



ANNUAL REPORT 2010

E.SUN FHC 2884



玉山金控 E.SUN FHC

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

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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

Auditing Certified Public Accountant

Certified Public Accountant: Chang Ryh Yan, Chen Li Chi
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Information of Overseas Depositary Receipt

Global Depositary Receipt
Place of Trading: Luxembourg Stock Exchange
Website: http://www.bourse.lu



Warm Sunrise Brings Joy.

E.SUN FHC 9th



The Power of Music and the Team

Arman
Music Power
Copper 1985 120x120x300cm
Possession of E.SUN Bank

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I. Letter to the Shareholders

Dear Shareholders,

E.SUN kept its competitive advantage by providing innovative and high-quality service to customers in a financial market full of changes and volatility. The condition of global politics and economy, the development in the emerging markets and the improving cross-strait relationship have created more uncertainties in 2011. E.SUN will follow its prudent strategy of development, thereby creating the greatest values for its customers, shareholders and employees.

E.SUN FHC generated net profit of NT\$3,923 million in 2010, equivalent to Earning per share of NT\$1.04 and Return on Equity of 7.32%, besides, the Capital Adequacy Ratio for FHC is 123.20%. Presently, E.SUN FHC's subsidiaries include E.SUN Bank, E.SUN Securities, E.SUN Venture Capital, and E.SUN Insurance Brokers. As of the end of 2010, E.SUN FHC had total assets of NT\$ 1,084.5 billion, a rise of 15.09% from the year earlier. The NPL ratio of E.SUN Bank at the end of the year was only 0.39%, with 154.32% coverage ratio. Deposits at E.SUN Bank stood at NT\$917.9 billion, and outstanding loans amounted to NT\$598.6 billion with growth rate 15.87% and 8.96% separately. The Bank posted a net profit for the year of NT\$3,981 million. E.SUN Securities registered a net profit of NT\$239 million, E.SUN Venture Capital a net profit of NT\$150 million, and E.SUN Insurance Brokers a net profit of NT\$350 million.

The rating agency Moody's shows its confidence in E.SUN's growth scale and keeping good asset

quality in long-term by confirming E.SUN's global long/short rating of Baa2. The core subsidiary, E.SUN's Bank's rating, is maintained at Baa1. All agencies assigned a stable outlook to FHC and Bank. Meanwhile, Fitch also maintain the rating of A(twn)/F1(twn) to E.SUN Securities.

E.SUN has been in operation for 20 years. We have consistently emphasized the expertise of our employees and stable and trustworthy character of the Group. As we promote balanced development in our various businesses, we also place the utmost importance on managing risk, ensuring disciplined operations, and streamlining procedures. E.SUN continues to hone service quality and stress internal controls and legal compliance. E.SUN complies with international standards set forth under the Basel protocols. E.SUN makes every effort to generate value for its brand name, and its efforts in this regard have won it accolades from customers and society. In 2010, E.SUN Bank won first place in the Most Trustworthy Bank and Best Service categories in an appraisal of wealth management banks by Business Today. It was also awarded first place by Global Views Monthly for best service in the banking industry. These honors help create momentum for E.SUN to move forward and further improve upon itself.

Understanding the importance of networks to profitability, E.SUN maximizes the value of its network. In 2011 E.SUN has embarked upon a strategy of fully functional branches. The Group integrates its marketing initiatives and is customer-

driven, thereby making the best use of its network, which includes 122 branches in Taiwan and branches and offices overseas. In tandem with its electronic banking services, call center, securities branches, and bancassurance services, E.SUN has enabled the value of its network to exceed the sum of its parts. In the process, it generates value for the customer and itself.

E.SUN focuses on target groups of customers and seeks to best manage and grow them. It continues to emphasize its differentiated service and brand name, and takes advantage of each opportunity for contact with its customers to provide rapid, convenient, and tight-knit financial services. E.SUN employs scientific system analysis and combines its wealth management, credit card, and securities product lines with innovative concepts, streamlined procedures, and creative portfolios to provide customers with the most appropriate banking services. In the process, E.SUN is the best partner for its customers in providing convenience.

E.SUN makes every effort to fulfill its social responsibility. The Group includes social responsibility as part of its core business strategy and seeks to be a first class corporate citizen. For instance, E.SUN through its World Card has to date established 30 E.SUN libraries at elementary schools in remote areas, helping to foster a love for reading among more students and broaden their horizons. In addition, E.SUN continues to support the development of youth baseball in Taiwan,



Forward looking with hopes.

sponsoring the E.SUN Youth Baseball Tournament and the E.SUN National Youth Baseball Training Camp. The Group also holds blood drives on a regular basis and provides volunteer service, establishing a platform and opportunities for participation. In recognition of its efforts, E.SUN has won the Best Social Responsibility Award from the Taiwan Academy of Banking and Finance and the Corporate Citizen Award from Commonwealth magazine. We will continue to pool our abilities to pay back society, and in the process make E.SUN the most respected enterprise.

E.SUN will further dedicate itself to creating greater value for the customer and the Group in an effort to express its appreciation to society for its encouragement and in response to its expectations. I would also like to express my sincerest good wishes to our shareholders for their long-term support.

Chairman

Yung-Jen Huang

President

San-chou Huang

II. Company Profile



Green Valleys, Spring Blossoms.

1. Introduction

A. Establish date: 2002.1.28

B. History:

(1)E.SUN FHC

The effort made by E.SUN FHC's management team and workforce have helped us establish a comprehensive financial group involved in banking, securities, bancassurance, and venture capital. We are adamant about providing the utmost service in each step of our operations. E.SUN's intends to support its growth through three main strategies, namely organic growth, strategic alliances, and mergers and acquisitions. The Group will continue to pursue stable growth, strive to provide customers with comprehensive banking services and generate value for these customers.

E.SUN FHC provides customers with across-the-board financial services. It is working aggressively to create a banking platform that spans Greater China and the globe. E.SUN FHC was established in January 2002 to integrate product operations and promote product development, maximize integrated marketing, reduce business costs, and pursue operational synergy. The FHC was established through a share swap between E.SUN Bank, E.SUN Securities, and E.SUN Bills Finance. In October of that year, E.SUN Venture Capital was founded, followed by E.SUN Insurance Brokers in July 2003. In September of the same year, E.SUN Investment Trust became part of the FHC through a share swap.

With a view to the most appropriate allocation of the FHC's resources and to seek to increase overall operational results, E.SUN Bank in September 2004 acquired the assets, liabilities and business of Kaohsiung Business Bank. Meanwhile, believing that E.SUN Bills Finance had achieved its designated mission, this unit was merged into E.SUN Bank in December 2006. In September 2008, E.SUN signed an agreement with Schrodgers to sell a 100% stake in E.SUN Securities Investment Trust Co. to that company. The deal was settled on September 30. On March 18, 2011, E.SUN Bank signed the Purchase Agreement with Chu Nan Credit-Cooperation Association(CNCCA) to acquire its asset, liability and operation. The transaction will be completed in a condition of receiving approvals from the AGMs of both parties, and from the regulator.

Since its establishment, E.SUN has emphasized its professional, top notch brand name image. It embraces the operational philosophies of professionalism, service, and responsibility. In addition, it seeks to implement its 3+1 corporate culture that stresses practicality, responsibility, strength, teamwork, harmony, happiness, honor, and gratitude both in the workplace and in life. The enthusiastic and differentiated service extended by E.SUN has created the foundation for E.SUN to become a long lasting, sustainable enterprise.

(2)Core subsidiary- E.SUN Bank

E.SUN Bank serves as the key component of the FHC. Its founder and former Chairman Huang Yung-Jen and a group of banking professionals decided to found the Bank, and E.SUN commenced operations on February 21, 1992. Current Chairman Tseng Kuo-Lieh has abundant experience in industry, government, and academia, and has a considerable background in financial supervision as well as a broad international perspective. Mr. Tseng joined E.SUN's leadership in May 2010 and is committed to continuing to emphasize the Bank's core values and its unique qualities. He intends to make every effort to further enhance E.SUN's brand name and service value, and in the process solidify E.SUN's presence in Taiwan and operations overseas.

E.SUN FHC was established on January 28, 2002 via a share swap with E.SUN Bank. At present, E.SUN Bank has a comprehensive 122-strong branch network that reaches all corners of Taiwan. Together with securities joint sales counters in bank branches, its electronic network, Internet bank, ATM, call center, insurance tele-marketing center, and promotion of an integrated cash flow platform, E.SUN has maximized leveraging of its network, thereby significantly boosting its value. At the same time, it stresses brand loyalty, working to create wider opportunities for contact and interaction with customers, which also helps to support growth. Meanwhile, E.SUN's strategic alliance with Prudential UK Plc has served to expand its bancassurance business. The Bank presently operates branches in Hong Kong and Los Angeles and offices in Dongguan and Vietnam. E.SUN continues to seek appropriate overseas development opportunities.

E.SUN encourages innovation in all areas of operations. It constantly strives to streamline procedures and engage in product innovation. Along with its information systems, E.SUN develops products and services that meet customer needs and that provide greater safety and efficiency, exhibiting its competitiveness. However, risk management is always in the forefront of all operations. E.SUN stresses risk management and has examined controls and procedures at each level. It has established a risk appetite mechanism and customer credit scoring models for each product line. These initiatives have helped create a top notch risk management system. This is another example of E.SUN taking steps that further enhance the foundation of the Group and that boost core competitiveness, and which generate even greater value for customers, shareholders, and the Group.

(3) E.SUN Securities

E.SUN Securities embraces the core operational philosophies of professionalism, service, and responsibility. It strives to cultivate a high degree of expertise among its staff and has built a top quality research team. The firm also relies on innovation to drive development of its various business lines. Besides its 18 branches, the Company makes use of the FHC's resources. It operates securities counters at E.SUN Bank branches, enabling the Bank branch network to be an important platform for the Company to provide consulting services and to open new accounts, thereby strengthening the operational efficiency of these business sites. Meanwhile, in light of the advances in network information and the increased number of people going online, the Company is aggressively developing diversified trading platforms, including the A+ Network Trading Platform, the Web network, and the ability to place orders through voice networks and via mobile devices. These provide investors with the opportunity to place orders in a safe, stable, and rapid environment.

In order to satisfy the diversified investment needs of customers, E.SUN has changed from being a futures intermediary broker (IB) to operating concurrent futures business. It has also introduced sub-broker operations, initially focusing on Hong Kong stocks. In its dealing operations, the Company continues to strengthen its integrated investment research team and bolster the depth of its research on local and foreign markets and industries. E.SUN also has implemented effective risk management, helping to generate returns. E.SUN continues to enhance its corporate banking operations to develop underwriting opportunities. However, the Company carefully evaluates each underwriting proposal

and maintains a strict self-discipline mechanism as an underwriter. In the future, E.SUN will further boost the training of its employees, and stress risk management, innovation, service efficiency and quality. At the same time, it will employ the FHC's resources to achieve integrated sales, thereby satisfying the needs of different types of customers, enhancing its relationship with its clients, and becoming the most trusted brokerage for its customers.

(4) E.SUN Venture Capital

E.SUN Venture Capital was established in 2002 to integrate the FHC's overall resources and provide companies with comprehensive banking services and solutions. The Company's paid-up capital, which was initially NT\$1 billion, has been gradually increased to NT\$1.5 billion. At first, the Company mainly invested in the electronics industry, but this has expanded to alternative energy & energy conservation, medical devices and the development new medicines, communications and optoelectronics, and traditional industrial sectors that display a high degree of innovation ability.

(5) E.SUN Insurance Brokers

E.SUN Insurance Brokers was established in 2002 and preSince its founding in July 2003, subsidiary E.SUN Insurance Brokers has embraced the principles of professionalism, service, and responsibility. These values, which are the core of sustainable operations, also serve as the foundation in creating customer value. The Company in 2004 entered into a strategic alliance with Prudential Plc. The Company reflects market trends and customer needs in developing a range of proprietary insurance products. It has also established a financial planning advisors system to be able to deliver tailored services to customers. E.SUN Insurance Brokers continues to enhance after-sales service quality in the pursuit of offering outstanding insurance broking services.

C. Condition of Merger and Acquisition, Investment in Affiliates and Restructuring; Mass transfer of shareholding form board members or qualified persons who should report their shareholdings in accordance with Paragraph 7 and 8, Article 16 of Taiwan Financial Holding Company Act; Change of ownership; Significant change of business operation or business contents, and any other event and its impacts which would affect shareholders' rights during period of 2010 and up till the printout date of 2010 annual report:



E.SUN FHC received Best Social Responsibility Awards in 2010.



E.SUN FHC received CSR Award in 3 consecutive years.



E.SUN Bank was chosen as the most trustworthy bank in WM business.

- (1) On March 18, 2011, E.Sun bank signed a general assignment and assumption contract with Chu Nan Credit-Cooperative Association. E.Sun bank will assume all assets, liabilities and business of CNCA except excluded assets and liabilities. The transaction is not effective until it is passed by shareholder's meeting of E.Sun bank and CNCA and receive the approval from regulators.

(2) Others: None

D. E.SUN's Glory

E.SUN is committed to top-notch operations and balanced development. E.SUN's excellence is derived from the joint efforts of its management team and all employees, helping the organization to be widely respected by regulators and the public. However, with honors comes responsibility. Over the past three years, E.SUN has won numerous awards from various sectors, including

*2010

- E.SUN FHC received Corporate Social Responsibility Award in 3 consecutive years (Commonwealth magazine)
- E.SUN FHC received Best Social Responsibility award (Taiwan Academy of Banking and Finance)
- E.SUN FHC received the certificate of corporate governance in 3 consecutive years (TCCA)
- E.SUN Bank received Platinum award in 'Excellence Management in Corporate Governance in Asia' (The Asset Magazine)
- E.SUN Bank ranked No.1 among all financial companies in service quality survey in 2 consecutive years (Global View magazine)
- E.SUN Bank was chosen as the most trustworthy and service quality bank in Wealth Management Business (Business Today)

- E.SUN Bank received SME Credit Guarantee Partner Award in 5 consecutive years (MOEA, Credit Guarantee Fund)

*2009

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

*2008

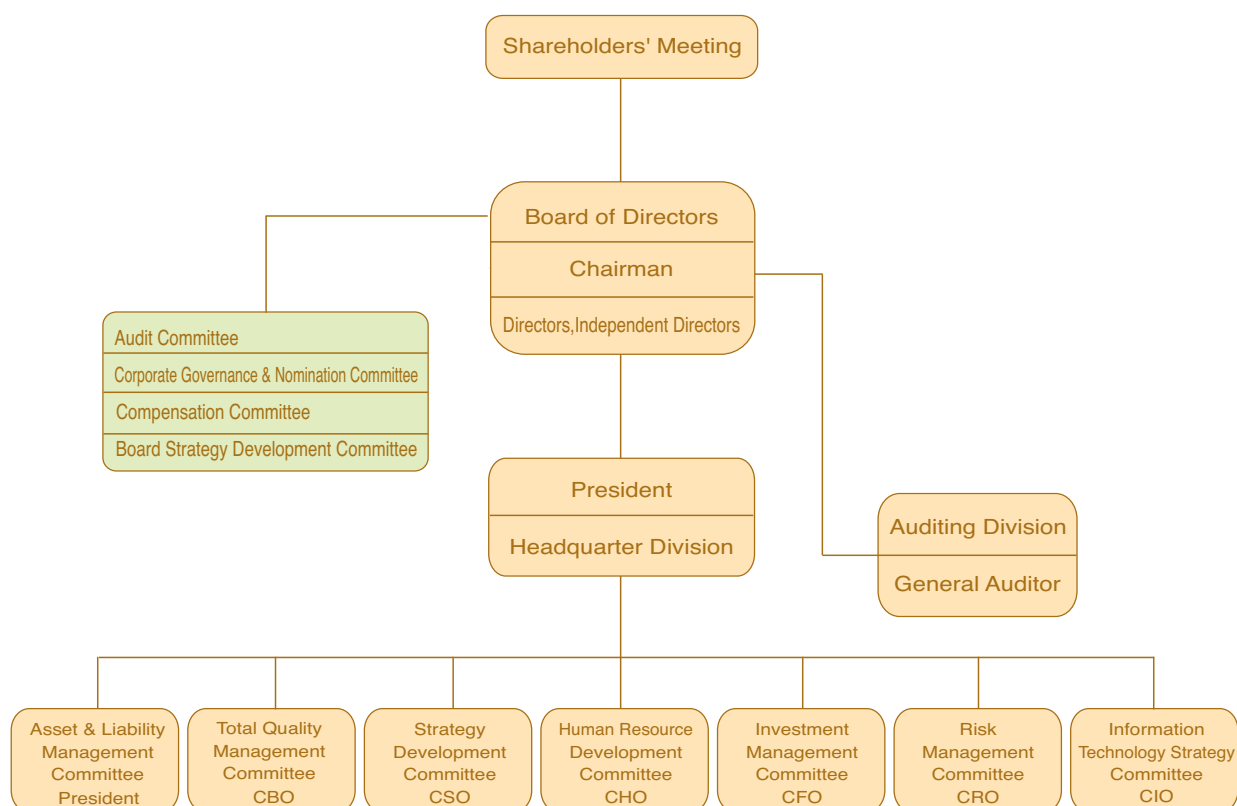
- E.SUN Bank received Best Risk Management award (Taiwan Academy of Banking and Finance)
- E.SUN FHC received the 3rd Corporate Social Responsibility Award in 3 consecutive years (Global View Magazine)
- E.SUN FHC awarded as Best corporate governance corporate in Taiwan (The Asset magazine)
- E.SUN FHC received the certificate of corporate governance (TCCA)
- E.SUN Bank received National Quality Award (Executive Yuan) the second time
- E.SUN Bank received Best Risk Management award (Taiwan Academy of Banking and Finance)
- E.SUN Bank awarded as Excellence in employee engagement (The Asian Banker magazine)
- E.SUN Bank received awards for Providing Loans to SMEs (Financial Supervisory Commission)
- E.SUN Bank received SME Credit Guarantee Partner Award (MOEA, Credit Guarantee Fund)

III. Corporate Governance

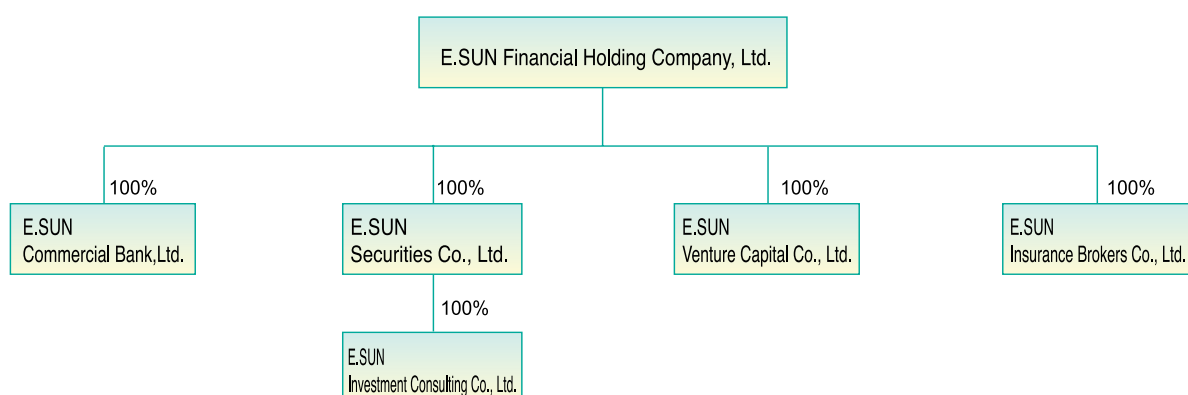


Stable Foundation for Sustainable Development.

1. Organization Chart



2. Corporate Structure of E.SUN Financial Holding Company, Ltd.



3. Directors and Independent Directors



Forward-looking
Decisions

3.1 Directors and Independent Directors

2011.2.28 Unit 1,000 shares

Position	Representative	Date of Election	Term	Date of First Elected	Shareholding when elected		2010.12.31						Education (Experience)	Current position with other company	Devision chiefs, directors or supervisors are spouse or within the 2nd degree of consanguinity of each other		
							Share holdings		Shareholdings of the spouse and minors		Shareholding under other's name				Position	Name	Relation ship
					Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio					
Chairman	Yung-Jen Huang	2008.6.13	3	2001.12.10	7,341	0.222	8,010	0.211	2,003	0.053	0	0	Department of Cooperative Economics at National Chung Hsing University	None	SEVP	Joe Huang	Brother
Director	Representative of E.SUN Volunteer & Social Welfare Foundation Joseph N.C. Huang	2008.6.13	3	2005.6.10 2008.6.13	7,518	0.228	8,644	0.227	2,552	0.671	0	0	MBA of the City University of New York, 18 year in Financial Industry	President of E.SUN FHC, Director of E.SUN Bank, Chairman of E.SUN Venture Capital, Director of Jia-Lang Intl. Cosmetics Co. Ltd.	None	None	None
Director	Representative of E.SUN Foundation Kuo-Lieh Tseng	2008.6.13	3	2001.12.10 2010.5.14	6,803	0.206	7,577	0.199	0	0	0	0	Master of Public Administration at Harvard University, Director of Banking Bureau, Financial Supervisory Commission	Chairman of E.SUN Bank	None	None	None
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	2008.6.13	3	2001.12.10 2001.12.10	30,648	0.928	34,136	0.898	34,462	0.906	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, and Sing Yang Investment Co. Ltd., Director of J.K. MULTILAYER TECHNOLOGY CO., LTD., LION TECH. CO., LTD., TDW PHARMACEUTICALS INC. and OCEAN BRIGHT CO., LTD, Managing Director of E.Sun Bank.	None	None	None
Director	Representative of Ailcan Investment Co.,Ltd. Chiu-Hsung Huang	2008.6.13	3	2001.12.10 2001.12.10	50,277	1.522	55,999	1.472	38,897	1.023	0	0	PhD of Business Administration at Dela Salle University	CPA, Supervisor of Ya Pu Construction - Chairman of Ou Kang Investment Co.Ltd, Perfect Source Technology Co. Ltd, and Sin Kang Investment Co.Ltd, Managing Director of E.Sun Bank.	None	None	None
Independent Director	Chen-En Ko	2008.6.13	3	2004.6.11	0	0	0	0	0	0	0	0	PhD of Department of Accounting at University of Minnesota	Professor of Department of Accounting and electronic engineering at National Taiwan University, Independent Director of E.SUN Bank, Chang Type Industrial Co., Ltd., Supervisor of Fareastone Telecommunication Co., Ltd.	None	None	None
Independent Director	Chi-Jen Lee	2008.6.13	3	2006.6.9	0	0	0	0	0	0	0	0	PhD of Business Administration University of Illinois, USA	Professor of management at National Taiwan University, Independent Director of E.Sun Bank, Director of Aver Media Technologies Co., Ltd..	None	None	None
Independent Director	Jen-Jen Chang Lin	2008.6.13	3	2007.6.15	0	0	0	0	0	0	0	0	Master of University of Michigan	Independent director (Managing Director) of E.SUN Bank	None	None	None
Independent Director	Hsin-I Lin	2008.6.13	3	2008.6.13	0	0	0	0	0	0	0	0	Bachelor of Department of Mechanical Engineering, National Cheng-Kung University	Chairman of Guang Yuan Investmet Co.Ltd., Managing Director of China Motor Co., Director of Yulon Motor Co. Ltd. - Tai Yuen Textile Co., Ltd. - Acer Incorporated and Shye Shyang Mechanical Industrial CO., Ltd., Independent director of E.SUN Bank and Xinh property.	None	None	None
Director	Representative of Ron-Yuan Investment Co.,Ltd. Chai-Kuo Chen	2008.6.13	3	2004.6.11 2008.11.4	96,018	2.907	142,087	3.736	8,871	0.243	0	0	MBA, UCLA	Chairman of Nien Hsing Textile Co.,Ltd. - Nien Hsing Intl. Investment Co. Ltd. - Ming Yuan Investment Co. Ltd. - Chu Hsing Garment Co., Ltd. - Wei Han Investment Co.Ltd - Ron Yuan Investment Co.Ltd, Jia Tien Sisa Investment Co. Ltd. and Fu Yuan Construction Co.Ltd., Director of Kuo Jhong Investment Co. Ltd. and E.SUN Bank.	None	None	None
Director	Representative of Shang Li Car Co.,Ltd. Jian-Li Wu	2008.6.13	3	2005.6.10 2005.6.10	16,000	0.484	17,900	0.471	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. and E.Sun Bank, Supervisor of Jung Shing Wire Co., Ltd.	None	None	None
Director	Representative of Shan Meng Investment Co.,Ltd., Wu- Lin Duh	2008.6.13	3	2001.12.10 2005.6.10	8,252	0.250	10,050	0.264	3,475	0.091	0	0	EMBA of National Cheng Kung University, 39 years in Financial Industry	Director of E.Sun Bank, Managing Director of E.Sun Bank	None	None	None
Director	Representie of Sunlit Transportation Co., Ltd. Suka Chen	2008.6.13	3	2005.6.10 2008.6.13	10,000	0.303	11,200	0.294	1030	0.027	0	0	Master of Department of Agricultural Economics at National Taiwan University, 22 years in Financial Industry	Chairman and President of E.SUN Securities, Director of E.SUN Bank and E.SUN VC, Director of Bankpro E-Service Technology CO., LTD.	None	None	None

Note 1: For institutional director, the term 'shareholding of the spouse and minors' refer to the representative of the institution.

Note 2: E.SUN Foundation changed its representative from Wu-lin Duh to Kuo-lieh Tseng on 30th of April, 2010, and take effective on 14th of May, 2010 when regulator approved the qualification of Kuo-Lieh Tseng as being the Chairman of E.SUN Bank.

Note 3: Shan Meng Investment Co. Ltd. changed its representative from Heng-Hwa Yang to Wu-Lin Duh on 30th of April, 2010.

3.2 Professional Qualifications and Independence Analysis of Directors and Independent Directors

2010.12.31

Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Independent No. of director position held in other public traded companies
	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	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	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	1	2	3	4	5	6	7	8	9	10	
Chairman Yung-Jen Huang		✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	0
Chairman Kuo-Lieh Tseng	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Director Joseph N.C. Huang			✓			✓	✓	✓	✓	✓	✓	✓		0
Independent Director Chen-En Ko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director Chi-Jen Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Jen-Jen Chang Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent Director Hsin-Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Director Chiu-Hsung Huang		✓	✓	✓		✓		✓	✓	✓	✓	✓		0
Director Jackson Mai			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Director Chai-Kuo Chen			✓	✓		✓	✓		✓	✓	✓	✓		0
Director Jian-Li Wu			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Director Suka Chen			✓			✓	✓	✓	✓	✓	✓	✓		0
Director Wu-Lin Duh			✓			✓	✓	✓	✓	✓	✓	✓		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, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not having a marital 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.

3.3 Executive Officers



We Will Pursue Our Objectives Now and Into the Future.

2011.3.30 Unit: 1,000 shares,%

Position	Name	Date of Taking Office	2010.12.31						Education (Experience)	Current position Held at other company	Managers who are spouses or within the second degree of consanguinity		
			Share Holdings		Shares Held by Spouse and Children Under 18		Shares Held Using Names of Others				Position	Name	Relationship
			Shares	Ratio	Shares	Ratio	Shares	Ratio	Previous Position				
President & CSO	Joseph N.C. Huang	2008.07.16	2,406	0.063	146	0.004	0	0	MBA of the City University of New York, 18 years in Financial Industry	Chairman of E.SUN VC, Director of E.SUN Bank	None	None	None
CBO	Wu-Lin Duh	2002.01.28	3,008	0.079	467	0.012	0	0	EMBA of National Cheng Kung University, 39 years in Financial Industry	Director of E.SUN FHC President and Managing Director of E.SUN Bank	None	None	None
CIO	Jih-Hsiung Tseng	2010.11.23	1,654	0.043	1,235	0.032	0	0	Department of Soil and Water Conservation at National Chung-Hsing University,28 years in Financial Industry	CIO and EVP of Information Technology Division at E.SUN Bank	None	None	None
CFO	Magi Chen	2004.02.13	388	0.010	0	0	0	0	EMBA, University of Tennessee, Knoxville,32 years in Financial Industry	CFO and SEVP of Treasury Division at E.SUN Bank	None	None	None
CHO	J.C. Wong	2002.01.28	1,155	0.030	477	0.013	0	0	Master of Agricultural Management at National Chung Hsing University,22 years in Financial Industry	CHO and SEVP of Human Resource Division at E.SUN Bank,	None	None	None
CAO	Kuan-Her Wu	2002.01.28	200	0.005	0	0	0	0	Department of Accountancy at National Chung Hsing University, 35 years in Financial Industry	CAO and EVP, of Accounting Division at E.SUN Bank; Supervisor of E.SUN VC	None	None	None
CRO	Oliver Shieh	2011.03.18	342	0.009	0	0	0	0	Master of Applied Finance center at Macquarie University, Australia, 19 years in Financial Industry	CRO and GM of Risk Management Division at E.SUN Bank	None	None	None
Senior Executive Vice President	Tung-Long Kuo	2004.02.13	918	0.024	39	0.001	0	0	Department of Public Administration at National Chung Hsing University,40 years in Financial Industry	Head of Corporate Banking Division at E.SUN Bank	None	None	None
Senior Executive Vice President	Joe-Huang	2004.02.13	2,577	0.068	1,889	0.050	0	0	Department of English at Tamkang University,23 years in Financial Industry	Head of Consumer Banking Division at E.SUN Bank	None	None	None
Senior Executive Vice President	Suka Chen	2002.01.28	986	0.026	44	0.001	0	0	Master of Department of Agricultural Economics at National Taiwan University,22 years in Financial Industry	Chairman and President of E.SUN Securities, Director of E.SUN Bank and E.SUN VC	None	None	None
General Auditor	Wei-Chin Chien	2006.02.16	726	0.019	0	0	0	0	Department of Business Administration at Newport International University,32 years in Financial Industry	General Auditors of E.SUN Bank	None	None	None
Executive Vice President	Scott Chou	2002.01.28	1,132	0.030	322	0.008	0	0	Department of Civil Engineering at National Taipei Institute of Technology,31 years in Financial Industry	EVP of General Affairs Division at E.SUN Bank	None	None	None
Executive Vice President	Mao-Cin Chen	2005.07.01	772	0.020	4	0.0001	0	0	Master of Department of Economics at National Taiwan University,19 years in Financial Industry	SEVP of Corporate Banking Division at E.SUN Bank, Director of E.SUN VC	None	None	None
Vice CFO	Joseph Shue	2005.07.01	308	0.008	0	0	0	0	Master of Department of Business Development at National Sun Yat-Sen University,19 years in Financial Industry	Vice CFO and EVP of Treasury Division at E.SUN Bank	None	None	None
Vice CRO	Jhong-Cheng Shun	2007.02.15	600	0.016	59	0.002	0	0	General Business at Yuda high school of Commerce,35 years in Financial Industry	EVP of Credit Review and Management Division of E.SUN Bank	None	None	None
Head of Legal Compliance	David H.C. Lien	2008.07.17	88	0.002	0	0	0	0	PHD Research of University of Southampton,27 years in Financial Industry	EVP of Headquarter Division of E.SUN Bank	None	None	None

3.4 Remuneration of Directors, Independent Directors, President and SEVP

(1) Remuneration of Directors and Independent Director

2010.12.31 Unit: NT\$ thousand

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)		Allowances(D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing-Employee Bonus (G)							Exercisable Employee Stock Options (H)			
Title	Name	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	O			Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company
List below		2,787	5,571	0	0	35,656	35,656	1,180	3,780	1.01%	1.14%	6,521	17,533	0	0	536	160	993	401	0	0	1.19%	1.63%			None

* List of Directors : Chairman: Yung-Jen Huang 、Director: E.SUN volunteer & Social Welfare Foundation(Representative Joseph N.C. Huang) 、E.SUN Foundation(Representative Kuo-Lieh Tseng) 、Hsin Tung Yang Co.,Ltd.(Representative Jackson Mai) 、Allcan Investment Co., Ltd.(Representative Chiu-Hsung Huang) 、Chen-En Ko 、Chi-Jen Lee 、Jen-Jen Chang Lin 、Hsin-I Lin 、Ron-Yuan Investment Co., Ltd.(Representative Chai-Kuo Chen) 、Shang Li Car Co.,Ltd.(Representative Juan-Li Wu) 、Sunlit Transportation Co.,Ltd.(Representative Suka Chen) 、Shan Meng Investment Co.,Ltd.(Representative Wu-Lin Duh) 。

Representative of Shan Meng Investment Co.,Ltd. resigned on 30th of April, 2010 and reappointed Wu-Lin Duh as the new representative. E.SUN Foundation changed its representative from Wu-lin Duh to Kuo-lieh Tseng on 30th of April, 2010, and take effective on 14th of May, 2010 when regulator approved the qualification of Kuo-leih Tseng as being the Chairman of E.SUN Bank.

* Remuneration distributed to directors who are serving for year 2010.

Remuneration Range table

(Unit NT\$ thousand)

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	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	E.SUN Volunteer & Social Welfare Foundation, Ron-Yuan Investment Co.,Ltd., Shang Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd.	E.SUN Volunteer & Social Welfare Foundation,.	Ron-Yuan Investment Co.,Ltd., Shang Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd.	
NT\$2,000,000~NT\$5,000,000	E.SUN Foundation, Hsin Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Chi-Jen Lee, Jen-Jen Chang Lin, Hsin-I Lin, Shan Meng Investment Co.,Ltd.	E.SUN Foundation, Hsin Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Chi-Jen Lee, Jen-Jen Chang Lin, Hsin-I Lin, Ron-Yuan Investment Co.,Ltd. Shang Li Car Co.,Ltd. Shan Meng Investment Co.,Ltd., Sunlit Transportation Co.,Ltd	E.SUN Foundation, Hsin Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Yung-Jen Huang, Chi-Jen Lee, Jen-Jen Chang Lin, Hsin-I Lin, Shan Meng Investment Co.,Ltd	E.SUN Volunteer & Social Welfare Foundation, Hsin Tung Yang Co.,Ltd., Allcan Investment Co.,Ltd., Chen-En Ko, Chi-Jen Lee, Jen-Jen Chang Lin, Hsin-I Lin, Ron-Yuan Investment Co.,Ltd. Shang Li Car Co.,Ltd.
NT\$5,000,000~NT\$10,000,000	Yung-Jen Huang	Yung-Jen Huang	Yung-Jen Huang, E.SUN Volunteer & Social Welfare Foundation,	Yung-Jen Huang, E.SUN Foundation, Shan Meng Investment Co.,Ltd. Sunlit Transportation Co.,Ltd
NT\$10,000,000~NT\$15,000,000				
NT\$15,000,000~NT\$30,000,000				
NT\$30,000,000~NT\$50,000,000				
NT\$50,000,000~NT\$100,000,000				
Over NT\$100,000,000				
Total	36,836	39,436	46,840	63,934

* The percentage of total profits distributed to directors as a whole as remuneration is based on regulations set forth in Article 36 of the Company's statute. The ratio and the adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 27-1 of the statute. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of compensation.

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

Unit NT\$ thousand

Year Title	2010						2009					
	The company			Companies in the consolidated financial statements			The company			Companies in the consolidated financial statements		
	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax	No. of Persons	Amount	Ratio of Net Profit after tax
Directors	13	36,836	1.01%	13	39,436	1.14%	13	23,902	1.24%	13	31,438	1.63%
President and SEVP	8	7,057	0.18%	8	50,162	1.28%	8	5,462	0.28%	8	36,808	1.91%

Note: 2010 Net Profit for E.SUN FHC is NT\$3,931,108 thousand dollars, 2009 Net Profit for E.SUN FHC is NT\$1,928,338 thousand dollars.

- (3) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

- a. The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 36 of the Company's statute. The ratio and adjustment of remuneration for the chairman and directors are based on regulations set forth in Article 27-1 of the statute. The remuneration reflects the level of participation in and contribution to the company's operations. At the same time, industry standards are considered. The board is authorized to decide the level of this compensation.
- b. The performance review system and remuneration framework for high-level managers (including the president and SEVP) and managers is first screened by the Compensation Committee, following which the board makes a final decision. Salaries of managers should reflect their professional experience, and the Company's, counterparts' and market standards. The chairman is authorized to approve the respective salaries. Meanwhile, the Company will issue bonuses based on overall operational results and individual performance. This enables a manager's compensation to be closely related to operational performance. A manager's bonus will be impacted if a major risk event occurs that impacts the Company's reputation, inappropriate internal management is seen, or other abuses are documented. At the same time, the Company will carry out stress tests and scenario analysis to evaluate possible risk in the future, and the Risk Management Committee each quarter will report to the board and Auditing Committee on the level of such risk.

4. Implement of Corporate Governance

4.1 Board of Directors

A total of 6 meetings of the board of directors were held in the previous period. Director and Independent Director attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B / A]	Remarks
Chairman	Yung-Jen Huang	6	0	100%	Re-elected
Director	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	6	0	100%	Re-elected
Director	Representative of E.SUN Foundation Kuo-Lieh Tseng	3	0	100%	E.SUN Foundation changed its representative from Wu-Lin Duh to Kuo-Lieh Tseng on 30th of April, 2010, and take effective on 14th of May, 2010 when regulator approved the qualification of Kuo-Lieh Tseng as being the Chairman of E.SUN Bank.
Director	Representative of E.SUN Foundation Wu-Lin Duh	2	0	100%	
Director	Representative of Alcan Investment Co.,Ltd. Chiu-Hsung Huang	5	1	83%	Re-elected
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	6	0	100%	Re-elected
Independent Director	Chen -En Ko	6	0	100%	Re-elected
Independent Director	Chi-Jen Lee	6	0	100%	Re-elected
Independent Director	Jen-Jen Chang Lin	6	0	100%	Re-elected
Independent Director	Hsin-I Lin	5	1	83%	Re-elected
Director	Representative of Ron Yuan Investment Co.,Ltd. Chai-Kuo Chen	5	1	83%	Re-elected
Director	Representative of Shang Li Car Co.,Ltd. Jian-Li Wu	5	1	83%	Re-elected
Director	Representative of Shan Meng Investment Co.,Ltd. Heng-Hwa Yang	2	0	100%	Representative of Shan Meng Investment Co.,Ltd. resigned on 30th of April, 2010 and reappointed Wu-Lin Duh as the new representative.
Director	Representative of Shan Meng Investment Co.,Ltd. Wu-Lin Duh	4	0	100%	
Director	Representative of Sunlit Transportation Co., Ltd. Suka Chen	5	1	83%	Re-elected

Other mentionable items:

- 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
- 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: None
- 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.

