

玉山二十一年
21th

E.SUN BANK 5847
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ANNUAL REPORT 2012



101 年 年 報



玉山銀行 E.SUN BANK



Pure as Jade, Stern as Mountain.

E.SUN Spokesman

Name: Magi Chen

Position: Senior Executive Vice President

Telephone: +886 2 2175 1313

email: magi@email.esunbank.com.tw

Deputy Spokesman

Name: Mao-Chin Chen

Position: CEO of Corporate Banking Division

Telephone: +886 2 2175 1313

email: james-0081@email.esunbank.com.tw

Registered Office and Branches

Name	Address	Telephone	Website
Register Office	No.115&117, Sec.3, Minshen E. Rd., Songshan District, Taipei, Taiwan	+886 2 2175 1313	www.esunbank.com.tw
Branches	Please refer to the back cover		

Stock Transfer and Service Contact

Name : Stock Service Department, General Affairs Division, E.SUN Bank

Address : No.115, Sec. 3, Minshen E. Rd., Songshan District Taipei ,
Taiwan, R.O.C.

Website : www.esunbank.com.tw

Telephone : +886 2 2719 1313

Rating Agency

Name : Moody's Investors Service Inc.

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

Telephone : +1 212 553 0300

Name : Taiwan Ratings Corporation

Address : 49th FL., Taipei 101 Tower No.7, Sec.5, xinyi Rd., Taipei, Taiwan R.O.C.

Telephone : +886 2 8722 5800

Auditing Certified Public Accountant

Certified Public Accountant : Chen Li Chi, Lai Kwan Chung

Accounting Firm : Deloitte Taiwan

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

Website : www.deloitte.com.tw

Telephone : +886 2 2545 9988

The highest peak, the best bank.



Have Taiwan Heard Worldwide
Highlight E.SUN's Pride Everywhere

E.SUN BANK 21th



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I. Letter to Shareholders

In 2012, E.SUN Bank scored handsomely as it fully asserted its core values in brand name, service, teamwork and power of execution. Net income came in at NT\$7.179 billion, NT\$1.64 per share. The ROE and ROA topped 10.24% and 0.60% respectively. These numbers represent a new height in recent years. Asset quality was also kept at its accustomed state of excellence: the NPL ratio of 0.17% was matched by a provisions coverage ratio of 658%. Moreover, the Bank already complied with the competent authority's request to set aside provisions equivalent to 1% of Category One credit assets.

At the end of 2012, E.SUN Bank's total assets amounted to NT\$1.24 trillion; outstanding balance of deposits reached NT\$1.0295 trillion (up 6.96% from a year earlier); outstanding balance of loans, NT\$743.8 billion (up 12.20% year-on-year); capital adequacy ratio, 13.21% (9.05% for Tier 1 capital). All these numbers attest to the Bank's dramatic growth on all fronts. In particular, SME loans rose 18.6%, demand deposits increased 15.9%, net fee income from wealth management services jumped 38.3%, and net fee income from credit card services advanced 21.8%. E.SUN Bank thus emerged as No. 1 in terms of net growth in KPIs for the Taiwan market in 2012: total fee income, current account deposits, demand deposits, income from credit cards, number of active cards, number of effective cards, and cardholder spending. In terms of credit ratings, E.SUN Bank was assigned by Moody's Investors Service its long/short-term foreign-currency deposit ratings of Baa1/P-2 (rating date of July, 2012). For its part, Taiwan Ratings Corp. assigned its twA+/twA-1 ratings (rating date of July, 2012) to the Bank with a stable outlook.

When it comes to expanding channels, E.SUN will further strengthen the regional joint operations in local market and enhance the value of branch channel in integrating services. E.SUN plans to add four new branches, making a total of 136



Heritage of intelligence and leadership.

domestic branches to offer quality services to a greater number of customers. Meanwhile, the year 2012 saw E.SUN Bank adding two new overseas branches in Singapore and Dongguan, China to join the existing two in Los Angeles and Hong Kong. While the Bank already secured the Taiwanese authority's approval for its establishment of outposts in Myanmar, Cambodia and Sydney, Australia, in the days ahead, the Bank hopes to build an even greater presence throughout Asia and mainland China and thus take full advantage of Asia's growth and business opportunities centering on China's renminbi. To attain these goals, it will institutionalize norms, grow talent, develop information and put in place a fully integrated cross-border platform. In return, E.SUN also expects to further broaden its clientele and take its quality services and development experiences to other parts of the world.

At E.SUN, customers always come first. A digitized approach is adopted to better serve customers. That is, customer segmentation is meticulously matched by electronic or automated services rendered on the mobile, internet or ATM platforms. Combination of the virtual and the branch channel offers customers a brand-new banking experience—services of greater value provided in more convenient ways. Above all, E.SUN gives priority to offering wealth management consultation and services worthy of

VIP clients. Drawing on the E.SUN financial group's full range of product lines, it has the capability to bring value to VIP clients, thereby making possible word-of-mouth marketing. Special emphasis will be placed on growing such businesses as demand deposits, trade finance, wealth management and credit cards. By keeping up growth in fee income and refining capital and asset management, E.SUN believes it is on the path toward a "great leap forward."

Among all development in E.SUN, innovation tops E.SUN's priorities. In fact, innovation is supposed to be an aspiration shared by every employee. All E.SUN employees are encouraged to develop their capacity for observation, pay attention to their surroundings and stay curious about why things happen the way they do and what outcome they may lead to. They are supposed to observe work flows and customer responses so that they can come up with ways to make things better. In addition to offering the best solution to customer and their financial needs, they can help making customers' pleasant experience in finance being a fun part of their lives. Moreover, E.SUN values exchanges among different lines of business. Cross-industry cooperation is conducive to creativity and innovation. The newly launched "E.SUN U-bike" initiative is a fine example of the Bank working with partners outside the financial services industry and adopting a new approach to environmental protection. By inspiring creativity and innovation, the Bank strives to imbue all employees with a common passion: "whatever concerns E.SUN concerns me." This shared passion will enable E.SUN to enjoy sustainable development and a brighter future.

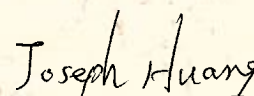
Social responsibility has been an integral part of E.SUN's core strategies since its inception. As a responsible corporate citizen, we care about the community and the environment. In

recognition of its unwavering commitment to environmental protection, energy conservation and carbon reduction, the Environmental Protection Administration (EPA) and Taipei City government cited E.SUN as one of the top-performing private enterprises and organizations in terms of green procurement for three years in a row. With holders of the Bank's World Card invited to join the cause, E.SUN's "Golden Seed Project" has to date helped establish 60 libraries for elementary school pupils in remote areas. In a similar vein, E.SUN volunteers have solicited donations from colleagues and launched the "Care for Schoolchildren Project." The objective is to join school teachers in helping schoolchildren who need help most. Meanwhile, E.SUN is an avid high school baseball sponsor and blood drive organizer. By pooling resources and taking action to honor its CSR, the Bank believes our society will become even better as one good deed sends ripples far and wide.

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 to it provided 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



Reflection of clear sky and beautiful landscape.

1.Introduction



E.SUN Bank received the Golden Service Award for its top Service in the banking industry, first prize of Best Customer Services in Best Wealth Management Bank Awards, and outstanding and benchmark corporate of "Green Procurement".

(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.

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

excellence, forging sustainable development for the Bank.

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:

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

b. 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.

c. 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.

d. The board of E.SUN Commercial bank approved to acquire 70% shares of Union Commercial Bank PLC. (UCB) of Cambodia on 22 March, 2013, the transaction is subject to approval by the relevant regulatory authorities of both parties.

e. 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 :

* 2012

- E.SUN Bank was once again rated as No. 1 winner of Best Service Awards for the wealth management sector of Taiwan's banking industry (Business Today)
- E.SUN Bank was once again rated as the local financial industry's No. 1 recipient of Gold Medal Service Awards (CommonWealth Magazine)
- E.SUN Bank was cited as a bellwether entity of "green procurement in the private sector" for three years in a row (Taipei City government)
- E.SUN Bank was cited as a bellwether entity of "green procurement" for three years in a row. (Environmental Protection Administration)
- E.SUN Bank won the Golden Award for the lending data segment (Joint Credit Information Center)

-E.SUN Bank, in its capacity as head office, was a recipient of the SME Credit Guarantee Partner Awards for seven straight years; three managers of the Bank were also award recipients in recognition of their outstanding personal performance (Ministry of Economic Affairs)

-E.SUN Bank was once again rated as a bank of excellence in providing loans for young people to start their own business; the Shuanghe and Dali branches were also awarded for their outstanding performance on this front (National Youth Commission, Executive Yuan)

* 2011

- E.SUN Bank 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 SME Credit Guarantee Partner Award (MOEA and Credit Guarantee Fund)
- E.SUN Bank emerged as recipient of top prize in Service Capital Awards for private banks (China Productivity Center)
- E.SUN Bank was rated as a bank of excellence in providing loans for young people to start their own business (National Youth Commission, Executive Yuan)

* 2010

- 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 was awarded the prize of outstanding financial business for the Corporate Social Responsibility Award (Taiwan Academy of Banking and Finance)
- E.SUN Bank won an award with the number

of transactions carried out through its payment system (The Bankers Association of R.O.C.)

- E.SUN FHC received Certificate of Outstanding Corporate Governance for the third consecutive year (Taiwan Corporate Governance Association)
- E.SUN FHC won the Corporate Social Responsibility Award for the third consecutive year (CommonWealth 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 and Credit Guarantee Fund)

-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.(Joint Credit Information Center)

-E.SUN Bank ranked second in banking sector under the survey of The Ideal Brand by Business man (Business Today)

-E.SUN FHC received Corporate Social Responsibility honorable award (Global View magazine)

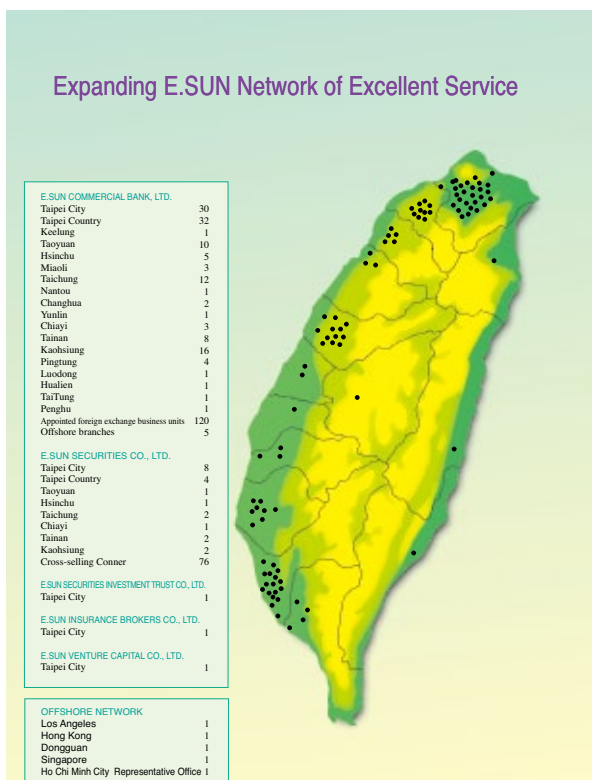
-E.SUN FHC once again received the Global Corporate Citizen award, being rated top among its peer (CommonWealth Magazine)

* 2009

- E.SUN Bank was chosen as the most trustworthy bank in Wealth Management Business(Business Today)

Socrates reckons that nothing is happier than to strive for what one believes in. E.SUN celebrated its 20th birthday in 2012—not only a milestone marking the Bank’s bid for sustainable development but also a key moment in having its dream come true. For 20 years E.SUN has stood by its commitment to running the best bank and providing customers with the best possible services. In days yet to come, it pledges to further improve its services while doing more to honor its Corporate Social Responsibility. For its love for Taiwan, E.SUN will continue its environmental protection endeavors throughout the country and build more “Golden Seed” libraries for schoolchildren in remote areas. In conjunction with bicycle manufacturer Giant and Taipei City government, it will also continue to promote the “E.SUN Ubike” initiative. All these efforts are aimed at one goal: preserving Taiwan as a land of health and beauty.

In its second decade, E.SUN was rewarded with a wide array of accolades both in Taiwan and abroad, including the unparalleled National Quality Award. As the third decade unfolds, it is set to “deepen its root in Taiwan and make inroads into Asia.” The 2012 launch of the Singapore and Dongguan branches is rightly a prelude to E.SUN’s ascension in Asia—it will work even harder to have Taiwan heard worldwide and make the proud name of E.SUN readily visible to the globe.



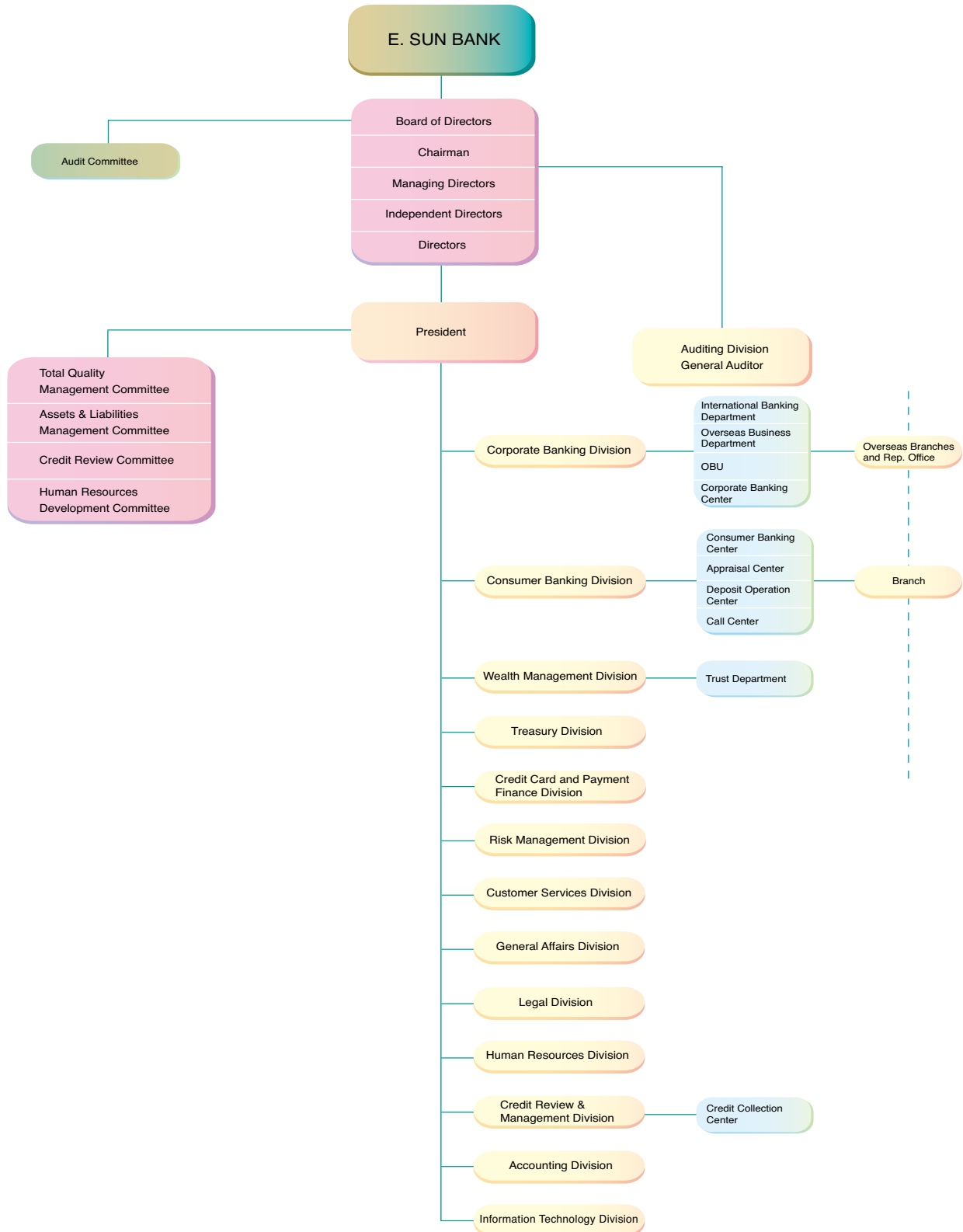
E.SUN has delivered the quality service through its nationwide 132 branch network, and increase overseas' development.

III. Corporate Governance Report



Refined Life, Strong and Solid.

1.Organization



2. Directors, Independent Directors and Management Team



Forward looking, professional navigation.

2.1 Directors and Independent Directors

2012.12.31 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 eth 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%					
Chairman	Representative of E.SUN Financial Holding Company Kuo-Lieh Tseng	2011.07.07	3	2010.5.14	3,510,000	100%	4,572,500	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%	4,572,500	100%	0	0	0	0	MBA of the City University of New York, 20 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%	4,572,500	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., Hsin Tung Yang Real Estate Broker Co., Ltd, Sheng Yang Construction Co., Ltd., Hsin Tung Yang Construction Co., Ltd., Sun Mall Department Co., Ltd., and Sing Yang Investment Co., Ltd.; Director of J.K. Multiplayer Technology Co., Ltd., Sheng Yang Marketing Co.,Ltd. , Hwa Yang International Distribution Co., Ltd., LION TECH. Co., Ltd., TDW Pharmaceuticals, Inc., and Ltd.E.SUN FHC., Sheng Yang Land Holding Co., Ltd., Sheng Yang International Land Holding 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
Managing Director	Representative of E.SUN Financial Holding Company Chiu-Hsiong Huang	2011.07.07	3	1991.12.16	3,510,000	100%	4,572,500	100%	0	0	0	0	PhD of Business Administration at Delta University	CPA; Supervisor of Ya Pu Construction; Representative of Comewell Investment (BVI) Co., Ltd.; Chairman of Alcan 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)	Representative of E.SUN Financial Holding Company Chen-Chen Chang Lin	2011.07.07	3	2007.8.16	3,510,000	100%	4,572,500	100%	0	0	0	0	Master of Mathematics and Statistics of University of Michigan	Independent Director and Chairman of Remuneration Committee of E.SUN FHC	None	None	None
Independent Director	Representative of E.SUN Financial Holding Company Chen-En Ko	2011.07.07	3	2007.8.16	3,510,000	100%	4,572,500	100%	0	0	0	0	PhD of Department of Accounting at University of Minnesota Dean, College of Management, National Taiwan University	Adjunct Professor of Department of Accounting at National Taiwan University; Independent Director of Chang Type Industrial Co., Ltd., Novatek Microelectronics Corp., Ltd., E.SUN FHC; Director of BabyHome International Co., Ltd.; Supervisor of Fareastone Telecommunication Co., Ltd.; Member of Remuneration Committee of ATEN International Co., Ltd., Zhen Ding Technology Co., Ltd., E.SUN FHC	None	None	None
Independent Director	Representative of E.SUN Financial Holding Company Ji-Ren Lee	2011.07.07	3	2007.8.16	3,510,000	100%	4,572,500	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, Wowprime Corp.; Director of Aver Media Technologies Co., Ltd., Member of Remuneration Committee of Nien Hsing Textile Co., Ltd., Shui-Mu International Co., Ltd., E.SUN FHC	None	None	None
Independent Director	Representative of E.SUN Financial Holding Company Hsin-I Lin	2011.07.07	3	2008.6.13	3,510,000	100%	4,572,500	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 Shiye Shiyang Mechanical Industrial Co., Ltd.; Independent Director and Member of Remuneration Committee of Sinyi Realty, E.SUN FHC and Acer Incorporated.	None	None	None
Director	Representative of E.SUN Financial Holding Company Chao-Kuo Chen	2011.07.07	3	2008.11.21	3,510,000	100%	4,572,500	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., 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 Jhang Investment Co., Ltd. and E.SUN FHC.	None	None	None
Director	Representative of E.SUN Financial Holding Company Chien-Li Wu	2011.07.07	3	1995.4.17	3,510,000	100%	4,572,500	100%	0	0	0	0	Chung Jung High School	Chairman of Shang Li Car Co., Ltd, Ruen Li Transportation Co., Ltd., Shen Li investment Co., Ltd., Shang Li Transportation Co., Ltd, Shan Li Transportation Co., Ltd, Shan Ben Intl. Investment Co., Ltd and San Li Investment Co., Ltd.; Director of Guang Yuan Investment Co., Ltd, Keeper Technology Co., Ltd, TongLi 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-Ping Lee	2011.07.07	3	1991.12.16	3,510,000	100%	4,572,500	100%	0	0	0	0	Master of public Administration of University of San Francisco	Chairman of Hsin-Nan Co., Ltd, Danver Trading Co, Ltd and Hua Bin Co., Ltd; Director of Dai Kong Trading Co., Ltd, Kuan Cheng Limited, Danver Chemical & Pharmaceutical Co., Ltd, Tsai Hsing Co., Ltd, Jia Terng Enterprises 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 eth Management Team, Directors or Supervisors			
							Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name				Position			Name
					Shares	Ratio%	Shares	Ratio%	Shares	Ratio%	Shares	Ratio%						
Director	Representative of E.SUN Financial Holding Company Tai-Chi Lee	2011.07.07	3	1992.11.26	3,510,000	100%	4,572,500	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 Yo Investment Co., Ltd.; Hsing Hua Matches Co., Ltd, Director of Hsing Yung Li Co., Ltd., Po Lien Auto Co., Ltd., Pro Car Leasing Co., Ltd.; Supervisor of Po Hsing Chemical Co., Ltd., Yung Jia Investment Co., Ltd., Jia Hsing Investment Co., Ltd., Fu Li Investment 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%	4,572,500	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%	4,572,500	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	3,510,000	100%	4,572,500	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

2012.12.31

Name of institutional shareholders	Major shareholders of the institutional shareholders
E.SUN Financial Holding Co., Ltd.	Saudi Arabian Monetary Agency Investment Account (4.44%) Cathay Life Insurance Co., Ltd. (3.80%) Ron-Yuan Investment Co., Ltd. (3.48%) PCA Life Assurance Co., Ltd. (3.40%) E.SUN Bank Trust Account (2.37%) Hsin Kang Investment Co., Ltd. (2.24%) Morgan Stanley Appollo Holdings (Cayman) Ltd. (2.17%) Public Service Pension Fund Management Board (1.64%) New Labor Pension Found (1.61%) Nan Shan Life Insurance Co., Ltd. (1.53%)

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 Joseph Huang			✓			✓	✓		✓	✓	✓	✓		0
Managing Director Chiu-Hsiung Huang		✓	✓	✓		✓	✓		✓	✓	✓	✓		0
Managing Director Jackson Mai			✓	✓		✓	✓		✓	✓	✓	✓		0
Independent Director/ Managing Director Chang Lin Chen Chen			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Independent Director Chen-En Ko	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		2
Independent Director Ji-Ren Lee	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓		1
Independent Director Hsin-I Lin			✓	✓	✓	✓	✓		✓	✓	✓	✓		1
Director Chao-Kuo Chen			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Chien-Li Wu			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Cheng-Ping 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 Bank 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 third 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, or officer, shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial or accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse thereof. The restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.
- (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



Moving forward and a leap.

