



· ANNUAL REPORT 2011 ·

E.SUN FHC 2884



玉山金控 E.SUN FHC

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

<http://newmops.twse.com.tw>

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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



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

E.SUN FHC 10th



Classic, Artistic, Poetic and Exquisite

Hand-painted Rococo Antique Piano
19th Century
French Louis XV Performance Piano
Possession of E.SUN Bank

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I. Letter to the Shareholders

Dear Shareholders,

E.SUN is 20 years old! I thank all shareholders, customers, and society for their longstanding support. Twenty years ago, a group of likeminded banking professionals came together, and over the years have passed the baton to new groups of employees, forging in the process E.SUN's core values of service, teamwork, and ability to execute policy. An E.SUN brand name has been established, representing excellence in the industry. The rapidly changing economic and financial environment, both domestically and overseas, is full of complexities and uncertainties for 2012. E.SUN will continue to operate in a disciplined manner and make the best use of its business judgment. It will strive to maximize value from its network and focus on targeted segments of customers, all the while operating under the principle that risk awareness remains the foremost consideration. We will continue to foster integration of various products among the subsidiaries and encourage innovation, helping to generate even greater operational synergy and profits.

In 2011, E.SUN's various lines of business exhibited considerable growth and the Company was able to gradually fulfill its strategic plans. Interest rate differentials widened, handling fee increased and overall operational synergy was experienced. In addition, thanks to the support of shareholders, employees and society, E.SUN completed a cash subscription, thereby strengthening the FHC's fiscal structure and preparing for future development. In 2011, the supervisory authority mandated that the bank loan coverage ratio be increased to 1%. In response to this new rule, E.SUN set aside provisioning of NT\$2.46 billion all at once. This move impacted after-tax profit for the year, which fell to NT\$3.484 billion, equivalent to Earnings Per Share of NT\$0.82 and Return on Equity

of 5.77%. However, E.SUN's overall structure and capital adequacy ratio (CAR) has thus been further strengthened, with CAR now reaching 133.49%.

E.SUN Bank posted a net profit for the year of NT\$3,158 million. E.SUN Securities registered a net profit of NT\$72 million, E.SUN Venture Capital a net profit of NT\$93 million, and E.SUN Insurance Brokers a net profit of NT\$458 million. The NPL ratio of E.SUN Bank was 0.20% with 515.47% coverage ratio, maintains its superior asset quality. With regarding the credit rating, 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/P-2. (released on 2011/11/30) The core subsidiary, E.SUN's Bank's rating, is maintained at Baa1/P-2. 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.(released on 2011/7/26).

With its refreshing, professional and differentiated services, E.SUN's various lines of business are exhibiting stable and balanced development, all the while continuing to gain a larger position in the market. E.SUN's total assets in 2011 stood at NT\$1.1 trillion. In July, 2011, subsidiary E.SUN Bank acquired Chu Nan Credit-Cooperative Association, thereby further broadening its domestic network. Together with enhanced operational quality, internal controls and legal compliance, E.SUN Bank has helped to further bolster the value of the E.SUN brand name. Amid increased cross-strait dealings, E.SUN is looking to expand its presence in Asia and mainland China. At the end of 2011, it received approval to established a Dongguan branch. Once operations commence, it is expected that this branch, together with the Hong Kong branch, will provide a greater service platform and enhanced efficiency to customers. In addition, E.SUN Bank presently is applying to establish a Singapore branch

and is looking at extending its footprint to other areas with potential in Asia. E.SUN will continue to work to provide a comprehensive banking, securities and insurance network, while at the same time pushing forward with the development of overseas branches. Together with e-banking and its call center, E.SUN will maximize the value of each of its networks, creating further value for customers and the Company.

In terms of managing its clients, E.SUN will continue to focus on specific segments of customers and hone business growth among these groups. It will work to take advantage of every opportunity of contact with each customer. E.SUN will utilize its various product lines, strengthen integrated marketing resources of the FHC's subsidiaries and work to provide the products and services required by customers, thereby helping the Company to build on its existing strengths. In 2011, E.SUN Bank received the best award in most trust worthy bank (3 consecutive years), best teamwork and best performance in Wealth Management Business by Business Today magazine. E.SUN will focus on generating greater value and loyalty from its VIP customers. It will capture the hearts of these clients and generate even more "member get member" business. Consequently, wealth management is becoming the third pillar of E.SUN's core operations.

At the same time that it seeks to achieve a synergistic business performance, E.SUN also actively works to fulfill its corporate social responsibility. E.SUN believes that the objective of a company's existence is to enhance wellbeing for humankind. Consequently, besides its core operations, E.SUN is committed to exhibiting concern for social development, implementing environmental protection measures, partaking in social welfare activities, and promoting arts and the humanities. We fully believe that companies that fulfill their



Forward looking with hopes.

responsibility to society pave the way for enhanced social wellbeing, which in turn creates the path for sustainable operations. E.SUN has a longstanding commitment to achieving its social responsibility in a systematic and organizational manner in which specific objectives are set forth. In addition, it integrates its philosophy in this respect into its business strategies. For instance, the E.SUN World Card is the first credit card in Asia that is tied to social welfare initiatives. VIP customers play an integral role in promoting the E.SUN Golden Seed Project, which as of the end of 2011 was responsible for creating 45 E.SUN libraries in 18 cities and countries throughout Taiwan. These libraries create an environment conducive to reading for elementary school children in remote areas, and over 15,000 children have benefitted from the project so far.

E.SUN is ready in 2012 to start its third decade and to make it the best one yet. We will continue to maximize team spirit and work to realize our dreams. I would like to express my appreciation to society for its encouragement and support for the E.SUN brand name. But with honor comes responsibility. We will continue to work even hard to create greater value for customers and E.SUN.

Chairman

Yung-Gen Huang

President

Joseph Huang

II. Company Profile



Gazing on Distant Prospects, Blossoming.

1. Introduction

1.1. Establish date: 2002.1.28

1.2. History:

(1)E.SUN FHC

E.SUN FHC is 10 years old. Thanks to the careful planning and joint efforts of the entire E.SUN family, the FHC has developed into a comprehensive financial institution with business in banking, securities, insurance agency, and venture capital. As E.SUN embarks on its second decade, we will continue to emphasize across-the-board quality management, a capacity to rapidly and flexibly respond to the latest events, and an ability to execute policies. In the face of the changes in the international environment and the financial industry, E.SUN will work to continue to promote stable growth. The company will increasingly emphasize internationalization and the formation of a Greater China financial platform to have access to a greater pool of customers and expand its global business, providing seamless financial services in the process.

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. After 10 years of establishment and look forward, E.SUN will continue to pursue stable growth, with flexibility and teamwork to cope with the .

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 Schroders to sell a 100% stake in E.SUN Securities Investment Trust to that company. Considering the operating environment of leasing industry, E.SUN Bank liquidate its investment in E.SUN leasing company on Sep, 2008. In an effort to effectively expand its network and operational value, in March 2011 subsidiary E.SUN Bank acquired the assets, liabilities and operations of Chu Nan Credit-Cooperative Association. Meanwhile, E.SUN Bank on March 16, 2012 signed an acquisition agreement with Chiayi Fourth Credit Union, and the shareholders/representatives of both organizations on March 25 approved the transaction. E.SUN thus will acquire the assets, liability and operations of this credit Union. This transaction, however, still requires regulatory approval.

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 subsidiaries- E.SUN Bank

E.SUN Bank serves as the key component of the FHC. Its founder and Chairman of E.SUN FHC 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 127-strong branch network that reaches all corners of Taiwan. Together with securities cross-selling 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 Plc has served to expand its bancassurance business. E.SUN presently has branches in Hong Kong and Los Angeles, and has a representative office in Vietnam. The Bank in October 2011 received approval from the supervisory authority to establish a Singapore branch. As for China, E.SUN received approval from the mainland's regulatory agency in December 2011 to establish a branch in Dongguan. E.SUN will work to quickly open this branch. In the future, E.SUN will continue to expand its presence in the overseas market, providing customers with a wider variety of financial services.

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. For the long history, E.SUN Bank always keeps the best asset quality. In Nov. 2011, E.SUN set aside provisioning to fulfill the 1% loan coverage ratio requirement set

by the regulator. E.SUN takes steps to further enhance the foundation of the Group and boost core competitiveness, and which generate even greater value for customers, shareholders, and the Group.

(3)E.SUN Securities

Subsidiary E.SUN Securities reflects the best of E.SUN's corporate policies and culture. The Company, which has been in operation since November 20, 2000, seeks to provide innovative and professional services in the securities business. With its roots on Taiwan, E.SUN Securities has its sights set on the world, and the establishment of electronic services is its most important direction for development. The establishment of the FHC on January 28, 2002 helped to hasten the integration of E.SUN's resources, and after a decade of work, innovation, the training of talent, and utilization of data, E.SUN Securities has developed a diversified array of transaction platforms, including its A+ system, Internet-based electronic trading, as well as trading via voice recognition and mobile devices. This provides investors with a safe, stability and efficient investment environment. By Apr. 2012, E.SUN Securities expects to have 21 branches, and 76 cross-selling counters in E.SUN Bank branches, enabling it to engage in joint marketing and customer management in conjunction with E.SUN Bank. E.SUN has created a trustworthy brand name image via which the Company becomes the first choice for customers when placing an order.

In terms of broking operations, E.SUN pro-actively provides service to ESA investment personal finance accounts and the A+ Internet-based trading system. It has developed futures and sub-brokerage operations, and at the same time is introducing a "smart order system" and a mechanism to best manage VIP customers in order to satisfy the diverse investment needs of investors. In dealing, E.SUN carefully judges changes in the environment, remains abreast of risk factors, and integrates research in an effort to accurately determine the direction of markets and make appropriate trades. As for underwriting, E.SUN has created an SOP customer sourcing service mechanism and selects industries with strong profitability outlooks in determining appropriate



E.SUN Bank received the best award in most trustworthy bank(In consecutive years),best teamwork and best performance in Wealth Management Business.

underwriting jobs, thereby providing integrated services in the capital market. E.SUN not only pursues continued growth on its existing foundation, but also strives to provide a greater contribution to the FHC. It continues to work to integrate resources in an effort to enhance organizational efficiency, strengthen its ability to move into new types of business and build market share, and generate synergy that helps create customer value.

(4)E.SUN Venture Capital

E.SUN Venture Capital was established in 2002, the company's paid-up capital, is 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, consumer spending, and traditional industrial sectors that display a high degree of innovation ability.

(5) E.SUN Insurance Brokers

Since 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 UK. 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.

1.3 Condition of Merger and Acquisition, Investment in Affiliates and Restructuring during period of 2011 and up till the printout date of 2011 annual report; Date of belonging to specified financial holding company; Mass transfer of shareholding form board members, supervisors 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:

- (1)Subsidiary E.SUN Bank on March 18 signed an agreement with Chu Nan Credit-Cooperative Association to acquire the latter. The record date for the transaction was July 9, 2011, upon which E.SUN acquired Chu Nan's assets, liabilities and operations.
- (2)Subsidiary E.SUN Bank on March 16, 2012 signed an agreement with Chiayi Fourth Credit Union to acquire the latter. The shareholders/representatives of the two institutions met on March 25 and respectively approved the transaction, with the record date for the transaction set on November 3. E.SUN will acquire Chiayi Fourth's assets, liabilities and operations. However, the transaction is pending regulatory approval.
- (3)Others: None



1.4 E.SUN's Glory

* 2011

- E.SUN FHC received Platinum award in 'Excellence Management in Corporate Governance in Asia' in 2 consecutive years (The Asset Magazine)
- E.SUN Bank ranked No.1 among all financial companies in service quality award (Global View magazine)
- E.SUN Bank received the best award in most trustworthy bank (2 consecutive years), best teamwork and best performance in Wealth Management Business (Business Today).
- E.Sun Bank received numerous awards from China Productivity Center to honor the long-term efforts E. Sun has devoted to customers. These first prize awards include Services Capital Award, Happiness Award, Hospitality Award (Corporate Banking), Corporate Culture Award、Business Strategy Award、Accountability Award and Customer Loyalty Award (Corporate & Personal Banking)
- E.SUN Bank received SME Credit Guarantee Partner Award in 6 consecutive years(MOEA, Credit Guarantee Fund)
- E.SUN Bank received Youth Entrepreneurship Loan Award for both categories of outstanding headquarters and outstanding branches-Dadun, Chihhsien, Minsheng, Jhongli, and Dadun Branch also received the Best Performance Award (National Youth Commission, Executive Yuan)
- E.SUN Bank received the merit certificate for Green Procurement by Private-Sector Enterprise and Organization in 2 consecutive years (Taipei City Government)
- E.SUN Bank received "Golden Quality award" to honor the support E.Sun has devoted to sports (Sports Affairs Council, Executive Yuan)
- E.SUN volunteer foundation received award in social welfare (Ministry of the Interior, Executive Yuan)
- E.SUN Foundation received award in social education (Ministry of Education, Executive Yuan)

* 2010

- E.SUN FHC received Corporate Social Responsibility Award in 3 consecutive years (Commonwealth magazine)
- E.SUN Bank received Best Social Responsibility award (Taiwan Academy of Banking and Finance)
- E.SUN FHC received the certificant of corporate governance in 3 consecutive years(TCCA)
- E.SUN FHC 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 honorable award (Global View magazine)
- E.SUN FHC ranked the best among received the first award in financial industry in Corporate Social Responsibility Award (Commonwealth magazine)
- E.SUN Bank was chosen as the most trustworthy bank in Wealth Management Business (Business Today)
- E.SUN Bank ranked No.1 among all financial companies in service quality survey (Global View magazine)
- E.SUN Bank received Golden Safety award

and Golden Quality award (JCIC)

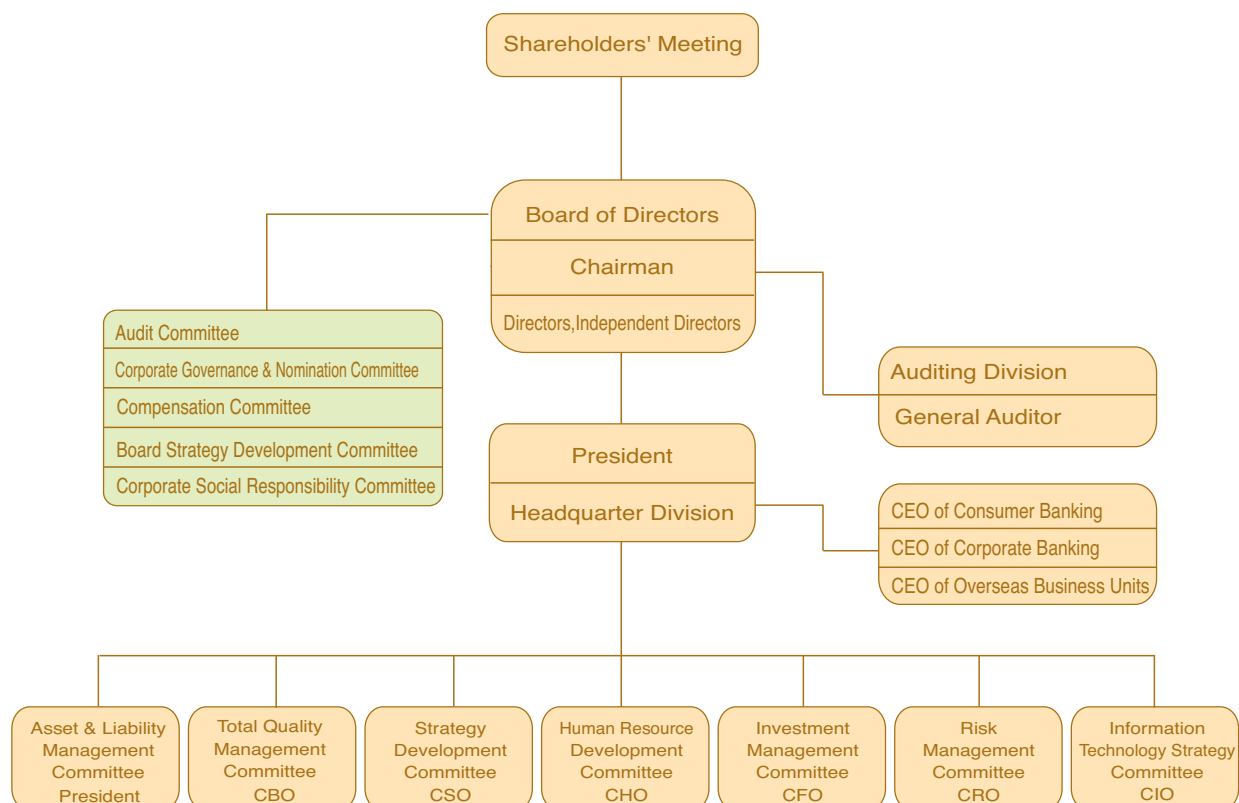
E.SUN is dedicated to establishing systems, cultivating talent and developing information, helping to generate core competitiveness in its brand name, service and team. The Group is consistently strengthening its corporate governance and fulfilling its corporate social responsibility, boosting value for the Group, customers, employees, shareholders and society. The honors we have won recognize our efforts and achievements, and we will intend to continue to provide highly professional service and exhibit our responsibility to society, creating a sustainable path for society and the Earth. At the same time, we are determined to institute R&D and innovation throughout our product lines and enhance service procedures so as to be the best performing and most respected enterprise.

III. Corporate Governance

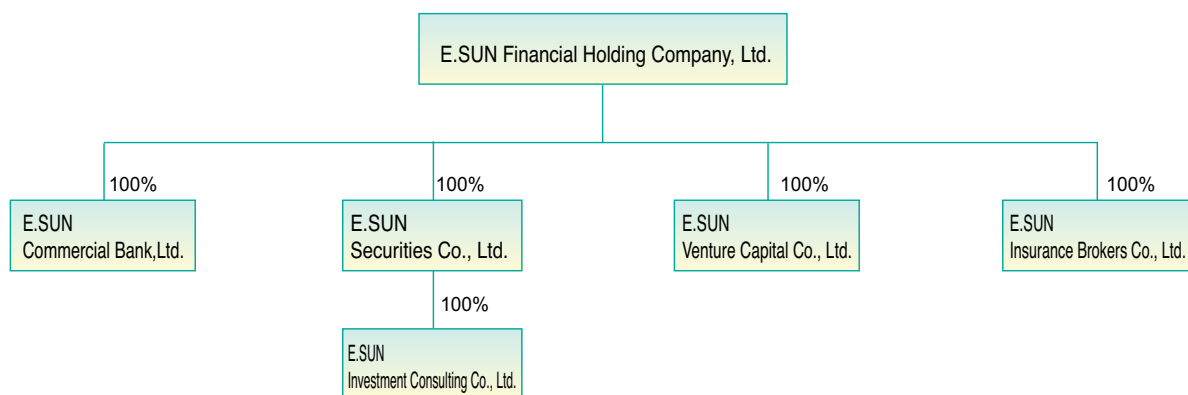


Bold Summits, Outstanding Talent.

1. Organization Chart



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



3. Directors and Independent Directors



Forward-looking Decisions, Always Victorious.

3.1 Directors and Independent Directors

2011.12.31 Unit 1,000 shares

| Position | Name/Representative | Date of Election | Term | Date of First Elected | Shareholding when elected | | 2011.12.31 | | | | | | Education (Experience) | Current position with other company | Devision chiefs, directors or supervisors are spouse or within the 2nd degree of consanguinity of each other | | |
|----------------------|--|------------------|---------|--------------------------|---------------------------|-------|------------|-------|--|-------|---------------------------------|---|---|--|--|------|----------|
| | | | | | | | Shares | | Shareholdings of the spouse and minors | | Shareholding under other's name | | | | Position | Name | Relation |
| | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | | | |
| Chairman | Representative of E.SUN Volunteer & Social welfare Foundation Yang-Jen Huang | 2011.6.28 | 3 Years | 2005.6.10 2001.12.10 | 8,644 | 0.227 | 13,101 | 0.286 | 6,361 | 0.139 | 0 | 0 | Department of Cooperative Economics at National ChungHsing University | None | None | None | |
| Director | Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang | 2011.6.28 | 3 Years | 2005.6.10 2008.6.13 | 8,644 | 0.227 | 13,101 | 0.286 | 3,732 | 0.082 | 0 | 0 | MBA of the City University of New York, 19 years in Financial Industry | President/CSO of E.SUN FHC, Managing Director and Presindet of E.SUN Bnak, Director of Jia-Lang Intl. Cosmetics Co., Ltd. | None | None | None |
| Director | Representative of E.SUN Foundation Kuo-Lieh Tseng | 2011.6.28 | 3 Years | 2001.12.10 2010.5.14 | 7,577 | 0.199 | 8,855 | 0.194 | 834 | 0.018 | 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 | 2011.6.28 | 3 Years | 2001.12.10 2001.12.10 | 34,136 | 0.898 | 32,295 | 0.706 | 37,875 | 0.828 | 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. and Sheng Yang Construction Co., Ltd., Sin Yand Investment Co., Ltd., Dia Yang Investment Co.Ltd., Chen Yand Investment Co.Ltd., Director of J.K. Multilayer Technology Co., Ltd., Hsin Tung Yang Construction Co., Ltd., Lion Tech Co., Ltd., TDW Pharmaceuticals Inc, Sheng Yang Marketing Co., Ltd., Hua Yang Logistics Co., Ltd., Shang Yang Hotel Co., Ltd., Shang Yang Development Co., Ltd. and Ocean Bright Co., Ltd. Managing Director of E.Sun Bank. | None | None | None |
| Director | Representative of Allcan Investment Co.,Ltd. Chiu-Hsung Huang | 2011.6.28 | 3 Years | 2001.12.10 2001.12.10 | 55,999 | 1.472 | 65,441 | 1.430 | 45,455 | 0.994 | 0 | 0 | PhD of Business Administration at Dela Salle University | Accountant, Supervisor of Ya Pu Construction Chairman of All can 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 | 2011.6.28 | 3 Years | 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 Department of Engineering at National Taiwan University, Independent Directors of E.SUN Bank, Chang Type Industrial Co., Ltd., Supervisor of Fareastone Telecommunication Co., Ltd. | None | None | None |
| Independent Director | Chi-Jen Lee | 2011.6.28 | 3 Years | 2006.6.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | MBA, University of Illinois USA | Professor of management at National Taiwan University, Independent Director of E-Sun Bank and WowPrime Group. Director of Aver Media Technologies Co., Ltd. | None | None | None |
| Independent Director | Jen-Jen Chang Lin | 2011.6.28 | 3 Years | 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 | 2011.6.28 | 3 Years | 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 Investm 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., Acer Incorporated and Shye Shyang Mechanical Industrial CO., Ltd., Independent director of E.SUN Bank and Xin-I property. | None | None | None |
| Director | Representie of Ron -Yuan Investment Co.,Ltd. Chai-Kuo Chen | 2011.6.28 | 3 Years | 2004.6.11 2008.11.4 | 142,087 | 3.736 | 166,042 | 3.629 | 10,779 | 0.236 | 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 Sui Investment Co., Ltd., Sin Ji Denim Manufacturing Co., Ltd. and Fu Yuan Construction Co., Ltd., Director of Kuo Zhong Investment Co., Ltd. and E.SUN Bank. | None | None | None |
| Director | Representie of Shang Li Car Co., Ltd. Jian-Li Wu | 2011.6.28 | 3 Years | 2005.6.10 2005.6.10 | 17,900 | 0.471 | 22,918 | 0.501 | 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., KeeperTechnology Co., Ltd., Tong Lit Logistics Co., Ltd. and E-Sun Bank Supervisor of Jung Shing Wire Co., Ltd. | None | None | None |
| Director | Representive of Shan Meng Investment Co.,Ltd., Wu- Lin Duh | 2011.6.28 | 3 Years | 2001.12.10 2005.6.10 | 10,050 | 0.264 | 11,744 | 0.257 | 4,060 | 0.089 | 0 | 0 | EMBA of National Cheng Kung University, 40 years in Financial Industry | Chairman of E.SUN Securities, CBO of E.SUN FHC | None | None | None |
| Director | Representie of Sunlit Transportation Co., Ltd. Suka Chen | 2011.6.28 | 3 Years | 2005.6.10 2008.6.13 | 11,200 | 0.294 | 16,089 | 0.352 | 1,403 | 0.031 | 0 | 0 | Master of Department of Agricultural Economics at National Taiwan University, 23 years in Financial Industry | Deputy President of E.SUN FHC, CEO of Consumer Banking Division of E. SUN Bank Director of Bankpro E-Service Technology Co., Ltd. and E.SUN Securities | None | None | None |

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

3.2 Professional Qualifications and Independence Analysis of Directors and Independent Directors

2010.12.31

| Criteria Name (Note) | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Criteria (Note) | | | | | | | | | | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience |
|---|--|--|--|------------------------------|---|---|---|---|---|---|---|---|----|--|
| | 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 |
| Director Kuo-Leih 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 | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Independent Director Hsin-I Lin | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Director Chiu-Hsung Huang | | ✓ | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Director Jackson Mai | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Director Chai-Kuo Chen | | | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | 0 |
| Director Jian-Li Wu | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Director Wu-Lin Duh | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Director Suka Chen | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |

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

- (1)Not an employee of the Company or any of its affiliates.
- (2)Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, 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



Teamwork towards challenges.

2012.3.30 Unit: 1,000 shares,%

| Potition | Name | Date of Taking Office | 2011.12.31 | | | | | | Education (Experience) Position | Current position Held at other company | Managers who are spouses or within the second degree of consanguinity | | |
|--------------------------|-------------------|-----------------------|---------------|-------|---|--------|-----------------------------------|-------|---|---|---|--------------|----------|
| | | | Shareholdings | | Shares Held by Spouse and Children under 18 | | Shares Held Using Names of Others | | | | Position | Name | Relation |
| | | | Shares | Ratio | Shares | Ratio | Shares | Ratio | | | | | |
| President & CSO | Joseph N.C. Huang | 2008.07.16 | 3,562 | 0.078 | 170 | 0.004 | 0 | 0 | MBA of the City University of New York, 19 years in Financial Industry | Director of E.SUN FHC President and Managing Director of E.SUN Bank | None | None | None |
| CBO | Wu-lin Duh | 2002.01.28 | 3,515 | 0.077 | 545 | 0.012 | 0 | 0 | EMBA of National Cheng Kung University, 40 years in Financial Industry | Director of E.SUN FHC Chairman of E.SUN Securities | None | None | None |
| Deouty President | Suka Chen | 2012.01.07 | 1,352 | 0.030 | 51 | 0.001 | 0 | 0 | Master of Department of Agricultural Economics at National Taiwan University, 23 years in Financail Industry | Director of E.SUN FHC CEO of Consumer Banking , E.SUN Bank Director of E.SUN Securities | None | None | None |
| CFO | Magi Chen | 2004.02.13 | 703 | 0.015 | 0 | 0 | 0 | 0 | EMBA, University of Tennessee, Knoxville, 33 years in Financial Industry | Director of E.SUN Bank CFO and SEVP of Treasury Division at E.SUN Bank | None | None | None |
| CHO | J.C. Wang | 2002.01.28 | 1,600 | 0.035 | 557 | 0.012 | 0 | 0 | Master of Agricultural Management at National Chung Hsing University, 23 years in Financial Industry | Director of E.SUN Bank CHO and SEVP of Human Resource Division | VP | Pei-Hua Wang | Sister |
| SEVP | Ben Chen | 2012.01.07 | 1,928 | 0.042 | 640 | 0.014 | 0 | 0 | Department of Business Administration at Soochou University 22 years in Financial Industry | SEVP of Credit Card & Payment Division. Director of E.SUN Insurance Brokers | None | None | None |
| SEVP | Mao-Cin Chen | 2012.01.07 | 1,102 | 0.024 | 5 | 0.0001 | 0 | 0 | Master of Department of Economics at National Taiwan University, 20 years in Financial Industry | Director of E.SUN Bank CEO of Corporate Banking ,E.SUN Bank | None | None | None |
| SEVP | Shui-Chin Shen | 2012.01.07 | 679 | 0.015 | 74 | 0.002 | 0 | 0 | Master of Management at National Chung Hsing University 35 years in Financial Industry | SEVP of Wealth Management Division, E.SUN Bank | None | None | None |
| SEVP | L.C. Lin | 2012.01.07 | 415 | 0.009 | 0 | 0 | 0 | 0 | Department of Public Administration at National Chung Hsing University, 17 years in Financial Industry | SEVP of Corporate Banking Division, E.SUN Bank | None | None | None |
| General Auditor | Wei-Chin Chien | 2006.02.16 | 1,018 | 0.022 | 0 | 0 | 0 | 0 | Department of Business Administration at Newport International University, 33 years in Financial Industry | General Auditor of E.SUN Bank | None | None | None |
| CAO | Kuan –Her Wu | 2002.01.28 | 349 | 0.008 | 0 | 0 | 0 | 0 | Department of Accountancy at National Chung Hsing University, 36 years in Financial Industry | CAO and EVP, of Accounting Division at E.SUN Bank; Supervisor of E.SUN VC | None | None | None |
| Executive Vice President | Scott Chou | 2002.01.28 | 1,442 | 0.032 | 376 | 0.008 | 0 | 0 | Department of Civil Engineering at National Taipei Institute of Technology, 32 years in Financial Industry | EVP of General Affairs Division at E.SUN Bank | None | None | None |
| Vice CFO | Joseph Shue | 2005.07.01 | 529 | 0.012 | 0 | 0 | 0 | 0 | Master of Department of Business Development at National Sun Yat-Sen University, 20 years in Financial Industry | Vice CFO and EVP of Treasury Division, E.SUN Bank | None | None | None |
| Vice CRO | Jhong-Cheng Shun | 2007.02.15 | 862 | 0.019 | 69 | 0.002 | 0 | 0 | General Business at Yuda high school of Commerce 36 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 | 283 | 0.006 | 0 | 0 | 0 | 0 | MBA of University of Southampton 28 years in Financial Industry | EVP of Headquarter Division of E.SUN Bank | None | None | None |
| CIO | Wan-Li Hsieh | 2012.03.23 | 313 | 0.007 | 47 | 0.001 | 0 | 0 | Department of computer science at Chung Yung University, 18 years in Financial Industry | CIO/EVP of IT Division, E.SUN Bank | None | None | None |
| CRO | Oliver Shieh | 2011.03.18 | 553 | 0.012 | 0 | 0 | 0 | 0 | Master of Applied Finance center at Macquarie University, Australia 20 years in Financial Industry | CRO/EVP of Risk Management Division, E.SUN Bank | None | None | None |
| CMO | Bright Wen | 2012.01.07 | 191 | 0.004 | 0 | 0 | 0 | 0 | Master of Department of Economics at Soochou University 17 years in Financial Industry | CMO/Senior VP of E.SUN Bank | None | None | None |

3.4 Remuneration of Directors, Independent Directors, President and SEVP

(1) Remuneration of Directors and Independent Director

2011.12.31 Unit: NT\$ thousand

| Tittle | Name | 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 director from an investo 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) | | | | | | |
| | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | | | | | |
| | | | | | | | | | | | | | | | | | | | | Cash | Stock | | Cash | Stock |
| List below | | 5,568 | 5,568 | 0 | 0 | 33,359 | 33,359 | 1,160 | 3,200 | 1.15% | 1.21% | 6,712 | 16,099 | 0 | 13,870 | 480 | 0 | 656 | 0 | 0 | 0 | 1.36% | 2.09% | None |

* List of Directors : Chairman: Yung-Jen Huang(Representative for E.SUN volunteer & Social Welfare Foundation) 、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, retired from President of E.SUN Bank on July 31st, 2011).

