		Originator					
	Buy or Hold	Capital Charged	Exposure Amount				Capital Charged before Securitization	
			Non-Asset Based Commercial Paper		Asset Based Commercial Paper			
			Traditional			Structured		
			Hold Position	Non-Hold		Hold Position		Non-Hold
Bank Type	736,349	451,932			0	0	0	0
Corporate Type	29,773	29,773			0	0	0	0
E SUN BANK 2005-2 Collateralized Bond Obligation SPT			475,520	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	766,122	481,705	475,520	0	0	0	0	1,398,720

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 the current situation of 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

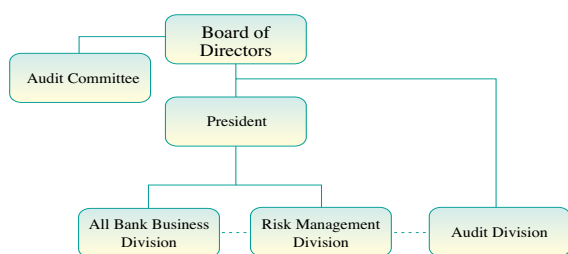
(1) Operations Risk Management System

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 Determining Regulatory Capital Charges: Basic Indicator Approach.

(2) Operational Risk Capital Charged

2011.12.31 unit: NT\$ thousands

Year	Gross Income	Capital Charged
2009	12,584,888	-
2010	16,848,601	
2011	18,753,205	
合計	48,186,694	2,891,202

1.4 Market Risk Management System, Exposure and Capital Charges

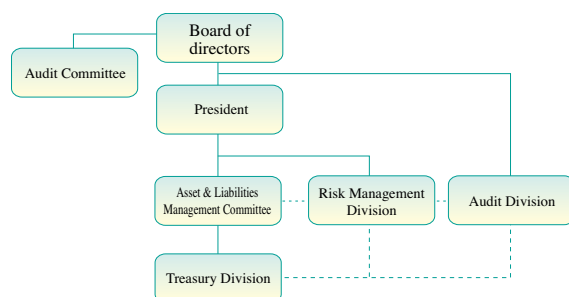
(1). Market Risk Management System

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 for by the Bank for International Settlements, in an effort to control E.SUN's market risk.

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 and report to the board and risk management committee periodically on market risk portfolio, liquidity risk and stress testing. 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

Regarding market risk management, E.SUN presently employs the Reuters Kondor+ system and Bloomberg datamart 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, helping to monitor the procedures. 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

2011.12.31 unit: NT\$ thousands

Risk Type	Capital Charged
Interest rate risk	1,503,117
Securities risk	237,689
FX risk	53,265
Commodity Risk	19,131
Option based on simple method	11,608
Total	1,824,810

1.5 Liquidity Risk Management and Asset and Liability Maturity Analysis

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-Liability Management Committee every month.

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

- (1) Stage 1 of IFRS will be applied to financial statements of the banking industry in 2013. In light of this, statements in 2012 will need to be compiled based on IFRS. Besides initial

adjustments in taxes on capital reserves and equity, new systems will be instituted to measure lending and receivables. These changes are expected to more precisely assess any lending- or receivables-related losses and impairment. E.SUN has already begun planning associated with the adoption of these new standards and will be entirely prepared prior to the implementation date set forth by regulators. This will ensure that E.SUN maintains its competitive edge.