2013.03.30 Unit: 1,000 shares; %

Department	Position	Name	Date of Appointment	Shareholding in E.SUN FHC(2012.12.31)						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	3,740	0.075	179	0.004	0	0	President, E.SUN FHC	Director and President, E.SUN FHC Managing Director, ESB Director, Kellong (International) Cosmetic Limited	None	None	None
Corporate Banking Division	CEO of Corporate Banking Division	Mao-Chin Chen	2011.08.01	1,157	0.023	5	0.0001	0	0	SEVP, ESB Corporate Banking Division	SEVP, E.SUN FHC Director, ESB	None	None	None
Corporate Banking Division	SEVP	L.C. Lin	2012.01.07	435	0.009	0	0.000	0	0	SEVP, ESB Corporate Banking Division	SEVP, E.SUN FHC None	None	None	None
Corporate Banking Division	EVP	Yao-Bing Lin	2013.02.01	577	0.012	2	0.00004	0	0	Senior VP of Corporate Banking Division	None	None	None	None
Corporate Banking Division	EVP	Da-Tan Lin	2011.01.24	488	0.010	8	0.0002	0	0	Senior VP of Corporate Banking Division	None	None	None	None
Corporate Banking Division	EVP	Cathy Kuo	2013.02.01	676	0.013	0	0	0	0	Senior VP of Corporate Banking Division	None	None	None	None
OBU Branch	Senior Vice President	Tzung-Min Pai	2010.01.29	469	0.009	195	0.004	0	0	VP, Corporate Banking Division	Director of E.SUN VC	None	None	None
International Banking Department	Senior Vice President	Maggy Chou	2010.01.29	895	0.018	206	0.004	0	0	VP, ESB International Banking Department	Director of TAILING Spectacles Industrial Co., Ltd.	Senior VP	Chun-Nan Tsai	Spouse
Consumer Banking Division	CEO of Consumer Banking Division	Suka Chen	2012.01.07	1,368	0.027	54	0.001	0	0	President, E.SUN Securities	Director and Deputy President, E.SUN FHC Director, E.SUN Securities, BANKPRO E-service technology Co., Ltd.	None	None	None
Consumer Banking Division	EVP	Chi-Gan Chung	2013.02.01	893	0.018	0	0.000	0	0	EVP, ESB Consumer Banking Division	Director of E.SUN VC	None	None	None

Department	Position	Name	Date of Appointment	Shareholding in E.SUN FHC(2012.12.31)						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	EVP	Wu-Ming Hsieh	2012.01.07	496	0.010	20	0.0004	0	0	EVP, ESB Consumer Banking Division	None	None	None	None	
Wealth Management Division	SEVP	Shui-Chin Shen	2012.01.07	713	0.014	78	0.002	0	0	EVP, ESB North Koahsiung Consumer Banking Center	SEVP, E.SUN FHC CEO, E.SUN Insurance Broker	None	None	None	None
Wealth Management Division	EVP	Louis Chang	2013.02.01	643	0.013	150	0.003	0	0	SVP, ESB Wealth Management Division	Director, E.SUN Insurance Brokers	None	None	None	None
Trust Department	VP	Edward Chen	2005.02.24	310	0.006	80	0.002	0	0	Assistant VP, ESB Trust Department	None	None	None	None	None
Treasury Division	CFO/SEVP	Magi Chen	2012.01.07	738	0.015	0	0.000	0	0	SEVP, ESB Treasury Division	CFO, E.SUN FHC Director, ESB	None	None	None	None
Treasury Division	Vice CFO/EVP	Joseph Shue	2011.01.24	510	0.010	0	0.000	0	0	EVP, ESB Treasury Division	Vice CFO, E.SUN FHC	None	None	None	None
Treasury Division	EVP	Peter Shih	2013.02.01	714	0.014	0	0.000	0	0	SVP, ESB Treasury Division	None	None	None	None	None
Treasury Division	EVP	Hsien-Hsuan Tsai	2013.02.01	235	0.005	0	0.000	0	0	SVP, ESB Treasury Division	None	None	None	None	None
Credit Card and Payment Finance Division	SEVP	Ben Chen	2012.01.07	2,024	0.040	671	0.013	0	0	SEVP, ESB Credit Card and Payment Finance Division	SEVP, E.SUN FHC Director, E.SUN Insurance Brokers	None	None	None	None
Credit Card and Payment Finance Division	EVP	Jung-Hua Lin	2012.01.07	689	0.014	8	0.0002	0	0	EVP, ESB Credit Card and Payment Finance Division	None	None	None	None	None
Credit Card and Payment Finance Division	EVP	Fu-Chung Huang	2013.02.01	270	0.005	133	0.003	0	0	SVP, ESB Credit Card and Payment Finance Division	None	None	None	None	None
Credit Card and Payment Finance Divisio	EVP	Samuel Lin	2013.02.01	398	0.008	0	0.000	0	0	SVP, ESB Credit Card and Payment Finance Division	None	None	None	None	None
Audit Division	General Auditor	Chung-Chen Sun	2012.04.26	905	0.018	73	0.001	0	0	EVP, Credit Review & Management Disivion	None	None	None	None	None
Headquarter	Chief Compliance Officer/SVP	Fion Ouyang	2012.04.26	32	0.001	0	0.000	0	0	VP, Legal Division	Chief Compliance Officer, E.SUN FHC	None	None	None	None
Legal Division	VP	Mei-Cheng Chu	2007.02.15	263	0.005	0	0.000	0	0	VP, Credit Review & Management Division	None	None	None	None	None
General Affairs Division	EVP	Chien-Yu Chou	2007.02.15	1,514	0.030	395	0.008	0	0	EVP, ESB General Affairs Division	EVP, E.SUN FHC	None	None	None	None
Accounting Division	CAO/EVP	Kuan-Her Wu	2005.02.24	313	0.006	0	0.000	0	0	EVP, ESB Accounting Division, Capital Contributor of Yung-Cheng Joint CPA Firm	CAO of E.SUNFHC, Supervisor of E.SUN VC	None	None	None	None
IT Division	CIO/EVP	Wan-Li Hsieh	2013.02.01	329	0.007	49	0.001	0	0	EVP, ESB IT Division	CIO of Division	None	None	None	None
HR Division	Head of HR/ SEVP	J.C Wang	2012.01.07	1,680	0.034	585	0.012	0	0	EVP, ESB HR Division	Head of HR, E.SUN FHC Director, ESB Supervisor of Shan Meng Investment Co., Ltd.	None	None	None	None
Risk Management Division	CRO/EVP	Oliver Hsieh	2013.02.01	580	0.012	0	0.000	0	0	EVP, ESB Risk Management Division	CRO of E.SUN FHC	None	None	None	None

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

(1) Remuneration of Directors

2012.12.31 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)		Holding Restricted Stock Options								
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			The company	Companies in the consolidated financial statements	
															Cash	Stock	Cash	Stock									
List as following		6,252	6,252	0	0	57,886	57,886	3,849	3,849	0.94%	0.94%	16,399	16,399	0	0	1,479	0	1,479	0	0	0	0	0	0	1.19%	1.19%	0

* E.SUN FHC Representative: Chairman Kuo-Lieh Tseng; Managing Directors Joseph Huang, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Chen Chen; Directors Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chao-Kuo Chen, Chien-Li Wu, Tai-Chi Lee, Cheng-Ping Lee, Magi Chen, J.C. Wang, Mao-Chin Chen.

* 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 Chen Chen, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin Chao-Kuo Chen, Chien-Li Wu,	Joseph Huang, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Chen Chen, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin Chao-Kuo Chen, Chien-Li Wu,	Joseph Huang, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Chen Chen, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chao-Kuo Chen, Chien-Li Wu,	Joseph Huang, Jackson Mai, Chiu-Hsiung Huang, Chang Lin Chen Chen, Chen-En Ko, Ji-Ren Lee, Hsin-I Lin, Chao-Kuo Chen, Chien-Li Wu,
NT\$ 2,000,000 ~ 5,000,000	Cheng-Ping Lee, Tai-Chi Lee, Magi Chen, J.C. Wang, Mao-Chin Chen	Cheng-Ping Lee, Tai-Chi Lee, Magi Chen, J.C. Wang, Mao-Chin Chen	Tai-Chi Lee, Cheng-Ping Lee,	Tai-Chi Lee, Cheng-Ping Lee,
NT\$ 5,000,000 ~ 10,000,000			J.C. Wang, Mao-Chin Chen	J.C. Wang, Mao-Chin Chen
NT\$ 10,000,000 ~ 15,000,000			Magi Chen	Magi Chen
NT\$ 15,000,000 ~ 30,000,000	Kuo-Lieh Tseng	Kuo-Lieh Tseng	Kuo-Lieh Tseng	Kuo-Lieh Tseng
NT\$ 30,000,000 ~ 50,000,000	E.SUN FHC	E.SUN FHC	E.SUN FHC	E.SUN FHC
NT\$ 50,000,000 ~ 100,000,000				
Over NT\$ 100,000,000				
Total	67,987	67,987	85,865	85,865

* 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.

(2) Comparison of Remuneration and the ratio of total Remuneration paid by the Company and by all companies included in the 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	2012						2011					
	The Company			Companies in the Financial Statements			The Company			Companies in the 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	67,987	0.94%	15	67,987	0.94%	15	28,826	0.91%	15	28,826	0.91%
President and SEVP	15	76,519	1.06%	15	76,519	1.06%	11	62,693	1.99%	11	62,693	1.99%

Note: 2012 Bank Net Profit after tax was NT\$ 7,204,092 thousand; 2011 Bank Net Profit after tax was NT\$ 3,157,630 thousand.

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

- The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 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.
- 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.

(4) Name of Managers who received dividend/bonus and the distribution thereof

2012.12.31 unit : 1,000 shares ; NT\$thousands

Title	Name	Stock	Cash	Amount	Ratio of Amount to Net profit after tax (%)
President	Joseph Huang	0	4,872	4,872	0.07%
CEO of Consumer Banking Division	Suka Chen				
SEVP	Magi Chen				
SEVP	Ben Chen				
SEVP	J.C Wang				
CEO of Corporate Banking Division	Mao-Chin Chen				
SEVP	Biing-Huei Chen				
SEVP	Tung-Pao Cheng				
SEVP	Shui-Chin Shen				
SEVP	L .C. Lin				
SEVP	Tony Wan				
SEVP	Wen-Cheng Cheng				
General Auditor	Chung-Chen Sun				

3. Implementation of Corporate Governance

3.1 Board of Directors

A total of 9 (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	9	0	100	Re-elected
Managing Director	E.SUN FHC representative Joseph Huang	9	0	100	Re-elected
Managing Director	E.SUN FHC representative Chiu-Hsiung Huang	9	0	100	Re-elected
Managing Director	E.SUN FHC representative Jackson Mai	9	0	100	Re-elected
Independent Director (Managing Director)	E.SUN FHC representative Chen-Chen Chang Lin	9	0	100	Re-elected
Independent Director	E.SUN FHC representative Chen-En Ko	9	0	100	Re-elected
Independent Director	E.SUN FHC representative Ji-Ren Lee	7	2	77.78	Re-elected
Independent Director	E.SUN FHC representative Hsin-I Lin	8	1	88.89	Re-elected
Director	E.SUN FHC representative Chao-Kuo Chen	8	1	88.89	Re-elected
Director	E.SUN FHC representative Chien-Li Wu	9	0	100	Re-elected
Director	E.SUN FHC representative Cheng-Ping Lee	7	2	77.78	Re-elected
Director	E.SUN FHC representative Tai-Chi Lee	8	1	88.89	Re-elected
Director	E.SUN FHC representative Magi Chen	9	0	100	Re-elected
Director	E.SUN FHC representative J.C. Wang	9	0	100	Re-elected
Director	E.SUN FHC representative Mao-Chin Chen	7	2	77.78	Re-elected

Other mentionable items:

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

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

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

Director Name	Content of Motion	Cause of Avoidance	Voting
Hsin-I Lin	Extension of the strategic alliance with Sinyi Realty Inc.	The matter under discussion involves an enterprise of which the independent director acts as the responsible person.	No
Magi Chen Mao-Chin Chen	Basis of remuneration for managers	The director has a personal interest in the matter under discussion.	No
Magi Chen Mao-Chin Chen	Basis of evaluation of manager performance	The director has a personal interest in the matter under discussion.	No
Magi Chen J.C. Wang	Promotion of SEVP	The director has a personal interest in the matter under discussion.	No
Cheng-Ping Lee	Lending to Tsai Hsing Recreation and Development Co., Ltd.	The matter under discussion involves an enterprise of which the director acts as the responsible person.	No
Chao-Kuo Chen	Lending to Nien Hsing Textile Co., Ltd.	The matter under discussion involves an enterprise of which the director acts as the responsible person.	No
Cheng-Ping Lee Tai-Chi Lee	Lending to Yung Shin Securities	The matter under discussion involves an enterprise of which the director acts as the responsible person.	No
Cheng-Ping Lee Tai-Chi Lee	Lending to Yung Shin Securities	The matter under discussion involves an enterprise of which the director acts as the responsible person.	No
Hsin-I Lin	Lending to Sinyi Realty Inc.	The matter under discussion involves an enterprise of which the independent director acts as the responsible person.	No
Hsin-I Lin	Extension of lease for Xinyi Branch	The matter under discussion involves an enterprise of which the independent director acts as the responsible person.	No

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

A total of 9(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	9	0	100	
Independent Director	Ji-Ren Lee	6	3	66.67	
Independent Director	Chen-Chen Chang Lin	9	0	100	
Independent Director	Shin-I Lin	9	0	100	

Other mentionable items:

- 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
- 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	Extension of the strategic alliance with Sinyi Realty Inc.	The matter under discussion involves an enterprise of which the independent director acts as the responsible person	No
Hsin-I Lin	Lending to Sinyi Realty Inc.	The matter under discussion involves an enterprise of which the independent director acts as the responsible person.	No
Hsin-I Lin	Extension of lease for Xinyi Branch	The matter under discussion involves an enterprise of which the independent director acts as the responsible person.	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.)

Date	Method	Object of Communication	Subject of Communication	Result
2012.3.15	Audit Committee	Appointed accountant of E.SUN	Report of the result for auditing of 2011 Financial statements.	Acknowledged
		General Auditor of E.SUN	Report of the 2011 auditing work of E.SUN.	Acknowledged
			Report of the 2012 auditing plan of E.SUN.	Propose to the Board of Director for approval and authorization
2012.4.27	Audit Committee	General Auditor of E.SUN	Report of the 2012 Q1 auditing work of E.SUN.	Acknowledged and executed with the suggested matter
2012.8.14	Auditing Committee	Appointed accountant of E.SUN	Report of appointed accountant on 2012 H1 auditing of Financial statements of E.SUN.	Acknowledged
		General Auditor of E.SUN	Report of 2012 H1 auditing working progress of E.SUN.	Acknowledged and executed with the suggested matter
2012.11.15	Audit Committee	General Auditor of E.SUN	Report of 2012 Q3 auditing work of E.SUN.	Acknowledged and executed with the suggested matter
			Report of the 2013 auditing plan of E.SUN.	Propose to the Board of Director for approval and authorization
2012.11.23	Audit Conference	General Auditor and other staffs from the auditing division of E.SUN	How to significantly utilize the function of auditing.	Execute with the suggested matter accordingly
2013.1.31	Audit Committee	Appointed accountant of E.SUN	Report of 2012 auditing plan on financial statements.	Acknowledged
		General Auditor of E.SUN	Report of the 2012 auditing work of E.SUN.	Acknowledged
2013.3.21	Audit Committee	Appointed accountant of E.SUN	Report of 2012 auditing result on financial statements.	Acknowledged

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 the Bank</p> <p>(1)The manner in which the Bank handles shareholders’ proposals or disputes.</p> <p>(2)The ability of the Bank to identify its controlling shareholders and the ultimate person or persons behind such shareholders.</p> <p>(3)The ways the Bank 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 division in charge of building up and maintaining list of related party and related communication. The Bank's customers can express their opinions through customer service units. Employee disputes will be handled by human resource division. 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 of 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.esunbank.com.tw/about/legal_info.info)</p> <p>b.Information disclosed include financial information, business operation, 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 Spokesperson 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, Board Strategy Development Committee and Corporate Social Responsibility 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 and fulfill 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, 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.</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 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 The Company and all subsidiaries must establish price, currency, and interest rate fluctuation risk assessment and control mechanisms on all on-sheet and offsheet items.</p> <p>c. Operational Risk E.SUN is making every effort to establish operational procedures in all areas of business, and controls and auditing procedures on authorized limits, documents and custodianship of beneficiary certificates.</p> <p>d. Banking Book Risk 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 E.SUN has established compliance officer system to effectively manage and improve the legal and compliance risk.</p> <p>f. Liquidity Risk E.SUN has established the mechanism of evaluating and monitoring liquidated positions to manage liquidity risk.</p> <p>g. Other Risk 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 division. 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) Political donation and donation to interested party and public interested group:</p> <p>1. Political Donations: None</p> <p>2. Interested Parties: E.SUN Volunteers Social Welfare and Charitable Foundation: About NT\$20,979,103. (These donation includes 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.)</p> <p>3. Public interested group:</p> <p>a. Chinese Taipei Baseball Association NTD 9,000,000. (E.SUN Cup Junior Championship).</p> <p>b. National Taiwan University NTD 2,800,000. (E.SUN Academic Award).</p> <p>c. Yilan city government NTD 3,000,000 (Yilan International Children's' Folklore & Folkgame Festival).</p> <p>d. Taiwan small and medium enterprise Credit Gurantee Fund of Taiwan NTD 57,482,663.</p> <p>e. Others NTD 1,534,000.</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. E.SUN Bank received Corporate Governance Advanced Certificate from Taiwan Corporate Governance Association. Taiwan's Corporate Governance Association has granted accreditation to the Bank in recognition of its commitment to corporate social responsibility as well as corporate governance.</p>	

4. State of E.SUN Achieving Trustworthy Operations and Related Measures Implementation of Ethical Corporate Management

Item	State of Operation	Deviations from "Bank Corporate Governance Best Practice Principles" and reasons
<p>1. Establishment of ethical corporate management policies and programs.</p> <p>(1) The Bank's explicit indication of its ethical corporate management policy in internal regulations and external documents; implementation of the pledge by its board of directors and management to enforce the policy rigorously and thoroughly.</p> <p>(2) The Bank's establishment of its own ethical corporate management program designed to forestall unethical conduct; implementation of operational procedures, guidelines and training laid out in the program.</p>	<p>(1) Based on a board of directors resolution, the Bank's parent company E.SUN FHC has established a set of "Ethical Corporate Management Principles, Operational Procedures and Guidelines (hereafter "Ethical Corporate Management Principles," applicable to the Bank as well). It illustrates E.SUN's ethical corporate management policy, which is specified through such channels as the corporate website, external documents and investor briefings. Meanwhile, it also specifies that the board of directors shall exercise the due care of a good administrator to urge the Bank to prevent unethical conduct, always review the results of preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policy.</p> <p>(2) To effectively forestall unethical conduct, the Bank makes ethical corporate management an integral part of its evaluation of employee performance and human resources policy. It has also established a clearly defined, effective system for setting rewards/penalties and handling complaints.</p> <p>(3) Standing by ethical principles and committed to honest business, the Bank refrains from engaging in business activities within its business scope that may incur a higher risk of committing acts of unethical conduct, and makes it a point to strengthen preventive measures. Meanwhile, the Bank refrains from offering political donations as it is set to uphold political neutrality.</p>	No Difference
<p>2. Implementation of ethical corporate management</p> <p>(1) While engaging in commercial activities, the Bank shall refrain from having any dealings with parties that have any records of unethical conduct. When entering into contracts with other parties, the Bank shall include in such contract provision demanding ethical corporate management policy compliance.</p> <p>(2) Status of the Bank's setting up a dedicated (concurrent) unit to be in charge of promoting ethical corporate management; status of oversight by the board of directors.</p> <p>(3) Status of the Bank's promulgating policies for prevention of conflicts of interests and offering appropriate means for related personnel to voluntarily explain whether their interests would potentially conflict with those of the Bank.</p> <p>(4) Status of the Bank's establishment of effective accounting and internal control systems designed to ensure ethical corporate management; status of examination by internal auditors.</p>	<p>(1) In the Ethical Corporate Management Principles, it is specified that the Bank shall refrain from having any dealings with parties that have any records of unethical conduct. When entering into contracts with other parties, the Bank shall include in such contract provision demanding ethical corporate management policy compliance.</p> <p>(2) The regulatory compliance unit of the Bank's parent company E.SUN Financial Holding Co., Ltd. shall be responsible for amending and implementing the Ethical Corporate Management Principles and offering consultation and training; it is also supposed to compile reports on implementation results and submit them to the board of directors on a regular basis.</p> <p>(3) The Ethical Corporate Management Principles shall specify policies for preventing conflicts of interests and provide a smooth communication and complaint filling system. Employees can file reports through a number of channels to senior management and the human resources division.</p> <p>(4) The Bank has established an effective accounting system that prohibits any outside or secret accounts. On top of an effective internal control system, the Bank has also established an internal audit unit under the board of directors; it is required to report to the Audit Committee and the Board of Directors at least once per quarter.</p>	No Difference
<p>3. Status of the Bank's establishment of a formal channel for receiving reports on unethical conduct and of a disciplinary and complaint filling system to handle violation of ethical corporate management regulations.</p>	<p>(1) The Bank shall make ethical corporate management an integral part of its evaluation of employee performance and human resources policy and establish a clearly defined, effective system for setting rewards/penalties and handling complaints.</p> <p>(2) The Bank shall remove or discharge, in accordance with related laws or internal regulations, employees who commit major acts of unethical conduct.</p> <p>(3) The Bank makes it a point to offer a smooth communication and complaint system under which both the identity of informers and content of their reports shall be kept confidential. Employees can file reports through a number of channels to senior management and the human resources division.</p>	No Difference

Item	State of Operation	Deviations from "Bank Corporate Governance Best Practice Principles" and reasons
<p>4. Enforcement of information disclosure</p> <p>(1) The Bank's establishment of a corporate website to disclose information regarding its implementation of ethical corporate management.</p> <p>(2) The Bank's other information disclosure channels (e.g. maintaining an English-language website; designating people to handle information collection and disclosure and to post information onto the corporate website).</p>	<p>(1) The Bank's parent company E.SUN FHC has a corporate website, accessible in both Chinese and English, that discloses the Ethical Corporate Management Principles of its own as well as the Bank's ethical corporate management practices.</p> <p>(2) The Bank discloses its ethical corporate management policy through a number of channels: internal regulations, annual reports, the corporate website and other promotional materials. It also specifies this policy in investor briefings among other public occasions so that business partners and other related entities and individuals can clearly understand the Bank's ethical corporate management concepts and conventions.</p>	No Difference
<p>5. If the Bank has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please describe any discrepancy in the Bank's implementation of the principles and explain why:none.</p>		
<p>6. Other important information to facilitate better understanding of the Bank's implementation of ethical corporate management (e.g., status of the Bank's getting across to business partners its resolve to implement ethical corporate management and related policies and its inviting business partners to participate in related training; status of the Bank's reviewing and amending its own ethical corporate management principles); the Bank's ethical corporate management principles and practices are subject to reexamination and readjustment whenever warranted. With "Pure as Jade, Sturdy as Mountain" as its hallmark in business operation, E.SUN Bank is committed to making "a paradigm of the financial services industry and a bellwether of the service industry." Over the years E.SUN has taken action to show care for society and honor its commitment to Taiwan. E.SUN aims to be recognized as not only the best-performing enterprise but also the most-respected one in Taiwan.</p>		

5. Corporate Governance Guidelines and Regulations

Please refer to the Bank's website at http://www.esunbank.com.tw/about/legal_info.info

6. 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 posted on the Market Observation Post System.

7. Internal Control

7.1 Representation on Internal Control

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

March 22, 2013

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 2012, 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 2012 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



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

8. 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.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 it and improve the relevant procedure and operation.

b.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)Adverse decision(s), if any, by the Financial Supervisory Commission under Article 61.1 of the Banking Act: An employee was found to have secretly made photocopies and kept to

himself the same photocopies in 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)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.

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

IV. Capital Overview



Gathering the talents and staying true to the origin.

1. Shares and Dividends

1.1 Source of Capital

2012.12.31 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	
2012.6.8(note 8)	10	151,900	1,519,000	151,900	1,519,000	Retained Earnings	
2012.11.30(note9)	15	200,000	2,000,000	200,000	2,000,000	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.

Note8: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on June 8, 2012 granted approval for issuance in its letter Zidi 1010024779.

Note9: The Banking Bureau of the Executive Yuan's Financial Supervisory Committee on November 30, 2012 granted approval for issuance in its letter Zidi 10100388601.

1.2 Type of Shares

2012.12.31 Unit: Share

Type of Shares	Authorized Capital			Remark
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	4,572,500,000	0	4,572,500,000	

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, paidup capital amount. The proposed stock dividends payout for the 2012 financial year is NT\$0.9 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 2012 Statement of Profit Allocation

Unit: NT\$

Balance at beginning of the period	204,129,476
Add: 2012net profit	7,178,994,900
Subtract: 30% Legal Reserved	2,153,698,470
Add : Reversal of special reserve	221,557,309
Distribution:	5,450,983,215
Shareholders' Bonus (NT\$0.90 Stock Dividend per share)	4,125,000,000
Shareholders' Bonus (NT\$0.29 Cash Dividend per share)	1,316,275,000
Total Shareholders' Bonus	5,441,275,000
Undistributed Profit at the end of the period	9,708,215

Note 1: Employee Bonus is NT\$ 289,429,521 and Directors' compensation is NT\$57,885,904.

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 and Status of New Shares: None.

5. Mergers and Acquisitions with other financial institutions:

E.SUN Bank signed the Purchase Agreement with Chia-Yi City Fourth Credit Union on March 16, 2012 to acquire its assets, liabilities and operations. The transaction was approved by the AGMs of both parties on March 25, 2012, and was further approved by Banking Bureau, Financial Supervisory Commission. The transaction was successfully completed on the set date of November 3, 2012

- 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
- 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
- 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
- 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



Green grass and red flowers, weaving the emerald land.

1. Business Activities



Fountain of innovation, generating ever lasting stream.

In 2012, E.SUN Bank continued expanding its service network both in and outside Taiwan. As of the end of the year, it had 132 domestic branches as well as four branches and a representative office abroad. Thanks to the development of e-channels, launch of new products, and synergies across the E.SUN financial group, it was able to provide customers with a complete range of world-standard financial services and to bring about even better operating results. In 2013, the Bank will continue giving priority to well-rounded risk control and management as it seeks to further satisfy customers with comprehensive financial services. Drawing on innovative concepts, E.SUN is set to fully assert all the fine qualities it possesses as it pursues balanced development on all fronts in the long run.

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 2012, the outstanding of corporate lending stood at NT\$368,332 million, representing 49.52% of the Bank's total loan portfolio. Corporate lending increased NT\$60,698 million in 2012. Of these loans, 52% were extended to the manufacturing industry, 14% to the financial, insurance and real estate industries, and 16% 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,



Best Navigator for Taiwan Businessmen.

and its enthusiastic service teams together with everexpanding product lines and services help to satisfy the overall needs of corporate customers, creating a win-win situation for all involved.

1.2 Foreign Exchange

Likewise, the Bank continued expanding trade-related and cash flow services in 2012. It now has 123 domestic branches with designated foreign exchange bank status that form a solid network of trade service channels throughout Taiwan. In terms of e-channels, emphasis is placed on automated cash flow tools and mobile foreign exchange services. Above all, the Bank is keen to reach out to more customers by combining the virtual and the branch channels, thereby offering customers a fully satisfying foreign exchange experience. The Bank has established remittance links with correspondent banks in major cities around the world; the latest 2012 additions are Bank of China and Bank of Communications. Furthermore, E.SUN's fast track service for Renminbi remittances now forms a cross-border disbursements platform characterized by both security and speed that serves Greater China market especially well. In sum, the volume of import, export and remittance business grows 8.5% in 2012 compared to year 2011.

1.3 Consumer Banking

(1) Deposit and Remittance business

At the end of 2012, the Bank's total deposits amounted to NT\$1,029,522million, a rise of 6.96% from the end of 2011. Demand deposits amounted to NT\$538,085 million, comprising 52.27% of all



E.SUN's Quality Service Creates Customer Value.

deposits. Time deposits amounted to 47.73% of all deposits, amounting to NT\$491,437million. The structure of deposits is advantageous to the Bank and the amount of deposits continues to grow.

(2) Mortgage Loans

For the mortgage business, the emphasis is placed both on quantity and quality equally. Based on customer needs, the Bank is keen to provide tailor-made services that take into account customer differences. Moreover, the mortgage business is well-positioned as a conduit for promoting other products and services as well. Development and integration of cross-sale offerings is crucial to enhance customer satisfaction and nurture a highly valuable pool of VIP clients. As of the end of 2012, the Bank's outstanding balance of mortgage loans came in at NT\$337.866 billion. While weighing lending risks, the Bank makes sure that its practice is commensurate with the macroeconomic environment in general and the property market in particular. In turn, it keeps a tight control over the loan-to-value ratio on mortgage loans and determines pricing strictly in accordance with risk differentials. As illustrated above, E.SUN gives priority to strengthening risk management by maintaining mortgage quality.

(3) Unsecured Personal Loans

Steady growth remains the main strategy of the Bank's credit lending business. Greater emphasis is placed on better asset quality control and wider interest spread as the business expands. The challenge of 2013 is the highly volatile world economy, and we are likely to see a greater number of entrants competing in this sector. For its part, E.SUN is ready to draw on data mining analysis and credit rating models for the reference in its target clients identification and growth. In the meantime, it will continue streamlining the credit approval, review, and other operating procedures so as to bring down processing costs in operation. The aim is to ensure profitable growth both in quantity and quality.