* Remuneration distributed to directors who are serving for year 2011.

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 | Ron-Yuan Investment Co.,Ltd., Shang Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. | Sunlit Transportation Co.,Ltd. | Ron-Yuan Investment Co.,Ltd., Shang Li Car Co.,Ltd., Sunlit Transportation Co.,Ltd. | Sunlit Transportation Co.,Ltd. |
| NT\$2,000,000 ~ NT\$5,000,000 | E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang).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 Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang).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. | 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 | 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. |
| NT\$5,000,000 ~ NT\$10,000,000 | | | E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang) | E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), Shang Li Car Co.,Ltd. |
| NT\$10,000,000 ~ NT\$15,000,000 | E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang) | E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang) | E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang) | E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang) |
| NT\$15,000,000 ~ NT\$30,000,000 | | | Shan Meng Investment Co.,Ltd. (Representative Wu-Lin Duh, retired from President of E.SUN Bank on July 31st, 2011). | Shan Meng Investment Co.,Ltd. (Representative Wu-Lin Duh, retired from President of E.SUN Bank on July 31st, 2011). |
| NT\$30,000,000 ~ NT\$50,000,000 | | | | |
| NT\$50,000,000 ~ NT\$100,000,000 | | | | |
| Over NT\$100,000,000 | | | | |
| Total | 40,087 | 42,127 | 47,279 | 72,752 |

* 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 | 2011 | | | | | | 2010 | | | | | |
|--------------------|----------------|--------|-------------------------------|--|--------|-------------------------------|----------------|--------|-------------------------------|--|--------|-------------------------------|
| | 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 | 40,087 | 1.15% | 13 | 42,127 | 1.21% | 13 | 39,623 | 1.01% | 13 | 45,007 | 1.14% |
| President and SEVP | 7 | 7,192 | 0.21% | 7 | 57,035 | 1.64% | 8 | 7,057 | 0.18% | 8 | 50,162 | 1.28% |

Note: 2011 Net Profit for E.SUN FHC is NT\$3,484,348 thousand dollars; 2010 Net Profit for E.SUN FHC is NT\$3,923,072 thousand dollars.

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

- The percentage of total profits distributed to directors as remuneration is based on regulations set forth in Article 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.
- The performance review system and remuneration framework for managers is first screened by the Compensation Committee, following which the board makes a final decision. Salaries of managers should reflect their professional experience, the Company's, counterparts' and market standards and 'Codes of Managers' remuneration for E.SUN FHC'. 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 on the level of such risk.

4. Implement of Corporate Governance

4.1 Board of Directors

A total of 10 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 | Representative of E.SUN Volunteer & Social Welfare Foundation Yung-Jen Huang | 10 | 0 | 100 | Re-elected |
| Director | Representative of E.SUN Volunteer & Social Welfare Foundation Joseph N.C. Huang | 10 | 0 | 100 | Re-elected |
| Director | Representative of E.SUN Foundation Kuo-Lieh Tseng | 10 | 0 | 100 | Re-elected |
| Director | Representative of Alcan Investment Co.,Ltd. Chiu-Hsung Huang | 9 | 1 | 90 | Re-elected |
| Director | Representative of Hsin Tung Yang Co., Ltd. Jackson Mai | 10 | 0 | 100 | Re-elected |
| Independent Director | Chen-En Ko | 10 | 0 | 100 | Re-elected |
| Independent Director | Chi-Jen Lee | 8 | 2 | 80 | Re-elected |
| Independent Director | Jen-Jen Chang Lin | 10 | 0 | 100 | Re-elected |
| Independent Director | Hsin-I Lin | 6 | 4 | 60 | Re-elected |
| Director | Representative of Ron-Yuan Investment Co.,Ltd. Chai-Kuo Chen | 8 | 2 | 80 | Re-elected |
| Director | Representative of Shang Li Car Co.,Ltd. Jian-Li Wu | 8 | 2 | 80 | Re-elected |
| Director | Representative of Shan Meng Investment Co.,Ltd. Wu-Lin Duh | 10 | 0 | 100 | Re-elected |
| Director | Representative of Sunlit Transportation Co., Ltd. Suka Chen | 10 | 0 | 100 | 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:
 - Motion to nominate independent directors and motion to screen qualifications of independent directors:
Independent Directors Cheng-En Ke, Chi-Jen Lee, Jen-Jen Chang Lin and Lin Hsin-Yi Lin excused themselves from discussions and voting to avoid conflict of interest.
 - Motion concerning compensation standards for managers:
Directors Joseph N.C. Huang and Wu-Lin Duh excused themselves from discussions and voting to avoid conflict of interest.
 - Motion to change the board representative from E.SUN Securities:
Director Wu-Lin Duh excused himself from discussions and voting to avoid conflict of interest.
- 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 | 3 | 2 | 60 | 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 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. Accountants at the ninth and eleventh meetings of the First Auditing Committee issued auditing reports on the financial statements for 2010 and the first half of 2011. Independent directors and internal auditing supervisors engaged in ample communication with accountants

Notes: Should an independent director be newly elected before the end of the fiscal year, notes shall be made indicating the new and former independent directors.

In addition, a note shall be made to clarify whether the independent director is an existing one, newly appointed or elected to another term, and the date of the election. Other information to be included is the actual percentage of meetings attended, as well as the number of Audit Committee meetings held and attended during his/her tenure.

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. |
|--|---|--|
| <p>1.Ownership structure and shareholders' equity of FHC</p> <p>(1)The manner in which the FHC handles shareholders' proposals or disputes</p> <p>(2)The ability of the FHC to identify its controlling shareholders and the ultimate person or persons behind such shareholders</p> <p>(3)The ways the FHC establishes firewalls and risk management mechanisms with respect to its affiliates</p> | <p>(1)Shareholders can file opinions via the Stock Affairs Department, after which qualified persons will address them.</p> <p>(2)Any shareholder holding in excess of 5% of the Company's stock is legally required to declare his/her holdings to the Company.</p> <p>(3)Risk management committee has been set up to oversee the execution of risk management policy and culture. In addition, E.SUN risk management rules have been established.</p> | No difference |
| <p>2.Duties of Board of Directors</p> <p>(1)State of Company designating of independent director.</p> <p>(2)State of regularly evaluating independence of certifying CPA</p> | <p>(1)Four independent directors had been elected in AGM meeting on 28th of June, 2011. The Company has formulated guidelines delineating the responsibilities of independent directors to serve as a basis for these individuals in carrying out their jobs.</p> <p>(2) The Company annually commissions an accounting agency to carry out and approve financial- and tax-related audits. The Auditing Committee and board screen accounting agencies for professionalism, independence and reasonable fees, after which they appoint an agency to serve as the Company's auditing accountant.</p> | No difference |
| <p>3.State of establishing avenues of communication with interested parties.</p> | <p>The Company and its subsidiaries designate specific unit in charge of communication with interested parties.</p> <p>The Bank's customers can express their opinions through customer service units. Employee disputes will be handled by human resource departments. This ensures smooth communication channels for interested parties.</p> | No difference |
| <p>4. Disclosure of information</p> <p>(1)The FHC has set up website for the disclosure of financial information and its corporate governance practices.</p> <p>(2)Any other methods adopted by the 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).</p> | <p>1.</p> <p>(1)Disclose status of Financial information, Business operation and Corporate governance in the website (http://www.esunfbc.com.tw/info/)</p> <p>(2)Information disclosed includes financial information, business operation, and resolutions by board, material for analyst meeting, internal control and contact information.</p> <p>2.</p> <p>(1) The Company has already set up English and Chinese websites. Designated persons are responsible for collecting and posting information on those sites.</p> <p>(2) The FHC has already appointed a spokesman, who has comprehensive understanding of the financial performance and business operations of the company.</p> <p>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#8001 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</p> <p>(3) The record of the analyst meeting has uploaded to E.SUN's website</p> | No difference |
| <p>5.The status of establishment and operation of functional committees, such as Audit committee</p> | <p>1.Audit Committee</p> <p>(1) Rules of Audit committee organization have been established.</p> <p>(2)The committee is composed with all independent directors, the committee has the following main objectives in its work:</p> <p>a.Ensuring the Company's financial statements is in proper form.</p> <p>b.Selecting (dismissing) certified Public Accountant(CPA) and to verifying CPA's independence and monitoring performance.</p> <p>c.Ensuring effective implementation of the Company's internal controls.</p> <p>d.Ensuring Company compliance with related rules and regulations</p> <p>e.Control the internal risk within the company</p> <p>2.Corporate governance and nomination committee.</p> <p>(1) Rules of Corporate governance and nomination committee organization have been established.</p> <p>(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:</p> <p>a.To ensure the integrity of corporate governance units and systems.</p> <p>b.To seek out, screen and nominate candidates for board directors.</p> <p>c.To establish and develop an organizational framework for the board of directors, ensuring the proper formation of the board.</p> <p>d.To screen or nominate candidates for president and SEVP.</p> | No difference |

| Item | State of Operation | Discrepancy with Listed Company Corporate Governance Enforcement Rules and reasons for such. |
|------|--|--|
| | <p>3. Compensation committee</p> <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 twice 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 evaluate the performance and compensation for directors and managers and set a salary framework for directors and managers.</p> <p>b. To evaluate the salary framework for directors and managers.</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> <p>5. Corporate Social Responsibility committee</p> <p>(1) Rules of Corporate Social Responsibility committee organization has been established.</p> <p>(2) The committee meets at least once a year, the chairman is the convener and choose the committee members with following tasks:</p> <p>a. Set the annual plan and strategies.</p> <p>b. Organize the campaigns.</p> <p>c. Review the performance of annual plan and strategies.</p> <p>d. Establish and review the CSR report.</p> <p>e. Decide media issues related to CSR.</p> <p>f. Others relate to CSR.</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 certificate of the Taiwan Corporate Governance 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 to take various courses.</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. Legal and 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>E.SUN FHC received Corporate Governance Certificate from Taiwan Corporate Governance Association which 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 plan.</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 and Social Welfare 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 express 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 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>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>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 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 its corporate social responsibility has consistently been an important mission for and pledge of E.SUN as it seeks sustainable operations. E.SUN has compiled and issued a corporate social responsibility report that describes the concrete measures it has taken on the economic, social, and environmental fronts. This report is accessible on the E.SUN FHC website and can be downloaded by the public. E.SUN has also created a corporate social responsibility area on its website to elaborate on its philosophies and policies in this respect.</p> <p>(2) E.SUN in 2010 issued its first corporate social responsibility report, the content of which encompassed corporate governance, rights of customers, care for employees, environmental sustainability, and social welfare. E.SUN hopes that the result of all of these efforts will be to create an even better society.</p> <p>(3) In March 2012, E.SUN's corporate social responsibility report received the AA1000 Assurance Standard from the British Standards Institution and was deemed in accordance with the Global Reporting Initiative G3.1 Guidelines. Achieving these two certifications demonstrates that E.SUN's corporate social responsibility is in step with the best global practices.</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. |
| 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: 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. | | |
| 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): 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 2011, E.SUN received various award by China Productivity center, the best award in most trustworthy bank, best teamwork and best performance in Wealth Management Business by Business Today Magazine. Besides, it also won the first Place in financial industry in service quality Award (Commonwealth Magazine). 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>(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. From October 22 to December 3, Company employees and volunteers cleaned up 21 mountain trails throughout the island.</p> <p>3. 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 2011, helping to make a contribution to protecting the environment.</p> <p>4. E.SUN calls on people on a variety of days throughout the year, such as Earth Hour on March 26, World Earth Day on April 22, 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>5. Adopt the path in Yushan National Park and educate employees with environmental protection knowledge, showing E.SUN's ambition to protect Taiwan.</p> <p>6. 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 2011 Lantern Festival (Miaoli) 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 2011 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 48 students over the past seven 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's Golden Seed Project is a long-term initiative aimed at creating E.SUN libraries in remote areas, thereby improving facilities to offer a more conducive environment for reading and study. As of the end of 2011, 45 E.SUN libraries had been established in Ilan (Dongxing Elementary School, Guting Elementary School), Keelung City (Nuanxi Elementary School), New Taipei City (Wanli Elementary School), Taoyuan County (Neizha Elementary School, Shalun Elementary School, Xihai Elementary School), Hsinchu County (Hexing Elementary School, Gangnan Elementary School), Miaoli County (Dapu Elementary School), Taichung City (Dongshan Elementary School, Qixing Elementary School), Nantou County (Dunhe Elementary School), Changhua County (Qingshui Elementary School, Dajia Elementary School, Daxing Elementary School), Yunlin County (Baochang Elementary School, Jianyang Elementary School, Chaoyang Elementary School), Chiayi County (Shuangxi Elementary School, Wengang Elementary School, Liumei Elementary School), Shekou Elementary School, Yungan Elementary School, Danan Elementary School, Meilin Elementary School), Chiayi City (Linsen Elementary School, Datung Elementary School), Tainan City (Songlin Elementary School, Jiaxing Elementary School, Wenxian Elementary School, Dashe Elementary School), Kaohsiung City (Fuan Elementary School, Chengong Elementary School), Pingtung County (Wugou Elementary School, Silin Elementary School, Dexie Elementary School, Yutian Elementary School), Hualien County (Fengshan Elementary School, Mingli Elementary School), Taitung County (Fengli Elementary School, Taiping Elementary School), Penghu County (Dongwei Elementary School, Zhongzheng Elementary School).</p> <p>2. E.SUN in 2007 began providing resources to improve the environment in Taiwan to foster the development of baseball. The Bank established the E.SUN Youth Baseball Fund Special Account, and the fund is being used to help stage the E.SUN Cup National Tournament, the E.SUN Sports Injuries Prevention Workshop, the E.SUN Youth Baseball Pitcher & Catcher Training Camp, and the Baseball Assistance Project for Remote Areas. It also is cooperating with the Chinese Taipei Baseball Association to hold the E.SUN Cup International Youth Baseball Invitational. Top youth teams from Taiwan, Japan, and Korea are invited to participate with the aim of boosting the skills of young baseball players. Meanwhile, as of the end of 2011, E.SUN has provided baseball gear worth NT\$100,000 each to baseball teams at 15 schools, including Meiho Senior High School, Mailiao Senior High School, Hsinshue Senior High School, and Cheng Te High School. E.SUN also invites coaches from Major League Baseball to Taiwan to give lectures and impart the latest techniques, skills, and psychology with regards to coaching. This has enabled Taiwan's youth baseball coaches to draw on the latest training methods, helping to create an even stronger foundation for youth baseball to develop on Taiwan.</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 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 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> | | |
| 7. Further description of E.SUN's products or corporate social responsibility report, such as achieving various certification standards: Embracing a spirit of innovation and responsibility, E.SUN makes every effort to fulfill its corporate social responsibility. E.SUN's 2011 corporate social responsibility report was reviewed by the British Standards Institution and the organization issued its AA1000 Assurance Standard for the report. Meanwhile, the report was also deemed in accordance with GRI G3.1 Guidelines. These achievements point to the importance, comprehensive nature of, and responsiveness of these reports and E.SUN's related activities. Besides fulfilling its corporate social responsibility, in 2011 the Taipei City Government again singled out E.SUN for its green procurement practices within the private sector. It also won First Place in the Service Capital Award from the China Productivity Center. Business Today magazine rated E.SUN first in trustworthiness in a review of wealth management banks. The magazine also pointed to E.SUN as having the best personal finance account executive team, as well as awarding E.SUN First Place in the Best Performance Award. Meanwhile, Commonwealth magazine ranked E.SUN first for service among banks. All of these accolades show E.SUN's desire not only for the E.SUN family to be world-class citizens, but for E.SUN to be a world-class corporate citizen. | | |

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

E.SUN FHC engages in commercial activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement trustworthy business policies and prevent behavior that would be deemed otherwise, E.SUN has formulated the Ethical Corporate Management Best Practice Principles and Operation Procedure and Behavior Guidelines

All individuals at E.SUN are to comply with the regulations and guidelines stated within, with points being:

1.Scope of Application :

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

2. Applicable Persons :

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

3. Prohibited Behavior :

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

4. Legal Compliance :

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

5. Responsibility of the Board of Directors :

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

6. Prohibition of Insider Trading :

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

7. Avoidance of Dishonest Trading Counterparts :

Commercial transactions with dishonest agents, suppliers or business counterparts shall be avoided. All business exchanges with a trading counterparty or cooperative partner shall cease upon information of any dishonest act or practice of that counterpart or partner, who in such case shall be foreclosed from business dealings with the Company in consideration of the good-faith policy of the Company.

8. Accounting and Internal Controls :

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

9. Disposition of Prohibited Behavior :

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

4.7 Methods of referencing corporate governance guidelines and related regulations

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

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

States of company donation: None

4.9 Internal control

(1) Representation of Internal Control

E.SUN FINANCIAL HOLDING COMPANY, LTD.

Representation of Internal Control

To Financial Supervisory Commission, Executive Yuan

Mar. 16, 2012

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 2011 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 2011 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



President



General Auditor



Compliance Officer



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

4.10 Legal Infractions and Punishment and Major Shortfalls of the FHC and Subsidiaries and the State of Improvement over the Past Two Years

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

(2) Fines levied by the Financial Supervisory Commission for regulatory violations:

- a. In adherence to the Financial Supervisory Commission's decision (with due administrative fines imposed against the Bank) on subsidiary E.SUN Bank's failure to establish appropriate internal control procedure with respect to information security controls, the Bank improved the relevant operational procedure and environment as well as the personal internet banking interface. The improvement is completed and has been inspected and tested by impartial external experts to ensure its effective operation.
- b. With respect to the control of real property for proprietary use, due to subsidiary E.SUN Bank's assumption of the lease agreement owned by Kaohsiung Business Bank in 2004, the area of certain buildings reserved for use by and only by the Bank falls under the legally-required percentage of 50% of the total area of the same building. The Bank conducted an overall review therein and improved the relevant procedure and operation.
- c. With respect to the issuance of corporate bonds by the enterprise in which the person in charge of subsidiary E.SUN Bank's investments acts as a director and the underwriting of DCI with individual manager in the January 2009-January 2010 period, both of which were conducted in violation of the regulatory procedure governing transactions with interested parties due to certain procedural errors, the Bank has examined, reviewed and improved the relevant control procedures to prevent any subsequent operational errors.

(3) Irregularities, if any, of which prompt correction is ordered by the Financial Supervisory Commission:

- a. An employee of subsidiary, E.SUN Securities Taichong branch breached the regulations, governing responsible persons and associated persons of securities firms, and in compliance with the competent authority's order to take necessary rectifying measures.
- b. An employee of subsidiary E.SUN Bank was found to have secretly made photocopies and kept to himself the same photocopies around February 2004 of the information of certain customers of the Bank. The Bank took the initiative to handle of the matter. In compliance with the competent authority's order for the Bank to take necessary rectifying measures, the Bank strengthened the relevant internal control procedure and continues to conduct training and education programs on legal compliance.

(4) Adverse decision(s), if any, by the Financial Supervisory Commission under Article 54bis of the Banking Act: None.

Losses, if any, resulting from events of corruption of personnel, serious accidents or incidents of security failure due to failed compliance with the Security Maintenance Requirements of Financial Institutions, of which the amount incurred during the period or cumulative actual amount incurred exceeds NT\$50 million (where serious accidents means events of fraud, theft, misappropriation and embezzlement of company assets, false transactions, forgery of evidence and securities, acceptance of kickbacks, acts of Nature, external forces, computer hacking, theft of data and divulgence of trade secrets and customer information): None.

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

IV. Capital Overview



Warm Sun and Pleasant Breeze; an Agreeable Spring and Bright Prospects.

1. Capital and Dividend

1.1 Source of Capital

(1) Issued Shares

2011.12.31 Unit: million shares, NT\$ million

| Month/ Year | Par Value (NTD) | Authorized Capital | | Paid-in Capital | | Remark | |
|--------------------|-----------------|--------------------|--------|-----------------|--------|-------------------|--------|
| | | Shares | Amount | Source | Source | 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 | - |
| 2011.9.15(note 8) | 10 | 5,000 | 50,000 | 4,075 | 40,750 | Retained Earnings | - |
| 2011.11.11(note 9) | 15 | 5,000 | 50,000 | 4,575 | 45,750 | Rights offering | - |

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

Note8:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 25, 2011 granted approval for issuance in its letter Zidi 1000033362. In addition, the Ministry of Economic Affairs on July. 25, 2011 approved amended registration in its letter Zidi 10001216150.

Note9:The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 15, 2011 granted approval for issuance in its letter Zidi 1000031758. In addition, The board has approved to issue 500,000,000 shares with NT\$15 per share(NT\$10 face value) on July. 29, 2011.

(2) Type of Shares

2011.12.31 Unit:thousand shares

| Share Type | Authorized Capital | | | Note |
|---------------|--------------------|------------------|--------------|------|
| | Issued Shares * | Un-issued Shares | Total Shares | |
| Common Shares | 4,575,000 | 425,000 | 5,000,000 | - |

Note: The issued shares are listed shares

1.2 State of Shareholders

2011.12.31 Unit:thousand shares; %

| Share Type | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|-----------|
| Number of Shareholders | 7 | 18 | 269 | 86,643 | 518 | 87,455 |
| Shareholdings | 5,618 | 486,560 | 877,214 | 1,324,165 | 1,881,443 | 4,575,000 |
| Ownership | 0.12 | 10.64 | 19.17 | 28.94 | 41.13 | 100 |

1.3 Shareholding Distribution Status Common Shares

(The par value for each share is NT\$10)

| 2011.12.31 Unit Thousand Shares, % | | | |
|--------------------------------------|------------------------|-----------------------|------------|
| Class of Shareholding (Unit : Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
| 1 ~ 999 | 31,805 | 7,078 | 0.16 |
| 1,000 ~ 5,000 | 30,317 | 69,448 | 1.52 |
| 5,001 ~ 10,000 | 8,216 | 61,011 | 1.33 |
| 10,001 ~ 15,000 | 4,435 | 54,041 | 1.18 |
| 15,001 ~ 20,000 | 2,180 | 38,908 | 0.85 |
| 20,001 ~ 30,000 | 4,162 | 99,289 | 2.17 |
| 30,001 ~ 50,000 | 2,068 | 81,009 | 1.77 |
| 50,001 ~ 100,000 | 1,829 | 128,306 | 2.81 |
| 100,001 ~ 200,000 | 1,091 | 151,920 | 3.32 |
| 200,001 ~ 400,000 | 566 | 156,091 | 3.41 |
| 400,001 ~ 600,000 | 210 | 102,905 | 2.25 |
| 600,001 ~ 800,000 | 125 | 86,123 | 1.88 |
| 800,001 ~ 1,000,000 | 64 | 56,796 | 1.24 |
| 1,000,001 ~ | 387 | 3,482,075 | 76.11 |
| Total | 87,455 | 4,575,000 | 100.00 |

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

1.4 List of Major Shareholders

| 2011.12.31 Unit Thousand Shares, % | | |
|---|--------------|----------------|
| Shareholding name | Shareholding | Percentage (%) |
| Cathay Life Insurance Co., Ltd. | 258,655 | 5.65 |
| Ron-Yuan Investment Co., Ltd. | 166,042 | 3.63 |
| PCA Life Assurance Co., Ltd. | 162,124 | 3.54 |
| Saudi Arabian Monetary Agency | 161,742 | 3.54 |
| Hsin Kang Investment Co., Ltd. | 106,798 | 2.33 |
| Morgan Stanley Apollo Holdings (Cayman)Ltd. | 106,465 | 2.33 |
| E.SUN Commercial Bank Trust Fiduciary trust account | 102,397 | 2.24 |
| Fubon Life Insurance Co., Ltd. | 66,000 | 1.44 |
| Allcan Investment | 65,441 | 1.43 |
| Vanguard Stock Index Fund | 62,377 | 1.36 |

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 2011 profits was passed at the Meeting of the Board of Directors. This proposal, a stock dividend of NT\$ 0.5 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 | 2011 |
|---|---|---|
| Capital collected beginning of the period(NT\$1,000) | | 38,033,000 |
| Stock dividend and cash dividend of the year | Cash dividend per share(NT\$) | 0.2 |
| | Capitalized retained earnings-stock dividend(share) | 0.5 |
| | Capitalized additional paid-in capital-stock dividend(share) | 0 |
| Change of Business Performance | Operating revenue (loss)(NT\$1,000) | 4,042,403 |
| | Operating revenue (loss) increase(decrease)from last year(%) | (9.61)% |
| | Net Income(loss)(NT\$1,000) | 3,484,348 |
| | Net Income(loss) increase (decrease) from last year(%) | (11.18)% |
| | Earnings(loss) per share(NT\$) | 0.82 |
| | Earnings(loss) per share increase (decrease) from last year(%) | (15.46)% |
| | Annualized return on Investment(the reverse of Annualized Price / Earning ratio) | 4.64% |
| Projected Earnings per Share and Price / Earnings ratio | Retained earnings are capitalized with cash dividend distributed | Projected Earnings per share Projected annualized return on Investment |
| | | 0.81 4.58% |
| | 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*(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 × 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 auditing financial statements of 2011.
b. The tax rate that is used to calculate the projected data is 25%. The annual loan interest rate of 2011 is based on the average loan interest rate 1.73% of E.SUN Bank, respectively.

1.7 Employee Bonus and Compensation for Directors

Unit: NT\$

| 2011 Statement of profit allocation | |
|--|---------------|
| Balance at beginning of the period | 454,964,779 |
| Add: 2011 net profit | 3,484,347,064 |
| Add: Recovery of Appropriated R/E | 348,434,706 |
| Subtract: 10% Legal Reserved | 222,961,718 |
| Net Profit for distribution | 3,367,915,419 |
| Distribution : | |
| Shareholders' Bonus(NT\$0.50 Stock Dividend per share) | 2,287,500,000 |
| Shareholders' Bonus(NT\$0.20 Cash Dividend per share) | 915,660,000 |
| Total Shareholders' Bonus | 3,202,500,000 |
| Undistributed Profits at the end of the period | 165,415,419 |

Note: Employee Bonus is NT\$ 100,078,125 and Directors' compensation is NT\$33,359,375

1.8 Share Repurchase

2010.12.31

| Term of the program | First Term | Second Term |
|---|--------------------------|--------------------------|
| Purpose | Transfer to employee | Transfer to employee |
| Period or the program | 2008/10/13~2008/12/08 | 2010/03/17~2010/05/06 |
| Price range | 6.00~14.00 | 9.00~16.00 |
| Types and amount of shares been repurchased | 42,000,000 common shares | 34,059,000 common shares |
| Total monetary amount of share repurchase | NT\$336,818,905 | NT\$459,649,092 |
| Group's capital adequacy ratio before program | 104.67%(2007.12.31) | 120.49%(2008.12.31) |
| Group's capital adequacy ratio after program | 120.49%(2008.12.31) | 114.98(2009.12.31) |
| Total amount of shares been transferred or cancelled | 42,000,000 shares | 34,059,000 shares |
| Total amount of shares accumulated | 0 | 0 |
| Accumulated shareholdings (%) | 0 | 0 |
| The execution process of transfer repurchase shares to employee | Finished | Finished |
| Limitation of failure to fully transfer within 3 years | No | No |

2. Merger and Acquisition

2.1 Subsidiary E.SUN Bank signed a purchase agreement on March 18, 2011. To acquire Chu Nan Credit-Cooperative Association, with the record date for the transaction set at July 9, 2011. E.SUN acquired the latter's assets, liabilities and operations.

- (1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: Not applicable.
- (2) State of mergers & acquisitions or sale of banking institutions over the past five years. Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter: Not applicable.
- (3) In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other banking institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: Not applicable.

2.2 Subsidiary E.SUN Bank on March 16, 2012, signed an agreement with Chiayi Fourth Credit Cooperative to acquire the latter institution. Shareholder/representative meetings were held on March 25, 2012, at which each party approved the transaction. The record of date for the completion of the transaction is tentatively set for November 3, 2012, after which E.SUN will have acquired Chiayi Fourth's assets, liabilities and operations. (This transaction is pending approval by the regulatory authority.)

- (1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: Not applicable.
- (2) State of mergers & acquisitions or sale of banking institutions over the past five years. Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter: Not applicable.
- (3) In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other banking institutions in which the Board of Directors has approved such M&D or sale that involves the issuance of new shares: Not applicable.

3. 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

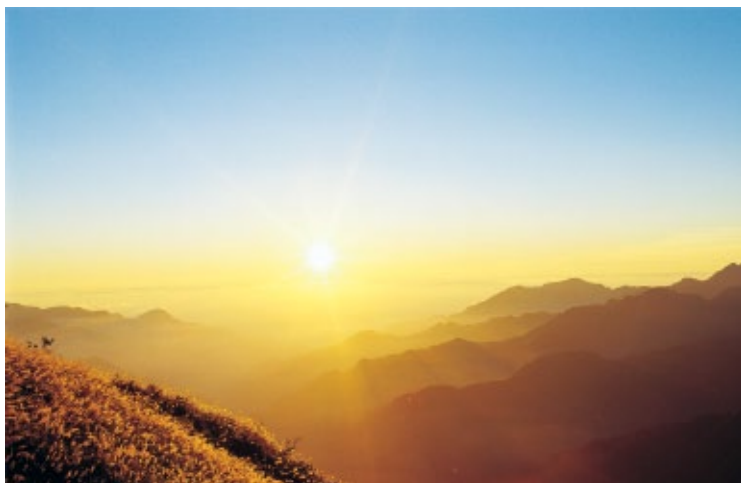
On September 6, 2011, E.SUN completed a cash subscription of NT\$7.5 billion. This has consequently raised the FHC's capital adequacy ratio from 123.20% at June-end 2011 to 132.69% at the end of the year. On November 24, subsidiary E.SUN Bank received an injection of NT\$7.5 billion, boosting its capital adequacy ratio from 11.55% at June-end to 12.29%. Meanwhile, its Tier I CAR rose from 8.55% to 9.02%.

V. Business Operation



Green Drops, Full of Vitality.

1. Business Scope



Full of Light and Hope.

E.SUN Bank serves as the core of E.SUN FHC. Combined with securities, insurance broking and venture capital, E.SUN provides 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- 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 sanctioned by regulators.

b. Composition of Operations

Unit NT\$ thousand

| Item \ Year | 2011 | | 2010 | |
|-----------------|------------|--------|------------|--------|
| | Amount | % | Amount | % |
| Interest Income | 21,329,592 | 71.37 | 17,618,273 | 71.91 |
| Fee Income | 7,312,585 | 24.47 | 6,550,173 | 26.73 |
| Others | 1,244,068 | 4.16 | 333,959 | 1.36 |
| Total | 29,886,245 | 100.00 | 24,502,405 | 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, Gold bankbook and trust operations approved under the law.