4.2 Audit Committee

A total of 5 Audit Committee (A) were held in the previous period. Independent director attendance was as follows:

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

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: None
- Communications between the independent directors, the Company's Chief Internal Auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)
The Company's Auditing Committee is to issue reports on the results of its audit work on a quarterly basis. CPAs at the ninth and eleventh meetings of the First Audit Committee issued auditing reports on the financial statements for 2009 and the first half of 2010. Independent directors and internal auditing supervisors engaged in ample communication with CPAs

4.3 Items of disclosure according to corporate governance code for FHCs

Please refer to <http://www.esunfhc.com.tw/info/>

4.4 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	State of Operation	Discrepancy with Listed Company Corporate Governance Enforcement Rules and reasons for such.
1.Ownership structure and shareholders' equity of FHC (1)The manner in which the FHC handles shareholders' proposals or disputes (2)The ability of the FHC to identify its controlling shareholders and the ultimate person or persons behind such shareholders (3)The ways the FHC establishes firewalls and risk management mechanisms with respect to its affiliates	(1)Shareholders can file opinions via the Stock Affairs Department, after which qualified persons will address them. (2)Any shareholder holding in excess of 5% of the Company's stock is legally required to declare his/her holdings to the Company. (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 have been established.	No difference
2.Duties of Board of Directors (1)State of Company designating of independent director. (2)State of regularly evaluating independence of certifying CPA	(1)Four independent directors had been elected in AGM meeting on 13th of June, 2008. The Company has formulated guidelines delineating the responsibilities of independent directors to serve as a basis for these individuals in carrying out their jobs. (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.	No difference
3.State of establishing avenues of communication with interested parties.	The Company and its subsidiaries designate specific unit in charge of communication with interested parties. The Bank's customers can express their opinions through customer service units. Employee disputes will be handled by human resource departments. This ensures smooth communication channels for interested parties.	No difference
4. Disclosure of information (1)The FHC has set up website for the disclosure of financial information and its corporate governance practices. (2)Any other methods adopted by the FHC for the disclosure information (e.g., establishing English-version website, appointing persons responsible for gathering and disclosing Bank information, implementing a spokesperson system, and placing the record of analyst meeting on its website).	1. (1) Disclose status of Financial information, Business operation and Corporate governance in the website (http://www.esunfbc.com.tw/ir/ir.aspx) (2) Information disclosed includes financial information, business operation, and resolutions by board, material for analyst meeting, internal control and contact information. 2. (1) The Company has already set up English and Chinese websites. Designated persons are responsible for collecting and posting information on those sites. (2) The FHC has already appointed a spokesman, who has comprehensive understanding of the financial performance and business operations of the company. Spokesman Name: Joseph N.C. Huang Position: President Telephone +8862-2175-1313#1399 Email:joseph@email.esunbank.com.tw Deputy Spokesman Name: Suka Chen Position: SEVP Telephone: +8862-5556-1313#6201 Email:suka@email.esunbank.com.tw Stock Transfer and Service Contact Stock Service Department Address: 1F, No.115 Sec.3 Ming-Sheng E. Road, Taipei Telephone: +8862-2719-1313 #1 (3) The record of the analyst meeting has uploaded to E.SUN's website.	No difference
5.The status of establishment and operation of functional committees, such as Audit committee	1.Audit Committee (1) Rules of Audit committee organization have been established. (2)The committee is composed with all independent directors, the committee has the following main objectives in its work: a.Ensuring the Company's financial statements is in proper form. b.Selecting (dismissing) certified Public Accountant(CPA),and to verifying CPA's independence and monitoring performance. c.Ensuring effective implementation of the Company's internal controls. d.Ensuring Company compliance with related rules and regulations e.Control the internal risk within the company 2.Corporate governance and nomination committee. (1) Rules of Corporate governance and nomination committee organization have been established. (2) The committee meets at least once a year, an independent director is the convener and chairman of this committee, which assists the board of directors in the following tasks: a.To ensure the integrity of corporate governance units and systems. b.To seek out, screen and nominate candidates for board directors. c.To establish and develop an organizational framework for the board of directors, ensuring the proper formation of the board. d.To screen or nominate candidates for president and chief auditor. 3.Compensation committee	No difference

Item	State of Operation	Discrepancy with Listed Company Corporate Governance Enforcement Rules and reasons for such.
	<p>(1) Rules of Compensation committee organization have been established.</p> <p>(2) The committee is composed by at least 3 directors and meets at least once a year, an independent director is the convener and chairman of this committee, which assists the board of directors in the following tasks:</p> <p>a. To assist the board in planning and evaluating the salary level for the chairman, and to set a salary framework for high-ranking managers at the level of vice president and above.</p> <p>b. To ensure that no director, high-ranking manager or interested party sets his or her own salary.</p> <p>4. Board Strategy development committee</p> <p>(1) Rules of Board Strategy development committee organization have been established.</p> <p>(2) The committee meets at least once a year, the chairman is the convener and chairman of this committee with following tasks:</p> <p>a. Convenes meetings regarding the Company's strategic development goals and report to the board of directors.</p> <p>b. Report to the board of directors on any other important strategic matters that could impact the Company's future development.</p>	No difference
<p>6.If the Company has established corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation:</p> <p>The Company has followed the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and has no discrepancy between it. In addition to enhance the corporate governance, the company participated in the corporate governance certificant of the Taiwan Corporate Governacne Association.</p>		
<p>7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervise ors' 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 FHC periodically asks directors and supervisors to take various courses, such as The Taiwan Corporate Governance Association , The Taiwan Stock Exchange and other institutions held various seminars and forums, such as International Accounting Standards (IFRS) for the global practice and how Taiwanese companies to response 、 Assessment of corporate governance by directors and supervisors to fulfill our responsibility 、 Merge & Acquisition 's practice 、 Risk assessment and control operations 、 financing plan 、 Corporate governance and securities regulations</p> <p>2010 meeting of legal compliance guidance of internal people for listed companies 、 the role of large and small shareholders, and the balance between stockholders in M & A deals 、 How to accelerate business growth by using cross-strait capital market.</p> <p>(3) The FHC has established as Risk Management Department to draft and carry out risk control policies. The scope of risk reports and measurement systems cover the following:</p> <p>a. Credit Risk</p> <p>The information imparted at these events helps to establish systematic methods to manage risk derived from borrowers, counterparties, and portfolios, including creating an appropriate credit risk control environment, the adoption of credit risk controls for counterparties, and the establishment of counterparty credit ratings, along with limits on exposure to a single product, single industry, or single conglomerate.</p> <p>b. Market Risk</p> <p>The Company and all subsidiaries must establish price, currency, and interest rate fluctuation risk assessment and control mechanisms on all on-sheet and off-sheet items.</p> <p>c. Liquidity Risk</p> <p>The Company is to evaluate liquidity risk on assets in its main portfolio and manage liquidity risk based on the nature of individual industries and regulations set forth by regulatory agencies. The Company must also institute a liquidity risk contingency plan to be used in emergencies.</p> <p>d.Operational Risk</p> <p>E.SUN is making every effort to establish operational procedures in all areas of business, and controls and auditing procedures on authorized limits, documents and custodianship of beneficiary certificates.</p> <p>e. Other Risk</p> <p>E.SUN has mechanisms to carry out and manage risk scenario stress tests, risk appetite analysis and capital adequacy.</p> <p>(4) E.SUN has always emphasized customer service quality. It provides customer complain channel and has implemented a number of customer protection policies.</p> <p>(5) In order to round out the company's corporate governance mechanism and reduce risk exposed to directors and key staff members of the company, E.SUN FHC has taken out liability insurance for directors, supervisors and key staff members. Those insured include past, present and future directors and key employees of E.SUN FHC and the FHC's subsidiaries, as well as managerial and supervisory personnel. The policies include liability insurance for these individuals, corporate compensation insurance, corporate securities claims liability coverage, and corporate employment practice liability coverage</p> <p>(6) Employee disputes will be handled by human resource departments. This ensures smooth communication channels for interested parties. E.SUN holds knowledge sharing meetings in different region every year to disclose company's goal, policy and other employee-related information. In addition, employee welfare committee is set up to take care all employees</p> <p>(7) To encourage shareholders participating corporate governance, regulation of AGM is conducted, in addition, spokesman system and stock affair unit provide a communication channel for shareholders to express their opinions. Disclose status of Financial information and Business operation within the website.</p>		
<p>8. Please describe the results of any corporate governance self-appraisals by the Company or appraisal reports commissioned by the Company, any shortcomings or suggestions presented in the reports and measures to rectify such:</p> <p>In 2010, E.SUN FHC received Corporate Governance Certificate from Taiwan Corporate Governance Association in 3 consecutibe years</p> <p>The Taiwan Corporate Governance Association has singled out E.SUN for its clear vision, pragmatic corporate culture, professional team, and responsible operations. This is helping to maximize the function of E.SUN's corporate governance system, according to the TCGA. Meanwhile, E.SUN emphasizes employee training in an effort to achieve its objective of having a professional and trustworthy operations team. This is an important factor in solidifying corporate governance. The function of the board is as expected from an organization emphasizing professionalism. In addition, members of the Auditing Committee have a variety of professional backgrounds, which assists in maximizing the function of the board and carrying out well-reasoned strategic business plann.</p>		

4.5 Social Responsibility

Item	State of Operation	Any discrepancies and reasons for such with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies
<p>1. Implementing and Promoting Corporate Governance</p> <p>(1) E.SUN has formulated policies and systems with respect to corporate social responsibility, and regularly examines the effectiveness of these measures.</p> <p>(2) E.SUN has created a unit responsible for promoting and monitoring the state of corporate social responsibility.</p> <p>(3) E.SUN regularly holds courses for directors, supervisors and employees in corporate ethics. This system is also linked to the performance review mechanism for employees. An effective reward and demerit system has been established to reflect related performance</p>	<p>1. Fulfilling corporate social responsibility and social responsibility investment is the mission and pledge of E.SUN; E.SUN FHC has made a longstanding pledge to fulfill its corporate social responsibility and social responsibility investment. It intends to exhibit even greater enthusiasm for these measures in the future and sees the promotion of these business philosophies as a means to exhibit its determination for sustained operations and the pursuit of what is best for the public. Becoming a world citizen and emphasizing corporate social responsibility have become trends in recent years due to economic progress and the value placed on such by society. E.SUN has since its founding stressed a corporate culture that stresses professionalism, honor, and trustworthiness. It demonstrates concern for the humanities, the community, and serving its customers, sparing no effort in stressing corporate governance, social welfare, environmental protection, volunteer service, education, arts activities, and consumer rights. It hopes not only to fulfill its responsibility to society, but to serve as a model as a first class corporate citizen. Our social responsibility investment covers the humanities, arts, and the environment, always looking at ourselves as just one part of the global village.</p> <p>2. Corporate social responsibility initiatives are promoted and implemented by headquarter of FHC.</p> <p>3. The Company instills and realizes corporate ethics through publicity and examinations.</p>	<p>E.SUN's corporate culture and operational philosophies play a foremost role in generating customer value and in the pursuit of customer satisfaction and loyalty. Besides promoting professional operations and implementing corporate governance, E.SUN complies with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies. There is no discrepancy in the initiatives undertaken by E.SUN to promote corporate social responsibility</p>
<p>2. Developing a Sustainable Environment</p> <p>(1) The state of E.SUN striving to boost the utilization of resources and seeking to minimize its burden on the environment by using recycled items.</p> <p>(2) The state of E.SUN establishing environmental management systems appropriate for its industry.</p> <p>(3) The state of creating a unit (or designating personnel) responsible for environmental management and protecting the environment.</p> <p>(4) The state of monitoring the impact on E.SUN operations of climate change, and formulating strategies for energy conservation and reduction of carbon and greenhouse gases.</p>	<p>(1) E.SUN FHC and its subsidiaries make every effort to purchase and use materials, equipment, and devices with the green stamp of approval or that have been certified as environmentally friendly in accordance with legal requirements. It also uses recycled materials, low energy consumption articles, items generating low amounts of pollution and materials that can be recycled. E.SUN avoids products that are over-packaged, harm the environment, and don't decompose naturally, as well as machinery or equipment that consumes large amounts of energy.</p> <p>(2) E.SUN has drafted the E.SUN Green Policy white paper and has established its environmental management system in accordance with the principles set forth in this document.</p> <p>(3) Subsidiary E.SUN Bank and the E.SUN Volunteers Foundation jointly promote the implementation of the policies stated in the white paper in an effort to both demonstrate the power of the Company and individuals in adopting practical methods to protect the environment.</p> <p>(4) E.SUN also considers the environmental protection policies of its corporate lenders and the degree of pollution generated by these clients in assessing whether to extend loans. This is aimed at boosting environmental awareness among the corporate sector. Meanwhile, the Bank strives to promote as many e-services as possible in order to reduce the amount of paper and minimize energy consumption.</p>	<p>E.SUN complies with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies in an effort to forge a sustainable environment. There is no discrepancy in the initiatives undertaken by E.SUN to promote environmental protection. Efforts are detailed below:</p> <p>(1) Subsidiary E.SUN Bank first drafted Environmental Protection and Management Guidelines in 1996. In 2007, the Bank released the E.SUN Green Policy white paper, with the content of this document serving as the basis in setting forth policies, establishing a corporate culture stressing such, and working towards the objective of sustainable and environmentally friendly operations.</p> <p>(2) The Company has created energy conservation targets and has staged a thorough survey of greenhouse gases it generates to reduce emissions. In the meantime, it is mindful of reducing water, electricity, and gasoline use. E.SUN regularly announces the results of efforts by each department to reduce carbon, and engages in further examination of the situation, thereby boosting awareness. The headquarters also sets carbon reduction targets annually, forging a comprehensive effort to implement environmentally friendly policies.</p>
<p>3. Social Services</p> <p>(1) The state of complying with labor laws in protecting the legal rights of employees and establishing appropriate management methods and procedures.</p> <p>(2) The state of providing employees with a safe and healthy working environment, and regularly providing employees with safety- and health-related education.</p> <p>(3) The state of formulating and publicizing consumer rights policies, and offering transparent and effective procedures for consumers to file complaints regarding service or products.</p> <p>(4) The state of cooperation between E.SUN and suppliers, and joint efforts to boost corporate social responsibility.</p> <p>(5) The state of participation in community development and charitable organizations via its commercial activities, donations, volunteer services, or other professional services provided free of charge.</p>	<p>(1) Labor Law Compliance and Ensuring Rights of Employees</p> <p>E.SUN complies with laws and regulations protecting the rights of employees. It has established a comprehensive system under which employees can air their opinions and has created an environment conducive to promoting legal compliance. These efforts ensure and protect the rights of employees, while also creating a harmonious labor-management relationship:</p> <p>1. Comprehensive Employee Response Mechanism</p> <p>E.SUN has designed systems in which more senior employees serve as mentors to junior staff. It has also created a network message board and an employee satisfaction survey to provide an opportunity for employees to express problems and suggestions. This rapid response mechanism helps to ensure a harmonious relationship between labor and management.</p> <p>2. Creating Environment Conducive to and Awareness of Legal Compliance</p> <p>Each department has a legal compliance officer who regularly provides training and instills the importance of legal compliance to employees. This has helped create a corporate environment based on acting in accordance with laws and regulations. Internal audits are carried out to guarantee that all employees are aware of their legal rights.</p> <p>(2) On-line System for Employees to Access Safety and Health Information</p> <p>E.SUN has established a labor safety affairs officer in each department who regularly provides related training and lectures to employees. In addition, E.SUN's Employee Health Check-Up Guidelines mandate that employees receive physicals on a regular basis. The Company also has created a special area in its on-line system where employees can access the latest information on labor safety and health.</p> <p>1. Labor Safety Education and Training for New Employees</p> <p>Arrangements are made for new employees to receive pre-job training, enabling each staff member to understand the importance of workplace safety from the moment they step into the office.</p> <p>2. Regular Labor Safety and Education for Employees</p> <p>Training is provided on a regular basis to employees in each department by labor safety and health officers, emergency rescue personnel, and fire prevention managers, helping to promote safety and health among E.SUN's entire workforce. The Company has also instituted rules governing safety and health in the workplace. These initiatives aim to achieve a zero-accident workplace environment. Education materials include labor safety concepts and information on health and dietary habits, all of which are also included on the Company's internal network so that employees can refer to this information at will.</p> <p>3. Regular Health Check-Ups</p> <p>Each employee, as part of his or her benefits package, receives a regular health examination in accordance with regulations set forth by E.SUN, thereby providing outstanding care for E.SUN staff.</p> <p>4. Emergency Rescue</p> <p>Each unit has qualified rescue personnel who regularly receive training. This strengthens knowledge needed in the event of an emergency and ensures that rescues are carried out as promptly as possible.</p> <p>5. Each branch or office is equipped with a security alarm system and has security guards posted on the premises, ensuring the safety of the site, employees, and customers.</p> <p>(3) State of formulating and implementing consumer rights policies</p> <p>1. Formulation and publication of consumer rights policies</p> <p>a. E.SUN has set forth systems that comply with consumer rights legislation. It provides standardized contractual agreements and designs products and services suitable for consumers.</p> <p>b. E.SUN holds consumer rights-related education and training for its employees to emphasize the importance of consumer rights and encourage them to provide considerate service.</p> <p>c. E.SUN discloses accurate and comprehensive consumer information, such as easy</p>	<p>E.SUN complies with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies in an effort to forge a sustainable environment. There is no discrepancy in the initiatives undertaken by E.SUN to promote environmental protection.</p>

Item	State of Operation	Any discrepancies and reasons for such with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies
	<p>to understand pricing included in lending contracts (mortgages and credit loans), as well as schedules that detail handling fees. In addition, the Bank offers special explanatory information on mortgage loans and letters of rights and obligations, thereby enabling consumers to clearly understand products through examples. This offers another opportunity to remind customers of related conditions and the rights and obligations of both parties.</p> <p>2. Process of filing complaints Consumer disputes are handled in accordance with Standard Procedures for Handling Consumer Disputes at E.SUN Bank. The Bank also operates a 24-hour complaint hotline and an E.SUN Internet Bank visitor message board to provide consumers with avenues to file complaints.</p> <p>(4) Seasonal foods are purchased as much as possible by employee dining halls to reduce E.SUN's carbon footprint and reduce the amount of resources required to transport food. Meanwhile, E.SUN makes every effort to contract the production of gifts and commemorative items locally.</p> <p>(5) E.SUN continues to hold Clean up the World activities to make Taiwan a cleaner place. Branches are encouraged to participate in various environmental protection and energy conservation activities held in cities and counties throughout Taiwan. In addition, the thirteenth day of each month is designated E.SUN Clean Up Day in which branch employees work to clean up the environment around their branches. This activity is catching on and is triggering clean-up initiatives in nearby neighborhoods, which is another example of E.SUN fulfilling its social responsibility as a top notch citizen.</p>	
<p>4. Strengthening Disclosure of Information</p> <p>(1) Methods used to disclose reliable information related to corporate social responsibility.</p> <p>(2) State of drafting corporate social responsible reports and disclosing information related to promoting corporate social responsibility.</p>	<p>(1) Fulfilling corporate social responsible has consistently been an important mission and pledge of E.SUN. The Company displays its determination to engage in long lasting operations through its corporate governance, the E.SUN Golden Seed Project that establishes libraries in elementary schools in remote areas, promotion of youth baseball, environmental awareness, and participation in society. All of these initiatives are disclosed on the E.SUN FHC website.</p> <p>(2) E.SUN drafts a corporate social responsibility report that outlines its corporate governance, E.SUN's responsibilities and pledges, the E.SUN Golden Seed Project, its promotion of youth baseball, environmental awareness, and participation in society.</p>	<p>E.SUN complies with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies, and there is no discrepancy in strengthening the disclosure of corporate social responsibility information.</p>
<p>5. E.SUN has formulated corporate social responsibility guidelines in accordance with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies. Refer below to any discrepancies in E.SUN's practices in this regard:</p>	<p>E.SUN moves forward in a methodical method in promoting innovative operations, its business philosophies and its corporate culture, which jointly constitute the company's core vision. The Bank seeks to ensure customer satisfaction and create customer value. It relies on its professional operations to promote corporate governance, develop an environment that ensures sustainable operations, promote social welfare, and strengthen its corporate social responsibility, disclosing information in each instance. It realizes its corporate social responsibility in compliance with Corporate Social Responsibility Best-Practice Principles for TSE/GTSM Listed Companies.</p>	
	<p>6. Other important information aiding in the understanding of the state of E.SUN's corporate social responsibility (such as the state of systems, measures, and the fulfillment of the Company's initiatives in environmental protection, community participation, social contribution, social service, social welfare, consumer rights, human rights, safety and health, and other social responsibility activities):</p> <p>E.SUN has long devoted considerable resources to social welfare, initiatives to improve the community, environmental protection, and caring for its employees, thus fulfilling its corporate responsibility to society. It displays self-discipline and legal compliance in the course of developing its business, aiming to enhance corporate governance. In 2010, E.SUN received corporate governance certification from the Taiwan Corporate Governance Association. It received First Place in the banking industry in Commonwealth magazine's Corporate Citizen Award. It also won the Best Corporate Social Responsibility Award from the Taiwan Academy of Banking and Finance in its 5th Taiwan Banking Excellence Awards. E.SUN is committed to taking concrete steps to pay back customers, shareholders and society, becoming not only the best performing, but also the most respected enterprise. The Company's achievements in fulfilling its corporate social responsibility are listed below:</p> <p>(1) Environmental Protection</p> <p>1.E.SUN is implementing the E.SUN Green Policy white paper. These initiatives to protect the environment and conserve energy include making environmental protection a consideration in its lending activities. E.SUN's environmental concepts are gradually impacting how employees lead their daily lives.</p> <p>2.E.SUN and National Chung Hsing University's Hsinhua Forest Station are jointly promoting a six-year tree planting project. The activity to plant 10,000 trees on the grounds of the forest station continued in 2010, helping to make a contribution to protecting the environment.</p> <p>3.E.SUN calls on people on a variety of days throughout the year, such as Earth Hour on March 27, World Earth Day on April 22, World Environment Day on June 5, Clean Up The World on September 17, International Car Free Day on September 22, and the Mid-Autumn Festival to tidy the environment, turn off their lights or save energy. These activities reflect global trends to conserve energy and cut carbon emissions.</p> <p>4.Environmental protection education is carried out on the thirteenth day of each month by departments throughout the Company. Efforts are made to promote energy conservation and to reduce carbon emissions in and out of the office.</p> <p>(2) Community Participation</p> <p>1.E.SUN participated in the 2010 Lantern Festival (Chiayi) that was sponsored by the Tourism Bureau. The Company donated 5,000 small lanterns that were made available to the public for free. This helped to further enhance the festive atmosphere of the event.</p> <p>2.E.SUN took part in the 2010 Hengchun International Folk Song & Music Festival held by the Pingtung County government, which was aimed at promoting local culture.</p> <p>3.E.SUN employees are involved in cleaning the areas in the vicinity of their branches. Each day before work starts at 8:30 a.m., employees divide into teams and tidy up the sidewalks and the area around the branches, helping to improve the living environment.</p> <p>(3) Social Contribution</p> <p>1.E.SUN offers outstanding students with scholarships so they can complete their education free from financial worries. To date, the Bank has provided scholarships to 61 students over the past five years under its Outstanding Manager Training Program.</p> <p>2.E.SUN has been invited to share its experiences with regards to customer service. The exchange of service philosophies helps to enhance service quality and opens avenues for non-commercial communication. This also helps to raise awareness in society about service.</p> <p>(4) Social Service</p> <p>1.E.SUN has been carrying out its Golden Seed Project over the past several years in an effort to establish E.SUN libraries in elementary schools located in remote areas of Taiwan. As of the end of 2010, 30 E.SUN libraries have been established 30 E.SUN libraries.</p> <p>2.Another important goal for E.SUN is to foster the development of baseball in Taiwan. It established the E.SUN Youth Baseball Fund Special Account, which is used to help stage the E.SUN Cup National Tournament, the E.SUN Sports Injuries Prevention Project, the E.SUN Youth Baseball Pitcher & Catcher Training Camp, and the Baseball Assistance Project for Remote Areas. In addition, the Chinese Taipei team that emerged victorious at the 24th World Youth Baseball Championship in Thunder Bay, Canada was largely comprised of players that won the E.SUN Cup National Baseball Tournament.</p> <p>3.E.SUN also holds blood drives on a regular basis, gathering the passion of employees, communities and customers. For E.SUN volunteers, children living in orphanages have long topped their list of priorities. Other E.SUN employees and their families are also encouraged to assist in the care for orphans.</p> <p>(5) Consumers' rights</p> <p>E.SUN discloses accurate and comprehensive consumer information, thereby enabling consumers to clearly understand products through examples. This offers another opportunity to remind customers of related conditions and the rights and obligations of both parties.</p> <p>(6) Caring for Employees</p> <p>Employees are the most valuable assets of the company. E.SUN provides group and health insurances, paid-leaves which is complying with the regulations and set up retiring plans for employees.</p> <p>(7) Safety and health</p> <p>1.Training is provided on a regular basis to employees in each department by labor safety and health officers, emergency rescue personnel, and fire prevention managers, helping to promote safety and health among E.SUN's entire workforce. The Company has also instituted rules governing safety and health in the workplace. These initiatives aim to achieve a zero-accident workplace environment.</p> <p>2.Each branch or office is equipped with a security alarm system and has security guards posted on the premises, ensuring the safety of the site, employees, and customers.</p> <p>3.Taking head office as example, to ensure the safety and quality of the employees' meals, the company will implement nonscheduled due diligence of meal suppliers.</p>	
<p>7. Further description associated with E.SUN products or corporate social responsibility reports that are approved by certification organizations:</p>	<p>E.SUN has long made every effort to develop operations, ensure legal compliance, and boost corporate governance. In 2010, the Company received corporate governance certification from the Taiwan Corporate Governance Association. It received First Place in the banking industry in Commonwealth magazine's Corporate Citizen Award. It also won the Best Corporate Social Responsibility Award from the Taiwan Academy of Banking and Finance in its 5th Taiwan Banking Excellence Awards. E.SUN is committed to taking concrete steps to pay back customers, shareholders and society, becoming not only the best performing, but also the most respected enterprise.</p>	

4.6 Methods of referencing corporate governance guidelines and related regulations

Please refer to <http://www.esunfbc.com.tw/ir/ir.aspx>

4.7 Other important information enhancing understanding of the state of the Company's corporate governance

E.SUN has long embraced the principles of innovation, professionalism, honesty and stability in its operations. The Bank's business philosophy centers on Expertise, Service, and Business. E.SUN's corporate culture, which emphasizes education and training, internal control systems, auditing systems, and legal compliance, creates the foundation for trustworthy operations.

A report was delivered at the 17th meeting of the third board of directors detailing the state of the Company's trustworthy operations. The initiative is aimed at assisting the FHC and its subsidiaries in establishing a corporate culture highlighting trustworthiness and providing a strong platform for reference in operations. The Company's board will continue to monitor the state of this initiative.

4.8 Internal control

(1) Representation of Internal Control

E.SUN FINANCIAL HOLDING COMPANY, LTD.

Representation of Internal Control

To Financial Supervisory Commission, Executive Yuan

Mar. 18, 2011

On behalf of E.SUN Financial Holding Company, Ltd., we hereby certify that the company indeed complies with the “Enforcement Regulations for Financial Holding Company Internal Audit Control System” and the company’s internal control system and risk management mechanism for the fiscal year of 2010 have been implemented and audited by the independent internal auditors, and the internal audit reports are periodically presented to the company’s board of directors and supervisors.

Under due assessment, the internal controls and legal compliance of each department during 2010 are effectively in place. This representation will be a major part of our annual report and prospectus, and will also be released to the public. The existence of discrepancies or omissions in the content of this representation would constitute violations of Articles 20, 32, 171 and 174 of the Securities and Futures Exchange Act and entail relevant legal responsibility.

Sincerely yours,

Chairman

Yung-Gen Huang

President

Tan-chou Huang

General Auditor

Chen-dung Hsiao

Compliance Officer

Chen-dung Hsiao

(2) Disclosure of any commissioned internal control review carried out by CPA: None

IV. Capital Overview



Green Valleys, Spring Blossoms

1. Capital and Dividend

1.1 Source of Capital

(1) Issued Shares

2010.12.31 Unit: million shares, NT\$ million

Month/Year	Par Value (NTD)	Authorized Capital		Authorized Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Others
2002.1.28	10	5,000	50,000	2,290	22,900	Share Conversion	-
2002.10.21(note 1)	10	5,000	50,000	2,470	24,700	Retained Earnings	-
2003.9.16	10	5,000	50,000	2,505	25,054	Share Conversion	-
2004.3.15	10	5,000	50,000	2,506	25,064	ECB Conversion	-
2004.5.20	10	5,000	50,000	2,584	25,842	ECB Conversion	-
2004.9.8	10	5,000	50,000	2,596	25,964	ECB Conversion	-
2004.10.11(note 2)	10	5,000	50,000	2,690	26,897	Retained Earnings	-
2004.11.26	10	5,000	50,000	2,768	27,679	ECB Conversion	-
2005.3.4	10	5,000	50,000	2,931	29,306	ECB Conversion	-
2005.9.14(note 3)	10	5,000	50,000	3,027	30,270	Retained Earnings	-
2006.4.3	10	5,000	50,000	3,230	32,304	ECB Conversion	-
2006.8.18(note 4)	10	5,000	50,000	3,303	33,033	Retained Earnings	-
2008.8.29	10	5,000	50,000	3,311	33,113	ECB Conversion	-
2008.9.4(note 5)	10	5,000	50,000	3,451	34,514	Retained Earnings	-
2008.9.23	10	5,000	50,000	3,544	35,444	ECB Conversion	-
2009.9.7(note 6)	10	5,000	50,000	3,653	36,528	Retained Earnings	-
2010.9.9(note 7)	10	5,000	50,000	3,803	38,033	Retained Earnings	-

Note1:The Securities and Futures Committee to Ministry of Finance on Aug 13, 2002 granted approval for issuance in its letter Zidi 0910144848. In addition, the Ministry of Economic Affairs on October 21, 2002 approved amended registration in its letter Zidi 09101428420.

Note2:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 23, 2004 granted approval for issuance in its letter Zidi 0930133045. In addition, the Ministry of Economic Affairs on October 11, 2004 approved amended registration in its letter Zidi 09301193370.

Note3:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 20, 2005 granted approval for issuance in its letter Zidi 094012807. In addition, the Ministry of Economic Affairs on Sep. 14, 2005 approved amended registration in its letter Zidi 09401177000.

Note4:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 4, 2006 granted approval for issuance in its letter Zidi 0950126554. In addition, the Ministry of Economic Affairs on Aug 18, 2006 approved amended registration in its letter Zidi 09501182600.

Note5:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 9, 2008 granted approval for issuance in its letter Zidi 0970032910. In addition, the Ministry of Economic Affairs on Sep 4, 2008 approved amended registration in its letter Zidi 09701226150.

Note6:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 14, 2009 granted approval for issuance in its letter Zidi 0980033762. In addition, the Ministry of Economic Affairs on Sep. 7, 2009 approved amended registration in its letter Zidi 09801205090

Note7:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 20, 2010 granted approval for issuance in its letter Zidi 0990036370. In addition, the Ministry of Economic Affairs on Sep. 9, 2010 approved amended registration in its letter Zidi 09901201760

(2) Type of Shares

2010.12.31 Unit:thousand shares

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	3,803,300	1,196,700	5,000,000	

Note: The issued shares are listed shares

1.2 State of Shareholders

2010.12.31 Unit:thousand shares

Month/Year	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	8	17	241	71,903	345	72,514
Shareholdings	2,080	411,254	782,634	1,148,170	1,459,162	3,803,300
Percentage	0.05	10.81	20.58	30.19	38.37	100

1.3 Shareholding Distribution Status Common Shares (The par value for each share is NT\$10)

2010.12.31 Unit:thousand shares

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 9 9 9	33,542	7,514	0.20
1,000 ~ 5,000	20,117	44,365	1.17
5,001 ~ 10,000	5,916	42,381	1.11
10,001 ~ 15,000	3,252	38,449	1.01
15,001 ~ 20,000	2,544	46,619	1.23
20,001 ~ 30,000	2,463	57,959	1.52
30,001 ~ 50,000	1,541	59,757	1.57
50,001 ~ 100,000	1,342	92,490	2.43
100,001 ~ 200,000	769	105,962	2.79
200,001 ~ 400,000	419	115,661	3.04
400,001 ~ 600,000	173	84,841	2.23
600,001 ~ 800,000	82	56,248	1.48
800,001 ~ 1,000,000	49	44,220	1.16
Over 1,000,000	305	3,006,834	79.06
T o t a l	72,514	3,803,300	100.00

Note: E.SUN FHC did not issued any preferred shares

1.4 List of Major Shareholders

2010.12.31 Unit:thousand shares

Name	Share holding	Shareholding	Percentage (%)
PCA Life Assurance Co.,Ltd.		151,517	3.98
HSBC Securities Asia Nominees Limited		144,444	3.80
Cathay Life Insurance Co.,Ltd.		144,240	3.79
Ron-Yuan Investment Co.,Ltd.		142,087	3.74
Hsin Kang Investment Co.,Ltd.		99,811	2.62
Morgan Stanley Apollo Holdings (Cayman)Ltd.		99,500	2.62
HSBC Securities Asia International- Asian Equity Derivatives		98,776	2.60
E.SUN Commercial Bank Trust Fiduciary trust account		83,911	2.21
Atlas Nominees Limited		81,502	2.14
Comwell Asset Management		68,389	1.80

Note: The list above shows the top 10 shareholders.

1.5 Dividend Policy and Implementation Status

(1) Dividend Policy

The Company has a policy of mainly issuing dividends in the form of stock in order to improve its financial structure and raise its capital adequacy ratio. If the Company's capital adequacy ratio in a specific year exceeds the level mandated by supervisory authorities, the Company can pay dividends in cash. When such cash dividends are declared, they are to be no less than 10% of the total dividend paid for that year. In the event

that the cash dividend is less than NT\$0.1, the dividend will be issued in stock.

(2) Proposed Distribution of Dividend

The proposal for distribution of 2010 profits was passed at the Meeting of the Board of Directors. This proposal, a stock dividend of NT\$ 0.7 per share and a cash dividend of NT\$ 0.2 per share, will be discussed at the annual shareholders' meeting.

1.6 Impact on business performance and earnings per share of stock dividend payment proposed at the most recent shareholders' meeting

Item		Year	2010
Capital collected beginning of the period(NT\$1,000)			36,528,000
Stock dividend and cash dividend of the year	Cash dividend per share(NT\$)		0.2
	Capitalized retained earnings-stock dividend (share)		0.7
	Capitalized additional paid-in capital-stock dividend (share)		0
Change of Business Performance	Operating revenue (loss)(NT\$1,000)		4,472,156
	Operating revenue (loss) increase(decrease)from last year(%)		115%
	Net Income(loss)(NT\$1,000)		3,923,072
	Net Income(loss) increase (decrease) from last year(%)		103%
	Earnings(loss) per share(NT\$)		1.04
	Earning(loss) per share increase (decrease) from last year(%)		104%
	Annualized return on Investment(the reverse of Annualized Price / Earning ratio)		7.18%
Projected Earnings per Share and Price / Earnings ratio	Retained earnings are capitalized with cash dividend distributed	Projected Earnings per share	1.07
		Projected annualized return on Investment	7.41%
	Additional paid-in capital is not capitalized	Projected Earnings per share	-
		Projected annualized return on Investment	-
	Additional paid-in capital is not capitalized and Capitalized retained earnings-cash dividend distributed	Projected Earnings per share	-
		Projected annualized return on Investment	-

a.The Company should explain the hypothesis made for each forecast or projected data.

b.The projected Earnings per Share for the retained earnings capitalized and with cash dividend distributed= [Net Income-interest accrual from cash dividend* \times (1-tax rate)] / [total stock shares issued at the year end-stock dividend distributed for the capitalized retained earnings**]

Interest accrual from cash dividend*=Capitalized retained earnings \times annual loan Interest rate

Stock dividend distributed for the capitalized retained earnings**:The stock shares increased from the stock dividend distributed the year before for the capitalized retained earnings.

c.Price/Earning Ratio=Average Market Closing Share Price / Earnings per Share of Current Fiscal Year

Information applied in the table above:

a.The audit financial statements of 2010.

b.The tax rate that is used to calculate the projected data is 25%.The annual loan interest rate of 2010 is based on the average loan interest rate 0.73% of E.SUN Bank, respectively.

1.7 Employee Bonus and Compensation for Directors 1.8 Share Repurchase

Unit: NT\$

2010 Statement of profit allocation	
Balance at beginning of the period	347,169,594
Add: 2010 net profit	3,923,072,428
Subtract: 10% Legal Reserved	392,307,243
Net Profit for distribution	3,877,934,779
Distribution :	
Shareholders' Bonus(NT\$0.70 Stock Dividend per share)	2,662,310,000
Shareholders' Bonus(NT\$0.20 Cash Dividend per share)	760,660,000
Total Shareholders' Bonus	3,422,970,000
Undistributed Profits at the end of the period	454,964,779

Note: Employee Bonus is NT\$ 106,967,812 and Directors' compensation is NT\$35,655,937

2010.12.31

Term of the program	First time
Purpose	Transfer to employee
Period or the program	2010/3/17-2010/5/6
Price range	9.00-16.00
Types and amount of shares been repurchased	34,059,000 common shares
Total monetary amount of share repurchase	NT\$ 459,649,092
Group's capital adequacy ratio before program	120.49% (2008.12.31)
Group's capital adequacy ratio after program	114.98% (2009.12.31)
Total amount of shares been transferred or cancelled	55,059,000 shares
Total amount of shares accumulated	55,059,000 shares
Accumulated shareholdings (%)	1.51%
The execution process of transfer repurchase shares to employee	Finished
Limitation of failure to fully transfer within 3 years	No

2. Capital Utilization Plans

2.1 Plan

(1) Up to the quarter prior to the printing of the annual report, any issuance or private placement of securities that has yet to be completed: **None**.

(2) Programs completed in the most recent three years with beneficial results yet to assert themselves: **None**

2.2 Implementation Status

In 2008, E.SUN issued US\$200 million worth of ECB for operating funding. At the end of 2010, US\$ 50,200 thousand of ECB has been converted to common shares, which will enhance E.SUN FHC's capital adequacy ratio by 3.11%, and increase current and cash ratio by 99.16%. For the purpose of the funding, The board of E.SUN FHC has passed the resolution on Mar.18 2011 to change the purpose of the funding to "Merger and Acquisition/Investment in domestic financial institutions/Capital injection to subsidiaries", and the change is subject to the approval from regulator and AGM.

V. Business Operation



Green Drops, Full of Vitality.

1. Business Scope



Full of Light and Hope.

With the core subsidiary of E.SUN Bank, E.SUN FHC combines securities, insurance broking and venture capital to provide customers with a comprehensive array of financial services. E.SUN pursues balanced and stable development in each area of operations. The following are descriptions of the operational scope, business plans, industry status, research and development, and long-term and short-term business development projects for the FHC and each subsidiary.

1.1 Scope of Operations

(1) E.SUN FHC

a. Primary Operations

E.SUN FHC's expertise rests in investment and management. Its subsidiaries engage in a wide range of financial businesses including banking, credit cards, trust, insurance, securities, futures, venture capital, investment in foreign banking institutions as approved by regulatory agencies, investment in other financial-related businesses as designated by regulatory agencies, management of the aforementioned invested businesses, and investment in other businesses approved by regulators.

b. Composition of Operations

Item \ Year	Unit NT\$ thousand			
	2010		2009	
	Amount	%	Amount	%
Interest Income	17,618,273	71.91	16,103,392	74.79
Fee Income	6,550,173	26.73	4,845,642	22.51
Others	333,959	1.36	583,186	2.70
Total	24,502,405	100.00	21,532,220	100.00

Note1: E.SUN FHC consolidated financial figures

Note2: Others are net revenue exclude interest income and fee income.

(2) E.SUN Bank

a. Primary Operations

(a) Commercial Bank Operations

E.SUN Bank provides the following services: Accepts all types of deposits, engages in lending, discounting of bills/checks, domestic remittances, commercial acceptances, issuance of domestic letters of credit, domestic guarantees, custodian services and warehousing, rental of safe deposit boxes and credit card operations.

(b) Foreign Exchange Operations

These operations include import and export negotiation, general inward and

outward remittance, foreign currency deposits, foreign currency loans, foreign currency guarantees, and exchange of foreign cash and travelers checks.

(c) Investment and Treasury Operations:

Operations include investment in securities, short-term bills broking, dealing, trading of financial derivatives, wealth management, and trust operations approved under the law.

(d) Agency Operations and Other

Serves as an agent in issuance of debentures, collection and payment of various bills, underwriting securities, agent for the sale of gold ingots as well as gold and silver coins, agent for services of the National Treasury, providing fiscal advisory services, and dealing of corporate bonds and debentures.

b. Composition of Operations

Unit NT\$ thousand				
Item \ Year	2010		2009	
	Amount	%	Amount	%
Interest Income	17,354,284	73.40	15,931,683	78.03
Fee Income	5,366,727	22.70	3,931,102	19.26
Gain from Securities Trading and others	923,004	3.90	553,751	2.71
Total	23,644,015	100.00	20,416,536	100.00

Note: Others are net revenue exclude interest income and fee income

(3) E.SUN Securities

a. Primary Operations

(a) Brokerage

Acts as a broker for customers in the trading of securities, futures, options, and carries out settlement. Also provides margin financing

and stock loan services, and provides an electronic trading platform, meeting the investment and trading needs of customers.

(b) Dealing

E.SUN trades securities in stock market and business unit under its own account.

(c) Underwriting

Assists companies in public issuances of stock to raise capital and underwrites cash capital increases and convertible bonds for public companies and firms listed on the Taiwan Stock Exchange and the over-the-counter market. It also offers comprehensive corporate financial planning services.

(d) Bonds

E.SUN engages in outright bond trading and repo trading. The Company serves as a government bond dealer and provides customers with bond-related investment information and advisory services.

(e) Financial Product

Warrant issuance and other derivatives research.