(4) Micro SME

In growing the micro-SME business, the Bank aims to focus on providing the customers in the vicinity of its branches lending and other localized services. Emphasis is also placed on strengthening dealings with these businesses in salary transfer for their employees and wealth management for the business owners as well as general cash flow services. In turn, this should not only enhance customer loyalty but also help convince customers of making E.SUN their primary partner bank. In terms of micro-SME lending, the Bank focuses on conventional businesses driven by domestic demand, that is, daily necessities. As they are less vulnerable to international economic disturbances and the fortunes of local exporters, the Bank will continue to deepen its partnership with such micro-SMEs in 2013. Working under the government's credit guarantee program, it will provide customers with funding crucial to their survival and development. In sum, the Bank aims not only to pursue growth amid controllable risks but also to honor its corporate social responsibility by engaging in the micro-SME financial service.

(5) E-commerce and Internet Banking

In the development of electronic banking and commerce, the Bank is committed to innovation and refinement of internet, mobile and cash flow services. In 2012, it emerged as Taiwan's pioneer who received the regulatory approval to undertake cross-border collection services in mainland China. Teaming up with Alipay, the largest third-party online payment platform in China, the Bank set up the "E.SUN Trade"

mechanism that enables Chinese consumers to buy Taiwan-made products directly on line and opens a broader market for taiwanese goods. E.SUN emerged in 2012 as a front runner in a contest of "Third-Party Online Payment Operators" conducted by Taiwan's Department of Commerce, Ministry of Economic Affairs. In the days ahead, the Bank will continue innovating its cash flow services and refining its online banking capability, thereby providing customers with services of value unmatched by rivals. The Bank determines to maximize the benefits its e-channels have to offer and take the lead of next-generation electronic banking.

1.4 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. The Bank once again received first prize of Best Customer Services Award in the Best Wealth Management Bank Awards in 2012 given from The Business Today Magazine. As of the end of 2012, the total amount of overseas trust assets stood at NT\$94,473million, while the total amount of domestic trust assets stood at NT\$30,121 million, and custodianship stood at NT\$106,586 million.

(2) Bancassurance

In bancassurance, E.SUN is keen to provide customers with better-rounded, premium-quality coverage planning and after-sales service. In addition to ensuring product completeness and variety, improving service quality and procedures, emphasis is also placed on working with partner insurers to develop offerings available only at E.SUN. In return, customers can enjoy tailor-made services and a truly unique bancassurance experience at E.SUN. Furthermore, data mining analysis always plays an important part in the Bank's wide variety of marketing endeavors so as to meet the needs of different segments of customers and deepen customer relationship, thereby maximizing the efficiency and returns therein.



E.SUN e-Commerce, Leading the Trend.



Steady accumulation of wealth, reserving a life of fortune and happiness.

(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. 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 2012, total assets under trust stood at NT\$242,282 million, which was a rise of NT\$32,116 million from the previous year. Assets under custodianship in the form of securities stood at NT\$2,255 million, while asset funds under custodianship in special accounts amounted to NT\$106,611 million.

1.5 Credit Card

Although the credit card market in 2012 was impacted by a downturn in economic environment, the total amount of credit card spending, the number of cards in issuance, and the cards in force all experienced slight growth. As of the end of 2012, E.SUN had 3.16 million cards in issuance, with 2.11 million cards in force. The amount charged on the cards during the year was around

NT\$170.2 billion, experiencing a highest growth rate among peers in the market. Meanwhile, E.SUN's NPL ratio of credit card revolving stood at 0.22%, which was better than the market average 0.33%, pointing to a continued strong asset quality.

E.SUN continued to attract more customers and pursue a strategy of growth in this area of operations in 2012, 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.



E.SUN's cards, the most preferred one of consumers!

1.6 Investment

Investments by E.SUN Bank at the end of 2012 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%), and Sunny Asset Management Corp. (4.35%).

2. Business Plan

In 2013, E.SUN's "Great Leap Forward to an Innovative Future" lies at the core of the Bank's strategy to grow all lines of business and rank among top three in the market in terms of operating results. As far as channel value is concerned, customer orientation will dictate the Bank's branch operations as it continues to expand branches both in Taiwan and abroad and redefine a truly considerate, innovative banking experience for 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 foster the development of SMEs, becoming the best partner for SMEs as they grow.
- (2) E.SUN will utilize the SME Credit Guarantee Fund and other global insurance company as external resource, continue to improve the risk management mechanism, in an effort to maintain the superiority and asset quality of a Tier 1 bank.
- (3) In conjunction with its expanding overseas operations, E.SUN will use information technology and expertise as a foundation, integrate the resource from our FHC, and its brand name and professional workforce as the core of its efforts to meet the service needs of customers.
- (4) Continue to provide 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, at the same time, allowing the customer to have innovative experience.
- (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 macrobanking environment, E.SUN will continue to implement risk control mechanisms and pursue a policy in which profitability supports growth.

2.3 Wealth Management

- (1) The bank will uphold "Pure As Jade, Sturdy As Mountain" as the core ideal to continually cultivate outstanding talents in wealth management, and provide convenient, user-friendly and fine services. Besides, each business development would stand market expectations and customer asset allocation of dynamic adjustment for striving the balance of core and satellite portfolio in order to create customer satisfaction and value.
- (2) In terms of mutual fund services, the Bank will further enhance its competitiveness by expanding its business in custodian sector and thus raising constant inflows of fee income. Meanwhile, it will bolster its product offerings by introducing funds unique in their own right for which E.SUN serves as the exclusive vendor. Above all, E.SUN will stay proactive in adapting to the times as it strives to meet

diverse customer needs and optimize allocation of customer assets.

- (3) To accommodate fast changes in regulations and external environment, E.SUN always keeps its eyes on the new market trend and business opportunities with innovative mind. Among other initiatives to meet all kinds of customer needs, plans are under way for the Bank to trade securities (U.S. and Hong Kong stocks) on its trust business platform, launch dollar-denominated gold savings accounts, and expand its clientele of dual-currency portfolios.
- (4) By empowering its e-channels, the Bank is keen to improve its online wealth management system. With risk control kept intact, trading procedures have now been made more efficient and foreign currency trading is now permitted. Wealth management is also made a feature of the Bank's mobile banking platform, making it easier for customers to manage their wealth via the power of technology.

2.4 Credit Card

- (1) The belief that customers always come first dictates how E.SUN conducts business. Besides offering various promotion campaign and incentives through all available channels, it is equally proactive to grow the acquiring business by working with retailers that associate with E.SUN branches to ensure smooth cash flow. As a result, it promises to create a win-win synergy for the Bank and authorized retailer stores that have teamed up in promotional campaign.
- (2) The Bank is keen to increase card uses and cardholder spending by launching a great variety of promotional campaigns aiming at different customer segments or retail channels. As it increases familiarity with all the retailers, the Bank can also learn more about customer's preference and traits and in turn devise strategies

to have its credit cards accepted as users' favorite.

- (3) E.SUN utilizes model application 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.
- (4) The Bank has established a wide array of promotional channels to deepen its relationship with different customer segments. Diversified approaches are adopted to pitch the right cards to the right customers.

3. Market Analysis

In recent years, complexity, changeability and uncertainty have been increasingly recognized as what characterizes the world economy. The lack of reliable momentum could only mean an uphill path toward recovery. Little relief was in sight in 2012. Political and economic troubles both in Taiwan and abroad dealt another blow to already sluggish fundamentals. Lackluster growth was hardly a surprise as many expectations proved overly optimistic. The outlook for 2013 does not appear any more encouraging. Amid all the challenges confronting the world economy, the U.S. and mainland China are set to stay in the spotlight. It is clear that a still prevalent sense of uncertainty will continue to weigh on sentiment and keep investors cautious and conservative. But flickers of light are already visible at the end of the tunnel. All in all, the world can expect to witness moderate growth this year while a conspicuous pickup does not appear promising anytime soon.

Slow Global Recovery Overshadowed by Uncertainties

The year 2012 got off to an optimistic start. But the interplay of political and economic complications kept financial markets volatile all year round. Above all, presidential elections or leadership changes in major economies readily led to political bickering that undermines policy implementation. The eurozone economy remained in doldrums as the sovereign debt crisis continued to take its toll. In the U.S., “fiscal cliff” jitters further undermined consumption and investment. China also saw its economy lose steam amid weaker external demand and tightening at home. To make things worse, geopolitical concerns disrupted regional stability and caused wild swings in commodity prices. As a result, the world economy slowed and international trade contracted. Export-oriented economies were certainly hit harder than others. In January 2013, Global Insight forecast full-year global growth to come in at 2.6%, compared with its projection of 2.7% made at the end of 2011. In 2013, major economies can be expected to persist with their easy monetary bias so as to stimulate growth. But there is no escaping the negative impact inherent to all that surplus liquidity. While both the U.S.

and Europe are under mounting pressure to move more decisively toward austerity, a substantial pickup in emerging economies may not prove forthcoming in the foreseeable future. Global Insight thus cut its 2013 forecast for the world economy to 2.6% from 2.7%, lower than global growth’s long-term average of 3%.

Lacking in momentum for stronger revival, the American economy might have to live with slower growth for a while as it adapts to new realities. Despite rigorous government efforts to stimulate the job market, unemployment fell only slowly. The fact that more than 40% of the jobless often stayed in their plight for at least 27 weeks suggests that unemployment was already a structural problem. Weighed down by uncertainty over the presidential election and the fiscal cliff, manufacturing was sluggish, businesses were prudent about capital expenditures, and consumer confidence remained low. Against this backdrop, the Fed’s monetary easing seemed the only source of solace. Taking stock of the factors cited above, Global Insight estimated U.S. growth of 2012 at 2.2%. It turned out that the U.S. economy fared better than expected in the final quarter of 2012. On the other hand, few took relief in the last-minute agreement on the fiscal cliff between the Democratic and Republican parties. Their focus was on such issues as higher taxes for the wealthy and a permanent extension of the George W. Bush administration’s tax cuts. As they could not agree on a higher debt ceiling and government deficit reduction, there is no justification in feeling safe and stable this year. The prospect of a protracted bipartisan stalemate can only upset markets and undermine the economy. Simply put, the U.S. economy is still in a healing stage and does not have the capacity for self-driven growth. As fiscal expansion does not look likely either, an optimistic outlook is hardly justifiable and moderate growth appears a more convincing scenario in 2013. For its part, Global Insight brought down its forecast to 1.9%.

Austerity is hardly the solution that can take eurozone economies out of their plight. In 2012, the

lack of growth momentum was compounded by fiscal tightening and the spread of sovereign debt complications. Core countries like Germany and France lost steam; debtor countries went from bad to worse. What resulted was another recession for the eurozone. To make things worse, unemployment shot higher to more than 11%. The International Labour Organization reported 44% of unemployed Europeans had been so for over a year and that 22% of young Europeans aged under 25 could not find jobs. Unemployment might trigger widespread social unrest going forward. For its part, Global Insight forecast eurozone GDP to contract 0.5% in 2012. On top of a string of relief measures, the EU is now shifting to equal emphasis on austerity and growth. But the situation remains precarious. With the sovereign debt crisis still looming large, many countries need to cut deficits in spite of economic fragility. The 2013 outlook is surely a pessimistic one: Global Insight forecast the eurozone's further contraction of 0.3%.

A longer while may prove inevitable for Europe's sovereign debt fiasco to unwind. In 2012, the possibility of Greece's leaving the eurozone unnerved financial markets. But the crisis was eventually averted after the hard-pressed Greek government made a pledge on deficit reduction and secured last-minute relief funds. Spain seemed a bit more comforting as it turned to the EU only for bailing out its banking sector. But the country's economic weakness and fiscal burden remained a worry for market participants: an across-the-board bailout of the country might prove an eventuality after all. With the sovereign debt crisis pushing into its fourth year in 2013, all eyes are now on Spain and Italy. Besides the challenge to undertake fiscal and banking consolidation, Europe must brace itself for what the general elections in Germany and Italy may bring next. To be sure, the sovereign debt drama of Europe is bound to remain the main risk for the world economy this year.

To contain the sovereign debt crisis, the EU and the ECB introduced such programs as the European

Stability Mechanism (ESM) and Outright Monetary Transactions (OMT) that are aimed at easing pressure on financial markets. Similarly, such devices as a Single Supervisory Mechanism (SSM) were also proposed to prevent even greater risks from undermining the banking sector and gradually defuse the crisis. But these developments hardly suggest that the worst is a bygone. Conversely, no effective improvement of the problem can be expected anytime soon so long as debtor countries continue to be bogged down by economic sluggishness. Commenting on the obstinacy of the problem, German Chancellor Angela Merkel went as far as warning that the sovereign debt crisis would persist for at least five years. In coming months it is of necessity to closely track policy leanings of relevant governments and the progress in long-term structural reform.

Emerging economies largely remained tepid in 2012 for an amalgam of factors: tightening policy, weaker demand in Europe and the U.S., and their own structural reform still in progress. The showing varied from region to region. Both exports and manufacturing slowed in Asia and Latin America. China, India and Brazil suffered the steepest setback; their growth rates projected for 2012—7.8%, 4.9% and 1.5%—make a stark contrast to 10.4%, 10.1% and 7.5% recorded in 2010. They managed to stay on growth track primarily on the back of domestic demand and other policy initiatives. By contrast, economies across the Middle East and North Africa largely underperformed amid social unrest and political turmoil. Only oil-producing countries came up with a solid economic showing thanks to another crude runup. Eurozone weakness did not spare emerging Europe whose economic slowdown was conspicuous enough as well. Global Insight projected the 2012 growth of emerging economies to slow to 4.9% from 6.2% a year earlier. Given lingering uncertainty worldwide, it forecast only a moderate improvement to 5.3% in 2013 even though many governments are planning additional stimulus programs.

No longer aiming only for high growth, the Chinese economy is in the process of structural transformation in pursuit of a reliable driving force for the future. On top of decelerating exports amid weaker global demand, it sustained a sequential slowdown in the first three quarters of 2012 as authorities were forced into monetary tightening and further measures to cool the property market. The situation prompted a string of stimulus measures in the second half of the year to avert a possible hard landing. These include fine-tuning of monetary policy, resumption of infrastructure spending on railway and other transportation projects, and a 126 billion yuan subsidy program to stimulate consumption. Given more reassuring figures for the fourth quarter, Global Insight estimated full-year growth of 7.8%. As 2013 unfolds, the prospect for external trade remains highly uncertain even as more property curbs are likely to be enforced. To ensure steady growth, the Chinese government is set to keep up its proactive fiscal policy and prudent monetary policy. Emphasis will also be placed on urbanization in order to drive consumption and investment. Global Insight's projection was for the Chinese economy to grow 8.2% in 2013. Following the leadership change at the 18th National Congress of the Chinese Communist Party, the Xi-Li administration will dictate how economic development is to play out in the coming decade. To be sure, the new leaders have pledged to pursue genuine, quality and sustainable growth—simultaneous growth on the macroeconomic front and in personal income. But structural transformation and reform is never an easy task. China's economic development certainly warrants tracking over the long term.

Taiwan's Modest Recovery at the Mercy of Exports

Taiwan's economic showing fell far short of expectations in 2012. Many had expected a comfortable recovery after the economy bottomed out in the first quarter. But that bottoming-out was deferred time and again amid international upheaval and domestic bickering in both the political and economic spheres. All told, the economy lost vitality both

externally and internally. Lackluster exports deprived the economy of growth momentum. Sliding consumer confidence led to slowing consumption. Skeptical of the future, businesses became reluctant to invest or took it slow. Economic forecasts missed the mark wildly. The Directorate General of Budget, Accounting and Statistics (DGBAS) eventually had to slash its full-year projection to 1.26% from 3.91% estimated at the beginning of 2012. By contrast, the DGBAS appeared more optimistic about 2013: the global economy is expected to stabilize; exports will regain positive growth; private investment is likely to reverse two consecutive years of decline as the semiconductor and telecom industries plan to expand capital expenditures. As such, its forecast was for GDP to grow 3.59% this year. But 2013 promises to present quite a few more challenges as the global economy heads for a highly uncertain future. Exporters are likely to have a tough time as the rapid flows of "hot money" make it hard to predict currency fluctuations with precision. In terms of domestic politics, seemingly never-ending disputes in policy-making processes tend to erode public confidence. To make things worse, mounting inflation is likely to keep a lid on private consumption. Just as consensus is hard to come by for such matters in the business community, caution is warranted for anyone who wants to gauge where the economy is headed.

As Taiwan's economic lifeline, exports underperformed in the first nine months of 2012. A slight improvement was recorded in the fourth quarter on the back of shipments of such new products as tablet PCs and smartphones. The full-year decline was thus narrowed to 2.3%. While shipments to the U.S., Europe and mainland China contracted, those to ASEAN countries and Japan stood out as especially robust. As an increasingly important market for Taiwan, the ASEAN absorbed 18.5% of the country's outbound shipments in 2012, up from 15% in 2008. It is clear that the relative strength of ASEAN economies contributed to curbing Taiwan's slide in exports. By product, information and communications technology (ICT) exports sustained the steepest decline of 21.9%; base

metal, petrochemical and textile exports fell 4-7%. By contrast, minerals (mainly oil products) rose 23%. Compared with Japan and Korea, Taiwan has an export sector far more sensitive to the fortunes of the world economy. The concentration of export destinations means vulnerability to their economic ups and downs. A similar plight is derived from Taiwan's relative concentration of product lines: ICT, optoelectronics and petrochemicals. What's worse, Taiwan's reliance on the export of semi-finished products leaves it at the mercy of end-user demand or even supplier substitution. Fierce competition of the sort keeps pressure on exporters all the time. To make things worse, they are increasingly called upon to cope with emerging rivals and localized suppliers on the Chinese mainland. It is imperative for Taiwan's export sector to transform and upgrade itself and diversify its product lines going forward.

Highly Volatile Financial Markets Amid Ultra-easy Liquidity

In 2012, central banks around the globe tended to align their monetary policy with one another, that is, offering even more easy money to revive the sagging economy. But this also resulted in ample liquidity and hot money running around the world. Many even started to talk about the possibility of a currency war. To be sure, the world economy still needs a long while to recover. Given the need for keeping up growth momentum, an early exit from easy money is simply not an option. Compared with developed countries, emerging economies have greater leeway in this regard and should be rewarded more handsomely for their stimulus initiatives. On the other hand, the IMF has warned that the developed world's monetary easing might help create an asset bubble in emerging markets.

Out of fiscal options, the U.S. and Europe have been counting on easy money to shore up their economy. In addition to keeping in place a low-interest environment, they have resorted to other unconventional policy tools as well. In October 2012, the Fed launched QE3, an open-ended bond purchasing

program under which it would buy US\$40 billion of mortgage-backed securities (MBS) each month until the job market improves. This was followed by its announcement of further easing in December: the Fed would more than double its monthly MBS purchase to US\$85 billion. Meanwhile, the central bank made it clear that extremely low interest rates would be kept in place until expected inflation reaches 2.5% or unemployment falls to 6.5%. As such, the Fed is doing its best to pull the American economy out of doldrums while pushing down unemployment. But it has come to light that some inside the Fed are already calling for an exit strategy from easy monetary policy. Some argue that its desired effect of stimulus appears to be declining anyway. In Europe, the ECB has done the same by bringing its benchmark rate to a record low of 0.75% and undertaking two runs of LTRO, providing large amounts of low-interest funds to alleviate liquidity. In September 2012, it introduced an OMT initiative under which it would conduct open-ended bond purchases from eurozone governments seeking financial assistance so long as they meet certain stringent conditions. By helping countries that face problems selling debt, the ECB aims to ward off any broader impact on financial markets.

Emerging economies mainly opted for conventional monetary policy tools: cutting interest rates was a course of action shared by China, Brazil, Australia, India, Russia, Vietnam and the Philippines. Desperate to reverse its economic downturn, Brazil accumulated 10 rate cuts in just over a year, between August 2011 and the end of 2012. China also surprised markets in 2012 by cutting rates twice in a single month. Leaving rates as they were afterwards, it resorted to reverse repos for the injection of funds. Its subsequent moves will be determined by macroeconomic developments and changes in inflation. At the end of 2012, Taiwan's central bank again decided to hold interest rates on hold, the same policy decision for the sixth consecutive quarter, as it took into account an uncertain international economy, a far from robust domestic recovery and lesser inflationary pressure at home. To

support the country's still fragile economy, it opted for open market operations to ensure adequate liquidity. All in all, the central bank can be expected to maintain an appropriate easy monetary policy going forward.

The interplay of a multitude of variables weighing on the world economy readily triggers fluctuations across financial markets. Commodity prices tend to experience even more dramatic swings due to an imbalance between supply and demand as well as flows of hot money. Based on experience and recent developments on the demand side, many wonder if another bear market is coming. Soybean, wheat and corn are easy targets for speculation as these crops are increasingly vulnerable to erratic climates. Their surge in 2012 naturally became a cause for alarm. Against extremely low interest rates worldwide and a generally gradual recovery in end-user demand, they can be expected to sustain more price volatility going forward. In terms of currency markets, the U.S. Dollar Index (USDX) fell 0.5% in 2012. All told, the greenback experienced quite dramatic swings brought about by an amalgam of factors—the need for risk-hedging as well as changes in monetary policy and economic conditions—during the year. Looking ahead, one can expect the U.S. dollar to remain a “situational-driven” currency. At any rate, it makes sense to bet on a stronger greenback if the American economy recovers conspicuously or the Fed backs away from its easing bias. The yen stood out as an even more dramatic currency in 2012. In the first three quarters, it kept up an upward theme and mostly traded at below 80 to the dollar. A turning point emerged in the fourth quarter as the yen depreciated 11%. While the Bank of Japan adopted further monetary easing and increased intervention in the currency market, newly elected Prime Minister Shinzo Abe also made an explicit request for the central bank to push down the

yen. These, in turn, might not only deprive the BOJ of its independence but also trigger a currency war. On the other hand, the renminbi appeared to be moving closer to market mechanisms in its exchange with the U.S. dollar. In 2012, it was no longer confined to one-sided appreciation; depreciation was the trend from May to July as the Chinese economy slowed and capital flowed out of the country. It did not resume appreciation until Europe and the U.S. started further easing money supply and Beijing introduced relief measures. In 2013, the Chinese currency is expected to maintain a firmer tone while a wider range is likely to be permitted for its fluctuations. The Taiwan dollar mostly traded at 29-30 against the greenback in 2012. Despite mounting pressure for its appreciation in the fourth quarter, central bank intervention managed to prevent its breaching the 29 mark. For fear that excessive fluctuations might undermine export competitiveness, the central bank can be expected to keep the Taiwan dollar's rangebound trading pattern in 2013. A significant appreciation looks unlikely.

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, 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.



E.SUN, the No. 1 brand in SME among private banks.

In terms of personal e-banking services, E.SUN has introduced mobile banking apps applicable to the iOS and Android platform. In addition to basic financial applications, the Bank's mobile banking app and "Good Calendar" app come with such advanced features as



E.SUN, the most trustworthy, best performing and service team in wealth management.

push services for account holders, the capacity for checking queues at local hospitals and clinics, and a full spectrum of "Passbook" offerings. On the other hand, E.SUN also stands out as a market leader in debit card acquiring and cross-border collection services that can help SMEs cope with cash flow complications and facilitate online shopping both in and outside Taiwan.

To further grow the wealth management business, the Bank will continue its development and integration of information systems in 2013. In the highlight are the systems of transaction management and customer relationship management. Efforts will also be made toward enhancing operational efficiency and saving manpower costs, making the online banking platform even more versatile, and providing customers with timely, convenient channels for various transactions, thereby creating greater customer usage and building trust. Likewise, the Bank will continue diversifying both its channels and product lines so that customers can fully enjoy a one-stop shopping experience. The Bank is set to further enhance service quality, consolidate service teams, and upgrade the expertise and competence of its wealth management consultants so as to best serve all customer segments and



2012 Yilan International Children's Folklore & Folkgame Festival.

ensure sustainable growth going forward.

In terms of risk management, the Bank pays special attention to increasing its capacity for evaluating financial products and conducting systematic simulation of market swings so that it can accurately grasp market pulse. Building on a meticulously calibrated credit risk model, the Bank has put in place a personal behavior scoreboard devised specifically for consumer banking customers. In addition to making a consistent set of standards for evaluating the risky behavior of consumer banking customers, it certainly can heighten the Bank's capability to detect customer risks early on.

The Bank adopts an internal control system that complies with regulations laid out by the competent authority. As is dictated by ongoing developments in different business lines, the Bank updates its internal control self-checklist and manual whenever warranted so as to ensure a better-rounded internal control system. When it comes to introducing a standardized approach management mechanism for operational risk, the Bank has enforced comprehensive rules and regulations. Major management tools, including risk control self-assessment, key risk indicators and

R&D Expenditures in recent two years:

Unit: NT\$ thousand

Item	2012	2011
R&D Expenditures	703,408	556,922

collection of operational risk loss data, have all been put in place to help the Bank better manage operational risk.

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. Human Resource

Reach Out to the World, Get to the Top

People hold the key to how enterprises carry out their strategies. Faced with today's rapidly changing financial markets, E.SUN seeks to innovate and refine its human resources system so as to stay aligned with international standards. Systematic training processes are adopted to nurture talent imbued with international insights and financial expertise, an asset of necessity for the Bank's making inroads beyond borders. Training courses are incorporated into modules while career paths are clearly laid out so that employees can have a clear idea about their future at E.SUN. By offering comprehensive, methodic training and setting clearly defined goals, the Bank aims to have employees become an integral part of E.SUN's corporate culture who in turn can help promote it. Through this incremental process of building professionalism, the Bank believes it can maximize the benefits of human capital.

In 2012, E.SUN held 280 internal training courses, while various staff were selected to participate in 470 training courses held by professional organizations. Each employee on average attended 6.8 of these training courses during the year, strengthening their professional background and enhancing their abilities. As of the end of 2012, E.SUN had 5,862 employees. The average age of its staff was 31.4 years old. Meanwhile, 20.4% held master's degrees, 70.7% had bachelor's degrees, and 8.9% were graduates of technical colleges. To nurture the talents is one of the fundamental way to everlasting the development of the Bank.