(d) Agency Operations and Other

Serves as an agent in issuance of financial 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 financial debentures.

b. Composition of Operations

Unit NT\$ thousand

| Item \ Year | 2011 | | 2010 | |
|-----------------|------------|--------|------------|--------|
| | Amount | % | Amount | % |
| Interest Income | 21,041,767 | 74.44 | 17,354,284 | 73.40 |
| Fee Income | 5,972,205 | 21.13 | 5,366,727 | 22.70 |
| Others | 1,254,090 | 4.43 | 923,004 | 3.90 |
| Total | 28,268,062 | 100.00 | 23,644,015 | 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 all types of securities and provides assistance to firms listed on the Taiwan Stock Exchange and

the over-the-counter market in the underwriting of stock, corporate bonds, and beneficiary certificates. It also provides regulatory and advisory services for fiscal management.

(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 | 2011 | | 2010 | |
|-------------------------------|----------|--------|-----------|--------|
| | Amount | % | Amount | % |
| Fee Income | 684,223 | 71.24 | 683,483 | 66.25 |
| Interest Income | 283,853 | 29.55 | 259,996 | 25.20 |
| Gains from Securities Trading | (76,200) | (7.93) | 17,457 | 1.69 |
| Other Operating Income | 68,624 | 7.14 | 70,766 | 6.86 |
| Total | 960,500 | 100.00 | 1,031,702 | 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.

E.SUN cooperates with Prudential Plc, Mercuries Life Insurance, Nanshan Life Insurance, Tokyo Marine Nawa Insurance, and Taian Insurance, and it provides asset allocation and insurance planning services based on the various needs of its customers. In 2011, E.SUN Insurance Brokers established a greater number of service counters at E.SUN Bank. It also carried out increased telemarketing and expanded online insurance transactions, helping to generate balanced growth. The Company is striving to integrate resources with other FHC subsidiaries to provide customers with one-stop financial consulting and service, thereby yielding operational synergy.

b. Composition of Operations

Unit NT\$ thousand

| Year Item | | 2011 | | 2010 | |
|--------------------|------------------------------|------------|--------|------------|--------|
| | | Fee Income | % | Fee Income | % |
| Life Insurance | Life and Health Insurance | 676,255 | 88.11 | 501,206 | 84.81 |
| | Investment-linked Insurance | 14,544 | 1.90 | 16,832 | 2.85 |
| | Accident Insurance and Other | 64,747 | 8.44 | 61,009 | 10.32 |
| Property Insurance | | 11,934 | 1.55 | 11,926 | 2.02 |
| Total | | 767,482 | 100.00 | 590,973 | 100.00 |

(5) E.SUN Venture Capital

a. Primary Operations

- Directly provide capital to companies in which it has invested.
- Provide business, management and other advisory and consultation services to companies in which it has invested.

b. Composition of Operations

Unit NT\$ thousand

| Year Item | | 2011 | | 2010 | |
|---|--|---------|-------|---------|-------|
| | | Amount | Ratio | Amount | Ratio |
| Investment Income | | 161,685 | 97.1 | 212,330 | 98.6 |
| Interest and other non-operating income | | 4,754 | 2.90 | 2,984 | 1.4 |
| Total | | 166,439 | 100 | 215,314 | 100 |

1.2 Business Plan

(1) E.SUN FHC

a. Understanding Critical Moments and Opportunities

E.SUN will embark upon its third "golden decade" in 2012. Amid the keen competition in the financial sector, the Company will continue to embrace service, brand name, and teamwork as its core values in an effort to effectively execute its strategic planning. E.SUN will realize PDCA, helping to further solidify its foundation in Taiwan's financial blueprint. It will rely on wisdom, methods and ambition to work towards and exceed goals. E.SUN welcomes the arrival and challenges of 2012.

b. Maximizing Integration and Execution

E.SUN integrates the product 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 the China Market

With the continued liberalization in the cross-strait banking market, E.SUN intends to pursue stable operations, offer comprehensive services, and strive for balanced growth in creating an increased presence in mainland China and overseas, thereby generating greater profits for shareholders. E.SUN received approval from China's banking regulatory at the end of 2011 to prepare to establish a branch in Dongguan.

Meanwhile, it is actively working to upgrade its office in Ho Chi Minh City to a branch. In addition, The financial regulator of Taiwan has approved E.SUN to set up a branch in Singapore, and the Company has submitted an application to the Monetary Authority of Singapore. Besides its existing branches in Hong Kong and Los Angeles, E.SUN will gradually see new branches opened in Dongguan, Singapore, and Vietnam. This will bring its overseas branch network to five. E.SUN will continue to evaluate the feasibility of establishing branches elsewhere, which will enable the Company to reach new milestones in its pursuit to create an overseas financial blueprint.

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, Corporate Social Responsibility 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 has clearly set forth a vision of having its employees be world-class citizens and the Bank be a world-class corporate citizen. It has won the Best Corporate Social Responsibility Award from the Taiwan Academy of Banking and Finance. In addition, E.SUN has won the Corporate Social Responsibility Award from Global Views Monthly for three straight years, while also having been singled out by CommonWealth magazine for three years, winning its Corporate Citizen Award. These awards demonstrate E.SUN's commitment to not only being the best performing, but also the most respected enterprise.

(2) E.SUN Bank

2011 was a year dominated by the euro zone debt crisis and the threat of falling back into recession.

E.SUN continued to focus on stable growth in its operations. It also continued to strengthen its risk controls and maintain strong asset quality. At the same time, it effectively integrated FHC resources to provide customers with top-notch, diversified services. Looking forward to 2012, the Bank will continue to work to expand its domestic and overseas service networks and create greater tangible and intangible value from these networks, all the while keeping strict risk controls in effect. At the same time, the Bank will enhance the network services for its various product lines in the pursuit of well-rounded operations and healthy development.

a. Corporate Banking

In its corporate banking operations, 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.



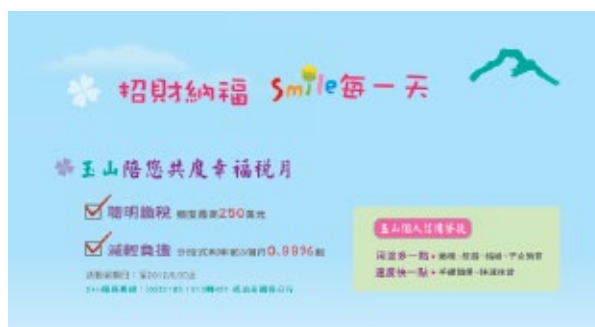
It's Great to Have E.SUN !

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

In 2012, E.SUN will continue to pursue stable operations and a strategy to create value. It will continue to create cash flow service teams throughout its branch network and provide comprehensive services to boost satisfaction and loyalty among its customers. It will also integrate resources from other industries and work with cooperative partners in providing appropriate services and products to its clientele to boost the number of E.SUN products and services used by customers and generate greater added service value.



E.SUN wishes to bring Fortune and Convenience to our customers.

NT dollar and foreign currency demand deposits, and joint marketing operations will continue to be the main focus of E.SUN's business. In light of market risk and government policy changes, the Bank will maintain the goal of stable growth in its mortgage lending. E.SUN will continue to be the market leader in unsecured lending operations amid strict risk controls. It is also aggressively raising its profit growth trajectory for small-sized enterprises



The Most Trustworthy Wealth Management.

and emerging businesses. It will work to streamline operational procedures and forge new innovations in data systems in an effort to maximize the operational benefits from its network.

c. Wealth Management

In the area of wealth management, E.SUN's continues to emphasize risk management. It also continued to increase the number of expert personal finance consultants and account executives, while honing the expertise of these individuals, boosting their marketing capabilities and strengthening operational quality. E.SUN has also strengthened its various transaction systems and its customer relationship management system, helping to boost operational efficiency and service quality. The Bank is working to enhance the relationship with wealthy customers, focusing on potential VIPs, as well as VVIPs. It provides comprehensive services to satisfy the needs of customers, while also appropriately offering personal finance planning and asset allocation recommendations, creating customer value and winning the hearts of these customers.

d. Credit Card

The credit card market in 2011 was impacted by a downturn in consumer confidence caused by the European debt crisis. Consequently, the total amount

charged, the number of cards in issuance, and the cards in force all experienced slower growth. As of the end of 2011, E.SUN had 2.84 million cards in force, with 1.77 million cards in use. The amount charged on the cards during the year was NT\$138.0 billion, which was a growth of 19.43% from 2010. Meanwhile, E.SUN's NPL ratio stood at 0.23%, which was considerably lower than the previous year, pointing to a continued strong asset quality.

In an effort to develop business and maintain its leading position in the market, E.SUN continued to pursue a strategy of growth in this area of operations in 2011, providing differentiated marketing initiatives in an effort to expand market share and boost market visibility. This helped to create value for customers and make E.SUN's cards the preferred ones when customers made charges. E.SUN emphasized integrated marketing in each of its product lines, making customers even more inclined to use the Bank's cards. Consequently, significant growth was seen in both the amount charged on the cards and market share.

(3) E.SUN Securities

E.SUN realizes the challenges brought about the many uncertainties in the external environment, but also looks upon this as an opportunity to make the best use of E.SUN's business model. It continues to set up branches and joint marketing offices. E.SUN Securities also is working to boost the professional expertise of its workforce and strengthen customer loyalty. It provides comprehensive, real-time, convenient, and diverse products and services. At the same time, it has developed a virtual network and is generating new value via cooperation and alliances with companies in other sectors.

- a. As for customer segment management, the Company adopts the 80/20 principle. It focuses on providing services for VIPs and is expanding its pool of corporate customers. E.SUN provides customized services in a bid to boost its market share and profitability in the broking business.
- b. In terms of system development, E.SUN has introduced mobile technology to provide customers secure, rapid and user-friendly order placement services amid the increasing popularity among customers of mobile transaction models. It is also adopting risk control mechanisms to enable it to operate soundly amid expanding business scale and changes in the international financial markets.
- c. As for dealing operations, E.SUN integrates its research resources in an effort to uncover industries and stocks with significant potential. It flexibly trades in the cash market and the futures market to maximize profits.
- d. As for underwriting, E.SUN carefully examines industries and the credit risk of specific companies in light of changes in the underwriting market. Besides SPO, it seeks to develop IPO opportunities and strengthen development of its fiscal advisory business.
- e. Regarding R&D, E.SUN continues to boost

its research abilities along with monitoring asset management performance to meet customers' specialized investment needs. It has strengthened its ability in researching foreign securities. In addition, it also holds investment seminars to generate domestic and foreign investments by customers.

(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

E.SUN Venture Capital and FHC subsidiaries E.SUN Bank and E.SUN Securities work together to provide enterprises with refined and comprehensive financial services. The Company participates in the actual operation of enterprises, enhancing knowledge of various industries, and boosting its long-term competitiveness and development potential. This is expected to effectively raise E.SUN's profitability and enhance the FHC's overall operational synergy.



E.SUN 20 years of existing, is thankful for having our customer's support.

1.3 Industry Outlook

(1) FHC

The euro zone debt crisis, skepticism over a US economic recovery, and concerns over a hard landing in mainland China, together with political uncertainties in North Korea and the Middle East, caused many countries to adopt even looser monetary policies to rescue monetary systems and foster economic development. The global financial environment in the future is likely to be characterized by even more volatility. Looking back at the state of Taiwan's economy, the boom in the real estate market has come to an end for now. Besides multiple downward revisions in forecast economic growth, the banking industry will face pressures associated with repayment of loans from four major industries, making 2012 a year full of challenges.

In an effort to get a leg up on industry counterparts, Taiwan's financial holding companies have been developing unique business and profit models. Many have turned to mergers & acquisitions, as well as strategic alliances to promote diversified development. Consequently, many financial holding companies have developed their own niches and strengths. In the future, closer dealings between the two sides of the Taiwan Strait will offer greater business opportunities for these companies, which will seek to generate the greatest value from their customers and turn into customer-driven organizations. E.SUN will remain on top of market trends and customer preferences. It will also integrate hard power and soft power in an effort to become a leader in the race among companies in the financial industry.

(2) Bank

The global economy faced many challenges throughout 2011, many of which were related to the impact of debt issues in Europe and the United States. These crises affected external trade growth by

mainland China, and in turn caused Taiwan's export growth to begin to wane in the second half of the year. GDP growth was a stable 4%. Taiwan's economic structure and growth model will require restructuring. Taiwan is aggressively promoting development of the Six Major Emerging Industries, which is expected to drive private investment growth and boost export momentum, while also promoting employment. In addition, private consumption and strong growth in the arrival of tourists from mainland China are expected to fuel the expansion of domestic demand industries and innovation in services, thereby bolstering growth in output and employment in the service industry.

As for 2012, continued improvement in cross-strait relations and growth in emerging markets, particularly in Asia, are likely to a certain degree to offset the retreat in exports associated with weaker demand in Europe and the United States. Meanwhile, the asset quality of Taiwan's banking industry continues to improve, which will underpin longer-term growth momentum. In addition, amid increasingly aging societies in many countries and loose monetary policies adopted by central banks in Europe and the United States, it is expected that investors will devote more time and money to personal finance and investment. This is expected to drive development of wealth management operations.

(3) Securities

Taiwan stocks in the early part of the year exhibited a gradual downtrend in response to the Jasmine Revolution in North Africa and the Middle East, the earthquake and tsunami in Japan, waning global economic growth and the re-emergence of the euro zone debt crisis. Trading values and investor interest continued to wane as the year progressed. Turnover in September contracted significantly, offsetting the

contributions from higher volume earlier in the year. Overall, average turnover in 2011 was lower than in the previous year and the performance of Taiwan stocks did not live up to expectations, causing the level of outstanding margin financing to fall considerably. As a result, brokerages saw less interest income from margin financing. In addition, undercutting of handling fees and commissions was prevalent, and many dealing departments posted losses in their trading. These factors impacted the overall profitability of the securities industry.

Looking ahead to 2012, even though global economic growth is expected to weaken in the first half of the year, which is not conducive to the operational performance of the securities industry, the global economy is expected to bottom out and begin a recovery in the second half. Taiwan stocks are poised to move higher on increasingly brisk turnover. Meanwhile, each period of economic weakness ends up increasing the interest among members of the securities industry in mergers and acquisitions. Taiwan presently has 16 financial holding companies and many of these groups are looking to expand the scale of their securities subsidiaries. This may lead to a continued trend by larger securities houses to stage mergers and acquisitions of their smaller counterparts.

(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



Turn to E.SUN for Your Bancassurance and Provide Protection for the Whole

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.

(5) Venture Capital

The issues that disrupted global economic development in 2011 will continue to have an impact in 2012. Europe, the United States and other developed nations will continue to strive to reduce debt, the effects of which will impact economic growth in emerging nations. It is expected that global economic growth in 2012 will be slower than in 2011.

The price to earnings ratio among electronics companies listed on Taiwan's capital markets is heading lower, and this situation has continued for a number of years. In recent years, E.SUN Venture Capital has responded to this situation by gradually increasing its weighting in the biotech and precision machinery sectors. Its strategy to adjust its investment portfolio is gradually producing the desired effects.

1.4 Research and Development



E.SUN's "Ideas, Innovation, and Integration" Continue to Forge R&D within E.SUN

(1) 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 innovation conferences. 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 team and Company-wide innovation conferences serve as important reference in R&D and innovation, helping to further accumulate innovation-oriented knowledge.

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 2011 accounted for about 3% of total revenues.



E.SUN provides smart solutions.

In the competitive environment to continue to develop innovative market products and services, subsidiary E.SUN Securities has continued to integrate information technology and develop financial services in a bid to boost its competitiveness. The Company continues to develop an advanced electronic trading platform and a diverse array of cloud-based services, while also expanding its cooperation with other securities. It is introducing mobile platforms to raise electronic trading and service quality with an eye to raising its overall market share in e-trading. E.SUN will continue to plan related R&D projects and devote funds to these initiatives. In 2011, the Company's R&D expenditures and budget comprised 7.64% of total revenues.

Research expenditures for the last 3 years

Unit: NT\$ thousand

| Year | 2011 | 2010 | 2009 |
|------------------|---------|---------|---------|
| E.Sun Bank | 556,922 | 482,385 | 415,805 |
| E.SUN Securities | 73,366 | 62,875 | 51,378 |

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

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. This has become the key factor in enabling enterprises to boost service standards and create customer value.

E.SUN and an internationally renowned consulting company have cooperated in introducing knowledge, quantitative models and experience. 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 broad use in daily operations, and these models are enabling E.SUN to clearly understand customer value, engage in segmentation of customers and provide differentiated marketing, as well as analyze different facets and needs of customers, thereby providing services to meet their demands. E.SUN can thus further boost the business volume provided by each customer as well as customer loyalty. 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 is boosting E.SUN's competitiveness.

b. 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. 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 Team was established with the objective of enhancing the operational performance of the FHC and each subsidiary, creating a performance-minded organizational culture, and monitoring performance. The PMI Team 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.

d. Integrated Research Resources

Many 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 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.

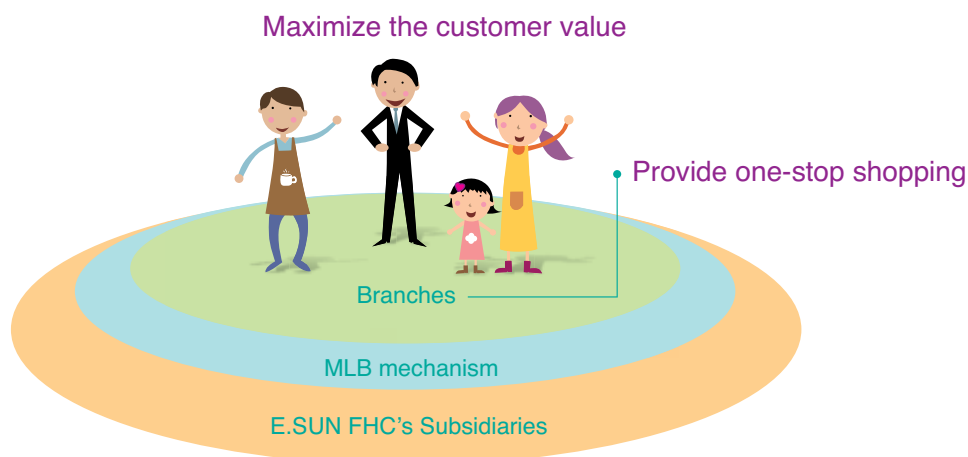
e. Enhanced Network Value

FHC subsidiary E.SUN Bank has a 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' branches and the Internet trading platform it offers, the 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.



E.SUN's network helps create customer value and satisfaction.

2.Cross-Selling Synergy



E.SUN's has established organizational and systematic methods to create values for customers and E.SUN.

(1) Always Customer-Driven

The needs of customers are always the foremost concern of E.SUN. The Company utilizes its full-service branches to bring integrated marketing efforts to the forefront. It is also strengthening its regional operation mechanism and is working to respond to the needs of customers from different product lines. This operational strategy forges close integration of product lines and subsidiary companies, enabling E.SUN to efficiently serve its customers and create value. E.SUN has established organizational and systematic methods to maximize customer value while at the same time generating business results for the Company.

(2) Employs Technology to Manage Customer Relationships

E.SUN has a broad range of customers. The Company continually strengthens management mechanisms to manage customer relationships. For instance, when a list of customers is generated for marketing of products or services, the Company immediately initiates planning that includes

focusing on specific customer segments and the use of the marketing networks. Those not suited for the marketing campaign will be deleted from the list, and the list will not be repeatedly used over the short term. While on the one hand providing customers products they may be interested in, the system prevents disturbing customers too many times. The system assists 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) Maximize Network Synergy

E.SUN FHC subsidiaries include bank, securities and insurance brokers. A total of 76 securities counters have been established in the bank branches and insurance specialists are employed at 98 branches, enabling 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.

In this era of globalization, the key to boosting an enterprise's competitiveness is the cultivation of human resources who are able to think creatively and who have a world view. E.SUN has made a long-term commitment to systematically assisting their employees in career development. E.SUN provides diverse learning opportunities and trains individuals to have expertise in a variety of fields. This pool of knowledge forms the foundation of E.SUN's sustainable operations.

E.SUN wants its employees to enjoy their work, and have their work benefit them in their personal lives. The Bank wants to act as a second home for all of its employees. It seeks to create a harmonious and pleasant working environment. This is E.SUN's pledge to its employees. In 2011, E.SUN held a total of 154 internal workshops. In addition, employees were selected to attend 652 workshops held by outside institutions, as total of 22,869 times. Each employee on average participated in four training courses, enabling E.SUN staffs to grow through learning and enhance their expertise.

(1) E.SUN FHC and its subsidiaries

| Item \ Year | | 2011 | 2010 | 2009 |
|--------------------------------|-------------|--------|--------|--------|
| No. of Employees | | 5,986 | 5,162 | 4,984 |
| Average Age | | 31.3 | 31.0 | 31.0 |
| Average Years of Service | | 5.9 | 6.0 | 5.7 |
| Educational Background(%) | Master's | 18.3 | 19.5 | 19.8 |
| | Bachelor's | 71.9 | 69.4 | 67.6 |
| | College | 8.8 | 10.1 | 11.5 |
| | High School | 1.0 | 1.0 | 1.1 |
| Number of Professional License | Bank | 13,884 | 12,638 | 12,120 |
| | Insurance | 4,785 | 4,271 | 3,913 |
| | Securities | 3,428 | 3,352 | 3,409 |
| | Others | 299 | 266 | 235 |



Create your own career path.

(2) E.SUN Bank

| Item \ Year | | 2011 | 2010 | 2009 |
|--------------------------------|-------------|--------|--------|--------|
| No. of Employees | | 5,301 | 4,583 | 4,433 |
| Average Age | | 31.4 | 31.5 | 31.1 |
| Average Years of Service | | 6.1 | 6.2 | 5.9 |
| Educational Background(%) | Master's | 19.3 | 20.5 | 20.7 |
| | Bachelor's | 70.5 | 68.1 | 66.6 |
| | College | 9.2 | 10.4 | 11.6 |
| | High School | 1 | 1.0 | 1.1 |
| Number of Professional License | Bank | 13,264 | 12,066 | 11,453 |
| | Insurance | 4,415 | 3,945 | 3,552 |
| | Securities | 2,585 | 2,596 | 2,586 |
| | Others | 260 | 234 | 200 |

(4) E.SUN Insurance Broker

| Item \ Year | | 2011 | 2010 | 2009 |
|--------------------------------|------------|------|------|------|
| No. of Employees | | 124 | 95 | 83 |
| Average Age | | 27.7 | 28.1 | 27.4 |
| Average Years of Service | | 2.3 | 2.2 | 2.2 |
| Educational Background(%) | Master's | 4.8 | 8.4 | 6.0 |
| | Bachelor's | 94.4 | 90.5 | 90.4 |
| | College | 0.8 | 1.1 | 3.6 |
| Number of Professional License | Bank | 87 | 80 | 108 |
| | Insurance | 148 | 150 | 173 |
| | Securities | 12 | 7 | 12 |
| | Others | 1 | 1 | 1 |

(3) E.SUN Securities

| Item \ Year | | 2011 | 2010 | 2009 |
|--------------------------------|-------------|------|------|------|
| No. of Employees | | 540 | 464 | 408 |
| Average Age | | 31 | 30.9 | 30.4 |
| Average Years of Service | | 4.4 | 4.1 | 4.1 |
| Educational Background(%) | Master's | 10.9 | 10.8 | 11.0 |
| | Bachelor's | 81.7 | 79.3 | 76.0 |
| | College | 6.3 | 8.6 | 11.5 |
| | High School | 1.1 | 1.3 | 1.5 |
| Number of Professional License | Bank | 494 | 453 | 515 |
| | Insurance | 218 | 175 | 187 |
| | Securities | 824 | 742 | 803 |
| | Others | 31 | 24 | 26 |

(5) E.SUN Venture Capital

| Item \ Year | | 2011 | 2010 | 2009 |
|--------------------------------|------------|------|------|------|
| No. of Employees | | 7 | 6 | 8 |
| Average Age | | 36.7 | 31.0 | 35.3 |
| Average Years of Service | | 8.4 | 5.4 | 4.6 |
| Educational Background(%) | Master's | 57.1 | 66.7 | 87.5 |
| | Bachelor's | 42.9 | 33.3 | 12.5 |
| Number of Professional License | Bank | 11 | 11 | 10 |
| | Insurance | 3 | 0 | 0 |
| | Securities | 1 | 1 | 1 |
| | Others | 0 | 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.

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



County, Miaoli County, Taichung City, Changhua County, Nantou County, Yunlin County, Chiayi County, Chiayi City, Tainan City, Kaohsiung City, Pingtung County, Hualien County, Taitung County, and Penghu County. E.SUN continues to hold blood drives, helping hospitals to increase their reserves of blood. Meanwhile, E.SUN employees and volunteers continue to accompany children living in orphanages to baseball games and story-telling activities. Assistance is also provided to tutor children, clean up neighborhoods, and hold charity and fund-raising activities. It hopes these efforts will enable children to have happy memories as they grow up and bring love and compassion to every corner that needs it.

E.SUN produced the E.SUN Green Policy white paper, which exhibits its commitment and determination to environmental protection. It continues to include environmental protection considerations in its lending activities and encourages energy conservation. The Bank also holds many environmental protection activities. E.SUN initiated activities to clean up mountains. Company employees and volunteers cleaned up 21 mountain trails throughout the island. The Bank is cooperating with Shinhua Forest Station, which is managed by National Chung Hsing University, in promoting a six-year activity to

plant trees. In 2011, the Bank provided assistance in planting 10,000 trees on forest grounds, helping to do its part in protecting the environment. It participated in activities, like encouraging people to turn off their lights on the summer solstice, and turn off their lights for one hour on Earth Day, and participating 「Clean Up the World」 to protect Taiwan's environment. It also called for people to switch off their lights on the Mid-Autumn Festival for one hour so people could see the moon better, E.SUN also participated Car Free Day, joining with the rest of the world in advocating energy conservation and reducing carbon emissions. Meanwhile, on the 13th day of each month, each department in E.SUN holds activities to promote energy saving and environmental protection concepts both at home and in the workplace. E.SUN hopes that environmental protection becomes a part of everyone's life.

On another front, E.SUN in 2007 began providing resources to improve the environment in Taiwan to foster the development of baseball. The Bank established the E.SUN Youth Baseball Fund Special Account, and the fund is being used to help stage the E.SUN Cup National Tournament, the E.SUN Sports Injuries Prevention Workshop, the E.SUN Youth Baseball Pitcher & Catcher Training Camp, and the Baseball Assistance Project for Remote Areas. It also is cooperating with the Chinese Taipei Baseball Association to hold the E.SUN Cup International Youth Baseball Invitational. Top youth teams from Taiwan, Japan, and Korea are invited to participate with the aim of boosting the skills of young baseball players. Meanwhile, as of the end of 2011, E.SUN has provided baseball gear to baseball teams at 15 schools, including Meiho Senior High School, Mailiao Senior High School, Hsinshu Senior High School, and Cheng Te High School. E.SUN also invites coaches from Major League Baseball to

Taiwan to give lectures and impart the latest techniques, skills, and psychology with regards to coaching. This has enabled Taiwan's youth baseball coaches to draw on the latest training methods, helping to create an even stronger foundation for youth baseball to develop on Taiwan.

E.SUN provides academic opportunities to outstanding students exhibiting potential, offering these individuals with scholarships so they can complete their education free from financial worries. To date, the Bank has provided scholarships to 48 students over the past seven years under its Outstanding Manager Training Program. It hopes that the financial assistance will help to create the groundwork for these students to become outstanding managers. In an effort to encourage the publishing of papers in the world's leading management publications, E.SUN has, in conjunction with National Taiwan University, established the E.SUN Academic Prize, which is awarded to two individuals. This is aimed at helping to raise the research standards in Taiwan's field of management. E.SUN is also actively providing assistance to the Financial Supervisory Commission in an activity carried out in neighborhoods and on campuses to promote proper concepts among the public and students with regards to spending and other banking-related knowledge.

E.SUN has made a long-term commitment to fulfilling its corporate social responsibility, engaging in all sorts of public welfare, arts and culture, environmental protection and employee care activities. In March 2012, E.SUN's corporate social responsibility report received the AA1000 Assurance Standard from British Standards Institution and was deemed in accordance with the Global Reporting Initiative G3.1 Guidelines. Achieving these two certifications demonstrate that E.SUN's corporate social responsibility is in step with the best global practice.

VI. Financial Information



Majesty of the Peaks, a Masterwork of Nature.

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1. Condensed Financial Statements 2007 to 2011

(1) Condensed Balance Sheet

Unit: NT\$1,000

| Item \ Year | | Financial data 2007-2011 | | | | |
|---|---------------------|--------------------------|------------|------------|------------|------------|
| | | 2011 | 2010 | 2009 | 2008 | 2007 |
| Cash and cash equivalents due from the central bank and call loans to banks | | 7,212,192 | 6,782,379 | 5,054,646 | 7,246,319 | 8,903,288 |
| Financial assets at fair value through profit or loss | | - | - | 1,011 | 303,324 | 485,318 |
| Receivables | | 734,622 | 830,086 | 807,921 | 507,706 | 411,695 |
| Equity investments under the equity method | | 70,828,510 | 60,799,227 | 57,006,584 | 50,886,052 | 51,970,577 |
| Other financial assets | | 12,690 | 12,690 | 12,690 | 12,690 | 12,690 |
| Properties | | 2,298 | 246 | 271 | 432 | 594 |
| Intangible assets | | 2,987 | 1,848 | 1,934 | 2,021 | 2,106 |
| Other assets | | 40,923 | 2,817 | 2,838 | 822,205 | 818,016 |
| Total assets | | 78,834,222 | 68,429,293 | 62,887,895 | 59,780,749 | 62,604,284 |
| Financial liabilities at fair value through profit or loss | | 5,241,495 | 5,138,932 | 4,798,424 | 4,967,559 | 8,988,783 |
| Payables | | 504,454 | 445,235 | 459,415 | 375,316 | 266,912 |
| Corporate bonds payable | | 7,500,000 | 7,500,000 | 5,500,000 | 5,500,000 | 5,500,000 |
| Accrued pension cost | | 4,577 | 20,755 | 3,569 | 7,641 | 6,725 |
| Other borrowings | | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | | 0 | 82,512 | 188,771 | 188,032 | 0 |
| Total liabilities | Before distribution | 13,250,526 | 13,187,434 | 10,950,179 | 11,038,548 | 14,762,420 |
| | After distribution | Note 1 | 13,948,094 | 11,676,539 | 11,049,524 | 16,114,170 |
| Capital Stock | | 45,750,000 | 38,033,000 | 36,528,000 | 35,443,511 | 33,033,000 |
| Capital Surplus | | 13,327,677 | 10,578,871 | 10,451,904 | 10,407,577 | 9,883,176 |
| Retained earnings | Before distribution | 6,728,981 | 6,503,368 | 4,759,376 | 3,881,743 | 5,609,490 |
| | After distribution | Note 1 | 3,080,398 | 2,580,296 | 3,991,219 | 4,257,740 |
| Equity adjustments | | (222,962) | 126,620 | 198,436 | (990,630) | (683,802) |
| Total stockholders' equity | Before distribution | 65,583,696 | 55,241,859 | 51,937,716 | 48,742,201 | 47,841,864 |
| | After distribution | Note 1 | 54,481,199 | 51,211,356 | 48,742,201 | 47,841,864 |

Note 1 : Earnings distribution of the year (ended December 31) 2011 shall be resolved in the shareholders' meeting .