(f) Other operations approved by supervisory agencies.

b. Composition of Operations

Unit:NT\$ thousand				
Item \ Year	2010		2009	
	Amount	%	Amount	%
Fee Income	683,483	66.25	583,194	61.63
Interest Income	259,996	25.20	165,794	17.52
Gain from Securities Trading	17,458	1.69	139,914	14.79
Other Operating Income	70,766	6.86	57,238	6.06
Total	1,031,702	100.00	946,140	100.00

(4) E.SUN Insurance Brokers

a. Primary Operations

The business of E.SUN Insurance Brokers Co. includes two main areas, namely life insurance and property insurance. The Company strives to develop and offer a range of products that meet the functional needs of customers. Life insurance products offered include general life insurance, medical insurance, savings insurance, annuity insurance, injury insurance, and investment-oriented insurance. Meanwhile, non-life/property insurance products include automobile and motorcycle insurance, fire insurance, liability insurance and all types of commercial risk insurance. E.SUN's comprehensive product lines and insurance services fully meet the risk planning and asset allocation requirements of customers.

b. Composition of Operations

Year		Unit:NT\$ thousand			
		2010		2009	
Item		Amount	%	Amount	%
Life Insurance	Life and Health Insurance	501,206	84.81	334,298	85.37%
	Investment-linked Insurance	16,832	2.85	11,992	3.06%
	Accident Insurance and Other	61,009	10.32	38,720	9.89%
Property Insurance		11,926	2.02	6,590	1.68%
Total		590,973	100.00	391,600	100.00

(5) E.SUN Venture Capital

a. Primary Operations

- Invest in and cultivate unlisted enterprises in Taiwan and overseas with considerable growth potential.
- Assist enterprises with core competitiveness in restructuring or transition.
- Establish strategic alliances or cooperative mechanisms between enterprises and firms in related industries.

b. Composition of Operations

Unit:NT\$ thousand					
Year Item		2010		2009	
		Amount	%	Amount	%
Investment Income		213,285	99.00	94,005	97.90
Interest and Other operating Income		2,137	1.00	2,015	2.10
Total		215,422	100.00	96,020	100.00

1.2 Business Plan

(1) E.SUN FHC

a. Taking Advantage of Critical Opportunities

The E.SUN team will act as one in standing for the Company's core values and in effectively executing its strategic plans and realizing PDCA. This will enable E.SUN to create a solid and broad foundation in Taiwan banking industry. The Company will use its wisdom, operational methods and ambition not only to meet, but exceed our goals and welcome in E.SUN's third decade.

b. Maximizing Integration and Execution

E.SUN integrates the marketing initiatives of its various subsidiaries and maximizes the ability of the team to execute its policies. This provides VIP customers with the total solutions they require and a comprehensive product blueprint. The Company accurately markets its products to specific groups of customers and this differentiated service enables it to meet the needs of clients, boosting customer satisfaction and maximizing value.

c. Overseas Operations and China Market

In light of the rapid pace of liberalization between the two sides of the Taiwan Strait, E.SUN has established strategic directions to pursue overseas markets and opportunities in mainland

China. Stable operations, comprehensive business, and appropriate scale of growth will help to create even higher profits. In the wake of Taiwan and mainland China signing a memorandum of understanding on banking supervision, E.SUN Bank on February 25, 2010 received approval to open a representative office in Dongguan, China. Opened on April 28 of the same year, it is expected that an application to upgrade this office into a branch can be filed within one year. We will continue to make efforts in this regard and welcome the opportunity to expand our blueprint in Greater China.

d. Product R&D and Innovation

E.SUN continues to engage in system R&D and procedural innovation to meet the rapidly changing array of financial products and needs of customers. Internally, E.SUN examines the product and service requirements among the customers at each subsidiary. Meanwhile, the Company monitors the products and services offered by its main competitors and looks to differentiate itself from industry counterparts. E.SUN also is devoted to enhancing its financial transaction services, strengthening the integration of its marketing network, and offering innovative web-based payment applications. This comprehensive financial services network, coupled with services and products that set it apart from competitors, and the cultivation of an outstanding customer base, helps sets the foundation for success.

e. Enhancing Risk Management, Corporate Governance and Realizing Corporate Social Responsibility

E.SUN's foremost consideration in business development is controlling risk. The Company continues to establish a risk appetite mechanism, enabling clear risk amounts, controls and capital planning to be set forth in the strategic development of each area of business.

E.SUN has elected four independent directors to

further boost its corporate governance system and strengthen the ability to manage and oversee the Company. This number of independent directors is above regulatory requirements. In addition to establishing the Auditing Committee, special function committees such as the Corporate Governance and Nominations Committee, the Compensation Committee and the Board Strategy Development Committee have been set up. E.SUN's organic statute stipulates that independent directors serve as the conveners and participate in these committees, thereby strengthening the function of the board.

E.SUN FHC received the best CSR award by Taiwan Academy of Banking and Finance in 2010 and has won the Corporate Social Responsibility Award for the banking industry for three consecutive years. In addition to this honor, it has also been singled out for Commonwealth magazine's Corporate Citizen Award. E.SUN is honored by these awards that recognize its efforts to achieve its vision of "E.SUN employees becoming world class citizens and E.SUN becoming a world class corporate citizen."

(2) E.SUN Bank

E.SUN Bank in 2009 completed expansion of its domestic branch network, which now stands at 122 branches. It is now focusing on electronic operations, the development of new products, and integrated marketing with other FHC subsidiaries to provide customers with consistent and comprehensive outstanding service, which will further boost the Bank's business performance. Looking ahead to 2011, E.SUN will continue to ensure that risk management takes precedence in all operations. With this in mind, it will provide customer-driven integrated product lines and services. Its marketing team will enhance the benefits of E.SUN's network. Meanwhile, E.SUN will continue to exhibit the outstanding nature of its businesses and products, while at the same time pursuing balanced long-term development.

a. Corporate Banking

In its corporate banking operations, E.SUN



It's Great to Have E.SUN!

will continue to emphasize that its professionalism makes it the best choice for companies when selecting a business partner. It will continue to be customer-driven and will seek to hone its relationships with customers. Corporate banking policies will be carried out in conjunction with government policy calling for increased

leading to small- and medium-sized enterprises to promote their development. At the same time, E.SUN will offer self-liquidating financing and credit guarantee fund-related business, strengthen its risk mechanisms, and maintain its outstanding Tier 1 asset quality. E.SUN also emphasizes information technology, along with its brand name and professional team of employees. In the course of integrating the resources of the FHC and adopting joint marketing of various product lines, E.SUN creates value for customers. The Bank continues to strive to be the best brand for SMEs.

b. Consumer Banking

Having completed the establishment of its 122-strong branch network, 2011 will be a year in which E.SUN focuses on implementing integrated marketing, thereby maximizing the benefit of the network. The Bank is gradually moving towards a fully functional business model for its branches, offering integrated product lines and services, and thereby providing a comprehensive banking experience to individuals, companies, and government agencies. E.SUN will strive to boost profits, business models, and innovative procedures in its consumer banking business. The adoption of new technology will also enhance its ability to handle electronic-based business. E.SUN will continue to pursue stable growth in NT dollar and foreign currency deposits, as well as businesses that feature joint marketing. It will

also pursue a policy of dynamic equilibrium in promoting its mortgage lending operations. Strict risk controls will continue to be adopted in its credit lending, helping E.SUN to maintain its leading position in the market in this business. Throughout all of this, the use of well thought-out information systems will enable E.SUN to



Diversified UPL Products Fulfill Different Customers' Needs.

challenge even greater business performance and stronger asset quality.

c. Wealth Management

In the area of wealth management, 2010 marked a year in which E.SUN continued to increase the number of personal finance consultants and account executives. The Bank continued to train these individuals to strengthen their expertise and ability to provide informed and top quality service. E.SUN also continues to strengthen various transaction systems and its customer relationship management system, thereby boosting operational efficiency and customer service quality. E.SUN employs data systems to provide assistance to staff in offering personal finance planning and asset allocation recommendations, thus helping to generate customer satisfaction and value, and enabling E.SUN to be the guardian of customer assets.

d. Credit Card

The credit card market experienced growth in 2010 thanks to the macroeconomic recovery and increasing consumer confidence. This led to

an upturn in the amounts charged, cards in issuance, and cards in force. E.SUN adopts a customer-driven business policy, focusing on products, marketing initiatives, and activities to meet the needs of different client segments. It promotes appropriate product marketing to specific clients in mind to boost usage of cards, raise amounts charged, and increase customer loyalty to the Bank's products. At the same time, integrated marketing of various products helps to enhance customer value.

(3) E.SUN Securities

- a. Continues to establish branches and securities counters, and provide real-time, convenient, and diversified products and services.
- b. Continues to focus on VIP customers and expanding the scale of service to corporate customers. This is boosting E.SUN's market share in the broking market and raising profits.
- c. Stays abreast of the latest trends in technology and electronic transaction platforms to provide customers with safe, rapid, and convenient transaction services and enables them to monitor the securities, futures, and options markets.
- d. Engages in diversified marketing with partners from other industries and hastens procedures associated with opening accounts in order to expand sources of customers.
- e. Employs and integrated E.SUN resources to assist enterprises in listing, thereby expanding its participation in the capital market.
- f. Bolsters its already top-notch research ability to generate asset management and investment performance, and satisfies the professional service needs of customers.
- g. Strengthens risk control mechanisms to provide increased flexibility to respond to market changes as the scale of the Company's operations expand.



E.SUN Provides Your Personal Finance and Investment Needs.

(4) E.SUN Insurance Brokers

Since its establishment, E.SUN Insurance Brokers has devoted itself to providing outstanding insurance products to its customers. E.SUN cooperates with insurance companies that exhibit upstanding, trustworthy, and stable operations. In addition, it develops products in line with market trends that are desired by its customers. The Company will continue to strive to develop and provide a diverse and comprehensive range of insurance products, while further enhancing its after-sales service. Besides establishing counters at E.SUN Bank branches, E.SUN Insurance Brokers is also developing its telemarketing and Internet marketing networks, meeting the varied needs of its customers.

(5) E.SUN Venture Capital

Besides continuing to promote its core business, E.SUN Venture Capital will integrate the resources of the FHC and employ its specialized investment team to cultivate and assist high quality companies that exhibit growth potential to list, thus boosting the competitiveness of specific industries and the nation as a whole. In addition, in light of the government's gradual liberalization of the venture capital sector, E.SUN is looking to appropriately expand its business scope to boost operational synergy and maximize shareholder value.

1.3 Industry Outlook

(1) FHC

Governments throughout the world turned to loose monetary policies in the wake of the economic blow caused by the global financial tsunami in order to spark the economy. Taiwan's GDP growth in 2010 surpassed 10%, which was nearly a 20-year high. Despite the rapidly changing international financial climate, the global economy in 2011 is expected to continue to recover. Taiwan's Council for Economic Planning and Development predicts that the nation's economic growth for 2011 will be between 4% and 5%.

Taiwan's financial institutions are gradually developing differentiated business strategies to cope with the intensely competitive banking environment here. Some are focusing on establishing broad platforms under a financial holding company framework, while others look to consumer banking, wealth management, or credit card operations as their core business. These operational models will gradually serve as a point of reference for Chinese-financed banking institutions and create opportunities for cooperation. After Taiwan and mainland China signed the Cross-Strait Economic Cooperation Framework Agreement, financial institutions now peer at a host of opportunities and challenges. Financial institutions will continue to have to find ways to set themselves apart from industry counterparts and create value to remain competitive in the marketplace.

(2) Bank

Taiwan's economy staged a rebound in 2010 and while growth is still expected to reach 4% to 5% in 2011, economic growth can't be expected to regularly reach levels of a decade ago. Taiwan's economy is being driven by two main factors. On the one hand, the gradual recovery in Europe and the United States is leading to increased export momentum. Meanwhile, increased capital expenditures in the high-tech industry to upgrade manufacturing processes are also bolstering private investment growth. On the other hand, domestic-oriented industries are growing on the back of a rise in private consumption and a sharp increase in the number of inbound tourists, largely from mainland China.

Looking ahead, stable world economic growth and a continued warming in cross-strait relations have increased confidence in the long-term developmental prospects for Taiwan's banking sector. At the same time, a greater need will arise for personal finance and investment in light of an aging society and burgeoning inflation, which will provide a solid foundation for growth in wealth management operations.

(3) Securities

The Taiwan stock market consolidated early in 2010 on thin turnover due to the European debt crisis, a slowdown in the global economic recovery, and concerns about interest rate hikes in China. It was not until December when the ECFA went into effect and investors anticipated local banks branching out into the mainland market that turnover on the stock exchange surged past levels not seen since early in the year. Average daily turnover of Taiwan stocks in 2010 declined in comparison to the year earlier, but trading by foreign investors increased. Commission income for local brokerages retreated slightly, but these firms did benefit from an increase in margin financing and the government's efforts to encourage Taiwan firms overseas to come back and list here or to issue TDRs. Interest income and underwriting income rose sharply among brokerages, which pointed to a gradual improvement in brokerage industry profits and operations.

Cross-strait relations are anticipated to continue to improve in 2011, which is poised to attract capital back to Taiwan. Consequently, most are confident in the outlook for Taiwan stocks. In addition, factors such as increasing numbers of M&A, capital increases, mainland investment in companies, overseas firms coming to list their shares in Taiwan, and liberalization of wealth management operations are expected to drive further growth in the brokerage industry.

(4) Insurance Brokers

The vibrant development of wealth management operations in recent years has created an increasing awareness and need among the public for insurance products. Statistics compiled by the ROC Life Insurance Association indicate that over 60% of premium income in the insurance market is derived

from policies inked at bank branches. This highlights the importance of a bank branch network as an avenue to sell insurance. In contrast to the traditional insurance agent system, bank branch networks provide the ability to offer diversified financial products and services, while also offering expertise in the area of wealth management. E.SUN is striving to develop savings-oriented insurance and investment-oriented policies to meet the investment, protection, savings, and tax planning needs of its customers.



E.SUN Bancassurance Provides Protection for the Whole Family

(5) Venture Capital

While the economic recoveries in Europe and the United States waned in 2010, the recoveries in most major economies continued a gradual upturn on the back of appropriately loose monetary policies and economic stimulus plans. Taiwan's economy benefitted from political stability and increasing cooperation between the two sides of Taiwan Strait. Coupled with the signing of the ECFA and continued orders placed by European, American, and Japanese manufacturers, Taiwan's economic momentum exceeded expectations, which in turn also helped to create more interest and activity in the local capital markets.

While the global economy is expected to continue in a gradual recovery mode in 2011, Europe and the United States still face considerable weakness in their labor markets and suffer from high unemployment. In addition, America's enormous public debt, along with a worsening of fiscal and trade deficits, has set the stage for the US dollar to weaken. Some European countries are facing sovereign debt crisis. Meanwhile, China's economic momentum is waning and the impact of America's quantitative easing policy remains unclear. We are cautious in our view for economic prospects in 2011.

1.4 Research and Development

(1) E.SUN FHC

a. Creating Network Value

E.SUN Bank has created a service blueprint that covers all covers of Taiwan, enabling it to provide customers with outstanding financial services and value. Surely, this network offers E.SUN a competitive advantage. E.SUN's bank branches, Internet bank, electronic banking, mobile banking, credit card business, E.SUN Securities, and strategic alliance partners all constitute important parts of the E.SUN network. The Bank's electronic network enables its services to transcend time and boundaries, maximizing network value.

b. Comprehensive Product Map

E.SUN provides its various groups of customers with the appropriate banking products and services through differentiated marketing. This offers customers with a wide array of suitable products, helping to effectively boost the level of interaction between the Bank and its customers and generate the greatest value for both customers and E.SUN.

c. Deep-seated Risk Management

Management of risk is in the forefront of all of E.SUN's operations. E.SUN approaches risk management in a systematic manner and takes advantage of its experience to formulate and introduce systems, information technology, and standard operating procedures, making risk management a core pillar for stable operations. Banking supervision has become increasingly strict in the wake of the global financial tsunami, and the ability to manage risk has become the key factor in determining which companies are able to emerge as leaders.

(2) E.SUN Bank

a. Corporate Banking

In the area of corporate banking, E.SUN will continue to strengthen its lending to SMEs, which it hopes to achieve through the introduction of two special lending plans that will boost returns and also interaction with customers. The Bank will also continue to enhance its Internet bank

and cash management products, providing safe, real-time, and convenient cash movement services. As for foreign exchange, E.SUN will boost its Greater China Internet bank platform and seek to expand foreign currency deposits. Promotion of the Internet bank will both enhance safety and returns on products. Lastly, E.SUN will continue to employ information technology and system models to strengthen its risk management and respond to possible impacts from the implementation of IFRS and Basel III.

b. Consumer Banking

E.SUN has introduced a specially designed personal finance-style mortgage via which customers can conveniently tap into a personal finance account and withdraw or repay funds. Interest is calculated on a daily basis, with interest charged only on the amount of funds withdrawn. In the area of electronic banking, E.SUN has developed an iPhone App –E.SUN Mobile Bank --for smart phones to boost convenience for customers. Taking advantage of the positioning function offered by mobile devices, E.SUN will provide customers with information on the location of branches or contracted outlets with special deals in the area. The app also provides financial information, interest rates, and other data. E.SUN will continue to enhance and develop new functions in the future to satisfy the diverse needs of customers.



E.SUN provides smart solutions.

c. Wealth Management

In the area of wealth management, E.SUN will continue to strive to be the leading brand name for customers in terms of trustworthiness and satisfaction. It will also bolster the scale of operations and maximize its influence in the market, moving in the following directions to continue to create value for customers:

- (a) E.SUN will continue to cultivate an outstanding team of wealth management executives. It will strengthen education and training in order to provide professional services, focused operations, an expanded range of business, greater market share, and increased market influence.
- (b) E.SUN will maximize use of its R&D capacity to establish a house view. It will hone its abilities in research, analysis, and judging market trends in order to provide real-time financial and economic data and insightful commentary on this information. E.SUN's research team will become a trusted source of data for customers and the Bank's account executives.
- (c) E.SUN will actively operate a virtual network that sets it apart from industry counterparts and customer value. This convenient and user-friendly service platform will satisfy the "do-it-yourself" personal finance needs of customers.
- (d) E.SUN will cultivate specific groups of customers, integrate the Group's resources, and create a professional team that is able to provide high quality and highly refined service. This will boost interaction with customers and help to boost customer loyalty.



心清如玉。義重如山。

The Most Trustworthy Wealth Management.

d. Credit Card

E.SUN strives to provide a comprehensive map of products, and it designs activities and services with specific groups of customers in mind. E.SUN issues its World Card to foster a spirit of gratitude both by the Bank and its customers. A fixed percentage of each amount charged using the card is donated to promote the E.SUN Golden Seed Project, which is an initiative to pay back society. E.SUN issues the Lucky Titanium Card, which is Taiwan's first credit card designed specifically for women. Meanwhile, the Bank promotes its Signature Card for male customers, which emphasizes a LOHAS-oriented lifestyle and encourages cardholders to participate in tree-planting and reforestation projects. E.SUN cooperates with hot springs resorts, restaurants, establishments offering afternoon tea, and travel agencies, hoping to make its credit cards the preferred ones among its customers.

The Bank has also introduced the E.SUN EasyCard that functions as a credit card, an EasyCard for public transportation fares, and as a tool to pay for small purchases. E.SUN has designed a unique function called Autoload that enables cardholders to easily add value to their cards. EasyCard began to be able to be used to make small payments starting in April 2010 and presently is accepted in over 10,000 convenience stores, supermarkets, coffee shops, and drugstores. This card has become a favorite among commuters for its convenience and the incentives it offers.

To bolster E.SUN's credit cards as a brand name for tourism and leisure, the Bank has entered into cooperation with a number of reputable travel agencies. Seasonal travel activities are introduced quarterly. Besides designing travel itineraries for customers, cardholders will receive gifts once their spending reaches certain thresholds. The cards offer cash back on spending overseas, as well as no fee installment plans. E.SUN cooperates with many gasoline station chains and offers incentives to use its cards to pay for refueling. The cards can be used at over 360 gas stations island-wide, providing customers with an easy way to reduce their gasoline costs.

E.SUN hopes that its thoughtfully designed services will enable customers to feel that it is great to use the Bank's cards. E.SUN cards not only offer convenient services, but also highlight E.SUN's image as a travel and leisure brand name. E.SUN's excellence was recognized in 2010 by VISA International, which singled out E.SUN for its Best Credit Card Growth Rate Award. E.SUN's innovative credit cards are customer-oriented and respond to the needs of customers, thereby raising customer satisfaction and use of the cards.



The E.SUN EasyCard Provides Convenience and a Daily Smile.

(3) E.SUN Securities

- a. Continues to enhance its A+ Network Trading Platform and strives to develop and integrate a diversified mobile transaction platform, making E.SUN a leading brand name in the market.
- b. Expands futures and foreign securities sub-broker operations, expands the scale of underwriting operations and provides an array of asset allocation investment avenues for consumers and enterprises.
- c. Strengthens the content of its research, bolsters both horizontal and vertical research, pursues potential investment targets, enhances its stock selection strategies, and establishes professional and dedicated service window, thereby satisfying the asset management needs of VIP customers and corporations.
- d. Develops futures trading strategy models and stays abreast of changes in the markets and industrial sectors, helping to improve dealing performance and reduce trading risk.
- e. Establishes a learning-oriented organization, strengthens training of instructors that can educate staff on electronic operations, continues to hone professional expertise, shares experience to bolster team cooperation and preparedness, and develops differentiated services, the combination of which generates greater customer value.
- f. Continues to strengthen risk management and implement risk management mechanisms, helping to reduce operational risk.



E.SUN Securities is the Best Choice for Stock Trading.

(4) E.SUN Insurance Brokers

- a.Strives to create a comprehensive range of products that meet the various needs of customers.
- b.Uses information systems to strengthen customer relationship management.
- c.Promotes electronic operations and enhances procedures to boost efficiency.
- d.Expands its virtual network and develops potential customers for its insurance products.
- e.Monitors market trends and remains aware of future business opportunities.

(5) E.SUN Venture Capital

- a.Continues to participate in seminars and external training, remaining abreast of the latest economic and industrial developments.
- b.Strengthens cooperation with companies and research institutes to develop new business opportunities.
- c.Engages in close cooperation with E.SUN Securities and E.SUN Investment Consulting to cultivate a sensitivity to the capital markets.
- d.Uses case study analysis to strengthen its ability to select outstanding investment targets.

(6) E.SUN 's Future R&D Projects and Anticipated R&D Expense

The rapidly changing, complex and uncertain nature of the banking environment, along with the highly competitive and challenging operating environment for businesses, highlight the importance of the ability to innovate and possess marketing acumen. E.SUN continues to provide its customers with a satisfying service experience. Its strategy of differentiating itself from industry counterparts has helped it create a niche for itself and from becoming engaged in price wars.

Besides remaining abreast of the latest market information and trends, evaluating and bringing new products to market, and promoting innovation, E.SUN has introduced an employee proposal

system. This helps to pool the experience, wisdom, and creativity of employees; promote innovation in products, procedures, organization, marketing, and brand name; and enhance operations via hardware, software, professionalism, efficiency, and value. Evaluation and screening by E.SUN's Innovation Department and Company-wide innovation conferences serve as important reference in R&D and innovation, helping to further accumulate innovation-oriented knowledge.

The inauguration of the iCenter in 2010 provides employees with an area to engage in innovative thinking. This initiative encourages the thought process focusing on ideas, innovation and integration, helping to boost the feasibility and value of innovative proposals.

Information is the core of E.SUN's innovation. Besides engaging in face to face contact with customers, E.SUN is working to strengthen its telephone banking, Internet banking, and mobile banking services, including an advanced call center, corporate Internet bank, consumer Internet bank, and mobile banking. E.SUN employs its customer management relationship system to better understand the needs of customers and provide all types of integrated solutions that effectively satisfy and exceed customer expectations. R&D spending and budgets in 2010 accounted for about 2% of total revenues.

In an effort to expand its service network, subsidiary E.SUN Securities has developed an advanced electronic trading platform. It is also developing new products and improving trading and service quality. E.SUN Securities will continue to plan related R&D projects and devote funds to these initiatives. In 2008, E.SUN Securities' R&D expenditures and budget comprised 6% of total revenues.

Research expenditures for the last 3 years

Unit NT\$1,000

Year	2010	2009	2008
E.SUN Bank	482,385	415,805	455,980
E.SUN Securities	62,875	51,378	52,022

(7) E.SUN's R&D Investment Projects and State of Implementation

a.Establishing a Customer Risk and Value Model (CRV):

How to best use and analyze information, understand customer behavior, and provide tailored products to meet the needs of customers will be critical in this knowledge-based economic era. E.SUN and an internationally renowned consulting company have cooperated in introducing international know-how and advanced analytical models to E.SUN. Efforts continue to be made to establish a data supermarket, introduce analytical tools, and enhance foundation engineering. Quantitative analysis assists in drafting strategies and has applications in all areas of business development. This effort will have particular benefits in risk management, including credit scoring, post-disbursement management, risk alarms, asset portfolio management and stress tests. All types of models are already in use in daily operations, and models are already enabling E.SUN to clearly understand customer value, engage in segmentation of customers and provide differentiated marketing. This enables E.SUN to offer appropriate products to each customer segment, thereby boosting the relationship between the customer and E.SUN, and lifting the business volume provided by each customer. E.SUN continues to enhance quantitative methods and analytical abilities, aiming to provide differentiated and refined services. This is creating a win-win situation for customers and E.SUN, and boosting E.SUN's competitiveness.

b.Strengthening Integrated Marketing Database Platform for Event-based Marketing (EBM)

Existing database platforms are being integrated into a Company-wide marketing database. The information is provided to marketing planning and R&D personnel under the EBM project. On the marketing front, the system automatically selects lists of customers to be targeted for marketing events to be carried out by various FHC units. This project is making the best use of marketing resources and is better enabling E.SUN customers to receive information and services on products most suited to them, creating a win-win situation for E.SUN and its customers. Besides continuing to maximize the value of the EBM platform, E.SUN is customer-driven in the front-end services it provides. Its marketing-driven eTABS+ system is an integrated tool to serve customers. In conjunction with streamlined procedures and forms, and a higher degree of electronic operations, E.SUN's operations realize the twin goals of marketing and service, yielding enhanced efficiency and customer satisfaction.

c.Establishing Performance Measurement Improvement team (PMI)

E.SUN is committed to creating even greater value for customers, shareholders and employees. It desires to continue to boost performance in order to realize the Company's strategic objectives. The Performance Management Improvement Task Force was established with the objective of enhancing the operational performance of the FHC and each subsidiary, creating a performance-minded organizational customer, and monitoring performance. The PMI

Task Force ensures that strategies set forth in the FHC are being implemented throughout the organization. Effective and quantifiable indicators and scientific and transparent methods are used to enhance management and systematically provide the basis to exceed short-, medium-, and long-term objectives, while at the same time ensuring that the goals and strategies of each unit reflect the overall strategies and interests of the FHC. Business and financial performance management systems examine the logic of organic and operational regulations, as well as compare budgeted and actual figures. This ultimate objective is to foster a virtuous circle within the Company and raise the overall performance of the FHC.



E.SUN i Center Combines "Ideas, Innovation and Integration" and Continues to Foster Intellectual capital developed by E.SUN.

d. Integrated Research Resources

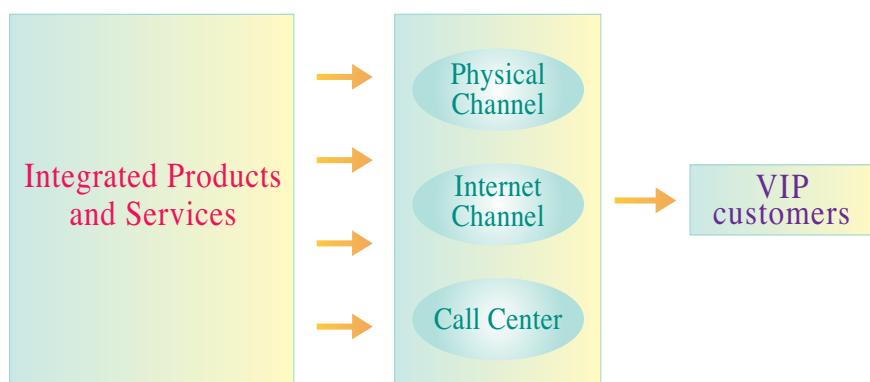
Over 40 highly specialized analysts from the bank, securities, investment advisory, and venture capital units form E.SUN's research team that monitors rapidly changing economic and financial trends. The team systematically and effectively collects information and releases its research in daily, weekly and monthly

reports that express short-, medium- and long-term views on the domestic and international economy, financial system, industries and specific companies. This information is vital to traders, personal finance account executives, and investment officers in making trades, investments, or recommending investment allocation. E.SUN has established objective indicators to score and evaluate the accuracy of various research reports. These efforts create the foundation for E.SUN to provide highly accurate and influential house view reports, help to further boost E.SUN's overall investment performance, and create value for customers.

e. Enhanced Network Value

FHC subsidiary E.SUN Bank has a 122-strong branch network that spans Taiwan. The Bank also has a call center, Internet bank, mobile bank, and overseas branches in Los Angeles and Hong Kong. Combined with E.SUN Securities' 18 branches and the Internet trading platform it offers, the 59 securities counters it maintains at Bank branches, and resources of E.SUN Insurance Brokers, the value of E.SUN's network has become greater than the sum of its parts. Besides serving the needs of the communities where it maintains branches, E.SUN's Internet-based services enable customers to transcend time and space limitations. Its comprehensive products and services have created customer value and have also made E.SUN a favorite among customers.

2. Cross-Selling Synergy



Integrated Services, Products and Networks Enable Management of Greater Numbers of VIP Customers

(1) Integrate FHC Resources

The needs of customers are always the foremost concern of E.SUN. The company has an array of product lines and offers close cooperation among all subsidiaries. This mechanism enables efficient division of work and yields benefits by offering one-stop shopping to different customer segments. In 2010, we continued to focus on providing comprehensive and integrated banking service to outstanding customer segments by tapping into the services and products offered through the consumer and corporate banking, wealth management, treasury, and credit card departments, as well as the securities and insurance broker subsidiaries. E.SUN is consequently able to provide customers with the most appropriate products and hopes to maximize customer value while at the same time generating business results for the FHC.

(2) Customer Relationship Management

E.SUN has a broad range of customers. An information platform is needed to manage these customer relationships systematically, automatically, and efficiently. The front-end of this system features an interface to service customers, while the mid-point integrates and transmits information with the

hope of enabling staff to be able to immediately recognize customers. Besides already having upgraded the functions of the teller transaction system and establishing a customer management system, E.SUN intends to continue to upgrade system functionality in the future. The system will be able to assist in identifying the needs of customers, consequently exceeding their expectations. We are confident that this will help to make these patrons loyal clients of E.SUN.

(3) Cross-Selling Synergy

E.SUN has a physical network that consists of 122 bank branches and 18 E.SUN Securities branches, while its virtual network includes an Internet bank, mobile bank, and call center. E.SUN has integrated network resources to provide marketing and services to meet the different nature and needs of specific customer segments, providing convenience to customers time after time. In addition, the securities counters that have been established and insurance specialists that are stationed at E.SUN Bank branches enable customers to experience one-stop shopping and solutions for their financial needs. This creates the greatest level of cross-selling synergy possible.

3. Human Resource



The power of teamwork.

3.1 Human Resource Information in All Subsidiaries

Human resources are the key element in determining victory in the highly competitive financial industry. E.SUN strives to create a harmonious and pleasant learning environment, enabling each E.SUN employee to develop to the best of his or her potential.

"The highest mountain, the best bank; the loveliest mountain, the most beloved bank." E.SUN not only wants to become the best performing and most respected bank, but also wants to act as a second home for all of its employees. Cultivating outstanding talent is one of E.SUN's longstanding priorities and commitments. In 2010, the Bank held a total of 144 internal workshops. In addition, employees were selected to attend 548 workshops held by outside institutions. Each employee on average participated in 4.35 training courses, enabling E.SUN staff to grow through learning

and enhance their expertise, strengthening the competitiveness of E.SUN's human resources.

(1) E.SUN FHC and its subsidiaries

Item \ Year		2010	2009	2008
No. of Employees		5,162	4,984	4,769
Average Age		31.1	31.0	31.4
Average Years of Service		6.0	5.7	5.0
Educational Background(%)	Master	19.5	19.8	18.3
	Bachelor	69.4	67.6	67.8
	College	10.1	11.5	12.7
	High School	1.0	1.1	1.2
Number of Professional License	Bank	12,638	12,120	11,150
	Insurance	4,271	3,913	3,618
	Securities	3,352	3,409	3,196
	Others	266	235	213



Create your own career path.

(2) E.SUN Bank

Item \ Year	2010	2009	2008
No. of Employees	4,583	4,433	4,286
Average Age	31.5	31.1	31.4
Average Years of Service	6.2	5.9	5.1
Educational Background(%)	Master	20.5	20.7
	Bachelor	68.1	66.6
	College	10.4	11.6
	High School	1.0	1.1
Number of Professional License	Bank	12,066	11,453
	Insurance	3,945	3,552
	Securities	2,596	2,586
	Others	234	200

(4) E.SUN Insurance Broker

Item \ Year	2010	2009	2008
No. of Employees	95	83	78
Average Age	28.1	27.4	27.5
Average Years of Service	2.2	2.2	1.6
Educational Background(%)	Master	8.4	6.0
	Bachelor	90.5	90.4
	College	1.1	3.6
Number of Professional License	Bank	80	108
	Insurance	150	173
	Securities	7	12
	Others	1	1

(3) E.SUN Securities

Item \ Year	2010	2009	2008
No. of Employees	464	408	363
Average Age	30.9	30.4	31.4
Average Years of Service	4.1	4.1	3.7
Educational Background(%)	Master	10.8	11.0
	Bachelor	79.3	76.0
	College	8.6	11.5
	High School	1.3	1.5
Number of Professional License	Bank	453	515
	Insurance	175	187
	Securities	742	803
	Others	24	26

(5) E.SUN Venture Capital

Item \ Year	2010	2009	2008
No. of Employees	6	8	8
Average Age	31.0	35.3	34.3
Average Years of Service	5.4	4.6	3.6
Educational Background(%)	Master	66.7	87.5
	Bachelor	33.3	12.5
Number of Professional License	Bank	11	10
	Insurance	0	0
	Securities	1	1
	Others	0	0

4. Corporate Responsibility and Ethical Behavior

E.SUN has consistently embraced a vision and pledge of fulfilling its corporate social responsibility. As the Company develops, we are committed to participating in social welfare, environmental protection, academic and education, and youth baseball initiatives. At the same time, E.SUN continues to strengthen its corporate governance and expand the content of its products and services, hoping to generate and boost customer value.

E.SUN has been carrying out its Golden Seed Project over the past several years in an effort to establish E.SUN libraries in elementary schools located in remote areas of Taiwan. This long-term initiative is aimed at improving hardware facilities so as to enhance the environment to read and study. E.SUN also donates books and provides assistance to ensure the long-term upkeep of the libraries. It hopes that this systematic program will help to reduce the development gap between urban and rural areas, and will provide resources and an environment to encourage reading and learning in rural areas. Having greater access to books will also enable the children to read more, thereby expanding their horizons and leading to new opportunities. As of the end of March 2010, 32 E.SUN libraries have been established in Keelung City, Ilan County, Taoyuan County, Miaoli County, Taichung County, Changhua County, Nantou County, Yunlin County, Chiayi County, Chiayi City, Tainan County, Kaohsiung County, Pingtung County, Hualien County, Taitung County, and Penghu County.

In the area of environmental protection, E.SUN produced the E.SUN Green Policy white paper to exhibit its commitment and determination to protecting the environment. It continues to include environmental protection considerations in its lending operations and it encourages energy conservation. The Bank holds a variety of environmental protection activities. It cooperates with National Chung Hsing University's Hsinhua Forest Station in promoting a six-year project to plant trees. In 2010, E.SUN continued to plant trees in the forest station, moving towards its goal of planting 10,000 seedlings. It calls on people on variety of days throughout the year, such as Earth Hour on March 27, World Earth Day on April 22, World Environment Day on June 5, Clean Up The World on September 17, International Car Free Day on September 22, and the Mid-Autumn Festival to tidy the environment, turn off their lights or save energy. These

initiatives are aimed at jointly promoting the global vision of cutting back on energy use and reducing carbon emissions. In addition, environmental protection education is carried out on the thirteenth day of each month by departments throughout the Company. Efforts are made to promote energy conservation and the reduction of carbon emissions both in and out of the office.

Another important goal for E.SUN is to foster the development of baseball in Taiwan. It established the E.SUN Youth Baseball Fund Special Account, which is used to help stage the E.SUN Cup National Tournament, the E.SUN Sports Injuries Prevention Project, the E.SUN Youth Baseball Pitcher & Catcher Training Camp, and the Baseball Assistance Project for Remote Areas. To date, it has provided baseball gear to 10 senior high school baseball teams, including National Tung Shih Senior High School, Hualien Physical Experimental Senior High School, and National Cheng-kung Commercial & Aquaculture Senior Vocational High School. In addition, the Chinese Taipei team that emerged victorious at the 24th World Youth Baseball Championship in Thunder Bay, Canada was largely comprised of players that won the E.SUN Cup National Baseball Tournament. In the future, E.SUN will continue to be involved in setting the foundation for youth baseball to flourish here, helping to nurture more and more baseball stars and generate more interest in the sport.

E.SUN also encourages academic excellence. It provides scholarships to enable outstanding students to complete their studies free of worries about tuition. To date, E.SUN has provided scholarships to a total of 41 students participating in the manager training scholarship program, which is now in its sixth year. E.SUN hopes the scholarships and cultivation of this talent will create the next generation of top-notch managers and help to make a contribution to society.

E.SUN not only emphasizes business development, discipline, and legal compliance, but also has consistently sought to enhance corporate governance. In 2010, it won corporate governance certification from the Taiwan Corporate Governance Association, first place in Commonwealth magazine's Corporate Social Responsibility Award, and the Corporate Social Responsibility Award from the Taiwan Academy of Banking Finance. The honors reflect E.SUN's commitment and responsibility to customers, shareholders, and society, and constitute another link in the effort to be the best performing and most respected enterprise.

VI. Financial Information



The vitality of the Earth is on view with the arrival of spring.

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1. Condensed Financial Statements 2006 to 2010

(1) Condensed Balance Sheet

Unit: NT\$1,000

Item \ Year		Financial data 2006-2010				
		2010	2009	2008	2007	2006
Cash and cash equivalents due from the central bank and call loans to banks		6,782,379	5,054,646	7,246,319	8,903,288	12,136,436
Financial assets at fair value through profit or loss		-	1,011	303,324	485,318	854,736
Receivables		830,086	807,921	507,706	411,695	408,123
Equity investments under the equity method		60,799,227	57,006,584	50,886,052	51,970,577	46,045,985
Other financial assets		12,690	12,690	12,690	12,690	12,690
Properties		246	271	432	594	756
Intangible assets		1,848	1,934	2,021	2,106	2,192
Other assets		2,817	2,838	822,205	818,016	818,642
Total assets		68,429,293	62,887,895	59,780,749	62,604,284	60,279,560
Financial liabilities at fair value through profit or loss		5,138,932	4,798,424	4,967,559	8,988,783	9,413,820
Payables		445,235	459,415	375,316	266,912	251,535
Corporate bonds payable		7,500,000	5,500,000	5,500,000	5,500,000	5,000,000
Accrued pension cost		20,755	3,569	7,641	6,725	10,329
Other borrowings		0	0	0	0	0
Other liabilities		82,512	188,771	188,032	0	36,007
Total liabilities	Before distribution	13,187,434	10,950,179	11,038,548	14,762,420	14,711,691
	After distribution	Note 1	11,676,539	11,049,524	16,114,170	14,711,691
Capital Stock		38,033,000	36,528,000	35,443,511	33,033,000	33,033,000
Capital Surplus		10,578,871	10,451,904	10,407,577	9,883,176	9,883,176
Retained earnings	Before distribution	6,503,368	4,759,376	3,881,743	5,609,490	2,315,680
	After distribution	Note 1	2,580,296	3,991,219	4,257,740	2,315,680
Equity adjustments		126,620	198,436	(990,630)	(683,802)	336,013
Total stockholders' equity	Before distribution	55,241,859	51,937,716	48,742,201	47,841,864	45,567,869
	After distribution	Note 1	51,211,356	48,742,201	47,841,864	45,567,869

Note 1: Earnings distribution of the year ended December 31 2010 shall be resolved in the shareholders' meeting.