Every Employee is Treasured as a Member of the E.SUN Family

For E.SUN, to nurture the talents is not only a commitment but also a responsibility to employees. Every employee is treasured as a member of the E.SUN family. In turn, every

man and woman at E.SUN cares for one another and shares many key moments at work and in life. E.SUN employees thus join forces to bring about a second home—a working environment of harmony and happiness—where they can balance work and family. Whoever has the resolve to go up another rung at E.SUN is given the opportunity to chart his or her own future. Meanwhile, group learning and veteran-novice experience sharing are implemented to further unite the E.SUN workforce. All this gives E.SUN confidence in achieving its ultimate goal of making not only the best-performing enterprise but also the most-respected one in Taiwan!

5.1 E.SUN Bank Human Resource information

Year		2013/3	2012	2011
Item				
No. of Employees		5,753	5,862	5,301
Average Age		32.5	31.4	31.4
Average Years of Service		6.5	6.2	6.1
Educational Background (%)	Master's	20.5	20.4	19.3
	Bachelor's	70.6	70.7	70.5
	College	8.1	8.0	9.2
	High School (Vocational)	0.8	0.9	1
Number of Professional License	Bank	16,721	16,134	13,264
	Insurance	5,974	5,765	4,415
	Security	4,989	4,759	2,585
	Others	379	357	260



A great leap forward into E.SUN's innovative future!

6. Corporate Responsibility and Ethical Behavior

5.2 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.

5.3 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.



Many students joined the highly expected campus recruitment.

E.SUN has clearly set forth a vision to fulfill 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, 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 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 2012, 60 E.SUN libraries had been established throughout Taiwan. Committed to humanities and the arts, E.SUN organized the “Painters Paint Yushan” campaign in 2012. The public was invited to appreciate the winning works—with their portrayals of Yushan and the beauty of nature and ecology—in the nationwide touring exhibition that followed. Furthermore, the “E.SUN Volunteer Passport” was issued to encourage employees to take action to serve the public good. Likewise, the “Care for Schoolchildren Project” was introduced to help disadvantaged pupils and those adversely affected by major crisis, thus easing the financial burden on their households. Hopefully the beneficiary children could thus focus on their studies and enjoy a happier childhood. As of the



end of 2012, the project had donated funds to 2,500 schoolchildren.

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. To solicit more rigorous and concrete action, E.SUN has also invited business partners and major suppliers to jointly sign a Statement of Commitment to Human Rights and Environmental Sustainability. Separately, the Bank continued its sponsorship of Yushan National Park's trails and its promotion of environmental education. E.SUN and Yushan National Park also co-hosted the Yushan Highland Road Race that attracted 2,500 participants. When it comes to promoting ecological and environmental awareness, E.SUN organized the "Lucky Cat Loves Earth" campaign to advance waste sorting; it also assisted in making the documentary "Black Bear Forest" to enhance public attention to conserving and protecting nature. Last but not least, E.SUN takes pride in being a signatory to the voluntary energy conservation initiative launched by the Bureau of Energy, Ministry of Economic Affairs. 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. It participated in an activity to encourage people to turn off their lights on the summer solstice, while

on Earth Day, it urged people to turn off lights for one hour. 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. E.SUN participated in the Clean Up the World, Protect Taiwan's Environment activity. It also participated in International Car Free Day, 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 environmental-related concepts and deeds.

On another front, E.SUN has been 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 2012, E.SUN has provided baseball gear to baseball teams at 17 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



E.SUN Volunteers diligently devote and pass loves to the society. Participating in volunteer activities for self accomplishment.

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 57 students over the past eight 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 also teamed up with SAS Taiwan, a leader in business analytics software and services, to organize the "Campus Data Mining Contest." It was not only an endeavor to further enhance financial services technologically but also an act to honor the Bank's corporate social responsibility.

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.

E.SUN takes up corporate social responsibility as a long-term commitment. Taking the inspiration from Taiwan's tallest peak Yushan, E.SUN does its best in every aspect of business to attain the ultimate goal of making the best bank in this country. In 2012, the Bank's parent company E.SUN Financial Holding Co., Ltd. was rated by Commonwealth magazine as the local financial industry's No. 1 recipient of its Commonwealth Corporate Citizen Award for four times. The year also saw the Bank win a string of recognitions and awards: the CG6007 certification of Taiwan's Corporate Governance Association; citation by the Environmental Protection Administration (EPA) as a bellwether entity of "green procurement" for the third consecutive year and by Taipei City government as an outstanding company of "green procurement in the private sector"; citation by the EPA as a premium winner of its Certification Mark for Carbon Emissions Reduction; rating by the weekly Business Today as No. 1 winner of its Best Service Awards for the wealth management sector of Taiwan's banking industry; rating by Commonwealth magazine as the top local financial industry to receive Gold Medal Service Awards; rating as A+ in the Securities and Futures Institute's "Survey on Information Disclosure of TWSE/GTSM-Listed Companies" for the fourth consecutive year; the SME Credit Guarantee Partner Awards for both institutions and individuals from the Ministry of Economic Affairs for the sixth straight year—a record unmatched in the local financial services industry; rating by the National Youth Commission as a bank of excellence in providing loans for young people's start-up business; the Joint Credit Information Center's Golden Quality Award for the lending data segment. As can be verified by the accolades cited above, the Bank not only provides customers with trustworthy financial services but also acts as a positive force of love and care capable of inspiring the entire community to follow its lead.

VI. Financial Information



Growing up steadily from a solid foundation.

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1. Condensed Financial Statements from 2008~2012

(1) Condensed Balance Sheet

Unit NT\$1,000

Item	Year	Financials from 2008 to 2012 (Note 1)				
		2012	2011	2010	2009	2008
Cash and cash equivalents due from the central bank and call loans to other banks		78,924,090	64,947,853	57,888,365	226,975,581	100,542,643
Financial assets at fair value through profit or loss, net		61,142,893	52,152,745	54,900,270	39,489,518	72,690,441
Securities purchased under resell agreements		210,893	29,789	1,439,552	3,384,993	353,252
Available-for-sale financial assets, net		76,155,007	52,860,765	47,546,797	36,818,491	42,606,239
Discounts and loans		735,406,720	656,008,834	599,161,337	550,483,765	532,944,978
Receivables		44,304,823	42,260,221	35,891,606	32,990,151	30,559,788
Held-to-maturity financial assets		211,168,563	253,283,859	254,655,585	18,278,241	14,241,499
Equity investments under the equity method		0	0	0	0	0
Properties		16,373,001	15,599,517	14,194,456	13,859,239	12,974,852
Goodwill and Intangible assets		4,137,558	4,036,275	3,991,910	4,030,756	4,022,745
Other financial assets, net		4,392,491	3,497,546	2,801,199	6,146,635	8,097,140
Other assets		3,672,695	2,667,589	2,169,454	2,339,493	3,617,672
Total assets		1,235,888,704	1,147,344,993	1,074,640,531	934,796,863	822,651,249
Due to central bank and other banks		46,652,824	38,052,926	38,869,814	39,051,957	21,168,220
Deposits and remittances		1,029,974,595	962,841,827	904,760,847	775,064,009	666,460,275
Financial liabilities at fair value through profit or loss		6,971,106	7,850,768	12,945,397	11,059,469	26,488,285
Securities sold under repurchased agreement		4,957,725	13,247,387	17,394,242	14,518,968	22,448,022
Payables		22,357,418	18,017,856	9,911,896	7,556,252	9,718,794
Financial Bonds		47,000,000	39,000,000	34,000,000	33,500,000	27,300,000
Other financial liabilities		1,412,646	1,943,643	304,715	2,136,729	2,372,937
Other liabilities		1,283,666	1,481,045	1,511,978	402,615	474,846
Total liabilities	Before distribution	1,160,609,980	1,082,435,452	1,019,698,889	883,289,999	776,356,379
	After distribution	(Note2)	1,082,857,928	1,020,400,809	883,831,983	776,980,379
Capital stock		45,725,000	42,206,000	35,100,000	33,624,000	31,200,000
Capital surplus		12,345,531	11,037,856	8,290,091	8,083,943	7,321,485
Retained earnings	Before distribution	17,130,721	11,893,202	11,459,706	9,496,329	8,345,894
	After distribution	(Note2)	9,951,726	8,651,706	7,478,345	7,721,894
Cumulative translation adjustments		(228,429)	(5,960)	(128,172)	(39,540)	(11,318)
Unrealized losses on Financial instruments		305,901	(221,557)	220,017	342,132	(636,191)
Total stockholders' equity	Before distribution	75,278,724	64,909,541	54,941,642	51,506,864	46,219,870
	After distribution	(Note2)	64,487,065	54,239,642	50,964,880	45,595,870

Note1: Audited by certified public accountants.

Note2: Earnings apportion of 2012 is to be determined by shareholders meeting.

(2) Condensed Income Statement

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

Item \ Year	Financial from 2012 - 2008 (note)				
	2012	2011	2010	2009	2008
Net interest	14,095,682	12,600,196	11,376,853	8,601,685	9,375,272
Total net revenues and gains other than interest	9,113,184	6,253,999	5,429,956	3,714,781	3,623,824
Total net revenues	23,208,866	18,854,195	16,806,809	12,316,466	12,999,096
Bad-debt expenses	(2,019,923)	(4,540,028)	(2,727,059)	(2,112,036)	(3,536,372)
Operating expenses	(12,689,540)	(10,711,433)	(9,489,674)	(8,336,371)	(8,278,201)
Income before income tax	8,499,403	3,602,734	4,590,076	1,868,059	1,184,523
Income tax benefit(expense)	(1,320,408)	(445,104)	(608,715)	(93,624)	(402,560)
Income before cumulative effect of changes in accounting principles	7,718,995	3,157,630	3,981,361	1,774,435	781,963
Cumulative effect of changes in accounting principles (After income tax)	0	0	0	0	0
Net income	7,718,995	3,157,630	3,981,361	1,774,435	781,963
Basic earnings per share (NT\$)	1.64	0.84	1.13	0.56	0.25

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 2008, 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 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; Chen Li Chi, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2012, ended on December 31, and issued unqualified opinion reports.

2. Financial Analyses from 2008 to 2012

Item \ Year		Financials from 2008 to 2012				
		2012	2011	2010	2009	2008
Operating ratio	Ratio of loans to deposits(%)	72.25	68.87	66.65	71.49	80.51
	NPL ratio(%)	0.17	0.20	0.39	0.67	0.90
	Ratio of interest expenses to average deposit(%)	0.79	0.71	0.58	0.84	1.86
	Ratio of interest revenues to average loans(%)	2.29	2.18	1.97	1.89	3.25
	Total assets turnover (Times)	0.02	0.02	0.02	0.01	0.02
	Average revenue per employee	3,959	3,557	3,667	2,778	3,033
	Average net income per employee (Note1)	1,225	596	869	400	182
Profitability ratio (%)	Ratio of return on tier 1 capital (%) (Note1)	12.95	6.54	9.82	4.44	2.91
	Ratio of return on total assets(%) (Note1)	0.60	0.28	0.40	0.20	0.10
	Ratio of return on stockholders' equity(%) (Note1)	10.24	5.27	7.48	3.63	1.68
	Profit margin ratio(%) (Note1)	30.93	16.75	23.69	14.41	6.02
	Basic earnings per share (NT\$) (Note1)	1.64	0.84	1.13	0.56	0.25
debt-paying ability	Interest protection multiples (%)	190.44	142.68	176.79	125.49	108.13
Financial structure	Ratio of debt to assets(%)	93.91	94.34	94.89	94.49	94.38
	Ratio of properties to stock holders equity(%)	21.75	24.03	25.84	26.91	28.07
Ratio of growing	Ratio of assets growing(%)	7.72	6.77	14.96	13.63	7.97
	Ratio of income growing(%) (Note1)	135.92	-21.51	145.71	57.71	-63.99
Analyses of Liquidity	Cash flow ratio(%) (Note2)	4.14	23.00	note 3	39.34	38.82
	Cash flow Adequacy ratio(%)	1.37	1.30	6.24	46.83	23.20
	Cash flow content ratio(%) (Note2)	-4.25	-31.75	note 3	-18.01	-30.68
Ratio of liquidity preparation(%)		29.13	30.68	32.03	26.26	16.95
Secured loan balance of related-party		7,731,951	6,330,065	5,093,609	5,316,351	5,617,704
Ratio of secured loans balance of related-party to total loan blance (%)		1.04	0.95	0.85	0.96	1.05
Operating Scale	Market share of assets (%)	3.00	2.88	2.87	2.36	2.37
	Market share of equity (%)	2.87	2.69	2.40	2.41	2.31
	Market share of deposit (%)	3.71	3.58	3.53	3.19	2.91
	Market share of assets loans (%)	3.44	3.16	3.04	2.98	2.90

Note 1: The net income in 2012 has increased comparing to 2011, resulting a increase in relevant ratio.

Note 2: The cash flow from operating activities in 2012 is less than in 2011, resulting a decrease in relevant ratio.

Note 3: Since either cash flows from operating activities, cash flows from investing activities cash flows from operating activities in the recent five years are negative, analysis is not required.

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 revenue per employee = Net revenues / Employee
- (7) Average net income per employee = Net income / Employee

2. Profitability ratio

- (1) Tier 1 capital ROE = Net income before tax / Average total tier 1 capital
- (2) Ratio of return on total assets = Income after income tax / 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 = (Income after income tax - Dividends for preferred stocks) / Average issued shares

3. Debt-paying ability

- (1) Interest protection multiples = (income before income tax - interest expense) / interest expense

4. Financial structure

- (1) Ratio of debt to assets = Total liabilities / Total assets
- (2) Ratio of properties to equity = Properties / Stockholder's equity.

5. Ratio of growing

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

6. Analyses for liquidity

- (1) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit or loss + Securities sold under repurchased agreements + Current portion of Payables)
- (2) Cash flow adequacy ratio = Net cash provided by operating activities (from 2008 to 2012) / from 2008 to 2012 (capital expenditure + Cash dividends)
- (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities

7. Liquidity Reserve Ratio = Current assets required by the CBC / 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 institutions which are qualified in deposit and loan business.
- (2) Market share of equity = Total stockholders' equity / Total stockholders' equity of all financial institutions which are qualified in deposit and loan business.
- (3) Market share of deposit (%) (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business.
- (4) Market share of assets loans (%) (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business.

Capital adequacy Ratio from 2008 to 2012

Item		Year	Financial from 2012 - 2008					
		2012	2011	2010	2009	2008		
Equity capital	Tier 1 capital	Common stock	45,725,000	42,206,000	35,100,000	33,624,000	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)	12,345,531	11,037,856	8,290,091	8,083,943	7,321,485	
		Legal reserve	9,442,173	8,494,884	7,300,476	6,768,146	6,533,557	
		Special reserve	305,423	83,866	0	636,191	741,206	
		Retained earnings	7,383,125	3,314,452	4,159,230	2,091,992	1,071,131	
		Minority interest	0	0	0	0	0	
		Other stockholders' equity	(349,597)	(398,778)	(394,412)	(363,049)	(1,348,758)	
		Less:Goodwill	3,808,089	3,798,806	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	170,386	555,935	920,246	3,528,928	1,448,709	
		Total tier 1 capital	70,873,180	60,383,539	49,872,438	43,649,594	40,407,211	
	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	192,181	77,067	218,816	299,538	315,562	
		Convertible bonds	0	0	0	0	0	
		Operating reserve and bad loan provisioning	6,029,700	4,100,476	177,479	0	0	
		Long-term subordinated debentures	26,500,000	18,300,000	18,000,000	16,660,000	15,100,000	
		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	170,386	555,935	920,246	2,555,890	1,028,897	
		Total tier 2 capital	32,551,495	21,921,608	17,476,049	14,403,648	14,386,665	
		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		103,424,675	82,305,147	67,348,487	58,053,242	54,793,876	
Weighted Risk Assets	Credit Risk	The standardized approach	725,386,677	609,421,646	529,891,296	467,100,520	458,686,467	
		Internal rating-based approach	-	-	-	-	-	
		Asset securitisation	265,725	1,195,353	1,193,323	2,104,311	4,622,215	
	Operational Risk	Basic indicator approach	42,592,125	36,140,025	26,757,188	24,446,038	24,659,738	
		Standardized approach/Alternative standardized approach	-	-	-	-	-	
		Advanced measurement approaches	-	-	-	-	-	
	Market Risk	The standardized approach	14,833,625	22,810,125	25,347,388	32,578,363	30,842,550	
		Internal model approach	-	-	-	-	-	
		Total risk-weighted assets	783,078,152	669,567,149	583,189,195	526,229,232	518,810,970	
	Capital adequacy ratio(%)		13.21%	12.29%	11.55%	11.03%	10.56%	
	Group capital adequacy ratio(%)		-	-	-	-	-	
	Ratios of tier 1 capital to risk-weighted assets(%)		9.05%	9.02%	8.55%	8.29%	7.79%	
	Ratios of tier 2 capital to risk-weighted assets(%)		4.16%	3.27%	3.00%	2.74%	2.77%	
Ratios of tier 3 capital to risk-weighted assets(%)		0	0	0	0	0		
Ratios of common stockholders' equity to total assets(%)		3.70%	3.68%	3.27%	3.60%	3.79%		

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 charge×12.5
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 Bank

The 2012 financial statements of E.SUN Bank ("the Bank") have been produced in accordance with the regulations of "Regulations Governing the Preparation of Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" and GAAP (Generally Accepted Accounting Principles), and CPA Chen Li-Chi and CPA Lai Kwan Chung of Deloitte & Touche have been appointed by the Bank to audit the financial statements.. After reviewing the financial statements, the Audit Committee has found them to meet the requirements of the applicable laws and regulations. The report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of the Bank for the Board's approval.



Chen-En Ko
Convener
Audit Committee
E.SUN Bank

Date: March 21, 2013

4. Financial statements of 2012

Independent Auditors' report.

Deloitte.
勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan, ROC

Tel :+886 (2) 2545-9988
Fax:+886 (2) 2545-9966
www.deloitte.com.tw

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, 2012 and 2011, 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.

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 provide a reasonable basis for our opinion.

In our opinion, based on our audits, 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, 2012 and 2011 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 22, 2013

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.

E.SUN COMMERCIAL BANK, LTD.

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

BALANCE SHEETS DECEMBER 31, 2012 AND 2011

	2012	2011	Percentage Increase (Decrease)
	Amount	Amount	%
ASSETS			
CASH AND CASH EQUIVALENTS (Note 4)	\$23,068,127	\$19,931,437	16
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 5)	55,855,963	45,016,416	24
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET (Notes 2, 6 and 31)	61,142,893	52,152,745	17
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 7)	210,863	29,789	608
RECEIVABLES, NET (Notes 2, 8, 30 and 31)	44,304,823	42,260,221	5
DISCOUNTS AND LOANS, NET (Notes 2, 9, 30 and 31)	735,406,720	656,008,834	12
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 10, 11 and 31)	76,155,007	52,860,765	44
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 2, 12 and 31)	211,168,563	253,283,859	(17)
OTHER FINANCIAL ASSETS, NET (Notes 2, 13 and 31)	4,392,491	3,497,546	26
PROPERTIES, NET (Notes 2 and 14)	16,373,001	15,599,517	5
INTANGIBLE ASSETS (Notes 2 and 15)	4,137,558	4,036,275	3
OTHER ASSETS, NET (Notes 2, 16, 24, 30 and 32)			140
Idle assets, net	829,168	345,993	
Rentable assets, net	1,363,956	870,339	57
Refundable deposits, net	1,299,215	1,229,609	6
Others	180,356	221,648	(19)
Total other assets, net	3,672,695	2,667,589	38
TOTAL	\$1,235,888,704	\$1,147,344,993	8
	2012	2011	Percentage Increase (Decrease)
	Amount	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY			
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 17)	\$46,652,824	\$38,052,926	23
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2 and 6)	6,971,106	7,850,768	(11)
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 6, 10, 12 and 18)	4,957,725	13,247,387	(63)
PAYABLES (Notes 2, 19 and 30)	22,357,418	18,017,856	24
DEPOSITS AND REMITTANCES (Notes 20 and 30)	1,029,974,595	962,841,827	7
BANK DEBENTURES (Note 21)	47,000,000	39,000,000	21
OTHER FINANCIAL LIABILITIES (Notes 22 and 30)	1,412,646	1,943,643	(27)
OTHER LIABILITIES (Notes 2, 23, 27 and 30)	1,283,666	1,481,045	(13)
Total liabilities	1,160,609,980	1,082,435,452	7
CAPITAL STOCK			
Common stock, NT\$10.00 par value, authorized, issued and outstanding:			
4,572,500 thousand shares in 2012 and 4,220,600 thousand shares in 2011	45,725,000	42,206,000	8
CAPITAL SURPLUS			
Additional paid-in capital from share issuance in excess of par value	12,146,702	10,949,525	11
From treasury stock transactions	483	483	-
Others	198,346	87,848	126
Total capital surplus	12,345,531	11,037,856	12
RETAINED EARNINGS			11
Legal reserve	9,442,173	8,494,884	
Special reserve	305,423	83,866	264
Unappropriated earnings	7,383,125	3,314,452	123
Total retained earnings	17,130,721	11,893,202	44
EQUITY ADJUSTMENTS			
Cumulative translation adjustments	(228,429)	(5,960)	3,733
Unrealized valuation gains (losses) on financial instruments	305,901	(221,557)	238
Total equity adjustments	77,472	(227,517)	134
Total stockholders' equity	75,278,724	64,909,541	16
CONTINGENCIES AND COMMITMENTS (Notes 2 and 32)			
TOTAL	\$1,235,888,704	\$1,147,344,993	8

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012	2011	Percentage Increase (Decrease)
	Amount	Amount	%
INTEREST REVENUE (Notes 2 and 30)	\$23,493,540	\$21,041,767	12
INTEREST EXPENSE (Notes 2 and 30)	(9,397,858)	(8,441,571)	11
NET INTEREST	14,095,682	12,600,196	12
NET REVENUES AND GAINS OTHER THAN INTEREST			
Service fee income, net (Notes 2, 25 and 30)	6,158,321	4,999,909	23
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Notes 2 and 6)	717,782	(87,751)	918
Realized gains on available-for-sale financial assets (Notes 2 and 11)	1,591,453	68,703	2,216
Foreign exchange gains, net (Note 2)	477,781	777,167	(39)
Reversal of impairment losses (impairment losses) on assets (Notes 2, 13 and 16)	17,039	(17,544)	197
Gains on financial assets carried at cost (Note 2)	42,024	323,125	(87)
Rental income (Note 30)	63,850	52,066	23
Gains on the sale of properties, rentable assets and idle assets (Note 2)	26,342	117,993	(78)
Other noninterest gains, net	18,592	20,331	(9)
Total net revenues and gains other than interest	9,113,184	6,253,999	46
TOTAL NET REVENUES	23,208,866	18,854,195	23
BAD-DEBT EXPENSES (Notes 2 and 9)	(2,019,923)	(4,540,028)	(56)
OPERATING EXPENSES (Notes 2, 24, 26 and 30)			
Personnel	(5,616,885)	(4,795,103)	17
Depreciation and amortization	(813,976)	(813,291)	-
General and administrative	(6,258,679)	(5,103,039)	23
Total operating expenses	(12,689,540)	(10,711,433)	18
INCOME BEFORE INCOME TAX	8,499,403	3,602,734	136
INCOME TAX EXPENSE (Notes 2 and 27)	(1,320,408)	(445,104)	197
NET INCOME	\$7,178,995	\$3,157,630	127

EARNINGS PER SHARE (Note 28)

Basic

2012	2011
Before Income Tax	After Income Tax
Before Income Tax	After Income Tax
\$1.94	\$1.64
\$0.92	\$0.81

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

(With Deloitte & Touche audit report dated March 22, 2013)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars)

	Capital Stock (Note 29)		Retained Earnings (Notes 2 and 29)			Equity Adjustments			Total Stockholders' Equity
	Shares (in Thousands)	Common Stock	Capital Surplus (Notes 2 and 29)	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gains or Losses on Financial Instruments (Note 2)	
BALANCE, JANUARY 1, 2011	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
Appropriation of prior year's earnings (Note)									
Legal reserve	-	-	-	947,289	-	(947,289)	-	-	-
Special reserve	-	-	-	-	221,557	(221,557)	-	-	-
Cash dividends	-	-	-	-	-	(422,476)	-	-	(422,476)
Stock dividends	151,900	1,519,000	-	-	-	(1,519,000)	-	-	-
Balance after appropriation	4,372,500	43,725,000	11,037,856	9,442,173	305,423	204,130	(5,960)	(221,557)	64,487,065
Share-based payment arrangements involving ESFHC's common stock	-	-	207,675	-	-	-	-	-	207,675
Capital increase in December 2012	200,000	2,000,000	1,100,000	-	-	-	-	-	3,100,000
Net income in 2012	-	-	-	-	-	7,178,995	-	-	7,178,995
Change in unrealized gains on financial instruments	-	-	-	-	-	-	-	527,458	527,458
Change in cumulative translation adjustments	-	-	-	-	-	-	(222,469)	-	(222,469)
BALANCE, DECEMBER 31, 2012	4,572,500	\$45,725,000	\$12,345,531	\$9,442,173	\$305,423	\$7,383,125	\$(228,429)	\$305,901	\$75,278,724

Note: For the years ended December 31, 2011 and 2010, the remuneration to directors of \$20,654 thousand and \$29,872 thousand, respectively, and bonus to employees of \$103,270 thousand and \$149,362 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 22, 2013)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$7,178,995	\$3,157,630
Bad-debt expenses	2,019,923	4,540,028
Recovery of written-off credits and reserve for losses on guarantees	1,049,639	1,050,011
Depreciation and amortization expenses	813,976	813,291
Salary expenses on share-based payment	207,675	247,765
Realized losses on the sale of financial instruments designated as at fair value through profit or loss	272,055	29,911
Realized gains on the sale of available-for-sale financial assets	(1,581,843)	(29,026)
Amortization of premium or discount on bonds	375,773	213,941
Gains on the sale of properties, rentable assets, idle assets and foreclosed collaterals, net	(19,587)	(113,892)
Gains on valuation of financial instruments	(358,319)	(243,134)
Impairment losses (reversal of impairment losses) on assets	(17,039)	17,544
Deferred income tax	(116,039)	113,599
Realized gains on the sale of financial assets carried at cost	(2,000)	(293,326)
Others	(355)	12,900
Net changes in operating assets and liabilities		
Held-for-trading financial assets	(8,220,704)	6,682,652
Held-for-trading financial liabilities	307,583	715,720
Receivables	(2,854,175)	(7,716,069)
Other assets	34,395	67,944
Payables	4,303,001	7,881,055
Other liabilities	(163,444)	(146,528)
Net cash provided by operating activities	<u>3,229,510</u>	<u>17,002,016</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from the Central Bank and call loans to other banks	(10,839,547)	3,360,996
Decrease (increase) in securities purchased under resell agreements	(181,074)	1,409,763
Increase in discounts and loans	(81,386,242)	(52,242,124)
Increase in financial assets designated as at fair value through profit or loss	(1,571,772)	(4,001,070)
Acquisition of available-for-sale financial assets	(110,277,097)	(61,856,458)
Proceeds of the sale of available-for-sale financial assets	88,311,137	56,940,815
Acquisition of debt instruments with no active market	(3,215,217)	(2,216,350)
Return of principal on or proceeds of the sale of debt instruments with no active market	2,251,906	796,500
Acquisition of held-to-maturity financial assets	(1,585,963,414)	(2,292,538,229)
Return of principal on or proceeds of the sale of held-to-maturity financial assets	1,627,819,799	2,293,857,076
Return of principal on or proceeds of the sale of financial assets carried at cost	2,000	423,371
Acquisition of properties and intangible assets	\$(2,511,756)	\$(2,018,547)
Proceeds of the sale of properties	1,226	46,121
Proceeds of the sale of rentable assets, idle assets and foreclosed collaterals	113,967	232,429
Decrease in other financial assets	5,001	579,809
Decrease (increase) in other assets	(69,327)	69,925
Payment for the acquisition of Chiayi The Fourth Credit Cooperative	(110,000)	-
Increase in cash arising from the acquisition of Chiayi The Fourth Credit Cooperative on November 2, 2012	1,640,113	-
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	-	5,444,168
Net cash used in investing activities	<u>(75,980,297)</u>	<u>(53,545,805)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and other banks	8,599,898	(816,888)
Decrease in securities sold under repurchase agreements	(8,289,662)	(4,146,855)
Increase in deposits and remittances	65,236,072	42,510,365
Decrease in financial liabilities designated as at fair value through profit or loss	(300,000)	(5,344,250)
Issuance of bank debentures	13,000,000	5,000,000
Repayment of bank debentures	(5,000,000)	-
Increase (decrease) in other financial liabilities	(531,149)	1,636,070
Cash dividends paid	(422,476)	(702,000)
Capital increase	3,100,000	7,500,000
Net cash provided by financing activities	<u>75,392,683</u>	<u>45,636,442</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>494,794</u>	<u>(320,328)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>3,136,690</u>	<u>8,772,325</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,931,437</u>	<u>11,159,112</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$23,068,127</u>	<u>\$19,931,437</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	<u>\$9,242,812</u>	<u>\$8,092,437</u>
Income tax paid	<u>\$670,845</u>	<u>\$390,389</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011
(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, 2012, the Bank had a business department, international banking department, trust department, credit card and payment division, an offshore banking unit (OBU), 4 overseas branches (Los Angeles, Hong Kong, Singapore and Dongguan), 131 domestic branches and 1 representative office (in Ho Chi Minh City, Vietnam).