(2) Condensed Balance Sheet(Consolidated)

Unit : NT\$1,000

| Year | | | Financial data 2007-2011 | | | | |
|---|---------------------|---------------------|--------------------------|---------------|-------------|-------------|-------------|
| | | | 2011 | 2010 | 2009 | 2008 | 2007 |
| Item | | | | | | | |
| Cash and cash equivalents \ due from the central bank and call loans to banks | | | 65,132,182 | 57,913,977 | 226,996,247 | 100,544,324 | 40,630,262 |
| Financial assets at fair value through profit or loss | | | 52,303,140 | 55,517,279 | 40,126,282 | 74,377,362 | 99,729,801 |
| Securities purchased under resell agreements | | | 29,789 | 1,439,552 | 3,384,993 | 353,252 | 295,975 |
| Receivables | | | 46,576,283 | 41,833,788 | 37,147,658 | 32,607,482 | 32,626,300 |
| Discounts and loans | | | 656,008,834 | 599,161,337 | 550,483,765 | 532,944,978 | 514,648,763 |
| Available-for-sale financial assets | | | 53,524,008 | 48,242,365 | 37,300,338 | 42,884,680 | 38,078,612 |
| Held-to-maturity financial assets | | | 253,283,859 | 254,655,585 | 18,278,241 | 14,241,499 | 14,389,915 |
| Equity investments under the equity method | | | - | - | - | - | 130,259 |
| Other financial assets | | | 5,143,502 | 4,331,568 | 7,279,134 | 9,194,423 | 9,026,992 |
| Properties | | | 15,892,484 | 14,456,569 | 14,184,114 | 13,283,041 | 12,914,521 |
| Goodwill and Intangible assets | | | 4,063,447 | 4,016,475 | 4,048,234 | 4,039,733 | 3,936,018 |
| Other assets | | | 3,533,834 | 2,959,873 | 3,089,363 | 4,996,188 | 5,774,566 |
| Total assets | | | 1,155,491,362 | 1,084,528,368 | 942,318,369 | 829,466,962 | 772,181,984 |
| Due to the central bank and other banks | | | 38,052,926 | 38,869,814 | 39,051,957 | 21,168,220 | 32,516,451 |
| Commercial paper issued,net | | | 951,708 | 2,503,224 | 1,344,707 | - | 1,773,679 |
| Financial liabilities at fair value through profit or loss | | | 13,092,263 | 18,084,329 | 15,856,882 | 31,443,604 | 39,498,399 |
| Securities sold under repurchase agreements | | | 13,247,387 | 17,394,242 | 14,518,968 | 23,161,468 | 17,631,985 |
| Payables | | | 19,676,684 | 11,384,674 | 8,641,721 | 10,261,151 | 8,478,831 |
| Deposits and remittances | | | 954,993,962 | 897,263,764 | 769,286,147 | 658,990,601 | 589,441,331 |
| Bonds payable | | | 46,500,000 | 41,500,000 | 39,000,000 | 32,800,000 | 31,100,000 |
| Other borrowings | | | 6,000 | 300,000 | - | - | 300,000 |
| Other financial liabilities | | | 1,934,733 | 296,158 | 2,128,437 | 2,369,094 | 2,967,194 |
| Other liabilities | | | 1,452,003 | 1,690,304 | 551,834 | 530,623 | 632,250 |
| Total liabilities | | | 1,089,907,666 | 1,029,286,509 | 890,380,653 | 780,724,761 | 724,340,120 |
| Total stockholders' equity of parent company | Capital Stock | | 45,750,000 | 38,033,000 | 36,528,000 | 35,443,511 | 33,033,000 |
| | Capital Surplus | | 13,327,677 | 10,578,871 | 10,451,904 | 10,407,577 | 9,883,176 |
| | Retained earnings | Before distribution | 6,728,981 | 6,503,368 | 4,759,376 | 3,881,743 | 5,609,490 |
| | | After distribution | Note1 | 3,080,398 | 2,580,296 | 3,870,767 | 4,257,740 |
| | Equity adjustments | | (222,962) | 126,620 | 198,436 | (990,630) | (683,802) |
| Minority interest | | | - | - | - | - | - |
| Total stockholders' equity | Before distribution | | 65,583,696 | 55,241,859 | 51,937,716 | 48,742,201 | 47,841,864 |
| | After distribution | | Note1 | 54,481,199 | 51,211,356 | 48,731,225 | 46,490,114 |

Note1:Earnings distribution of the year (ended December 31) 2011 shall be resolved in the shareholders' meeting.

(3) Condensed Income Statement

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

| Item \ Year | Financial data 2007-2011 | | | | |
|--|--------------------------|-----------|-----------|-----------|-----------|
| | 2011 | 2010 | 2009 | 2008 | 2007 |
| Income from equity investments under the equity method | 3,781,342 | 4,720,551 | 2,272,699 | 950,646 | 3,097,206 |
| Other revenues and gains | 186,958 | 63,301 | 102,215 | 618,457 | 594,654 |
| Loss from equity investments under the equity method | - | - | - | (63,663) | - |
| Operating expenses | (168,765) | (100,663) | (157,310) | (125,584) | (68,591) |
| Other expenses and losses | (345,992) | (965,093) | (352,815) | (217,367) | (468,125) |
| Income before income tax | 3,453,543 | 3,718,096 | 1,864,789 | 1,162,489 | 3,155,144 |
| Net income | 3,484,348 | 3,923,072 | 1,928,338 | 1,025,003 | 3,293,810 |
| Earnings per share (before income tax) | 0.82 | 1.04 | 0.53 | 0.30 | 0.96 |
| Earnings per share (after income tax) | 0.79 | 1.04 | 0.51 | 0.19 | 1.00 |

(4) Condensed Income Statement(Consolidated)

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

| Item \ Year | | Financial data 2007-2011 | | | | |
|--|-----------------------------------|--------------------------|------------|-----------|-----------|-----------|
| | | 2011 | 2010 | 2009 | 2008 | 2007 |
| Net interest | | 12,688,332 | 11,450,970 | 8,642,423 | 9,579,922 | 9,526,349 |
| Total net revenues and gains other than interest | | 7,516,932 | 5,964,391 | 4,616,528 | 4,584,388 | 4,715,331 |
| Bad-debt expenses | | 4,540,035 | 2,732,257 | 2,116,940 | 3,536,372 | 2,174,707 |
| Operating expenses | | 11,622,826 | 10,210,948 | 9,060,094 | 9,006,830 | 8,122,942 |
| Consolidated income before cumulative effect of changes in accounting principles | | 4,042,403 | 4,472,156 | 2,081,917 | 1,621,108 | 3,944,031 |
| Consolidated income after cumulative effect of changes in accounting principles | | 3,484,348 | 3,923,072 | 1,928,338 | 1,025,003 | 3,293,810 |
| Cumulative effect of changes in accounting principles (After income tax) | | 0 | 0 | 0 | 0 | 0 |
| Consolidated net income attributable to | Attributable to parent compant | 3,484,348 | 3,923,072 | 1,928,338 | 1,025,003 | 3,293,810 |
| | Attributable to minority interest | 0 | 0 | 0 | 0 | 0 |
| Basic earnings per share | | 0.82 | 1.04 | 0.53 | 0.30 | 1.00 |

(5)CPAs' Auditing Opinion from 2007 to 2011

Chang Ryh Yan, CPA, and Way Yung Do, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2007, ended on December 31, and issued modified unqualified opinion reports ; 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 2008, 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 2009, 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 2010, ended on December 31, and issued modified unqualified opinion reports ; Chen Li Chi, CPA, and Chang Ryh Yan, CPA, of Deloitte & Touche had examined the Financial Statement of E.SUN Financial Holding Company for the years of 2011, ended on December 31, and issued modified unqualified opinion reports.

2.Financial analysis from 2007 to 2011

| Item | Year | Financial data 2007-2011 | | | | |
|---|--|--------------------------|-------------|------------|------------|------------|
| | | 2011 | 2010 | 2009 | 2008 | 2007 |
| Operating ratio | Total assets turnover (Times) (Note 1) | 0.05 | 0.07 | 0.04 | 0.03 | 0.06 |
| | Ratio of loans to deposits (E.SUN Commercial Bank) | 68.87 | 66.65 | 71.49 | 80.51 | 86.38 |
| | NPL ratio (E.SUN Commercial Bank)(Note 2) | 0.20 | 0.39 | 0.67 | 0.90 | 0.89 |
| | Average revenue per employee (Note 3) (Note 1) | 662.93 | 926.74 | 405.72 | 270.09 | 735.51 |
| | Average net income per employee(Note 3) (Note 1) | 582.08 | 759.99 | 386.91 | 214.93 | 751.50 |
| Profitability ratio | Ratio of return on total assets(%) (Note 1) | 4.98 | 6.02 | 3.40 | 1.94 | 5.52 |
| | Ratio of return on stockholders' equity(%) (Note 1) | 5.77 | 7.32 | 3.83 | 2.12 | 7.05 |
| | Profit margin ratio(%) | 96.19 | 102.73 | 95.36 | 79.58 | 102.17 |
| | Basic earnings(losses)per share (Before distribution) (Note 1) | 0.82 | 1.04 | 0.53 | 0.30 | 1 |
| | Basic earnings(losses)per share(After distribution) (Note 1) | 0.79 | 1.04 | 0.51 | 0.19 | 0.92 |
| Debt Repayment ability | Liquidity ratio | 1.38 | 1.36 | 1.12 | 1.51 | 1.06 |
| Financial structure | Ratio of debt to assets | 16.81 | 19.27 | 17.41 | 18.47 | 23.58 |
| | Ratio of debt to net worth | 20.20 | 23.87 | 21.08 | 22.65 | 30.86 |
| | Double Leverage Ratio | 108.00 | 110.06 | 109.76 | 104.40 | 108.63 |
| | According to Article 41 of Financial Holding Company Law | none | none | none | none | none |
| Leverage ratio | Operating leverage ratio | 100.02 | 100.00 | 100.01 | 100.01 | 100.01 |
| | Financial leverage ratio | 101.19 | 101.09 | 111.03 | 118.68 | 104.21 |
| Ratio of growing | Ratio of assets growing (Note 5) | 15.21 | 8.81 | 5.20 | (4.51) | 3.86 |
| | Ratio of income growing (Note 1) | (7.12) | 99.38 | 60.41 | (63.16) | 666.15 |
| Analyses for Liquidity | Cash flow ratio (Note 4) | 20.79 | 5.15 | - | 289.89 | 44.44 |
| | Cash flow adequacy ratio | 17.01 | 17.64 | 32.16 | 38.99 | 34.67 |
| | Cash flow content ratio | - | - | - | 316.46 | - |
| Operating Scale | Market share of assets(%) | 3.49 | 3.75 | 3.48 | 3.39 | 3.60 |
| | Market share of equity(%) | 2.98 | 2.77 | 2.74 | 2.98 | 3.11 |
| | Market share of deposit (%) (E.SUN Commercial Bank) | 3.53 | 3.47 | 3.19 | 2.91 | 3.21 |
| | Market share of assets loans(%) (E.SUN Commercial Bank) | 3.09 | 3.03 | 2.98 | 2.90 | 2.87 |
| 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) | | 376,928,430 | 374,761,731 | 93,947,032 | 50,046,909 | 57,429,411 |

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

Note 2:The volatility reached 20% was due to the fine asset quality of the subsidiary.

Note 3:The number of employees represents the all employees within the FHC, but not includes the sub-subsidiary E.SUN Investment Consulting, Co., Ltd.

Note 4:The volatility reached 20% was due to the significant increase of net cash flow from the business operation.

Note 5:The increase of asset was due to the capital injection by cash of NTD 7.5 billion.

Note 6:Formula :

1. Operating ratio

- (1) 2007-2011 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) 2007-2011 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) 2007-2011 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. Debt repayment ratio= current asset/current liabilities

4. 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

5. Leverage ratio :

(1) 2007-2011 Operating leverage ratio = (Net revenues - Variable expenses) / Income before income tax

(2) 2007-2011 Financial leverage ratio = (Income before income tax + interest expenses) / Income before income tax

6. 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

7. Analyses for Liquidity (2007-2011 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 2007 to 2011) / from 2007 to 2011 (capital expenditure + Cash dividends)

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

8. Operating Scale

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

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

(3) Market share of deposit (%) (bank) = 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 2007 to 2011

| Item \ Year | | Financial data 2007-2011 | | | | |
|---|---|--------------------------|------------|------------|------------|------------|
| | | 2011 | 2010 | 2009 | 2008 | 2007 |
| Subsidiaries' Capital adequacy Ratio calculated by regulation (%) | E.SUN Commercial Bank | 12.29 | 11.55 | 11.03 | 10.56 | 11.42 |
| | E.SUN Securities Co., Ltd. | 698.71 | 470.64 | 489.82 | 836.16 | 550.33 |
| | E.SUN Venture Capital Co., Ltd. | 98.77 | 98.91 | 99.51 | 99.74 | 98.27 |
| | E.SUN Insurance Brokers Co., Ltd. | 83.98 | 84.84 | 80.77 | 85.16 | 87.48 |
| | E.SUN Securities Investment Trust Co., Ltd. | - | - | - | - | 95.89 |
| Qualified capital of subsidiaries (NT\$ thousand) | E.SUN Commercial Bank | 82,305,147 | 67,348,487 | 58,053,242 | 54,793,876 | 55,853,819 |
| | E.SUN Securities Co., Ltd. | 2,688,919 | 2,861,533 | 2,747,070 | 2,685,422 | 2,699,591 |
| | E.SUN Venture Capital Co., Ltd. | 1,671,600 | 1,763,469 | 1,658,277 | 1,221,173 | 1,270,831 |
| | E.SUN Insurance Brokers Co., Ltd. | 662,396 | 516,834 | 365,951 | 209,900 | 203,625 |
| | E.SUN Securities Investment Trust Co., Ltd. | - | - | - | - | 383,481 |
| Net Group qualified capital(NT\$ thousand) | | 73,991,095 | 60,134,186 | 51,201,061 | 52,911,643 | 44,169,802 |
| Legal requirement of subsidiaries' capital (NT\$ thousand) | E.SUN Commercial Bank | 67,348,487 | 46,655,136 | 42,098,339 | 41,504,878 | 39,139,309 |
| | E.SUN Securities Co., Ltd. | 2,861,533 | 912,020 | 841,247 | 481,742 | 735,806 |
| | E.SUN Venture Capital Co., Ltd. | 1,763,469 | 891,486 | 1,658,277 | 612,171 | 646,598 |
| | E.SUN Insurance Brokers Co., Ltd. | 516,834 | 304,586 | 365,951 | 123,235 | 116,390 |
| | E.SUN Securities Investment Trust Co., Ltd. | - | - | - | - | 199,950 |
| Legal requirement of group capital (NT\$ thousand) | | 55,426,454 | 48,811,440 | 44,033,246 | 43,915,499 | 42,199,645 |
| Group Capital Adequacy Ratio (%) (note 2) | | 133.49 | 123.20 | 116.28 | 120.49 | 104.67 |

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

Note 2 : Financial data 2007 and 2008,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

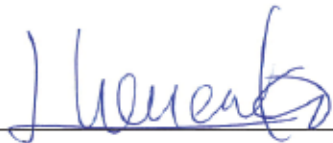
: None.

6. Audit Committees' Report

Audit Committee Report

To: E.SUN Financial Holding Company

The 2011 consolidated financial statements of E.SUN Financial Holding Company ("the Company") have been produced in accordance with the regulations of "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" and GAAP (Generally Accepted Accounting Principles), and CPA Chen Li-Chi and CPA Chan Ryh-Yan of Deloitte & Touche have been appointed by the Company to audit the financial statements. After reviewing the financial statements, the Audit Committee has found them to meet the requirements of the applicable laws and regulations. The report is hereby prepared in accordance with Article 14-4 and Article 36 of Security and Exchange Law and submitted along with the financial statements of the Company for the Board's approval.



Chen-En Ko
Convener
Audit Committee
E.SUN Financial Holding Company

Date: March 15, 2012

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, 2011 and 2010, 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 year ended December 31, 2010. The total assets of the LA Branch were 1.35% (NT\$14,595,045 thousand) of the Company's consolidated total assets as of December 31, 2010. The total net revenue of the LA Branch was 1.37% (NT\$238,309 thousand) of the Company's consolidated total net revenue in 2010. The financial statements of the LA Branch were audited by other auditors, whose report was furnished to us, and our opinion expressed herein, insofar as it relates to the amounts of the LA Branch, is based solely on the report of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, 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 report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the 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, 2011 and 2010 and the 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.

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

PricewaterhouseCoopers

March 16, 2012

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, 2011 AND 2010

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

| | 2011 | 2010 | Percentage Increase (Decrease) |
|--|----------------------------|----------------------------|--------------------------------------|
| | Amount | Amount | % |
| ASSETS | | | |
| CASH AND CASH EQUIVALENTS (Notes 2 and 4) | \$20,115,766 | \$11,184,724 | 80 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 5) | 45,016,416 | 46,729,253 | (4) |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET (Notes 2, 6 and 33) | 52,303,140 | 55,517,279 | (6) |
| SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 7) | 29,789 | 1,439,552 | (98) |
| RECEIVABLES, NET (Notes 2, 8 and 33) | 46,576,283 | 41,833,788 | 11 |
| DISCOUNTS AND LOANS, NET (Notes 2, 9, 32 and 33) | 656,008,834 | 599,161,337 | 9 |
| AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 2, 10, 11 and 33) | 53,524,008 | 48,242,365 | 11 |
| HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 2, 12 and 33) | 253,283,859 | 254,655,585 | (1) |
| OTHER FINANCIAL ASSETS, NET (Notes 2, 13 and 33) | 5,143,502 | 4,331,568 | 19 |
| PROPERTIES, NET (Notes 2 and 14) | 15,892,484 | 14,456,569 | 10 |
| INTANGIBLE ASSETS, NET (Notes 2 and 15) | 4,063,447 | 4,016,475 | 1 |
| OTHER ASSETS, NET (Notes 2, 16 and 26) | | | |
| Idle assets, net | 345,993 | 85,125 | 306 |
| Rentable assets, net | 952,434 | 712,699 | 34 |
| Refundable deposits | 1,246,880 | 1,238,854 | 1 |
| Operation deposits and settlement funds | 698,058 | 637,970 | 9 |
| Others | <u>290,469</u> | <u>285,225</u> | 2 |
| Total other assets, net | <u>3,533,834</u> | <u>2,959,873</u> | 19 |
| TOTAL | <u>\$1,155,491,362</u> | <u>\$1,084,528,368</u> | 7 |

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

| | 2011 | 2010 | Percentage Increase (Decrease) |
|--|------------------------|------------------------|--------------------------------------|
| | Amount | Amount | % |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 17) | \$38,052,926 | \$ 38,869,814 | (2) |
| COMMERCIAL PAPER ISSUED, NET (Note 18) | 951,708 | 2,503,224 | (62) |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 2, 6 and 22) | 13,092,263 | 18,084,329 | (28) |
| SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 6, 7, 10, 12 and 19) | 13,247,387 | 17,394,242 | (24) |
| PAYABLES (Notes 2 and 20) | 19,676,684 | 11,384,674 | 73 |
| DEPOSITS AND REMITTANCES (Notes 21 and 32) | 954,993,962 | 897,263,764 | 6 |
| BONDS PAYABLE (Notes 2 and 22) | 46,500,000 | 41,500,000 | 12 |
| OTHER BORROWINGS (Note 23) | 6,000 | 300,000 | (98) |
| OTHER FINANCIAL LIABILITIES (Note 24) | 1,934,733 | 296,158 | 553 |
| OTHER LIABILITIES (Notes 2, 25, 26 and 29) | <u>1,452,003</u> | <u>1,690,304</u> | (14) |
| Total liabilities | <u>1,089,907,666</u> | <u>1,029,286,509</u> | 6 |
| Capital stock | | | |
| Common stock - NT\$10.00 par value, authorized 5,000,000 thousand shares; issued and outstanding 4,575,000 thousand shares in 2011 and 3,803,300 thousand shares in 2010 | <u>45,750,000</u> | <u>38,033,000</u> | 20 |
| Capital surplus | | | |
| Additional paid-in capital from share issuance in excess of par value | 9,945,193 | 7,196,387 | 38 |
| From treasury stock transactions | <u>3,382,484</u> | <u>3,382,484</u> | - |
| Total capital surplus | <u>13,327,677</u> | <u>10,578,871</u> | 26 |
| Retained earnings | | | |
| Legal reserve | 2,461,465 | 2,069,158 | 19 |
| Special reserve | 328,204 | 163,969 | 100 |
| Unappropriated earnings | <u>3,939,312</u> | <u>4,270,241</u> | (8) |
| Total retained earnings | <u>6,728,981</u> | <u>6,503,368</u> | 3 |
| Equity adjustments | | | |
| Cumulative translation adjustments | (5,960) | (128,172) | (95) |
| Unrealized valuation gains (losses) on financial instruments | (214,460) | 274,295 | (178) |
| Net loss not recognized as pension cost | <u>(2,542)</u> | <u>(19,503)</u> | (87) |
| Total equity adjustments | <u>(222,962)</u> | <u>126,620</u> | (276) |
| Total stockholders' equity | <u>65,583,696</u> | <u>55,241,859</u> | 19 |
| CONTINGENCIES AND COMMITMENTS (Notes 2 and 34) | | | |
| TOTAL | <u>\$1,155,491,362</u> | <u>\$1,084,528,368</u> | 7 |

CONSOLIDATED STATEMENTS OF INCOME

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

| | 2011 | 2010 | Percentage Increase (Decrease) | |
|---|-------------------|------------------|--------------------------------|------------------|
| | Amount | Amount | % | |
| INTEREST REVENUE (Notes 2 and 32) | \$ 21,329,592 | \$ 17,618,273 | 21 | |
| INTEREST EXPENSE (Notes 2 and 32) | (8,641,260) | (6,167,303) | 40 | |
| NET INTEREST | 12,688,332 | 11,450,970 | 11 | |
| NET REVENUES AND GAINS OTHER THAN INTEREST | | | | |
| Service fee and commission income, net (Notes 2 and 27) | 6,272,864 | 5,630,432 | 11 | |
| Losses on financial assets and liabilities at fair value through profit or loss (Notes 2 and 6) | (287,483) | (264,371) | 9 | |
| Realized gains on available-for-sale financial assets (Note 2) | 169,198 | 365,633 | (54) | |
| Realized losses on held-to-maturity financial assets (Note 2) | (12,900) | (104,392) | (88) | |
| Foreign exchange gains, net (Note 2) | 894,706 | 75,315 | 1,088 | |
| Reversal of impairment losses (impairment losses) on assets (Notes 2, 13 and 16) | (63,265) | 54,562 | (216) | |
| Gains on financial assets carried at cost, net (Note 2) | 385,186 | 214,752 | 79 | |
| Rental income, net | 13,538 | 10,173 | 33 | |
| Gains (losses) on disposal of assets, net (Note 2) | 109,910 | (14,785) | 843 | |
| Other noninterest gains (losses), net | 35,178 | (2,928) | 1,301 | |
| Total net revenues and gains other than interest | 7,516,932 | 5,964,391 | 26 | |
| TOTAL NET REVENUES | 20,205,264 | 17,415,361 | 16 | |
| ALLOWANCE FOR BAD-DEBT EXPENSES (Notes 2 and 9) | (4,540,035) | (2,732,257) | 66 | |
| OPERATING EXPENSES (Notes 2, 26, 28 and 32) | | | | |
| Personnel | (5,347,605) | (4,826,724) | 11 | |
| Depreciation and amortization | (874,937) | (952,940) | (8) | |
| General and administrative | (5,400,284) | (4,431,284) | 22 | |
| Total operating expenses | (11,622,826) | (10,210,948) | 14 | |
| CONSOLIDATED INCOME BEFORE INCOME TAX | 4,042,403 | 4,472,156 | (10) | |
| INCOME TAX EXPENSE (Notes 2 and 29) | (558,055) | (549,084) | 2 | |
| CONSOLIDATED NET INCOME | \$ 3,484,348 | \$ 3,923,072 | (11) | |
| ATTRIBUTABLE TO: | | | | |
| Parent company | \$ 3,484,348 | \$ 3,923,072 | (11) | |
| | | | | |
| | 2011 | 2010 | | |
| EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 30) | | | | |
| Basic | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| Diluted | \$ 0.82 | \$ 0.82 | \$ 0.92 | \$ 0.97 |
| | \$ 0.79 | \$ 0.79 | \$ 0.92 | \$ 0.97 |

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

| | Stockholders' Equity of Parent Company | | | | | | | | | | |
|---|--|---------------|-------------------------------------|------------------------------------|--------------------|----------------------------|--|--|------------------------------------|---|----------------------------------|
| | | | | | | Equity Adjustments | | | | | |
| | Capital Stock (Note 31) | | | Retained Earnings (Notes 2 and 31) | | | | | | | |
| | Shares (in Thousands) | Common Stock | Capital Surplus (Notes 2 and 31) | Legal Reserve | Special Reserve | Unappropriated Earnings | Cumulative Translation Adjustments (Note 2) | Unrealized Valuation Gains (Losses) on Financial Instruments (Note 2) | Treasury Stock (Notes 2 and 31) | Net Loss Not Recognized as Pension Cost (Note 2) | Total Stockholders' Equity |
| BALANCE, JANUARY 1, 2010 | 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 |
| Appropriation of prior year's earnings (Note) | | | | | | | | | | | |
| Legal reserve | - | - | - | 392,307 | - | (392,307) | - | - | - | - | (760,660) |
| Dividend | | | | | | | | | | | |
| Cash | - | - | - | - | - | (760,660) | - | - | - | - | - |
| Stock | 266,231 | 2,662,310 | - | - | - | (2,662,310) | - | - | - | - | - |
| Balance after appropriation | 4,069,531 | 40,695,310 | 10,578,871 | 2,461,465 | 163,969 | 454,964 | (128,172) | 274,295 | - | (19,503) | 54,481,199 |
| Issuance of common stock from bonus to employees | 5,469 | 54,690 | 48,674 | - | - | - | - | - | - | - | 103,364 |
| Reclassification of subsidiaries' trading loss reserve and default loss reserve in place until December 31, 2010 to special reserve | - | - | - | - | 164,235 | - | - | - | - | - | 164,235 |
| Capital increase in September 2011 | 500,000 | 5,000,000 | 2,500,000 | - | - | - | - | - | - | - | 7,500,000 |
| Share-based payment for the subscription of new shares by employees | - | - | 200,132 | - | - | - | - | - | - | - | 200,132 |
| Consolidated net income in 2011 | - | - | - | - | - | 3,484,348 | - | - | - | - | 3,484,348 |
| Change in cumulative translation adjustments | - | - | - | - | - | - | 122,212 | - | - | - | 122,212 |
| Change in unrealized valuation losses on financial instruments | - | - | - | - | - | - | - | (488,755) | - | - | (488,755) |
| Change in net loss not recognized as pension cost | - | - | - | - | - | - | - | - | - | 16,961 | 16,961 |
| BALANCE, DECEMBER 31, 2011 | 4,575,000 | \$ 45,750,000 | \$ 13,327,677 | \$ 2,461,465 | \$ 328,204 | \$ 3,939,312 | \$(5,960) | \$(214,460) | \$- | \$(2,542) | \$65,583,691 |

Note: For the years ended December 31, 2010 and 2009, the remunerations to directors of \$35,656 thousand and \$22,699 thousand, respectively, and bonuses to employees of \$106,968 thousand (\$103,364 thousand in common stock and \$3,604 thousand in cash) and \$68,096 thousand (\$66,657 thousand in common stock and \$1,439 thousand in cash), respectively, were deducted from the consolidated income statements.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

| | 2011 | 2010 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$3,484,348 | \$3,923,072 |
| Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities | | |
| Depreciation and amortization expenses | 874,937 | 952,940 |
| Salary expenses on share-based payment | 290,115 | 218,427 |
| Impairment losses (reversal of impairment losses) on assets | 63,265 | (54,562) |
| Allowance for bad-debt expenses | 4,540,035 | 2,732,257 |
| Provision of reserve for losses | - | 36,278 |
| Recovery of written-off credits and reserve for losses on guarantees | 1,050,011 | 669,333 |
| Losses (gains) on valuation of financial instruments | (128,431) | 218,773 |
| Realized losses on the sale of financial instruments designated at fair value through profit or loss | 29,911 | 56,598 |
| Realized gains on the sale of available-for-sale financial assets | (119,486) | (322,105) |
| Realized losses on the sale of held-to-maturity financial assets | 12,900 | 104,392 |
| Losses (gains) on the sale of properties, idle assets, rentable assets and foreclosed collaterals, net | (105,850) | 15,021 |
| Realized gains on the sale of financial assets carried at cost | (330,316) | (138,890) |
| Amortization of premium or discount on bonds | 213,941 | 223,920 |
| Deferred income tax | (6,040) | 236,100 |
| Others | 946 | (17,455) |
| Net changes in operating assets and liabilities | | |
| Held-for-trading financial assets | 7,140,548 | (13,661,383) |
| Held-for-trading financial liabilities | 715,720 | 878,648 |
| Receivables | (6,089,955) | (6,458,193) |
| Other financial assets - guarantee deposits received on futures contracts | (124,907) | (237,908) |
| Other assets | 58,943 | (109,395) |
| Securities brokerage accounts, net | (3,726) | (15,449) |
| Payables | 8,078,973 | 2,516,464 |
| Other liabilities | (146,662) | 850,535 |
| Net cash provided by (used in) operating activities | 19,499,220 | (7,382,582) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Decrease in due from the Central Bank and call loans to other banks | 3,360,996 | 170,445,962 |
| Decrease in securities purchased under resell agreements | 1,409,763 | 1,945,441 |
| Increase in discounts and loans | (52,242,124) | (50,172,703) |
| Increase in financial assets designated at fair value through profit or loss | (4,001,070) | (1,604,353) |
| Acquisition of available-for-sale financial assets | (62,423,819) | (57,085,353) |
| Return of principal on or proceeds of the sale of available-for-sale financial assets | 57,817,551 | 45,709,694 |
| Acquisition of financial assets carried at cost | | |

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

| | 2011 | 2010 |
|---|---------------------|---------------------|
| Acquisition of held-to-maturity financial assets | \$(2,292,538,229) | \$(642,963,253) |
| Return of principal on or proceeds of the sale of held-to-maturity financial assets | 2,293,857,076 | 405,785,240 |
| Acquisition of financial assets carried at cost | (364,535) | (315,195) |
| Return of principal on or proceeds of the sale of financial assets carried at cost | 560,167 | 200,220 |
| Acquisition of debt instruments with no active market | (2,216,350) | (885,000) |
| Return of principal on or proceeds of the sale of debt instruments with no active market | 796,500 | 4,126,809 |
| Acquisition of properties and intangible assets | (2,116,601) | (825,889) |
| Proceeds of the sale of properties | 46,121 | 1,543 |
| Proceeds of the sale of rentable assets, idle assets and foreclosed collaterals | 232,429 | 66,980 |
| Decrease in other financial assets | 579,809 | 81,097 |
| Decrease in other assets | 3,166 | 12,428 |
| Payment for the acquisition of Chu Nan Credit-Cooperative Association | (1,834,000) | - |
| Increase in cash arising from the acquisition of Chu Nan Credit-Cooperative Association on July 9, 2011 | 5,444,168 | - |
| Net cash used in investing activities | (53,628,982) | (125,476,332) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term debts | (294,000) | 300,000 |
| Decrease in due to the Central Bank and other banks | (816,888) | (182,143) |
| Increase (decrease) in commercial paper issued | (1,551,516) | 1,158,517 |
| Increase (decrease) in financial liabilities designated at fair value through profit or loss | (5,344,250) | 944,232 |
| Increase (decrease) in securities sold under repurchase agreements | (4,146,855) | 2,875,274 |
| Increase in deposits and remittances | 42,159,584 | 127,977,617 |
| Increase (decrease) in other financial liabilities | 1,635,717 | (1,832,279) |
| Proceeds of the issuance of bank debentures | 5,000,000 | 5,500,000 |
| Repayment of bank debentures | - | (5,000,000) |
| Proceeds of the issuance of corporate bonds | - | 2,000,000 |
| Capital increase | 7,500,000 | - |
| Cash dividends paid | (760,660) | (726,360) |
| Acquisition of treasury stock | - | (459,649) |
| Proceeds of the disposal of treasury stock | - | 626,164 |
| Net cash provided by financing activities | 43,381,132 | 133,181,373 |
| EFFECTS OF EXCHANGE RATE CHANGES | (320,328) | 1,041,233 |
| INCREASE IN CASH AND CASH EQUIVALENTS | \$8,931,042 | \$1,363,692 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 11,184,724 | 9,821,032 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$20,115,766</u> | <u>\$11,184,724</u> |
| SUPPLEMENTARY CASH FLOW INFORMATION | | |
| Interest paid | <u>\$8,289,412</u> | <u>\$6,117,895</u> |
| Income tax paid | <u>\$549,745</u> | <u>\$291,067</u> |

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

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

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 approved this merger on November 10, 2006.