(2) Condensed Balance Sheet(Consolidated)

Unit : NT\$1,000

Year Item			Financial data 2006-2010				
			2010	2009	2008	2007	2006
Cash and cash equivalenvs due from the central bank and call loans to banks			57,913,977	226,996,247	100,544,324	40,630,262	52,842,974
Financial assets at fair value through profit or loss			55,517,279	40,126,282	74,377,362	99,729,801	76,707,267
Securities purchased under resell agreements			1,439,552	3,384,993	353,252	295,975	4,241,999
Receivables			41,833,788	37,147,658	32,607,482	32,626,300	34,340,268
Discounts and loans			599,161,337	550,483,765	532,944,978	514,648,763	439,171,905
Available-for-sale financial assets			48,242,365	37,300,338	42,884,680	38,078,612	44,271,276
Held-to-maturity financial assets			254,655,585	18,278,241	14,241,499	14,389,915	14,642,940
Equity investments under the equity method			-	-	-	130,259	-
Other financial assets			4,331,568	7,279,134	9,194,423	9,026,992	5,081,346
Properties			14,456,569	14,184,114	13,283,041	12,914,521	11,771,149
Goodwill and Intangible assets			4,016,475	4,048,234	4,039,733	3,936,018	3,825,398
Other assets			2,959,873	3,089,363	4,996,188	5,774,566	6,892,748
Total assets			1,084,528,368	942,318,369	829,466,962	772,181,984	693,789,270
Due to the central bank and other banks			38,869,814	39,051,957	21,168,220	32,516,451	29,746,974
Commercial paper issued,net			2,503,224	1,344,707	-	1,773,679	913,482
Financial liabilities at fair value through profit or loss			18,084,329	15,856,882	31,443,604	39,498,399	41,544,149
Securities sold under repurchase agreements			17,394,242	14,518,968	23,161,468	17,631,985	23,134,616
Payables			11,384,674	8,641,721	10,261,151	8,478,831	14,598,548
Deposits and remittances			897,263,764	769,286,147	658,990,601	589,441,331	506,263,564
Bonds payable			41,500,000	39,000,000	32,800,000	31,100,000	27,300,000
Other borrowings			300,000	-	-	300,000	940,000
Other financial liabilities			296,158	2,128,437	2,369,094	2,967,194	2,791,235
Other liabilities			1,690,304	551,834	530,623	632,250	987,092
Total liabilities			1,029,286,509	890,380,653	780,724,761	724,340,120	648,219,660
Total stockholders' equity of parent company	Capital Stock		38,033,000	36,528,000	35,443,511	33,033,000	33,033,000
	Capital Surplus		10,578,871	10,451,904	10,407,577	9,883,176	9,883,176
	Retained earnings	Before distribution	6,503,368	4,759,376	3,881,743	5,609,490	2,315,680
		After distribution	Note 1	2,580,296	3,870,767	4,257,740	2,315,680
	Equity adjustments		126,620	198,436	(990,630)	(683,802)	336,013
Minority interest			-	-	-	-	1,741
Total stockholders' equity	Before distribution		55,241,859	51,937,716	48,742,201	47,841,864	45,569,610
	After distribution		Note 1	51,211,356	48,731,225	46,490,114	45,569,610

Note 1: Earnings distribution of the year ended December 31, 2010 shall be resolved in the shareholders' meeting.

(3) Condensed Income Statement

Unit:NT\$1,000 Except Earnings Per Share

Item \ Year	Financial data 2006-2010				
	2010	2009	2008	2007	2006
Income from equity investments under the equity method	4,720,551	2,272,699	950,646	3,097,206	496,520
Other revenues and gains	63,301	102,215	618,457	594,654	687,253
Loss from equity investments under the equity method	-	-	(63,663)	-	(301,049)
Operating expenses	(100,663)	(157,310)	(125,584)	(68,591)	(97,029)
Other expenses and losses	(965,093)	(352,815)	(217,367)	(468,125)	(373,877)
Income before income tax	3,718,096	1,864,789	1,162,489	3,155,144	411,818
Net income	3,923,072	1,928,338	1,025,003	3,293,810	422,608
Earnings per share (before income tax)	0.98	0.50	0.33	0.96	0.13
Earnings per share (after income tax)	1.04	0.51	0.29	1.00	0.13

(4) Condensed Income Statement(Consolidated)

Unit:NT\$1,000 Except Earnings(Losses)Per Share

Item \ Year		Financial data 2006-2010				
		2010	2009	2008	2007	2006
Net interest		11,450,970	8,642,423	9,579,922	9,526,349	9,869,248
Total net revenues and gains other than interest		5,964,391	4,616,528	4,584,388	4,715,331	3,666,080
Bad-debt expenses		2,732,257	2,116,940	3,536,372	2,174,707	5,157,369
Operating expenses		10,210,948	9,060,094	9,006,830	8,122,942	7,985,269
Consolidated income before cumulative effect of changes in accounting principles		4,472,156	2,081,917	1,621,108	3,944,031	392,690
Consolidated income after cumulative effect of changes in accounting principles		3,923,072	1,928,338	1,025,003	3,293,810	350,557
Cumulative effect of changes in accounting principles (After income tax)		0	0	0	0	72,026
Consolidated net income attributable to	Attributable to parent compant	3,923,072	1,928,338	1,025,003	3,293,810	442,608
	Attributable to minority interest	0	0	0	0	(25)
Basic earnings per share		1.04	0.51	0.29	1.00	0.13

(5)CPAs' Auditing Opinion from 2006 to 2010

Wu Mei Hui, CPA, and Way Yung Do, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2006, ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Wu Mei Hui, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2007, each ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2008, ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2009, ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2010, ended on December 31, and issued modified unqualified opinion reports.

2.Financial analysis from 2006 to 2010

Item	Year	Financial data 2006-2010				
		2010	2009	2008	2007	2006
Operating ratio	Total assets turnover (Times) (Note 1)	0.02	0.01	0.02	0.05	0.01
	Ratio of loans to deposits(E.SUN Commercial Bank)	66.65	71.49	80.51	86.38	85.11
	NPL ratio(E.SUN Commercial Bank)	0.39	0.67	0.90	0.89	0.99
	Average revenue per employee (Note 2) (Note 1)	923.52	407.43	270.09	735.51	2,588.84
	Average net income per employee (Note 2) (Note 1)	757.35	388.54	214.93	751.50	102.08
Profitability ratio	Ratio of return on total assets%(Note1)	5.97	3.40	1.94	5.52	0.94
	Ratio of return on stockholders' equity%(Note1)	7.32	3.83	2.12	7.05	0.95
	Profit margin ratio%(Note1)	102.73	95.36	79.58	102.17	83.05
	Basic earnings(losses)per share (Before distribution) (Note 1)	0.98	0.53	0.30	1.00	0.13
	Basic earnings(losses)per share(After distribution) (Note 1)	1.04	0.51	0.30	0.97	0.13
Financial structure(%)	Ratio of debt to assets	19.27	17.41	18.47	23.58	24.41
	Ratio of debt to net worth	23.87	21.08	22.65	30.86	32.29
	Double Leverage Ratio	110.06	109.76	104.40	108.63	101.05
	According to Article 41 of Financial Holding Company Law	none	none	none	none	none
Leverage ratio	Operating leverage ratio	125.96	100.01	100.01	100.01	192.39
	Financial leverage ratio	105.91	111.03	118.68	104.21	129.17
Ratio of growing	Ratio of assets growing (Note1)	8.81	5.20	(4.51)	3.86	22.21
	Ratio of income growing (Note 1)	99.38	60.41	(63.16)	666.15	(90.92)
Analyses for Liquidity	Cash flow ratio (Note4)	-	-	289.89	44.44	32.82
	Cash flow adequacy ratio(Note4)	18.16	42.56	38.99	34.67	36.25
	Cash flow content ratio	(1,931)	-	316.46	Note 5	Note 5
Operating Scale(Note7)	Market share of assets(%)	3.75	3.48	3.39	3.60	3.61
	Market share of equity(%)	2.77	2.74	2.98	3.11	3.14
	Market share of deposit (%) (E.SUN Commercial Bank)	3.47	3.19	2.91	3.21	2.83
	Market share of assets loans(%) (E.SUN Commercial Bank)	3.03	2.98	2.90	2.87	2.51
endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law(NT\$ thousand)		374,761,731	93,947,032	50,046,909	57,429,411	41,628,778

Please provide the reasons of change in financial ratios for the past two years.(if the change is lower than 20%, analysis is not required)

Note 1:The variance of the ratio reaches 20% due to the growth of total asset and profitability of the company and subsidiaries.

Note 2:The variance of the ratio reaches 20% is the result of superior asset quality.

Note 3 : Employees is to include E.SUN Financial Holding Company, Ltd.and Subsidiaries.

Note 4 : Net cash provided by operating activities > Net cash provided by investing activities or Net cash provided by operating activities is minus,not to analyze.

Note 5 : Formula :

1. Operating ratio

(1) 2006-2010 Total assets turnover=Net revenues / Total assets

(2) Ratio of loans to deposits=Total loans / Total deposits

(3) NPL ratio=Nonperforming loans / Total loans

(4) 2006-2010 Average revenue per employee=Net revenues / employee

(5) Average net income per employee=Income after income tax / employee

2.Profitability ratio

(1) Ratio of return on total assets = (Income after income tax+interest expenses× (1 - tax rate)) / Average assets

(2) Ratio of return on stockholders' equity=Income after income tax / Average stockholders' equity

(3) 2006-2010 Profit margin ratio=Income after income tax / Net revenues

(4) Basic earnings per share= (Income after income tax - Dividends for preferred stocks) / Average issued shares

3. Financial structure

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

(2) Ratio of debt to net worth=Total liabilities / Total stockholders' equity

(3) Double Leverage Ratio=Equity investment for subsidiaries / Total stockholders' equity

4.Leverage ratio :

(1) 2006-2010 Operating leverage ratio=(Net revenues-Variable expenses) / Income before income tax

(2) 2006-2010 Financial leverage ratio=(Income before income tax+interest expenses) / Income before income tax

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 (2006-2010 is to include E.SUN Financial Holding Company, Ltd.)

(1) Cash flow ratio=Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities purchased under resell agreements + Current portion of Payables)

(2) Cash flow adequacy ratio=Net cash provided by operating activities(from 2006 to 2010) / from 2006 to 2010 (capital expenditure + Cash dividends)

(3) Cash flow content ratio=Net cash provided by operating activities / Net cash provided by investing activities

7. Operating Scale

(1) Market share of assets=Total assets / Total assets of all Financial Holding Co., Ltd.

(2) Market share of equity=Total stockholders' equity / Total stockholders' equity of all Financial Holding Co., Ltd.

(3) Market share of deposit (%) (bank)=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

3.Capital adequacy Ratio from 2006 to 2010

Item \ Year		Financial data 2006-2010				
		2010	2009	2008	2007	2006
Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank	11.55	11.03	10.56	11.42	10.79
	E.SUN Securities Co., Ltd.	470.64	489.82	836.16	550.33	491.30
	E.SUN Venture Capital Co., Ltd.	98.91	99.51	99.74	98.27	98.46
	E.SUN Insurance Brokers Co., Ltd.	84.84	80.77	85.16	87.48	86.88
	E.SUN Securities Investment Trust Co., Ltd.	-	-	-	95.89	96.81
Qualified capital of subsidiaries (NT\$ thousand)	E.SUN Commercial Bank	67,348,487	58,053,242	54,793,876	55,853,819	52,645,260
	E.SUN Securities Co., Ltd.	2,861,533	2,747,070	2,685,422	2,699,591	2,397,349
	E.SUN Venture Capital Co., Ltd.	1,763,469	1,658,277	1,221,173	1,270,831	1,346,993
	E.SUN Insurance Brokers Co., Ltd.	516,834	365,951	209,900	203,625	150,496
	E.SUN Securities Investment Trust Co., Ltd.	-	-	-	383,481	379,612
Net Group qualified capital(NT\$ thousand)		60,134,186	51,201,061	52,911,643	44,169,802	46,915,974
Legal requirement of subsidiaries' capital (NT\$ thousand)	E.SUN Commercial Bank	46,655,136	42,098,339	41,504,878	39,139,309	39,044,901
	E.SUN Securities Co., Ltd.	912,020	841,247	481,742	735,806	731,942
	E.SUN Venture Capital Co., Ltd.	891,486	1,658,277	612,171	646,598	684,059
	E.SUN Insurance Brokers Co., Ltd.	304,586	365,951	123,235	116,390	86,612
	E.SUN Securities Investment Trust Co., Ltd.	-	-	-	199,950	196,051
Legal requirement of group capital (NT\$ thousand)		48,811,440	44,033,246	43,915,499	42,199,645	42,516,770
Group Capital Adequacy Ratio (%) (note 2)		123.20	116.28	120.49	104.67	110.35

Note 1 : Group Capital Adequacy Ratio=Net Group qualified capital ÷Legal requirement of group capital.

Note 2 : Financial data 2006,E.SUN Commercial Bank's amount is for E.SUN Commercial Bank and E.SUN Bills Finance Corp.consolidated .

Note 3 : Capital adequacy ratio is one of the KPIs of E.SUN Financial Holding Company.

4.One of the KPIs of E.SUN Financial Holding Company

: Capital adequacy ratio.

5.Financial holding company and its subsidiaries should disclose the detail of impact when encounter financial difficulties for the latest complete financial year and year to date before the printing of annual report

: None.

6.Audit Committees' Report

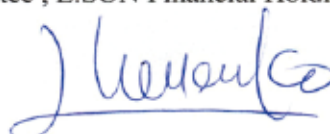
Audit Committee Report

To: E.SUN Financial Holding Company

The 2010 financial statements of E.SUN Financial Holding Company have been audited by Certified Public Accountants of Deloitte & Touche. After reviewing the financial statements and discussing with the CPAs, the Audit Committee found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of E.SUN Financial Holding Company for the Board's approval.

Audit Committee , E.SUN Financial Holding Company

Convener



Date: March 18, 2011

7.Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of E.SUN Financial Holding Company, Ltd. and subsidiaries (collectively, the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements of the Los Angeles Branch ("LA Branch") of E.SUN Commercial Bank, Ltd., the subsidiary of E.SUN Financial Holding Company, Ltd., as of and for the years ended December 31, 2010 and 2009. The total assets of the LA Branch were 1.35% (NT\$14,595,045 thousand) and 1.56% (NT\$14,681,080 thousand) of the Company's consolidated total assets as of December 31, 2010 and 2009, respectively. The total net revenues of the LA Branch were 1.37% (NT\$238,309 thousand) and 0.51% (NT\$67,240 thousand) of the Company's consolidated total net revenues in 2010 and 2009, respectively. The financial statements of the LA Branch were audited by other auditors, whose reports were furnished to us, and our opinion expressed herein, insofar as it relates to the amounts of the LA Branch, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, the Rules Governing the Audit of Financial Statements 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of E.SUN Financial Holding Company, Ltd. and subsidiaries as of December 31, 2010 and 2009 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Reports by Securities Firms, Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants, 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.

Deloitte & Touche

February 14, 2011

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

CONSOLIDATED BALANCE SHEETS

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DECEMBER 31, 2010 AND 2009

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

	2010	2009	Percentage Increase (Decrease)
	Amount	Amount	%
ASSETS			
CASH AND CASH EQUIVALENTS (Notes 2 and 3)	\$ 11,184,724	\$ 9,821,032	14
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 4)	46,729,253	217,175,215	(78)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET (Notes 2, 5 and 32)	55,517,279	40,126,282	38
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 6)	1,439,552	3,384,993	(57)
RECEIVABLES, NET (Notes 2, 7, 19 and 32)	41,833,788	37,147,658	13
DISCOUNTS AND LOANS, NET (Notes 2, 8, 31 and 32)	599,161,337	550,483,765	9
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 9, 10 and 32)	48,242,365	37,300,338	29
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 2, 11 and 32)	254,655,585	18,278,241	1,293
OTHER FINANCIAL ASSETS, NET (Notes 2, 12 and 32)	4,331,568	7,279,134	(40)
PROPERTIES, NET (Notes 2 and 13)	14,456,569	14,184,114	2
GOODWILL AND INTANGIBLE ASSETS, NET (Notes 2 and 14)	4,016,475	4,048,234	(1)
OTHER ASSETS, NET (Notes 2, 15 and 25)			
Idle assets, net	85,125	261,488	(67)
Rentable assets, net	712,699	630,245	13
Refundable deposits	1,238,854	1,364,797	(9)
Operation deposits and settlement funds	637,970	673,499	(5)
Others	285,225	159,334	79
Total other assets, net	2,959,873	3,089,363	(4)
 TOTAL	 <u>\$ 1,084,528,368</u>	 <u>\$ 942,318,369</u>	 15

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 14, 2011)

	2010	2009	Percentage Increase (Decrease)
	Amount	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY			
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 16)	\$ 38,869,814	\$ 39,051,957	-
COMMERCIAL PAPER ISSUED, NET (Note 17)	2,503,224	1,344,707	86
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 5 and 21)	18,084,329	15,856,882	14
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 5, 6, 9, 11 and 18)	17,394,242	14,518,968	20
PAYABLES (Notes 2, 12 and 19)	11,384,674	8,641,721	32
DEPOSITS AND REMITTANCES (Notes 20 and 31)	897,263,764	769,286,147	17
BONDS PAYABLE (Notes 2 and 21)	41,500,000	39,000,000	6
OTHER BORROWINGS (Note 22)	300,000	-	-
OTHER FINANCIAL LIABILITIES (Note 23)	296,158	2,128,437	(86)
OTHER LIABILITIES (Notes 2, 24, 25 and 28)	1,690,304	551,834	206
Total liabilities	1,029,286,509	890,380,653	16
Capital stock			
Common stock - NT\$10.00 par value, authorized 5,000,000 thousand shares; issued and outstanding 3,803,300 thousand shares in 2010 and 3,652,800 thousand shares in 2009	38,033,000	36,528,000	4
Capital surplus			
Additional paid-in capital from share issuance in excess of par value	7,196,387	7,182,010	-
From treasury stock transactions	3,382,484	3,269,894	3
Total capital surplus	10,578,871	10,451,904	1
Retained earnings			
Legal reserve	2,069,158	1,876,324	10
Special reserve	163,969	817,781	(80)
Unappropriated earnings	4,270,241	2,065,271	107
Total retained earnings	6,503,368	4,759,376	37
Equity adjustments			
Cumulative translation adjustments	(128,172)	(39,540)	224
Unrealized valuation gains on financial instruments	274,295	408,083	(33)
Treasury stock - 21,000 thousand shares in 2009	-	(168,399)	100
Net loss not recognized as pension cost	(19,503)	(1,708)	1,042
Total equity adjustments	126,620	198,436	(36)
Total stockholders' equity	55,241,859	51,937,716	6
CONTINGENCIES AND COMMITMENTS (Notes 2 and 33)			
TOTAL	\$1,084,528,368	\$ 942,318,369	15

CONSOLIDATED STATEMENTS OF INCOME

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010	2009	Percentage Increase (Decrease)	
	Amount	Amount	%	
INTEREST REVENUE (Notes 2 and 31)	\$ 17,618,273	\$ 16,103,392	(9)	
INTEREST EXPENSE (Notes 2 and 31)	(6,167,303)	(7,460,969)	(17)	
NET INTEREST	11,450,970	8,642,423	32	
NET REVENUES AND GAINS OTHER THAN INTEREST				
Service fee and commission income, net (Notes 2 and 26)	5,630,432	4,033,342	40	
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Note 2)	(264,371)	75,804	(449)	
Realized gains on available-for-sale financial assets (Note 2)	365,633	358,928	2	
Realized losses on held-to-maturity financial assets (Note 2)	(104,392)	(6,954)	1,401	
Foreign exchange gains, net (Note 2)	75,315	459,334	(84)	
Reversal of impairment losses (impairment losses) on assets (Notes 2, 12 and 15)	54,562	(61,659)	188	
Gains on financial assets carried at cost, net (Note 2)	214,752	80,596	166	
Rental income, net	10,173	66,086	(85)	
Net loss on the sale of loans	-	(228,805)	100	
Other noninterest losses, net	(17,713)	(160,144)	(89)	
Total net revenues and gains other than interest	5,964,391	4,616,528	29	
TOTAL NET REVENUES	17,415,361	13,258,951	31	
ALLOWANCE FOR BAD-DEBT EXPENSES (Notes 2 and 8)	(2,732,257)	(2,116,940)	29	
OPERATING EXPENSES (Notes 2, 25, 27 and 31)				
Personnel	(4,826,724)	(4,338,155)	11	
Depreciation and amortization	(952,940)	(966,135)	(1)	
General and administrative	(4,431,284)	(3,755,804)	18	
Total operating expenses	(10,210,948)	(9,060,094)	13	
CONSOLIDATED INCOME BEFORE INCOME TAX	4,472,156	2,081,917	115	
INCOME TAX EXPENSE (Notes 2 and 28)	(549,084)	(153,579)	258	
CONSOLIDATED NET INCOME	\$ 3,923,072	\$ 1,928,338	103	
ATTRIBUTABLE TO:				
Parent company	\$ 3,923,072	\$ 1,928,338	103	
EARNINGS PER SHARE (Note 29)				
	2010	2009		
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share	\$ 0.98	\$ 1.04	\$ 0.50	\$ 0.51
Diluted earnings per share	\$ 0.98	\$ 1.04	\$ 0.49	\$ 0.49

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 14, 2011)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	Stockholders' Equity of Parent Company										
							Equity Adjustments				
							Cumulative Translation Adjustments (Note 2)	Unrealized Valuation Gains (Losses) on Financial Instruments (Note 2)	Treasury Stock (Notes 2 and 30)	Net Loss Not Recognized as Pension Cost (Note 2)	Total Stockholders' Equity
	Capital Stock (Note 30)		Capital Surplus (Notes 2 and 30)	Retained Earnings (Notes 2 and 30)							
	Shares (in Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2009	3,544,351	\$ 35,443,511	\$ 10,407,577	\$ 1,773,823	\$ 683,801	\$ 1,424,119	\$ (11,318)	\$ (636,969)	\$ (336,819)	\$ (5,524)	\$ 48,742,201
Reversal of special reserve	-	-	-	-	(29,989)	29,989	-	-	-	-	-
Appropriation of prior year's earnings (Note)											
Legal reserve	-	-	-	102,501	-	(102,501)	-	-	-	-	-
Special reserve	-	-	-	-	163,969	(163,969)	-	-	-	-	-
Stock dividend	105,071	1,050,705	-	-	-	(1,050,705)	-	-	-	-	-
Balance after appropriation	3,649,422	36,494,216	10,407,577	1,876,324	817,781	136,933	(11,318)	(636,969)	(336,819)	(5,524)	48,742,201
Issuance of common stock from bonus to employees	3,378	33,784	(980)	-	-	-	-	-	-	-	32,804
Consolidated net income in 2009	-	-	-	-	-	1,928,338	-	-	-	-	1,928,338
Change in cumulative translation adjustments	-	-	-	-	-	-	(28,222)	-	-	-	(28,222)
Change in unrealized valuation gains on financial instruments	-	-	-	-	-	-	-	1,045,052	-	-	1,045,052
Reissuance of treasury stock to employees - 21,000 thousand shares	-	-	45,307	-	-	-	-	-	168,420	-	213,727
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	3,816	3,816
BALANCE, DECEMBER 31, 2009	3,652,800	36,528,000	10,451,904	1,876,324	817,781	2,065,271	(39,540)	408,083	(168,399)	(1,708)	51,937,716
Reversal of special reserve	-	-	-	-	(653,812)	653,812	-	-	-	-	-
Appropriation of prior year's earnings (Note)											
Legal reserve	-	-	-	192,834	-	(192,834)	-	-	-	-	-
Dividend											
Cash	-	-	-	-	-	(726,360)	-	-	-	-	(726,360)
Stock	145,272	1,452,720	-	-	-	(1,452,720)	-	-	-	-	-
Balance after appropriation	3,798,072	37,980,720	10,451,904	2,069,158	163,969	347,169	(39,540)	408,083	(168,399)	(1,708)	51,211,356
Issuance of common stock from bonus to employees	5,228	52,280	14,377	-	-	-	-	-	-	-	66,657
Acquisition of treasury stock - 34,059 thousand shares	-	-	-	-	-	-	-	-	(459,649)	-	(459,649)
Reissuance of treasury stock to employees - 55,059 thousand shares	-	-	112,590	-	-	-	-	-	628,048	-	740,638
Consolidated net income in 2010	-	-	-	-	-	3,923,072	-	-	-	-	3,923,072
Change in cumulative translation adjustments	-	-	-	-	-	-	(88,632)	-	-	-	(88,632)
Change in unrealized valuation losses on financial instruments	-	-	-	-	-	-	-	(133,788)	-	-	(133,788)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(17,795)	(17,795)
BALANCE, DECEMBER 31, 2010	3,803,300	\$ 38,033,000	\$ 10,578,871	\$ 2,069,158	\$ 163,969	\$ 4,270,241	\$ (128,172)	\$ 274,295	\$ -	\$ (19,503)	\$ 55,241,859

Note: For the years ended December 31, 2009 and 2008, the remuneration to directors of \$22,699 thousand and \$10,945 thousand, respectively, and bonus to employees of \$68,096 thousand (\$66,657 thousand in common stock and \$1,439 thousand in cash) and \$32,835 thousand (\$32,804 thousand in common stock and \$31 thousand in cash), respectively, were deducted from the consolidated income statements.

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 14, 2011)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 3,923,072	\$ 1,928,338
Depreciation and amortization expenses	952,940	966,135
Salary expenses on share-based payment	218,427	45,811
Impairment losses (reversal of impairment losses) on assets	(54,562)	61,659
Allowance for bad-debt expenses	2,732,257	2,116,940
Provision of reserve for losses	36,278	68,258
Recovery of written-off credits and reserve for losses on guarantees	669,333	514,292
Realized losses (gains) on the sale of financial instruments designated at fair value through profit or loss	56,598	(68,552)
Realized gains on the sale of available-for-sale financial assets	(322,105)	(321,722)
Realized losses on the sale of held-to-maturity financial assets	104,392	6,954
Net loss on the sale of loans	-	228,805
Losses (gains) on the sale of properties, rentable assets and idle assets, net	15,021	(15,478)
Realized gains on the sale of financial assets carried at cost	(138,890)	(29,113)
Amortization of premium or discount on bonds	223,920	218,175
Deferred income tax	236,100	54,453
Losses on valuation of financial instruments	218,773	1,149,709
Others	(17,455)	2,295
Net changes in operating assets and liabilities		
Held-for-trading financial assets	(13,661,383)	28,834,544
Held-for-trading financial liabilities	878,648	(3,139,896)
Receivables	(6,458,193)	(6,042,599)
Other financial assets - guarantee deposits received on futures contracts	(237,908)	-
Other assets	(109,395)	105,924
Securities brokerage accounts, net	(15,449)	8,043
Payables	2,516,464	(1,585,935)
Other liabilities	850,535	(109,177)
Net cash provided by (used in) operating activities	(7,382,582)	24,997,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from the Central Bank and call loans to other banks	170,445,962	(128,204,819)
Decrease (increase) in securities purchased under resell agreements	1,945,441	(3,031,741)
Increase in discounts and loans	(50,172,703)	(18,880,268)
Decrease (increase) in financial assets designated at fair value through profit or loss	(1,604,353)	5,433,272
Acquisition of available-for-sale financial assets	(57,085,353)	(40,549,288)
Proceeds of the sale of available-for-sale financial assets	45,709,694	47,439,238
Acquisition of held-to-maturity financial assets	(642,963,253)	(5,308,187)
Proceeds of the sale of and return of principal on held-to-maturity financial assets	405,785,240	1,030,020
Acquisition of financial assets carried at cost	(315,195)	(268,575)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
Proceeds of the sale of and return of principal on financial assets carried at cost	\$ 200,220	\$ 53,561
Acquisition of debt instruments with no active market	(885,000)	(386,112)
Proceeds of the sale of and return of principal on debt instruments with no active market	4,126,809	2,273,465
Acquisition of properties and intangible assets	(825,889)	(728,945)
Proceeds of the sale of properties	1,543	73,093
Proceeds of the sale of rentable assets and idle assets	66,980	14,285
Decrease in other financial assets	81,097	158,375
Decrease in other assets	12,428	525,923
Net cash used in investing activities	(125,476,332)	(140,356,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	300,000	-
Increase (decrease) in due to the Central Bank and other banks	(182,143)	17,883,737
Increase in commercial paper issued	1,158,517	1,344,707
Increase (decrease) in financial liabilities designated at fair value through profit or loss	944,232	(13,455,508)
Increase (decrease) in securities sold under repurchase agreements	2,875,274	(8,642,500)
Increase in deposits and remittances	127,977,617	110,295,546
Decrease in other financial liabilities	(1,832,279)	(240,657)
Proceeds of the issuance of bank debentures	5,500,000	6,200,000
Repayment of bank debentures	(5,000,000)	-
Proceeds of the issuance of corporate bonds	2,000,000	-
Cash dividends paid	(726,360)	-
Acquisition of treasury stock	(459,649)	-
Proceeds of the disposal of treasury stock	626,164	167,915
Net cash provided by financing activities	133,181,373	113,553,240
EFFECTS OF EXCHANGE RATE CHANGES	1,041,233	52,704
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,363,692	(1,752,896)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,821,032	11,573,928
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,184,724</u>	<u>\$ 9,821,032</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 6,117,895	\$ 8,744,675
Income tax paid	\$ 291,067	\$ 571,213

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 14, 2011)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

E.SUN Financial Holding Company, Ltd. (ESFHC) was established by E.SUN Commercial Bank, Ltd. (“E.SUN Bank”), E.SUN Bills Finance Corp. (“E.SUN Bills”) and E.SUN Securities Co., Ltd. (“E.SUN Securities”) through a share swap on January 28, 2002 based on the Financial Holding Companies Law and related regulations in the Republic of China (ROC). The ESFHC’s shares have been listed on the Taiwan Stock Exchange (TSE) since January 28, 2002. After the share swap, E.SUN Bank, E.SUN Bills and E.SUN Securities became wholly owned subsidiaries of ESFHC.

ESFHC invests in and manages financial institutions.

E.SUN Bank engages in commercial banking activities permitted by the Banking Law. The operations of E.SUN Bank’s Trust Department consist of planning, managing and operating the trust business. These operations are regulated under the Banking Law and Trust Law of the ROC. As of December 31, 2010, E.SUN Bank had a business department, international banking department, trust department, credit card business division, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong), 121 domestic branches and 1 representative office (Dongguan).

To integrate resources, enhance operating effectiveness, strengthen E.SUN Bank’s equity structure, and ensure its long-term development, the stockholders of E.SUN Bank and E.SUN Bills resolved on August 25, 2006 to have a merger with each other, with E.SUN Bank as the survivor equity. The Financial Supervisory Commission (FSC) approved this merger on November 10, 2006.

E.SUN Securities engages in underwriting, dealing and brokerage of securities. The Financial Supervisory Commission approved the operating in brokerage of futures on January 28, 2010 and started the operating in brokerage of futures in June 2010.

E.SUN Venture Capital Co., Ltd. (ESVC) engages in venture capital investments.

E.SUN Insurance Broker Co., Ltd. (ESIB) is a life and property insurance broker.

The above consolidated entities are hereinafter referred to collectively as the “Company.” Please see Table 2 (attached) for more information on the consolidated entities.

As of December 31, 2010 and 2009, ESFHC and its subsidiaries had 5,180 and 4,963 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks, Guidelines Governing the Preparation of Financial Reports by Securities Firms, Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the ROC.

In preparing consolidated financial statements, ESFHC and its subsidiaries are 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.

For the convenience of readers, the accompanying consolidated 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 consolidated financial statements shall prevail.

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

Consolidation

ESFHC’s consolidated financial statements as of and for the years ended December 31, 2010 and 2009 included the accounts of ESFHC, E.SUN Bank, E.SUN Securities and subsidiary (E.SUN Securities Investment Consulting Corp.), ESVC and ESIB. The financial statements of all above subsidiaries of ESFHC as of and for the years ended December 31, 2010 and 2009 had been audited. All significant intercompany transactions and balances have been eliminated for consolidation purposes.

E.SUN Bank’s financial statements included the accounts

of the Head Office, OBU, and all branches. All interoffice transactions and balances have been eliminated.

Current and Noncurrent Assets and Liabilities

Since the operating cycle in the financial holding and banking industry cannot be reasonably identified, accounts included in the financial statements of ESFHC and E.SUN Bank are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by their liquidity.

Except for the matter stated in the preceding paragraph, cash and cash equivalents or assets to be converted or consumed within one year are classified as current. Obligations to be liquidated or settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the financial holding and banking industry accounts for the major parts of the consolidated accounts. Thus, accounts in the consolidated financial statements are instead categorized by nature and sequenced by their liquidity. Please refer to Note 35 for the maturity analysis of assets and liabilities.

Cash Equivalents

Cash equivalents are highly liquid investments with maturities of up to three months.

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) beneficiary certificates (open-end funds) - net asset values as of the balance sheet date; (d) bonds - period-end reference prices published by the GTSM; (e) securities which is unlisted and not traded in GTSM with quoted market prices or trading records - quoted market prices or trading prices; and (f) for the financial instruments without active markets - fair value estimates based on valuation techniques.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss are financial assets or liabilities that are designated on initial recognition as those to be measured at fair

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

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

Applying the fair value option eliminates accounting measurement mismatch for items that naturally offset each other or eliminates the burden of separating embedded derivatives that are not considered to be closely related to the host contract pertaining to a hybrid instrument.

The Company did not adopt hedge accounting in 2010 and 2009. 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 Company designated debt instruments and bank debentures issued as financial assets and liabilities at FVTPL. Moreover, the Company designated a hybrid instrument as financial assets and liabilities at FVTPL because embedded derivatives are not separated from the host contract in a hybrid instrument.

Securities Purchased/Sold Under Resell/Repurchase Agreements

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

Purchase on Margin and Short Sale

E.SUN Securities recognizes margin loans as loans to customers for purchases on margin while providing financing to investors who buy stocks. Margin loans made by E.SUN Securities are generally collateralized by securities in the client's account. These collateralized securities are not

entered in E.SUN Securities' books, but recorded using memorandum entries. After the security investors settle the margin loan, these pledged securities are returned to investors.

E.SUN Securities requires a deposit from security investors for short sale services while providing short sale services to investors. This deposit is recorded as deposit on short-sale transactions. The amount collected from selling of short sale securities (net of securities transaction tax, brokerage fee and handling fee) is kept by E.SUN Securities as collateral and recorded as payable for short-sale transactions. The securities lent to clients as short sale are recorded using memorandum entries. The deposit on short-sale transactions and payable for short sale are returned to security investors after investors settle the short-sale transactions.

The margin deposited by securities firms to securities finance companies are recorded as loan from refinanced margin. The refinancing securities delivered to E.SUN Securities are recorded through memorandum entries as refinancing stock loans. A portion of the proceeds from the short-sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral and is recorded as refinancing deposits receivable.

Guarantee Deposits Received on Futures Contracts and Customers' Equity Accounts - Futures

E.SUN Securities receive margin deposits from its customers (debited to "guarantee deposits received on futures contracts" and credited to "customers' equity accounts - futures") for futures transactions as required by the regulations. Margin deposit balances are calculated daily by marking to market the open position of each customer and determining the required margin levels. The debit balance of "customers' equity accounts - futures," which results from losses on futures transactions in excess of the margin deposit, is recorded as "accounts receivable - futures guarantee deposits." Customers' equity accounts - futures cannot be offset unless these accounts pertain to the same customers.

When customers short-sell call options, the underlying securities can be used as margin deposits. E.SUN Securities records these transactions using memo entries.

Customer margin accounts include deposits in bank, the clearing balances of futures clearing houses and the clearing balances of other futures commission merchants.

Deposits in bank represent the amounts of customers' margins and premiums.

The clearing balances of futures clearing houses represent the settlement balances calculated and transferred by the futures commission merchants qualified for clearance to the futures clearing houses.

The clearing balances of other futures commission merchants represent the remaining balances of the merchants not qualified for clearance.

Overdue Loans

Under FSC guidelines, E.SUN 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.

Allowance for Possible Losses and Reserve for Losses on Guarantees

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

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

Under the regulation (88) Tai-Tsai-Tseng (2) No. 82416, E.SUN Securities should provide 3% of annual primary business transactions from July 1, 1999 to write off credits or to use as allowance for bad-debt expenses. However, this allowance requirement was terminated on July 1, 2003.

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

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus direct acquisition costs. When 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 in earnings when the financial asset is derecognized from the balance sheet. The Company uses settlement date accounting when recording related transactions, except for stocks and beneficiary certificates, for which trade date accounting is used.

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

Financial Asset Securitization

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

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

Held-to-maturity Financial Assets

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

Other Financial Assets

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

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

Properties, Rentable Assets and Idle Assets

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

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

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

Goodwill and Intangible Assets

Intangible assets are recorded at acquisition cost. Computer software and operating rights are amortized by the straight-line method over their service lives estimated at three to five years. The carrying value of goodwill is based on the cost, net of accumulated impairment.

Operation Deposits

Under the regulations, securities firms and securities investment consulting companies should place in government-designated banks guarantee deposits based on their respective type of business operations after registration.

Settlement Funds

Under the regulations, securities firms that broker marketable securities and trade securities for their own purposes should deposit settlement funds to the TSE and the Over-the-Counter exchange before and after the start of business operation.

Brokerage Accounts, Net

Under the Guidelines Governing the Preparation of Financial Reports by Securities Firms, the brokerage accounts, net are recorded as brokerage accounts - debit (including bank deposits - settlement account, brokerage securities receivable, exchange clearance, credit transactions and settlements receivable) and brokerage accounts - credit (including brokerage securities payable, exchange clearances, credit transactions and settlements payable). As a result, brokerage accounts - debits are offset against brokerage accounts - credit and recorded as brokerage accounts, net.

Asset Impairment

a. Available-for-sale financial assets

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

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

If a held-to-maturity financial asset or debt instrument with no active market is determined to be impaired, a loss is recognized. If the impairment loss decreases, the previously recognized impairment loss is reversed. However, the reversal should not result in the carrying

amount of financial assets exceeding the amortized cost that would have been determined had no impairment loss been recognized.

c. Financial assets carried at cost

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

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

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

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

Corporate Bonds Payable

The net carrying amount of overseas convertible bonds at the date of conversion is credited to the appropriate capital accounts (capital stock equal to par value, with the balance credited to capital surplus) upon bond conversion.

Reserve for Losses on Breach of Purchase Commitment

Securities firms engaging in brokerage trading of marketable securities are required to provide 0.0028% of the monthly transaction volume as the default loss provision (part of other liabilities) until the balance of this provision reaches \$200,000 thousand.

E.SUN Securities provides monthly for default loss provision equal to 2% of the commission revenue from futures transactions until the accumulated reserve reaches the legally required level of minimum paid-in capital, operation fund, or working capital.

This provision may only be used to offset default loss or other loss approved by the Securities and Futures Bureau (SFB) of the ROC.

Reserve for Losses on the Sale of Bonds

Under the regulations of the SFB, reserve for losses on the sale of bonds (part of other liabilities) is computed at 10% of net gain on the sale of bonds until the balance of the reserve reaches the amounts required under relevant regulations. This reserve should only be used to offset actual losses on the sale of bonds.

Pension Costs

The Company has two types of pension plans: Defined benefit and defined contribution.

For the defined benefit plan, the Company recognizes pension costs based on actuarial calculations, and unrecognized net transitional asset or obligation is amortized over 15 to 31 years. For the defined contribution plan, the Company recognizes pension costs based on the Company's contributions to the employees' individual pension accounts during the employees' service periods.

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

Treasury Stock

Shares reacquired as treasury stock are carried at cost and presented as a deduction to arrive at stockholders' equity. When the treasury shares are reissued to the employees, the difference between the disposal price and book value will be credited or debited to "capital surplus - treasury stock." If this capital surplus is not enough for" debiting purposes, the shortfall is charged to unappropriated retained earnings.

Recognition of Revenue

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

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

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

Other operating revenue is recorded on an accrual basis when a major part of the earnings process is completed.