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) through a share swap. Thus, ESFHC acquired 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 share swap, 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.

The Bank acquired the assets, liabilities and business of Chiayi The Fourth Credit Cooperative and Chu Nan Credit-Cooperative Association on November 3, 2012 and July 9, 2011, respectively. Please refer to Note 38 to the financial statements.

As of December 31, 2012 and 2011, the Bank had 5,862 and 5,301 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 on 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 (a) designated on initial recognition as at fair value, with fair value changes recognized in profit or loss; or (b) classified as held for trading. These instruments are required to be recognized at fair value plus direct acquisition cost 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; otherwise, 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 2012 and 2011. 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 issued as financial assets 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 on the basis of 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 in 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 in 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 the investees' 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. 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 is based on the relative fair values between the retained beneficial securities and the bonds sold 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 present value of 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 of 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, with 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.

Before January 1, 2011, the Bank made 100%, 50%, 10% and 2% provisions for credits deemed uncollectible, with collectibility highly doubtful, substandard and special mention, respectively, as minimum provisions for possible losses on unsound credit assets. 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 the 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 indicators exist, 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 earnings.

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. A subsequent reversal of such impairment loss is not 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 10 years; miscellaneous equipment, 5 to 20 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 recognized in earnings.

Intangible Assets

Intangible assets are recorded at acquisition cost. Amortization is calculated by the straight-line method over useful lives estimated as follows: computer software - 3 years; core deposits - 16 years; customer relationship - 17 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.

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 amendment date until the benefits become vested. When the benefits are vested upon the amendments 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, unused tax credits, operating loss carryforwards and debit of stockholders' equity adjustments are recognized as deferred income tax assets, and those of taxable temporary differences and credit of stockholders' equity adjustments are recognized as deferred income tax liabilities. Valuation allowance is provided to the extent, if any, that it is more likely than not the deferred income tax assets will not be realized.

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

Adjustments 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 early adopted the interpretation 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 and under capital surplus for share-based payment 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 the guidance of the Financial Supervisory Commission, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection.

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

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 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 - "Operating Segments." The requirements of the statements 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.

4.CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash on hand	\$7,205,793	\$6,093,294
Checks for clearing	10,608,961	9,408,051
Due from banks	5,240,173	4,430,092
Cash in transit	13,200	-
	<u>\$23,068,127</u>	<u>\$19,931,437</u>

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

	December 31	
	2012	2011
Deposit reserves - account A	\$17,222,273	\$13,492,185
Deposit reserves - account B	26,735,726	26,089,659
Reserves for deposits - foreign currency deposits	130,680	99,917
Deposit in the Central Bank - deposits of government agencies	14,392	4,544
Call loans to banks	8,723,086	3,824,240
Due from the Central Bank - other	3,029,806	1,505,871
	<u>\$55,855,963</u>	<u>\$45,016,416</u>

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

currency deposit reserves may be withdrawn anytime.

Under the "Directions for a National Treasury Agent Bank Acting on Behalf of the Central Bank of the Republic of China Handling National Treasury Matters," 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.

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

	December 31	
	2010	2009
Held-for-trading financial assets		
Commercial paper	\$21,644,974	\$12,380,268
Currency option contracts	1,490,321	977,597
Interest rate swap contracts	1,390,052	2,199,546
Overseas bonds	799,456	726,428
Forward contracts	663,434	82,884
Currency swap contracts	634,191	604,888
Listed stock - domestic	159,029	138,471
Government bonds	157,391	-
Bank debentures	56,901	88,690
Non-deliverable forward contracts	46,083	141,918
Beneficial certificates	40,850	1,087,318
Futures exchange margins	39,473	86,080
Convertible corporate bonds	19,700	19,500
Commodity option contracts	19,073	15,283
Metal commodity swap contracts	15,463	78,989
Foreign-currency margin contracts	11,793	17,437
Credit default swap contracts	9,278	35,922
Forward commodity contracts	6,441	9,328
Cross-currency swap contracts	119	157,496
Treasury bills	-	796,085
	<u>27,204,022</u>	<u>19,644,128</u>
Financial assets designated as at fair value through profit or loss		
Bank debentures	16,355,298	17,078,725
Corporate bonds	16,141,958	15,027,611
Structured products	800,695	-
Overseas government bonds	631,992	389,205
Sold equity securities with interest receivable	8,928	13,076
	<u>33,938,871</u>	<u>32,508,617</u>
	<u>\$61,142,893</u>	<u>\$52,152,745</u>
Held-for-trading financial liabilities		
Currency option contracts	\$1,608,387	\$1,134,114
Interest rate swap contracts	1,450,555	2,300,655
Currency swap contracts	530,403	322,099
Forward contracts	400,372	560,450
Non-deliverable forward contracts	23,245	33,788
Commodity option contracts	19,072	15,283
Metal commodity swap contracts	12,190	69,865
Forward commodity contracts	6,441	9,328
Credit default swap contracts	5,906	432
Cross-currency swap contracts	216	157,082
Foreign-currency margin contracts	109	169
	<u>4,056,896</u>	<u>4,603,265</u>
Financial liabilities designated as at fair value through profit or loss		
Structured products	2,914,210	3,247,503
	<u>\$6,971,106</u>	<u>\$7,850,768</u>

As of December 31, 2012 and 2011, some of the securities, which amounted to \$1,096,560 thousand and \$3,502,892 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, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Currency option contracts	\$309,719,379	\$182,699,277
Interest rate swap contracts	179,998,466	239,566,385
Currency swap contracts	97,789,550	85,331,327
Forward contracts	47,842,580	21,584,566
Credit default swap contracts	8,791,120	9,321,414
Non-deliverable forward contracts	7,839,471	8,029,941
Metal commodity swap contracts	900,622	1,510,279
Commodity option contracts	823,362	149,271
Foreign-currency margin contracts	331,137	272,650
Forward commodity contracts	218,874	228,205
Interest rate futures contracts	87,120	-
Cross-currency swap contracts	31,681	3,193,995
Commodity futures contracts	9,641	-

The gains (losses) on financial assets and liabilities at fair value through profit or loss (FVTPL) in 2012 and 2011 were as follows:

	2012	2011
<u>Financial assets at FVTPL</u>		
Realized (losses) gains	\$(3,738,417)	\$572,775
Valuation losses	(528,926)	(222,964)
	<u>(4,267,343)</u>	<u>349,811</u>
<u>Financial liabilities at FVTPL</u>		
Realized gains (losses)	4,097,880	(903,660)
Valuation gains	887,245	466,098
	<u>4,985,125</u>	<u>(437,562)</u>
	<u>\$717,282</u>	<u>\$(87,751)</u>

7. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$210,863 thousand and \$29,789 thousand under resell agreements as of December 31, 2012 and 2011, respectively, will be sold for \$210,988 thousand and \$29,833 thousand by January 10, 2013 and January 30, 2012, respectively.

8. RECEIVABLES, NET

	December 31	
	2012	2011
Credit cards	\$35,806,522	\$32,789,829
Accounts receivable factored without recourse	4,199,426	5,598,969
Acceptances	2,810,014	2,229,997
Accrued interest	2,062,128	1,608,926
Accounts receivable	227,117	207,526
Other receivable - ESFHC	152,340	242,628
Accrued income	97,498	356,713
Receivable on overdue securities	-	304,225
Tax refundable	-	21,483
Other	452,552	318,971
	<u>45,807,597</u>	<u>43,679,267</u>
Less: Allowance for possible losses	<u>1,502,774</u>	<u>1,419,046</u>
	<u>\$44,304,823</u>	<u>\$42,260,221</u>

The allowances for possible losses on receivables assessed for impairment as of December 31, 2012 and 2011 were as follows:

December 31, 2012

Items		Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$5,353	\$2,153
	Assessment for collective impairment	1,847,441	723,018
With no objective evidence of impairment	Assessment for collective impairment	42,793,172	777,603
Total		44,645,966	1,502,774

December 31, 2011

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

The changes in allowance for possible losses are summarized below:

	2012	2011
Balance, January 1	\$1,419,046	\$766,244
Transfer of allowance from Chu Nan Credit-Cooperative Association	-	69
Provision for possible losses	262,810	890,314
Write-offs	(737,073)	(727,234)
Recovery of written-off receivables	547,169	481,817
Effects of exchange rate changes and other changes	10,822	7,836
Balance, December 31	<u>\$1,502,774</u>	<u>\$1,419,046</u>

9. DISCOUNTS AND LOANS, NET

	December 31	
	2012	2011
Loans		
Short-term	\$173,937,762	\$148,124,194
Medium-term	211,063,307	187,441,903
Long-term	355,264,093	323,570,945
Overdue loans	677,613	918,756
Bills negotiated and discounts	2,906,861	2,837,704
	<u>743,849,636</u>	<u>662,893,502</u>
Less: Allowance for possible losses	8,327,145	6,751,170
Less: Adjustment of premium or discount	115,771	133,498
	<u>\$735,406,720</u>	<u>\$656,008,834</u>

As of December 31, 2012 and 2011, the loan and credit balances, for which accrual of interest revenues were discontinued, amounted to \$677,613 thousand and \$918,756 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$20,264 thousand in 2012 and \$26,835 thousand in 2011.

In 2012 and 2011, 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, 2012 and 2011, respectively, were as follows:

December 31, 2012

Items		Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$1,680,923	\$770,602
	Assessment for collective impairment	2,185,816	574,943
With no objective evidence of impairment	Assessment for collective impairment	739,982,897	6,981,600
Total		743,849,636	8,327,145

December 31, 2011

Items		Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$977,984	\$223,550
	Assessment for collective impairment	2,198,685	604,799
With no objective evidence of impairment	Assessment for 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	
	2012	2011
Balance, January 1	\$6,751,170	\$3,615,010
Transfer of allowance from Chu Nan Credit-Cooperative Association	-	129,357
Transfer of allowance from Chiayi The Fourth Credit Cooperative	9,104	-
Provision for possible losses	1,707,317	3,597,576
Write-offs	(593,234)	(1,176,647)
Recovery of written-off credits	502,470	568,194
Effects of exchange rate changes and other changes	(49,682)	17,680
Balance, December 31	<u>\$8,327,145</u>	<u>\$6,751,170</u>

The details of bad-debt expenses in 2012 and 2011 were as follows:

	2012	2011
Provisions for possible losses on discounts and loans	\$1,707,317	\$3,597,576
Provisions for possible losses on receivables	262,810	890,314
Provision for possible losses on guarantees	49,796	52,138
	<u>\$2,019,923</u>	<u>\$4,540,028</u>

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 accepted the application of the entities that intend to do, and are eligible for doing, banking business in China, investments, establishment 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 the allowance for possible losses on loans by \$2,461,981 thousand and raised the loan loss coverage ratio to over 1% in the last quarter of 2011.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2012	2011
Government bonds	\$33,019,092	\$15,222,035
Bank debentures	32,647,365	28,535,815
Corporate bonds	9,853,109	4,068,993
Beneficial securities under securitization	253,418	4,547,001
Listed stock - domestic	245,774	486,921
Overseas bonds	136,249	-
	<u>\$76,155,007</u>	<u>\$52,860,765</u>

As of December 31, 2012 and 2011, the available-for-sale financial assets, which amounted to \$1,205,500 thousand and \$3,248,136 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 bondholding 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 investors and passed to the Bank the funds 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 that amounted to \$10,050,000 thousand, is between October 19, 2005 and July 20, 2012. Interest is payable quarterly. On January 20, 2011, the beneficial securities were settled before the maturity date.

The issuance period for E.SUN CBO 2005-2 that 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	

In their meeting on February 24, 2012, the beneficiaries of E.SUN CBO 2005-2 resolved to liquidate the trust before maturity. On March 20, 2012, the bonds in the asset pool of E.SUN CBO 2005-2 were sold. The Bank received \$5,920,841 thousand from the recovery of the retained beneficial securities and residual trust assets. Thus, the Bank recognized \$1,644,490 thousand as realized gain on liquidation (part of realized gains on available-for-sale financial assets).

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 cash flow after the investors collect their income based on the contract. If the security issuers cannot disburse funds upon security maturity, the investors and the trustee have no right of recourse on the Bank's other assets. In addition, the payments to the investors take precedence over those for 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 2005-2	
December 31	
	2011
Projected advance reimbursement rate	0%
Projected credit loss rate	2%
Discount rate for residual cash flows	0.833%

b. Sensitivity analysis:

As of December 31, 2011, 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 2005-2	
December 31	
	2011
Carrying amount of retained beneficial securities	\$4,285,209
Projected credit loss rate (annual)	2%
Impact on fair value of 10% adverse change	(69,467)
Impact on fair value of 20% adverse change	(74,163)

c. As of December 31, 2011, 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 2011	December 31 2012 2011	December 31 2012 2011
Service income	\$40	\$1,065	\$2,067 \$ 600 \$ 600
Receipt of reserve deposits	34,422	-	-
Receipt of retained beneficial securities and residual trust assets	50,133	5,920,841	-

12. HELD-TO-MATURITY FINANCIAL ASSETS, NET

December 31		
	2012	2011
Negotiable certificates of deposit	\$201,300,000	\$235,210,000
Government bonds	6,264,653	9,825,349
Corporate bonds	1,640,723	3,381,152
Bank debentures	1,166,755	4,434,944
Overseas certificates of deposit	474,366	60,556
Overseas bonds	289,204	301,236
Beneficial securities under securitization	32,862	70,622
	<u>\$211,168,563</u>	<u>\$253,283,859</u>

As of December 31, 2012 and 2011, the held-to-maturity financial assets, which amounted to \$2,013,400 thousand and \$5,522,000 thousand (face value), respectively, had been sold under repurchase agreements.

In 2011 and 2010, the Bank disposed some debt instruments due to the severe deterioration of debtor's credit. The disposed amount accounted for only a small portion of the held-to-maturity financial assets, and the Bank had no intention to reclassify the rest of these investments. The realized loss on disposal was \$12,900 thousand (part of other noninterest gains) in 2011. As of December 31, 2012 and 2011, the accumulated disposed amounts from the past three years were both \$471,782 thousand, and the accumulated realized losses on disposal were both \$115,017 thousand. Accumulated disposed amount accounted for 0.22% and 0.19% of held-to-maturity financial assets as of December 31, 2012 and 2011, respectively.

13. OTHER FINANCIAL ASSETS, NET

December 31		
	2012	2011
Debt instruments with no active market, net	\$4,063,185	\$3,163,239
Financial assets carried at cost, net	328,580	328,580
Others	726	5,727
	<u>\$4,392,491</u>	<u>\$3,497,546</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 an impairment loss of \$17,544 thousand on financial assets carried at cost in 2011.

Debt instruments with no active market were as follows:

December 31		
	2012	2011
Corporate bonds	\$4,063,185	\$2,367,740
Beneficial securities under securitization	-	695,499
Credit-linked products - host contract	-	100,000
	<u>\$4,063,185</u>	<u>\$3,163,239</u>

14. PROPERTIES, NET

December 31		
	2012	2011
Cost		
Land	\$9,804,884	\$9,385,367
Buildings	7,021,435	6,554,856
Computers	3,065,825	2,851,414
Transportation equipment	531,687	503,728
Miscellaneous equipment	1,696,680	1,506,314
	<u>22,120,511</u>	<u>20,801,679</u>
Less: Accumulated depreciation		
Buildings	2,022,366	1,764,995
Computers	2,319,239	2,291,258
Transportation equipment	404,144	370,902
Miscellaneous equipment	1,219,243	1,124,733
	<u>5,964,992</u>	<u>5,551,888</u>
	<u>16,155,519</u>	<u>15,249,791</u>
	<u>217,482</u>	<u>349,726</u>
Prepayments	<u>\$16,373,001</u>	<u>\$15,599,517</u>

15. INTANGIBLE ASSETS

December 31		
	2012	2011
Goodwill	\$3,808,089	\$3,749,066
Computer software	282,804	237,469
Core deposits	38,102	40,642
Customer relationship	8,563	9,098
	<u>\$4,137,558</u>	<u>\$4,036,275</u>

In testing assets for impairment, the Bank uses as recoverable amounts (a) value in use for an operating segment defined as a cash-generating unit (CGU) and (b) net fair value for rentable assets and idle assets. Goodwill on the acquisition of the Kaohsiung Business Bank Co., Ltd., Chu Nan Credit-Cooperative Association and Chiayi The Fourth Credit Cooperative was allocated to operating segments (CGUs with allocated goodwill). The 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	
	2012	2011
Rentable assets, net (less accumulated depreciation amounting to \$26,981 thousand in 2012 and \$23,076 thousand in 2011 and less accumulated impairment amounting to \$8,160 thousand in 2012 and \$24,139 thousand in 2011)	\$1,363,956	\$870,339
Refundable deposits, net	1,299,215	1,229,609
Idle assets, net (less accumulated depreciation amounting to \$33,907 thousand in 2012 and \$25,186 thousand in 2011 and less accumulated impairment amounting to \$28,745 thousand in 2012 and \$28,831 thousand in 2011)	829,168	345,993
Prepaid expenses	128,505	162,900
Foreclosed collaterals	46,507	54,602
Deferred charges, net	5,344	4,146
	<u>\$3,672,695</u>	<u>\$2,667,589</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 and used the valuation amounts as the net fair values of these assets. In accordance with the valuation of net fair value, the Bank recognized a reversal of impairment loss amounting \$15,656 thousand in 2012.

In accordance with the evaluation of the recoverable amount of refundable deposits, the Bank recognized a reversal of impairment loss amounting \$1,383 thousand in 2012.

	December 31	
	2012	2011
Call loans from banks	\$40,100,818	\$29,683,742
Deposits from Chunghwa Post Co., Ltd.	5,986,310	8,026,290
Bank overdraft	372,282	34,946
Due to banks	169,215	275,532
Due to the Central Bank	24,199	32,416
	<u>\$46,652,824</u>	<u>\$38,052,926</u>

18. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$4,957,725 thousand and \$13,247,387 thousand, under repurchase agreements as of December 31, 2012 and 2011, respectively, would be purchased for \$4,966,886 thousand and \$13,261,731 thousand by July 24, 2013 and June 28, 2012, respectively.

18. PAYABLES

	December 31	
	2012	2011
Checks for clearing	\$10,608,961	\$9,408,051
Acceptances	2,847,478	2,263,778
Accrued expenses	1,888,080	1,379,346
Accrued interest	1,882,493	1,740,532
Factored accounts payable	1,249,839	1,380,320
Other payable - ESFHC	750,147	6,161
Collections payable	576,821	428,396
Accounts payable	489,472	303,392
Tax payable	207,287	157,821
Other	1,856,840	950,059
	<u>\$22,357,418</u>	<u>\$18,017,856</u>

20. DEPOSITS AND REMITTANCES

	December 31	
	2012	2011
Deposits:		
Checking	\$17,947,932	\$11,197,957
Demand	241,225,202	200,694,046
Savings - demand	278,912,231	248,676,075
Time	239,091,879	260,304,146
Negotiable certificates of deposit	1,942,400	9,469,600
Savings - time	250,402,815	232,184,461
Remittances	452,136	315,542
	<u>\$1,029,974,595</u>	<u>\$962,841,827</u>

20. BANK DEBENTURES

	December 31	
	2012	2011
Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity (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
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
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
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	2,100,000
Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,900,000	2,900,000
Subordinated bonds issued on April 27, 2012; 1.58% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,280,000	-
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	2,720,000	-
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	8,000,000	-
	<u>\$47,000,000</u>	<u>\$39,000,000</u>

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

To increase the Bank's capital adequacy ratio and to strengthen its capital structure, the board of directors resolved in their meeting on March 22, 2013 to issue subordinated bank debentures of \$5,000,000 thousand. This issuance is still waiting for the approval from the authorities.

22. OTHER FINANCIAL LIABILITIES

	December 31	
	2012	2011
Principal of structured products	\$1,208,633	\$1,631,949
Guarantee deposits received	147,650	217,088
Appropriations for loans	56,363	94,606
	<u>\$1,412,646</u>	<u>\$1,943,643</u>

23. OTHER LIABILITIES

	December 31	
	2012	2011
Advance receipts	\$801,013	\$963,921
Deferred income tax liabilities	247,935	351,023
Reserve for losses on guarantees	116,200	66,504
Reserve for land revaluation increment tax	95,212	79,368
Other	23,306	20,229
	<u>\$1,283,666</u>	<u>\$1,481,045</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 Supervisory Committee of Workers' Retirement Preparation Fund, 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 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 \$213,522 thousand in

2012 and \$181,219 thousand in 2011, of which \$169,729 thousand and \$147,534 thousand, respectively, were under the Act.

Other information in 2012 and 2011 on the defined benefit plan was as follows:

a. Net pension cost

	2012	2011
Service cost	\$23,312	\$23,461
Interest cost	22,963	24,003
Actual loss (return) on plan assets	(95,653)	104,685
Amortization	93,171	(118,464)
Net pension cost	<u>\$43,793</u>	<u>\$33,685</u>

b. Reconciliation of the plan funded status to balance sheet amounts

	December 31	
	2012	2011
Benefit obligation:		
Vested benefit obligation	\$(148,710)	\$(130,877)
Non-vested benefit obligation	(797,018)	(725,995)
Accumulated benefit obligation	(945,728)	(856,872)
Additional benefits based on future salaries	(485,431)	(455,294)
Projected benefit obligation	(1,431,159)	(1,312,166)
Fair value of plan assets	1,086,344	997,413
Funded status	(344,815)	(314,753)
Unrecognized transitional net asset	(16,490)	(17,747)
Unamortized prior service cost	55,195	64,999
Unamortized net pension gains or losses	325,611	287,844
Prepaid pension (part of other assets - others)	<u>\$19,501</u>	<u>\$20,343</u>
Vested benefits	<u>\$(168,741)</u>	<u>\$(150,663)</u>

c. Actuarial assumptions

	December 31	
	2012	2011
Discount rate	1.60%	1.75%
Rate of increase in compensation	2.50%	2.50%
Expected long-term rate of return on plan assets	1.60%	1.75%

d. Summary of pension fund contributions and payments

	2012	2011
Contributions	<u>\$42,951</u>	<u>\$33,551</u>
Payment of benefits	<u>\$49,673</u>	<u>\$27,766</u>

25. SERVICE FEE INCOME, NET

	2012	2011
Service fee	\$7,460,987	\$5,972,205
Service charge	(1,302,666)	(972,296)
	<u>\$6,158,321</u>	<u>\$4,999,909</u>

26. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2012	2011
Personnel expenses		
Salaries	\$4,816,173	\$4,121,475
Insurance	324,533	281,615
Pension	213,522	181,219
Other	262,657	210,794
Depreciation expenses	635,264	615,101
Amortization expenses	178,712	198,190

27. INCOME TAX

a. Income tax was calculated as follows:

	2012	2011
Income tax expense - current before tax credits	\$1,438,657	\$325,314
Net change in deferred income tax:		
Loss carryforwards	52,396	234,729
Unrealized gain or loss on financial instruments	37,090	17,857
Tax credits	7,297	1,881
Goodwill	2,412	2,314
Impairment losses on assets	763	(2,964)
Unrealized foreign exchange gain	(1,793)	4,629
Allowance for possible losses and reserve for losses on guarantees	(212,483)	(135,669)
Valuation allowance for deferred income tax assets	-	(9,178)
Other	(1,721)	-
Additional 10% income tax on unappropriated earnings	4,731	-
Adjustment of prior year's tax	(6,941)	6,191
Income tax expense	<u>\$1,320,408</u>	<u>\$445,104</u>

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

	2012	2011
Income tax expense on income before income tax at statutory rate (17%)	\$1,444,899	\$ 612,465
Permanent differences:		
Tax-exempt income	(281,681)	(235,025)
Others	100,435	(165,959)
Temporary differences	<u>175,004</u>	<u>113,833</u>
Income tax expense - current before tax credits	<u>\$1,438,657</u>	<u>\$325,314</u>

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

	December 31	
	2012	2011
Deferred income tax assets		
Allowance for possible losses and reserve for losses on guarantees	\$348,152	\$135,669
Cumulative translation adjustments	46,787	1,221
Impairment losses on assets	6,222	6,985
Unrealized loss on the valuation of financial instruments	-	88,654
Loss carryforwards	-	52,396
Tax credits	-	7,297
Other	<u>1,721</u>	<u>-</u>
	<u>402,882</u>	<u>292,222</u>
Deferred income tax liabilities		
Unrealized gain on the valuation of financial instruments	(6,953)	-
Unrealized foreign exchange gain	(16,479)	(18,272)
Goodwill	(627,385)	(624,973)
	<u>(650,817)</u>	<u>(643,245)</u>
	<u>\$(247,935)</u>	<u>\$(351,023)</u>

d. Imputed tax credit is summarized as follows:

	December 31	
	2012	2011
Balance of stockholders' imputed tax credit	<u>\$12,416</u>	<u>\$21,485</u>

For the distribution of the 2011 earnings, the actual creditable tax ratios were 0.67% and 0.66% for cash dividends and stock dividends, respectively. The Bank estimates the creditable tax ratio for distributing 2012 earnings at 0.17%. 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, 2012 and 2011 were \$91,777 thousand for each year-end date.

f. The enacted effective tax rate for calculating the deferred income taxes for 2012 and 2011 was 17%.

g. Income tax returns through 2007 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.