On July 9, 2011, E.SUN Bank acquired the assets and liabilities and businesses of Chu Nan Credit-Cooperative Association. Please refer to Note 44 to the consolidated financial statements.

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, 2011 and 2010, ESFHC and its subsidiaries had 6,009 and 5,180 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.

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, 2011 and 2010 included the accounts of ESFHC, E.SUN Bank, E.SUN Securities and subsidiary (E.SUN Securities Investment Consulting Corp.), ESVC and ESIB. 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.

Foreign Currency Transactions

Foreign-currency transactions of ESFHC, E.SUN Securities, 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 prevailing exchange rates. On balance sheet date, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in the income statement.

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

Accounting Estimates

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 of intangible assets, pension, income tax, impairment loss on assets, accrued litigation loss, bonus to employees and remuneration to directors and supervisors.

Actual results could differ from these estimates.

Current and Noncurrent Assets and Liabilities

Since the operating cycle in the 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 36 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) beneficial certificates (open-end funds) - net asset values as of the balance sheet date; (d) bonds - period-end reference prices published by the GTSM; (e) securities that are unlisted and not traded in GTSM with quoted market prices or trading records - quoted market prices or trading prices; and (f) 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 beneficial 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 2011 and 2010. If the hedged items are not designated as financial assets or liabilities at fair value through profit or loss (FVTPL), accounting measurement mismatches on these items will occur as a result of differences in measurement attributes. Thus, the 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.

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 beneficial 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.

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.

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.

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

Other Financial Assets

Investments in equity instruments with no quoted market price in an active market and with fair values 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. If there is objective evidence that a financial asset carried at cost is impaired, an impairment loss is recognized. However, impairment loss reversal is prohibited.

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

Financial Asset Securitization

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

Overdue Loans

Under Financial Supervisory Commission 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

The Company provides allowances for bad debts and losses on guarantees on the basis of the evaluation of the collectibility of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances.

The Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of loans and receivables

originated by the Company should be covered by SFAS No. 34. Loans and receivables are assessed for impairment at the end of each reporting period and considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- The loans and receivables becoming overdue;
- Probability that the debtor will enter into bankruptcy or undergo financial reorganization;
- Inadequate financing maintenance ratio of the debtor; or
- Proceeds of the sale of collateral are inadequate for the margin loans.

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

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

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

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

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

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 deposits 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 payables for short-sale transactions. The securities lent to clients as short sale are recorded using memorandum entries. The deposits on short-sale transactions and payables 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.

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.

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.

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.

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

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

Securities represent the securities collected from futures traders for the margins and premiums when the futures merchants operate in brokerage of futures.

The clearing balances of other futures commission merchants represent the remaining balances of the merchants not qualified for clearance. The margins and premiums collected from futures traders are transferred to a futures commission merchant who is qualified for clearing.

Asset Impairment

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 amounts of the assets or the CGUs is below the carrying amount.

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

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

Properties, Rentable Assets and Idle Assets

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

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

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

Intangible Assets

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

Foreclosed Collaterals

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

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 Fund

Under the regulations, securities firms that broker marketable securities and trade securities for their own purposes should deposit settlement funds to the Taiwan Stock Exchange and the Gre Tai Securities Market before and after the start of business operation.

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. However, effective January 1, 2011, under revised guidelines of the Financial Supervisory Commission, E.SUN Securities need not have a default loss provision. Thus, the reserve made until December 31, 2010 was reclassified to special reserve.

Reserve for Losses on the Sale of Bonds

Under the regulations of the Securities and Futures Bureau, 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 \$200,000 thousand. This reserve should be used only to offset actual losses on the sale of bonds. However, under revised guidelines of the Financial Supervisory Commission, effective January 1, 2011, the Company need not provide a trading loss reserve. Thus, the reserve made until December 31, 2010 was reclassified to special reserve.

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.

Income Tax

Provision for income tax is based on inter-period and intra-period tax allocations. 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 beneficial securities, which is levied separately according to the tax laws, and any adjustment of income taxes of prior years are added to or deducted from the current year's income tax expense.

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.

Share-based Payment

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

ESFHC's shares.

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 regulations of the Financial Supervisory Commission, 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.

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.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the impairment loss or

liability incurrence is possible and the related amount cannot be reasonably estimated, a footnote disclosure of the circumstances that might give rise to the possible loss or liability should be made.

3.EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

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

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

4.CASH AND CASH EQUIVALENTS

Cash on hand
Checks for clearing
Due from banks
Cash equivalents - earnings ratio is 0.03% in 2011; 0.03% in 2010

| December 31 | |
|---------------------|---------------------|
| 2011 | 2010 |
| \$6,094,454 | \$5,927,019 |
| 9,408,051 | 3,195,583 |
| 4,543,794 | 2,049,069 |
| 69,467 | 13,053 |
| <u>\$20,115,766</u> | <u>\$11,184,724</u> |

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

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

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.

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

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

| | December 31 | |
|--|---------------------|---------------------|
| | 2011 | 2010 |
| <u>Held-for-trading financial assets</u> | | |
| Commercial paper | \$12,380,268 | \$9,362,593 |
| Interest rate swap contracts | 2,199,546 | 1,954,425 |
| Beneficial certificates | 1,140,768 | 447,630 |
| Currency option contracts | 977,597 | 833,359 |
| Treasury bills | 796,085 | 4,596,802 |
| Overseas bonds | 726,428 | 545,967 |
| Currency swap contracts | 604,888 | 498,096 |
| Cross-currency swap contracts | 157,496 | 422,106 |
| Non-deliverable forward contracts | 141,918 | 30,871 |
| Listed stocks | 141,277 | 319,553 |
| Futures exchange margins | 91,121 | 84,941 |
| Bank debentures | 88,690 | 85,895 |
| Forward contracts | 82,884 | 357,119 |
| Metal commodity swap contracts | 78,989 | 52,166 |
| Operating securities - dealing department | 54,788 | 303,884 |
| Credit default swap contracts | 35,922 | 45,400 |
| Operating securities - underwriting department | 29,700 | - |
| Convertible corporate bonds | 19,500 | 1,855 |
| Foreign-currency margin contracts | 17,437 | 12,097 |
| Commodity option contracts | 15,283 | 1,620 |
| Forward commodity contracts | 9,328 | 4,574 |
| Taiwan depositary receipts | 4,610 | 5,310 |
| Negotiable certificates of deposit | - | 6,999,501 |
| | <u>19,794,523</u> | <u>26,965,764</u> |
| <u>Financial assets designated at fair value through profit or loss</u> | | |
| Bank debentures | 17,078,725 | 15,868,075 |
| Corporate bonds | 15,027,611 | 12,245,346 |
| Overseas government bonds | 389,205 | 377,939 |
| Sold equity securities with interest receivable | 13,076 | 60,155 |
| | <u>32,508,617</u> | <u>28,551,515</u> |
| | <u>\$52,303,140</u> | <u>\$55,517,279</u> |
| <u>Held-for-trading financial liabilities</u> | | |
| Interest rate swap contracts | \$2,300,655 | \$2,102,296 |
| Currency option contracts | 1,134,114 | 840,549 |
| Forward contracts | 560,450 | 160,978 |
| Currency swap contracts | 322,099 | 783,691 |
| Cross-currency swap contracts | 157,082 | 319,717 |
| Metal commodity swap contracts | 69,865 | 36,551 |
| Non-deliverable forward contracts | 33,788 | 60,429 |
| Commodity option contracts | 15,283 | 1,620 |
| Forward commodity contracts | 9,328 | 4,574 |
| Credit default swap contracts | 432 | 4,831 |
| Foreign-currency margin contracts | 169 | 20 |
| | <u>4,603,265</u> | <u>4,315,256</u> |
| <u>Financial liabilities designated at fair value through profit or loss</u> | | |
| Corporate bonds payable (Note 22) | 5,241,495 | 5,138,932 |
| Structured products | 3,247,503 | 3,911,893 |
| Bank debentures (Note 22) | - | 4,718,248 |
| | <u>8,488,998</u> | <u>13,769,073</u> |
| | <u>\$13,092,263</u> | <u>\$18,084,329</u> |

As of December 31, 2011 and 2010, some of the securities, which amounted to \$3,502,892 thousand and \$4,563,500 thousand (face value), respectively, had been sold under repurchase agreements.

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 bondholder.

The contract (nominal) amounts of derivative transactions by E.SUN Bank as of December 31, 2011 and 2010 were as follows:

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

As of December 31, 2011 and 2010, the amounts of futures exchange margins receivable held by E.SUN Securities were \$5,041 thousand and \$4,009 thousand, respectively.

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

| | 2011 | 2010 |
|---------------------------------------|---------------------|---------------------|
| <u>Financial assets at FVTPL</u> | | |
| Realized gains | \$487,746 | \$2,074,043 |
| Valuation gains (losses) | (235,104) | 184,783 |
| | <u>252,642</u> | <u>2,258,826</u> |
| <u>Financial liabilities at FVTPL</u> | | |
| Realized losses | (903,660) | (2,119,641) |
| Valuation gains (losses) | 363,535 | (403,556) |
| | <u>(540,125)</u> | <u>(2,523,197)</u> |
| | <u>\$ (287,483)</u> | <u>\$ (264,371)</u> |

7. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

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

8. RECEIVABLES, NET

| | December 31 | |
|--|----------------------|----------------------|
| | 2011 | 2010 |
| Credit cards | \$ 32,789,829 | \$ 30,684,185 |
| Factoring accounts receivable without recourse | 5,598,969 | 1,365,701 |
| Margin loans receivable | 3,792,570 | 5,322,249 |
| Acceptances | 2,229,997 | 1,815,729 |
| Accrued interest | 1,608,926 | 1,598,891 |
| Tax refundable | 572,190 | 663,839 |
| Accounts receivable | 425,714 | 362,702 |
| Accrued income | 356,713 | 145,650 |
| Receivables on overdue securities | 304,225 | 296,407 |
| Others | 322,503 | 351,014 |
| | 48,001,636 | 42,606,367 |
| Less: Allowance for possible losses | 1,425,353 | 772,579 |
| | <u>\$ 46,576,283</u> | <u>\$ 41,833,788</u> |

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

| Items | | Receivables | Allowance for Possible Losses |
|--|-------------------------------------|-------------|-------------------------------|
| With objective evidence of impairment | Assessment of individual impairment | \$ 308,491 | \$ 285,812 |
| | Assessment of collective impairment | 1,791,952 | 662,955 |
| With no objective evidence of impairment | Assessment of collective impairment | 44,209,199 | 476,586 |
| Total | | 46,309,462 | 1,425,353 |

The changes in allowance for possible losses are summarized below:

| | 2011 | 2010 |
|---|---------------------|-------------------|
| Balance, January 1 | \$ 772,579 | \$ 928,991 |
| Transfer of allowance from Chu Nan Credit-Cooperative Association | 69 | - |
| Allowance | 890,321 | 1,634,573 |
| Write-offs | (727,234) | (2,030,794) |
| Recovery of written-off receivables | 481,817 | 267,302 |
| Reclassification | - | (72) |
| Effects of exchange rate changes and other changes | 7,801 | (27,421) |
| Balance, December 31 | <u>\$ 1,425,353</u> | <u>\$ 772,579</u> |

9. DISCOUNTS AND LOANS, NET

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

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

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

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

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

The changes in allowance for possible losses are summarized below:

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

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

| | 2011 | 2010 |
|--|--------------------|--------------------|
| Allowance for possible losses on discounts and loans | \$3,597,576 | \$1,094,633 |
| Allowance for possible losses on receivables | 890,321 | 1,634,573 |
| Allowance for possible losses on guarantees | 52,138 | 3,051 |
| | <u>\$4,540,035</u> | <u>\$2,732,257</u> |

As stated in the Financial Supervisory Commission's (FSC) letter dated November 21, 2011 (Ref. No. 10010006830), for the financial and managerial soundness of financial institutions, the FSC will oversee these institutions in consideration of their different natures and purposes. Effective January 1, 2012, the FSC will accept the application of the entities that intend to do, and are eligible for doing, banking business in China, investments, extension of domestic or overseas branches, etc. However, only those entities having a loan loss coverage ratio of 1% may initiate the above businesses or make relevant applications to overseas authorities. To meet the requirements for doing the foregoing businesses, E.SUN Bank increased by \$2,461,981 thousand the allowance for possible losses on loans and raised the loan loss coverage ratio to over 1% in the last quarter of 2011, resulting in a decrease of NT\$0.48 in the Company's basic earnings per share after income tax.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

| | December 31 | |
|--|---------------------|---------------------|
| | 2011 | 2010 |
| Bank debentures | \$28,535,815 | \$21,346,714 |
| Government bonds | 15,222,035 | 15,287,603 |
| Beneficial securities under securitization | 4,547,001 | 4,588,339 |
| Corporate bonds | 4,099,907 | 4,930,683 |
| Listed stocks | 763,363 | 1,743,543 |
| Beneficial certificates | 355,887 | 345,483 |
| | <u>\$53,524,008</u> | <u>\$48,242,365</u> |

As of December 31, 2011 and 2010, the available-for-sale financial assets, which amounted to \$3,248,136 thousand and \$5,237,500 thousand (face value), respectively, had been sold under repurchase agreements.

11. FINANCIAL ASSET SECURITIZATION

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 bondholdings 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. The trustee issued beneficial securities named E.SUN CBO 2005-1, E.SUN CBO 2005-2, E.SUN CBO 2007-1 and E.SUN CBO 2007-2 to general investors and passed to E.SUN Bank the funds raised on securities issuance along with the retained beneficial securities (E.SUN CBO 2005-1 is Type D; E.SUN CBO 2005-2 is Type C) and the sold equity securities with interest receivable.

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

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

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

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

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 keeps the retained beneficial securities and claims the residual future cash flow after the investors collect their income based on the trust contract. If the security issuer cannot disburse funds upon security maturity, the investors and the trustee have no right of recourse on E.SUN Bank's other assets. In addition, the investors' priorities of payment take precedence over those of the retained beneficial securities. The value of the retained beneficial securities will be affected by the credit risk of the bond issuers, interest rate risk, etc.

a. Key assumptions used in measuring retained beneficial securities:

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

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

b.Sensitivity analysis:

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

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

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

d.Cash flows

Cash flows resulting from the securitization were as follows:

| | E.SUN CBO 2005-1 | | E.SUN CBO 2005-2 | | E.SUN CBO 2007-1 | |
|---|------------------|--------|------------------|---------|------------------|-------|
| | December 31, | | December 31, | | December 31, | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Service income | \$40 | \$431 | \$2,067 | \$2,598 | \$600 | \$600 |
| Receipt of reserve deposit | 34,422 | 18,516 | - | - | - | - |
| Receipt of retained beneficial securities | 50,133 | - | - | - | - | - |

12. HELD-TO-MATURITY FINANCIAL ASSETS, NET

| | December 31 | |
|--|----------------------|----------------------|
| | 2011 | 2010 |
| Negotiable certificates of deposit | \$235,210,000 | \$235,900,000 |
| Government bonds | 9,825,349 | 8,408,541 |
| Bank debentures | 4,434,944 | 5,635,821 |
| Corporate bonds | 3,381,152 | 4,349,985 |
| Overseas bonds | 301,236 | 293,215 |
| Beneficial securities under securitization | 70,622 | 68,023 |
| Overseas certificates of deposit | 60,556 | - |
| | <u>\$253,283,859</u> | <u>\$254,655,585</u> |

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

13. OTHER FINANCIAL ASSETS, NET

| | December 31 | |
|--|--------------------|--------------------|
| | 2011 | 210 |
| Debt instruments with no active market, net | \$3,171,995 | \$1,748,254 |
| Financial assets carried at cost, net | 1,508,965 | 1,665,870 |
| Guarantee deposits received on futures contracts | 362,815 | 237,908 |
| Excess reserve trust assets for E.SUN CBO 2005-1 | - | 550,000 |
| Others | 99,727 | 129,536 |
| | <u>\$5,143,502</u> | <u>\$4,331,568</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 impairment losses of \$63,265 thousand and \$36,551 thousand on financial assets carried at cost in 2011 and 2010, respectively.

Debt instruments with no active market were as follows:

| | December 31 | |
|--|--------------------|--------------------|
| | 2011 | 2010 |
| Corporate bonds | \$2,367,740 | \$944,000 |
| Beneficial securities under securitization | 695,499 | 695,498 |
| Credit-linked products - host contract | 100,000 | 100,000 |
| Preferred stock | 8,756 | 8,756 |
| | <u>\$3,171,995</u> | <u>\$1,748,254</u> |

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

Guarantee deposits received on futures contracts were as follows:

| | | December 31, | |
|--|--|------------------|-------------------|
| | | 2011 | 2010 |
| Deposits in bank | | \$264,690 | \$ 91,742 |
| Clearing balances of other futures merchants | | 98,102 | 146,166 |
| Others | | 23 | - |
| | | <u>\$362,815</u> | <u>\$ 237,908</u> |
| Guarantee deposits received on futures contracts | | \$362,815 | \$ 237,908 |
| Less: Commission revenue | | 248 | 267 |
| Futures transaction tax | | 75 | 123 |
| Temporary receipts | | 75 | 71 |
| | | <u>75</u> | <u>71</u> |
| Customers' equity accounts - futures (Note 20) | | <u>\$362,417</u> | <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.

14.PROPERTIES, NET

| | | December 31 | |
|--------------------------------|--|---------------------|---------------------|
| | | 2011 | 2010 |
| Cost | | | |
| Land | | \$9,473,845 | \$8,649,653 |
| Buildings | | 6,616,820 | 6,160,881 |
| Computers | | 3,146,461 | 2,899,546 |
| Transportation equipment | | 507,516 | 485,798 |
| Miscellaneous equipment | | 1,681,262 | 1,545,496 |
| | | <u>21,425,904</u> | <u>19,741,374</u> |
| Less: Accumulated depreciation | | | |
| Buildings | | 1,789,802 | 1,572,279 |
| Computers | | 2,496,838 | 2,352,141 |
| Transportation equipment | | 374,592 | 335,586 |
| Miscellaneous equipment | | 1,221,914 | 1,114,260 |
| | | <u>5,883,146</u> | <u>5,374,266</u> |
| | | <u>15,542,758</u> | <u>14,367,108</u> |
| Prepayments | | <u>349,726</u> | <u>89,461</u> |
| | | <u>\$15,892,484</u> | <u>\$14,456,569</u> |

15.INTANGIBLE ASSETS, NET

| | | December 31 | |
|-----------------------|--|--------------------|--------------------|
| | | 2011 | 2010 |
| Goodwill | | \$3,798,806 | \$3,662,701 |
| Computer software | | 262,580 | 351,649 |
| Deferred pension cost | | 2,061 | 2,125 |
| | | <u>\$4,063,447</u> | <u>\$4,016,475</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. and Chu Nan Credit - Cooperative Association was allocated to operating units or operating segments (CGUs with allocated goodwill). The recoverable amount of a CGU was determined at its value in use. The Company estimates the next five years' cash flows of a CGU by taking into consideration the actual performance of each CGU, business cycle, etc. under the going-concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs were determined using the capital asset pricing model (CAPM). The testing for asset impairment showed that no impairment losses had been incurred.

16. OTHER ASSETS, NET

| | December 31 | |
|--|--------------------|--------------------|
| | 2011 | 2010 |
| Refundable deposits | \$1,246,880 | \$1,238,854 |
| Rentable assets, net (less accumulated depreciation amounting to \$41,974 thousand in 2011 and \$38,238 thousand in 2010 and less accumulated impairment amounting to \$24,139 thousand in 2011 and \$24,139 thousand in 2010) | 952,434 | 712,699 |
| Operation deposits and settlement funds | 698,058 | 637,970 |
| Idle assets, net (less accumulated depreciation amounting to \$25,186 thousand in 2011 and \$4,320 thousand in 2010 and less accumulated impairment amounting to \$28,831 thousand in 2011 and \$30,042 thousand in 2010) | 345,993 | 85,125 |
| Prepaid expenses | 185,385 | 241,445 |
| Foreclosed collaterals | 54,602 | - |
| Securities brokerage accounts, net | 40,883 | 37,157 |
| Deferred charges, net | 9,599 | 6,623 |
| | <u>\$3,533,834</u> | <u>\$2,959,873</u> |

There were no indications that the value in use of rentable assets, idle assets and foreclosed collaterals significantly exceeded net fair value, which was used as the recoverable amount. Thus, the 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.

17. DUE TO THE CENTRAL BANK AND OTHER BANKS

| | December 31 | |
|---------------------------------------|---------------------|---------------------|
| | 2010 | 2009 |
| Call loans from banks | \$29,683,742 | \$28,940,878 |
| Deposits from Chunghwa Post Co., Ltd. | 8,026,290 | 9,623,530 |
| Due to banks | 275,532 | 178,109 |
| Bank overdraft | 34,946 | 105,681 |
| Due to the Central Bank | <u>32,416</u> | <u>21,616</u> |
| | <u>\$38,052,926</u> | <u>\$38,869,814</u> |

18.COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$952,000 thousand and \$2,504,000 thousand, and the annual discount rates were from 0.78% to 0.88% and from 0.30% to 0.62% as of December 31, 2011 and 2010, respectively. These financial instruments were accepted and guaranteed by financial institutions.

19.SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

20.PAYABLES

| | December 31 | |
|--------------------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Checks for clearing | \$9,408,051 | \$3,195,583 |
| Acceptances | 2,263,778 | 1,859,329 |
| Accrued interest | 1,816,205 | 1,470,026 |
| Accrued expenses | 1,436,712 | 1,271,980 |
| Factoring accounts payable | 1,380,320 | 258,492 |
| Payables for short-sale transactions | 503,502 | 423,367 |
| Deposits on short-sale transactions | 455,148 | 387,849 |
| Collections payable | 434,677 | 425,638 |
| Customers' equity accounts - futures | 362,417 | 237,447 |
| Accounts payable | 333,006 | 381,157 |
| Tax payable | 163,016 | 173,343 |
| Others | 1,119,852 | 1,300,463 |
| | <u>\$19,676,684</u> | <u>\$11,384,674</u> |

21.DEPOSITS AND REMITTANCES

| | December 31 | |
|------------------------------------|----------------------|----------------------|
| | 2011 | 2010 |
| Deposits: | | |
| Checking | \$11,187,216 | \$9,165,041 |
| Demand | 199,927,066 | 184,354,321 |
| Savings - demand | 248,676,075 | 224,739,514 |
| Time | 253,234,002 | 246,970,174 |
| Negotiable certificates of deposit | 9,469,600 | 29,166,300 |
| Savings - time | 232,184,461 | 202,511,734 |
| Remittances | 315,542 | 356,680 |
| | <u>\$954,993,962</u> | <u>\$897,263,764</u> |

22.BONDS PAYABLE

| | December 31 | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| Bank debentures | \$39,000,000 | \$34,000,000 |
| 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 | 2,000,000 |
| | <u>\$46,500,000</u> | <u>\$41,500,000</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%.

To strengthen its funding stability and capital adequacy ratio, the board of directors of ESFHC resolved on the issuance of unsecured subordinated corporate bonds with an aggregate face value of \$4,000,000 thousand on March 16, 2012. ESFHC is going to apply to the FSC for authorization to make this issuance.

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

| | December 31 | |
|---|-------------|-------------|
| | 2011 | 2010 |
| Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity (10 years after the issue date). | \$5,000,000 | \$5,000,000 |
| Subordinated bonds issued on October 11, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.425%, payable quarterly; principal repayable on maturity (7 years after the issue date). | 2,000,000 | 2,000,000 |
| Subordinated bonds issued on October 19, 2005; 2.725% interest, payable annually; principal repayable on maturity (7 years after the issue date). | 1,400,000 | 1,400,000 |
| Subordinated bonds issued on November 4, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Post Co., Ltd. plus 0.4%, payable annually; principal repayable on maturity (7 years after the issue date). | 1,600,000 | 1,600,000 |
| Two types of subordinated bonds issued on August 24, 2006; interest rate at (a) 90 days' interest rate for commercial paper plus 0.25% for type A bond; and (b) 2.60% interest for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years after the issue date). | 6,000,000 | 6,000,000 |
| Two types of subordinated bonds issued on June 29, 2007; interest rate at (a) the one-year time savings deposit floating rate of Bank of Taiwan plus 0.5% for type A bond; and (b) 90 days' interest rate for commercial paper plus 0.39% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years after the issue date). | \$3,700,000 | \$3,700,000 |
| Subordinated bonds issued on February 15, 2008; 3.10% interest, payable annually; principal repayable on maturity (7 years after the issue date). | 2,300,000 | 2,300,000 |

(Continued)

| | December 31 | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| Subordinated bonds issued on October 24, 2008; 3.15% interest, payable annually; principal repayable on maturity (7 years after the issue date). | 300,000 | 300,000 |
| Subordinated bonds issued on February 20, 2009; 2.10% interest payable annually; principal repayable on maturity (5 years after the issue date). | 1,000,000 | 1,000,000 |
| Subordinated bonds issued on March 5, 2009; 2.15% interest payable annually; principal repayable on maturity (5.5 years after the issue date). | 500,000 | 500,000 |
| Two types of subordinated bonds issued on April 3, 2009; interest rate at (a) 2.15% for Type A bond and (b) 2.50% for Type B bond; interest payable annually for both bond types; principal repayable on maturity (5.5 years for Type A bond and 7 years for Type B bond after the issue date). | 500,000 | 500,000 |
| Subordinated bonds issued on May 18, 2009; 2.35% interest payable annually; principal repayable on maturity (5.5 years after the issue date). | 1,800,000 | 1,800,000 |
| Subordinated bond issued on July 17, 2009; 2.5% interest payable annually; principal repayable on maturity (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 (7 years after the issue date) | 1,500,000 | 1,500,000 |
| Subordinated bonds issued on May 28, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date) | 3,000,000 | 3,000,000 |
| Subordinated bonds issued on July 13, 2010; 2.20% interest payable annually; principal repayable on maturity (7 years after the issue date) | 2,500,000 | 2,500,000 |
| Subordinated bonds issued on May 24, 2011; 1.73% interest payable annually; principal repayable on maturity (7 years after the issue date). | 2,100,000 | - |
| Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date). | 2,900,000 | - |
| | <u>\$39,000,000</u> | <u>\$34,000,000</u> |

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

| | December 31 | |
|--|--------------------|---------------------|
| | 2011 | 2010 |
| ESFHC's unsecured overseas convertible bonds in 2008 | \$4,556,616 | \$ 4,556,616 |
| Valuation adjustment | 684,879 | 582,316 |
| | <u>\$5,241,495</u> | <u>\$ 5,138,932</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 - (tw) 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

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 another capital increase. In August 2010 and September 2011, ESFHC again lowered the conversion price for the Second Tranche to NT\$13.08 and to NT\$11.84 per share because of its issuance of new shares for another capital increase.

As of December 31, 2011, 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 March 16, 2012, 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 are as follows:

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

(Continued)

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

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

23. OTHER BORROWINGS

| | December 31 | |
|---|-------------|-----------|
| | 2011 | 2010 |
| Unsecured debts - interest rate was 1.55% in 2011 and 0.70% in 2010 | \$6,000 | \$300,000 |

24. OTHER FINANCIAL LIABILITIES

| | December 31 | |
|----------------------------------|--------------------|------------------|
| | 2011 | 2010 |
| Principal of structured products | \$1,631,949 | \$- |
| Guarantee deposits received | 208,178 | 163,182 |
| Appropriations for loans | 94,606 | 132,976 |
| | <u>\$1,934,733</u> | <u>\$296,158</u> |

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

25. OTHER LIABILITIES

| | December 31 | |
|---|--------------------|--------------------|
| | 2011 | 2010 |
| Advance receipts | \$960,411 | \$1,102,813 |
| Deferred tax liabilities | 320,058 | 299,964 |
| Reserve for land revaluation increment tax | 79,368 | 55,197 |
| Reserve for losses on guarantees | 66,504 | 14,294 |
| Reserve for losses on breach of purchase commitment | - | 95,226 |
| Reserve for losses on the sale of bonds | - | 85,198 |
| Others | 25,662 | 37,612 |
| | <u>\$1,452,003</u> | <u>\$1,690,304</u> |

26. 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 and wages, 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 and wages, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the employees' fund administration committee, which manages the fund. The difference between the contributions and the pension costs based on actuarial calculations for E.SUN Bank is deposited in a financial institution in the name of the employees' pension fund administration committee.

E.SUN Securities makes monthly contributions, equal to 4% of salaries and wages, 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 \$201,549 thousand and \$190,456 thousand (\$165,824 thousand and \$146,455 thousand were recognized under the Act, respectively) in 2011 and 2010, respectively.