Income Tax

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

ESFHC and its subsidiaries elected to file a consolidated tax return from 2003. The difference between consolidated income tax payable and the sum of income tax payable of the entities included in the consolidated tax return is considered as a tax consolidation adjustment which is shown on ESFHC's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivable or payable.

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

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

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

Contingencies

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

Foreign Currency Transactions

Foreign-currency transactions of ESFHC, ESVC and ESIB are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Losses or gains resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. The period-end balances of foreign-currency monetary assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as credits or charges to current income.

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

statement.

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

3.CASH AND CASH EQUIVALENTS

Cash on hand
Checks for clearing
Due from banks
Cash equivalents - earnings ratio is 0.03% in 2010; 0.05% in 2009

December 31	
2010	2009
\$ 5,927,019	\$ 5,866,635
3,195,583	2,604,154
2,049,069	1,332,168
13,053	18,075
<u>\$ 11,184,724</u>	<u>\$ 9,821,032</u>

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

Deposit reserves - account A
Deposit reserves - account B
Reserves for deposits - foreign currency deposits
Deposits in the Central Bank
Call loans to banks
Deposits in the Central Bank - other

December 31	
2010	2009
\$ 16,731,208	\$ 12,812,619
23,462,401	19,897,536
91,450	78,831
-	173,000,000
5,433,500	10,368,417
1,010,694	1,017,812
<u>\$ 46,729,253</u>	<u>\$ 217,175,215</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 held by E.SUN Bank. The deposit reserves - account B is subject to withdrawal restrictions, but deposit reserves - account A and foreign-currency deposit reserves may be withdrawn anytime.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2010	2009
<u>Held-for-trading financial assets</u>		
Commercial paper	\$ 9,362,593	\$ 7,135,900
Negotiable certificates of deposit	6,999,501	-
Treasury bills	4,596,802	356,758
Interest rate swap contracts	1,954,425	2,415,101
Currency option contracts	833,359	252,962
Overseas bonds	545,967	575,538
Currency swap contracts	498,096	223,031
Beneficiary certificates	447,630	420,055
Cross-currency swap contracts	422,106	232,252
Forward contracts	357,119	84,843
Listed stock - domestic	319,553	390,921
Operating securities - dealing department	303,884	282,591
Bank debentures	85,895	93,553
Futures exchange margins	84,941	71,735
Metal commodity swap contracts	52,166	13,344
Credit default swap contracts	45,400	33,799
Non-deliverable forward contracts	30,871	28,441
Foreign-currency margin contracts	12,097	27,340
Taiwan depositary receipts	5,310	-
Forward commodity contracts	4,574	9,525
Convertible corporate bonds	1,855	433,323
Commodity option contracts	1,620	-
	<u>26,965,764</u>	<u>13,081,012</u>
<u>Financial assets designated at fair value through profit or loss</u>		
Bank debentures	\$ 15,868,075	\$ 15,768,353
Corporate bonds	12,245,346	10,228,135
Overseas government bonds	377,939	414,896
Sold equity securities with interest receivable	60,155	131,295
Structured products	-	502,591
	<u>28,551,515</u>	<u>27,045,270</u>
	<u>\$ 55,517,279</u>	<u>\$ 40,126,282</u>
<u>Held-for-trading financial liabilities</u>		
Interest rate swap contracts	\$ 2,102,296	\$ 2,482,752
Currency option contracts	840,549	327,495
Currency swap contracts	783,691	215,379
Cross-currency swap contracts	319,718	197,352
Forward contracts	160,978	20,736
Non-deliverable forward contracts	60,429	31,744
Metal commodity contracts	36,551	11,898
Credit default swap contracts	4,831	22,690
Forward commodity contracts	4,573	9,525
Commodity option contracts	1,620	-
Foreign-currency margin contracts	20	47
	<u>4,315,256</u>	<u>3,319,618</u>
<u>Financial liabilities designated at fair value through profit or loss</u>		
Corporate bonds payable (Note 21)	5,138,932	4,798,424
Bank debentures (Note 21)	4,718,248	4,775,793
Structured products	3,911,893	2,963,047
	<u>13,769,073</u>	<u>12,537,264</u>
	<u>\$ 18,084,329</u>	<u>\$ 15,856,882</u>

As of December 31, 2010 and 2009, some of the securities which amounted to \$4,563,500 thousand and \$4,626,000 thousand (face value), respectively, had been sold under repurchase agreements.

E.SUN Bank engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and hedge its exchange rate and interest rate exposures as well as its credit risks as a bond holder.

The contract (nominal) amounts of derivative transactions by E.SUN Bank as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	2009
Interest rate swap contracts	\$ 240,650,173	\$ 295,907,950
Currency option contracts	84,054,552	48,975,840
Currency swap contracts	62,112,617	61,835,179
Forward contracts	14,829,074	7,111,741
Credit default swap contracts	9,823,500	13,799,088
Non-deliverable forward contracts	7,465,334	4,382,226
Cross-currency swap contracts	6,226,155	7,911,236
Metal commodity swap contracts	1,774,387	549,953
Forward commodity contracts	222,341	242,510
Foreign-currency margin contracts	142,348	610,948
Commodity option contracts	84,075	-
Futures contracts	-	128,704

As of December 31, 2010 and 2009, there were no futures contracts and TAIEX option contracts held by E.SUN Securities. The futures exchange margins receivable held by E.SUN Securities as of December 31, 2010 and 2009 were \$4,009 thousand and \$4,000 thousand, respectively.

6. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$1,439,552 thousand and \$3,384,993 thousand under resell agreements as of December 31, 2010 and 2009, respectively, will be sold for \$1,439,933 thousand and \$3,386,255 thousand by January 18, 2011 and March 3, 2010, respectively. As of December 31, 2010 and 2009, some of the securities, which amounted to \$40,000 thousand and \$1,542,400 thousand (face value), respectively, had been sold under repurchase agreements.

7. RECEIVABLES, NET

	December 31	
	2010	2009
Credit cards	\$ 30,684,185	\$ 29,478,091
Margin loans receivable	5,322,249	3,680,803
Acceptances	1,815,729	1,335,674
Accrued interest	1,598,891	1,471,953
Factoring accounts receivable without recourse	1,365,701	528,849
Tax refundable	663,839	737,134
Accounts receivable	362,702	165,973
Receivables on overdue securities	296,407	323,295
Accrued income	145,650	675
Others	351,014	354,202
	<u>42,606,367</u>	<u>38,076,649</u>
Less: Allowance for possible losses	<u>772,579</u>	<u>928,991</u>
	<u>\$ 41,833,788</u>	<u>\$ 37,147,658</u>

The changes in allowance for credit losses are summarized below:

	December 31	
	2010	2009
Balance, January 1	\$ 928,991	\$ 954,965
Provisions	1,634,573	1,345,557
Write-offs	(2,030,794)	(1,517,487)
Recovery of written-off credits	267,302	158,612
Reclassification	(72)	(3,695)
Effects of exchange rate changes	(27,421)	(8,961)
Balance, December 31	<u>\$ 772,579</u>	<u>\$ 928,991</u>

8. DISCOUNTS AND LOANS, NET

	December 31	
	2010	2009
Loans		
Short-term	\$ 121,799,926	\$ 90,348,550
Medium-term	152,540,092	127,221,157
Long-term	324,362,571	331,776,592
Overdue loans	1,873,841	3,430,524
Bills negotiated and discounts	<u>2,199,917</u>	<u>1,158,958</u>
	<u>602,776,347</u>	<u>553,935,781</u>
Less: Allowance for possible losses	<u>3,615,010</u>	<u>3,452,016</u>
	<u>\$ 599,161,337</u>	<u>\$ 550,483,765</u>

As of December 31, 2010 and 2009, the loan and credit balances, for which accrual of interest revenues was discontinued, amounted to \$1,873,841 thousand and \$3,430,524 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$48,319 thousand and \$76,127 thousand in 2010 and 2009, respectively.

In 2010 and 2009, the Company carried out legal procedures required before writing off certain credits.

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

	2010		
	Specific Risk	General Risk	Total
Balance, January 1	\$ 2,388,552	\$ 1,063,464	\$ 3,452,016
Provisions (reversal)	208,227	886,406	1,094,633
Write-offs	(1,262,137)	-	(1,262,137)
Recovery of written-off credits	402,031	-	402,031
Effects of exchange rate changes	-	(71,533)	(71,533)
Balance, December 31	<u>\$ 1,736,673</u>	<u>\$ 1,878,337</u>	<u>\$ 3,615,010</u>

	2009		
	Specific Risk	General Risk	Total
Balance, January 1	\$ 2,498,972	\$ 1,068,309	\$ 3,567,281
Provisions	728,512	43,093	771,605
Write-offs	(1,194,612)	-	(1,194,612)
Recovery of written-off credits	355,680	-	355,680
Effects of exchange rate changes	-	(47,938)	(47,938)
Balance, December 31	<u>\$ 2,388,552</u>	<u>\$ 1,063,464</u>	<u>\$ 3,452,016</u>

The details of allowance for bad-debt expenses in 2010 and 2009 were as follows:

	2010	2009
Provisions for possible losses on discounts and loans	\$ 1,094,633	\$ 771,605
Provisions for possible losses on receivables	1,634,573	1,345,557
Provisions for (reversal of) reserve on guarantees	<u>3,051</u>	<u>(222)</u>
	<u>\$ 2,732,257</u>	<u>\$ 2,116,940</u>

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31	
	2010	2009
Bank debentures	\$ 21,346,714	\$ 13,474,351
Government bonds	15,287,603	11,514,703
Corporate bonds	4,930,683	5,961,225
Beneficiary securities under securitization	4,588,339	4,609,377
Listed stock	1,743,543	1,539,797
Beneficiary certificates	<u>345,483</u>	<u>200,885</u>
	<u>\$ 48,242,365</u>	<u>\$ 37,300,338</u>

As of December 31, 2010 and 2009, the available-for-sale financial assets amounted \$5,237,500 thousand and \$5,682,300 thousand (face value), respectively, had been sold under repurchase agreements.

10. FINANCIAL ASSET SECURITIZATION

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

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

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

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

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

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

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

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

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

E.SUN 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. E.SUN Bank's retained beneficiary securities ensure that E.SUN Bank will retain its liquidity after the investor collects its income based on the trust contract. If the security issuers cannot disburse funds upon security maturity, the investors and the trustee have no right of recourse on the E.SUN Bank's other assets. In addition, the investors' rights take precedence over the rights on the retained beneficiary securities. The value of the retained beneficiary securities will be affected by the credit risk of the bond issuers, interest rate risk, etc.

a.Key assumptions used in measuring retained interests:

	E.SUN CBO 2005-1		E.SUN CBO 2005-2	
	December31, 2010	December 31, 2009	December31, 2010	December 31, 2009
Projected advance reimbursement rate	0%	0%	0%	0%
Projected credit loss rate	0%	0%	2%	2%
Discount rate for residual cash flows	1.538%	2.519%	1.142%	1.579%

All the bond issuers or guarantors in the asset pool of E.SUN CBO 2005-1 have attained the credit rating of twA or above, and during 1999 to 2009, debtors with credit rating above twBBB never breached the contracts according to the Taiwan Ratings 2006 to 2009 research. Thus, the Company's projected credit loss rate will be zero.

b.Sensitivity analysis:

As of December 31, 2010 and 2009, 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, in these assumptions were as follows:

	E.SUN CBO 2005-1		E.SUN CBO 2005-2	
	December31, 2010	December 31, 2009	December31, 2010	December 31, 2009
Carrying amount of retained beneficiary securities	\$ 50,000	\$ 57,146	\$ 4,324,036	\$ 4,287,420
Projected credit loss rate (annual)	0%	0%	2%	2%
Impact on fair value of 10% adverse change	-	-	(92,543)	(72,474)
Impact on fair value of 20% adverse change	-	-	(196,829)	(147,761)

c.As of December 31, 2010 and 2009, there had been no credit loss on the securitized bonds; thus, the expected static pool credit loss rate is equal to projected credit loss rate.

d.Cash flows

Cash flows resulting from the securitization were as follows:

	E.SUN CBO 2005-1		E.SUN CBO 2005-2		E.SUN CBO 2007-1	
	2010	2009	2010	2009	2010	2009
Service income	\$ 431	\$ 836	\$ 2,598	\$ 3,003	\$ 600	\$ 1,505
Receipt of reserve deposit	18,516	15,944	-	-	-	-

11. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31	
	2010	2009
Negotiable certificates of deposit	\$235,900,000	\$ -
Government bonds	8,408,541	6,696,028
Bank debentures	5,635,821	6,034,374
Corporate bonds	4,349,985	4,783,171
Overseas bonds	293,215	319,516
Beneficiary securities under securitization	68,023	445,152
	<u>\$ 254,655,585</u>	<u>\$ 18,278,241</u>

As of December 31, 2010 and 2009, the held-to-maturity financial assets amounted to \$6,426,200 and \$1,708,600 thousand (face value), respectively, had been sold under repurchased agreements.

12. OTHER FINANCIAL ASSETS, NET

	December 31	
	2010	2009
Debt instruments with no active market, net	\$ 1,748,254	\$ 4,964,351
Financial assets carried at cost, net	1,665,870	1,699,151
Excess reserve trust assets for E.SUN CBO 2005-1	550,000	550,000
Guarantee deposits received on futures contracts	237,908	-
Others	129,536	65,632
	<u>\$ 4,331,568</u>	<u>\$ 7,279,134</u>

Financial assets carried at cost were unlisted common stocks or stock warrants with no quoted market prices in an active market and with the fair value that could not be reliably measured. Thus, these assets were measured at cost. Some investees had operating losses; thus, the Company recognized an impairment loss of \$36,551 thousand and \$47,006 thousand on financial assets carried at cost in 2010 and 2009, respectively.

Debt instruments with no active market were as follows:

	December 31	
	2010	2009
Corporate bonds	\$ 944,000	\$ 933,104
Beneficiary securities under securitization	695,498	3,910,491
Credit-linked products - host contract	100,000	100,000
Preferred stock	8,756	20,756
	<u>\$ 1,748,254</u>	<u>\$ 4,964,351</u>

There were default events in the underlying asset pool of IBT CBO 2005-1; thus, the Company recognized impairment losses of \$10,399 in 2010 and \$8,883 thousand in 2009 on beneficiary securities under securitization.

Guarantee deposits received on futures contracts were as follows:

	December 31, 2010
Deposits in bank	\$ 91,742
Clearing balances of other futures merchants	146,166
	<u>\$ 237,908</u>
Guarantee deposits received on futures contracts	\$ 237,908
Less: Commission revenue	267
Futures transaction tax	123
Temporary receipts	<u>71</u>
Customers' equity accounts - futures (Note 19)	<u>\$ 237,447</u>

E.SUN Securities is not a futures clearing member. Thus, the margins and premiums collected from futures traders are transferred to a futures commission merchant who is qualified for clearing.

13. PROPERTIES, NET

	December 31	
Cost	2010	2009
Land		
Buildings	\$ 8,649,653	\$ 8,272,341
Computers	6,160,881	5,783,075
Transportation equipment	2,899,546	2,899,651
Miscellaneous equipment	485,798	475,145
	<u>1,545,496</u>	<u>1,478,140</u>
Less: Accumulated depreciation	<u>19,741,374</u>	<u>18,908,352</u>
Buildings	1,572,279	1,325,672
Computers	2,352,141	2,246,882
Transportation equipment	335,586	286,236
Miscellaneous equipment	<u>1,114,260</u>	<u>969,485</u>
	<u>5,374,266</u>	<u>4,828,275</u>
	14,367,108	14,080,077
Prepayments	<u>89,461</u>	<u>104,037</u>
	<u>\$ 14,456,569</u>	<u>\$ 14,184,114</u>

14. GOODWILL AND INTANGIBLE ASSETS, NET

	December 31	
	2010	2009
Goodwill	\$ 3,662,701	\$ 3,662,701
Computer software	351,649	383,397
Deferred pension cost	<u>2,125</u>	<u>2,136</u>
	<u>\$ 4,016,475</u>	<u>\$ 4,048,234</u>

In testing assets for impairment, the Company defined an operating unit or operating segment as a cash-generating unit (CGU), except for rentable assets and idle assets using net fair value as recoverable amount. Goodwill on the acquisition of the Kaohsiung Business Bank Co., Ltd. was allocated to operating units or operating segments (CGUs with allocated goodwill). The recoverable amount of a CGU was determined at its value in use. The Company estimates the next five years' cash flows of a CGU as a going-concern entity on the basis of each CGU's operations or business cycle, etc., and this estimate is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs were determined using the capital asset pricing model (CAPM). The testing for asset impairment showed that no impairment losses had been incurred.

15. OTHER ASSETS, NET

	December 31	
	2010	2009
Refundable deposits	\$ 1,238,854	\$ 1,364,797
Rentable assets, net (less accumulated depreciation amounting to \$38,238 thousand in 2010 and \$18,191 thousand in 2009 and less accumulated impairment amounting to \$24,139 thousand in 2010 and \$25,829 thousand in 2009)	712,699	630,245
Operation deposits and settlement funds	637,970	673,499
Prepaid expenses	241,445	132,072
Idle assets, net (less accumulated depreciation amounting to \$4,320 thousand in 2010 and \$23,026 thousand in 2009 and less accumulated impairment amounting to \$30,042 thousand in 2010 and \$137,251 thousand in 2009)	85,125	261,488
Securities brokerage accounts, net	37,157	21,708
Deferred charges, net	6,623	5,554
	<u>\$ 2,959,873</u>	<u>\$ 3,089,363</u>

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

In accordance with the evaluation of the recoverable amount of refundable deposits, the Company recognized an impairment loss reversal of \$1,150 thousand in 2010 and an impairment loss of \$5,770 thousand in 2009.

16. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2010	2009
Call loans from banks	\$ 28,940,878	\$ 25,705,056
Deposits from Chunghwa Post Co., Ltd.	9,623,530	12,522,380
Due to banks	178,109	548,024
Bank overdraft	105,681	232,300
Due to the Central Bank	21,616	44,197
	<u>\$ 38,869,814</u>	<u>\$ 39,051,957</u>

17.COMMERCIAL PAPER ISSUED, NET

The face value of commercial paper issued was \$2,504,000 thousand and \$1,345,000 thousand and the annual discount rate was 0.30%-0.62% and 0.192%-0.400% as of December 31, 2010 and 2009, respectively. These commercial papers were guaranteed and accepted by financial institutions.

18.SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$17,394,242 thousand and \$14,518,968 thousand, under repurchase agreements as of December 31, 2010 and 2009, respectively, would be purchased for \$17,406,396 thousand and \$14,527,740 thousand by August 4, 2011 and August 23, 2010, respectively.

19.PAYABLES

	December 31	
	2010	2009
Checks for clearing	\$ 3,195,583	\$ 2,604,154
Acceptances	1,859,329	1,339,890
Accrued interest	1,470,026	1,389,802
Accrued expenses	1,271,980	862,321
Collections payable	425,638	502,631
Payables for short-sale transactions	423,367	396,779
Deposits on short-sale transactions	387,849	357,637
Accounts payable	381,157	113,670
Factoring accounts payable	258,492	155,539
Customers' equity accounts - futures	237,447	-
Tax payable	173,343	137,421
Others	1,300,463	781,877
	<u>\$ 11,384,674</u>	<u>\$ 8,641,721</u>

20.DEPOSITS AND REMITTANCES

	December 31	
	2010	2009
Deposits:		
Checking	\$ 9,165,041	\$ 8,171,244
Demand	184,354,321	157,366,751
Savings - demand	224,739,514	191,774,073
Time	246,970,174	200,566,561
Negotiable certificates of deposit	29,166,300	19,821,200
Savings - time	202,511,734	191,374,338
Remittances	356,680	211,980
	<u>\$ 897,263,764</u>	<u>\$ 769,286,147</u>

21.BONDS PAYABLE

	December 31	
	2010	2009
Bank debentures	\$ 34,000,000	\$ 33,500,000
ESFHC's unsecured corporate bonds - first issue in 2005	5,000,000	5,000,000
ESFHC's unsecured corporate bonds - first issue in 2007	500,000	500,000
ESFHC's unsecured corporate bonds - first issue in 2010	2,000,000	-
	<u>\$ 41,500,000</u>	<u>\$ 39,000,000</u>

On December 15, 2005, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$5,000,000 thousand and par value of \$10,000 thousand. The bond will mature in seven years, and principal is repayable on maturity. Interest is payable quarterly at the floating rate for the one-year time savings deposit of Chunghwa Post Co., Ltd. plus 0.4%.

On December 13, 2007, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$500,000 thousand and par value of \$10,000 thousand. The bond will mature in seven years, and principal is repayable on maturity. Interest is payable annually at 90 days' interest rate for commercial paper (stated below) plus 0.6%.

On April 28, 2010, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$2,000,000 thousand and par value of \$10,000 thousand. The bond will mature in seven years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 2.7%.

Details of bank debentures issued by E.SUN Bank were as follows:

	December 31	
	2010	2009
Subordinated bonds issued on September 16, 2004; 2.95% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	\$ -	\$ 1,300,000
Subordinated bonds issued on December 17, 2004; 2.80% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	-	3,700,000
Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity date (10 years after the issue date).	5,000,000	5,000,000
Subordinated bonds issued on October 11, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.425%, payable quarterly; principal repayable on maturity date (7 years after the issue date).	2,000,000	2,000,000
Subordinated bonds issued on October 19, 2005; 2.725% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	1,400,000	1,400,000
Subordinated bonds issued on November 4, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.4%, payable annually; principal repayable on maturity date (7 years after the issue date).	1,600,000	1,600,000
Two types of subordinated bonds issued on August 24, 2006; interest rate at (a) 90 days' interest rate for commercial paper 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 date (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 date (7 years after the issue date).	3,700,000	\$ 3,700,000
		(Continued)

	December 31	
	2010	2009
Subordinated bonds issued on February 15, 2008; 3.10% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	\$2,300,000	\$2,300,000
Subordinated bonds issued on October 24, 2008; 3.15% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	300,000	300,000
Subordinated bonds issued on February 20, 2009; 2.10% interest payable annually; principal repayable on maturity date (5 years after the issue date).	1,000,000	1,000,000
Subordinated bonds issued on March 5, 2009; 2.15% interest payable annually; principal repayable on maturity date (5.5 years after the issue date).	500,000	500,000
Two types of subordinated bonds issued on April 3, 2009; interest rate at (a) 2.15% for Type A bond and (b) 2.50% for Type B bond; interest payable annually for both bond types; principal repayable on maturity date (5.5 years for Type A bond and 7 years for Type B bond after the issue date).	500,000	500,000
Subordinated bonds issued on May 18, 2009; 2.35% interest payable annually; principal repayable on maturity date (5.5 years after the issue date).	1,800,000	1,800,000
Subordinated bond issued on July 17, 2009; 2.5% interest payable annually; principal repayable on maturity date (7 years after the issue date)	900,000	900,000
Subordinated bond issued on October 20, 2009; 2.35% interest payable annually; principal repayable on maturity date (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 date (7 years after the issue date)	3,000,000	-
Subordinated bonds issued on July 13, 2010; 2.20% interest payable annually; principal repayable on maturity date (7 years after the issue date)	2,500,000	-
	<u>\$ 34,000,000</u>	<u>\$ 33,500,000</u>

The details of corporate bonds designated at fair value through profit or loss were as follows:

	December 31	
	2010	2009
ESFHC overseas unsecured convertible bonds in 2008	\$ 4,556,616	\$ 4,556,616
Valuation adjustment	582,316	241,808
	<u>\$ 5,138,932</u>	<u>\$ 4,798,424</u>

On July 24, 2008, ESFHC issued US\$200,000 thousand worth of overseas convertible bonds (the “Bonds”) with par of US\$100,000 or an integral multiple thereof. Interest is payable semiannually at 2.3% from July 24, 2008 to July 24, 2013 and at 0% after July 24, 2013. The terms of the Bonds are as follows:

a. Redemption method

ESFHC will redeem the Bonds on the maturity date at a price equal to 100% of the outstanding principal amount unless the Bonds had been previously redeemed, repurchased and canceled or converted.

1) Redemption at the option of ESFHC

ESFHC may redeem all the Bonds at one time, i.e., not piecemeal, at 100% of the principal plus a premium (the “Early Redemption Amount”) at any time if any changes in the ROC tax laws or regulations would require ESFHC to gross up the payment of interest or premium.

2) Redemption at the options of holders

a) Each holder of the Bonds has the right to require ESFHC to redeem all or part of the Bonds only on July 24, 2013 at 110% of the principal unless the Bonds had been previously redeemed, repurchased and canceled or converted.

b) Each holder has the right to require ESFHC to buy all or a portion of the holder's Bonds at the Early Redemption Amount if (a) the shares cease to be listed or admitted for trading on the Taiwan Stock Exchange for at least five consecutive trading days; (b) there is a change of control over ESFHC (including but not limited to a change of half of the members of ESFHC's board of directors.); (c) ESFHC fails to maintain an issuer rating at or above at least one of the following levels: (i) BBB- rating by Standard & Poor's Corp.; (ii) Baa3 rating by Moody's Investors Service; (iii) BBB- rating by Fitch Inc.; (iv) twBBB- rating by Taiwan Ratings Corp.; (v) BBB- (twN) rating by Fitch International's Taiwan branch; or (vi) Baa3. tw rating by Moody's Credit Rating Co., Ltd., and this failure continues for 60 consecutive days; or (d) the capital adequacy ratio of ESFHC, E.SUN Bank or E.SUN Securities decreases to a level that is below the minimum standard set by the relevant regulatory authorities and remains at such a level for 60 consecutive days

b. Maturity date

The maturity period is 10 years after Bond issuance. Since Bonds were issued on July 24, 2008, their maturity is on July 24, 2018.

c. Pledged

Negative.

d. Conversion period

The bondholder can convert the Bonds to ESFHC's stock for the period starting on or after August 24, 2008 up to July 14, 2018. The holders of the Bonds, however, will not be able to effect conversions into shares during any closed period. A closed period means (i) 60 days before the date of any general stockholders' meetings; (ii) 30 days before the date of any special stockholders' meetings; (iii) the period from the date following the third trading day before the date of ESFHC's notification to the Taiwan Stock Exchange of the record date for the determination of stockholders entitled to the receipt of dividends, subscription of new shares due to capital increase or appropriation of other benefits and bonuses; and (iv) such other periods during which ESFHC may be required to close its stock transfer books under the ROC laws and regulations.

e. Conversion price

1) For bond conversions, the conversion prices are (i) NT\$16.16 per share for any conversion from August 24, 2008 to September 22, 2008 (the “First Tranche Conversion Price”) and (ii) NT\$19.00 per share for any conversion from September 23, 2008 to July 14, 2018 (the “Second Tranche Conversion Price”). The conversion price in U.S. dollars is based on the exchange rate of US\$1.000=NT\$30.406. The conversion price is subject to adjustment based on certain terms of the related indenture.

2) If the average closing price of the shares for 20 consecutive trading days immediately prior to each anniversary of the issue date (“Reset Date”), converted into U.S. dollars at the prevailing rate on the Reset Date, is less than the conversion price then in effect converted into U.S. dollars at the fixed exchange rate, the conversion price will be adjusted. The conversion price adjustment should only be downward and should not be less than 80% of the Second Tranche Conversion Price.

ESFHC lowered the conversion price for the Second Tranche to NT\$14.22 per share on the reset date in 2009 and to NT\$13.80 per share in August 2009 because of its issuance of new shares for a capital increase. In August 2010, ESFHC again lowered the conversion price for the Second Tranche to NT\$13.08 per share because of its issuance of new shares for another capital increase.

As of December 31, 2010, the Bonds with an aggregate par of US\$50,200 thousand had been converted.

To enhance its long-term competitiveness and strengthen its capability to meet the challenges of Taiwan's financial holding industry, ESFHC entered into an investor agreement with Morgan Stanley Apollo Holdings (Cayman) Ltd. and Morgan Stanley Apollo Holdings 2 (Cayman) Ltd. (jointly, the “MS”) on July 10, 2008. Under regulatory approvals, ESFHC granted MS the right to appoint an ESFHC director. As of

February 14, 2011, the date of the accompanying independent auditors' report, MS had not decided whether it would exercise this right.

The details of bank debentures issued by E.SUN Bank originally designated at fair value through profit or loss were as follows:

	December 31	
	2010	2009
Three types of bonds issued on February 27, 2004; interest rates at 3.03% if 6M LIBOR is less than or equal to 2.5%, or 5.2% minus 6M LIBOR if 6M LIBOR is more than 2.5%, with all interest rates not to fall below 0% and interest payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	\$ 1,000,000	\$ 1,000,000
Five bond types issued on May 10, 2004; interest rates at (a) (6M LIBOR plus 0.5001%) \times n/N for type A bond; (b) (6M LIBOR plus 0.5002%) \times n/N for type B bond; (c) (6M LIBOR plus 0.5003%) \times n/N for type C bond; (d) (6M LIBOR plus 0.5004%) \times n/N for type D bond, with 6M LIBOR for types A to D bonds between 1% and 2% in the first year, between 1% and 2.25% in the second year, between 1.05% and 3.00% in the third year, between 1.05% and 3.50% in the fourth year, between 1.1% and 4.0% in the fifth year, between 1.10% and 4.25% in the sixth year, between 1.1% and 4.5% in the seventh year, "n" means the total days of 6M LIBOR between the foregoing interest rate range in each interest-bearing period, "N" means total days of each interest-bearing period; and (e) 1.15 times of the ten years' US\$ Constant Maturity Swap (CMS) minus the two years' US\$ CMS with interest rates not to fall below 0% for type E bond; interest payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	2,300,000	2,300,000
Three types of bonds issued on May 19, 2004, interest rates at (a) 3% if 6M LIBOR is less than or equal to 2.5%, or 5.3% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.82% if 6M LIBOR is between 1.1% and 2.5%, or 5% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type B bond; and (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 2.0%, or 5.1% minus 6M LIBOR if 6M LIBOR is more than 2%; with all interest rates not to fall below 0% and interest payable semiannually for all bond types; principal repayable on the maturity date (7 years after the issue date).	900,000	900,000
Bonds issued on June 1, 2004; interest rate at 6M LIBOR if 6M LIBOR is less than 0.9%, or 4% if 6M LIBOR is between 0.9% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and interest payable semiannually; principal repayable on the maturity date (7 years after the issue date).	500,000	500,000
	4,700,000	4,700,000
Valuation adjustment	18,248	75,793
Financial liabilities designated at fair value through profit or loss	\$ 4,718,248	\$ 4,775,793

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

To increase its capital adequacy ratio and strengthen its capital structure, the Bank proposed the issuance of non-cumulative perpetual subordinated bank debentures with aggregate face value of \$5,000,000 thousand. The proposal was approved by the Financial Supervisory Commission on September 2, 2010. As of February 14, 2011, the Bank debentures amounting to \$5,000,000 thousand had not yet been issued.

22. OTHER BORROWINGS

	December 31	
	2010	2009
Unsecured debts - interest rate was 0.70% in 2010	\$ 300,000	\$ -

23. OTHER FINANCIAL LIABILITIES

	December 31	
	2010	2009
Guarantee deposits received	\$ 163,182	\$ 95,846
Appropriations for loans	132,976	182,591
Credit-linked structured products - host contract	-	1,850,000
	<u>\$ 296,158</u>	<u>\$ 2,128,437</u>

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

24. OTHER LIABILITIES

	December 31	
	2010	2009
Advances	\$ 1,102,813	\$ 254,324
Deferred tax liabilities	299,964	63,280
Reserve for losses on breach of purchase commitment	95,226	72,862
Reserve for losses on the sale of bonds	85,198	71,613
Reserve for land revaluation increment tax	55,197	58,203
Reserve for losses on guarantees	14,294	11,271
Other	37,612	20,281
	<u>\$ 1,690,304</u>	<u>\$ 551,834</u>

25. PENSION PLAN

The Company has pension plans for all regular employees. Upon retirement, an employee will receive the Company's contributions before the Labor Standards Act (LSA), which were credited to his/her account, plus earnings thereof and an amount calculated on the basis of length of service after the LSA effective date, and monthly average basic pay of the year before retirement. E.SUN Bank amended the defined benefit plan in 2005. Upon retirement, an employee will receive an amount calculated on the basis of service years.

ESFHC makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the workers' fund administration committee, which manages the fund.

E.SUN Bank makes monthly contributions, equal to 2% of salaries, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the employees' fund administration committee, which manages the fund. The difference between the foregoing contributions and the pension costs based on actuarial calculations for E.SUN Bank is deposited in a financial institution in the name of the employees' pension fund administration committee.

E.SUN Securities make monthly contributions, equal to

4% of salaries to a pension fund. The fund is managed by the workers' fund administration committee and deposited in its name in the Bank of Taiwan.

The Labor Pension Act (the "Act") took effect on July 1, 2005. A new defined contribution pension plan is stipulated by this Act. Employees may choose the pension mechanism under the LSA or under this Act. For those employees who were subject to the LSA before the enforcement of this Act, still work for the same business entity after the enforcement of this Act, and choose to be subject to the pension mechanism under this Act, their service year before the enforcement of this Act will be retained. Under the Act, the rate of an employer's monthly contribution to the Labor Pension Fund should be at least 6% of the employee's monthly wages. On the other hand, the Company has continued to make monthly pension contributions for the employees who chose the defined benefit plan under the LSA.

Pension expenses recognized by the Company were \$190,456 thousand in 2010 and \$198,074 thousand in 2009, of which \$146,455 thousand and \$144,559 thousand, respectively, were under the Act.

Other information in 2010 and 2009 on the defined benefit plan is as follows:

		2010	2009
a.	Net pension cost		
	Service cost	\$ 26,169	\$ 29,082
	Interest cost	26,750	26,346
	Actual return on plan assets	(161,997)	(99,614)
	Amortization	146,568	97,701
	Prepaid pension cost upper limit adjustment	6,511	-
	Net pension cost	<u>\$ 44,001</u>	<u>\$ 53,515</u>
b.	Reconciliation of the plan funded status to balance sheet amounts		
		December 31	
		2010	2009
	Benefit obligation:		
	Vested benefit obligation	\$ (140,723)	\$ (127,279)
	Non-vested benefit obligation	(687,735)	(564,826)
	Accumulated benefit obligation	(828,458)	(692,105)
	Additional benefits based on future salaries	(441,184)	(377,858)
	Projected benefit obligation	(1,269,642)	(1,069,963)
	Fair value of plan assets	1,142,686	974,643
	Funded status	(126,956)	(95,320)
	Unrecognized transitional net asset	(9,658)	(9,848)
	Unamortized prior service cost	74,803	84,607
	Unamortized net pension gains or losses	93,608	50,383
	Additional minimum pension	(21,628)	(3,843)
	Prepaid pension cost upper limit adjustment	(6,511)	-
	Prepaid pension cost (part of other assets - other)	(25,181)	(30,222)
	Pension liabilities (part of other liabilities - other)	<u>\$ (21,523)</u>	<u>(4,243)</u>
	Vested benefits	<u>\$ (158,125)</u>	<u>\$ (154,163)</u>

	December 31	
	2010	2009
c. Actuarial assumptions		
Discount rate	2.00%	2.50%
Rate of increase in compensation	2.00%-2.50%	2.00%-2.50%
Expected long-term rate of return on plan assets	2.00%	2.50%
d. Summary of pension fund contributions and payments		
Contributions	\$ 39,463	\$ 43,404
Payment of benefits	\$ 33,417	\$ 15,355

26. SERVICE FEE AND COMMISSION INCOME, NET

	2010	2009
Service fee and commission income	\$ 6,550,173	\$ 4,845,642
Service charge and commission expenses	(919,741)	(812,300)
	<u>\$ 5,630,432</u>	<u>\$ 4,033,342</u>

27. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2010	2009
Personnel expenses		
Salaries	\$ 4,143,076	\$ 3,682,656
Insurance	271,378	253,332
Pension	190,456	198,074
Other	221,814	204,093
Depreciation expenses	721,640	775,128
Amortization expenses	231,300	191,007

28. INCOME TAX

Under Article 49 of the Financial Holding Company Law, a financial holding company (FHC) can elect to file consolidated income tax returns for the regular corporate income tax as well as the 10% income tax on undistributed earnings for FHC and its domestic subsidiaries if the FHC held more than 90% of the subsidiaries' outstanding shares for the entire tax year. ESFHC is qualified in the regulations.

ESFHC and its subsidiaries started to file consolidated tax returns since 2003.

a. Income tax was calculated as follows:

	2010	2009
Income tax expense - current before tax credits	\$ 407,312	\$ 228,610
Net changes in deferred income tax:		
Loss carryforwards	330,416	(45,459)
Effect of tax law changes on deferred income tax	20,431	32,998
Impairments losses on assets	4,897	(2,463)
Valuation allowance	2,128	(4,500)
Goodwill	-	203,914
Allowance for possible losses on loans and receivables and reserve for losses on guarantees	-	682
Tax credits	-	(2,421)
Unrealized gain or loss on financial instruments	(54,318)	(200,602)
Unrealized foreign exchange gain or loss	(69,585)	(74,606)
Others	(4,083)	(4,147)
Tax on unappropriated earnings (10%)	23,093	19,247
Adjustment of prior year's tax	2,250	(12,674)
Tax effect on consolidated tax returns	(113,457)	15,000
Income tax expense	<u>\$ 549,084</u>	<u>\$ 153,579</u>

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law again, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting difference as an income tax expense.

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

	2010	2009
Income tax expense on income before income tax at statutory rate (17% in 2010 and 25% in 2009)	\$ 760,267	\$ 520,469
Permanent differences	(490,675)	(381,011)
Temporary differences	122,799	81,183
Tax under the Alternative Minimum Tax Act	14,921	7,969
Income tax expense - current before tax credits	<u>\$ 407,312</u>	<u>\$ 228,610</u>

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

	December 31	
	2010	2009
Deferred income tax assets		
Unrealized gain or loss on the valuation of financial instruments	\$ 183,933	\$ 167,325
Unrealized foreign exchange loss	47,650	-
Loss carryforwards	44,543	490,152
Cumulative translation adjustments	26,252	9,885
Impairment losses on assets	16,561	25,244
Reserve for losses on breach of purchase commitment	16,189	14,572
Others	107	139
	<u>335,235</u>	<u>707,317</u>
Less: Valuation allowance	<u>12,540</u>	<u>12,250</u>
Deferred income tax liabilities	<u>322,695</u>	<u>695,067</u>
Goodwill	(622,659)	(732,540)
Unrealized foreign exchange gain	-	(25,807)
	<u>(622,659)</u>	<u>(758,347)</u>
Net deferred income tax liabilities	<u>\$ (299,964)</u>	<u>\$ (63,280)</u>

Loss carryforwards not yet expired as of December 31, 2010 amounted to \$262,015 thousand.

d. Imputed tax credit is summarized as follows:

	ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
Balance of ICA					
December 31, 2010	\$ 33,828	\$ 17,112	\$ 2,048	\$ -	\$ 6,458
December 31, 2009	33,673	29,627	7,907	-	7,498
Estimated creditable tax ratio for distributing the 2010 earnings	1.17%	0.42%	0.79%	-	4.22%
Actual creditable tax ratio for distributing the 2009 earnings	8.72%	5.01%	4.34%	-	15.70%
		(Cash dividends)			
		5.02%			
		(Stock dividends)			

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, 1997 were as follows:

	ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
December 31, 2010 and 2009	\$ -	\$ 91,777	\$ -	\$ -	\$ -

f. The years for which income tax returns had been examined by the tax authorities as of December 31, 2010 were as follows:

ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
2005	2005	2005	2005	2005

g. For ESFHC's income tax returns of 2004 and 2005, the tax authorities disapproved the Company's claim that operating and interest expenses on investments were deductible from taxable income; thus, the taxable income increased by \$207,586 thousand. As a result, the Company initiated an administrative litigation. In addition, ESFHC did not accrue any additional tax expense because the possibility of a positive result on the administrative litigation is high.

h. The tax authorities examined E.SUN Bank's over-distribution of the stockholders' imputed tax credit amounting to \$27,416 thousand in their assessment of the 2001 to 2005 (except 2003) stockholders' imputed tax credit returns because of foregoing withholding taxes.

E.SUN Bank filed an application for the refund of overpaid tax and also initiated an administrative litigation. In addition, E.SUN Bank did not accrue the related liabilities because the possibility of a positive result on E.SUN Bank's application and administrative litigation is high.