For the aggregate amount for goodwill amortization of \$4,078,277 thousand resulting from the acquisition of the Bank with Kaohsiung Business Bank Co., Ltd. (KBB) and reported in the income tax returns for 2004 to 2007, the tax authorities disapproved the related

expense because the authorities mainly 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
2012					
Basic earnings per share					
Net income	<u>\$8,499,403</u>	<u>\$7,178,995</u>	<u>4,388,347</u>	<u>\$1.94</u>	<u>\$1.64</u>
2011					
Basic earnings per share					
Net income	<u>\$3,602,734</u>	<u>\$3,157,630</u>	<u>3,907,014</u>	<u>\$0.92</u>	<u>\$0.81</u>

The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. Because of this adjustment, the basic earnings per share before and after income tax decreased from NT\$0.96 to NT\$0.92 and from NT\$0.84 to NT\$0.81 for 2011.

29. STOCKHOLDERS' EQUITY

The stockholders resolved to use the 2010's unappropriated earnings of \$2,106,000 thousand as stock dividends of 210,600 thousand shares. This issuance was approved by the Ministry of Economic Affairs (MOEA).

In November 2011, the Bank increased its capital by \$7,500,000 thousand in private placement 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.

The stockholders resolved to use the 2011's unappropriated earnings of \$1,519,000 thousand as stock dividends of 151,900 thousand shares. This issuance was approved by the MOEA.

In December 2012, the Bank increased its capital by \$3,100,000 thousand in private placement and issued 200,000 thousand shares at NT\$15.50 per share. ESFHC subscribed for all the new shares. This issuance was approved by the MOEA. As of December 31, 2012, the Bank's issued and outstanding capital stock amounted to \$45,725,000 thousand.

The Board of Directors resolved to distribute the unappropriated earnings of \$4,125,000 thousand as stock dividends of 412,500 thousand shares and to raise the authorized capital to \$49,850,000 thousand on March 22, 2013. 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 to shareholders
 - 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 2012 and 2011, the bonus to employees and remuneration to directors, which totaled \$347,315 thousand and \$123,924 thousand, respectively, representing 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 change in accounting estimate, and the related accrued expenses should be adjusted in the year of the stockholders'

approval of the bonus and remuneration.

The appropriations from earnings of 2011 and 2010 were approved in the stockholders' meetings on May 4, 2012 and May 6, 2011, respectively. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2011	2010	2011	2010
Legal reserve	\$947,289	\$1,194,408		
Special reserve	221,557	-	\$0.10	\$0.20
Cash dividends	422,476	702,000	0.36	0.60
Stock dividends	1,519,000	2,106,000		

The bonus to employees and the remuneration to directors for 2011 and 2010, which were approved in the stockholders' meetings on May 4, 2012 and May 6, 2011, respectively, were as follows:

	2011	2010
Bonus to employees - cash	\$103,270	\$149,362
Remuneration to directors - cash	20,654	29,872

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, 2011 and 2010.

The appropriations from the earnings of 2012 were approved in the Board of Directors' meeting on March 22, 2013. The appropriations and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$2,153,699	
Cash dividends	1,316,275	\$0.29
Stock dividends	4,125,000	0.90

The proposal on appropriations of earnings for 2012, 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 should only 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 used to issue new shares or distribute 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 the trading loss reserve of \$83,866 thousand accrued until December 31, 2010 to special reserve. 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.

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 both salary expenses and capital surplus at \$198,346 thousand and \$87,848 thousand in 2012 and 2011, respectively.

If the actual distribution of share bonus to the Bank's employees differ from the estimated distribution, this change should be treated as change in 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 allocable 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	Relationship with the Bank
E.SUN Financial Holding Company, Ltd. (ESFHC)	Parent company
E.SUN Securities Co., Ltd. ("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
Fugi Consulting Co., Ltd. and Bank-Pro E-Service Technology Co., Ltd.	The Bank is a director of these two companies
Other	Directors, supervisors, managers and related to the Bank's chairman and president within the second degree of consanguinity

b. Significant transactions between the Bank and related parties

	December 31			
	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
2012				
1)Loans	\$799,903	-	0.99-3.38	\$11,256
2)Deposits	\$8,645,683	1	0-6.90	\$(75,132)
2011				
1)Loans	\$769,762	-	1.38-2.79	\$8,916
2)Deposits	\$10,304,861	1	0-6.90	\$(77,644)
	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
3)Other receivable (part of receivables)				
ESFHC	\$152,340	-	\$242,628	1
4)Refundable deposit	\$1,086	-	\$1,086	-
5)Prepaid expense (part of other assets)	\$2,391	-	\$2,391	-
6)Interest payable (part of payables)	\$9,631	-	\$11,975	-
7)Remuneration to directors and supervisors (part of payables)	\$57,886	-	\$20,654	-
8)Other payable (part of payables)				
ESFHC	\$750,147	3	\$6,161	-
Others	6,229	-	-	-
	\$756,376	3	\$6,161	-
9)Accrued expenses (part of payables)	\$-	-	\$7,962	-
10)Guarantee deposits received (part of other financial liabilities)	\$8,910	1	\$8,910	-
11)Unearned revenue (part of other liabilities)	\$3,559	-	\$3,510	-

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.

	2012		2011	
	Amount	% to Total	Amount	% to Total
12) Rental income				
E.SUN Securities	\$29,836	47	\$28,027	54
ESFHC	5,599	8	5,578	11
Other	5,087	8	4,924	9
	<u>\$40,522</u>	<u>63</u>	<u>\$38,529</u>	<u>74</u>
13) Donation (part of general and administrative expenses) - E.SUN Volunteer & Social Welfare Foundation and E.SUN Foundation	<u>\$20,979</u>	<u>-</u>	<u>\$30,228</u>	<u>1</u>
14) Other (part of general and administrative expenses)	<u>\$73,349</u>	<u>1</u>	<u>\$47,029</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 cultural and educational promotion.

15) Directors as credit guarantors

	December 31			
	Amount	% to Total	Interest Rate (%)	Rate of Guarantee Service Fee (%)
2012	<u>\$178,000</u>	-	1.316-2.17	-
2011	<u>\$155,250</u>	-	1.261-2.17	-

16) 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.

17) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties in the Bank. The Bank charged \$15 thousand (part of service fee income, net) accordingly.

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 had been prepaid by the lessees, 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

	2012	2011
Salaries	\$39,390	\$36,542
Incentives	17,889	14,891
Special compensation	3,849	2,640
Bonus	62,758	23,185
	<u>\$123,886</u>	<u>\$77,258</u>

31. PLEDGED ASSETS

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

	December 31	
	2012	2011
Financial assets at fair value through profit or loss (bonds and securities at face value)	\$467,803	\$389,688
Receivables (bonds)	2,000	9,900
Available-for-sale financial assets (bonds at face value)	\$316,870	\$51,000
Held-to-maturity financial assets (bonds and securities at face value)	16,329,080	22,936,936
Other financial assets	726	757
	<u>\$17,116,479</u>	<u>\$23,388,281</u>

As of December 31, 2012 and 2011, the foregoing securities, with aggregate face value of \$10,000,000 thousand and \$10,900,000 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 a CB's agent and for covering its call loans from the CB, the Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand and \$10,300,000 thousand, as of December 31, 2012 and 2011, respectively. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

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

Date	(In Thousands of U.S. Dollars)	
	Outstanding Loan Balance	Collateral Value
December 31, 2012	<u>\$15,417</u>	<u>\$10,388</u>
December 31, 2011	<u>\$10,10</u>	<u>\$8,997</u>

32. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2012 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, 2012, refundable deposits on these leases totaled \$853,795 thousand (part of refundable deposits). Minimum annual rentals for the next five years are as follows:

Year	Amount
2013	\$541,849
2014	471,005
2015	401,710
2016	303,777
2017	190,914

Total rentals for January 2018 to May 2020 will aggregate \$37,403 thousand. The aggregate present value of these rentals is \$34,216 thousand, discounted at 1.37%, 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 \$361,445 thousand. As of December 31, 2012, the remaining unpaid amount was approximately \$259,578 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.

	2012		2011	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents - due from banks	\$5,472,248	1.27	\$2,855,008	0.12
Call loans to banks	6,805,492	0.77	2,954,736	0.43
Due from the Central Bank	26,160,968	0.59	25,378,321	0.59
Held-for-trading financial assets - bonds	1,467,485	2.54	1,065,991	2.68
Held-for-trading financial assets - bills	18,253,524	0.74	13,306,210	0.73
Financial assets designated as at fair value through profit or loss - bonds and bills	34,226,433	2.09	32,362,593	1.92
Securities purchased under resell agreements	436,850	0.85	162,352	0.69
Discounts and loans	694,206,194	2.29	634,188,081	2.18
Receivables on credit cards	16,843,550	13.38	15,518,646	13.98
Available-for-sale financial assets - bonds	52,347,172	2.30	42,353,424	2.56
Held-to-maturity financial assets	235,943,249	0.86	272,826,039	0.89
Debt instruments with no active market	4,194,980	3.04	2,172,774	2.03
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	45,534,260	0.83	37,833,874	0.84
Financial liabilities at fair value through profit or loss (excluding financial liabilities designated as at fair value through profit or loss - bank debentures)	3,125,000	1.39	3,231,492	1.32
Securities sold under repurchase agreements	8,789,030	0.66	13,239,691	0.59
Demand deposits	207,641,216	0.22	185,215,762	0.17
Savings - demand deposits	259,389,082	0.30	234,391,123	0.31
Time deposits	263,349,560	1.17	285,426,718	0.96
Time savings deposits	237,183,341	1.34	213,738,002	1.26
Negotiable certificates of deposit	1,675,353	0.57	17,614,025	0.73
Bank debentures (including financial liabilities designated as at fair value through profit or loss - bank debentures)	43,736,503	2.05	37,315,343	2.07
Principal of structured products	1,653,060	1.65	2,267,849	1.54

34. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	December 31			
	2012		2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Financial assets - with fair values approximating carrying amounts	\$124,586,651	\$124,586,651	\$108,203,361	\$108,203,361
Financial assets at fair value through profit or loss	61,142,893	61,142,893	52,152,745	52,152,745
Available-for-sale financial assets	76,155,007	76,155,007	52,860,765	52,860,765
Discounts and loans	735,406,720	735,406,720	656,008,834	656,008,834
Held-to-maturity financial assets	211,168,563	211,347,422	253,283,859	253,513,119
Other financial assets (excluding financial assets carried at cost)	4,063,911	4,063,911	3,168,966	3,175,023
<u>Financial liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	73,010,533	73,010,533	69,154,187	69,154,187
Financial liabilities at fair value through profit or loss	6,971,106	6,971,106	7,850,768	7,850,768
Deposits and remittances	1,029,974,595	1,029,974,595	962,841,827	962,841,827
Bank debentures	47,000,000	47,537,501	39,000,000	39,741,888
Other financial liabilities	1,412,646	1,412,646	1,943,643	1,943,643

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. 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. 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 of 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, 2012 and 2011, the discount rates used ranged from 0.41% to 1.7005% and from 0.401% to 1.83%, respectively, for the New Taiwan dollar and from 0.10% to 2.717% and from 0.13% to 2.606%, 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 hierarchies of the Bank's financial instruments as of December 31, 2012 and 2011 were as follows:

	December 31, 2012			
	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	\$ 159,029	\$ 159,029	\$ -	\$ -
Debt instruments	1,033,448	1,033,448	-	-
Others	21,685,824	40,850	21,644,974	-
Designated as at FVTPL on initial recognition	33,938,871	4,361,449	29,577,422	-
Available-for-sale financial assets				
Stock	245,774	245,774	-	-
Debt instruments	75,909,233	63,352,976	12,302,839	253,418
Other financial assets				
Debt instruments with no active market	4,063,185	-	3,656,625	406,560
<u>Liabilities</u>				
Financial liabilities at FVTPL	2,914,210	-	2,914,210	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at FVTPL	4,325,721	51,266	4,268,014	6,441
<u>Liabilities</u>				
Financial liabilities at FVTPL	4,056,896	109	4,050,346	6,441

December 31, 2011				
	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 as 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

1)Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. As defined by 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 (i.e., as prices) or indirectly (i.e., 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 2012 and 2011 was as follows:

December 31, 2012

(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	\$9,328	\$(2,887)	\$-	\$-	\$-	\$-	\$6,441
Available-for-sale financial assets	4,670,246	(8,375)	-	-	(4,408,453)	-	253,418
Other financial assets							
Debt instruments with no active market	574,298	-	-	-	(167,738)	-	406,560
<u>Financial liabilities</u>							
Financial assets at fair value through profit or loss							
Held-for-trading financial liabilities	9,328	(2,887)	-	-	-	-	6,441

December 31, 2011

(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

d. A valuation of financial instruments at estimated market prices showed gains of \$352,200 thousand and \$229,803 thousand in 2012 and 2011, respectively.

e. For the years ended December 31, 2012 and 2011, the adjustments of stockholders' equity credited directly from the available-for-sale financial assets amounted to \$2,109,301 thousand and those debited directly from the available-for-sale financial assets amounted to \$412,548 thousand, respectively; the gains recognized and deducted from the adjustments of stockholders' equity were \$1,581,843 thousand and \$29,026 thousand, respectively.

f. Financial risk information

1) Risk management

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

2) Market risk

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

Information on the foreign-currency financial assets and liabilities with significant effect is 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, 2012 and 2011, the interest rates for loans ranged from 0.749% to 18.25% and from 0.43143% 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, 2012 and 2011, about 64% and 65%, respectively, of total loans granted, and about 13% and 16%, respectively, of both the aggregate guarantees and letters of credit issued, were secured. If the customers breach 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 the fair value of the collateral. 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, 2012 and 2011 were as follows:

	December 31	
	2012	2011
Credit card commitments	\$337,805,501	\$304,417,180
Guarantees and letters of credit issued	21,523,585	20,104,095

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:

Credit Risk Profile by
Group or Industry

Natural person
Manufacturing

December 31			
2012		2011	
Amount	%	Amount	%
\$374,854,505	49	\$341,328,300	50
199,732,382	26	186,020,462	27

Credit Risk Profile by Region

Domestic
Asia
South America
North America

December 31			
2012		2011	
Amount	%	Amount	%
\$689,626,565	91	\$620,391,870	91
28,579,193	4	25,409,424	4
21,835,444	3	16,995,674	3
10,540,606	1	7,972,351	1

4) Liquidity risk

In December of 2012 and 2011, the liquidity reserve ratios were 29.13% and 30.68%, 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, 2012					
	Due in One Month	Due after One Month Up to Three Months	Due after Three Months Up to One Year	Due after One Year Up to Seven Years	Due after Seven Years	Total
<u>Assets</u>						
Cash and cash equivalents	\$23,068,127	\$-	\$-	\$-	\$-	\$23,068,127
Due from the Central Bank and call loans to other banks	51,674,513	1,523,540	2,657,910	-	-	55,855,963
Financial assets at fair value through profit or loss	25,939,990	436,544	5,492,108	28,567,136	707,115	61,142,893
Securities purchased under resell agreements	210,863	-	-	-	-	210,863
Receivables	1,608,743	35,905,742	170,679	8,122,433	-	45,807,597
Discounts and loans	110,942,286	49,586,994	90,106,019	279,567,632	213,646,705	743,849,636
Available-for-sale financial assets	10,516,464	15,933,098	6,113,934	43,568,821	22,690	76,155,007
Held-to-maturity financial assets	-	475,526	1,539,574	209,111,832	41,631	211,168,563
Other financial assets (exclusive of financial assets carried at cost)	726	-	-	4,063,185	-	4,063,911
	<u>\$223,961,712</u>	<u>\$103,861,444</u>	<u>\$106,080,224</u>	<u>\$573,001,039</u>	<u>\$214,418,141</u>	<u>\$1,221,322,560</u>
<u>Liabilities</u>						
Due to the Central Bank and other banks	\$32,803,263	\$9,986,942	\$3,862,619	\$-	\$-	46,652,824
Financial liabilities at fair value through profit or loss	2,914,210	-	4,056,896	-	-	6,971,106
Securities sold under repurchase agreements	1,050,673	2,117,389	1,789,663	-	-	4,957,725
Payables	12,717,851	1,264,292	921,976	7,453,299	-	22,357,418
Deposits and remittances	627,761,122	111,400,334	278,041,507	12,771,632	-	1,029,974,595
Bank debentures	-	-	6,000,000	34,780,000	6,220,000	47,000,000
Other financial liabilities	1,206,878	1,756	82,289	56,362	65,361	1,412,646
	<u>\$678,453,997</u>	<u>\$124,770,713</u>	<u>\$294,754,950</u>	<u>\$55,061,293</u>	<u>\$6,285,361</u>	<u>\$1,159,326,314</u>

December 31, 2011

Assets	Due in One Month	Due after One Month Up to Three Months	Due after Three Months Up to One Year	Due after One Year Up to Seven Years	Due after Seven Years	Total
Cash and cash equivalents	\$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 (exclusive of 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	-	-	4,603,265	-	7,850,768
Securities sold under repurchase agreements	9,524,552	2,055,414	1,667,421	-	-	13,247,387
Payables	11,652,406	317,967	245,212	5,802,271	-	18,017,856
Deposits and remittances	560,079,990	118,991,267	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>

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, 2012			December 31, 2011		
	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 Manufacture of liquid crystal panel and components	\$8,701,210	11.56	Group B Manufacture of liquid crystal panel and components	\$13,071,482	20.14
2	Group B Manufacture of liquid crystal panel and components	8,391,511	11.15	Group A Manufacture of liquid crystal panel and components	8,081,178	12.45
3	Group C Smelting and refining of iron and steel	7,379,265	9.80	Group C Smelting and refining of iron and steel	7,479,117	11.52
4	Group D Manufacture of integrated circuits production	5,241,029	6.96	Group D Manufacture of integrated circuits production	7,144,633	11.01
5	Group E Civil air transportation	4,359,059	5.79	Group G Activities of head offices	4,597,689	7.08
6	Group F Activities of head offices	4,311,095	5.73	Group E Civil air transportation	4,359,215	6.72
7	Group G Manufacture of integrated circuits production	4,305,526	5.72	Group F Activities of head offices	3,107,450	4.79
8	Group H Manufacture of footwear	4,044,692	5.37	Group H Manufacture of footwear	2,879,586	4.44
9	Group I Manufacture of computer	3,702,600	4.92	Group K Manufacture of paper	2,805,438	4.32
10	Group J Other activities auxiliary to financial service activities	3,322,870	4.41	Group L Manufacture of liquid crystal panel and components	2,636,835	4.06

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

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

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

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2012

(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	\$921,269,144	\$10,207,154	\$7,185,872	\$31,433,932	\$970,096,102
Interest rate-sensitive liabilities	319,890,769	492,150,864	89,062,116	43,917,411	945,021,160
Interest rate sensitivity gap	601,378,375	(481,943,710)	(81,876,244)	(12,483,479)	25,074,942
Net worth					71,744,205
Ratio of interest rate-sensitive assets to liabilities					102.65
Ratio of interest rate sensitivity gap to net worth					34.95

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

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, 2012

(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	\$5,752,790	\$1,049,253	\$628,712	268,266	\$7,699,021
Interest rate-sensitive liabilities	6,149,770	989,957	586,849	34,482	7,761,058
Interest rate sensitivity gap	(396,980)	59,296	41,863	233,784	(62,037)
Net worth					88,421
Ratio of interest rate-sensitive assets to liabilities					99.20
Ratio of interest rate sensitivity gap to net worth					(70.16)

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)

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

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

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

d. Profitability

(%)

Items		Year Ended December 31, 2012	Year Ended December 31, 2011
Return on total assets	Before income tax	0.71	0.32
	After income tax	0.60	0.28
Return on equity	Before income tax	12.13	6.01
	After income tax	10.24	5.27
Net income ratio		30.93	16.75

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

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

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

Note 4: Income before (after) income tax represents income for 2012 and 2011.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2012

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$1,072,977	\$346,197	\$74,717	\$55,438	\$91,135	\$505,490
Main capital outflow on maturity	1,362,029	119,292	142,305	158,376	295,342	646,714
Gap	(289,052)	226,905	(67,588)	(102,938)	(204,207)	(141,224)

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2011

(In Millions of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$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)

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, 2012

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$6,177,038	\$1,710,555	\$1,023,392	\$778,714	\$608,304	\$2,056,073
Main capital outflow on maturity	6,585,667	2,498,067	1,401,277	1,153,651	1,499,883	32,789
Gap	(408,629)	(787,512)	(377,885)	(374,937)	(891,579)	2,023,284

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

December 31, 2011

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$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

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, 2012	December 31, 2011
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 due to its violations of laws and regulations	None	<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>
Within the past year, misconduct occurred, resulting in the authorities imposing strict corrective measures on the Bank	None	None
Within the past year, the Bank faced penalties due to violations of "the Banking Law of the Republic of China" Article 61-1	None	<p>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.</p>
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

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

36. TRUST BUSINESS UNDER THE TRUST LAW

a. Trust-related items, as shown in the following balance sheet, 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, 2012 and 2011

Trust Assets	2012	2011	Trust Liabilities	2012	2011
Cash in banks	\$3,032,818	\$2,125,994	Account payable on securities under custody	\$106,610,836	\$88,140,100
Short-term investments	124,082,129	112,242,024	Trust capital		
Land	5,271,183	5,572,826	Cash	133,027,894	117,900,458
Collective investment trust fund account	-	4,566	Securities	2,332,925	3,128,786
Securities under custody	106,610,836	88,140,100	Real estates	5,360,043	5,646,110
			Collective investment trust fund account	-	4,566
			Reserves and accumulated deficit	(9,269,763)	(7,361,356)
			Net income	935,031	626,846
Total assets	<u>\$238,996,966</u>	<u>\$208,085,510</u>	Total liabilities	<u>\$238,996,966</u>	<u>\$208,085,510</u>

Trust Property List
December 31, 2012 and 2011

Investment Items	2012	2011
Cash in banks	\$3,032,818	\$2,125,994
Stocks	2,740,906	3,412,277
Mutual funds	119,806,620	108,092,021
Bonds	1,534,591	736,986
Unsettled beneficiary certificates	12	-
Collective investments	-	740
Land	5,271,183	5,572,826
Collective investment trust fund account	-	4,566
Securities under custody	106,610,836	88,140,100
	<u>\$238,996,966</u>	<u>\$208,085,510</u>

Statements of Income on Trust Accounts
Years Ended December 31, 2012 and 2011

	2012	2011
<u>Revenues</u>		
Interest	\$8,620	\$6,336
Cash dividend	2,667,389	2,690,434
Property gain	777,112	921,190
Realized capital gain - mutual funds	30,745	22,271
Realized capital gain - common stock	73	1,115
Realized capital gain - collective investments	110	-
Realized capital gain - bonds	1,065	14
Revenues from beneficial certificates	595	685
Realized foreign exchange gain	-	51
	<u>3,485,709</u>	<u>3,642,096</u>
<u>Expenses</u>		
Management fees	180,863	262,191
Supervisor fees	120	120
Tax expenditure	37	37
Service fees	2,304	1,602
Property loss	2,326,330	2,724,851
Income tax	719	423
Other expenses	40,262	25,768
Realized capital loss - mutual funds	43	176
Realized capital loss - collective investments	-	82
	<u>2,550,678</u>	<u>3,015,250</u>
Net income	<u>\$935,031</u>	<u>\$626,846</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>2012</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>1,467</u>	<u>1,369</u>	<u>2,836</u>	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$3,663</u>	<u>\$2,485</u>	<u>\$6,148</u>	

	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>	

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 50% (10% before 2012) of the gross revenue derived from the insurance companies' products sold by the Bank. In 2012 and 2011, ESIB should have paid the Bank \$732,329 thousand and \$75,305 thousand, respectively; the unpaid amounts were \$10,762 thousand as of December 31, 2011.

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

	2012	2011
Revenue	<u>\$5,298</u>	<u>\$4,608</u>
Expense	<u>\$61,332</u>	<u>\$68,605</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 Bank also entered into a general assignment and assumption agreement with Chiayi The Fourth Credit Cooperative on March 16, 2012. Under this agreement, the Bank would pay \$110,000 thousand to acquire Chiayi The Fourth Credit Cooperative's assets, liabilities and operations. The acquisition was approved by the Bank's stockholders and Chiayi The Fourth Credit Cooperative's members on March 25, 2012. The effective date of the acquisition was November 3, 2012, and this acquisition was approved by the Financial Supervisory Commission on June 14, 2012. The Bank had finished the acquisition as scheduled.

Chiayi The Fourth Credit Cooperative's main operations included savings; short-term, mid-term, and long-term loans; stocks and debt investments; remittances; etc.