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

| | 2011 | 2010 |
|---|-----------------|-----------------|
| a. Net pension cost | | |
| Service cost | \$24,069 | \$26,169 |
| Interest cost | 25,394 | 26,750 |
| Actual loss (return) on plan assets | 104,108 | (161,997) |
| Amortization | (116,916) | 146,568 |
| Prepaid pension cost upper limit adjustment | (930) | 6,511 |
| Net pension cost | <u>\$35,725</u> | <u>\$44,001</u> |

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

| | December 31 | |
|---|-------------|-------------|
| | 2011 | 2010 |
| Benefit obligation: | | |
| Vested benefit obligation | \$(130,877) | \$(140,723) |
| Non-vested benefit obligation | (765,533) | (687,735) |
| Accumulated benefit obligation | (896,410) | (828,458) |
| Additional benefits based on future salaries | (476,063) | (441,184) |
| Projected benefit obligation | (1,372,473) | (1,269,642) |
| Fair value of plan assets | 1,049,982 | 1,142,686 |
| Funded status | (322,491) | (126,956) |
| Unrecognized transitional net asset | (9,467) | (9,658) |
| Unamortized prior service cost | 64,999 | 74,803 |
| Unamortized net pension gains or losses | 301,271 | 93,608 |
| Additional minimum pension | (4,603) | (21,628) |
| Prepaid pension cost upper limit adjustment | (5,581) | (6,511) |
| Prepaid pension cost (part of other assets - other) | (29,561) | (25,181) |
| Pension liabilities (part of other liabilities - other) | \$(5,433) | \$(21,523) |
| Vested benefits | \$(150,663) | \$(158,125) |

c.Actuarial assumptions

| | | |
|--|-------------|-------------|
| Discount rate | 1.75%-1.90% | 2.00% |
| Rate of increase in compensation | 2.00%-2.50% | 2.00%-2.50% |
| Expected long-term rate of return on plan assets | 1.75%-1.90% | 2.00% |

d.Summary of pension fund contributions and payments

| | 2011 | 2010 |
|---------------------|----------|----------|
| Contributions | \$39,170 | \$39,463 |
| Payment of benefits | \$27,766 | \$33,417 |

27.SERVICE FEE AND COMMISSION INCOME, NET

| | 2011 | 2010 |
|--|--------------------|--------------------|
| Service fee and commission income | \$7,312,585 | \$6,550,173 |
| Service charge and commission expenses | (1,039,721) | (919,741) |
| | <u>\$6,272,864</u> | <u>\$5,630,432</u> |

28.PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| | 2011 | 2010 |
|-----------------------|-------------|--------------|
| Personnel expenses | | |
| Salaries | \$4,601,478 | \$ 4,143,076 |
| Insurance | 315,504 | 271,378 |
| Pension | 201,549 | 190,456 |
| Other | 229,074 | 221,814 |
| Depreciation expenses | 667,538 | 721,640 |
| Amortization expenses | 207,399 | 231,300 |

29.INCOME TAX

Under Article 49 of the Financial Holding Company Act, 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 meets this holding requirement.

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

a.Income tax was calculated as follows:

| | 2011 | 2010 |
|---|------------------|------------------|
| Income tax expense - current before tax credits | \$471,077 | \$407,312 |
| Net changes in deferred income tax: | | |
| Loss carryforwards | 234,729 | 330,416 |
| Unrealized foreign exchange gain or loss | 88,376 | (69,585) |
| Goodwill | 2,314 | - |
| Tax credits | 1,881 | - |
| Unrealized gain or loss on financial instruments | 421 | (54,318) |
| Effect of tax law changes on deferred income tax | - | 20,431 |
| Impairment losses on assets | (6,668) | 4,897 |
| Valuation allowance | (8,524) | 2,128 |
| Allowance for possible losses on loans and receivables and reserve for losses on guarantees | (135,644) | - |
| Others | (36) | (4,083) |
| Tax on unappropriated earnings (10%) | 11,640 | 23,093 |
| Adjustment of prior year's tax | 3,746 | 2,250 |
| Tax effect on consolidated tax returns | (105,257) | (113,457) |
| Income tax expense | <u>\$558,055</u> | <u>\$549,084</u> |

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

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

| | 2011 | 2010 |
|--|------------------|------------------|
| Income tax expense on income before income tax at statutory rate (17%) | \$687,209 | \$760,267 |
| Permanent differences | (276,482) | (490,675) |
| Temporary differences | 51,237 | 122,799 |
| Tax under the Alternative Minimum Tax Act | 9,113 | 14,921 |
| Income tax expense - current before tax credits | <u>\$471,077</u> | <u>\$407,312</u> |

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

| | December 31 | |
|---|---------------------------|---------------------------|
| | 2011 | 2010 |
| Deferred income tax assets | | |
| Unrealized loss on the valuation of financial instruments | \$198,598 | \$183,933 |
| Allowance for possible losses on loans and receivables and reserve for losses on guarantees | 135,685 | 41 |
| Impairment losses on assets | 23,229 | 16,561 |
| Cumulative translation adjustments | 1,221 | 26,252 |
| Unrealized foreign exchange loss | - | 47,650 |
| Loss carryforwards | - | 44,543 |
| Reserve for losses on breach of purchase commitment | - | 16,189 |
| Others | 102 | 66 |
| | <u>358,835</u> | <u>335,235</u> |
| Less: Valuation allowance | <u>13,194</u> | <u>12,540</u> |
| | <u>345,641</u> | <u>322,695</u> |
| Deferred income tax liabilities | | |
| Goodwill | (624,973) | (622,659) |
| Unrealized foreign exchange gain | (40,726) | - |
| | <u>(665,699)</u> | <u>(622,659)</u> |
| Net deferred income tax liabilities | <u><u>\$(320,058)</u></u> | <u><u>\$(299,964)</u></u> |

d. Imputed tax credit is summarized as follows:

| | ESFHC | E.SUN Bank | E.SUN Securities | ESIB | ESVC |
|---|----------|---------------|---------------------|------|---------|
| Balance of imputation credit account | | | | | |
| December 31, 2011 | \$73,653 | \$21,485 | \$1,461 | \$ - | \$5,964 |
| December 31, 2010 | 33,828 | 17,112 | 2,048 | - | 6,458 |
| Estimated creditable tax ratio for distributing the 2011 earnings | 2.35% | 0.67% | 1.44% | - | 6.21% |
| Actual creditable tax ratio for distributing the 2010 earnings | 9.64% | 0.77% | 0.89% | - | 4.29% |

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, 2011 and 2010 | \$ - | \$ 91,777 | \$ - | \$ - | \$ - |

f. The years for which income tax returns had been examined by the tax authorities as of December 31, 2011 were as follows:

| ESFHC | E.SUN Bank | E.SUN Securities | ESIB | ESVC |
|-------|---------------|---------------------|------|------|
| 2006 | 2006 | 2006 | 2006 | 2006 |

g. On ESFHC's income tax returns of 2004 to 2006, the tax authorities disapproved ESFHC's claim that operating and interest expenses were deductible from taxable income; thus, the taxable income increased by \$507,515 thousand. In addition, the tax authorities denied the deduction of ESFHC's realized loss on investment of \$333,424 thousand and the loss on conversion of convertible corporate bonds of \$19,230 thousand in 2006. However, ESFHC claimed its core operation not specified on investment, and thus shall be excluded from the allocation of operating or interest expenses. In addition, it claimed the authorities' denial of the above deduction was unreasonable. Therefore, ESFHC initiated an administrative litigation. ESFHC did not accrue any additional tax expense because the possibility of a positive result on this litigation is high.

From their assessment of ESFHC's 2005 stockholders' imputed tax credit returns, the tax authorities determined that ESFHC made an over-distribution of the stockholders' imputed tax credits by \$43,901 thousand on taxes withheld from interest revenue on bonds pertaining to periods when those bonds were held by other investors. Thus, ESFHC also initiated an administrative litigation. The tax authorities' reexamination showed ESFHC did not make the above over-distribution.

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

Business Bank Co., Ltd. (KBB) and reported in the income tax returns from 2004 to 2006, the tax authorities disapproved the related expense because the authorities considered the goodwill on the purchase of KBB's assets, liabilities and operations as having resulted from a subsidy authorized by the Executive Yuan to be released from the Resolution Trust Corporation fund and not 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 its 2005 income tax return. Nevertheless, E.SUN Securities accrued an additional income tax payable of \$11,172 thousand on these stock warrants in 2009.

E.SUN Securities' assessed income tax on its 2006 income tax return was \$55,667 thousand more than that reported to the tax authorities. The increase was mainly due to the tax authorities' (a) considering the loss on the hedge of stock warrants as a trading loss on securities; (b) believing that E.SUN Securities should have recognized interest revenue on certain bonds; and (c) the denial of the amortization expense on operating rights obtained from the acquisition of Yung Li Securities. Thus, E.SUN Securities initiated an administrative litigation to reconsider the assessment of stock warrants, but, in observance of the conservatism principle, it accrued in 2009 an additional income tax payable for 2006 based on the estimated outcome of the reexamination of the 2006 income tax return. On certain cases involving interest revenue from bonds and the amortization of operating rights on its 2006 income tax return, E.SUN Securities claimed an increase of \$15,101 thousand in tax payable, was unreasonable and thus initiated an administrative litigation. E.SUN Securities did not accrue the related liabilities because the possibility of a positive result on this administrative litigation is high.

j. The main effective income tax rate to calculate deferred income taxes for 2011 and 2010 was 17%

On the goodwill amortization of \$2,854,794 thousand resulting from the merger of E.SUN Bank with Kaohsiung

30. 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 |
| 2011 | | | | | |
| Basic earnings per share | \$3,453,543 | \$3,484,348 | 4,228,497 | <u>\$0.82</u> | <u>\$0.82</u> |
| Effect of dilutive common shares: | | | | | |
| Bonus to employees | - | - | 10,336 | | |
| Overseas convertible bonds | <u>203,649</u> | <u>169,029</u> | <u>384,698</u> | | |
| Diluted earnings per share | <u>\$3,657,192</u> | <u>\$3,653,377</u> | <u>4,623,531</u> | <u>\$0.79</u> | <u>\$0.79</u> |
| 2010 | | | | | |
| Basic earnings per share | \$3,718,096 | \$3,923,072 | 4,042,048 | <u>\$0.92</u> | <u>\$0.97</u> |
| Effect of dilutive common shares: | | | | | |
| Bonus to employees | <u>-</u> | <u>-</u> | <u>8,001</u> | | |
| Diluted earnings per share | <u>\$3,718,096</u> | <u>\$3,923,072</u> | <u>4,050,049</u> | <u>\$0.92</u> | <u>\$0.97</u> |

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.

31.STOCKHOLDERS' EQUITY

a.Capital stock

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 Ministry of Economic Affairs (MOEA).

On June 28, 2011, stockholders' meeting of ESFHC resolved to use \$2,662,310 thousand from the unappropriated earnings as stock bonus to stockholders and also resolved to use \$103,364 thousand from the bonus to employees as stock bonus. These appropriations and bonus, which were a total of 271,700 thousand shares, were approved by the FSC and MOEA.

On June 28, 2011, the board of directors of ESFHC resolved to increase its capital by issuing 500,000 thousand shares at NT\$15.00 per share. This issuance was approved by the FSC and MOEA. As of December 31, 2011, the paid-in capital of ESFHC was \$45,750,000 thousand.

On March 16, 2012, the board of directors of ESFHC proposed to use the unappropriated earnings as stock bonus to stockholders and the bonus to employees as stock bonus. The board of directors of ESFHC also proposed to raise the authorized capital to \$100,000,000 thousand. These proposals are waiting for the approval of the stockholders.

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, 2011, the GDS holders had canceled 9,448 thousand units (equaled 236,208 thousand shares), ESFHC issued 128 thousand units (equaled 3,199 thousand shares) because of stock dividend distribution, and the deposit agents reissued 2,931 thousand units (equaled 73,290 thousand shares). Therefore, the outstanding GDSs were 411 thousand units, which equaled 10,281 thousand shares, or 0.2247% of ESFHC's total outstanding common shares.

b.Capital surplus

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

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

Under the Financial Holding Company Act 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, 2011 came from treasury stock transactions and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources

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 | 2,919,727 |
| | <u>6,219,524</u> |
| 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 | 7,861 |
| | <u>6,831,735</u> |

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 | 14,377 |
| In 2011 | 48,674 |

Additional paid-in capital from ESFHC's share issuance in excess of par value

| | |
|--|----------------|
| Share-based payment for the subscription for ESFHC's new shares by the employees of ESFHC and its subsidiaries | 2,500,000 |
| | <u>200,132</u> |
| | 18,376,556 |

Uses

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

(980)

\$13,327,677

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.

For 2011 and 2010, the bonus to employees and remuneration to directors, which totaled \$133,438 thousand and \$142,624 thousand, respectively, and were 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 may be used to offset a deficit. Under the Company Law revised on January 4, 2012, when the reserve exceeds 25% of ESFHC's paid-in capital, the excess may be distributed as capital or cash 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.

Under Financial Supervisory Commission (FSC) guidelines, ESFHC reclassified the trading loss reserve and default loss reserve made before 2010 to special reserve. This special reserve may be used to offset a deficit and may be appropriated when legal reserve reaches 50% of ESFHC's paid-in capital. The special reserve from equity investments under the equity method was \$164,235 thousand for 2011.

The appropriations from earnings for 2010 and 2009 were approved in the stockholders' meetings on June 28, 2011 and June 24, 2010, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-----------------|------------------------------|-----------|-------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| Legal reserve | \$392,307 | \$192,834 | | |
| Cash dividends | 760,660 | 726,360 | \$0.2 | \$0.2 |
| Stock dividends | 2,662,310 | 1,452,720 | 0.7 | 0.4 |

The bonus to employees and the remuneration to directors for 2010 and 2009, which were approved in the stockholders' meetings on June 28, 2011 and June 24, 2010, respectively, were as follows:

| | 2010 | 2009 |
|----------------------------------|----------|----------|
| Bonus to employees - cash | \$ 3,604 | \$ 1,439 |
| Bonus to employees - stock | 103,364 | 66,657 |
| Remuneration to directors - cash | 35,656 | 22,699 |

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 2010 and 2009.

The appropriations from the 2011 earnings were approved in the board of directors' meetings on March 16, 2012. The appropriations and dividends per share are as follows:

| | Appropriation of Earnings | Dividends Per Share (NT\$) |
|-----------------|------------------------------|-------------------------------|
| Legal reserve | \$348,435 | |
| Special reserve | 222,962 | |
| Cash dividends | 915,000 | \$0.20 |
| Stock dividends | 2,287,500 | 0.50 |

The proposal on the appropriation of the 2011 earnings, bonus to employees and remuneration to directors is waiting for the approval of the stockholders. Information on earnings appropriation 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 | - |

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.

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.

32.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 | One third of the funds are donated by E.SUN Bank |
| Fugui Consulting Co., Ltd. (formerly Fubon Securities Finance Co.) and Bank-Pro E-Service Technology Co., Ltd. | E.SUN Bank is a director of these two companies |
| Financial Information Service Co., Ltd. | E.SUN Bank was a supervisor of the Company until June 25, 2010 |
| Joseph N. C. Huang | President of ESFHC |
| Suka Chen | Vice president of ESFHC |
| Heng-Hwa Yang | Deputy president (retired in November 2010) |
| Wei-Chin Chien | General auditor |
| 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 vice president |
| Jhong-Cheng Shun | E.SUN Bank's vice president |
| Jih-Hsiung Tseng | E.SUN Bank's vice president |
| Zhi-Guang Huang | E.SUN Bank's vice president |
| Shui-Chin Shen | E.SUN Bank's vice president |
| Chin-Lung Wang | E.SUN Bank's manager |
| Chien-Li Huang | E.SUN Bank's manager |
| Oliver Hsieh | E.SUN Bank's manager |
| Ching-Lee Kao | E.SUN Bank's manager |
| Wen-Chuan Tu | E.SUN Bank's manager |
| Cji-Gan Chung | E.SUN Bank's manager |
| Cheng-Ta Lee | E.SUN Bank's manager |
| Davis Tsai | E.SUN Bank's manager |
| Daniel Lin | E.SUN Bank's manager |
| Edward Chen | E.SUN Bank's manager |
| Vivian Ho | E.SUN Bank's manager |
| Yi-Hsin Tseng | E.SUN Bank's manager |
| Chun-Nan Tsai | E.SUN Bank's manager |
| Yu-Shyang Guo | E.SUN Bank's manager |
| Te-Ming Chung | E.SUN Bank's manager |
| Tung-Pao Cheng | 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 |
| Renny Wang | E.SUN Bank's manager |
| Tung-Cahiang Chen | E.SUN Bank's manager |
| San-I Chen | E.SUN Bank's manager |
| Edward Chen | E.SUN Bank's manager |
| Yao-Bing Lin | E.SUN Bank's manager |
| David H.C. Lien | E.SUN Bank's manager |
| Mei-Nu Chen | E.SUN Bank's manager |
| James Wu | E.SUN Bank's manager |
| I-Chih Liu | E.SUN Bank's manager |
| Day-Yu Chen | E.SUN Bank's manager |
| Cheng-Hao Chang | E.SUN Bank's manager |

(Continued)

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

b. Significant transactions with related parties

1) Loans and deposits

| December 31 | | | | |
|-------------|---------------------|------------|------------------|-------------------------------|
| | Amount | % to Total | Interest Rate(%) | Interest Revenue (Expense) |
| <u>2011</u> | | | | |
| Loans | <u>\$769,762</u> | - | 1.197-3.87 | <u>\$8,916</u> |
| Deposits | <u>\$1,531,508</u> | - | 0-6.90 | <u>\$(16,029)</u> |
| <u>2010</u> | | | | |
| Loans | <u>\$ 520,301</u> | - | 0.75-2.75 | <u>\$ 7,137</u> |
| Deposits | <u>\$ 1,010,915</u> | - | 0-7.60 | <u>\$ (10,815)</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 (%) |
| 2011 | <u>\$155,250</u> | - | 1.261-2.17 | - |
| 2010 | <u>\$37,500</u> | - | 2.02-2.08 | - |

| | 2011 | | 2010 | |
|---|-----------------|------------|-----------------|------------|
| | Amount | % to Total | Amount | % to Total |
| 3) Donation (part of general and administrative expenses) | <u>\$48,228</u> | <u>1</u> | <u>\$21,485</u> | <u>-</u> |
| 4) Others (part of general and administrative expenses) | <u>\$4,067</u> | <u>-</u> | <u>\$1,520</u> | <u>-</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, 2011 and 2010

1) E.SUN Bank

| | December 31 | | | |
|-------------|---------------------|------------|-------------------|----------------------------|
| | Amount | % to Total | Interest Rate (%) | Interest Revenue (Expense) |
| <u>2011</u> | | | | |
| a)Loans | \$769,762 | - | 1.197-3.87 | \$8,916 |
| b)Deposits | <u>\$10,304,861</u> | 1 | 0-6.90 | <u>\$(77,644)</u> |
| <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> |

| | December 31 | | | |
|--|-------------------|------------|-------------------|------------|
| | 2011 | | 2010 | |
| | Amount | % to Total | Amount | % to Total |
| c)Other receivable (part of receivables) | | | | |
| ESFHC | <u>\$ 242,628</u> | <u>1</u> | <u>\$ 176,533</u> | <u>-</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 (%) |
| 2011 | <u>\$155,250</u> | - | 1.261-2.17 | - |
| 2010 | <u>\$37,500</u> | - | 2.02-2.08 | - |

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, 2011 and 2010

| | December 31 | |
|------------------------------------|-------------|------------|
| | 2011 | 2010 |
| Deposits | \$ 81,114 | \$ 189,680 |
| Deposit - futures exchange margins | \$ 260,568 | \$ 90,691 |
| Operation deposits | \$ 555,000 | \$ 505,000 |

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 as of December 31, 2011 and 2010. For this overdraft, E.SUN Securities provided time deposits and real estate to E.SUN Bank as collaterals as of December 31, 2011 and 2010. Other financial institutions provided guarantee for the overdraft for both years. As of December 31, 2011 and 2010, there was no overdraft amount.

c)For its business needs, E.SUN Securities applied for a short-term loan up to \$200,000 thousand from E.SUN Bank. As of December 31, 2011, this loan had not yet been used.

3)ESVC

| | December 31 | |
|-----------------------|-------------|------------|
| | 2011 | 2010 |
| Deposits - E.SUN Bank | \$ 219,715 | \$ 299,216 |

4)ESIB

| | December 31 | |
|-----------------------|-------------|------------|
| | 2011 | 2010 |
| Deposits - E.SUN Bank | \$ 288,683 | \$ 181,985 |

d. Compensation of directors, supervisors and management personnel

| | 2011 | 2010 |
|----------------------|----------|-----------|
| Salaries | \$31,871 | 32,437 |
| Incentives | 12,601 | 13,507 |
| Special compensation | 1,160 | 1,180 |
| Bonus | 35,738 | 38,443 |
| | \$81,370 | \$ 85,567 |

33. PLEDGED ASSETS

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

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

As of December 31, 2011 and 2010, the foregoing securities, with aggregate face value of \$10,900,000 thousand and \$9,000,000 thousand, respectively, had been provided as collaterals for day-term overdraft to comply with the Central Bank's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of the day may also be treated as liquidity reserve.

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

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, 2011 | <u>\$10,100</u> | <u>\$8,997</u> |
| December 31, 2010 | <u>\$16,488</u> | <u>\$12,860</u> |

34. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2011 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 Bank's branches, which will expire on various dates by May 2020. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2011, refundable deposits on these leases totaled \$847,883 thousand. Minimum annual rentals for the next five years are as follows:

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

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

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

c. E.SUN Securities

Renewable operating lease agreements on premises occupied by E.SUN Securities' branches, which will expire on various dates by August 2016. Rentals are calculated on the basis of the leased areas and are payable monthly or quarterly. As of December 31, 2011, refundable deposits on these leases totaled \$14,238 thousand. Minimum annual rentals for the next five years are as follows:

| Year | Amount |
|------|----------|
| 2012 | \$57,835 |
| 2013 | 52,984 |
| 2014 | 45,829 |
| 2015 | 20,282 |
| 2016 | 5,853 |

d. ESIB

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

| <u>Insurance Company</u> | <u>Contract Date</u> | <u>Commission Received</u> | <u>Contract Period</u> |
|-----------------------------|----------------------|---|--|
| 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. |
| Mercuries Life Insurance | 2011.12.01 | Billed and received according to contract terms | Effectively starts on December 1, 2011 and will expire on December 1, 2012. 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. |
| Nanshan Life Insurance | 2011.12.05 | Billed and received according to contract terms | Effectively starts on December 5, 2011 and will expire on December 5, 2012. 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. |

35.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.

| Interest-earning assets | 2011 | | 2010 | |
|---|-----------------|------------------|-----------------|------------------|
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| Cash and cash equivalents - due from banks | \$2,855,008 | 0.12 | \$ 1,654,719 | 0.08 |
| Call loans to banks | 2,954,736 | 0.43 | 2,879,923 | 0.39 |
| Due from the Central Bank | 25,378,321 | 0.59 | 75,581,859 | 0.57 |
| Held-for-trading financial assets - bonds | 1,065,991 | 2.68 | 1,249,268 | 2.24 |
| Held-for-trading financial assets - bills | 13,306,210 | 0.73 | 94,515,070 | 0.56 |
| Financial assets designated at fair value through profit or loss - bonds and bills | 32,362,593 | 1.92 | 29,983,950 | 2.14 |
| Securities purchased under resell agreements | 162,352 | 0.69 | 1,955,642 | 0.31 |
| Discounts and loans | 634,188,081 | 2.18 | 579,552,768 | 1.97 |
| Receivables on credit cards | 15,518,646 | 13.98 | 16,354,055 | 13.10 |
| Available-for-sale financial assets - bonds | 42,353,424 | 2.56 | 40,326,020 | 2.17 |
| Held-to-maturity financial assets | 272,826,039 | 0.89 | 73,198,890 | 0.96 |
| Debt instruments with no active market | 2,172,774 | 2.03 | 3,570,020 | 2.17 |
| <u>Interest-bearing liabilities</u> | | | | |
| Due to the Central Bank and other banks | 37,833,874 | 0.84 | 36,665,881 | 0.51 |
| Financial liabilities at fair value through profit or loss (excluding financial liabilities designated at fair value through profit or loss - bank debentures) | 3,231,492 | 1.32 | 2,900,000 | 1.42 |
| Securities sold under repurchase agreements | 13,239,691 | 0.59 | 20,277,755 | 0.34 |
| Demand deposits | 185,215,762 | 0.17 | 157,915,171 | 0.12 |
| Savings - demand deposits | 234,391,123 | 0.31 | 208,374,053 | 0.24 |
| Time deposits | 285,426,718 | 0.96 | 224,620,522 | 0.74 |
| Savings - time deposits | 213,738,002 | 1.26 | 195,367,148 | 1.05 |
| Negotiable certificates of deposit | 17,614,025 | 0.73 | 25,366,667 | 0.43 |
| Bank debentures (including financial liabilities designated at fair value through profit or loss - bank debentures) | 37,315,343 | 2.07 | 38,126,795 | 2.00 |
| Principal of structured products | 2,267,849 | 1.54 | - | - |

36. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

| | December 31 | | | |
|---|-----------------|----------------------|-----------------|----------------------|
| | 2011 | | 2010 | |
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| <u>Financial assets</u> | | | | |
| Financial assets - with fair values approximating carrying amounts | \$111,206,947 | \$111,206,947 | \$100,560,635 | \$100,560,635 |
| Financial assets at fair value through profit or loss | 52,303,140 | 52,303,140 | 55,517,279 | 55,517,279 |
| Discounts and loans | 656,008,834 | 656,008,834 | 599,161,337 | 599,161,337 |
| Available-for-sale financial assets | 53,524,008 | 53,524,008 | 48,242,365 | 48,242,365 |
| Held-to-maturity financial assets | 253,283,859 | 253,513,119 | 254,655,585 | 254,980,994 |
| Other financial assets (excluding financial assets carried at cost) | 3,634,537 | 3,644,609 | 2,665,698 | 2,677,639 |
| Refundable deposits, operation deposits, and settlement funds | 1,944,938 | 1,944,938 | 1,876,824 | 1,876,824 |
| <u>Financial liabilities</u> | | | | |
| Financial liabilities - with fair values approximating carrying amounts | 71,771,689 | 71,771,689 | 70,278,611 | 70,278,611 |
| Financial liabilities at fair value through profit or loss | 13,092,263 | 13,092,263 | 18,084,329 | 18,084,329 |
| Deposits and remittances | 954,993,962 | 954,993,962 | 897,263,764 | 897,263,764 |
| Bank debentures | 46,500,000 | 47,324,744 | 41,500,000 | 42,219,527 |
| Other financial liabilities | 1,934,733 | 1,934,733 | 296,158 | 296,158 |

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

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

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

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

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, taking into account the credit risk on the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollar, U.S. dollar, etc.) to be used for payments. As of December 31, 2011 and 2010, the discount rate used ranged from 0.401% to 1.83% and from 0.25% to 1.87%, respectively, for the New Taiwan dollar and from 0.13% to 5.69% and from 0.23% to 4.161%, respectively, for the U.S. dollar.

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

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

4) Financial assets carried at cost consist of unlisted stocks, these investments have no quoted market prices in an active market and their fair values could not be reliably measured. Thus, the Company does not disclose their fair values.

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

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

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

| | December 31, 2011 | | | |
|---|-------------------|------------|------------|-----------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Nonderivative financial instruments</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit or loss (FVTPL) | | | | |
| Held-for-trading financial assets | | | | |
| Stock | \$ 230,375 | \$ 230,375 | \$ - | \$ - |
| Debt instruments | 834,618 | 834,618 | - | - |
| Others | 14,317,121 | 1,140,768 | 13,176,353 | - |
| Designated at FVTPL on initial recognition | 32,508,617 | 3,527,792 | 28,980,825 | - |
| Available-for-sale financial assets | | | | |
| Stock | 763,363 | 763,363 | - | - |
| Debt instruments | 52,404,758 | 39,613,406 | 8,121,106 | 4,670,246 |
| Others | 355,887 | 355,887 | - | - |
| Other financial assets | | | | |
| Debt instruments with no active market | 3,182,067 | - | 2,607,769 | 574,298 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at FVTPL | 8,488,998 | - | 8,488,998 | - |
| <u>Derivative financial instruments</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at FVTPL | 4,412,409 | 108,558 | 4,294,523 | 9,328 |
| <u>Liabilities</u> | | | | |
| Financial liabilities at FVTPL | 4,603,265 | 169 | 4,593,768 | 9,328 |

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

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

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

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

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

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

| | December 31, 2010 | |
|---|----------------------|-------------------------|
| | Quoted Market Prices | Estimated Market Prices |
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | \$22,500,009 | \$33,017,270 |
| Available-for-sale financial assets | 17,407,427 | 30,834,938 |
| Held-to-maturity financial assets | 244,539,685 | 10,441,309 |
| Other financial assets (excluding financial assets carried at cost) | 917,444 | 1,760,195 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss | - | 18,084,329 |
| Bank debentures | - | 42,219,527 |

d.A valuation of financial instruments at estimated market prices showed a gain of \$127,240 thousand in 2011 and a loss of \$216,583 thousand in 2010.

e.The adjustments of stockholders' equity debited directly from the available-for-sale financial assets amounted to \$369,269 thousand in 2011 and those credited directly from the available-for-sale financial assets amounted to \$188,317 thousand in 2010; the gains recognized and deducted from the adjustments of stockholders' equity were \$119,486 thousand and \$322,105 thousand, respectively.

f.Financial risk information

1)ESFHC

a)Risk management

ESFHC established the Risk Management Committee, whose convener is the general manger 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, 2011 and 2010, 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 | | | | | |
| | 2011 | | | 2010 | | |
| | Assets | Liabilities | Exchange Rate | Assets | Liabilities | Exchange Rate |
| USD | \$150,517 | \$174,615 | 30.278 | \$148,382 | \$175,704 | 29.5 |

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.

2)E.SUN Bank

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 intervals 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 is shown in Table 8 (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 of transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantees and obligations under letters of credit issued. Generally, these transactions are for one year.

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

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to 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, 2011 and 2010, about 65% and 69%, respectively, of total loans granted, and about 16% and 14%, respectively, of both the aggregate guarantees and letters of credit issued, were secured. If the customers break a contract, 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, 2011 and 2010 were as follows:

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

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

| Credit Risk Profile by Group or Industry | December 31 | | | |
|--|---------------|----|---------------|----|
| | 2011 | | 2010 | |
| | Amount | % | Amount | % |
| Natural person | \$341,328,300 | 50 | \$336,050,327 | 55 |
| Manufacturing | 186,020,462 | 27 | 152,817,100 | 25 |

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

d)Liquidity risk

In December 2011 and 2010, the liquidity reserve ratios were 30.68% and 32.03%, respectively. E.SUN Bank had sufficient equity capital and working capital to execute all contract obligations and had no liquidity risk.