On the goodwill amortization of \$407,828 thousand and \$1,223,483 thousand resulting from the merger of E.SUN Bank with Kaohsiung Business Bank Co., Ltd. (KBB) and reported in the income tax returns of 2004 and 2005, respectively, the tax authorities disapproved the related expense because the authorities considered the goodwill on the purchase of KBB's assets, liabilities and operations as having resulting from a subsidy authorized by the Executive Yuan to be released from the Resolution Trust Corporation

fund and not from E.SUN Bank's use of its own cash. E.SUN Bank disagreed with the tax authorities' decision and initiated an administrative litigation. In addition, E.SUN Bank did not accrue the related liabilities because the possibility of a positive result on E.SUN Bank's administrative litigation is high.

i. E.SUN Securities initiated an administrative litigation for the tax authorities to reconsider the assessment of

stock warrants pertaining to the 2005 income tax return. Nevertheless, E.SUN Securities accrued an additional income tax payable of \$11,172 thousand on these stock warrants in 2009.

j. The main effective income tax rates to calculate deferred income tax for 2010 and 2009 were 17% and 20%, respectively.

29. EARNINGS PER SHARE

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

	Amounts (Numerator)		Shares (Denominator in Thousands)	Earnings Per Share (New Taiwan Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2010</u>					
Basic earnings per share	\$ 3,718,096	\$ 3,923,072	3,777,615	\$ 0.98	\$ 1.04
Effect of diluted common shares:					
Bonus to employees	-	-	7,827		
Diluted earnings per share	\$ 3,718,096	\$ 3,923,072	3,785,442	\$ 0.98	\$ 1.04

	Amounts (Numerator)		Shares (Denominator in Thousands)	Earnings Per Share (New Taiwan Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2009</u>					
Basic earnings per share	\$ 1,864,789	\$ 1,928,338	3,758,757	\$ 0.50	\$ 0.51
Effect of diluted common shares:					
Bonus to employees	-	-	6,930		
Overseas convertible bonds	139,000	104,251	343,185		
Diluted earnings per share	\$ 2,003,789	\$ 2,032,589	4,108,872	\$ 0.49	\$ 0.49

If the bonus is in the form of cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding to be used in calculating diluted earnings per share (EPS) if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares on the balance sheet date. The dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earning appropriation.

30. STOCKHOLDERS' EQUITY

a. Capital stock

On June 19, 2009, stockholders' meeting of ESFHC resolved to use \$1,050,705 thousand from the unappropriated earnings as stock bonus to stockholders and also resolved to use \$32,804 thousand from the bonus to employees as stock bonus. These appropriations and bonus, which were a total of 108,449 thousand shares, were approved by the FSC and Ministry of Economic Affairs (MOEA).

On June 24, 2010, stockholders' meeting of ESFHC resolved to use \$1,452,720 thousand from the unappropriated earnings as stock bonus to stockholders and also resolved to use \$66,657 thousand from the bonus to employees as stock bonus. These appropriations and bonus, which were a total of 150,500 thousand shares, were approved by the FSC and MOEA. As of December 31, 2010, the paid-in capital of ESFHC was \$38,033,000 thousand.

To dispose of ESFHC's shares held by E.SUN Bank, ESFHC issued 6,800 thousand units of Global Depositary Shares (GDS) (one unit represents 25 common shares), which equaled 170,000 thousand common shares, at US\$14.5 dollars per share, on the Luxembourg Stock Exchange on September 27, 2004.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of underlying common shares, and the common shares can be traded in the domestic stock exchange market. As of December 31, 2010, the GDS holders had canceled 9,160 thousand units (equaled 228,997 thousand shares), ESFHC issued 117 thousand units (equaled 2,923 thousand shares) because of stock dividend distribution, and the deposit agents reissued 2,263 thousand units (equaled 56,569 thousand shares). Therefore, the outstanding GDSs were 20 thousand units, which equaled 495 thousand shares, or

0.013% of ESFHC's total outstanding common shares.

b. Capital surplus

Under the related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (issuance in excess of common stock par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation 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.

Capital surplus from equity investments under equity method can not be distributed for any purpose.

Under the Financial Holding Company Law and related directives issued by the Securities and Futures Bureau (SFB), the distribution of the unappropriated earnings that are generated by financial institutions (the subsidiaries) before conversion to ESFHC and become part of capital surplus of the financial holding company after conversion, is exempted from the appropriation restriction of the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before stock conversion amounted to \$2,919,727 thousand, which was already stated as ESFHC's capital surplus as of its establishment date. In 2002, the stockholders resolved to increase ESFHC's capital by \$1,800,000 thousand through the issuance of stock dividends from capital surplus.

The capital surplus as of December 31, 2010 came from treasury stock transactions and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

<u>Sources</u>	
From subsidiaries	
Capital surplus (mainly additional paid-in capital from share issuance in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	<u>2,919,727</u>
	6,219,524
Total capital stock of subsidiaries in excess of ESFHC's issuance	<u>600,000</u>
Balance on January 28, 2002	6,819,524
From E.SUN Securities Investment Trust Corp. (ESSIT) which became a 100% subsidiary of ESFHC in 2003 through a share swap	
Legal reserve	4,350
Unappropriated earnings	<u>7,861</u>
	6,831,735
Corporate bonds converted into capital stock	
In 2003	9,005
In 2004	2,613,625
In 2006	2,252,133
In 2008	524,401
Treasury stock transactions recognized from subsidiaries	3,015,943
Transferring of shares to employees by subsidiary	483
Cash dividends from ESFHC received by subsidiaries	208,161
Transferring of shares to employees by ESFHC	157,897
The difference between par value and issue price for the issuance of common stock from bonus to employees in 2010	<u>14,377</u>
	15,627,760
<u>Uses</u>	
Remuneration to directors and supervisors and bonus to employees by subsidiaries	(156,458)
Issuance of ESFHC's stock dividends in 2002	(1,800,000)
Offset of deficit in 2003	(3,091,451)
The difference between par value and issue price for the issuance of common stock from bonus to employees in 2009	<u>(980)</u>
	<u><u>\$ 10,578,871</u></u>

c. Appropriation of earnings and dividend policy

When ESFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated. Any remainder should be appropriated as follows:

- 1) 96% as dividends.
- 2) 1% as remuneration to directors.
- 3) 3% as bonus to employees.

Under ESFHC's Articles of Incorporation, the stockholders may decide not to declare any dividends or declare only a portion of distributable earnings as dividends.

Under ESFHC's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen ESFHC's financial structure. This policy is also intended to improve the ESFHC's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. However, 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 dollar.

For the years ended December 31, 2010 and 2009, the bonus to employees and remuneration to directors, which totaled \$142,624 thousand and \$90,795 thousand, respectively, 3% (employees' bonus) and 1% (directors' remuneration) of the appropriation of earnings, were accrued on the basis of past experiences. If the bonus and

remuneration proposed by the ESFHC's Board of Directors change materially, the change should be included in the expenses of the current year. If the bonus and remuneration approved by the ESFHC's stockholders differ from the Board of Directors' proposal, this change should be treated as a revision of the accounting estimate, and the related accrued expenses should be adjusted in the year of the stockholders' approval of the bonus and remuneration. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the eve of the stockholders' meeting.

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

Under an SFB directive, a special reserve is appropriated from the balance of the retained earnings at an amount that is equal to the debit balance of accounts in the stockholders' equity section (such as unrealized gain or loss on financial instruments and cumulative translation adjustments, except treasury stocks). The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts.

The appropriations from earnings for 2009 and 2008 were approved in the stockholders' meetings on June 24, 2010 and June 19, 2009, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (New Taiwan Dollars)	
	2010	2009	2010	2009
Legal reserve	\$ 192,834	\$ 102,501		
Special reserve	-	163,969		
Cash dividends	726,360	-	\$ 0.2	\$ -
Stock dividends	1,452,720	1,050,705	0.4	0.3

The bonus to employees and the remuneration to directors for 2009 and 2008 approved in the stockholders' meetings on June 24, 2010 and June 19, 2009, respectively, were as follows:

	2009	2008
Bonus to employees - cash	\$ 1,439	\$ 31
Bonus to employees - stock	66,657	32,804
Remuneration to directors - cash	22,699	10,945

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, 2009 and 2008. As of February 14, 2011, the date of the accompanying auditors' report, the board of directors had not resolved the appropriation of the 2010 earnings. Information on the appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

Under the integrated income tax system, certain stockholders are allowed tax credits for the income tax paid by the Company.

d. Treasury stock

Reason for Redemption	Beginning of Year	Increase	Decrease	End of Year
Reissuance to employees (Note)				
2010	21,000	34,059	55,059	-
2009	42,000	-	21,000	21,000

Note: Shares in thousands.

To conform to government policies and give more incentives to employees, ESFHC's board of directors resolved to buy back its shares on March 12, 2010 in accordance with the Securities Exchange Law and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Company. The purpose of the share repurchase is to transfer shares to employees.

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

On September 23, 2009, there was a transfer of 21,000 thousand shares to employees of ESFHC and subsidiaries at NT\$8.02 per share.

The Securities and Exchange Law provides for the following:

- 1)The total number of shares that can be held in treasury stock is limited to 10% of the number of total outstanding shares.
- 2)The maximum cost of reacquiring treasury shares is limited to the sum of the balances of the retained earnings, paid-in capital in excess of par value and capital surplus which are realized;
- 3)Using treasury shares to secure any obligations or commitment of ESFHC is prohibited;
- 4)ESFHC is prohibited from exercising the rights of the stockholder with respect to the treasury shares.

31.RELATED-PARTY TRANSACTIONS

In addition to Table 4 and those mentioned in other notes, the significant related-party transactions are summarized as follows:

a.Related parties

Related Party	Relationship with the Company
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation Fugi Consulting Co., Ltd. (formerly Fubon Securities Finance Co.) and Bank-Pro E-Service Technology Co., Ltd. Financial Information Service Co., Ltd. Chiu-Hsiung Huang	One third of the funds are donated by E.SUN Bank E.SUN Bank is a director of these two companies E.SUN Bank is a supervisor of the company (until June 25, 2010) Representative of a company that is a member of ESFHC's board of directors
Joseph N.C. Huang	President of ESFHC
Heng-Hwa Yang	Deputy president of ESFHC (retired in November 2010)
Joe Huang	Vice president of ESFHC
J.C. Wang	Vice president of ESFHC
Shuei-Ping Wan	E.SUN Bank's vice president
Kuan-Her Wu	Chief accounting officer of ESFHC
Wu-Shin Chen	E.SUN Bank's Executive vice president
Ching-Lee Kao	E.SUN Bank's manager
Wen-Chuan Tu	E.SUN Bank's manager
Cheng-Ta Lee	E.SUN Bank's manager
Davis Tsai	E.SUN Bank's manager
Vivian Ho	E.SUN Bank's manager
Chun-Nan Tsai	E.SUN Bank's manager
Rong-Huel Chang	E.SUN Bank's manager
L.C. Lin	E.SUN Bank's manager
Jia-Tie Huang	E.SUN Bank's manager
Town-Wen Liu	E.SUN Bank's manager
Edward Chen	E.SUN Bank's manager
David H.C. Lien	E.SUN Bank's manager
Mei-Nu Chen	E.SUN Bank's manager
Day-Yu Chen	E.SUN Bank's manager
Cheng-Hao Chang	E.SUN Bank's manager
Shin-Ching Wei	E.SUN Bank's manager
Ping-Huei Chen	E.SUN Bank's manager
Tomy Wong	E.SUN Bank's manager
Benny Chen	E.SUN Bank's manager
I-Shun Chou	E.SUN Bank's manager
Peter Chen	E.SUN Bank's manager
Tsung-Pin Chen	E.SUN Bank's manager
Shih-Hui Lin	E.SUN Bank's manager
Kuang-Yi Hung	E.SUN Bank's manager
Sin-Hua Chen	E.SUN Bank's manager
Wen-Chian Chang	E.SUN Bank's manager
Huei-Ling Tsai	E.SUN Bank's manager
Nan-Ming Chen	E.SUN Bank's manager
Yi-Shing Hsiao	E.SUN Bank's manager
Cheng-Jen Liu	E.SUN Bank's manager
Shu-Hua Yang	E.SUN Bank's manager
	Related to the president of E.SUN Bank in the second degree by consanguinity
Yin-Sung Liu	Related to the chairman of ESFHC in the second degree by consanguinity
Yin-Hung Liu	Related to the chairman of ESFHC in the second degree by consanguinity
Other	ESFHC's and subsidiaries' directors, supervisors, managers and related to the chairman and president of these companies in the second degree by consanguinity

b. Significant transactions with related parties

1) Loans and deposits

December 31				
	Amount	% to Total	Interest Rate (%)	Interest Revenue (Expense)
<u>2010</u>				
Loans	\$ 520,301	-	0.75-2.75	\$ 7,137
Deposits	<u>\$ 1,010,915</u>	-	0-7.60	<u>\$ (10,815)</u>
<u>2009</u>				
Loans	\$ 435,067	-	0.75-3.81	\$ 8,049
Deposits	<u>\$ 728,686</u>	-	0-8.65	<u>\$ (15,081)</u>

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 E.SUN 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 E.SUN 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.

2) Directors as credit guarantors

December 31				
	Amount	% to Total	Interest Rate (%)	Rate of Guarantee Service Fee (%)
2010	<u>\$ 37,500</u>	-	2.02-2.08	-
2009	<u>\$ 81,799</u>	-	1.21-2.47	-

December 31				
	2010		2009	
	Amount	% to Total	Amount	% to Total
3) Donation (part of general and administrative expenses)	<u>\$ 21,485</u>	-	<u>\$ 9,229</u>	-
4) Others (part of general and administrative expenses)	<u>\$ 1,520</u>	-	<u>\$ 2,675</u>	-

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

The terms of the above transactions were similar to, or approximated, those for third parties.

c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand as of and for the years ended December 31, 2010 and 2009

1) E.SUN Bank

	December 31			
	Amount	% to Total	Interest Rate (%)	Interest Revenue (Expense)
<u>2010</u>				
a)Loans	\$ 520,301	-	0.75-2.75	\$ 7,137
b)Deposits	<u>\$ 9,214,102</u>	1	0-7.60	<u>\$ (49,658)</u>
<u>2009</u>				
a)Loans	\$ 435,067	-	0.75-3.81	\$ 8,049
b)Deposits	<u>\$ 7,230,697</u>	1	0-8.65	<u>\$ (93,205)</u>

	December 31			
	2010		2009	
	Amount	% to Total	Amount	% to Total
c)Other receivable (part of receivables)				
ESFHC	<u>\$ 176,533</u>	<u>-</u>	<u>\$ 295,875</u>	<u>1</u>

The other receivables refer to ESFHC's filed consolidated corporate tax returns from 2003.

d)Directors as credit guarantors

	December 31			
	Amount	% to Total	Interest Rate (%)	Rate of Guarantee Service Fee (%)
2010	<u>\$ 37,500</u>	-	2.02-2.08	-
2009	<u>\$ 81,799</u>	-	1.21-2.47	-

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

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

2)E.SUN Securities

a)Deposits each amounting to more than \$100,000 thousand in E.SUN Bank as of December 31, 2010 and 2009

	December 31	
	2010	2009
Deposits	\$ 189,680	\$ 217,709
Restricted asset - current	\$ 94,000	\$ 145,000
Operation deposits	\$ 505,000	\$ 565,000

b)E.SUN Securities entrusted to E.SUN Bank the deal settlement of securities and applied for a guarantee for overdraft amounting to \$3,000,000 thousand in both years. For this overdraft, E.SUN Securities provided time deposits and real estate to E.SUN Bank as collaterals as of December 31, 2010 and 2009. Other financial institutions provided guarantee for the overdraft for both years. As of December 31, 2010 and 2009, there was no overdraft amount.

3)ESVC

	December 31	
	2010	2009
Deposits - E.SUN Bank	\$ 299,216	\$ 292,520

4)ESIB

	December 31	
	2010	2009
Deposits - E.SUN Bank	\$ 181,985	\$ 192,017

d. Compensation of directors, supervisors and management personnel

	2010	2009
Salaries	\$ 32,437	\$ 30,294
Incentives	13,507	10,938
Special compensation	1,180	1,203
Bonus	38,443	25,034
	\$ 85,567	\$ 67,469

32. PLEDGED ASSETS

In addition to those mentioned in other notes, the pledged assets of the Company are summarized as follows:

	December 31	
	2010	2009
Financial assets at fair value through profit or loss (securities at face value)	\$ 5,390,800	\$ 424,900
Receivables (bonds)	200	200
Available-for-sale financial assets (face value)	243,300	339,900
Held-to-maturity financial assets (face value)	9,552,700	3,470,552
Other financial assets (face value)	737	804
	<u>\$ 15,187,737</u>	<u>\$ 4,236,356</u>

As of December 31, 2010 and 2009, the foregoing securities, with aggregate face value of \$9,000,000 thousand and \$3,400,000 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 the day may also be treated as liquidity reserve.

E.SUN Bank is authorized by the Central Bank of the Republic of China to act as a national treasury agent bank. As agent, the Bank had provided securities as collaterals with aggregate face value of \$4,100,000 thousand as of December 31, 2010. It had also provided other securities as collaterals for operating reserve and judiciary provisional seizure.

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

Date	(In Thousands of U.S. Dollars)	
	Outstanding Loan Balance	Collateral Value
December 31, 2010	<u>\$ 16,488</u>	<u>\$ 12,860</u>
December 31, 2009	<u>\$ 21,868</u>	<u>\$ 13,121</u>

33. CONTINGENCIES AND COMMITMENT

In addition to those mentioned in other notes, the commitments as of December 31, 2010 were as follows:

a. ESFHC

To help ESSIT in dealing with structured bonds, ESFHC committed to increase ESSIT's capital in cash if ESSIT's net worth is lower than the par value of its stock when it compensates E.SUN Bank for the securitization of the structured bonds (E.SUN CBO 2005-2) at the end of the trust period. However, on July 17, 2008, ESFHC resolved to sell all shares of ESSIT. In order to improve the process of the sale and increase the value of ESSIT, ESFHC agreed to undertake the obligation of ESSIT with E.SUN Bank and compensate E.SUN Bank for any loss at the end of the trust period.

b. E.SUN Bank

1) Renewable operating lease agreements on premises occupied by E.SUN Securities' branches, which will expire on various dates by October 2015. Rentals are calculated on the basis of the leased areas and are payable monthly or quarterly. As of December 31, 2010, refundable deposits on these leases totaled \$13,879 thousand. Minimum annual rentals for the next five years are as follows:

Year	Amount
2011	\$ 494,777
2012	431,588
2013	353,056
2014	275,151
2015	201,527

Total rentals for January 2016 to May 2020 will aggregate \$69,184 thousand. The present value of these rentals is \$65,038 thousand, based on 0.83%, which is the annual fixed interest rate set by Chunghwa Post Co., Ltd. for its one-year time savings deposits on the balance sheet date.

2)Agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by its branches amounted to approximately \$275,153 thousand. As of December 31, 2010 the remaining unpaid amount was approximately \$193,176 thousand.

c.E.SUN Securities

1)Renewable operating lease agreements on premises occupied by E.SUN Securities' branches, which will expire on various dates by October 2015. Rentals are calculated on the basis of the leased areas and are payable monthly or quarterly. As of December 31, 2010, refundable deposits on these leases totaled \$13,879 thousand. Minimum annual rentals for the next five years are as follows:

Year	Amount
2011	\$ 54,337
2012	50,603
2013	45,562
2014	37,731
2015	10,578

2)Agreements on the decoration of buildings and various purchases related to the improvements of existing premises occupied by its branches amounted to approximately \$9,148 thousand. As of December 31, 2010, the remaining unpaid amount was approximately \$2,114 thousand.

d.ESIB

ESIB entered into insurance agent contracts with various insurance companies. The contracts are summarized as follows:

Insurance Company	Contract Date	Commission Received	Contract Period
Prudential Insurance	2004.01.09	Billed and received according to contract terms	Effectively starts on January 9, 2004 and will expire on January 9, 2014. The contract may be updated according to the parties' written notice when the contract expired.
Tokio Marine Newa Insurance	2005.10.15	Billed and received according to contract terms	Effectively starts on October 15, 2005 and will expire on October 15, 2014. The contract may be updated according to the parties' written notice when the contract expired.
Taian Insurance	2007.10.19	Billed and received according to contract terms	Effectively starts on October 19, 2007 and will expire on October 19, 2008. The contract is automatically extended for another year if the parties do not terminate the contract in writing earlier than 30 days before the end of the contract.

34.E.SUN BANK'S AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

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

	2010		2009	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents - due from banks	\$ 1,654,719	0.08	\$ 1,295,487	0.11
Call loans to banks	2,879,923	0.39	10,050,054	0.82
Due from the Central Bank	75,581,859	0.57	123,076,143	0.63
Held-for-trading financial assets - bonds	1,249,268	2.24	2,462,622	1.81
Held-for-trading financial assets - bills	94,515,070	0.56	19,838,890	0.86
Financial assets designated at fair value through profit or loss - bonds and bills	29,983,950	2.14	29,320,370	2.47
Securities purchased under resell agreements	1,955,642	0.31	2,619,371	0.06
Discounts and loans	579,552,768	1.97	536,973,072	1.89
Receivables on credit cards	16,354,055	13.10	16,990,288	12.48
Available-for-sale financial assets - bonds	40,326,020	2.17	39,187,961	2.09
Held-to-maturity financial assets	73,198,890	0.96	17,966,090	2.26
Debt instruments with no active market	3,570,020	2.17	6,080,789	2.24
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	36,665,881	0.51	21,371,779	0.43
Financial liabilities at fair value through profit or loss (exclusive of financial liabilities designated at fair value through profit or loss - bank debentures)	2,900,000	1.42	3,608,375	0.57
Securities sold under repurchase agreements	20,277,755	0.34	26,293,478	0.24
Demand deposits	157,915,171	0.12	110,668,431	0.09
Savings - demand deposits	208,374,053	0.24	167,405,007	0.25
Time deposits	224,620,522	0.74	208,009,400	1.07
Savings - time deposits	195,367,148	1.05	210,870,315	1.51
Negotiable certificates of deposit	25,366,667	0.43	12,415,442	0.72
Bank debentures (inclusive of financial liabilities designated at fair value through profit or loss - bank debentures)	38,126,795	2.00	37,038,639	2.29

35. FINANCIAL INSTRUMENTS

a. ESFHC

1) Fair value of financial instruments

	December 31			
	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 6,828,961	\$ 6,828,961	\$ 5,083,926	\$ 5,083,926
Financial assets at fair value through profit or loss	-	-	1,011	1,011
<u>Financial liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	249,065	249,065	163,540	163,540
Financial liabilities at fair value through profit or loss	5,138,932	5,138,932	4,798,424	4,798,424
Corporate bonds payable	7,500,000	7,560,469	5,500,000	5,509,477

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

a) The carrying amounts of short-term financial instruments approximate their fair values because of the short maturities of these instruments. Other short-term financial assets are cash and cash equivalents, receivables (except tax refundable and receivables from adopting the consolidated income tax returns) and refundable deposits. Other short-term financial liabilities are payables (except tax payable and payables from adopting the consolidated income tax returns).

b) For financial instruments at fair value through profit or loss and corporate bonds payable, fair value is best determined on the basis of quoted market prices. 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; otherwise, ESFHC uses other financial data and appropriate valuation methodologies to determine fair value.

c) If equity investments under the equity method and financial assets carried at cost both consist of unlisted stock, these investments have no quoted market prices in an active market and their fair value could not be reliably measured. Thus, the Company does not disclose their fair value.

3) Financial risk information

a) Risk management

ESFHC established the Risk Management Committee, whose convener is the general manager and executive secretary is the chief risk officer, to draw up the principles and policies of risk management followed by each subsidiary, to coordinate and monitor the enforcement of risk management policies of each subsidiary and to deliberate whether proposals brought up by each risk-based unit focusing on a variety of individual issues are suitable for the Company. The committee also supports decision making on several important issues, such as asset allocation, designing and pricing of new products, merging, joint venture and transfer of ownership, from the point of view of risk management to ensure that the Company has adequate capital to achieve profit objectives under reasonable risk.

b)Market risk

ESFHC set up “The Market Risk Management Principle of E.SUN Financial Holding Company” as the guideline of management of market risk.

It monitors and controls the market risk of ESFHC and subsidiaries, and set up the risk limit of ESFHC and subsidiaries, including the VaR limit, Position-limit and Stop Loss Limit. ESFHC also makes a risk evaluation report, which covers the taking of risk exposure by each risk-based unit and the adequacy of the current risk management system, to the board of directors regularly.

The operation of ESFHC involves currencies different from its functional currency, i.e., foreign currencies; thus, ESFHC is exposed to foreign-exchange risks. As of December 31, 2010 and 2009, the carrying amount, currency and spot rate of ESFHC’s monetary assets and liabilities denominated in foreign currencies were as follows:

	Unit: In Thousands					
	December 31					
	2010			2009		
	Assets	Liabilities	Exchange Rate	Assets	Liabilities	Exchange Rate
USD	\$ 148,382	\$ 175,704	29.5	\$ 151,442	\$ 150,633	32.176

The profit and loss from the fluctuations in exchange rates for foreign-currency assets and liabilities will be offset; thus, ESFHC expects the risk from exchange rate fluctuations to be immaterial.

c)Credit risk

To maintain good asset quality, ESFHC’s subsidiaries have established independent credit review divisions and set up fair credit approval processes. ESFHC and subsidiaries also set up management policy and requirements of counterparties’ credit rating, default risk, settlement risk, and risk concentration in products, industries, and affiliates.

d)Liquidity risk

ESFHC set up “The Liquidity Risk Management Guideline of E.SUN Financial Holding Company” as the guideline of management of liquidity risk. It monitors and asks ESFHC and subsidiaries to maintain appropriate liquidity, payment ability, financial stability, and to improve urgent situation handling ability.

ESFHC and subsidiaries also follow the requirements of authorities, adopt numeral management, and compile cash flow gap analysis report regularly. Additionally, ESFHC and subsidiaries set up liquidity risk management index, and implement and monitor strictly.

b.E.SUN Bank

1)Fair value of financial instruments

December 31				
	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Financial assets - with fair value approximating carrying amounts	\$ 96,244,989	\$ 96,244,989	\$ 264,170,974	\$ 264,170,974
Financial assets at fair value through profit or loss	54,900,270	54,900,270	39,489,518	39,489,518
Available-for-sale financial assets	47,546,797	47,546,797	36,818,491	36,818,491
Discounts and loans	599,161,337	599,161,337	550,483,765	550,483,765
Held-to-maturity financial assets	254,655,585	254,980,994	18,278,241	18,585,200
Other financial assets (exclusive of financial assets carried at cost)	2,325,034	2,336,975	5,559,228	5,580,481
<u>Financial liabilities</u>				
Financial liabilities - with fair value approximating carrying amounts	66,027,675	66,027,675	60,989,968	60,989,968
Financial liabilities at fair value through profit or loss	12,945,397	12,945,397	11,059,469	11,059,469
Deposits and remittances	904,760,847	904,760,847	775,064,009	775,064,009
Bank debentures	34,000,000	34,659,058	33,500,000	33,919,422
Other financial liabilities	304,715	304,715	2,136,729	2,136,729

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

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

b) 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 E.SUN Bank's various financial instruments, fair values are based on estimates using other financial data and appropriate valuation methodologies.

E.SUN Bank estimated the fair value of each forward contract on the basis of the exchange rates quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the discounted cash flow method, unless the fair values on these two types of contracts are provided by counterparties. Fair values of currency option contracts are based on estimates using the Black Scholes model, binomial method or Monte Carlo simulation. Fair values of credit default swap contracts are valued using the discount spreads method or modified Hull-White model. The fair value of each futures contract is calculated using the prices quoted by the futures exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. E.SUN 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, 2010 and 2009, the discount rates used range from 0.25% to 1.87% and from 0.108% to 2.185%, respectively, for the New Taiwan dollar and from 0.23% to 4.161% and from 0.175% to 4.477%, respectively, for the U.S. dollar.

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

c) 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.

d) Financial assets carried at cost consist of unlisted stock, these investments have no quoted market prices in an active market and their fair value could not be reliably measured. Thus, E.SUN Bank does not disclose their fair value.

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

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

	December 31			
	2010		2009	
	Quoted Market Prices	Estimated Market Prices	Quoted Market Prices	Estimated Market Prices
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	\$ 21,883,000	\$ 33,017,270	\$ 8,869,416	\$ 30,620,102
Available-for-sale financial assets	16,711,859	30,834,938	12,816,402	24,002,089
Held-to-maturity financial assets	244,539,685	10,441,309	6,952,915	11,632,285
Other financial assets (exclusive of financial assets carried at cost)	585,536	1,751,439	615,632	4,964,849
<u>Financial liabilities</u>				
Financial liabilities at fair value through profit or loss	-	12,945,397	-	11,059,469
Bank debentures	-	34,659,058	-	33,919,422

4)A valuation of financial instruments at estimated market prices showed a gain of \$123,925 thousand in 2010 and a loss of \$837,390 thousand in 2009.

5)For the years ended December 31, 2010 and 2009, the adjustments of stockholders' equity credited directly from the available-for-sale financial assets amounted to \$154,954 thousand and \$1,245,924 thousand, respectively; the gain recognized and deducted from the adjustments of stockholders' equity amounted to \$277,069 thousand and \$267,601 thousand, respectively.

6)Financial risk information

a)Risk management

E.SUN 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 E.SUN 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 E.SUN Bank has adequate capital to achieve profit objectives under reasonable risk.

b)Market risk

E.SUN 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 E.SUN Bank, which is measured within a set confidence interval for a specified period. E.SUN 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: Table 11 (attached).

c)Credit risk

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

As of December 31, 2010 and 2009, the interest rates for loans ranged from 0.405% to 19.46% and from 0.15% to 18.25%, respectively. The highest interest rate for credit cards was 19.71% in both years.

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

E.SUN 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, 2010 and 2009, about 69% and 70% of total loans granted, respectively, and about 14% and 15%, respectively, for both the aggregate guarantees and letters of credit issued, were secured. If the customers break a contract, E.SUN Bank will execute its right on the collaterals and decrease its credit risk. However, E.SUN Bank discloses the maximum credit exposure without consideration of collateral fair value.

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

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2010 and 2009 were as follows:

	December 31	
	2010	2009
Credit card commitments	\$ 263,899,255	\$ 248,796,255
Guarantees and letters of credit issued	22,577,834	17,880,961

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

Credit Risk Profile by Group or Industry	December 31			
	2010		2009	
	Amount	%	Amount	%
Natural person	\$ 336,050,327	55	\$ 322,569,407	57
Manufacturing	152,817,100	25	124,544,378	22

Credit Risk Profile by Region	December 31			
	2010		2009	
	Amount	%	Amount	%
Domestic	\$ 574,364,486	93	\$ 525,862,522	93
Asia	16,251,981	3	10,852,963	2
South America	12,372,766	2	8,095,308	1
North America	6,681,992	1	10,796,412	2

d)Liquidity risk

In December 2010 and 2009, the liquidity reserve ratio was 32.03% and 26.26%, respectively. E.SUN Bank has sufficient equity capital and working capital to execute all contract obligations and had no liquidity risk.

The contract or notional amount is used to calculate the amounts to settle with the counter-parties, so it is neither the actual amount delivered nor the cash requirement for E.SUN Bank. Also, E.SUN

Bank can enter into derivative financial contracts at reasonable market terms. Thus, E.SUN Bank did not expect significant cash flow demands to settle these contracts.

The management policy of E.SUN 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.

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

December 31, 2010						
	Due in One Month	Due after One Month Up to Three Months	Due after Three Months Up to One Year	Due after One Year Up to Seven Years	Due after Seven Years	Total
Assets						
Cash and cash equivalents	\$ 11,159,112	\$ -	\$ -	\$ -	\$ -	\$ 11,159,112
Due from the Central Bank and call loans to other banks	45,253,253	1,476,000	-	-	-	46,729,253
Financial assets at fair value through profit or loss	18,914,048	10,856,388	3,387,726	21,027,434	714,674	54,900,270
Securities purchased under resell agreements	1,439,552	-	-	-	-	1,439,552
Receivables	318,217	30,641,861	131,177	5,566,595	-	36,657,850
Discounts and loans	78,887,226	34,736,785	67,316,256	217,786,064	204,050,016	602,776,347
Available-for-sale financial assets	17,740,125	15,230,166	4,224,860	10,215,562	136,084	47,546,797
Held-to-maturity financial assets	236,176,713	1,522,561	3,199,205	13,701,362	55,744	254,655,585
Other financial assets (exclusive of financial assets carried at cost)	584,798	501,500	-	1,238,736	-	2,325,034
	<u>\$ 410,473,044</u>	<u>\$ 94,965,261</u>	<u>\$ 78,259,224</u>	<u>\$ 269,535,753</u>	<u>\$ 204,956,518</u>	<u>\$ 1,058,189,800</u>
Liabilities						
Due to the Central Bank and other banks	\$ 19,303,784	\$ 9,942,500	\$ 9,623,530	\$ -	\$ -	\$ 38,869,814
Financial liabilities at fair value through profit or loss	4,292,515	1,307,184	3,419,650	3,920,882	5,166	12,945,397
Securities sold under repurchase agreements	13,640,188	1,805,327	1,948,727	-	-	17,394,242
Payables	5,479,619	410,835	686,994	3,334,448	-	9,911,896
Deposits and remittances	537,212,645	122,417,779	231,791,364	13,339,059	-	904,760,847
Bank debentures	-	-	-	34,000,000	-	34,000,000
Other financial liabilities	551	29,070	90,306	132,975	51,813	304,715
	<u>\$ 579,929,302</u>	<u>\$ 135,912,695</u>	<u>\$ 247,560,571</u>	<u>\$ 54,727,364</u>	<u>\$ 56,979</u>	<u>\$ 1,018,186,911</u>

December 31, 2009

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

7)The gains (losses) on financial assets and liabilities at fair value through profit or loss in 2010 and 2009 were as follows:

	2010	2009
<u>Financial assets at fair value through profit or loss</u>		
Realized gains	\$ 2,044,959	\$ 2,384,923
Valuation gains (losses)	202,140	(1,311,565)
	<u>2,247,099</u>	<u>1,073,358</u>
<u>Financial liabilities at fair value through profit or loss</u>		
Realized losses	(2,122,768)	(1,621,114)
Valuation gains (losses)	(63,048)	513,905
	<u>(2,185,816)</u>	<u>(1,107,209)</u>
	<u>\$ 61,283</u>	<u>\$ (33,851)</u>

c. E.SUN Securities

1)Fair value of financial instruments

	December 31			
	2010		2009	
<u>Nonderivative</u>	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Assets</u>				
Financial assets with fair value approximating carrying amount	\$ 6,652,601	\$ 6,652,601	\$ 4,831,941	\$ 4,831,941
Financial assets at fair value through profit or loss - current				
Beneficiary certificates	279,452	279,452	330,422	330,422
Operating securities - dealing department	303,885	303,885	282,591	282,591
<u>Liabilities</u>				
Financial liabilities with fair value approximating carrying amount	4,016,349	4,016,349	2,263,144	2,263,144
<u>Derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures exchange margins	4,009	4,009	4,000	4,000

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

a)The carrying amounts of short-term financial instruments approximate their fair values because of the short maturities of these instruments. The method applies to cash and cash equivalents, margin loans receivable, loan from refinanced margin, refinancing deposits receivable, guarantee deposits received on futures contracts, accounts receivable, other receivables (except receivables from adopting the consolidated income tax returns and tax refundable), restricted assets - current, other borrowings, commercial paper issued, deposits on short-sale transactions, payables for short-sale transactions, customers' equity accounts - futures, accounts payable, other payables (except payables from adopting the consolidated income tax returns and tax payable) and securities brokerage accounts, net.

b)For beneficiary certificates, fair value is determined on the basis of quoted market prices.

c)For operating securities, fair value is determined on the listed securities' closing prices or period-end reference prices published by GTSM on the balance sheet date.

d)For operation deposits, settlement funds, refundable deposits, and guarantee deposits received, fair value is their carrying amount because they have no specific maturity dates.

e)Emerging stocks held by the dealing department, noncurrent available-for-sale assets and equity investments under the equity method consist of unlisted stocks. Since these investments have no quoted market prices in an active market and their fair value cannot be reliably measured, E.SUN Securities does not disclose their fair value.

3)As of December 31, 2010 and 2009, fair values of financial assets and liabilities determined using quoted market prices or market prices estimated on the basis of valuation method were as follows:

	December 31			
	2010		2009	
<u>Nonderivative</u>	<u>Quoted Market Prices</u>	<u>Estimated Fair Value</u>	<u>Quoted Market Prices</u>	<u>Estimated Fair Value</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Beneficiary certificates	\$ 279,452	\$ -	\$ 330,422	\$ -
Operating securities - dealing department	303,885	-	282,591	-
<u>Derivatives</u>				
<u>Assets</u>				
Futures exchange margins	4,009	-	4,000	-

4)As of December 31, 2010 and 2009, financial assets exposed to fair value interest rate risk amounted to \$5,668,315 thousand and \$4,020,564 thousand, respectively, financial assets exposed to cash flow interest rate risk amounted to \$517,000 thousand and \$593,000 thousand, respectively, and financial liabilities exposed to fair value interest rate risk amounted to \$3,614,440 thousand and \$2,099,123 thousand, respectively.

5)In 2010 and 2009, the interest revenue (expense) and financial revenue (expense) associated with financial assets (liabilities) other than those at FVTPL were as follows:

	2010	2009
Interest revenue	\$ 259,917	\$ 157,143
Interest expense	577	2,213
Financial revenue	7,254	6,391
Financial expense	8,286	1,108

6)Risk management policy and hedge strategy

The non-derivative financial instruments held by E.SUN Securities mainly include cash and cash equivalents, financial assets at fair value through profit or loss - stocks and beneficiary certificates, borrowings and commercial paper issued. These financial instruments are held to meet demands for funds. E.SUN Securities also holds receivables and payables arising from operating activities.

E.SUN Securities issues derivative financial instruments, including futures contracts and options, to generate reasonable profit.

E.SUN Securities' major risks are cash flow risk arising from interest rate fluctuation, credit risk and liquidity risk.

financial assets (including cash and cash equivalents) held by E.SUN Securities is exposed to credit risk on counter-party defaults. The maximum exposure to losses equals the carrying amount of financial instruments.

Collateral would not be required because E.SUN Securities only conducts business with recognized third parties.

c)Liquidity risk

E.SUN Securities adjusts its liquidity position by using tools such as commercial paper issued and cash and cash equivalents to reach its objectives such as financial stabilization and financial flexibility.

Information on derivative financial instruments is summarized as follows:

a)Cash flow risk arising from interest rate fluctuation

E.SUN Securities' main cash flow risk arises from interest rate fluctuation on time deposits, borrowings and commercial paper issued with floating rate. E.SUN Securities manages its interest rate risk by integrating fix and floating interest rate.

b)Credit risk

E.SUN Securities only conducts business with recognized and creditworthy third parties. Customers are subject to credit verification procedures, and the collection of accounts receivable are subsequently assessed.

The futures and TAIEX options contracts entered into by E.SUN Securities are all exchange traded and can be settled before expiration without default. Therefore, no significant credit risk is expected to arise. Other

a)Stock warrants issued

As premiums from the stock warrants issued by E.SUN Securities were all received, there is no credit risk.

E.SUN Securities is in a short position for the stock warrants issued, which is in reverse to the investors' position. As the investors may exercise their option rights before expiration of the contracts because of the fluctuations in the underlying securities' fair values, E.SUN Securities' position is expected to be exposed to market risk. To reduce the uncertainty, E.SUN Securities mainly adopts delta and vega risk hedging strategies, which are summarized below.

i. Delta risk hedging strategy

The hedge instruments are mainly the underlying securities. The dynamic hedging method is adopted by referring to the delta risk value calculated using E.SUN Securities' risk model.

ii.Vega risk hedging strategy

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities. The strategy adopted in vega hedge is primarily through buying the significantly underpriced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by E.SUN Securities.

Future cash flows refer to the cash inflows or outflows resulting from the settlements of stock warrants by cash or securities when the warrants are exercised. The amount and timing of future cash flows depend on the amount and timing of the stock warrants exercised.

There was no outstanding stock warrants issued as of December 31, 2010 and 2009.

b) Futures and TAIEX options

The contracts entered into by E.SUN Securities are all exchange traded and can be settled before expiration without default. Therefore, no significant credit risk is expected to arise.