Chiayi The Fourth Credit Cooperative had 4 domestic branches as of the acquisition date.

The fair values of Chiayi The Fourth Credit Cooperative's and CNCA's assets and liabilities were as follows:

	Chiayi The Fourth Credit Cooperative	CNCA
Acquisition payment	\$110,000	\$1,834,000
Fair value		
Cash and cash equivalents	1,640,113	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	21	186,932
Receivables, net	6,273	28,372
Discounts and loans, net	171,749	8,788,823
Available-for-sale financial assets, net	15,046	460,767
Held-to-maturity financial assets, net	-	58,894
Other financial assets, net	510	4
Properties, net	718	343,483
Intangible assets	-	49,740
Other assets, net	136,283	487,169
Payables	(5,975)	(123,404)
Deposits and remittances	(1,896,696)	(15,570,615)
Other financial liabilities	(152)	(2,858)
Other liabilities	(16,913)	(51,999)
	50,977	1,747,635
Goodwill	\$59,023	\$86,365

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 Chiayi The Fourth Credit Cooperative and CNCA after November 3, 2012 and July 9, 2011, respectively, 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, 2012 and 2011 are shown as follows (Chiayi The Fourth Credit Cooperative's data for 2011 and for the period from January 1, 2012 to November 2, 2012 and CNCA's data for the period from January 1, 2011 to July 8, 2011 were audited by other auditors).

	Year Ended December 31	
	2012	2011
Net interest	\$14,101,145	\$12,710,316
Net revenues and gains other than interest	9,172,046	6,275,179
Total net revenues	23,273,191	18,985,495
Bad-debt expenses	(2,019,923)	(4,541,992)
Operating expenses	(12,717,612)	(10,936,924)
Income before income tax	8,535,656	3,506,579
Income tax expense	(1,320,408)	(445,147)
Net income	<u>\$7,215,248</u>	<u>\$3,061,432</u>
Earnings per share	<u>\$1.64</u>	<u>\$0.78</u>

39. CAPITAL ADEQUACY RATIO

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

Items		Year	December 31, 2012	December 31, 2011
Eligible capital	Tier 1 capital		\$70,873,180	\$60,383,539
	Tier 2 capita		32,551,495	21,921,608
	Tier 3 capital		-	-
	Eligible capital		103,424,675	82,305,147
Risk-weighted assets	Credit risk	Standardized approach	725,386,677	609,421,646
		Internal ratings - based approach	-	-
		Securitization	265,725	1,195,353
	Operational risk	Basic indicator approach	42,592,125	36,140,025
		Standardized approach/Alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	14,833,625	22,810,125
		Internal model approach	-	-
	Risk-weighted assets		783,078,152	669,567,149
Capital adequacy ratio			13.21	12.29
Ratio of tier 1 capital to risk-weighted assets			9.05	9.02
Ratio of tier 2 capital to risk-weighted assets			4.16	3.27
Ratio of tier 3 capital to risk-weighted assets			-	-
Ratio of common stock to total assets			3.70	3.68
Ratio of leverage			5.97	5.46

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. SIGNIFICANT SUBSEQUENT EVENTS

To expand the Bank's network in Association of Southeast Asian Nations (ASEAN), to increase its competitiveness and to strengthen its long-term development, the Board of Directors resolved in their meeting on March 22, 2013 to acquire 70% shares of Union Commercial Bank PLC. in Cambodia by approximately US \$69,333 thousand. This acquisition is still waiting for the approvals from the authorities of both parties.

41. OTHERS

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.

The Bank signed a memorandum of understanding with Bank of Communication Co., Ltd. on April 24, 2012 and another with China Merchants Bank Co., Ltd. on May 30, 2012. 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.

42. 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 acquired 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: None.
- 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:

Based on "Regulations Governing Approvals of Banks to Engage in Financial Activities between the Taiwan Area and the Mainland Area," the Bank set up the Dongguan Branch in Mainland China. This investment was approved by the Financial Supervisory Commission on June 17, 2011. The branch's information - major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - is shown in Table 6 (attached).

43. OPERATING SEGMENTS

The information reported to the Bank's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. 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 on 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, 2012				
	Corporate Banking Unit	Individual Banking Unit	Others	Total
Net interest revenues (expenses)	\$ 7,243,148	\$ 8,082,444	\$ (1,229,910)	\$ 14,095,682
Total net revenues	\$ 8,751,607	\$ 13,578,642	\$ 878,617	\$ 23,208,866
Bad-debt expenses	(901,260)	(1,337,880)	219,217	(2,019,923)
Operating expenses	(2,620,409)	(8,011,803)	(2,057,328)	(12,689,540)
Income (loss) before income tax	\$ 5,229,938	\$ 4,228,959	\$ (959,494)	\$ 8,499,403

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

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 interpretation issued by the Accounting Research and Development Foundation of the ROC, the measure of segment assets is zero.

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, 2012 were as follows:

44. 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):

- 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 guidance translated by the Accounting Research Development Foundation (ARDF) and issued by the FSC. To

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

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 as well as the effects of transition to IFRS are as follows:

1) Reconciliation of the balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference			
Account	Amount			Account	Account	
Cash and cash equivalents	\$19,931,437	\$-	\$-	\$19,931,437	Cash and cash equivalents	
Due from the Central Bank and call loans to other banks	45,016,416	-	-	45,016,416	Due from the Central Bank and call loans to other banks	
Financial assets at fair value through profit or loss, net	52,152,745	-	-	52,152,745	Financial assets at fair value through profit or loss	
Securities purchased under resell agreements	29,789	-	-	29,789	Securities purchased under resell agreements	
Receivables, net	42,260,221	(267,072)	-	41,993,149	Receivables, net	5) h)
	-	274,793	-	274,793	Current income tax assets	5) h)
Discounts and loans, net	656,008,834	-	-	656,008,834	Discounts and loans, net	
Available-for-sale financial assets, net	52,860,765	-	-	52,860,765	Available-for-sale financial assets, net	
Held-to-maturity financial assets, net	253,283,859	-	-	253,283,859	Held-to-maturity financial assets, net	
Other financial assets, net	3,497,546	-	-	3,497,546	Other financial assets, net	
Properties, net	15,599,517	-	-	15,599,517	Properties and equipment, net	
	-	1,216,332	-	1,216,332	Investment properties, net	5) g)
Intangible assets	4,036,275	-	-	4,036,275	Intangible assets, net	
	-	292,222	23,464	315,686	Deferred income tax assets	5) a), 5) b)
Other assets, net	2,667,589	(1,224,053)	(16,662)	1,426,874	Other assets, net	5) c), 5) g), 5) h)
Total	<u>\$1,147,344,993</u>	<u>\$292,222</u>	<u>\$6,802</u>	<u>\$1,147,644,017</u>	Total	
Due to the Central Bank and other banks	\$38,052,926	\$-	\$-	\$38,052,926	Due to the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	7,850,768	-	-	7,850,768	Financial liabilities at fair value through profit or loss	
Securities sold under repurchase agreements	13,247,387	-	-	13,247,387	Securities sold under repurchase agreements	
Payables	18,017,856	(82,610)	32,050	17,967,296	Payables	5) b), 5) f), 5) h), 5) k)
	-	60,523	-	60,523	Current income tax liabilities	5) h)
Deposits and remittances	962,841,827	-	-	962,841,827	Deposits and remittances	
Bank debentures	39,000,000	-	-	39,000,000	Bank debentures	
Other financial liabilities	1,943,643	-	-	1,943,643	Other financial liabilities	
	-	88,591	249,754	338,345	Provisions	5) c), 5) k)
	-	722,613	-	722,613	Deferred income tax liabilities	5) a)
Other liabilities	1,481,045	(496,895)	105,973	1,090,123	Other liabilities	5) a), 5) f), 5) k)
Total liabilities	<u>1,082,435,452</u>	<u>292,222</u>	<u>387,777</u>	<u>1,083,115,451</u>	Total liabilities	
Capital stock	42,206,000	-	-	42,206,000	Capital stock	
Capital surplus	11,037,856	-	-	11,037,856	Capital surplus	
Retained earnings	11,893,202	-	(386,935)	11,506,267	Retained earnings	5) i)
Cumulative translation adjustments	(5,960)	-	5,960	-	Exchange differences in translation of financial statements of foreign operations	5) i)
Unrealized valuation losses on financial instruments	(221,557)	-	-	(221,557)	Unrealized losses on available-for-sale financial assets	
Total stockholders' equity	<u>64,909,541</u>	<u>-</u>	<u>(380,975)</u>	<u>64,528,566</u>	Total stockholders' equity	
Total	<u>\$1,147,344,993</u>	<u>\$292,222</u>	<u>\$6,802</u>	<u>\$1,147,644,017</u>	Total	

2)Reconciliation of the balance sheet as of December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference			
Account	Amount			Account	Account	
Cash and cash equivalents	\$23,068,127	\$-	\$-	\$23,068,127	Cash and cash equivalents	
Due from the Central Bank and call loans to other banks	55,855,963	-	-	55,855,963	Due from the Central Bank and call loans to other banks	
Financial assets at fair value through profit or loss, net	61,142,893	-	(25)	61,142,868	Financial assets at fair value through profit or loss	5) e)
Securities purchased under resell agreements	210,863	-	-	210,863	Securities purchased under resell agreements	
Receivables, net	44,304,823	(152,340)	10,463	44,162,946	Receivables, net	5) e), 5) h)
	-	159,455	-	159,455	Current income tax assets	5) h)
Discounts and loans, net	735,406,720	-	-	735,406,720	Discounts and loans, net	
Available-for-sale financial assets, net	76,155,007	-	-	76,155,007	Available-for-sale financial assets, net	
Held-to-maturity financial assets, net	211,168,563	-	-	211,168,563	Held-to-maturity financial assets, net	
Other financial assets, net	4,392,491	-	-	4,392,491	Other financial assets, net	
Properties, net	16,373,001	-	-	16,373,001	Properties and equipment, net	
	-	2,193,124	-	2,193,124	Investment properties, net	5) g)
Intangible assets	\$4,137,558	-	\$-	\$4,137,558	Intangible assets, net	
	-	420,891	27,390	448,281	Deferred income tax assets	5) a), 5) b)
Other assets, net	3,672,695	(2,200,239)	(15,820)	1,456,636	Other assets, net	5) c), 5) g), 5) h)
Total	<u>\$1,235,888,704</u>	<u>\$420,891</u>	<u>\$22,008</u>	<u>\$1,236,331,603</u>	Total	
Due to the Central Bank and other banks	\$46,652,824	\$-	\$-	\$46,652,824	Due to the Central Bank and other banks	
Financial liabilities at fair value through profit or loss	6,971,106	-	-	6,971,106	Financial liabilities at fair value through profit or loss	
Securities sold under repurchase agreements	4,957,725	-	-	4,957,725	Securities sold under repurchase agreements	
Payables	22,357,418	(848,632)	(96,503)	21,412,283	Payables	5) b), 5) e), 5) f), 5) h), 5) k)
	-	826,344	-	826,344	Current income tax liabilities	5) h)
Deposits and remittances	1,029,974,595	-	-	1,029,974,595	Deposits and remittances	
Bank debentures	47,000,000	-	-	47,000,000	Bank debentures	
Other financial liabilities	1,412,646	-	-	1,412,646	Other financial liabilities	
	-	138,488	289,620	428,108	Provisions	5) c), 5) k)
	-	764,038	-	764,038	Deferred income tax liabilities	5) a)
Other liabilities	1,283,666	(459,347)	268,057	1,092,376	Other liabilities	5) a), 5) f), 5) k)
Total liabilities	<u>1,160,609,980</u>	<u>420,891</u>	<u>461,174</u>	<u>1,161,492,045</u>	Total liabilities	
Capital stock	45,725,000	-	-	45,725,000	Capital stock	
Capital surplus	12,345,531	-	-	12,345,531	Capital surplus	
Retained earnings	17,130,721	-	(445,126)	16,685,595	Retained earnings	5) i)
Cumulative translation adjustments	(228,429)	-	5,960	(222,469)	Exchange differences in translation of financial statements of foreign operations	5) i)
Unrealized valuation losses on financial instruments	305,901	-	-	305,901	Unrealized losses on available-for-sale financial assets	
Total stockholders' equity	<u>75,278,724</u>	<u>-</u>	<u>(439,166)</u>	<u>74,839,558</u>	Total stockholders' equity	
Total	<u>\$1,235,888,704</u>	<u>\$420,891</u>	<u>\$22,008</u>	<u>\$1,236,331,603</u>	Total	

3) Reconciliations of the statement of comprehensive income for the year ended December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Presentation Difference	Recognition and Measurement Difference	Account	Account	
Interest revenue	\$23,493,540	(914,283)	\$-	\$22,579,257	Interest revenue	5) j)
Less: Interest expense	(9,397,858)	146,621	-	(9,251,237)	Less: Interest expense	5) d), 5) j)
Net interest	14,095,682	(767,662)	-	13,328,020	Net interest	
Net revenues and gains other than interest						
Service fee income, net	6,158,321	-	(860,447)	5,297,874	Service fee income, net	5) f)
Gains on financial assets and liabilities at fair value through profit or loss	717,782	885,566	-	1,603,348	Gains on financial assets and liabilities at fair value through profit or loss	5) j)
Realized gains on available-for-sale financial assets	1,591,453	-	-	1,591,453	Realized gains on available-for-sale financial assets	
Foreign exchange gains, net	477,781	-	-	477,781	Foreign exchange gains, net	
Reversal gains on impairment of assets	17,039	-	-	17,039	Reversal gains on impairment of assets	
Other noninterest gains, net	150,808	-	-	150,808	Other noninterest gains, net	
Total net revenues and gains other than interest	9,113,184	885,566	(860,447)	9,138,303	Total net revenues and gains other than interest	
Total net revenues	23,208,866	117,904	(860,447)	22,466,323	Total net revenues	
Bad-debt expenses	(2,019,923)	-	-	(2,019,923)	Bad debt expenses and provision for losses on guarantees	
Operating expenses	(12,689,540)	(117,904)	842,785	(11,964,659)	Operating expenses	5) b), 5) c), 5) d), 5) f)
Income before income tax	8,499,403	-	(17,662)	8,481,741	Income before income tax	
Income tax expense	(1,320,408)	-	3,926	(1,316,482)	Income tax expense	5) b)
Net income	\$7,178,995	\$-	\$(13,736)	7,165,259	Net income	
					Other comprehensive income	
					Exchange differences in translation of financial statements of foreign operations	
				(268,035)		
				585,975	Unrealized gains on available-for-sale financial assets	
				(44,455)	Actuarial losses under defined benefit plan	5) c)
				(12,951)	Income tax attributable to other comprehensive income	
				260,534	Other comprehensive income for the period, net of tax	
				\$7,425,793	Total comprehensive income for the period	

4) Exemptions under IFRS 1

IFRS 1 - "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRSs for the first time. Under IFRS 1, the Bank applied the accounting policies under IFRSs retroactively to prepare and present an opening IFRS statement of financial position at the date of transition to IFRSs, i.e., January 1, 2012. The IFRS 1 granted several exemptions for the adoption, and the main exemptions that the Bank applied are as follows:

Business combinations

The Bank has elected not to apply IFRS 3 - "Business Combinations" retrospectively for the business combinations that happened before the date of transition to IFRSs. Thus, in the balance sheet under IFRS as of January 1, 2012, the goodwill and assets and liabilities that resulted from past business combinations were shown as the same amounts under ROC GAAP as of December 31, 2011.

Share-based payments

The Bank has applied the exemption stated in IFRS 2 - "Share-based

Payments” to all share-based payments granted and vested before the date of transition to IFRSs.

Employee benefits

The Bank has chosen to recognize all cumulative actuarial gains and losses on employee benefit plans under retained earnings on the date of transition to IFRSs.

Cumulative translation adjustments

The cumulative translation adjustments for all foreign operations of the Bank were deemed to be zero and recognized under retained earnings at the date of transition to IFRSs.

5) Significant reconciliations on the conversion to IFRSs

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:

a) Deferred income tax assets or liabilities

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.

In addition, under ROC GAAP, the deferred income tax assets and liabilities of the same taxable entity should be offset and shown in the financial statements at their net value. On conversion to IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities against each other in the balance sheet only if: a) the entity has a legally enforceable right to offset current income tax assets against current income tax liabilities; and b) the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

As of January 1, 2012, the Bank had reclassified other liabilities of \$430,391 thousand to deferred income tax assets of \$292,222 thousand and deferred income tax liabilities of \$722,613 thousand, respectively, in accordance with the foregoing accounting policy on deferred income tax assets/liabilities. As of December 31, 2012, the Bank had reclassified other liabilities of \$343,147 thousand to deferred income tax assets of \$420,891 thousand and deferred income tax liabilities of \$764,038 thousand, respectively.

b) Employee benefits - short-term compensated absences

Under ROC GAAP, there is no specific accounting policy on short-term compensated absences. The short-term compensated absences are usually recognized as the vacation leaves are

actually taken by the employees. On conversion to IFRSs, an entity should recognize the expected cost of short-term employee benefits as employees render services that increase their entitlement to these compensated absences.

Under the IFRS accounting policy on short-term compensated absences, the Bank had adjusted the accounts as of December 31, 2012 and January 1, 2012 as follows: Accrued expenses increased by \$161,116 thousand and \$138,023 thousand, respectively; and deferred income tax assets increased by \$27,390 thousand and \$23,464 thousand, respectively. In addition, in the year ended December 31, 2012, salary expense (part of employee benefit expenses) increased by \$23,093 thousand and income tax expense decreased by \$3,926 thousand.

c) Employee benefits - actuarial gains and losses under defined benefit plan

Under ROC GAAP, the unrecognized transitional net obligations resulting from the first-time adoption of SFAS No. 18 - “Accounting for Pensions” is amortized on a straight-line basis over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits and should be included in the net pension cost. In addition, on conversion to IFRSs, the transitional policies of IAS 19 - “Employee Benefits” (“IAS 19”) are not applicable. Thus, the effects of the unrecognized transitional net obligations should be recognized immediately and the retained earnings should be adjusted accordingly.

Under ROC GAAP, actuarial gains and losses are recognized by the corridor approach and amortized over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits. On conversion to IFRSs, IAS 19 requires that actuarial gains and losses under the defined benefit plan be immediately recognized under other comprehensive income. Actuarial gains and losses recognized under other comprehensive income should be recognized under retained earnings, and they should not be reclassified to profit or loss in the subsequent period.

The Bank had revaluated its defined benefit plan in accordance with IAS 19. The Bank also adjusted the accounts as of December 31, 2012 and January 1, 2012 in accordance with IFRS 1 as follows: Accrued pension liabilities increased by \$289,620 thousand and \$249,754 thousand, respectively; and prepaid pension (part of other assets, net) decreased by \$15,820 thousand and \$16,622 thousand. In addition, pension cost decreased by \$5,431 thousand and actuarial losses under the defined benefit plan increased by \$44,455 thousand in the year ended December 31, 2012.

d) Employee benefits - preferential rates for employees’ deposits

Under IAS 19 - “Employee Benefits”, the preferential rates for employees’ deposits in excess of market rate should be treated as employee benefit.

Thus, the Bank reclassified \$117,904 thousand from interest expense to employee benefit expenses in the year ended

December 31, 2012.

e) Regular way purchase or sale of financial assets

Under IAS 39 - "Financial Instruments: Recognition and Measurement," only one method should be applied consistently to all purchases and sales of financial assets that belong to the same category of financial assets. The Bank currently applies trade date accounting to stocks and beneficial certificates and settlement date accounting to the rest of its financial assets. On conversion to IFRSs, only trade date accounting will be applied to all regular way purchase or sale of financial assets.

The adoption of the IFRS policy on regular way purchase or sale of financial assets resulted in the adjustment of the accounts as of December 31, 2012 as follows: Receivables, net increased by \$10,463 thousand; payables increased by \$10,438 thousand and financial assets at fair value through profit or loss decreased by \$25 thousand. This accounting change had no effect on the accounts as of January 1, 2012.

f) Customer loyalty program - revenue recognition

Under ROC GAAP, the liability from the bonus points earned by customers on the use of credit cards is estimated and then recorded as selling expenses as bonus points are granted. IFRIC 13 - "Customer Loyalty Programmes" requires that a portion of the price of selling goods or services be allocated to bonus points, and revenue should be calculated on the relative fair values of goods sold or services rendered and bonus points granted. Revenue allocated to bonus points should be recognized when points are redeemed.

In compliance with the IFRSs, the Bank had adjusted the accounts as of December 31, 2012 and January 1, 2012 as follows: Payables, net decreased by \$268,057 thousand and \$105,973 thousand, respectively; and deferred revenue increased by \$268,057 thousand and \$105,973 thousand, respectively. In addition, service fee income and other general and administrative expenses both decreased by \$860,447 thousand in the year ended December 31, 2012.

g) Investment properties

Under ROC GAAP, the Bank's rentable properties are recognized under other assets. On conversion to IFRSs, the properties held by the owner or lessee to earn rentals or for capital appreciation should be recognized under investment properties.

The Bank had reclassified the properties amounting to \$2,193,124 thousand and \$1,216,332 thousand that matched the foregoing purposes as of December 31, 2012 and January 1, 2012, respectively, from other assets, net to investment properties.

h) Current income tax assets or liabilities

Under IAS 12 - "Income Taxes," unpaid current and prior periods' taxes are recognized as liabilities. If the amount already paid in current and prior periods exceeds the amount due for those periods, the excess should be recognized as an asset.

In compliance with the IFRSs, the Bank had made the reclassifications as of December 31, 2012 and January 1, 2012 as follows: \$152,340 thousand and \$267,072 thousand, respectively, from receivables to current income tax assets; \$7,115 thousand and \$7,721 thousand, respectively, from other assets - others to current income tax assets; and \$826,344 thousand and \$60,523 thousand, respectively, from payables to current income tax liabilities.

i) Reconciliations of retained earnings

The difference between the retained earnings under ROC GAAP and those under IFRS 1 as of January 1, 2012 mainly resulted from the debits of (a) \$5,960 thousand loss in cumulative translation adjustments, (b) \$266,416 thousand increase in the actuarial losses under the defined benefit plan and (c) \$114,559 thousand increase in short-term liabilities - compensated absences.

j) Presentation in the statement of comprehensive income

On conversion to IFRSs, the items in the statement of comprehensive income are classified by the nature of each account. For the year ended December 31, 2012, the interest revenue and interest expense generated from the financial assets and liabilities at fair value through profit and loss, which amounted to \$914,283 thousand and \$28,717 thousand, respectively, should be recognized under gains (losses) on financial assets and liabilities at fair value through profit or loss.

k) Other accounts in the balance sheet are presented in accordance with IFRSs.

c. Special reserves made on the date of transition to IFRSs

As stated in the Financial Supervisory Commission's letter dated April 6, 2012 (Ref. No. 1010012865), on the first-time adoption of IFRSs, a special reserve should be appropriated from the balance of the retained earnings at an amount that is equal to the portion of retained earnings transferred from unrealized revaluation increment or cumulative translation adjustments (gain) in the stockholders' equity section by applying the exemptions from IFRS 1.

The Bank did not have any unrealized revaluation increments, and the cumulative translation adjustments, to which an IFRS 1 exemption was applicable, was negative. Thus, no special reserve is required to be appropriated on the Bank's first-time adoption of IFRSs.

d. 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, 2012 AND 2011****(In Thousands of New Taiwan Dollars)****Loans****December 31, 2012**

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2012 (Note)	Ending Balance	Loans Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	97	\$99,640	\$69,731	\$69,731	\$-	Land and buildings as collateral for part of the loans	None
Self-used housing mortgage loans	92	543,019	476,805	476,805	-	Land and buildings	None
Other loans	Others	329,635	253,367	253,367	-	Land and buildings	None
Other loans	E.SUN Securities	7,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	1,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	3,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	8,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	8,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	3,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	7,000	-	-	-	Certificate of deposits	None

December 31, 2011

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2011 (Note)	Ending Balance	Loans 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	Others	315,202	246,234	246,234	-	Land and buildings	None

Note: The sum of the respective highest balances of all accounts in the year ended December 31, 2012 and 2011.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES

DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2012					December 31, 2011				
Items		Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate	Secured	\$217,130	\$144,561,072	0.15	\$1,554,875	716.10	\$34,627	\$123,474,193	0.03	\$1,234,742	3,565.84
Banking	Unsecured	271,784	223,771,403	0.12	2,545,253	936.50	197,209	184,160,139	0.11	1,841,601	933.83
Consumer Banking	Housing mortgage (Note 4)	253,251	237,782,424	0.11	2,492,205	984.08	348,608	233,168,931	0.15	2,174,898	623.88
	Cash card	751	14,093	5.33	12,273	1,634.22	1,127	20,156	5.59	2,594	230.17
	Small scale credit loans (Note 5)	488,333	37,495,961	1.30	704,073	144.18	536,241	28,844,744	1.86	565,082	105.38
	Other (Note 6)										
	Secured	29,601	95,175,582	0.03	954,388	3,224.17	112,391	84,829,197	0.13	848,292	754.77
	Unsecured	4,475	5,049,101	0.09	64,078	1,431.91	79,504	8,396,142	0.95	83,961	105.61
Loan		1,265,325	743,849,636	0.17	8,327,145	658.10	1,309,707	662,893,502	0.20	6,751,170	515.47
		Nonperforming Loans (Note 1)	Receivables	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Receivables	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards		80,264	35,971,393	0.22	1,394,141	1,736.94	76,735	32,848,546	0.23	1,053,388	1,372.76
Accounts receivable factored without recourse (Note 7)		-	4,199,426	-	45,236	-	-	5,598,969	-	36,039	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)		85,264					117,688				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)		274,237					371,548				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)		366,401					383,703				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)		1,173,757					1,129,323				

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), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

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

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

TABLE 3

E.SUN COMMERCIAL BANK, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	The Proportionate Share of the 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	\$512	160	-	160	0.81	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	0.45	9,000	2,752	1,254	-	1,254	0.45	
	Taiwan Asset Management Corporation	Taipei	Acquisition of delinquent loans	0.57	100,000	7,594	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	382	2,120	-	2,120	0.41	
	Sunny Asset Management Co.	Taipei	Acquisition of delinquent loans	4.35	2,607	470	261	-	261	4.35	
	<u>Non-finance related business</u>										
	Fugui Consulting Co., Ltd. (formerly Fubon Securities Finance Co.)	Taipei	Investment consulting	2.56	-	-	51	-	51	2.56	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.28	108,954	26,617	10,238	-	10,238	2.28	
	Apex Venture Capital Corp.										
	BankPro E-Service Technology Co., Ltd.	Taipei	Investment	4.67	6,093	-	2,009	-	2,009	4.67	
	Taiwan Incubator Small & Medium Enterprises Development Co., Ltd.	Taipei	E-commerce application service	3.33	4,500	1,197	450	-	450	3.33	
	Taipei	Small and medium enterprise incubation	3.44	24,071	-	2,425	-	2,425	3.44		

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

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, such as convertible bonds and warrants, are covered by Article 11 of "Securities and Exchange Law Enforcement Rules."
c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in Statement of Financial Accounting Standards No. 34 - "Accounting for Financial Instruments."