- (2) The implementation of the Financial Consumer Protection Law means that when financial institutions market financial products, they not only must realize "Know Your Customer," but also "Know Your Product." Achieving an appropriate balance will help enable banks to provide customized asset allocation recommendations. E.SUN will continue to embrace its "Pure as Jade, Stern as Mountain" spirit in offering customers the most suitable financial products and services.
- (3) The new version of the Personal Information Protection Act mandates that enterprises have an obligation to notify individuals when they collect personal data, directly or indirectly, on that individual, as well as the goal in collecting this information and the related purpose. Companies must also receive written approval from individuals to do so. The new law is stricter than previous regulations. In light of the changes in the external regulatory environment, E.SUN is proactively amending its various internal procedures to ensure compliance with the amended laws and to guarantee the safety of its customers' personal information.
- (4) The US government previously announced the Foreign Account Tax Compliance Act (FATCA). This legislation requires that financial institutions in each country obtain ample data to determine whether an account belongs to an American citizen and then periodically declare related information about that account to the US government. The content of this act is inconsistent with personal information protection laws in many countries, and many nations have already begun planning and have taken action in response to the US regulations.

E.SUN will continue to monitor the latest developments and will respond to the requests of supervisory authorities.

- (5) In response to FSC regulations to raise the lending coverage ratio to 1%, E.SUN in November set aside provisions of NT\$2.437 billion. The decision by E.SUN to make all provisions at one time meant that the Bank's December profits and 2012 profits would not be impacted by this factor, and thus return to normal levels. Now having a loan coverage ratio of 1%, E.SUN's overall fiscal structure and capital adequacy ratio have been strengthened.

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

Advances in information technology enable E.SUN to provide various banking products and services to customers through its virtual network, satisfying the needs of its various customer segments. E.SUN will continue to invest resources in all sorts of R&D to introduce even more convenient products and services needed by its customers. 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 and it has made every effort to transfer its commitment in practice. In order to maintain its image, internal departments will regularly examine and make correction thereof 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 2011, the E.SUN Volunteers Foundation was honored by the Interior Ministry for the charitable work it carried out. The E.SUN Cultural & Education Foundation was awarded the Social Education Public Service Award by the Education Ministry. Meanwhile, the Executive Yuan's Sports Affairs Council presented an award to E.SUN for helping to promote athletics, while CommonWealth magazine honored E.SUN with the Gold Medal Service Award for top service in the banking industry. E.SUN won first place for best service among wealth management banks in a survey carried out by Business Today magazine, which also singled out E.SUN for having the best personal finance account executive team and best performance. The National Youth Commission mentioned E.SUN for its work in providing youth entrepreneurial loans, while the China Productivity Center awarded E.SUN its annual Customer Loyalty Award.

5. Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures:

None

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

In 2011, E.SUN's total domestic and overseas branch network reached 130 (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, mobile banking and a call center, creating a tight-knit financial services network and boosting customer value. Provision of comprehensive range of financial products line and services, together with 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 continues to observe the status of business development after 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 continues to pay close attention 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 2011, 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. Furthermore, E.SUN has formulated countermeasures and contingency plans in the event of emergencies or irregular events. The company follows plans and steps to effectively prevent crises from expanding and has instituted a real-time notification system. 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



Coloring the Beautiful New World.

1. Summary of Affiliated Companies

1.1 Consolidated Operating Report on Affiliated Companies

(1) Organization Chart of Affiliated Companies



(2) Operation Status of Affiliated Companies

2011.12.31 Unit: NT\$ thousands

Name	Capital	Total Asset	Total Liability	Net Worth	2011 P/L (after tax)	EPS (after tax in NT\$)
E.SUN FHC	45,750,000	78,834,222	13,250,526	65,583,696	3,484,348	0.82
E.SUN Securities	3,060,000	6,001,721	2,416,748	3,584,973	72,339	0.24
E.SUN Venture Capital	1,500,000	1,692,426	20,826	1,671,600	93,118	0.66
E.SUN Insurance Brokers	113,000	788,737	126,341	662,396	458,255	40.55
E.SUN Investment Consulting	50,000	62,973	7,975	54,998	2,143	0.43

1.2 Report on Affiliation

2011.12.31

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	4,220,600,000 shares	100%	0 share	Title and name as following note

*Note:

Chairman: Kuo-Lieh Tseng

Managing Directors: Joseph Huang, 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, Cheng-Pin Lee, Tai-Chi Lee, Magi Chen, J.C. Wang, Mao-Chin Chen

(3) 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.