The contract or notional amount is used to calculate the amounts to settle with the counter-parties, so it is neither the actual amount to be delivered to the counterparties 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 does 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, 2011 | | | | | | |
|--|----------------------|---|--|---|--------------------------|------------------------|
| | Due in One Month | Due after One Month Up to Three Months | Due after Three Months Up to One Year | Due after One Year Up to Seven Years | Due after Seven Years | Total |
| <u>Assets</u> | | | | | | |
| Cash and cash equivalents | \$19,931,437 | \$ - | \$ - | \$ - | \$ - | \$19,931,437 |
| Due from the Central Bank and call loans to other banks | 45,014,416 | 2,000 | - | - | - | 45,016,416 |
| Financial assets at fair value through profit or loss | 18,822,589 | 332,925 | 2,422,836 | 29,847,967 | 726,428 | 52,152,745 |
| Securities purchased under resell agreements | 29,789 | - | - | - | - | 29,789 |
| Receivables | 696,436 | 32,767,196 | 48,099 | 10,167,536 | - | 43,679,267 |
| Discounts and loans | 84,226,196 | 47,538,489 | 80,078,411 | 255,636,933 | 195,413,473 | 662,893,502 |
| Available-for-sale financial assets | 7,006,230 | 7,028,755 | 3,661,438 | 34,793,077 | 371,265 | 52,860,765 |
| Held-to-maturity financial assets | 151,270,452 | 75,749,702 | 12,601,765 | 10,175,515 | 3,486,425 | 253,283,859 |
| Other financial assets (exclusive of financial assets carried at cost) | 4,893 | - | - | 3,164,073 | - | 3,168,966 |
| | <u>\$327,002,438</u> | <u>\$163,419,067</u> | <u>\$98,812,549</u> | <u>\$343,785,101</u> | <u>\$199,997,591</u> | <u>\$1,133,016,746</u> |
| <u>Liabilities</u> | | | | | | |
| Due to the Central Bank and other banks | \$17,401,553 | \$12,624,083 | \$8,027,290 | \$ - | \$ - | \$38,052,926 |
| Financial liabilities at fair value through profit or loss | 3,247,503 | - | - | 4,603,265 | - | 7,850,768 |
| Securities sold under repurchase agreements | 9,524,552 | 2,055,414 | 1,667,421 | - | - | 13,247,387 |
| Payables | 11,652,406 | 317,967 | 245,212 | 5,802,271 | - | 18,017,856 |
| Deposits and remittances | 560,079,990 | 118,991,267 | 271,387,413 | 12,383,157 | - | 962,841,827 |
| Bank debentures | - | - | 5,000,000 | 34,000,000 | - | 39,000,000 |
| Other financial liabilities | 1,599,045 | - | 180,683 | 94,606 | 69,309 | 1,943,643 |
| | <u>\$603,505,049</u> | <u>\$133,988,731</u> | <u>\$286,508,019</u> | <u>\$56,883,299</u> | <u>\$69,309</u> | <u>\$1,080,954,407</u> |

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> |

3)E.SUN Securities

a)Risk management policy and hedge strategy

The nonderivative financial instruments held by E.SUN Securities mainly include cash and cash equivalents, financial assets at fair value through profit or loss - stocks and beneficial 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.

b)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.

c)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 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.

d)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.

Derivative financial instruments is summarized as follows:

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 warrant s 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, 2011 and 2010.

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 2011 and 2010 were summarized as follows:

| | 2011 | 2010 |
|-----------------------------|-------------------|--------------------|
| Gains on futures contracts | | |
| Realized | \$ 3,720 | \$ 11,633 |
| Unrealized | - | - |
| | <u>\$ 3,720</u> | <u>\$ 11,633</u> |
| Losses on futures contracts | | |
| Realized | \$ (7,549) | \$ (14,874) |
| Unrealized | - | - |
| | <u>\$ (7,549)</u> | <u>\$ (14,874)</u> |
| Gains on option contracts | | |
| Realized | \$ 320 | \$ - |
| Unrealized | - | - |
| | <u>\$ 320</u> | <u>\$ -</u> |
| Losses on option contracts | | |
| Realized | \$ (188) | \$ (15) |
| Unrealized | - | - |
| | <u>\$ (188)</u> | <u>\$ (15)</u> |

37.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>2011</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 | 1,356 | 1,258 | 2,614 | Utilities: 50% each Building maintenance expenses: Based on space actually occupied |
| | <u>\$ 3,552</u> | <u>\$ 2,374</u> | <u>\$ 5,926</u> | |
| <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> | |

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 2011 and 2010, ESIB should have paid E.SUN Bank \$73,035 thousand and \$59,094 thousand, respectively; the unpaid amounts were \$10,762 thousand and \$4,469 thousand as of December 31, 2011 and 2010, respectively.

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

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

38.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 5 (attached)

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

(In Thousands of New Taiwan Dollars, %)

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

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

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

Note 3: The total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, 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, 2011

(In Thousands of New Taiwan Dollars, %)

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

Interest Rate Sensitivity (New Taiwan Dollars)

December 31, 2010

(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

Interest Rate Sensitivity (U.S. Dollars)

December 31, 2011

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

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

Interest Rate Sensitivity (U.S. Dollars)

December 31, 2010

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

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

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of 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, 2011 | Year Ended December 31, 2010 |
|------------------------|-------------------|---------------------------------|---------------------------------|
| Return on total assets | Before income tax | 0.36 | 0.44 |
| | After income tax | 0.31 | 0.39 |
| Return on equity | Before income tax | 6.69 | 8.35 |
| | After income tax | 5.77 | 7.32 |
| Net income ratio | | 17.24 | 22.53 |

2) E.SUN Financial Holding Company, Ltd.

%

| Items | | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|------------------------|-------------------|---------------------------------|---------------------------------|
| Return on total assets | Before income tax | 4.69 | 5.66 |
| | After income tax | 4.73 | 5.97 |
| Return on equity | Before income tax | 5.72 | 6.94 |
| | After income tax | 5.77 | 7.32 |
| Net income ratio | | 96.19 | 102.73 |

3) E.SUN Bank

%

| Items | | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|------------------------|-------------------|---------------------------------|---------------------------------|
| Return on total assets | Before income tax | 0.32 | 0.46 |
| | After income tax | 0.28 | 0.40 |
| Return on equity | Before income tax | 6.01 | 8.62 |
| | After income tax | 5.27 | 7.48 |
| Net income ratio | | 16.75 | 23.69 |

4) E.SUN Securities

%

| Items | | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|------------------------|-------------------|---------------------------------|---------------------------------|
| Return on total assets | Before income tax | 1.68 | 4.37 |
| | After income tax | 1.05 | 3.50 |
| Return on equity | Before income tax | 3.23 | 8.46 |
| | After income tax | 2.02 | 6.78 |
| Net income ratio | | 8.31 | 24.32 |

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

%

| Items | | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|------------------------|-------------------|---------------------------------|---------------------------------|
| Return on total assets | Before income tax | 78.98 | 79.24 |
| | After income tax | 65.56 | 65.83 |
| Return on equity | Before income tax | 93.63 | 95.35 |
| | After income tax | 77.72 | 79.22 |
| Net income ratio | | 62.10 | 61.68 |

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

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

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

Note 4: Income before (after) income tax was income for 2011 and 2010.

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

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2011

(In Millions of New Taiwan Dollars)

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

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 |

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, 2011

(In Thousands of U.S. Dollars)

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

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 |

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, 2011 | December 31, 2010 |
| Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor | None | None |
| Within the past year, a fine was levied on the Bank resulting in the authorities for violations of laws and regulations | E.SUN Bank leased 100% of one of its own properties in 2010. The lease was in violation of Article 75 of Paragraph 2 of the Banking Law of the Republic of China and entailed an administrative fine of \$1,000 thousand. E.SUN Bank invested in debentures, of which E.SUN Bank's director is also a director of the issuer. This investment was in violation of Article 74-1 of the Banking Law of the Republic of China and entailed an administrative fine of \$1,000 thousand. E.SUN Bank made dual-currency investment (DCI) transactions with counter-parties regulated by the Financial Holding Company Act. However, E.SUN Bank did not give its board of directors prior information on these transactions. These transactions were in violation of Article 45-1 of the Financial Holding Company Act and entailed an administrative fine of \$2,000 thousand. | E.SUN Bank found a leakage of customers' information due to the weak security management of its eBanking system. This leakage was in violation of Article 45-1 of Paragraph 1 and Article 48 of Paragraph 2 of the Banking Law of The Republic of China and entailed an administrative fine of \$4,000 thousand |
| Within the past year, misconduct occurred, resulting in the authorities imposing strict corrective measures on the Bank | None | None |
| Within the past year, the Bank faced penalties due to violations of "the Banking Law of the Republic of China" Article 61-1 | E.SUN Bank found a leakage of customers' information due to a former employee's keeping of customers' information for improper use. This leakage was in violation of Article 61-1 of Paragraph 1 of the Banking Law of the Republic of China and entailed corrective measures. | None |
| Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars | None | None |
| Other | None | None |

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

39.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, 2011 and 2010

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

Trust Property List

December 31, 2011 and 2010

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

Statements of Income on Trust Accounts

Years Ended December 31, 2011 and 2010

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

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

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

Please see Table 6 (attached).

41. BUSINESS SEGMENT FINANCIAL INFORMATION

Please see Table 7 (attached).

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

As of December 31, 2011 and 2010, 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, 2011 | | December 31, 2010 | | Status of Compliance with Standard | |
|----------|--|-------------------------------|-------|---------------------------------|-------|------------------------------------|-------------|
| | | Formula | Ratio | Formula | Ratio | Standard | (Met/Unmet) |
| 17 | Equities | \$416,289 | 57.79 | \$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 | (\$369,621 - \$362,417 - \$0) | | (\$242,736 - \$237,447 - \$604) | | | |
| 17 | Current assets | \$546,950 | 1.5 | \$431,235 | 1.8 | ≥ 1 | Met |
| | Current liabilities | \$364,645 | | \$238,988 | | | |
| 22 | Equities | \$416,289 | 108% | \$399,989 | 104% | $\geq 60\%$ $\geq 40\%$ | Met |
| | Capital stock | \$385,000 | | \$385,000 | | | |
| 22 | Adjusted net capital | \$391,547 | 475% | \$373,984 | 657% | $\geq 20\%$ $\geq 15\%$ | Met |
| | Client and proprietary account | \$82,387 | | \$56,942 | | | |

43. 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.

44. ACQUISITION OF OTHER FINANCIAL INSTITUTIONS' ASSETS, LIABILITIES AND OPERATION

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

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

CNCA had 10 domestic branches as of the acquisition date.

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

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

All major asset additions from the acquisition are going to be used for future operations and are not going to be disposed of. All operating results of CNCA after July 9, 2011 were included in E.Sun Bank's income statement, but no profit or loss before the acquisition date was included. For comparison purposes, the combined pro forma income statements for the years ended December 31, 2011 and 2010 are shown as follows (CNCA's data for 2010 and for the period from January 1, 2011 to July 8, 2011 were audited by other auditors).

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

45. CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Act 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 698.71% and 470.64% as of December 31, 2011 and 2010, respectively.

Please refer to related information in Table 11.

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

Please see Table 12 (attached).

47. OTHERS

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.

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

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

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

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

48. 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: Table 14 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 9 (attached)
- 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 11 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: Table 10 (attached)
- 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 13 (attached)
- 12) Derivative transactions: Notes 6 and 36 to the consolidated financial statements
- 13) Other significant transactions which may affect the decisions of users of financial reports: Notes 44 and 47 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)

49. OPERATION SEGMENTS

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

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

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

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

| Years Ended December 31, 2011 | | | | |
|--------------------------------------|-----------------------------------|------------------------------------|----------------------|---------------------|
| | Corporate Banking Unit | Individual Banking Unit | Others | Total |
| Net interest revenues (expenses) | <u>\$6,266,586</u> | <u>\$7,101,668</u> | <u>\$(679,922)</u> | <u>\$12,688,332</u> |
| Total net revenues | \$6,071,722 | \$11,871,104 | \$2,262,438 | \$20,205,264 |
| Allowance for bad-debt expenses | (1,020,405) | (2,211,913) | (1,307,717) | (4,540,035) |
| Operating expenses | <u>(2,056,203)</u> | <u>(6,370,303)</u> | <u>(3,196,320)</u> | <u>(11,622,826)</u> |
| Income (loss) before income tax | <u>\$2,995,114</u> | <u>\$3,288,888</u> | <u>\$(2,241,599)</u> | <u>\$4,042,403</u> |

| Years Ended December 31, 2010 | | | | |
|--------------------------------------|-----------------------------------|------------------------------------|----------------------|---------------------|
| | Corporate Banking Unit | Individual Banking Unit | Others | Total |
| Net interest revenues (expenses) | <u>\$4,805,487</u> | <u>\$5,553,070</u> | <u>\$1,092,413</u> | <u>\$11,450,970</u> |
| Total net revenues | \$5,123,368 | \$9,711,629 | \$2,580,364 | \$17,415,361 |
| Allowance for bad-debt expenses | 262,075 | (1,223,965) | (1,770,367) | (2,732,257) |
| Operating expenses | <u>(1,914,619)</u> | <u>(5,225,542)</u> | <u>(3,070,787)</u> | <u>(10,210,948)</u> |
| Income (loss) before income tax | <u>\$3,470,824</u> | <u>\$3,262,122</u> | <u>\$(2,260,790)</u> | <u>\$4,472,156</u> |

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

50. PLAN FOR THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

TABLE I

| Holding Company Name | Marketable Securities Type and Issuer | Relationship with the Holding Company | Financial Statement Account | December 31, 2011 | | | | 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 | \$183 | - | \$183 | 1 |
| | Formosa Advanced Technologies Co., Ltd. | - | Financial assets at fair value through profit or loss | 31 | 713 | 0.01 | 713 | 1 |
| | Gallant Precision Machining Co., Ltd. | - | Financial assets at fair value through profit or loss | 80 | 653 | 0.04 | 653 | 1 |
| | Forecon Technology Co., Ltd. | - | Financial assets at fair value through profit or loss | 61 | 1,257 | 0.13 | 1,257 | 1 |
| | Ampire Co., Ltd. | - | Available-for-sale financial assets | 196 | 1,098 | 0.18 | 1,098 | 1 |
| | Gallant Precision Machining Co., Ltd. | - | Available-for-sale financial assets | 217 | 1,769 | 0.12 | 1,769 | 1 |
| | Epistar Corp. | - | Available-for-sale financial assets | 27 | 1,722 | - | 1,722 | 1 |
| | E-Ton Solar Tech. | - | Available-for-sale financial assets | 2 | 21 | - | 21 | 1 |
| | Univaco Technology Inc. | - | Available-for-sale financial assets | 140 | 1,382 | 0.09 | 1,382 | 1 |
| | Formosa Advanced Technologies Co., Ltd. | - | Available-for-sale financial assets | 400 | 9,220 | 0.09 | 9,220 | 1 |
| | Optimer | - | Available-for-sale financial assets | 267 | 98,972 | 0.06 | 98,972 | 1 |
| | T.H.I. Group Ltd. | - | Available-for-sale financial assets | 196 | 4,286 | 0.31 | 4,286 | 1 |
| | Joinsoon Electronics Mfg. Co., Ltd. | - | Available-for-sale financial assets | 122 | 934 | 0.15 | 934 | 1 |
| | Well Technology Co., Ltd. | - | Available-for-sale financial assets | 71 | 838 | 0.27 | 838 | 1 |
| | Etrend Technology Co., Ltd. | - | Available-for-sale financial assets | 1,091 | 8,578 | 2.73 | 8,578 | 1 |
| | Azure Ware Technologies, Inc. | - | Available-for-sale financial assets | 450 | 10,327 | 0.41 | 10,327 | 1 |
| | Chia Chang Co., Ltd. | - | Available-for-sale financial assets | 204 | 8,070 | 0.13 | 8,070 | 1 |
| | AVer Information Inc. | - | Available-for-sale financial assets | 420 | 12,180 | 0.43 | 12,180 | 1 |
| | Tai Tung Communication Co., Ltd. | - | Available-for-sale financial assets | 1,341 | 55,920 | 1.94 | 55,920 | 1 |
| | Turvo International Co., Ltd. | - | Available-for-sale financial assets | 978 | 61,125 | 2.61 | 61,125 | 1 |
| | Bank-Pro E-Service Technology Co., Ltd. | - | Financial assets carried at cost | 325 | 3,250 | 2.41 | 4,282 | 2 |
| | Epoch Chemtronics Corp. | - | Financial assets carried at cost | 2,014 | 28,001 | 5.92 | 39,204 | 2 |
| | Sam Lam Technology Co., Ltd. | - | Financial assets carried at cost | 1,700 | - | 6.07 | - | - |
| | Beyond Innovation Technology Co., Ltd. | - | Financial assets carried at cost | 1,776 | 30,219 | 5.26 | 7,939 | 2 |
| | Super Link Electronics Co., Ltd. - common stock | - | Financial assets carried at cost | 1,640 | 16,300 | 13.23 | 9,151 | 2 |
| | Applied Green Light, Inc. of Cayman | - | Debt instruments with no active market | 1,000 | 8,756 | 4.82 | 12,771 | 4 |
| | Solidlite Co., Ltd. | - | Financial assets carried at cost | 1,400 | 15,369 | 6.38 | 9,476 | 2 |
| | MOSA Industrial Corporation | - | Financial assets carried at cost | 1,702 | 26,064 | 1.46 | 31,264 | 2 |
| | Orgchem Technologies Inc. | - | Financial assets carried at cost | 1,220 | 56,000 | 2.04 | 24,824 | 2 |
| | Exploit Technology Co., Ltd. | - | Financial assets carried at cost | 42 | 802 | 0.83 | 1,401 | 2 |
| | Mao Chia Metal Co., Ltd. | - | Financial assets carried at cost | 600 | 18,000 | 1.90 | 10,106 | 2 |
| | Wieson Technologies Co., Ltd. | - | Financial assets carried at cost | 1,836 | \$25,600 | 2.94 | \$27,316 | 3 |
| | Litek Opto-electronics Co., Ltd. | - | Financial assets carried at cost | 1,000 | - | 4.97 | - | - |
| | Tospon Corporation | - | Financial assets carried at cost | 1,783 | 45,800 | 8.18 | 16,053 | 2 |
| | Powerking Optoelectronic Co., Ltd. | - | Financial assets carried at cost | 893 | 16,363 | 4.32 | 6,740 | 2 |
| | Chuan Shih Industrial Co., Ltd. | - | Financial assets carried at cost | 2,250 | - | 5.79 | - | - |
| | Crowningtek Inc. | - | Financial assets carried at cost | 1,140 | 13,320 | 10.86 | 4,006 | 2 |
| | Gloria Solar International Holding, Inc. | - | Financial assets carried at cost | 500 | 18,000 | 0.43 | 1,660 | 2 |
| | Aero Win Technology Corporation | - | Financial assets carried at cost | 1,123 | 13,000 | 1.85 | 13,061 | 2 |
| | Bay Zu Precision Co., Ltd. | - | Financial assets carried at cost | 52 | 1,006 | 0.05 | 982 | 2 |
| | Starchips Technology Inc. | - | Financial assets carried at cost | 1,000 | 16,500 | 5.56 | 1,218 | 2 |
| | Pai Lung Machinery Mill Co., Ltd. | - | Financial assets carried at cost | 500 | 11,000 | 1.16 | 2,117 | 2 |
| | Vactronics Technologies Inc. | - | Financial assets carried at cost | 850 | 11,900 | 3.80 | 9,493 | 2 |
| | Fuho Technology Co., Ltd. | - | Financial assets carried at cost | 389 | 12,013 | 1.33 | 5,570 | 2 |
| | Auria Solar Co., Ltd. | - | Financial assets carried at cost | 1,200 | 30,000 | 0.57 | 15,968 | 2 |
| | Mercury Electronic Industrial Co., Ltd. | - | Financial assets carried at cost | 1,700 | 19,800 | 6.90 | 16,793 | 2 |
| | Awin Diamond Technology Corporation | - | Financial assets carried at cost | 1,500 | 20,250 | 14.72 | 11,127 | 2 |
| | Chipsip Technology Co., Ltd. | - | Financial assets carried at cost | 811 | 26,800 | 1.60 | 4,337 | 2 |
| | Innovation & Infinity Global Corporation | - | Financial assets carried at cost | 2,004 | 66,420 | 2.82 | 47,511 | 2 |
| | UniDisplay Inc. | - | Financial assets carried at cost | 1,600 | 20,160 | 0.89 | 9,198 | 2 |
| | Dano Tech Co., Ltd. | - | Financial assets carried at cost | 1,500 | 36,000 | 3.22 | 6,796 | 2 |
| | Suntek Precision Corp. | - | Financial assets carried at cost | 1,698 | 26,654 | 2.93 | 14,042 | 2 |
| | Arclite Optonics Corp. | - | Financial assets carried at cost | 1,282 | 22,109 | 4.76 | 14,476 | 2 |
| | Optimer Biotechnology, Inc. | - | Financial assets carried at cost | 4,800 | 39,840 | 4.80 | 25,553 | 2 |
| | Partner Tech Corp. | - | Financial assets carried at cost | 1,704 | 18,497 | 2.77 | 20,630 | 2 |
| | Win Win Precision Technology Co., Ltd. | - | Financial assets carried at cost | 829 | 38,063 | 2.21 | 23,288 | 2 |
| | Jochu Technology Co., Ltd. | - | Financial assets carried at cost | 175 | 8,812 | 0.21 | 7,292 | 3 |
| | Kuo Ching Chemical Co., Ltd. | - | Financial assets carried at cost | 816 | 16,800 | 1.18 | 12,833 | 2 |
| | Airbag Packing Co., Ltd. | - | Financial assets carried at cost | 1,000 | 10,000 | 4.00 | 8,863 | 2 |
| | Yang Ting Technology Co., Ltd. | - | Financial assets carried at cost | 694 | 10,000 | 3.33 | 9,437 | 2 |
| | Xu Yuan Packing Technology Co., Ltd. | - | Financial assets carried at cost | 770 | 24,242 | 2.69 | 11,838 | 2 |
| | Procrystal Technology Co., Ltd. | - | Financial assets carried at cost | 1,331 | 63,635 | 1.85 | 26,690 | 2 |
| | OME Technology Co., Ltd. | - | Financial assets carried at cost | 1,235 | 25,767 | 2.47 | 16,079 | 2 |
| | Ledlink Optics Inc. | - | Financial assets carried at cost | 113 | 7,781 | 0.41 | 3,137 | 3 |
| | TaiMed Biologics Inc. | - | Financial assets carried at cost | 300 | 9,809 | 0.16 | 1,446 | 3 |
| | ROBOSPAK Technology, Inc. | - | Financial assets carried at cost | 670 | 10,000 | 4.33 | 1,948 | 2 |
| | Chain Yarn Co., Ltd. | - | Financial assets carried at cost | 50 | 897 | 0.03 | 645 | 3 |
| | TBI Motion Technology Co., Ltd. | - | Financial assets carried at cost | 2,475 | 49,175 | 3.79 | 38,425 | 2 |
| | Alpha Crystal Technology Corporation | - | Financial assets carried at cost | 206 | 9,809 | 0.13 | 1,875 | 3 |
| | Biodenta Corporation | - | Financial assets carried at cost | 1,620 | 40,500 | 1.95 | 9,014 | 2 |
| | Tapolop Technology Co., Ltd. | - | Financial assets carried at cost | 666 | 9,990 | 8.67 | 7,585 | 2 |
| | Caremed Supply Inc. | - | Financial assets carried at cost | 1,418 | 37,139 | 5.21 | 24,888 | 2 |
| | Tekho Company Ltd. | - | Financial assets carried at cost | 1,540 | 28,490 | 15.59 | 15,037 | 2 |
| | <u>Taiwan depositary receipts</u> | | | | | | | |
| | Digital China Holdings Limited | - | Financial assets at fair value through profit or loss | 200 | 4,610 | 0.01 | 4,610 | 1 |
| | <u>Corporate bonds</u> | | | | | | | |
| | Wells Fargo & Company WFC438 | - | Available-for-sale financial assets | 1,000 | \$30,914 | - | \$30,914 | 1 |
| | <u>Beneficial certificates</u> | | | | | | | |
| | Fuh Hwa Emerging Market Active Allocation Fund of Funds | - | Available-for-sale financial assets | 3,000 | 28,170 | - | 28,170 | 1 |
| | PCA Global High Yield Bond Fund | - | Available-for-sale financial assets | 2,000 | 20,245 | - | 20,245 | 1 |
| | Sinopac Global Investment Grade Bond Fund | - | Available-for-sale financial assets | 1,000 | 9,938 | - | 9,938 | 1 |
| | Schroder Global High Income Bond Fund | - | Available-for-sale financial assets | 1,000 | 9,336 | - | 9,336 | 1 |
| | Yuanta Emerging Bond Fund | - | Available-for-sale financial assets | 3,500 | 35,094 | - | 35,094 | 1 |
| | Jih Sun China Demand Dynamic Equity Fund | - | Available-for-sale financial assets | 1,000 | 9,380 | - | 9,380 | 1 |
| | Taishin 1699 Money Market Fund | - | Available-for-sale financial assets | 3,840 | 50,034 | - | 50,034 | 1 |
| | Fuh Hwa Rising ASEAN Fund | - | Available-for-sale financial assets | 1,000 | 9,980 | - | 9,980 | 1 |
| | Fuh Hwa Emerging Market High Yield Bond Fund | - | Available-for-sale financial assets | 531 | 5,026 | - | 5,026 | 1 |
| | Fuh Hwa Strategic High Income Fund of Funds | - | Available-for-sale financial assets | 1,377 | 15,110 | - | 15,110 | 1 |
| | Capital Greater China Fund | - | Available-for-sale financial assets | 500 | 4,995 | - | 4,995 | 1 |
| | Schroder New Era Money Market Fund | - | Available-for-sale financial assets | 2,650 | 30,000 | - | 30,000 | 1 |
| | Shin Kong Chi-Shin Money-market Fund | - | Available-for-sale financial assets | 2,007 | 30,000 | - | 30,000 | 1 |
| | PIMCO Funds: Global Investors Series Plc Total Return Bond Fund | - | Available-for-sale financial assets | 53 | 19,331 | - | 19,331 | 1 |
| | International Opportunities Funds US Investment Grade Bond | - | Available-for-sale financial assets | 47 | 20,161 | - | 20,161 | 1 |
| | International Opportunities Funds Asian Bond | - | Available-for-sale financial assets | 65 | 29,019 | - | 29,019 | 1 |
| | International Opportunities Funds Asian Local Bond | - | Available-for-sale financial assets | 79 | 30,068 | - | 30,068 | 1 |

137 Note 1: Market value of the listed stocks was based on the closing price as of December 31, 2011. The market value of fund was based on the net asset value as of December 31, 2011.

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

TABLE 2

CONSOLIDATED ENTITIES

DECEMBER 31, 2011 AND 2010

Subsidiaries included in the consolidated financial statements:

| Investor Company | Investee Company | Location | Main Business and Products | Percentage of Ownership | | Note |
|---------------------------------------|--|----------|--|-------------------------|-------------------|------|
| | | | | December 31, 2011 | December 31, 2010 | |
| E.SUN Financial Holding Company, Ltd. | E.SUN Commercial Bank, Ltd. | Taipei | Banking Dealing, underwriting, brokering securities and operating in brokerage of futures | 100.00 | 100.00 | |
| | E.SUN Securities Co., Ltd. | Taipei | | | | |
| | E.SUN Venture Capital Co., Ltd. | Taipei | | 100.00 | 100.00 | |
| E.SUN Securities Co., Ltd. | E.SUN Insurance Broker Co., Ltd. | Taipei | Investment Insurance broker | 100.00 | 100.00 | |
| | E.SUN Securities Investment Consulting Co., Ltd. | Taipei | | 100.00 | 100.00 | |
| | | | 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, 2011 AND 2010

TABLE 3

(In Thousands of New Taiwan Dollars)

2011

| 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 Net Revenue or Total Consolidated Assets (%) |
| 0 | E.SUN Financial Holding Company, Ltd. | E.SUN Commercial Bank, Ltd. | a | Cash and cash equivalents | \$7,212,192 | Note 4 | 0.62 |
| 1 | E.SUN Commercial Bank, Ltd. | E.SUN Financial Holding Company, Ltd. | b | Deposits and remittances | 7,212,192 | Note 4 | 0.62 |
| 2 | E.SUN Insurance Broker Co., Ltd. | E.SUN Commercial Bank, Ltd. | c | Cash and cash equivalents | 288,683 | Note 4 | 0.02 |
| 1 | E.SUN Commercial Bank, Ltd. | E.SUN Insurance Broker Co., Ltd. | c | Deposits and remittances | 288,683 | Note 4 | 0.02 |
| 0 | E.SUN Financial Holding Company, Ltd. | E.SUN Commercial Bank, Ltd. | a | Other payable | 242,628 | Note 4 | 0.02 |
| 1 | E.SUN Commercial Bank, Ltd. | E.SUN Financial Holding Company, Ltd. | b | Other receivable | 242,628 | Note 4 | 0.02 |
| 3 | E.SUN Venture Capital Co., Ltd. | E.SUN Commercial Bank, Ltd. | c | Cash and cash equivalents | 219,715 | Note 4 | 0.02 |
| 1 | E.SUN Commercial Bank, Ltd. | E.SUN Venture Capital Co., Ltd. | c | Deposits and remittances | 219,715 | Note 4 | 0.02 |

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 Net 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 |
| 3 | 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 |
| 4 | 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 |

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 NT\$100,000 thousand.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

TABLE 4

RELATED-PARTY TRANSACTIONS

DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

Loans

December 31, 2011

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

(Continued)

| Type | Account Volume or Name | Highest Balance in the Year Ended | Main Business and Products | Percentage of Ownership | | Collateral | Differences in Terms of Transaction for Related Parties and Those for Unrelated Parties |
|-------------|------------------------|-----------------------------------|----------------------------|-------------------------|---------------------|--------------------|---|
| | | | | Normal Loans | Nonperforming Loans | | |
| Other loans | Jia-Tie Huang | \$1,807 | \$1,595 | \$1,595 | \$ - | Land and buildings | None |
| Other loans | Renny Wang | 420 | 398 | 398 | - | Land and buildings | None |
| Other loans | Tung-Chiang Chen | 1,600 | 1,379 | 1,379 | - | Land and buildings | None |
| Other loans | San-I Chen | 2,000 | 2,000 | 2,000 | - | Land and buildings | None |
| Other loans | Edward Chen | 3,612 | 3,397 | 3,397 | - | Land and buildings | None |
| Other loans | Edward Chen | 1,400 | 1,370 | 1,370 | - | Land and buildings | None |
| Other loans | Yao-Bing Lin | 2,000 | 2,000 | 2,000 | - | Land and buildings | None |
| Other loans | David H.C. Lien | 3,000 | 2,034 | 2,034 | - | Land and buildings | None |
| Other loans | Mei-Nu Chen | 1,922 | - | - | - | Land and buildings | None |
| Other loans | Mei-Nu Chen | 2,000 | 1,967 | 1,967 | - | Land and buildings | None |
| Other loans | Zhi-Guang Huang | 5,400 | 5,400 | 5,400 | - | Land and buildings | None |
| Other loans | James Wu | 2,650 | 2,611 | 2,611 | - | Land and buildings | None |
| Other loans | I-Chih Liu | 1,000 | 960 | 960 | - | Land and buildings | None |
| Other loans | Cheng-Hao Chang | 5,000 | 5,000 | 5,000 | - | Land and buildings | None |
| Other loans | Cheng-Hao Chang | 5,000 | 5,000 | 5,000 | - | Land and buildings | None |
| Other loans | Gilbert Chang | 1,600 | 1,600 | 1,600 | - | Land and buildings | None |
| Other loans | Shin-Ching Wei | 1,900 | 1,900 | 1,900 | - | Land and buildings | None |
| Other loans | Wan-Li Hsieh | 2,250 | 2,210 | 2,210 | - | Land and buildings | None |
| Other loans | Kuo-Hsien Huang | 1,900 | 1,855 | 1,855 | - | Land and buildings | None |
| Other loans | Ping-Huei Chen | 5,000 | - | - | - | Land and buildings | None |
| Other loans | Ping-Huei Chen | 6,030 | 6,030 | 6,030 | - | Land and buildings | None |
| Other loans | Kuo-Chin Cheng | 2,700 | 2,700 | 2,700 | - | Land and buildings | None |
| Other loans | Tsun-Jen Ke | 2,930 | - | - | - | Land and buildings | None |
| Other loans | Tsun-Jen Ke | 4,800 | - | - | - | Land and buildings | None |
| Other loans | Tsun-Jen Ke | 500 | 500 | 500 | - | Land and buildings | None |
| Other loans | Ming-Chang Huang | 2,000 | 1,975 | 1,975 | - | Land and buildings | None |
| Other loans | Fu-Shun Chang | 3,000 | 2,925 | 2,925 | - | Land and buildings | None |
| Other loans | Tomy Wong | 5,800 | - | - | - | Land and buildings | None |
| Other loans | Tomy Wong | 7,300 | 7,300 | 7,300 | - | Land and buildings | None |
| Other loans | Ing-Dar Wu | 1,000 | 984 | 984 | - | Land and buildings | None |
| Other loans | Suka Chen | 3,000 | - | - | - | Land and buildings | None |
| Other loans | Tung-Yu Hung | 586 | - | - | - | Land and buildings | None |
| Other loans | Tung-Yu Hung | 800 | 794 | 794 | - | Land and buildings | None |
| Other loans | Wei-Chin Chien | 1,300 | 1,255 | 1,255 | - | Land and buildings | None |
| Other loans | Feng-Tin Liao | 5,000 | 5,000 | 5,000 | - | Land and buildings | None |
| Other loans | Yung-Cheng Chen | 840 | 830 | 830 | - | Land and buildings | None |
| Other loans | Yueh-Pin Liu | 1,800 | 1,800 | 1,800 | - | Land and buildings | None |
| Other loans | Benny Chen | 975 | - | - | - | Land and buildings | None |
| Other loans | Benny Chen | 2,000 | 1,965 | 1,965 | - | Land and buildings | None |
| Other loans | Cheng-Hsien Tseng | 3,500 | 3,500 | 3,500 | - | Land and buildings | None |
| Other loans | I-Shun Chou | 1,986 | - | - | - | Land and buildings | None |
| Other loans | I-Shun Chou | 5,000 | 4,248 | 4,248 | - | Land and buildings | None |
| Other loans | Kuo-Huei Chang | 1,000 | 1,000 | 1,000 | - | Land and buildings | None |
| Other loans | Peter Chen | 1,000 | 1,000 | 1,000 | - | Land and buildings | None |
| Other loans | Peter Chen | 3,000 | 3,000 | 3,000 | - | Land and buildings | None |