TABLE 4

INFORMATION ON THE FOREIGN-CURRENCY FINANCIAL ASSETS AND
LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2012 AND 2011

(Currency Unit: In Thousands)

	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
USD	\$5,574,909	29.0400	\$161,895,357	\$4,655,368	30.2780	\$140,955,232
AUD	502,590	30.1203	15,138,162	460,218	30.7534	14,153,268
HKD	2,223,139	3.7462	8,328,323	2,158,441	3.8969	8,411,229
JPY	21,627,388	0.3361	7,268,965	12,071,016	0.3898	4,705,282
RMB	1,130,281	4.6590	5,265,979	198,596	4.7980	952,864
EUR	77,852	38.4490	2,993,332	73,494	39.2070	2,881,479
GBP	21,421	46.7834	1,002,147	3,588	46.6735	167,465
SGD	31,684	23.7410	752,210	2,283	23.3033	53,201
NZD	12,426	23.8244	296,042	1,289	23.4261	30,196
CHF	3,766	31.8212	119,839	2,705	32.1969	87,093
CAD	2,419	29.1977	70,629	1,790	29.6785	53,125
ZAR	18,870	3.4221	64,575	10,150	3.7208	37,766
SEK	3,163	4.4669	14,129	2,139	4.3910	9,392
THB	3,970	0.9484	3,765	5,359	0.9542	5,114
MXN	1,415	2.2398	3,169	693	2.1619	1,498
MYR	77	9.4902	731	77	9.5409	735
Financial liabilities						
USD	5,833,189	29.0400	169,395,809	4,631,902	30.2780	140,244,729
JPY	20,487,224	0.3361	6,885,756	8,622,514	0.3898	3,361,056
AUD	239,283	30.1203	7,207,276	215,873	30.7534	6,638,829
ZAR	1,789,213	3.4221	6,122,866	1,093,291	3.7208	4,067,917
EUR	134,563	38.4490	5,173,813	149,595	39.2070	5,865,171
HKD	1,197,211	3.7462	4,484,992	1,065,460	3.8969	4,151,991
RMB	900,947	4.6590	4,197,512	490,850	4.7980	2,355,098
GBP	38,589	46.7834	1,805,325	22,006	46.6735	1,027,097
NZD	35,505	23.8244	845,885	57,865	23.4261	1,355,551
CAD	21,679	29.1977	632,977	24,858	29.6785	737,748
SGD	15,535	23.7410	368,816	67,353	23.3033	1,569,547
CHF	8,260	31.8212	262,843	7,704	32.1969	248,045
SEK	16,277	4.4669	72,708	9,430	4.3910	41,407
MXN	1,332	2.2398	2,983	-	2.1619	-
MYR	-	9.4902	-	1	9.5409	10

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, 2012

Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	
E.SUN Commercial Bank, Ltd.	<u>Land</u> No. 16-19, Zhongxing Subsection, Erchong Po Section, Sanchong District, New Taipei City <u>Building</u> No. 50, 50-2, 50-4, 50-6, 50-7, 50-10 and 50-12, Zhongxing N. St, Sanchong District, New Taipei City	Board approval date: 2012.05.04 Contract date: 2012.05.10 Settlement date: 2012.05.21	\$969,280	Fully paid	Yung Tai Industrial Co., Ltd. and Ing Tai Industrial Co., Ltd.	-	

E.SUN COMMERCIAL BANK, LTD.

INVESTMENT IN MAINLAND CHINA YEAR ENDED DECEMBER 31, 2012

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	
Dongguan Branch	Deposits, loans, import and export, exchange and foreign exchange business	US\$ 94,862 (\$2,851,542) (Note 1)	Direct	\$ -	

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
US\$94,862 (\$2,851,542) (Note 1)	US\$94,862 (\$2,851,542) (Note 1)	\$45,167,235

Note 1: Translation into New Taiwan dollars at the spot rates on the dates of investment outflow from Taiwan.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China," investments are limited to 60% of the Bank's net asset value.

TABLE 5

(In Thousands of New Taiwan Dollars)

	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other terms
	Owner	Relationship	Transfer Date	Amount			
	-	-	-	\$ -	DTZ Debenham Tie Leung Real Estate Appraiser Office	Operation of the credit card and payment division	-

TABLE 6

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
	Outflow	Inflow					
	US\$94,862 (\$2,851,542) (Note 1)	\$ -	US\$94,862 (\$2,851,542) (Note 1)	100%	\$ 28,423	\$ 2,796,766	\$ -

VII. Risk Management



Ready for the challenges in a world of variety.

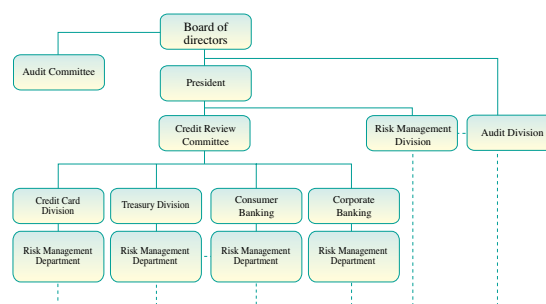
1. Risk Management

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 latest rules of Basel, 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 New Basel Capital Accord, 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

2012.12.31 unit: NT\$ thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charges
Sovereign	1,225,000	98,000
Public Sector (Non-central government)	0	0
Banks (including multilateral development banks)	35,470,349	2,837,628
Corporate (including securities and insurance companies)	303,910,735	24,312,859
Retail Bonds	292,705,852	23,416,468
Residential Real Estate	69,229,297	5,538,344
Equity Investments	138,656	11,092
Other Assets	22,706,788	1,816,543
Total	725,386,677	58,030,934

1.2 Asset Securitization Risk Management System, Exposure and Capital Charge

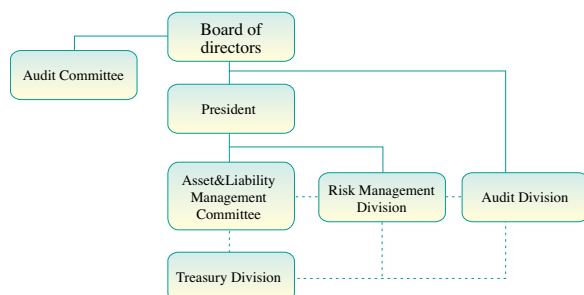
(1) Asset Securitization Risk Management System

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

2012.12.31 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	8,730	1	0	0	0	0	0	0
Corporate Type	285,492	45	0	0	0	0	0	0
E SUN BANK 2007-1 Collateralized Bond Obligation SPT	0	0	0	0	0	0	0	382,400
E SUN BANK 2007-2 Collateralized Bond Obligation SPT	0	0	0	0	0	0	0	540,800
Total	294,222	46	0	0	0	0	0	923,200

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. 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. Since its adoption of the Standardized Approach to operational risk, the Bank has to date completed installation of management mechanisms and systems. Besides further improving ongoing and post-incident control, the Bank has also sought to strengthen preventive endeavors so as

to identify potential risks before they materialize. The Bank's operational risk management process consists of process analysis, risk identification, risk evaluation, risk treatment and monitoring. Among the tools adopted are Risk Control Self-Evaluation, Key Risk Indicators (KRIs) and Operational Risk Loss Data Collection. Drawing on the management instruments cited above, the Bank is able to keep an across-the-board update of operational risk and take corrective measures wherever greater risks are posed, thereby keeping operational risk under control.

b. Operations Risk Management Organization and Framework

As the Bank's highest-ranking decision maker with regard to operational risk management, the board of directors is charged with setting operational risk management guidelines and risk appetite among other key decisions on this front in accordance with the Bank's operating strategy and business environment. That is, it is responsible for making sure that the Bank's operational risk management mechanism works effectively. In turn, the Risk Management Division is given the duty of designing and introducing the Bank's operational risk management mechanism, setting and revising operational risk management regulations, and tracking and monitoring operational risk management practices at all the business divisions. Besides presenting suggestions on corrective measures, it is also supposed to consolidate operational risk management information across the Bank and report it to the board. For their part, business divisions shall map out operational manuals and regulations as the basis of their supervising operating units' implementation of operational risk management. In accordance with the operational regulations laid down by business divisions, operating units are supposed to work with the former in

identifying operational risk and undertake all the necessary risk management tasks prescribed by the Bank. It is the duty of the Auditing Division to evaluate and verify if every division and unit has adopted an effective operational risk management framework, process and system on a regular basis.

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

Through Risk Control Self-Evaluation conducted on a regular basis, the Bank grades potential operational risk exposure into a number of levels, from slight to severe, and devises action plans accordingly. Meanwhile, KRIs are adopted to monitor operational risk changes and offer early warning; threshold values are set for these KRIs to serve as the basis for determining if countermeasures are warranted. When it comes to Operational Loss Data Collection, the Bank makes it point to keep track of operational risk as it occurs and come up with an appropriate action plan to keep it under control. 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.

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: Indicator Approach.

(2) Operational Risk Capital Charged

2012.12.31 unit: NT\$ thousands

Year	Gross Income	Capital Charged
2010	16,827,305	—
2011	18,460,360	
2012	21,501,834	
Total	56,789,499	3,407,370

1.4 Market Risk Management System, Exposure and Capital Charges

(1). Market Risk Management System

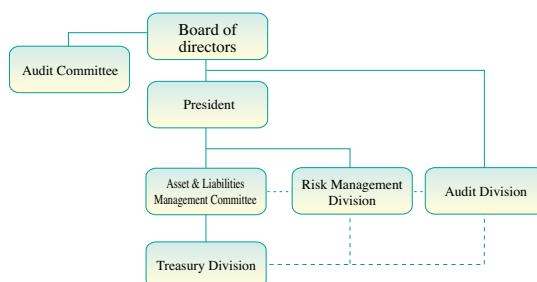
a. Market Risk Strategy, Goals, Policies and Processes

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 and stress testing. The above-mentioned controlling procedures are applied 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 risks. 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

Foreign exchange options positions of the Bank 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

2012.12.31 unit: NT\$ thousands

Risk Type	Capital Charged
Interest rate risk	851,055
Equity Securities risk	67,668
FX risk	205,160
Commodity Risk	7,775
Option based on simple method	55,032
Total	1,186,690

1.5 Liquidity Risk Management and Asset and Liability Maturity Analysis

E.SUN has drafted Liquidity Risk Management Policy, Asset and Liabilities Management Policy, Interest Rate Risk Management Procedure and Principles for Liquidity Risk Management. Various control factors are monitored on a daily basis, and Bankwide 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) 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, Sturdy as Mountain" spirit in offering customers the most suitable financial products and services.
- (2) 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 agency, the purpose of collection, time period, area, target and way of the use of personal information. In addition, enterprises need to adapt appropriate safe countermeasures, e.g. allocating resources, establishing the mechanism of management and response to accidents, and managing facility security. 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.
- (3) 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. If the account holder refuses to cooperate, the bank has to withhold their income from US or close those accounts. 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.
- (4) The Volcker Rule of the U.S. is designed to curtail the business scope of the financial services industry, in particular by imposing a ban on proprietary trading by commercial banks. The avowed purpose is to reduce the odds of systemic risk by restricting banks' risk appetite. While implementation of the legislation is still pending, it has yet to define more clearly provisions with regard to immunity for proprietary and overseas trading. As such, E.SUN will continue to evaluate how the legislation may impact its businesses as it keeps track of subsequent developments.
- (5) For the Bank, Basel III that was put into effect in 2013 means a marginal decline in capital adequacy-related ratios and a possible increase in its costs for issuing new capital. In response to the first impact, the Bank's parent company E.SUN Financial Holding Co., Ltd. already

resorted to a rights issue to help the Bank keep up capital adequacy. As for the second impact, the Bank will closely monitor how the market responds and subsequent capital issues of the industry at large.

(6) Impact of Implementing IFRSs on the Bank :

Unit: NT\$ thousands

Adjustment		Amount	Reason of Effect
Employee Benefits	Pensions	(305,440)	In accordance with the transitional provisions of International Accounting Standard No. 19 "Employee Benefits", unrecognized net transition obligation should be recognized and charged to retained earnings. The Bank chooses to immediately recognize the gains and losses from actuarial defined benefit plans in other comprehensive income.
	Short-Term Paid Leave	(133,726)	Short-term paid leave incurs a kind of compensatory cost that needs to be recognized in the period in which the benefit is earned by the employee.
Net Adjustment of Shareholders'Equity		(439,166)	

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

Alongside the advancement in ICT and its applications, the Bank has persistently invested in related R&D projects and pried open virtual channels on mobile devices and the internet. Convenient, efficient financial services are rendered to satisfy a wide array of customer needs. Drawing on cloud technology, it aims to win recognition of customers that they can trust the Bank with their household finances. Meanwhile, the Bank makes it a point to have its timely grasp of technology trends and industry developments supplemented by guidance from world-class consultants. To be sure, the Bank is committed to developing knowledge and competence on a par with world standards. Further matched by information analysis and centralized, IT-focused management, it is set to provide customers with products that best suit them as well as well-rounded protection of personal data.

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 2012, the bank has won the recognition by the public and international insititutions. The bank was awarded the Golden Service Award for top service in the banking industry in consecutive year (CommonWealth magazine), ranked No. 1 among all financial companies in service quality survey (Global View magazine), received first prize of Best Customer Services Award in the Best Wealth Management Bank Awards in 2010 and 2012. (The Business Today Magazine), won the SME Credit Guarantee Partner Award for the bank and 3 branch managers (MOEA's Credit Guarantee Fund) and received the merit certificate for Green Procurement by Private-Sector Enterprise and Organization (Environmental Protection Administration, Executive Yuan).

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

The Bank's acquisition of Chiayi Fourth Credit Cooperative not only fetched operating licenses for new branches but also made it possible for the two parties to combine strengths and maximize synergies. Yet the deal is not without risks. Employees of the acquiree need to adapt to the E.SUN culture while information systems of both sides must be integrated. For its part, the Bank not only encourages Chiayi Fourth Credit Cooperative employees to stay on and learn to do things the E.SUN way but also strives for seamless integration of data and systems. By bringing out maximized synergies in the shortest possible time, the Bank believes it can create customers' value on the back of professionalism, service and efficiency. The board of E.SUN Commercial bank approved to acquire 70% shares of Union Commercial Bank PLC. (UCB) of Cambodia, which is a significant footstep in our ASEAN market expansion initially. The transaction is subject to approval by the relevant regulatory authorities of both parties.

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

In 2012, E.SUN's total domestic and overseas branch network reached 136 (including the Los Angeles, Hong Kong branches, Dongguan China and Singapore branches). 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 2012, and there had been no major change in managerial authority.

9. Effect upon and risk to the Bank in the event a major quantity of shares belonging to director(s) or shareholder(s) holding greater than 1% stake in the Bank has been transferred or has otherwise changed hands, and mitigation measures:

As of the end of 2012, none of the Bank's directors or shareholders holding greater than 1% stake in the Bank had transferred a major quantity of shares or had it change hands otherwise.

10. Litigious or Non-litigious Incidents:

Up till the end of 2007, all the income tax declaration of E.SUN Bank had been approved by the competent Tax Authority. However, for the declaration of tax deduction of the Bank's shareholders during the period of 2001 to 2005 (except for 2003), the competent Tax Authority ruled on an excessive distribution of tax deduction credit of NTD 27,416 thousand due to that the pre-paid withholding tax on treasury bond interest was not deductible. E.SUN arrested the decision and applied for tax refund or administrative remedy according to Tax Collection Act. The competent Tax Authority had reviewed the declaration of income tax of E.SUN Bank for the year of 2002, 2004 and 2005 and concluded that there was no excessive distribution of tax deduction credit. The Bank believes that there was no excessive distribution of tax deduction credit for declarations in other years either, therefore the impact on the relevant income tax is not taken into account.

The income tax declaration of E.SUN Bank for the years of 2004 to 2007 integrating the goodwill amortization of Kaohsiung Business Bank were amount to NTD 4,078,277 thousand. In consideration of the goodwill was not acquired by bid, the National Taxation Bureau of Taipei rejected to recognize it as an expense. E.SUN Bank arrested the decision, and had sought for administrative remedy according to the relevant regulation. The Bank believes that the probability of winning the case is high, therefore the impact on the relevant income tax is not taken into account.

11. Other Major Risk Countermeasures:

None.

12. 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. Besides, the Bank will follow and take safe measures described in the Emergency Response of Personal Information Invasion, to prevent, report and respond to the event of personal information invasion.

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. Further more, 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 manage crises in a well thought-out manner.

VIII. Special Disclosure



Blooming Azaleas and Magnificent Mountains.

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

2012.12.31 Unit: NT\$ thousands

Name	Capital	Total Asset	Total Liability	Net Worth	2012 P/L (after tax)	EPS (after tax in NT\$)
E.SUN FHC	50,107,000	88,335,850	13,161,841	75,174,009	7,058,236	1.46
E.SUN Securities	3,060,000	6,006,895	2,454,479	3,552,416	13,435	0.04
E.SUN Venture Capital	1,500,000	1,586,152	6,147	1,580,005	16,705	0.11
E.SUN Insurance Brokers	113,000	833,304	108,660	724,644	468,030	41.42
E.SUN Investment Consulting	50,000	65,735	8,364	57,371	4,218	0.84

1.2 Report on Affiliation

2012.12.31

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	4,572,500,000 shares	100%	0 share	Title and name as following note

*Note:

Chairman: Kuo-Lieh Tseng

Managing Directors: Joseph Huang, Jackson Mai, Chiu-Hsiong Huang, Chang Lin Chen-Chen (also Independent Director)

Independent Directors: Chen-En Ko, Ji-Ren Lee, Hsin-I Lin

Directors: Chao-Kuo Chen, Chien-Li Wu, Cheng-Ping 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:

E.SUN Bank received a fee of NTD 139 thousand from E.SUN FHC for sharing the resource of IT system in 2012.

1.4 Guarantee for Affiliated Companies: None

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

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

4.Other Required Supplementary Disclosure: None

5. Representation of Consolidated Financial Statements of Affiliated Enterprises

Representation

March 22, 2013

On behalf of E.SUN Commercial Bank Ltd., we hereby declare that the company's 2011 Affiliation Report (Period from Jan. 1, 2012 to Dec. 31, 2012) 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

A handwritten signature in black ink, appearing to read "Gary Tseng", written over a horizontal line.



Trust is Priceless

Ranked No. 1 in the group of Financial Institutions in the Award of Excellence in Corporate Social Responsibility.
(CommonWealth Magazine)

Awarded the Golden Service Award for top service in the banking industry.
(CommonWealth Magazine)

Received first prize of Best Customer Services Award in the Best Wealth Management Bank Awards.
(Business Today Magazine)

Received Platinum Award in Excellence Management in Corporate Governance in Asia.
(The Asset Magazine)

Won the SME Credit Guarantee Partner Award for 7 consecutive years.
(MOEA's Credit Guarantee Fund)

E.SUN Commercial Bank, Ltd.

Chairman of the Board

March 30, 2013 Printed



With our Heartfelt Appreciation and Eternal Blessing.

Service Network of E.SUN Bank

Branch	phone	Branch	phone	Branch	phone
Head Office Business Division	+886 2 2719 1313	Pu Chain Branch	+886 2 2963 1313	Fongyuan Branch	+886 4 2512 1313
Customer Service Division	+886 2 2175 1313	Banhsin Branch	+886 2 8952 1313	Dali Branch	+886 4 2418 1313
International Banking Division/OBU	+886 2 2175 1313	Haishan Branch	+886 2 2256 1313	Caotun Branch	+886 4 9238 1313
Trust Division	+886 2 2175 1313	Guangfu Branch	+886 2 2957 1313	Changhua Branch	+886 4 728 1313
Credit Card Division	+886 2 2182 1313	Sanchung Branch	+886 2 2280 1313	Yuanlin Branch	+886 4 836 1313
Nanching East Road Branch	+886 2 2760 1313	Chongsin Branch	+886 2 2984 1313	Douliou Branch	+886 5 532 1313
Chengjhong Branch	+886 2 2389 1313	Er-Chong Branch	+886 2 2278 1313	Chiayi Branch	+886 5 223 1313
Dongmen Branch	+886 2 2321 1313	East Sanchung Branch	+886 2 2971 1313	East Chiayi Branch	+886 5 216 1313
Chengtung Branch	+886 2 2504 1313	Tucheng Branch	+886 2 2274 1313	Puzih Branch	+886 5 379 1313
Keelungroad Branch	+886 2 2378 1313	SouthTucheng Branch	+886 2 2267 1313	Tainan Branch	+886 6 241 1313
Hsinyi Branch	+886 2 8789 1313	Shulin Branch	+886 2 8675 1313	East Tainan Branch	+886 6 289 1313
Tienmu Branch	+886 2 2835 1313	Hueilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Minsheng Branch	+886 2 2509 1313	Wugu Branch	+886 2 2290 1313	Chiali Branch	+886 6 721 1313
Fuhsing Branch	+886 2 2771 1313	Sindian Branch	+886 2 2916 1313	Yung Kang Branch	+886 6 201 1313
Tunnan Branch	+886 2 2754 1313	Beisin Branch	+886 2 8911 1313	South Yung Kang Branch	+886 6 313 1313
Changchun Branch	+886 2 2546 1313	Sanxia Branch	+886 2 2673 6613	Yanhang Branch	+886 6 253 1313
Chungshan Branch	+886 2 2537 1313	Taishan Branch	+886 2 2297 1313	Rende Branch	+886 6 270 6613
Neihu Branch	+886 2 2659 1313	Xizhi Branch	+886 2 2647 1313	Kaohsiung Branch	+886 7 336 1313
Shilin Branch	+886 2 2834 1313	Taoyuan Branch	+886 3 332 1313	Dashun Branch	+886 7 727 1313
Dong-Hu Branch	+886 2 2632 1313	South Taoyuan Branch	+886 3 337 1313	Lingya Branch	+886 7 716 1313
North Tienmu Branch	+886 2 2877 1313	Taoyin Branch	+886 3 375 1313	Cianjhen Branch	+886 7 761 1313
Songshan Branch	+886 2 3765 1313	Yiwen Branch	+886 3 357 1313	Chihsien Branch	+886 7 235 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Zuoying Branch	+886 7 559 1313
Mincyuan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	Nanzih Branch	+886 7 364 1313
Jhonglun Branch	+886 2 2577 1313	Bade Branch	+886 3 367 1313	North Kaohsiung Branch	+886 7 350 1313
Daan Branch	+886 2 2755 1313	Jhongli Branch	+886 3 427 1313	Sanmin Branch	+886 7 315 1313
Guting Branch	+886 2 2364 1313	Lisin Branch	+886 3 492 1313	Dachang Branch	+886 7 341 1313
Beitou Branch	+886 2 2895 1313	Zhongyuan Branch	+886 3 428 1313	Chengcing Branch	+886 7 386 1313
Songjiang Branch	+886 2 2562 1313	Yangmei Branch	+886 3 488 1313	Siaogang Branch	+886 7 807 1313
Mujha Branch	+886 2 2936 1313	Hsinchu Branch	+886 3 523 1313	Fongshan Branch	+886 7 743 1313
Jhongsiao Branch	+886 2 8772 1313	Guanghua Branch	+886 3 533 1313	Gangshan Branch	+886 7 621 1313
Sinshu Branch	+886 2 2203 1313	Juke Branch	+886 3 564-1313	Linyuan Branch	+886 7 643 1313
Jiancheng Branch	+886 2 2556 1313	JhuBei Branch	+886 3 554 1313	Houjhuang Branch	+886 7 702 1313
Nangang Branch	+886 2 2789 1313	Sinfong Branch	+886 3 557 1313	Pingtung Branch	+886 8 733 1313
Hsinchuang Branch	+886 2 2202 1313	Jhunan Branch	+886 3 746 1313	Chaozhou Branch	+886 8 786 1313
North Hsinchuang Branch	+886 2 2997 1313	Toufan Branch	+886 3 766 3571	Donggang Branch	+886 8 835 1313
Sinshu Branch	+886 2 2203 1313	Houlong Branch	+886 3 772 4771	Neipu Branch	+886 8 778 1313
Lujhou Branch	+886 2 2848 1313	Taichung Branch	+886 4 2254 1313	Keelung Branch	+886 2 2427 1313
Shwangho Branch	+886 2 2923 1313	Wunsin Branch	+886 4 2291 1313	Luodong Branch	+886 3 957 1313
Yonghe Branch	+886 2 2949 1313	Dadun Branch	+886 4 2320 1313	Hualien Branch	+886 3 831 1313
Fu-Hei Branch	+886 2 8923 1313	Nantun Branch	+886 4 2380 1313	Taitung Branch	+886 8 936 1313
Yung An Branch	+886 2 8921 1313	Situn Branch	+886 4 2461 1313	Penghu Branch	+886 6 927 1313
Jhonghe Branch	+886 2 2222 1313	Jhonggong Branch	+886 4 2350 8913	Los Angeles Branch	+1 626 810 2400
Liancheng Branch	+886 2 8228 1313	Taiping Branch	+886 4 2270 8813	Hong Kong Branch	+852 3405 6168
Taihe Branch	+886 2 2242 1313	Wuquan Branch	+886 4 2377 1313	Singapore Branch	+65 6533 1313
Nanshijiao Branch	+886 2 2942 8813	Daya Branch	+886 4 2568 1313	Dongguan Branch	+86 769 2698 5452
Banciao Branch	+886 2 8257 1313	Longjing Branch	+886 4 2636 6813	Ho Chi Minh City Representative Office	+84 8 3835 1313



玉山銀行 E.SUN BANK

No.117, Sec.3, Minsheng E. Rd., Taipei City 10546, Taiwan

TEL/+886 2 2175-1313 FAX/+886 2 2719-9313

<http://www.esunbank.com.tw>