1.3 Other Important Transaction: None

1.4 Guarantee for Affiliated Companies: None

1.5 Representation of Consolidated Financial Statements of Affiliated Enterprises

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

5. Representation of Consolidated Financial Statements of Affiliated Enterprises

Representation

March 16, 2012

On behalf of E.SUN Commercial Bank Ltd., we hereby declare that the company's 2011 Affiliation Report (Period from Jan. 1st 2011 to Dec. 31st 2011) 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





E.SUN Commercial Bank, Ltd.

Chairman of the Board

March 30, 2012 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	Pu Chain Branch	+886 2 2963 1313	Fongyuan Branch	+886 4 2512 1313
International Banking Division/OBU	+886 2 2175 1313	Banhshin Branch	+886 2 8952 1313	Dali Branch	+886 4 2418 1313
Trust Division	+886 2 2175 1313	Haishan Branch	+886 2 2256 1313	Caotun Branch	+886 4 9238 1313
Credit Card Division	+886 2 2182 1313	Guangfu Branch	+886 2 2957 1313	Changhua Branch	+886 4 728 1313
Nanching East Road Branch	+886 2 2760 1313	Sanchung Branch	+886 2 2280 1313	Yuanlin Branch	+886 4 836 1313
Chengjhong Branch	+886 2 2389 1313	Chongsin Branch	+886 2 2984 1313	Douliou Branch	+886 5 532 1313
Dongmen Branch	+886 2 2321 1313	Er-Chong Branch	+886 2 2278 1313	Chiayi Branch	+886 5 223 1313
Chengtung Branch	+886 2 2504 1313	East Sanchung Branch	+886 2 2971 1313	East Chiayi Branch	+886 5 216 1313
Keelungroad Branch	+886 2 2378 1313	Tucheng Branch	+886 2 2274 1313	Puzih Branch	+886 5 379 1313
Hsinyi Branch	+886 2 8789 1313	SouthTucheng Branch	+886 2 2267 1313	Tainan Branch	+886 6 241 1313
Tienmu Branch	+886 2 2835 1313	Shulin Branch	+886 2 8675 1313	East Tainan Branch	+886 6 289 1313
Minsheng Branch	+886 2 2509 1313	Hueiilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Fuhsing Branch	+886 2 2771 1313	Wugu Branch	+886 2 2290 1313	Yungkang Branch	+886 6 201 1313
Tunnan Branch	+886 2 2754 1313	Sindian Branch	+886 2 2916 1313	Chiali Branch	+886 6 721 1313
Changchun Branch	+886 2 2546 1313	Beisin Branch	+886 2 8911 1313	Rende Branch	+886 6 270 6613
Chungshan Branch	+886 2 2537 1313	Sanxia Branch	+886 2 2673 6613	Kaohsiung Branch	+886 7 336 1313
Neihu Branch	+886 2 2659 1313	Taishan Branch	+886 2 2297 1313	Dashun Branch	+886 7 727 1313
Shilin Branch	+886 2 2834 1313	Sinshu Branch	+886 2 2647 1313	Lingya Branch	+886 7 716 1313
Dong-Hu Branch	+886 2 2632 1313	Taoyuan Branch	+886 3 332 1313	Cianjhen Branch	+886 7 761 1313
North Tienmu Branch	+886 2 2877 1313	South Taoyuan Branch	+886 3 337 1313	Chihsien Branch	+886 7 235 1313
Songshan Branch	+886 2 3765 1313	Tao Yin Branch	+886 3 375 1313	Zuoying Branch	+886 7 559 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Nanzih Branch	+886 7 364 1313
Mincyuan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	North Kaohsiung Branch	+886 7 350 1313