The major risk associated with the futures and options undertaken by E.SUN Securities is the market risk arising from the fluctuations in the market prices of the underlying assets. Losses will be incurred if market index prices and the prices of the investment index move in opposite directions. To control the risk within a tolerable limit, a stop-loss mechanism has been established. Hence, market risk is assessed to be remote.

As premiums are paid before futures and option contracts are bought, no funding requirement is expected. In addition, the options written and the outstanding futures contracts can be settled at reasonable prices. Therefore, liquidity risk is assessed to be remote.

To hedge the risk arising from proprietary trading of stocks, E.SUN Securities has entered into TAIEX Index Futures and options. Margin deposits are paid before the transactions take effect. E.SUN Securities in the outstanding futures contracts is marked to market daily, and its working capital is assessed to be adequate to support the margin calls. Hence, no cash flow risk or significant cash requirements are expected.

The gains (losses) from the derivative transactions in 2010 and 2009 are summarized as follows:

	2010	2009
Gains on futures contracts		
Realized	\$ 11,633	\$ 731
Unrealized	-	-
	<u>\$ 11,633</u>	<u>\$ 731</u>
Losses on futures contracts		
Realized	\$ (14,874)	\$ (1,491)
Unrealized	-	-
	<u>\$ (14,874)</u>	<u>\$ (1,491)</u>
Gains on option contracts		
Realized	\$ -	\$ 218
Unrealized	-	-
	<u>\$ -</u>	<u>\$ 218</u>
Losses on option contracts		
Realized	\$ (15)	\$ (281)
Unrealized	-	-
	<u>\$ (15)</u>	<u>\$ (281)</u>

36.ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

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

	E.SUN Bank	E.SUN Securities	Total	Allocation Method
<u>2010</u>				
Rental expense	\$ 2,160	\$ 1,080	\$ 3,240	E.SUN Bank - 2/3 and E.SUN Securities - 1/3
Broadcasting and security systems	36	36	72	50% each
Others	1,381	1,283	2,664	Utilities: 50% each Building maintenance expenses: Based on space actually occupied
	<u>\$ 3,577</u>	<u>\$ 2,399</u>	<u>\$ 5,976</u>	
<u>2009</u>				
Rental expense	\$ 2,160	\$ 1,080	\$ 3,240	E.SUN Bank - 2/3 and E.SUN Securities - 1/3
Broadcasting and security systems	36	36	72	50% each
Others	1,357	1,268	2,625	Cleaning expenses: E.SUN Bank - 24% and E.SUN Securities - 76% Utilities: 50% each Building maintenance expenses: Based on space actually occupied
	<u>\$ 3,553</u>	<u>\$ 2,384</u>	<u>\$ 5,937</u>	

Under cooperation arrangements, E.SUN Bank and ESIB shared some equipment and operating sites, personnel, and an internet service system and provided cross-selling financial services starting in 2004. The service fees earned by E.SUN Bank were based on 10% of the gross revenue derived from the insurance companies' products sold by E.SUN Bank. In 2010 and 2009, ESIB should have paid E.SUN Bank \$59,094 thousand and \$39,113 thousand, respectively; the unpaid amount was \$4,469 thousand and \$4,298 thousand on December 31, 2010 and 2009, respectively.

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

	2010	2009
Revenue	<u>\$ 3,796</u>	<u>\$ 2,459</u>
Expense	<u>\$ 60,704</u>	<u>\$ 56,802</u>

37.E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES' ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a.E.SUN Bank's asset quality

Table 7 (attached).

b.E.SUN Bank's concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2010			December 31, 2009		
	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 Other electronic parts and components manufacturing not classified elsewhere	\$ 9,322,367	16.97	Group B Integrated circuits production	\$ 6,125,680	11.89
2	Group B Integrated circuits production	7,746,499	14.10	Group C Iron and steel smelting	5,357,218	10.40
3	Group C Iron and steel smelting	6,376,403	11.61	Group D Liquid crystal panel and components production	5,275,618	10.24
4	Group D Liquid crystal panel and components production	5,753,178	10.47	Group A Other electronic parts and components manufacturing not classified elsewhere	5,070,856	9.85
5	Group E Civil air transportation	3,886,230	7.07	Group K Railway transportation	3,804,407	7.39
6	Group F Real estate development	3,315,500	6.03	Group L Petroleum and coal products production	3,000,804	5.83
7	Group G Semiconductors packaging and testing	2,970,438	5.41	Group M Liquid crystal panel and components production	2,911,598	5.65
8	Group H Cement manufacturing	2,695,899	4.91	Group F Real estate development	2,911,500	5.65
9	Group I Real estate for sale and rental with own or leased property	2,675,000	4.87	Group N Footwear manufacturing	2,778,518	5.39
10	Group J Wholesale of computers and peripheral equipment and software	2,607,350	4.75	Group E Civil air transportation	2,492,578	4.84

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

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

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

c.E.SUN Bank's interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2010

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 828,318,706	\$ 10,932,206	\$ 3,411,177	\$ 32,001,860	\$ 874,663,949
Interest rate-sensitive liabilities	434,439,782	393,874,015	29,775,827	27,127,604	885,217,228
Interest rate sensitivity gap	393,878,924	(382,941,809)	(26,364,650)	4,874,256	(10,553,279)
Net worth					53,325,461
Ratio of interest rate-sensitive assets to liabilities					98.81
Ratio of interest rate sensitivity gap to net worth					(19.79)

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2009

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

Interest Rate Sensitivity (U.S. Dollars)

December 31, 2010

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

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

Interest Rate Sensitivity (U.S. Dollars)

December 31, 2009

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

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

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

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

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

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

d.Profitability

1)E.SUN Financial Holding Company, Ltd. and subsidiaries

%

Items		Year Ended December 31, 2010	Year Ended December 31, 2009
Return on total assets	Before income tax	0.44	0.24
	After income tax	0.39	0.22
Return on equity	Before income tax	8.35	4.14
	After income tax	7.32	3.83
Net income ratio		22.53	14.54

2) E.SUN Financial Holding Company, Ltd.

%

Items		Year Ended December 31, 2010	Year Ended December 31, 2009
Return on total assets	Before income tax	5.66	3.04
	After income tax	5.97	3.14
Return on equity	Before income tax	6.94	3.70
	After income tax	7.32	3.83
Net income ratio		102.73	95.36

3) E.SUN Bank

%

Items		Year Ended December 31, 2010	Year Ended December 31, 2009
Return on total assets	Before income tax	0.46	0.21
	After income tax	0.40	0.20
Return on equity	Before income tax	8.62	3.82
	After income tax	7.48	3.63
Net income ratio		23.69	14.41

4) E.SUN Securities

%

Items		Year Ended December 31, 2010	Year Ended December 31, 2009
Return on total assets	Before income tax	4.37	5.60
	After income tax	3.50	4.63
Return on equity	Before income tax	8.46	8.58
	After income tax	6.78	7.09
Net income ratio		24.32	25.90

5) E.SUN Insurance Broker Co., Ltd.

%

Items		Year Ended December 31, 2010	Year Ended December 31, 2009
Return on total assets	Before income tax	79.24	80.18
	After income tax	65.83	60.23
Return on equity	Before income tax	95.35	97.41
	After income tax	79.22	73.17
Net income ratio		61.68	55.20

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2010 and 2009.

e.E.SUN Bank's maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2010

(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	\$ 960,162	\$ 313,119	\$ 77,509	\$ 41,112	\$ 61,369	\$ 467,053
Main capital outflow on maturity	1,173,511	164,138	170,577	180,481	272,089	386,226
Gap	(213,349)	148,981	(93,068)	(139,369)	(210,720)	80,827

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2009

(In Millions of New Taiwan Dollars)

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

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

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

December 31, 2010

(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	\$ 4,439,875	\$ 1,274,095	\$ 639,628	\$ 578,962	\$ 402,010	\$ 1,545,180
Main capital outflow on maturity	4,759,974	2,077,542	1,098,051	754,671	735,431	94,279
Gap	(320,099)	(803,447)	(458,423)	(175,709)	(333,421)	1,450,901

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

December 31, 2009

(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	\$ 3,626,444	\$ 843,685	\$ 670,001	\$ 490,237	\$ 295,151	\$ 1,327,370
Main capital outflow on maturity	3,729,442	1,563,170	890,782	602,067	546,998	126,425
Gap	(102,998)	(719,485)	(220,781)	(111,830)	(251,847)	1,200,945

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

f.E.SUN Bank's operation and legal risk

Matters Requiring Special Notation

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount	
	December 31, 2010	December 31, 2009
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on the Bank resulting in the authorities for violations of laws and regulations	E.SUN Bank found a leakage of customers' information due to the weak security management of its e-Banking system. This leakage was in violation of Article 45-1 of Paragraph 1 and Article 48 of Paragraph 2 of the Banking Law of The Republic of China and entailed an administrative fine of \$4,000 thousand.	None
Within the past year, misconduct occurred, resulting in the authorities imposing strict corrective measures on the Bank	None	None
Within the past year, the Bank faced penalties due to violations of "the Banking Law of the Republic of China" Article 61-1	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars	None	None
Other	None	None

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

38.E.SUN BANK'S INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

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

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

Balance Sheet of Trust Accounts

December 31, 2010 and 2009

Trust Assets	2010	2009	Trust Liabilities	2010	2009
Cash in banks	\$ 2,346,217	\$ 1,224,668	Account payable on		
Short-term investments	110,729,159	95,570,898	securities under custody	\$ 43,987,187	\$ 8,752,604
Land	1,731,924	857,840	Trust capital		
Collective investment			Cash	113,781,875	98,625,763
trust fund account	50,847	68,303	Securities	4,522,085	3,613,791
Securities under custody	43,987,187	8,752,604	Real estates	1,731,924	857,840
			Collective investment		
			trust fund account	50,847	68,303
			Reserves and retained		
			earnings (accumulated		
			deficit)	(9,165,890)	(6,035,053)
			Net income (loss)	3,937,306	591,065
Total assets	<u>\$ 158,845,334</u>	<u>\$ 106,474,313</u>	Total liabilities	<u>\$ 158,845,334</u>	<u>\$ 106,474,313</u>

Trust Property List

December 31, 2010 and 2009

Investment Items	2010	2009
Cash in banks	\$ 2,346,217	\$ 1,224,668
Stocks	4,594,836	3,597,902
Mutual funds	105,694,153	91,482,799
Bonds	438,825	488,425
Unsettled beneficiary certificates	605	1,032
Collective investments	740	740
Land	1,731,924	857,840
Collective investment trust fund account	50,847	68,303
Securities under custody	43,987,187	8,752,604
	<u>\$ 158,845,334</u>	<u>\$ 106,474,313</u>

Statements of Income on Trust Accounts
Years Ended December 31, 2010 and 2009

<u>Revenues</u>	<u>2010</u>	<u>2009</u>
Interest	\$ 5,126	\$ 6,372
Cash dividend	2,447,742	1,627,451
Property gain	3,196,394	1,993,858
Realized capital gain - mutual funds	28,668	7,457
Realized capital gain - bonds	492	-
Revenues from beneficiary certificates	693	578
Realized foreign exchange gain	7	-
	<u>5,679,122</u>	<u>3,635,716</u>
 <u>Expenses</u>		
Management fees	187,109	218,268
Supervisor fees	230	133
Service fees	1,872	3,198
Property loss	1,500,453	2,795,992
Income tax	285	378
Other expenses	51,270	25,638
Realized capital loss - mutual funds	597	913
Realized capital loss - collective investments	-	131
	<u>1,741,816</u>	<u>3,044,651</u>
 Net income	 <u><u>\$ 3,937,306</u></u>	 <u><u>\$ 591,065</u></u>

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

39.ESFHC'S FINANCIAL STATEMENTS AND CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES

Please see Table 6 (attached).

40.BUSINESS SEGMENT FINANCIAL INFORMATION

Please see Table 7 (attached).

41.E.SUN SECURITIES' FINANCIAL RATIOS OF FUTURES BUSINESS

As of December 31, 2010 and 2009, the following financial ratios of E.SUN Securities were in compliance with the requirements of the Rules Governing Futures Commission Merchants.

Rule No.	Formula	December 31, 2010		December 31, 2009		Status of Compliance with Standard	
		Formula	Ratio	Formula	Ratio	Standard	(Met/Unmet)
17	Equities	\$399,989	85.38	-	-	≥ 1	Met
	Total liabilities minus customers' equity accounts - futures, futures trading loss reserve and reserve for losses on breach of purchase commitment	(\$242,736 - \$237,447 - \$604)					
17	Current assets	\$431,235	1.80	-	-	≥ 1	Met
	Current liabilities	\$238,988					
22	Equities	\$399,989	104%	-	-	$\geq 60\%$ $\geq 40\%$	Met
	Capital stock	\$385,000					
22	Adjusted net capital	\$373,984	657%	-	-	$\geq 20\%$ $\geq 15\%$	Met
	Client and proprietary account	\$56,942					

42.FUTURES BROKERAGE BUSINESS RISK

Customers have to deposit an initial margin at a percentage of the amount of transaction when entering into futures contracts with the futures department of E.SUN Securities. Customers' gains or losses result from the leverage on the margin deposits. For the protection of E.SUN Securities from harm arising from customers' huge losses, the margin accounts of customers are reevaluated daily on the basis of the market prices of the outstanding futures contracts. When the customers' margin accounts fall below an agreed level (the "maintenance margin"), E.SUN Securities will ask its customers to deposit immediately additional margins. If the customers fail to do so, E.SUN Securities settles their position by making offsets against their contracts.

When customers short-sell call options, they can use the underlying securities as the margin deposits. As of December 31, 2010, there were no underlying securities used as customers' margin deposits.

43.CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Law and related regulations, ESFHC should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or other assets will be restricted, and the authorities may discipline ESFHC, depending on the situation.

The Banking Law and related regulations require that E.SUN Bank maintains both stand-alone and consolidated CARs at a minimum of 8% each. If E.SUN Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that E.SUN Bank may declare or, in certain conditions, totally prohibit E.SUN Bank from declaring cash dividends.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authority may impose certain restrictions on a firm's operations. The CARs of E.SUN

Securities were 470.64% and 489.82% as of December 31, 2010 and 2009.

Please refer to related information in Table 8.

44. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please see Table 9 (attached).

45. OTHER

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

On January 14, 2011, E.SUN Bank signed with Fong-Yi Construction Company a property purchase agreement amounting to \$821,410 thousand. The registration for this property transfer had been completed as of February 14, 2011, the date of the accompanying auditors' report. The property, located in Xitun District of Taichung City, will be used for business operation.

A former employee of E.SUN Securities was accused of stealing and selling clients' stocks, and the affected clients sued and demanded compensation from E.SUN Securities. Taiwan's Chiayi District Court decided that E.SUN Securities and the former employee should give the clients a compensation of \$11,566 thousand. On October 27, 2009, E.SUN Securities reached a compromise with the plaintiff in the Tainan District Civil Court under the Taiwan High Court. Thus, E.SUN Securities paid only \$8,800 thousand as indemnification to the clients.

46. ADDITIONAL DISCLOSURES

Following are the additional disclosures for ESFHC and its investees:

a. Significant transactions and investees:

- 1) Financing provided: ESFHC and E.SUN Bank - not applicable; investee - none.
- 2) Endorsement/guarantee provided: ESFHC and E.SUN Bank - not applicable; investee - none.

3) Marketable securities held: ESFHC, E.SUN Bank and E.SUN Securities - not applicable; investee - Table 1 (attached).

4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital (ESFHC and E.SUN Bank disclosed its investees acquired or disposed of): E.SUN Securities - not applicable; ESFHC and investee - none.

5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.

6) Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None.

7) Financial asset securitization by subsidiaries: Note 10 to the consolidated financial statements.

8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.

9) Sale of nonperforming loans by subsidiaries: None.

10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None.

11) Related information and proportionate share in investees: Table 10 (attached).

12) Derivative transactions: Notes 5 and 35 to the consolidated financial statements.

13) Other significant transactions which may affect the decisions of users of financial reports: Note 45 to the consolidated financial statements.

b. Investment in Mainland China: None.

c. Business relationship and significant transactions among the parent company and subsidiaries: Table 3 (attached).

47. SEGMENT INFORMATION

ESFHC and its subsidiaries engage in investing, banking, securities and insurance. The revenues, operating profits and identifiable assets related to the Company's banking operations represent more than 90% of those of the Company's operations. No other segment information is required to be disclosed.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

TABLE 1

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
E.SUN Venture Capital Co., Ltd.	<u>Stocks</u>							
	E-Ton Solar Tech.	-	Financial assets at fair value through profit or loss	14	\$ 650	0.01	\$ 650	(1)
	Formosa Advanced Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	31	1,178	0.01	1,178	(1)
	Gallant Precision Machining Co., Ltd.	-	Financial assets at fair value through profit or loss	100	1,895	0.04	1,895	(1)
	Optimer	-	Financial assets at fair value through profit or loss	50	16,683	0.13	16,683	(1)
	Forcecon Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	61	2,307	0.13	2,307	(1)
	Hi-Light Tek Co., Ltd.	-	Financial assets at fair value through profit or loss	65	1,641	0.14	1,641	(1)
	Ampire Co., Ltd.	-	Available-for-sale financial assets	297	4,216	0.27	4,216	(1)
	Star World Technology Co., Ltd.	-	Available-for-sale financial assets	5	74	0.01	74	(1)
	Gallant Precision Machining Co., Ltd.	-	Available-for-sale financial assets	272	5,148	0.12	5,148	(1)
	Epistar Corp.	-	Available-for-sale financial assets	27	2,853	-	2,853	(1)
	E-Ton Solar Tech.	-	Available-for-sale financial assets	2	79	-	79	(1)
	Univac Technology Inc.	-	Available-for-sale financial assets	140	3,078	0.17	3,078	(1)
	Formosa Advanced Technologies Co., Ltd.	-	Available-for-sale financial assets	400	15,200	0.09	15,200	(1)
	Optimer	-	Available-for-sale financial assets	337	112,458	0.90	112,458	(1)
	Hi-Light Tek Co., Ltd.	-	Available-for-sale financial assets	256	6,464	0.54	6,464	(1)
	T.H.I. Group Ltd.	-	Available-for-sale financial assets	958	30,380	1.86	30,380	(1)
	Joinsoon Electronics Mfg. Co., Ltd.	-	Available-for-sale financial assets	122	2,074	0.15	2,074	(1)
	Well Technology Co., Ltd.	-	Available-for-sale financial assets	121	4,211	0.47	4,211	(1)
	Etrend Technology Co., Ltd.	-	Available-for-sale financial assets	1,091	21,772	2.73	21,772	(1)
	Wisdom Marine Lines Co., Ltd.	-	Available-for-sale financial assets	2,091	86,787	0.69	86,787	(1)
	Chungghwa Chemical Synthesis Biotech Co., Ltd.	-	Available-for-sale financial assets	413	24,491	0.59	24,491	(1)
	Bank-Pro E-Service Technology Co., Ltd.	-	Financial assets carried at cost	325	3,250	2.41	4,317	(2)
	Epoch Chemtronics Corp.	-	Financial assets carried at cost	2,014	28,001	5.92	33,105	(2)
	Sam Lam Technology Co., Ltd.	-	Financial assets carried at cost	1,700	-	6.07	-	(2)
	Beyond Innovation Technology Co., Ltd.	-	Financial assets carried at cost	1,591	28,329	4.71	9,083	(2)
	Super Link Electronics Co., Ltd. - common stock	-	Financial assets carried at cost	1,640	16,300	17.45	12,712	(2)
	Applied Green Light, Inc. of Cayman	-	Debt instruments with no active market	1,000	9,107	4.82	20,522	(4)
	Solidite Co., Ltd.	-	Financial assets carried at cost	1,400	15,369	6.38	9,060	(2)
	MOSA Industrial Corporation	-	Financial assets carried at cost	1,544	26,064	1.50	26,984	(2)
	Orgchem Technologies Inc.	-	Financial assets carried at cost	1,220	56,000	2.04	24,872	(2)
	Exploit Technology Co., Ltd.	-	Financial assets carried at cost	199	2,802	0.83	3,099	(2)
	Mao Chia Metal Co., Ltd.	-	Financial assets carried at cost	600	18,000	1.90	10,679	(2)
	Wieson Technologies Co., Ltd.	-	Financial assets carried at cost	1,791	25,600	2.97	26,576	(2)
	Litek Opto-electronics Co., Ltd.	-	Financial assets carried at cost	1,000	9,301	4.97	8,636	(2)
	Tospon Corporation	-	Financial assets carried at cost	1,783	45,800	10.61	28,541	(2)
	Powerking Optoelectronic Co., Ltd.	-	Financial assets carried at cost	893	16,363	4.32	7,477	(2)
	Chuan Shih Industrial Co., Ltd.	-	Financial assets carried at cost	2,250	-	5.79	1,925	(2)
	Crowningtek Inc.	-	Financial assets carried at cost	1,900	19,200	10.86	7,012	(2)
	Chia Chang Co., Ltd.	-	Financial assets carried at cost	2,658	98,135	2.02	117,660	(3)
	Gloria Solar International Holding, Inc.	-	Financial assets carried at cost	500	20,000	0.51	6,542	(2)
	Aero Win Technology Corporation	-	Financial assets carried at cost	1,123	13,000	2.00	13,227	(2)
	Bay Zu Precision Co., Ltd.	-	Financial assets carried at cost	800	16,000	1.31	8,640	(2)
	Starchips Technology Inc.	-	Financial assets carried at cost	1,000	19,500	5.56	3,589	(2)
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets carried at cost	500	11,000	1.16	4,512	(2)
	Vactronics Technologies Inc.	-	Financial assets carried at cost	1,700	23,800	5.31	8,323	(2)
	Fuho Technology Co., Ltd.	-	Financial assets carried at cost	353	11,400	1.21	5,259	(2)
	Auria Solar Co., Ltd.	-	Financial assets carried at cost	1,200	30,000	0.57	19,432	(2)
	Mercury Electronic Industrial Co., Ltd.	-	Financial assets carried at cost	1,700	19,800	6.90	18,403	(2)
	Awin Diamond Technology Corporation	-	Financial assets carried at cost	1,500	20,250	14.72	11,099	(2)
	Chipship Technology Co., Ltd.	-	Financial assets carried at cost	811	29,800	1.90	10,625	(2)
	Innovation & Infinity Global Corporation	-	Financial assets carried at cost	2,009	69,900	2.97	44,072	(2)
	UniDisplay Inc.	-	Financial assets carried at cost	1,600	28,800	1.23	14,013	(2)
	Dano Tech Co., Ltd.	-	Financial assets carried at cost	1,200	33,000	2.82	5,823	(2)
	Suntek Precision Corp.	-	Financial assets carried at cost	1,398	23,054	2.71	14,009	(2)
	Arcelite Optronics Corp.	-	Financial assets carried at cost	1,244	22,109	4.91	14,173	(2)
	Optimer Biotechnology, Inc.	-	Financial assets carried at cost	2,582	17,664	4.80	8,967	(2)
	Tai Tung Communication Co., Ltd.	-	Financial assets carried at cost	1,684	38,575	2.69	25,438	(3)
	Partner Tech Corp.	-	Financial assets carried at cost	1,704	18,497	2.77	20,829	(2)
	Win Win Precision Technology Co., Ltd.	-	Financial assets carried at cost	650	30,000	1.91	17,959	(2)
	Ever Growing Group, Inc.	-	Financial assets carried at cost	1,418	37,125	5.05	36,101	(2)
	Jochu Technology Co., Ltd.	-	Financial assets carried at cost	175	8,812	0.22	7,039	(3)
	Crystal Applied Technology Inc.	-	Financial assets carried at cost	42	1,671	0.10	668	(3)
	Kuo Ching Chemical Co., Ltd.	-	Financial assets carried at cost	770	16,800	1.18	12,702	(2)
	Airbag Packing Co., Ltd.	-	Financial assets carried at cost	1,000	10,000	4.00	10,122	(2)
	Jetbest Corporation	-	Financial assets carried at cost	93	3,780	0.54	1,766	(2)
	Turvo International Co., Ltd.	-	Financial assets carried at cost	1,000	50,500	3.29	22,644	(2)
	Yang Ting Technology Co., Ltd.	-	Financial assets carried at cost	500	10,000	3.33	8,674	(2)
	Xu Yuan Packing Technology Co., Ltd.	-	Financial assets carried at cost	713	24,242	2.71	11,657	(2)
	Chimei Materials Technology Corp.	-	Financial assets carried at cost	345	9,252	0.08	4,782	(2)
	Procrystal Technology Co., Ltd.	-	Financial assets carried at cost	200	10,000	0.40	3,143	(2)
	OME Technology Co., Ltd.	-	Financial assets carried at cost	1,000	25,000	2.50	12,199	(2)
	<u>Taiwan depositary receipts</u>							
	Digital China Holdings Limited	-	Financial assets at fair value through profit or loss	200	5,310	0.01	5,310	(1)
E.SUN Insurance Broker Co., Ltd.	<u>Corporate bonds</u>							
	Wells Fargo & Company WFC438	-	Available-for-sale financial assets	1,000	30,798	-	30,798	(1)
	<u>Beneficiary certificates</u>							
	Fuh Hwa Global Short-term Income Fund	-	Available-for-sale financial assets	5,227	55,575	-	55,575	(1)
	Fuh Hwa Global Fixed Income Fund of Funds	-	Available-for-sale financial assets	405	5,356	-	5,356	(1)
	E.SUN Global Trestyle Collective Investment Trust Fund Account	-	Available-for-sale financial assets	2,930	37,275	-	37,275	(1)
	Fuh Hwa Emerging Market Active Alloc Fund of Funds	-	Available-for-sale financial assets	3,000	29,970	-	29,970	(1)
	PCA Global High Yield Bond Fund	-	Available-for-sale financial assets	3,000	30,076	-	30,076	(1)
	Sinopac Global Investment Grade Bond Fund	-	Available-for-sale financial assets	1,000	10,026	-	10,026	(1)
	Schroder Global High Income Bond Fund	-	Available-for-sale financial assets	2,000	19,472	-	19,472	(1)
	PIMCO Funds: Global Investors Series plc Total Return Bond Fund	-	Available-for-sale financial assets	106	37,346	-	37,346	(1)
	Pimco Funds: Global Investors Series plc Diversified Income Fund	-	Available-for-sale financial assets	52	18,312	-	18,312	(1)
	International Opportunities Funds US Investment Grade Bond	-	Available-for-sale financial assets	47	18,321	-	18,321	(1)
	International Opportunities Funds Asian Bond	-	Available-for-sale financial assets	65	27,683	-	27,683	(1)
	International Opportunities Funds Asian Local Bond	-	Available-for-sale financial assets	79	28,293	-	28,293	(1)
	International Opportunities Funds Dragon Peacock Equity	-	Available-for-sale financial assets	44	27,778	-	27,778	(1)

Note 1: Market value of the listed stocks was based on the closing price as of December 31, 2010. The market value of fund was based on the net asset value as of December 31, 2010.

Note 2: Unlisted company. The amounts are based on the investee's latest unaudited or unreviewed financial statements.

Note 3: Unlisted company. The amounts are based on the investee's latest audited or reviewed financial statements.

Note 4: The fair value is determined on the basis of the discounted cash flow method.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
DECEMBER 31, 2010 AND 2009

TABLE 2

Subsidiaries included in the consolidated financial statements:

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership		Note
				December 31, 2010	December 31, 2009	
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	100.00	
	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in	100.00	100.00	
	E.SUN Venture Capital Co., Ltd.	Taipei	brokerage of futures	100.00	100.00	
	E.SUN Insurance Broker Co., Ltd.	Taipei	Investment Insurance broker	100.00	100.00	
E.SUN Securities Co., Ltd.	E.SUN Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	100.00	100.00	

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

TABLE 3

2010

No. (Note 1)	Transaction Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (%)
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Cash and cash equivalents	\$ 6,782,378	Note 4	0.63
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Deposits and remittances	6,782,378	Note 4	0.63
4	E.SUN Venture Capital Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	299,216	Note 4	0.03
1	E.SUN Commercial Bank, Ltd.	E.SUN Venture Capital Co., Ltd.	c	Deposits and remittances	299,216	Note 4	0.03
3	E.SUN Securities Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	189,680	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Securities Co., Ltd.	c	Deposits and remittances	189,680	Note 4	0.02
2	E.SUN Insurance Broker Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	181,985	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Insurance Broker Co., Ltd.	c	Deposits and remittances	181,985	Note 4	0.02
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Other payable	176,533	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Other receivable	176,533	Note 4	0.02

2009

No. (Note 1)	Transaction Company	Counter-party	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (%)
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Cash and cash equivalents	\$5,054,645	Note 4	0.54
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Deposits and remittances	5,054,645	Note 4	0.54
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Other payable	295,875	Note 4	0.03
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Other receivable	295,875	Note 4	0.03
4	E.SUN Venture Capital Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	292,520	Note 4	0.03
1	E.SUN Commercial Bank, Ltd.	E.SUN Venture Capital Co., Ltd.	c	Deposits and remittances	292,520	Note 4	0.03
3	E.SUN Securities Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	217,709	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Securities Co., Ltd.	c	Deposits and remittances	217,709	Note 4	0.02
2	E.SUN Insurance Broker Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	192,017	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Insurance Broker Co., Ltd.	c	Deposits and remittances	192,017	Note 4	0.02

Note 1: The parent company and subsidiaries are numbered as follows:

- a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

- a. From parent company to subsidiary.
b. From subsidiary to parent company.
c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the Company and related parties are similar to those with unrelated parties.

Note 5: Referring to transactions exceeding New Taiwan dollars 100,000 thousand.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

TABLE 4
Loan
December 31, 2010

Type	Account Volume or Name	Highest Balance in the Year Ended December 31, 2010 (Note)	Ending Balance	Loans Classification		Collateral	Differences in Terms of Transaction Compared with Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	82	\$ 160,920	\$ 114,253	\$ 114,253	\$ -	Land and buildings as collateral for part of the loans	None
Self-used housing mortgage loans	66	427,672	335,652	335,652	-	Land and buildings	None
Other loans	J.C. Wang	1,712	1,586	1,586	-	Land and buildings	None
Other loans	J.C. Wang	1,500	1,476	1,476	-	Land and buildings	None
Other loans	Ching-Lee Kao	5,000	2,187	2,187	-	Land and buildings	None
Other loans	Wen-Chuan Tu	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Cheng-Ta Lee	600	580	580	-	Land and buildings	None
Other loans	Davis Tsai	671	-	-	-	Land and buildings	None
Other loans	Vivian Ho	1,100	1,081	1,081	-	Land and buildings	None
Other loans	Shuei-Ping Wan	870	-	-	-	Land and buildings	None
Other loans	Chun-Nan Tsai	2,500	2,478	2,478	-	Land and buildings	None
Other loans	Rong-Huel Chang	3,940	2,054	2,054	-	Land and buildings	None
Other loans	L.C. Lin	900	900	900	-	Land and buildings	None
Other loans	Jia-Tie Huang	2,000	1,807	1,807	-	Land and buildings	None
Other loans	Kuan-Her Wu	1,845	-	-	-	Land and buildings	None
Other loans	Town-Wen Liu	800	-	-	-	Land and buildings	None
Other loans	Edward Chen	3,825	3,612	3,612	-	Land and buildings	None
Other loans	David H. C. Lien	3,000	786	786	-	Land and buildings	None
Other loans	Mei-Nu Chen	2,000	1,922	1,922	-	Land and buildings	None
Other loans	Day-Yu Chen	700	-	-	-	Land and buildings	None
Other loans	Cheng-Hao Chang	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Cheng-Hao Chang	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Shin-Ching Wei	1,900	1,900	1,900	-	Land and buildings	None
Other loans	Ping-Huei Chen	5,000	5,000	5,000	-	Land and buildings	None
Other loans	Tomy Wong	5,800	5,800	5,800	-	Land and buildings	None
Other loans	Benny Chen	1,000	975	975	-	Land and buildings	None
Other loans	I-Shun Chou	3,000	2,040	2,040	-	Land and buildings	None
Other loans	Peter Chen	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Tsung-Pin Chen	3,828	-	-	-	Land and buildings	None
Other loans	Tsung-Pin Chen	5,000	-	-	-	Land and buildings	None
Other loans	Shih-Hui Lin	1,675	1,595	1,595	-	Land and buildings	None
Other loans	Kuang-Yi Hung	1,500	1,441	1,441	-	Land and buildings	None
Other loans	Joe Huang	13,000	-	-	-	Land and buildings	None
Other loans	Joe Huang	5,000	2,800	2,800	-	Land and buildings	None
Other loans	Sin-Hua Chen	3,800	3,596	3,596	-	Land and buildings	None
Other loans	Yin-Sung Liu	6,445	6,201	6,201	-	Land and buildings	None
Other loans	Wen-Chian Chang	400	393	393	-	Land and buildings	None
Other loans	Heng-Hwa Yang	320	-	-	-	Land and buildings	None
Other loans	Huei-Ling Tsai	4,000	2,350	2,350	-	Land and buildings	None
Other loans	Wu-Shin Chen	800	189	189	-	Land and buildings	None
Other loans	Joseph N. C. Huang	1,000	1,000	1,000	-	Land and buildings	None
Other loans	Nan-Ming Chen	1,949	1,861	1,861	-	Land and buildings	None
Other loans	Yi-Shing Hsiao	800	786	786	-	Land and buildings	None

December 31, 2009

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

Note: The sum of the respective highest balances of all accounts in the years ended December 31, 2010 and 2009.

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, %)

TABLE 5

Period			December 31, 2010					December 31, 2009				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		\$ 372,086	\$ 110,691,000	0.34	\$ 765,484	205.73	\$ 586,353	\$ 90,561,093	0.65	\$ 586,353	100.00
	Unsecured		718,342	146,957,474	0.49	1,301,743	181.21	1,296,494	136,370,502	0.95	1,296,494	100.00
Consumer Banking	Housing mortgage (Note 4)		632,569	247,911,168	0.26	667,134	105.46	819,020	255,536,546	0.32	549,736	67.12
	Cash card		1,168	26,839	4.35	10,707	916.70	3,990	40,746	9.79	3,990	100.00
	Small scale credit loans (Note 5)		502,203	21,957,675	2.29	637,331	126.91	861,627	14,181,548	6.08	861,627	100.00
	Other (Note 6)	Secured	55,265	68,867,637	0.08	154,506	279.57	51,252	51,479,366	0.10	51,252	100.00
		Unsecured	60,851	6,364,555	0.96	78,105	128.35	102,564	5,765,980	1.78	102,564	100.00
Loan			2,342,484	602,776,348	0.39	3,615,010	154.32	3,721,300	553,935,781	0.67	3,452,016	92.76
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			111,421	30,887,743	0.36	436,132	391.43	430,815	29,849,038	1.44	575,489	133.58
Factoring accounts receivable without recourse (Note 7)			-	1,365,701	-	3,464	-	-	528,809	-	2,000	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			158,038					96,047				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			620,348					1,018,770				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			141,981					85,078				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			772,477					800,828				

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

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

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

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

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

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

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

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

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

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

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

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

ESFHC'S FINANCIAL STATEMENTS AND CONDENSED FINANCIAL STATEMENTS
OF SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

TABLE 6

1.ESFHC's financial statements

E.SUN Financial Holding Company, Ltd.					
Balance Sheets					
December 31, 2010 and 2009					
(In Thousands of New Taiwan Dollars, Except Par Value)					
Assets	2010	2009	Liabilities and Stockholder's Equity	2010	2009
Cash and cash equivalents	\$ 6,782,379	\$ 5,054,646	Financial liabilities at fair value		
Financial assets at fair value through profit or loss	-	1,011	through profit or loss	\$ 5,138,932	\$ 4,798,424
Receivables	830,086	807,921	Payables	445,235	459,415
Equity investments under the equity method	60,799,227	57,006,584	Corporate bonds payable	7,500,000	5,500,000
Other financial assets	12,690	12,690	Accrued pension cost	20,755	3,569
Properties, net	246	271	Other liabilities	82,512	188,771
Intangible assets	1,848	1,934	Total liabilities	13,187,434	10,950,179
Other assets, net	2,817	2,838	Stockholders' equity		
			Common stock - NT\$10.00		
			par value, authorized 5,000,000		
			thousand shares; issued and		
			outstanding 3,803,300 thousand		
			shares in 2010 and 3,652,800		
			thousand shares in 2009	38,033,000	36,528,000
			Capital surplus	10,578,871	10,451,904
			Retained earnings	6,503,368	4,759,376
			Cumulative translation adjustments	(128,172)	(39,540)
			Unrealized valuation gains on		
			financial instruments	274,295	408,083
			Treasury stock	-	(168,399)
			Net loss not recognized as pension cost	(19,503)	(1,708)
Total	\$ 68,429,293	\$ 62,887,895	Total stockholders' equity	55,241,859	51,937,716
			Total	\$ 68,429,293	\$ 62,887,895

E.SUN Financial Holding Company, Ltd.

Statements of Income
Years Ended December 31, 2010 and 2009
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2010	2009		
Revenues and gains				
Income from equity investments under the equity method	\$ 4,720,551	\$ 2,272,699		
Other revenues and gains	63,301	102,215		
Total revenues and gains	4,783,852	2,374,914		
Expenses and losses				
Operating expenses	100,663	157,310		
Other expenses and losses	965,093	352,815		
Total expenses and losses	1,065,756	510,125		
Income before income tax	3,718,096	1,864,789		
Income tax benefit	204,976	63,549		
Net income	\$ 3,923,072	\$ 1,928,338		
Earnings per share	2010	2009		
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share				
Diluted earnings per share				
	\$ 0.98	\$ 1.04	\$ 0.50	\$ 0.51
	\$ 0.98	\$ 1.04	\$ 0.49	\$ 0.49

E.SUN Financial Holding Company, Ltd.

Statements of Changes in Stockholders' Equity
Years Ended December 31, 2010 and 2009
(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus	Retained Earnings			Equity Adjustments				Total Stockholders' Equity
	Shares (in Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Valuation Gains (Losses) on Financial Instruments	Treasury Stock	Net Loss Not Recognized as Pension Cost	
BALANCE, JANUARY 1, 2009	3,544,351	\$ 35,443,511	\$10,407,577	\$1,773,823	\$683,801	\$1,424,119	\$ (11,318)	\$ (636,969)	\$ (336,819)	\$ (5,524)	\$48,742,201
Reversal of special reserve	-	-	-	-	(29,989)	29,989	-	-	-	-	-
Appropriation of prior year's earnings (Note)											
Legal reserve	-	-	-	102,501	-	(102,501)	-	-	-	-	-
Special reserve	-	-	-	-	163,969	(163,969)	-	-	-	-	-
Stock dividend	105,071	1,050,705	-	-	-	(1,050,705)	-	-	-	-	-
Balance after appropriation	3,649,422	36,494,216	10,407,577	1,876,324	817,781	136,933	(11,318)	(636,969)	(336,819)	(5,524)	48,742,201
Issuance of common stock from bonus to employees	3,378	33,784	(980)	-	-	-	-	-	-	-	32,804
Net income in 2009	-	-	-	-	-	1,928,338	-	-	-	-	1,928,338
Change in cumulative translation adjustments	-	-	-	-	-	-	(28,222)	-	-	-	(28,222)
Change in unrealized valuation gains on financial instruments	-	-	-	-	-	-	-	1,045,052	-	-	1,045,052
Reissuance of treasury stock to employees - 21,000 thousand shares	-	-	45,307	-	-	-	-	-	168,420	-	213,727
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	3,816	3,816
BALANCE, DECEMBER 31, 2009	3,652,800	36,528,000	10,451,904	1,876,324	817,781	2,065,271	(39,540)	408,083	(168,399)	(1,708)	51,937,716
Reversal of special reserve	-	-	-	-	(653,812)	653,812	-	-	-	-	-
Appropriation of prior year's earnings (Note)											
Legal reserve	-	-	-	192,834	-	(192,834)	-	-	-	-	-
Dividend	-	-	-	-	-	(726,360)	-	-	-	-	(726,360)
Cash	-	-	-	-	-	(726,360)	-	-	-	-	(726,360)
Stock	145,272	1,452,720	-	-	-	(1,452,720)	-	-	-	-	-
Balance after appropriation	3,798,072	37,980,720	10,451,904	2,069,158	163,969	347,169	(39,540)	408,083	(168,399)	(1,708)	51,211,356
Issuance of common stock from bonus to employees	5,228	52,280	14,377	-	-	-	-	-	-	-	66,657
Acquisition of treasury stock - 34,059 thousand shares	-	-	-	-	-	-	-	-	(459,649)	-	(459,649)
Reissuance of treasury stock to employees - 55,059 thousand shares	-	-	112,590	-	-	-	-	-	628,048	-	740,638
Net income in 2010	-	-	-	-	-	3,923,072	-	-	-	-	3,923,072
Change in cumulative translation adjustments	-	-	-	-	-	-	(88,632)	-	-	-	(88,632)
Change in unrealized valuation losses on financial instruments	-	-	-	-	-	-	-	(133,788)	-	-	(133,788)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(17,795)	(17,795)
BALANCE, DECEMBER 31, 2010	3,803,300	\$ 38,033,000	\$10,578,871	\$ 2,069,158	\$ 163,969	\$ 4,270,241	\$ (128,172)	\$ 274,295	\$ -	\$ (19,503)	\$55,241,859

Note: For the years ended December 31, 2009 and 2008, the remuneration to directors of \$22,699 thousand and \$10,945 thousand, respectively, and bonus to employees of \$68,096 thousand (\$66,657 thousand in common stock and \$1,439 thousand in cash) and \$32,835 thousand (\$32,804 thousand in common stock and \$31 thousand in cash), respectively, were deducted from the income statements.