Jhonglun Branch	+886 2 2577 1313	Bade Branch	+886 3 367 1313	Sanmin Branch	+886 7 315 1313
Daan Branch	+886 2 2755 1313	Jhongli Branch	+886 3 427 1313	Dachang Branch	+886 7 341 1313
Guting Branch	+886 2 2364 1313	Lisin Branch	+886 3 492 1313	Chengcing Branch	+886 7 386 1313
Beitou Branch	+886 2 2895 1313	Yangmei Branch	+886 3 488 1313	Siaogang Branch	+886 7 807 1313
Songjiang Branch	+886 2 2562 1313	Hsinchu Branch	+886 3 523 1313	Fongshan Branch	+886 7 743 1313
Mujha Branch	+886 2 2936 1313	Guanghua Branch	+886 3 533 1313	Gangshan Branch	+886 7 621 1313
Jhongsiao Branch	+886 2 8772 1313	Juke Branch	+886 3 564-1313	Linyuan Branch	+886 7 643 1313
Sinhu Branch	+886 2 2203 1313	Jhu Bei Branch	+886 3 554 1313	Houjhuang Branch	+886 7 702 1313
Jiancheng Branch	+886 2 2556 1313	Sinfong Branch	+886 3 557 1313	Pingtung Branch	+886 8 733 1313
Nangang Branch	+886 2 2789 1313	Jhunan Branch	+886 3 746 1313	Chaozhou Branch	+886 8 786 1313
Hsinchuang Branch	+886 2 2202 1313	SinNan Branch	+886 3 747 6115	Donggang Branch	+886 8 835 1313
North Hsinchuang Branch	+886 2 2997 1313	Toufen Branch	+886 3 766 3571	Neipu Branch	+886 8 778 1313
Lujhou Branch	+886 2 2848 1313	Houlong Branch	+886 3 772 4771	Keelung Branch	+886 2 2427 1313
Shwangho Branch	+886 2 2923 1313	Taichung Branch	+886 4 2254 1313	Luodong Branch	+886 3 957 1313
Yonghe Branch	+886 2 2949 1313	Wunsin Branch	+886 4 2291 1313	Hualien Branch	+886 3 831 1313
Fu-Hei Branch	+886 2 8923 1313	Dadun Branch	+886 4 2320 1313	Taitung Branch	+886 8 936 1313
Yung An Branch	+886 2 8921 1313	Nantun Branch	+886 4 2380 1313	Penghu Branch	+886 6 927 1313
Jhonghe Branch	+886 2 2222 1313	Situn Branch	+886 4 2461 1313	Los Angeles Branch	+1 626 810 2400
Liancheng Branch	+886 2 8228 1313	Jhonggong Branch	+886 4 2350 8913	Hong Kong Branch	+852 3405 6168
Taihe Branch	+886 2 2242 1313	Daya Branch	+886 4 2568 1313	Singapore Branch Preparatory Office	
Nanshijiao Branch	+886 2 2942 8813	Longjing Branch	+886 4 2636 6813	Ho Chi Minh City Representative Office	+84 8 3835 1313
Banciao Branch	+886 2 8257 1313			Dongguan Representative Office	+86 769 2868 1313

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Headquarters	+886 2 5556 1313	Hsinchuang Branch	+886 2 2998 1313
Brokerage HQ	+886 2 2713 1313	Tucheng Branch	+886 2 2265 1313
Nanching East Road Branch	+886 2 2765 1313	Taoyuan Branch	+886 3 336 6813
Songjiang Branch	+886 2 2562 1313	Hsinchu Branch	+886 3 666 9913
Renai Branch	+886 2 3393 1313	Taichung Branch	+886 4 2258 9913
Taida Branch	+886 2 8369 1313	Chiayi Branch	+886 5 216 9913
Chengjhong Branch	+886 2 2382 1313	Tainan Branch	+886 6 269 9913
Shinlin Branch	+886 2 2833 1313	Jin Hua Branch	+886 6 291 6613
Neihu Branch	+886 2 2656 1313	Kaohsiung Branch	+886 7 397 1313
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