E.SUN Financial Holding Company, Ltd.

Statements of Cash Flows
Years Ended December 31, 2009 and 2008
(In Thousands of New Taiwan Dollars)

	2010	2009
Cash flows from operating activities		
Net income	\$ 3,923,072	\$ 1,928,338
Income from equity investments under the equity method, net	(4,720,551)	(2,272,699)
Cash dividends from equity investments under the equity method	922,574	78,910
Depreciation expenses	174	161
Losses on the valuation of financial instruments	340,508	375,318
Salary expense on share-based payment	1,333	899
Deferred income tax	(106,259)	739
Other	(516)	(169)
Net changes in operating assets and liabilities		
Held-for-trading financial assets	1,011	1,438,353
Held-for-trading financial liabilities	-	(1,680,493)
Receivables	(22,165)	(300,215)
Other assets	21	17
Payables	(51,475)	116,903
Net cash provided by (used in) operating activities	287,727	(313,938)
Cash flows from investing activities		
Acquisition of properties	(149)	-
Increase in equity investments under the equity method	-	(2,865,000)
Decrease in refundable deposits	-	848,100
Net cash used in investing activities	(149)	(2,016,900)
Cash flows from financing activities		
Proceeds of the issuance corporate bonds	2,000,000	-
Cash dividends paid	(726,360)	-
Proceeds of the disposal of treasury stock	626,164	167,915
Acquisition of treasury stock	(459,649)	-
Net cash provided by financing activities	1,440,155	167,915
Effects of exchange rate changes	-	(28,750)
Net increase (decrease) in cash and cash equivalents	1,727,733	(2,191,673)
Cash and cash equivalents, beginning of year	5,054,646	7,246,319
Cash and cash equivalents, end of year	\$ 6,782,379	\$ 5,054,646
Supplementary cash flow information		
Interest paid	\$ 186,870	\$ 215,274
Income tax paid	\$ 2,215	\$ 309,617

2.Subsidiaries' condensed balance sheets

E.SUN Commercial Bank, Ltd.

Condensed Balance Sheets
December 31, 2010 and 2009
(In Thousands of New Taiwan Dollars)

Assets	2010	2009	Liabilities and Stockholder's Equity	2010	2009
			<u>Liabilities</u>		
Cash and cash equivalents	\$ 11,159,112	\$ 9,800,366			
Due from the Central Bank and call loans to other banks	46,729,253	217,175,215	Due to the Central Bank and other banks	\$ 38,869,814	\$ 39,051,957
Financial assets at fair value through profit or loss, net	54,900,270	39,489,518	Financial liabilities at fair value through profit or loss	12,945,397	11,059,469
Securities purchased under resell agreements	1,439,552	3,384,993	Securities sold under repurchase agreements	17,394,242	14,518,968
Receivables, net	35,891,606	32,990,151	Payables	9,911,896	7,556,252
Discounts and loans, net	599,161,337	550,483,765	Deposits and remittances	904,760,847	775,064,009
Available-for-sale financial assets, net	47,546,797	36,818,491	Bank debentures	34,000,000	33,500,000
Held-to-maturity financial assets, net	254,655,585	18,278,241	Other financial liabilities	304,715	2,136,729
Other financial assets, net	2,801,199	6,146,635	Other	1,511,978	402,615
Properties, net	14,194,456	13,859,239	Total liabilities	1,019,698,889	883,289,999
Intangible assets	3,991,910	4,030,756			
Other assets, net	2,169,454	2,339,493	<u>Stockholder's equity</u>		
			Capital stock	35,100,000	33,624,000
			Capital surplus	8,290,091	8,083,943
			Retained earnings	11,459,706	9,496,329
			Cumulative translation adjustments	(128,172)	(39,540)
			Unrealized valuation gains on financial instruments	220,017	342,132
			Total stockholder's equity	54,941,642	51,506,864
Total	\$ 1,074,640,531	\$ 934,796,863	Total	\$ 1,074,640,531	\$ 934,796,863

E.SUN Securities Co., Ltd.

Condensed Balance Sheets
December 31, 2010 and 2009
(In Thousands of New Taiwan Dollars)

Assets	2010	2009	Liabilities and Stockholder's Equity	2010	2009
			<u>Liabilities</u>		
Current assets	\$ 6,576,754	\$ 4,755,548			
Fund and investments	113,172	82,570	Current liability	\$ 4,088,034	\$ 2,344,725
Properties, net	261,533	324,125	Other	97,644	82,833
Intangible assets	21,626	13,717	Total liabilities	4,185,678	2,427,558
Other assets	752,718	705,382			
Securities brokerage accounts, net	37,157	21,708	<u>Stockholders' equity</u>		
			Capital stock	3,060,000	3,060,000
			Capital surplus	11,741	2,328
			Retained earnings	505,541	413,164
			Total stockholders' equity	3,577,282	3,475,492
Total	\$ 7,762,960	\$ 5,903,050	Total	\$ 7,762,960	\$ 5,903,050

E.SUN Insurance Broker Co., Ltd.

Condensed Balance Sheets
December 31, 2010 and 2009
(In Thousands of New Taiwan Dollars)

Assets	2010	2009	Liabilities and Stockholder's Equity	2010	2009
			<u>Liabilities</u>		
Current assets	\$ 576,812	\$ 417,952	Current liability	\$92,110	\$ 86,980
Fund and investments	30,798	33,173	Other	227	166
Properties, net	42	68	Total liabilities	92,337	87,146
Intangible assets	990	1,767			
Other assets	529	137	<u>Stockholder's equity</u>		
			Capital stock	113,000	113,000
			Capital surplus	1,149	45
			Retained earnings	412,946	251,992
			Unrealized valuation gains (losses) on financial instruments	(10,254)	914
			Net loss not recognized as pension cost	(7)	-
Total	\$ 609,171	\$ 453,097	Total stockholder's equity	516,834	365,951
			Total	\$ 609,171	\$ 453,097

E.SUN Venture Capital Co., Ltd.

Condensed Balance Sheets
December 31, 2010 and 2009
(In Thousands of New Taiwan Dollars)

Assets	2010	2009	Liabilities and Stockholder's Equity	2010	2009
			<u>Liabilities</u>		
Current assets	\$ 661,605	\$ 611,004	Current liability	\$ 19,271	\$ 7,966
Fund and investments	1,120,951	1,054,973	Other	232	176
Properties, net	162	227	Total liabilities	19,503	8,142
Intangible assets	100	60			
Other assets	154	155	<u>Stockholders' equity</u>		
			Capital stock	1,500,000	1,500,000
			Capital surplus	510	81
			Retained earnings	198,427	93,158
			Unrealized valuation gains on financial instruments	64,532	65,038
			Total stockholders' equity	1,763,469	1,658,277
Total	\$ 1,782,972	\$ 1,666,419	Total	\$ 1,782,972	\$ 1,666,419

3.Subsidiaries' condensed income statements

E.SUN Commercial Bank, Ltd.

Condensed Income Statements Years Ended December 31, 2010 and 2009 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2010	2009
Net interest	\$ 11,376,853	\$ 8,601,685
Net revenues and gains other than interest	5,429,956	3,714,781
Total net revenues	16,806,809	12,316,466
Allowance for bad-debt expenses	(2,727,059)	(2,112,036)
Operating expenses	(9,489,674)	(8,336,371)
Income before income tax	\$ 4,590,076	\$ 1,868,059
Net income	\$ 3,981,361	\$ 1,774,435
Earnings per share - before income tax	\$1.31	\$0.56
Earnings per share - after income tax	\$1.13	\$0.53

E.SUN Securities Co., Ltd.

Condensed Income Statements Years Ended December 31, 2010 and 2009 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2010	2009
Revenues	\$ 1,083,474	\$ 975,317
Expenses	(785,137)	(687,541)
Income before income tax	\$ 298,337	\$ 287,776
Net income	\$ 239,257	\$ 238,055
Earnings per share - before income tax	\$0.97	\$0.94
Earnings per share - after income tax	\$0.78	\$0.78

E.SUN Insurance Broker Co., Ltd.

Condensed Income Statements
 Years Ended December 31, 2010 and 2009
 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2010	2009
Operating income	\$ 562,832	\$ 372,953
Operating expenses	(146,058)	(101,215)
Nonoperating revenues and gains	7,533	10,332
Nonoperating expenses and losses	(3,450)	(1,607)
Income before income tax	\$ 420,857	\$ 280,463
Net income	\$ 349,664	\$ 210,678
Earnings per share - before income tax	\$37.24	\$24.82
Earnings per share - after income tax	\$30.94	\$18.64

E.SUN Venture Capital Co., Ltd.

Condensed Income Statements
 Years Ended December 31, 2010 and 2009
 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

Items	2010	2009
Revenues	\$ 215,314	\$ 96,020
Expenses	(50,317)	(42,935)
Income before income tax	\$ 164,997	\$ 53,085
Net income	\$ 150,269	\$ 49,531
Earnings per share - before income tax	\$1.10	\$0.40
Earnings per share - after income tax	\$1.00	\$0.37

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

TABLE 7
2010

Items \ Business Segment	Banking	Securities	Others	Consolidated
Net interest (losses)	\$ 11,415,696	\$ 251,924	\$ (216,650)	\$ 11,450,970
Net revenues and gains (losses) other than interest	5,326,157	661,000	(22,766)	5,964,391
Total net revenues (losses)	16,741,853	912,924	(239,416)	17,415,361
Allowance for bad-debt expenses	(2,727,059)	(5,198)	-	(2,732,257)
Operating expenses	(9,385,477)	(651,167)	(174,304)	(10,210,948)
Income (losses) before income tax	4,629,317	256,559	(413,720)	4,472,156
Income tax benefits (expenses)	(608,715)	(59,080)	118,711	(549,084)
Net income (losses)	4,020,602	197,479	(295,009)	3,923,072

2009

Items \ Business Segment	Banking	Securities	Others	Consolidated
Net interest (losses)	\$ 8,679,809	\$ 163,273	\$ (200,659)	\$ 8,642,423
Net revenues and gains other than interest	3,656,333	693,317	266,878	4,616,528
Total net revenues	12,336,142	856,590	66,219	13,258,951
Allowance for bad-debt expenses	(2,112,036)	(4,904)	-	(2,116,940)
Operating expenses	(8,258,102)	(614,145)	(187,847)	(9,060,094)
Income (losses) before income tax	1,966,004	237,541	(121,628)	2,081,917
Income tax	(93,624)	(49,721)	(10,234)	(153,579)
Net income (losses)	1,872,380	187,820	(131,862)	1,928,338

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CAPITAL ADEQUACY RATIO
DECEMBER 31, 2010 AND 2009

TABLE 8

1.E.SUN Financial Holding Company, Ltd.'s Capital Adequacy Ratio

Unit: In Thousands of New Taiwan Dollars, %

	December 31, 2010			December 31, 2009		
	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Proportionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
E.SUN Financial Holding Company, Ltd.		\$ 58,540,011	\$ 60,860,129		\$ 54,337,716	\$ 57,053,175
E.SUN Commercial Bank, Ltd.	100	67,348,487	46,655,136	100	58,053,242	42,098,339
E.SUN Securities Co., Ltd.	100	2,861,533	912,020	100	2,747,070	841,247
E.SUN Venture Capital Co., Ltd.	100	1,763,469	891,486	100	1,658,277	833,210
E.SUN Insurance Broker Co., Ltd.	100	516,834	304,586	100	365,951	226,549
Deduction		(70,896,148)	(60,811,917)		(65,961,195)	(57,019,274)
Total		60,134,186	48,811,440		51,201,061	44,033,246
Group capital adequacy ratio		123.20			116.28	

Note 1: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

Note 2: Group capital adequacy ratio = Group's net eligible capital ÷ Group's statutory capital requirement.

2.E.SUN Financial Holding Company, Ltd.'s Eligible Capital

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2010	December 31, 2009
Common stock	\$ 38,033,000	\$ 36,528,000
Qualified noncumulative perpetual preferred stocks and noncumulative subordinated debts without maturity dates conformed with the terms of Bank's Tier 1 capital	-	-
Other preferred stocks and subordinated debts	3,300,000	2,400,000
Capital collected in advance	-	-
Capital surplus	10,578,871	10,451,904
Legal reserve	2,069,158	1,876,324
Special reserve	163,969	817,781
Cumulative earnings	4,270,241	2,065,271
Equity adjustments	126,620	366,835
Less: Goodwill	-	-
Less: Deferred assets	1,848	-
Less: Treasury stock	-	168,399
Total eligible capital	58,540,011	54,337,716

Note: The above amounts are calculated under the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies."

3.E.SUN Commercial Bank, Ltd.'s Capital Adequacy Ratio

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

Year			December 31, 2010	December 31, 2009
Items				
Eligible Capital	Tier 1 capital		\$ 49,872,438	\$ 43,649,594
	Tier 2 capital		17,476,049	14,403,648
	Tier 3 capital		-	-
	Eligible Capital		67,348,487	58,053,242
Risk-weighted assets	Credit risk	Standardized approach	529,891,296	467,100,520
		Internal ratings - based approach	-	-
		Securitization	1,193,323	2,104,311
	Operational risk	Basic indicator approach	26,757,188	24,446,038
		Standardized approach/Alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	25,347,388	32,578,363
		Internal model approach	-	-
	Risk-weighted assets		583,189,195	526,229,232
	Capital adequacy ratio			11.55
Ratio of tier 1 capital to risk-weighted assets			8.55	8.29
Ratio of tier 2 capital to risk-weighted assets			3.00	2.74
Ratio of tier 3 capital to risk-weighted assets			-	-
Ratio of common stock to total assets			3.27	3.60
Ratio of leverage			4.99	5.01

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

Note 2: Formulas used were as follows:

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF
THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, %)

TABLE 9
December 31, 2010

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person		
Central Bank of the Republic of China (R.O.C.)	\$ 242,930,655	439.76
Ministry of Finance, R.O.C.	26,368,597	47.73
Chi Mei Optoelectronics Corp.	8,940,352	16.18
JP Morgan Chase Bank	6,398,651	11.58
Tai Power Co., Ltd.	6,198,741	11.22
Dragon Steel Corporation	5,885,000	10.65
AUO Co., Ltd.	4,204,105	7.61
Deutsche Bank	3,638,997	6.59
Nanya Technology Corporation	3,511,220	6.36
Morgan Stanley	3,477,313	6.29
Inotera Memories, Inc.	3,058,192	5.54
CPC Corporation, Taiwan	2,998,729	5.43
Hongkong and Shanghai Banking Corporation Limited	2,940,935	5.32
First Commercial Bank Co., Ltd.	2,921,669	5.29
City Bank	2,900,042	5.25
Chong Hong Construction Co., Ltd.	2,873,000	5.20
2. Same related parties		
None		
3. Same affiliate		
Hon Hai Precision Co., Ltd. and related parties	9,789,730	17.72
China Steel Corporation and related parties	8,725,540	15.80
Nan Ya Plastic Co., Ltd. and related parties	7,798,671	14.12
AUO Co., Ltd. and related parties	6,010,219	10.88
Eva Airways Corporation and related parties	3,901,380	7.06
Chong Hong Construction Co., Ltd. and related parties	3,529,000	6.39
Walsin Lihwa Corporation and related parties	2,970,438	5.38
Taiwan Cement Co., Ltd. and related parties	2,790,555	5.05

December 31, 2009

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person		
Tai Power Co., Ltd.	\$ 6,280,000	12.09
JP Morgan Chase Bank	5,249,869	10.11
Dragon Steel Corporation	4,958,000	9.55
Taiwan High Speed Rail Corporation	3,804,407	7.32
AUO Co., Ltd.	3,655,976	7.04
First Commercial Bank Co., Ltd.	3,525,994	6.79
Deutsche Bank	3,475,008	6.69
International Bills Finance Corporation	3,385,913	6.52
Chi Mei Optoelectronics Corp.	3,351,488	6.45
Nanya Technology Corporation	3,168,621	6.10
Capital Securities Co., Ltd.	3,150,000	6.06
Chong Hong Construction Co., Ltd.	2,623,000	5.05
2. Same related parties		
None		
3. Same affiliate		
Dragon Steel Corporation and related parties	6,984,200	13.45
Nan Ya Plastic Co., Ltd. and related parties	6,545,994	12.60
Chi Mei Optoelectronics Corp. and related parties	5,490,288	10.57
AUO Co., Ltd. and related parties	5,463,776	10.52
Chinatrust Financial Holding Co., Ltd. and related parties	4,035,474	7.77
Formosa Petrochemical Corporation and related parties	3,800,804	7.32
Hon Hai Precision Co., Ltd. and related parties	3,329,766	6.41
Capital Securities Co., Ltd. and related parties	3,150,000	6.06
Chong Hong Construction Co., Ltd. and related parties	3,125,000	6.02
Pou Chen Corporation and related parties	2,773,518	5.34
Far Eastern New Century Corporation and related parties	2,619,936	5.04

E.SUN FINANCIAL HOLDING COMPANY, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

TABLE 10

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain	The Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
E.SUN	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	\$ 54,941,642	\$ 3,981,361	\$ 3,510,000	-	\$ 3,510,000	100.00	3
Financial Holding Company, Ltd.	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in brokerage of futures	100.00	3,577,282	239,257	306,000	-	306,000	100.00	3
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	1,763,469	150,269	150,000	-	150,000	100.00	3
	E.SUN Insurance Broker Co., Ltd.	Taipei	Insurance broker	100.00	516,834	349,664	11,300	-	11,300	100.00	3

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

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Paragraph 2 of Article 36 and Article 37 of the Financial Holding Company Act.

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

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

Note 3: When preparing the consolidated financial statements, it has been eliminated.

E.SUN COMMERCIAL BANK, LTD.

INFORMATION ON THE FOREIGN-CURRENCY FINANCIAL ASSETS AND
LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2010 AND 2009
(In Thousands)

TABLE 11

	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
USD	\$3,826,695	29.5000	\$ 112,887,503	\$ 3,141,059	32.1760	\$ 101,066,714
AUD	319,903	30.0281	9,606,079	168,964	28.8715	4,878,244
HKD	1,738,109	3.7900	6,587,433	915,446	4.1490	3,798,185
JPY	10,220,888	0.3622	3,702,006	10,804,343	0.3480	3,759,911
EUR	67,039	39.2468	2,631,066	42,641	46.2305	1,971,315
NZD	7,752	22.7593	176,430	665	23.3437	15,524
CHF	3,511	31.5339	110,716	813	31.0789	25,267
RMB	23,050	4.4664	102,951	14,268	4.7129	67,244
SGD	3,886	22.8718	88,880	3,754	22.9239	86,056
GBP	1,875	45.5510	85,408	13,251	51.7358	685,551
CAD	1,616	29.5118	47,691	8,936	30.5856	273,313
ZAR	7,376	4.4426	32,769	1,221	4.3425	5,302
SEK	2,539	4.3671	11,088	12,911	4.5008	58,110
THB	7,667	0.9788	7,504	9,632	0.9645	9,290
MYR	77	9.5624	736	77	9.3972	724
<u>Financial liabilities</u>						
USD	4,190,070	29.5000	123,607,065	3,358,512	32.1760	108,063,482
EUR	171,945	39.2468	6,748,291	99,940	46.2305	4,620,276
AUD	139,638	30.0281	4,193,064	240,961	28.8715	6,956,906
JPY	10,938,607	0.3622	3,961,963	4,227,815	0.3480	1,471,280
HKD	950,202	3.7900	3,601,266	593,955	4.1490	2,464,319
ZAR	543,863	4.4426	2,416,166	686,231	4.3425	2,979,958
NZD	96,299	22.7593	2,191,698	109,991	23.3437	2,567,597
GBP	32,942	45.5510	1,500,541	19,279	51.7358	997,414
CAD	25,804	29.5118	761,522	17,281	30.5856	528,550
SGD	5,835	22.8718	133,457	2,319	22.9239	53,161
CHF	2,470	31.5339	77,889	1,504	31.0789	46,743
SEK	15,824	4.3671	69,105	42,959	4.5008	193,350
RMB	230	4.4664	1,027	-	4.7129	-
MYR	-	9.5624	-	1	9.3972	9

VII. Risk Management



The Venerable Cypress Lives Forever.

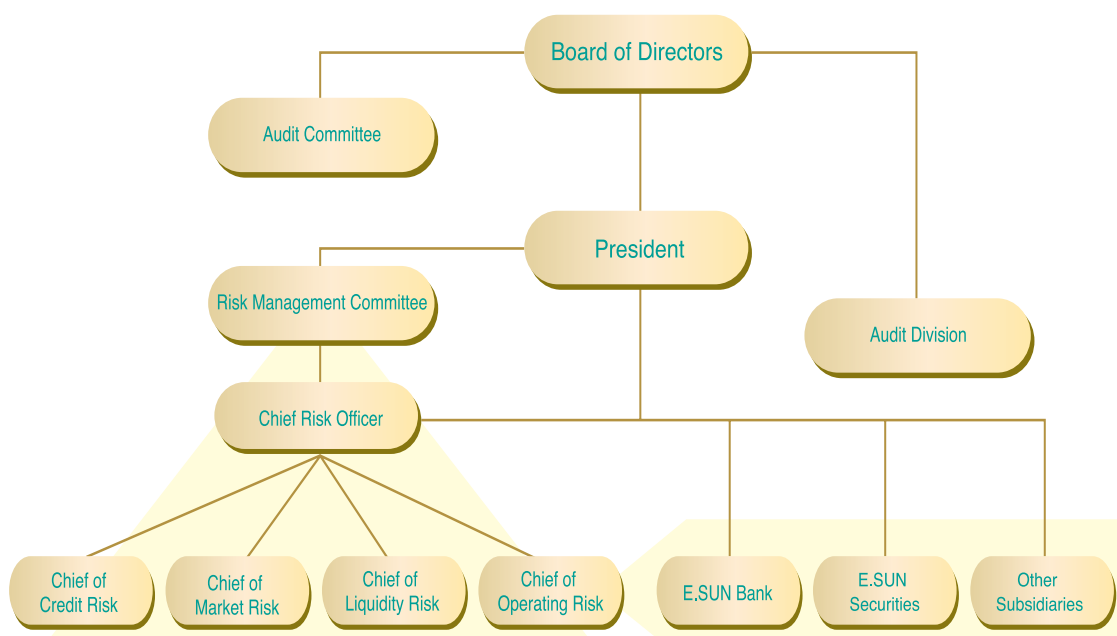
1.Risk Management

The primary objectives of E.SUN FHC's risk management are to ensure the safety of assets, provide customer service, and create shareholder value. All operations are carried out with risk considerations being the foremost concern. Operations are to stress safety and liquidity first, then profitability and then growth. All should take into account the interests of the public.

1.1 FHC's Risk Management Framework

E.SUN has established an independent Risk Management Committee that is responsible for establishing risk management policies, implementing the policies and ensuring

compliance with international standards, thereby providing proper management of credit risk, market risk, operations risk and other risks. The Risk Management Committee also is required to provide risk reports on a regular basis to the Audit Committee and the board of directors. At the same time, E.SUN is working to comply with the framework set forth in the Basel II Accord. In addition to accurately calculating risk-based capital charges under Pillar I, paving the way for appropriate capital and asset risk allocation, E.SUN is striving to comply with Pillar II qualitative and quantitative standards and establish a risk sensitivity management framework. The FHC's risk management organizational framework is shown in the following diagram.



E.SUN FHC's Risk Management Organizational Framework.

1.2 Risk Measurement and Control Methods, and Exposure-related Quantitative Information – Applicable to All Subsidiaries

The Company has established internal risk compliance policies and acts in accordance with related regulations set forth by regulatory institutions. At the same time, it uses the Basel II Accord risk management framework as reference in instituting risk controls and managing risk. This raises E.SUN's overall ability to monitor risk.

(1) Routine Qualitative Disclosures

a. Strategies and Procedures

(a) Credit Risk Management

1. The objective of risk management for each subsidiary is to be in compliance with regulations set forth by regulators and internal credit and trading risk control mechanisms. Internal guidelines will be adjusted at appropriate times based on local and overseas developments in the banking and economic sectors. Furthermore, incorporating credit rating tool, E.SUN continues to establish comprehensive risk management procedure to comply with Basel II.
2. According to rules set forth by regulators, restrictions are placed on the risk position of any single financial institution. Credit rating and operational status are also factors taken into consideration.
3. E.SUN is to abide by regulations stipulated by regulators regarding the guarantee of short-term bills of a single enterprise and group of affiliates.
4. E.SUN sets limits on the amount of lending it provides to a specific industry

and acts in accordance with rules set by regulatory agencies in this regard.

(b) Market Risk Management

- 1.E.SUN manages assets and liabilities to ensure appropriate capital utilization and suitable liquidity.
- 2.E.SUN avoids risk associated with over-concentration of funds in a single or small group of fiscal tools or trading counterparties.
- 3.The Fund Utilization Committee meets daily to decide on trading strategies for that day and to remain abreast of any risks associated with price volatility.
- 4.E.SUN assesses risk positions on a regular basis. Information regarding such is used in deciding trading strategies.

(c) Operational Risk Management

E.SUN continues to establish well-rounded operational systems, cultivate risk awareness among its employees, and promote a corporate culture that embraces self-discipline and regulatory compliance. The Company also exhibits a comprehensive internal auditing system. E.SUN regularly holds vocational training classes to enhance the expertise of its employees. In order to prevent operations risk, it has also enacted a variety of rules and regulations governing persons working for E.SUN, customer service (including KYC), product design, information security, back-up systems, and emergency contingencies. E.SUN also displays well thought-out operational procedures and guidelines. Meanwhile, the Company maintains a close watch on external risk factors, such as the market environment, customer behaviors, technological changes, and regulatory amendments, enabling itself to adapt appropriately at the earliest time possible.

b. Related Risk Management Systems Organization and Framework – Applicable to All Subsidiaries.

The E.SUN FHC Risk Management Policies and Guiding Principles require each subsidiary to set forth risk management standards and rules. Each subsidiary must carry out pricing of daily positions, tabulate the level of risk exposure and monitor external events. Meanwhile, each subsidiary is required to continue to enhance its customer value and risk analysis technology, along with internal controls system. This helps the FHC to recognize the accuracy of risk assessment and to ensure that management methods conform to international standards.

c. Scope and Feature of Risk Reporting and Measurement Systems – Applicable to all Subsidiaries

- (a) Credit Risk: Measures include the amount of credit extended to a single enterprise of single group of affiliates; controls on risk-based assets; total risk exposure to a single company; limits on liabilities with trading counterparties; and limits on trading of interest rate financial derivatives.
- (b) Market Risk: Mechanisms have been established to tabulate the fair value and trading profits/losses of business-related assets and financial derivatives.
- (c) Operational Risk: Measures are adopted to determine whether business operations comply with guidelines and whether the suggestions for improvement provided in the course of internal audits are being carried out.

d. Hedging and Risk Mitigation Policies; Strategies and Processes to Monitor the Continued Effectiveness of Risk Avoidance and Risk Mitigation Tools – Applicable to All Subsidiaries

E.SUN FHC and its subsidiaries seek collateral, third-party guarantees and trade credit derivative products to hedge against risk. E.SUN will also use a trading counterparty's deposits to offset that party's liabilities. It also engages in asset securitization to transfer risk. E.SUN has set up internal risk control mechanisms and also complies with rules and systems set by regulatory agencies. E.SUN will adjust its measures as appropriate based on the developments in the domestic and foreign economic and banking environment. These measures ensure the continued effectiveness of risk avoidance and risk mitigation tools.

1.3 Impact of Important Domestic or Foreign Policy and Legal Changes on the FHC's Financial Operations, and Countermeasures:

After the ECFA becomes effective on Jan. 1, 2011, the financial interactions between Taiwan and China are expected to be more frequent. Besides continuously establishing footprints across the straits from two sides, how to upgrade to branch network and operate RMB business become the primary goals. E.SUN has already begun evaluating the possible impact of these agreements and will be closely analyzing the details therein. The Company will be poised to take advantage of any opportunities that will effectively boost its competitiveness as a result of these developments and will also evaluate any associated risks.

1.4 Impact of Technology and Industrial Changes on the FHC's Financial Operations, and Countermeasures:

Technology and industrial changes not only inevitably influence the structural allocation of social resources, the method of utilizing capital and financial management tools, but also trigger fundamental conceptual changes in financial operations with respect to performance management, risk management and even strategic management. As a result, E.SUN encourages each subsidiary to monitor technological and industrial trends, apply the advice of world-class consultants, and strive to ensure that overall business knowledge and skills adhere to global standards.

1.5 Impact of Changes in the FHC's and Subsidiaries' Image on the Company, and Countermeasures:

ESUN not only emphasizes business development, discipline and legal compliance, but also has consistently sought to enhance corporate governance. In 2010, it won corporate governance certification from the Taiwan Corporate Governance Association, Corporate Social Responsibility Award from Global Views Monthly and CSR award by Commonwealth magazine. These honors reflect E.SUN's commitment to quality, as well as its responsibility to customers, shareholders and society, and reflect another link in the effort to be the best performing and most respected enterprise.

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

E.SUN Bank, subsidiary of E.SUN FHC, is currently in the process of acquiring Chu Nan Credit Cooperative Association (CNCCA). Other than expanding channel network, E.SUN expects the deal can generate synergies from accessing to new customers and providing them with quality services and valuable products for more profits. The risks involved in the transaction may include the adjustment of CNCCA employees to E.SUN corporate culture and the pro-long of IT integration. E.SUN will follow the established IT integration plan and encourage employees from CNCCA to stay with E.SUN and provide customers the same image, profession and quality service of E.SUN Bank to create customer values.

1.7 Risks from Concentration of Operations, and Countermeasures:

(1) Concentration of Operations

E.SUN remains sensitive to any changes in the financial industry. It stays abreast of macroeconomic and industrial trends, as well as the direction of prices. It adjusts its business development strategies as appropriate.

(2) 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.

1.8 Impact of the Transfer of Stakes Held by Directors, Supervisors or Major Shareholders Holding Stakes Over 1%, Possible Risks and Countermeasures:

As of the end of 2010, no directors or major shareholders with a large amount of stake of over 1% transferred stakes to another party.

1.9 Influence of Changes in Ownership of the FHC, Possible Risks and Countermeasures: N/A

1.10 Litigious or Non-litigious Incidents: None

1.11 Other Major Risks and Countermeasures:

Subsidiary E.SUN Bank's internal control on internet banking operations was operated with certain flaws; after being fined by Financial Supervisory Committee, E.SUN Bank has repaired all flaws fully and further improved the internal control practice .

2.Crisis Handling Mechanism

E.SUN FHC and each subsidiary comply with standard operating procedures and rules set forth in Guidelines on Crisis Management. Each unit has established a crisis handling task force and emergency contact people who will be responsible for responding to and providing reports on any irregular internal, local or international events. In addition, drills and examination measures are carried out regularly to ensure that they are effective. This contingency planning ensures the stable operations of each unit and helps the FHC of achieving its objectives of sustainable operations and of fulfilling its responsibility to society.

3.Other Important Issues: None

VIII Special Notes



Springs Flow with the Vitality of Life

1. Representation of Consolidated Financial Statements of Affiliated Enterprises

Representation of Consolidated Financial Statements of Affiliated Enterprises

February 14, 2011

The Company and its affiliated enterprises defined by “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” in 2010 are the same with those defined by Article 7 of Statement Financial Accounting Standard. A consolidated financial statement of the parent company and affiliated enterprises has already been released and therefore there is no need to separately produce a consolidated financial statement for affiliated enterprises.

Company Name: E.SUN Financial Holding Co. Ltd.



Chairman

Yung-Jen Huang



2. Affiliation Report: Please refer to Section 8 of Financial Statement (Chapter VI)

Pure as Jade, Stern as Mountain



- **Best Corporate Social Responsibility Award.**
(Taiwan Academy of Banking and Finance)
- **No.1 in Financial Sector for Corporate Social Responsibility Award.**
(Commonwealth magazine)
- **The Platinum Corporate Award for Management Excellence.**
(The Asset magazine)

Thank you for your entrustment,
we appreciate your comments and encouragement!

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Chairman of the Board

Yung-Jen Huang



March 30, 2011 Printed

E.SUN of Taiwan, as E.SUN of the World.

Service Network of E.SUN FHC

E.SUN BANK	phone		phone		phone
Head Office Business Division	+886 2 2719 1313	Nanshijiao Branch	+886 2 2942 8813	Dali Branch	+886 4 2485 1313
International Banking Division/OBU	+886 2 2175 1313	Banciao Branch	+886 2 8257 1313	Caotun Branch	+886 4 9238 1313
Trust Division	+886 2 2175 1313	Pu Chain Branch	+886 2 2963 1313	Changhua Branch	+886 4 728 1313
Credit Card Division	+886 2 2182 1313	Banhsin Branch	+886 2 8952 1313	Yuanlin Branch	+886 4 836 1313
Nanching East Road Branch	+886 2 2760 1313	Haishan Branch	+886 2 2256 1313	Douliou Branch	+886 5 532 1313
Chengjhong Branch	+886 2 2389 1313	Guangfu Branch	+886 2 2957 1313	Chiayi Branch	+886 5 223 1313
Dongmen Branch	+886 2 2321 1313	Sanchung Branch	+886 2 2280 1313	East Chiayi Branch	+886 5 216 1313
Chengtung Branch	+886 2 2504 1313	Chongsin Branch	+886 2 2984 1313	Puzih Branch	+886 5 379 1313
Keelungroad Branch	+886 2 2378 1313	Er-Chong Branch	+886 2 2278 1313	Tainan Branch	+886 6 241 1313
Hsinyi Branch	+886 2 8789 1313	East Sanchung Branch	+886 2 2971 1313	East Tainan Branch	+886 6 289 1313
Tienmu Branch	+886 2 2835 1313	Tucheng Branch	+886 2 2274 1313	Jinhua Branch	+886 6 291 1313
Minsheng Branch	+886 2 2509 1313	SouthTucheng Branch	+886 2 2267 1313	Yungkuang Branch	+886 6 201 1313
Fuhsing Branch	+886 2 2771 1313	Shulin Branch	+886 2 8675 1313	Chiali Branch	+886 6 721 1313
Tunnan Branch	+886 2 2754 1313	Hueilong Branch	+886 2 2689 1313	Rende Branch	+886 6 270 6613
Changchun Branch	+886 2 2546 1313	Wugu Branch	+886 2 2290 1313	Kaohsiung Branch	+886 7 336 1313
Chungshan Branch	+886 2 2537 1313	Sindian Branch	+886 2 2916 1313	Dashun Branch	+886 7 727 1313
Neihu Branch	+886 2 2659 1313	Beisin Branch	+886 2 8911 1313	Lingya Branch	+886 7 716 1313
Shilin Branch	+886 2 2834 1313	Sanxia Branch	+886 2 2673 6613	Cianjhen Branch	+886 7 761 1313
Dong-Hu Branch	+886 2 2632 1313	Taishan Branch	+886 2 2297 1313	Chihhsien Branch	+886 7 235 1313
North Tienmu Branch	+886 2 2877 1313	Sinshu Branch	+886 2 2647 1313	Zuoying Branch	+886 7 559 1313
Songshan Branch	+886 2 3765 1313	Taoyuan Branch	+886 3 332 1313	Nanzih Branch	+886 7 364 1313
Heping Branch	+886 2 2362 1313	South Taoyuan Branch	+886 3 337 1313	North Kaohsiung Branch	+886 7 350 1313
Mincyuan Branch	+886 2 2568 1313	Tao Yin Branch	+886 3 375 1313	Sanmin Branch	+886 7 315 1313
Jhonglun Branch	+886 2 2577 1313	Linkou Branch	+886 3 396 1313	Dachang Branch	+886 7 341 1313
Daan Branch	+886 2 2755 1313	Nankan Branch	+886 3 352 1313	Chengcing Branch	+886 7 386 1313
Guting Branch	+886 2 2364 1313	Bade Branch	+886 3 367 1313	Siaogang Branch	+886 7 807 1313
Beitou Branch	+886 2 2895 1313	Jhongli Branch	+886 3 427 1313	Fongshan Branch	+886 7 743 1313
Songjiang Branch	+886 2 2562 1313	Lisin Branch	+886 3 492 1313	Gangshan Branch	+886 7 621 1313
Mujha Branch	+886 2 2936 1313	Yangmei Branch	+886 3 488 1313	Linyuan Branch	+886 7 643 1313
Jhongsiao Branch	+886 2 8772 1313	Hsinchu Branch	+886 3 523 1313	Houjhuang Branch	+886 7 702 1313
Sinhu Branch	+886 2 2203 1313	Guanghua Branch	+886 3 533 1313	Pingtung Branch	+886 8 733 1313
Jiancheng Branch	+886 2 2556 1313	Jhu Bei Branch	+886 3 554 1313	Chaozhou Branch	+886 8 786 1313
Nangang Branch	+886 2 2789 1313	Sinfong Branch	+886 3 557 1313	Donggang Branch	+886 8 835 1313
Hsinchuang Branch	+886 2 2202 1313	Jhunan Branch	+886 3 746 1313	Neipu Branch	+886 8 778 1313
North Hsinchuang Branch	+886 2 2997 1313	Taichung Branch	+886 4 2291 1313	Keelung Branch	+886 2 2427 1313
Lujhou Branch	+886 2 2848 1313	Dadun Branch	+886 4 2320 1313	Luodong Branch	+886 3 957 1313
Shwangho Branch	+886 2 2923 1313	Nantun Branch	+886 4 2380 1313	Hualien Branch	+886 3 831 1313
Yonghe Branch	+886 2 2949 1313	Situn Branch	+886 4 2461 1313	Taitung Branch	+886 8 936 1313
Fu-Hei Branch	+886 2 8923 1313	Jhonggong Branch	+886 4 2350 8913	Penghu Branch	+886 6 927 1313
Yung An Branch	+886 2 8921 1313	Daya Branch	+886 4 2568 1313	Los Angeles Branch	1 626 810 2400
Jhonghe Branch	+886 2 2222 1313	Longjing Branch	+886 4 2636 6813	Hong Kong Branch	+852 3405 6168
Liancheng Branch	+886 2 8228 1313	Fongyuan Branch	+886 4 2512 1313	Ho Chi Minh City Representative Office	+84 8 3835 1313
Taihe Branch	+886 2 2242 1313			Dongguan Representative Office	+86 769 2698 5452

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Brokerage HQ	+886 2 2713 1313	Taoyuan Branch	+886 3 336 6813
Nanching East Road Branch	+886 2 2765 1313	Hsinchu Branch	+886 3 666 9913
Songjiang Branch	+886 2 2562 1313	Taichung Branch	+886 4 2385 1313
Renai Branch	+886 2 3393 1313	Chiayi Branch	+886 5 216 9913
Taida Branch	+886 2 8369 1313	Tainan Branch	+886 6 269 9913
Chengjhong Branch	+886 2 2382 1313	Jin Hua Branch	+886 6 291 6613
Shinlin Branch	+886 2 2833 1313	Kaohsiung Branch	+886 7 397 1313
Shwangho Branch	+886 2 8923 1313	Zuoying Branch	+886 7 558 6613
Hsinchuang Branch	+886 2 2998 1313		

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