(Continued)

| Type | Account Volume or Name | Highest Balance in the Year Ended | Main Business and Products | Percentage of Ownership | | Collateral | Differences in Terms of Transaction for Related Parties and Those for Unrelated Parties |
|-------------|------------------------|-----------------------------------|----------------------------|-------------------------|---------------------|--------------------|---|
| | | | | Normal Loans | Nonperforming Loans | | |
| Other loans | Dena Chiou | \$2,500 | \$2,469 | \$2,469 | \$ - | Land and buildings | None |
| Other loans | Shih-Hui Lin | 1,595 | 1,514 | 1,514 | - | Land and buildings | None |
| Other loans | Ho Hsu | 1,300 | 1,274 | 1,274 | - | Land and buildings | None |
| Other loans | Fu-Chung Huang | 1,300 | 1,281 | 1,281 | - | Land and buildings | None |
| Other loans | Kuang-Yi Hung | 700 | 673 | 673 | - | Land and buildings | None |
| Other loans | Kuang-Yi Hung | 1,441 | 1,261 | 1,261 | - | Land and buildings | None |
| Other loans | Joe Huang | 2,800 | - | - | - | Land and buildings | None |
| Other loans | Joe Huang | 20 | 20 | 20 | - | Land and buildings | None |
| Other loans | Sin-Hua Chen | 3,596 | 3,375 | 3,375 | - | Land and buildings | None |
| Other loans | Yin-Sung Liu | 6,201 | - | - | - | Land and buildings | None |
| Other loans | Yin-Sung Liu | 7,750 | 7,750 | 7,750 | - | Land and buildings | None |
| Other loans | Yu-Kai Huang | 15,000 | 15,000 | 15,000 | - | Land and buildings | None |
| Other loans | Wen-Chian Chang | 393 | - | - | - | Land and buildings | None |
| Other loans | Wen-Chian Chang | 1,200 | 1,187 | 1,187 | - | Land and buildings | None |
| Other loans | Wen-Chian Chang | 800 | 781 | 781 | - | Land and buildings | None |
| Other loans | Ming-Hong Lee | 3,000 | 3,000 | 3,000 | - | Land and buildings | None |
| Other loans | Huei-Ling Tsai | 2,350 | - | - | - | Land and buildings | None |
| Other loans | Huei-Ling Tsai | 4,000 | 3,459 | 3,459 | - | Land and buildings | None |
| Other loans | Cyong-Ru Lu | 3,150 | 2,070 | 2,070 | - | Land and buildings | None |
| Other loans | Wu-Shin Chen | 189 | - | - | - | Land and buildings | None |
| Other loans | Wu-Shin Chen | 1,200 | - | - | - | Land and buildings | None |
| Other loans | Shui-Chin Shen | 4,000 | 3,818 | 3,818 | - | Land and buildings | None |
| Other loans | Cheng-Lin Ko | 2,000 | 1,945 | 1,945 | - | Land and buildings | None |
| Other loans | Cheng-Lin Ko | 1,000 | 977 | 977 | - | Land and buildings | None |
| Other loans | Joseph N. C. Huang | 1,000 | - | - | - | Land and buildings | None |
| Other loans | Joseph N. C. Huang | 10,000 | 10,000 | 10,000 | - | Land and buildings | None |
| Other loans | Po-Liang Hsieh | 2,050 | 2,012 | 2,012 | - | Land and buildings | None |
| Other loans | Vincent Chen | 950 | 936 | 936 | - | Land and buildings | None |
| Other loans | Nan-Ming Chen | 1,861 | 1,772 | 1,772 | - | Land and buildings | None |
| Other loans | Wu-Tzeng Li | 1,500 | 1,484 | 1,484 | - | Land and buildings | None |
| Other loans | Yi-Shing Hsiao | 786 | - | - | - | Land and buildings | None |
| Other loans | Yi-Shing Hsiao | 4,950 | 4,888 | 4,888 | - | Land and buildings | None |
| Other loans | Gwo-Shyang Lin | 3,000 | 2,834 | 2,834 | - | Land and buildings | None |
| Other loans | Babby Huang | 800 | 790 | 790 | - | Land and buildings | None |
| Other loans | Shih-Jung Cheng | 3,000 | 1,081 | 1,081 | - | Land and buildings | None |
| Other loans | Randy Cheng | 1,350 | 1,330 | 1,330 | - | Land and buildings | None |
| Other loans | Chiun-Cheh Lin | 3,250 | 3,193 | 3,193 | - | Land and buildings | None |
| Other loans | Bruce Lee | 2,000 | 2,000 | 2,000 | - | Land and buildings | None |

December 31, 2010

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

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

TABLE 5

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, %)

| Period | | | December 31, 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 | | \$34,627 | \$123,474,193 | 0.03 | \$1,234,742 | 205.73 | \$372,086 | \$110,691,000 | 0.34 | \$765,484 | 205.73 |
| | Unsecured | | 197,209 | 184,160,139 | 0.11 | 1,841,601 | 181.21 | 718,342 | 146,957,474 | 0.49 | 1,301,743 | 181.21 |
| Consumer Banking | Housing mortgage (Note 4) | | 348,608 | 233,168,931 | 0.15 | 2,174,898 | 105.46 | 632,569 | 247,911,167 | 0.26 | 667,134 | 105.46 |
| | Cash card | | 1,127 | 20,156 | 5.59 | 2,594 | 916.70 | 1,168 | 26,839 | 4.35 | 10,707 | 916.70 |
| | Small scale credit loans (Note 5) | | 536,241 | 28,844,744 | 1.86 | 565,082 | 126.91 | 502,203 | 21,957,675 | 2.29 | 637,331 | 126.91 |
| | Other (Note 6) | Secured | 112,391 | 84,829,197 | 0.13 | 848,292 | 279.57 | 55,265 | 68,867,637 | 0.08 | 154,506 | 279.57 |
| | | Unsecured | 79,504 | 8,396,142 | 0.95 | 83,961 | 128.35 | 60,851 | 6,364,555 | 0.96 | 78,105 | 128.35 |
| Loan | | | 1,309,707 | 662,893,502 | 0.20 | 6,751,170 | 154.32 | 2,342,484 | 602,776,347 | 0.39 | 3,615,010 | 154.32 |
| | | | Nonperforming Receivables (Note 1) | Receivables | Ratio of Nonperforming Receivables (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) | Nonperforming Receivables (Note 1) | Ratio of Nonperforming Receivables | Allowance for Possible Losses (Note 2) | Allowance for Possible Losses | Coverage Ratio (Note 3) |
| Credit cards | | | 76,735 | 32,848,546 | 0.23 | 1,053,388 | 1,372.76 | 111,421 | 30,887,743 | 0.36 | 436,132 | 391.43 |
| Factoring accounts receivable without recourse (Note 7) | | | - | 5,598,969 | - | 36,039 | - | - | 1,365,701 | - | 3,464 | - |
| Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8) | | | 117,688 | | | | | 158,038 | | | | |
| Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8) | | | 371,548 | | | | | 620,348 | | | | |
| Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9) | | | 383,703 | | | | | 141,981 | | | | |
| Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9) | | | 1,129,323 | | | | | 772,477 | | | | |

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

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

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

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

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

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

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

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

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

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

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

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

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

ESFHC'S FINANCIAL STATEMENTS AND CONDENSED FINANCIAL STATEMENTS
OF SUBSIDIARIES
YEARS ENDED DECEMBER 31, 2011 AND 2010

TABLE 6

1.ESFHC's financial statements

| E.SUN Financial Holding Company, Ltd. | | | | | |
|--|--------------|--------------|--------------------------------------|--------------|--------------|
| Balance Sheets | | | | | |
| December 31, 2011 and 2010 | | | | | |
| (In Thousands of New Taiwan Dollars, Except Par Value) | | | | | |
| Assets | 2011 | 2010 | Liabilities and Stockholder's Equity | 2011 | 2010 |
| Cash and cash equivalents | \$7,212,192 | \$6,782,379 | Financial liabilities at fair value | | |
| Receivables | 734,622 | 830,086 | through profit or loss | \$5,241,495 | \$5,138,932 |
| Equity investments under the | | | Payables | 504,454 | 445,235 |
| equity method | 70,828,510 | 60,799,227 | Corporate bonds payable | 7,500,000 | 7,500,000 |
| Other financial assets | 12,690 | 12,690 | Accrued pension cost | 4,577 | 20,755 |
| Properties, net | 2,298 | 246 | Other liabilities | - | 82,512 |
| Intangible assets | 2,987 | 1,848 | Total liabilities | 13,250,526 | 13,187,434 |
| Other assets, net | 40,923 | 2,817 | | | |
| | | | Stockholders' equity | | |
| | | | Common stock - NT\$10.00 | | |
| | | | par value, authorized 5,000,000 | | |
| | | | thousand shares; issued and | | |
| | | | outstanding 4,575,000 thousand | | |
| | | | shares in 2011 and 3,803,300 | | |
| | | | thousand shares in 2010 | 45,750,000 | 38,033,000 |
| | | | Capital surplus | 13,327,677 | 10,578,871 |
| | | | Retained earnings | 6,728,981 | 6,503,368 |
| | | | Cumulative translation adjustments | (5,960) | (128,172) |
| | | | Unrealized valuation gains (losses) | | |
| | | | on financial instruments | (214,460) | 274,295 |
| | | | Net loss not recognized as pension | | |
| | | | cost | (2,542) | (19,503) |
| | | | Total stockholders' equity | 65,583,696 | 55,241,859 |
| Total | \$78,834,222 | \$68,429,293 | Total | \$78,834,222 | \$68,429,293 |

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Income
Years Ended December 31, 2011 and 2010
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Revenues and gains | | |
| Income from equity investments under the equity method | \$3,781,342 | \$ 4,720,551 |
| Other revenues and gains | 186,958 | 63,301 |
| Total revenues and gains | 3,968,300 | 4,783,852 |
| Expenses and losses | | |
| Operating expenses | 168,765 | 100,663 |
| Other expenses and losses | 345,992 | 965,093 |
| Total expenses and losses | 514,757 | 1,065,756 |
| Income before income tax | 3,453,543 | 3,718,096 |
| Income tax benefit | 30,805 | 204,976 |
| Net income | \$3,484,348 | \$ 3,923,072 |
| Earnings per share (New Taiwan dollars) | | |
| | 2011 | 2010 |
| | Before Income Tax | Before Income Tax |
| | After Income Tax | After Income Tax |
| Basic | \$0.82 | \$ 0.92 |
| Diluted | \$0.79 | \$ 0.97 |

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Changes in Stockholders' Equity
Years Ended December 31, 2011 and 2010
(In Thousands of New Taiwan Dollars)

| | Capital Stock | | | Retained Earnings | | | Equity Adjustments | | | Net Loss Not Recognized as Pension Cost | Total Stockholders' Equity |
|---|--------------------------|-----------------|--------------------|-------------------|--------------------|----------------------------|--|--|----------------|---|----------------------------------|
| | Shares (in Thousands) | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Cumulative Translation Adjustments | Unrealized Valuation Gains (Losses) on Financial Instruments | Treasury Stock | | |
| BALANCE, JANUARY 1, 2010 | 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 | - | - | - | - | - | (1,452,720) | - | - | - | - | - |
| 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 |
| Appropriation of prior year's earnings (Note) | | | | | | | | | | | |
| Legal reserve | - | - | - | 392,307 | - | (392,307) | - | - | - | - | - |
| Dividend | - | - | - | - | - | (760,660) | - | - | - | - | (760,660) |
| Cash | - | - | - | - | - | (2,662,310) | - | - | - | - | - |
| Stock | 266,231 | 2,662,310 | - | - | - | (2,662,310) | - | - | - | - | - |
| Balance after appropriation | 4,069,531 | 40,695,310 | 10,578,871 | 2,461,465 | 163,969 | 454,964 | (128,172) | 274,295 | - | (19,503) | 54,481,199 |
| Issuance of common stock from bonus to employees | 5,469 | 54,690 | 48,674 | - | - | - | - | - | - | - | 103,364 |
| Special reserve of subsidiaries under the equity method | - | - | - | - | 164,235 | - | - | - | - | - | 164,235 |
| Capital increase in September 2011 | 500,000 | 5,000,000 | 2,500,000 | - | - | - | - | - | - | - | 7,500,000 |
| Share-based payment for the subscription of new shares by employees | - | - | 200,132 | - | - | - | - | - | - | - | 200,132 |
| Net income in 2011 | - | - | - | - | - | 3,484,348 | - | - | - | - | 3,484,348 |
| Change in cumulative translation adjustments | - | - | - | - | - | - | 122,212 | - | - | - | 122,212 |
| Change in unrealized valuation losses on financial instruments | - | - | - | - | - | - | - | (488,755) | - | - | (488,755) |
| Change in net loss not recognized as pension cost | - | - | - | - | - | - | - | - | - | 16,961 | 16,961 |
| BALANCE, DECEMBER 31, 2011 | 4,575,000 | \$45,750,000 | \$13,327,677 | \$2,461,465 | \$328,204 | \$3,939,312 | \$(5,960) | \$(214,460) | \$- | \$(2,542) | \$65,583,696 |

Note: For the years ended December 31, 2010 and 2009, the remunerations to directors of \$35,656 thousand and \$22,699 thousand, respectively, and bonuses to employees of \$106,968 thousand (\$103,364 thousand in common stock and \$3,604 thousand in cash) and \$68,096 thousand (\$66,657 thousand in common stock and \$1,439 thousand in cash), respectively, were deducted from the income statements.

(Continued)

| | 2011 | 2010 |
|--|--------------------|--------------------|
| Cash flows from operating activities | | |
| Net income | \$3,484,348 | \$3,923,072 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Income from equity investments under the equity method, net | (3,781,342) | (4,720,551) |
| Cash dividends from equity investments under the equity method | 1,313,650 | 922,574 |
| Depreciation expenses | 562 | 174 |
| Losses on the valuation of financial instruments | 102,563 | 340,508 |
| Salary expenses on share-based payments | 26,182 | 1,333 |
| Deferred income tax | (116,799) | (106,259) |
| Others | 903 | (516) |
| Net changes in operating assets and liabilities | | |
| Held-for-trading financial assets | - | 1,011 |
| Receivables | 95,464 | (22,165) |
| Other assets | (3,819) | 21 |
| Payables | 72,600 | (51,475) |
| Net cash provided by operating activities | <u>1,194,312</u> | <u>287,727</u> |
| Cash flows from investing activities | (3,839) | (149) |
| Acquisition of properties and intangible assets | <u>(7,500,000)</u> | <u>-</u> |
| Increase in equity investments under the equity method | | |
| Net cash used in investing activities | <u>(7,503,839)</u> | <u>(149)</u> |
| Cash flows from financing activities | | |
| Proceeds of the issuance corporate bonds | - | 2,000,000 |
| Capital increase | 7,500,000 | - |
| Cash dividends paid | (760,660) | (726,360) |
| Proceeds of the disposal of treasury stock | - | 626,164 |
| Acquisition of treasury stock | - | (459,649) |
| Net cash provided by financing activities | <u>6,739,340</u> | <u>1,440,155</u> |
| Net increase in cash and cash equivalents | 429,813 | 1,727,733 |
| Cash and cash equivalents, beginning of year | 6,782,379 | 5,054,646 |
| Cash and cash equivalents, end of year | <u>\$7,212,192</u> | <u>\$6,782,379</u> |
| Supplementary cash flow information | | |
| Interest paid | <u>\$241,705</u> | <u>\$186,870</u> |
| Income tax paid | <u>\$157,647</u> | <u>\$2,215</u> |

(Continued)

2.Subsidiaries' condensed balance sheets

E.SUN Commercial Bank, Ltd.

Condensed Balance Sheets December 31, 2011 and 2010 (In Thousands of New Taiwan Dollars)

| Assets | 2011 | 2010 | Liabilities and Stockholder's Equity | 2011 | 2010 |
|--|------------------------|-------------------------|--|------------------------|-------------------------|
| | | | <u>Liabilities</u> | | |
| Cash and cash equivalents | \$19,931,437 | \$ 11,159,112 | | | |
| Due from the Central Bank and call loans to other banks | 45,016,416 | 46,729,253 | Due to the Central Bank and other banks | \$38,052,926 | \$ 38,869,814 |
| Financial assets at fair value through profit or loss, net | 52,152,745 | 54,900,270 | Financial liabilities at fair value through profit or loss | 7,850,768 | 12,945,397 |
| Securities purchased under resell agreements | 29,789 | 1,439,552 | Securities sold under repurchase agreements | 13,247,387 | 17,394,242 |
| Receivables, net | 42,260,221 | 35,891,606 | Payables | 18,017,856 | 9,911,896 |
| Discounts and loans, net | 656,008,834 | 599,161,337 | Deposits and remittances | 962,841,827 | 904,760,847 |
| Available-for-sale financial assets, net | 52,860,765 | 47,546,797 | Bank debentures | 39,000,000 | 34,000,000 |
| Held-to-maturity financial assets, net | 253,283,859 | 254,655,585 | Other financial liabilities | 1,943,643 | 304,715 |
| Other financial assets, net | 3,497,546 | 2,801,199 | Other | 1,481,045 | 1,511,978 |
| Properties, net | 15,599,517 | 14,194,456 | Total liabilities | 1,082,435,452 | 1,019,698,889 |
| Intangible assets | 4,036,275 | 3,991,910 | | | |
| Other assets, net | 2,667,589 | 2,169,454 | <u>Stockholder's equity</u> | | |
| | | | Capital stock | 42,206,000 | 35,100,000 |
| | | | Capital surplus | 11,037,856 | 8,290,091 |
| | | | Retained earnings | 11,893,202 | 11,459,706 |
| | | | Cumulative translation adjustments | (5,960) | (128,172) |
| | | | Unrealized valuation gains (losses) on financial instruments | (221,557) | 220,017 |
| | | | Total stockholder's equity | 64,909,541 | 54,941,642 |
| Total | <u>\$1,147,344,993</u> | <u>\$ 1,074,640,531</u> | Total | <u>\$1,147,344,993</u> | <u>\$ 1,074,640,531</u> |

E.SUN Securities Co., Ltd.

Condensed Balance Sheets December 31, 2011 and 2010 (In Thousands of New Taiwan Dollars)

| Assets | 2011 | 2010 | Liabilities and Stockholder's Equity | 2011 | 2010 |
|------------------------------------|--------------------|--------------------|--------------------------------------|--------------------|--------------------|
| | | | <u>Liabilities</u> | | |
| Current assets | \$4,731,314 | \$6,576,754 | | | |
| Fund and investments | 115,047 | 113,172 | | | |
| Properties, net | 289,083 | 261,533 | Current liability | \$2,414,151 | \$4,088,034 |
| Intangible assets | 23,886 | 21,626 | Other | 2,597 | 97,644 |
| Other assets | 801,508 | 752,718 | Total liabilities | 2,416,748 | 4,185,678 |
| Securities brokerage accounts, net | 40,883 | 37,157 | <u>Stockholders' equity</u> | | |
| | | | Capital stock | 3,060,000 | 3,060,000 |
| | | | Capital surplus | 25,844 | 11,741 |
| | | | Retained earnings | 499,129 | 505,541 |
| | | | Total stockholders' equity | 3,584,973 | 3,577,282 |
| Total | <u>\$6,001,721</u> | <u>\$7,762,960</u> | Total | <u>\$6,001,721</u> | <u>\$7,762,960</u> |

E.SUN Insurance Broker Co., Ltd.

Condensed Balance Sheets
December 31, 2011 and 2010
(In Thousands of New Taiwan Dollars)

| Assets | 2011 | 2010 | Liabilities and Stockholder's Equity | 2011 | 2010 |
|----------------------|------------------|-------------------|---|------------------|-------------------|
| | | | <u>Liabilities</u> | | |
| Current assets | \$752,941 | \$ 76,812 | Current liability | \$126,066 | \$92,110 |
| Fund and investments | 30,914 | 30,798 | Other | <u>275</u> | <u>227</u> |
| Properties, net | 1,198 | 42 | Total liabilities | <u>126,341</u> | <u>92,337</u> |
| Intangible assets | 171 | 990 | | | |
| Other assets | <u>3,513</u> | <u>529</u> | <u>Stockholder's equity</u> | | |
| | | | Capital stock | 113,000 | 113,000 |
| | | | Capital surplus | 2,711 | 1,149 |
| | | | Retained earnings | 553,671 | 412,946 |
| | | | Unrealized valuation gains (losses) on | | |
| | | | financial instruments | (6,945) | (10,254) |
| | | | Net loss not recognized as pension cost | <u>(41)</u> | <u>(7)</u> |
| Total | <u>\$788,737</u> | <u>\$ 609,171</u> | Total stockholder's equity | <u>662,396</u> | <u>516,834</u> |
| | | | Total | <u>\$788,737</u> | <u>\$ 609,171</u> |

E.SUN Venture Capital Co., Ltd.

Condensed Balance Sheets
December 31, 2011 and 2010
(In Thousands of New Taiwan Dollars)

| Assets | 2011 | 2010 | Liabilities and Stockholder's Equity | 2011 | 2010 |
|----------------------|--------------------|---------------------|--------------------------------------|--------------------|---------------------|
| | | | <u>Liabilities</u> | | |
| Current assets | \$573,889 | \$ 661,605 | Current liability | \$20,547 | \$ 19,271 |
| Fund and investments | 1,115,052 | 1,120,951 | Other | <u>279</u> | <u>232</u> |
| Properties, net | 149 | 162 | Total liabilities | <u>20,826</u> | <u>19,503</u> |
| Intangible assets | 128 | 100 | | | |
| Other assets | <u>3,208</u> | <u>154</u> | <u>Stockholders' equity</u> | | |
| | | | Capital stock | 1,500,000 | 1,500,000 |
| | | | Capital surplus | 1,013 | 510 |
| | | | Retained earnings | 156,545 | 198,427 |
| | | | Unrealized valuation gains on | | |
| | | | financial instruments | <u>14,042</u> | <u>64,532</u> |
| | | | Total stockholders' equity | <u>1,671,600</u> | <u>1,763,469</u> |
| Total | <u>\$1,692,426</u> | <u>\$ 1,782,972</u> | Total | <u>\$1,692,426</u> | <u>\$ 1,782,972</u> |

3.Subsidiaries' condensed income statements

E.SUN Commercial Bank, Ltd.

Condensed Income Statements Years Ended December 31, 2011 and 2010 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| Items | 2011 | 2010 |
|--|---------------------|--------------------|
| Net interest | \$12,600,196 | \$11,376,853 |
| Net revenues and gains other than interest | <u>6,253,999</u> | <u>5,429,956</u> |
| Total net revenues | 18,854,195 | 16,806,809 |
| Allowance for bad-debt expenses | (4,540,028) | (2,727,059) |
| Operating expenses | <u>(10,711,433)</u> | <u>(9,489,674)</u> |
| Income before income tax | <u>\$3,602,734</u> | <u>\$4,590,076</u> |
| Net income | <u>\$3,157,630</u> | <u>\$3,981,361</u> |
| Earnings per share (New Taiwan dollars) | | |
| Before income tax | <u>\$0.96</u> | <u>\$1.23</u> |
| After income tax | <u>\$0.84</u> | <u>\$1.07</u> |

E.SUN Securities Co., Ltd.

Condensed Income Statements Years Ended December 31, 2011 and 2010 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| Items | 2011 | 2010 |
|---|------------------|------------------|
| Revenues | \$1,080,770 | \$1,083,474 |
| Expenses | <u>(965,064)</u> | <u>(785,137)</u> |
| Income before income tax | <u>\$115,706</u> | <u>\$298,337</u> |
| Net income | <u>\$72,339</u> | <u>\$239,257</u> |
| Earnings per share (New Taiwan dollars) | | |
| Before income tax | <u>\$0.38</u> | <u>\$0.97</u> |
| After income tax | <u>\$0.24</u> | <u>\$0.78</u> |

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 | 2011 | 2010 |
|---|-----------|------------|
| Operating income | \$736,060 | \$ 562,832 |
| Operating expenses | (185,936) | (146,058) |
| Nonoperating revenues and gains | 7,322 | 7,533 |
| Nonoperating expenses and losses | (5,413) | (3,450) |
| Income before income tax | \$552,033 | \$ 420,857 |
| Net income | \$458,255 | \$ 349,664 |
| Earnings per share (New Taiwan dollars) | | |
| Before income tax | \$48.85 | \$37.24 |
| After income tax | \$40.55 | \$30.94 |

E.SUN Venture Capital Co., Ltd.

Condensed Income Statements
 Years Ended December 31, 2011 and 2010
 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| Items | 2011 | 2010 |
|---|-----------|------------|
| Revenues | \$166,439 | \$ 215,314 |
| Expenses | (67,301) | (50,317) |
| Income before income tax | \$99,138 | \$ 164,997 |
| Net income | \$93,118 | \$ 150,269 |
| Earnings per share (New Taiwan dollars) | | |
| Before income tax | \$0.66 | \$1.10 |
| After income tax | \$0.62 | \$1.00 |

TABLE 7

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

BUSINESS SEGMENT FINANCIAL INFORMATION
YEARS ENDED DECEMBER 31, 2011 and 2010
(In Thousands of New Taiwan Dollars)

2011

| Items \ Business Segment | Banking | Securities | Others | Consolidated |
|--|--------------|------------|-------------|--------------|
| Net interest (losses) | \$12,661,811 | \$267,768 | \$(241,247) | \$12,688,332 |
| Net revenues and gains other than interest | 6,135,557 | 513,408 | 867,967 | 7,516,932 |
| Total net revenues | 18,797,368 | 781,176 | 626,720 | 20,205,264 |
| Allowance for bad-debt expenses | (4,540,028) | (7) | - | (4,540,035) |
| Operating expenses | (10,599,866) | (721,800) | (301,160) | (11,622,826) |
| Income before income tax | 3,657,474 | 59,369 | 325,560 | 4,042,403 |
| Income tax expenses | (445,104) | (43,367) | (69,584) | (558,055) |
| Net income | 3,212,370 | 16,002 | 255,976 | 3,484,348 |

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 |

TABLE 8

E.SUN COMMERCIAL BANK, LTD.

INFORMATION ON THE FOREIGN-CURRENCY FINANCIAL ASSETS AND
LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2011 and 2010
(In Thousands)

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

TABLE 9

E.SUN COMMERCIAL BANK, LTD.

INFORMATION ON THE FOREIGN-CURRENCY FINANCIAL ASSETS AND
LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2011 and 2010
(In Thousands)

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

TABLE 10

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

1. Sale of nonperforming loans

E.SUN Commercial Bank, Ltd.

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

Note: The credit assets have been written off.

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

TABLE 11

CAPITAL ADEQUACY RATIO
DECEMBER 31, 2011 and 2010

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

Unit: In Thousands of New Taiwan Dollars, %

| | December 31, 2011 | | | December 31, 2010 | | |
|---------------------------------------|---------------------|------------------------------|---------------------------------------|---------------------|------------------------------|---------------------------------------|
| | 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. | | \$67,747,647 | \$70,884,437 | | \$58,540,011 | \$60,860,129 |
| E.SUN Commercial Bank, Ltd. | 100 | 82,305,147 | 53,565,372 | 100 | 67,348,487 | 46,655,136 |
| E.SUN Securities Co., Ltd. | 100 | 2,688,919 | 577,263 | 100 | 2,861,533 | 912,020 |
| E.SUN Venture Capital Co., Ltd. | 100 | 1,671,600 | 846,213 | 100 | 1,763,469 | 891,486 |
| E.SUN Insurance Broker Co., Ltd. | 100 | 662,396 | 394,369 | 100 | 516,834 | 304,586 |
| Deduction | | (81,084,614) | (70,841,200) | | (70,896,148) | (60,811,917) |
| Total | | 73,991,095 | 55,426,454 | | 60,134,186 | 48,811,440 |
| Group capital adequacy ratio | | 133.49 | | | 123.20 | |

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, 2011 | December 31, 2010 |
|--|-------------------|-------------------|
| Common stock | \$45,750,000 | \$38,033,000 |
| 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 | 2,200,000 | 3,300,000 |
| Capital collected in advance | - | - |
| Capital surplus | 13,327,677 | 10,578,871 |
| Legal reserve | 2,461,465 | 2,069,158 |
| Special reserve | 328,204 | 163,969 |
| Cumulative earnings | 3,939,312 | 4,270,241 |
| Equity adjustments | (222,962) | 126,620 |
| Less: Goodwill | - | - |
| Less: Deferred assets | 36,049 | 1,848 |
| Less: Treasury stock | - | - |
| Total eligible capital | 67,747,647 | 58,540,011 |

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

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

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

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

Note 2: Formulas used were as follows:

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

TABLE 12

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF
THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2011 and 2010
(In Thousands of New Taiwan Dollars, %)

December 31, 2011

| 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.) | \$235,210,000 | 358.64 |
| Ministry of Finance, R.O.C. | 24,425,384 | 37.24 |
| Chi Mei Optoelectronics Corp. | 10,526,676 | 16.05 |
| Dragon Steel Corporation | 8,299,654 | 12.66 |
| Tai Power Co., Ltd. | 7,010,802 | 10.69 |
| AUO Co., Ltd. | 6,586,293 | 10.04 |
| Taichung City Government | 6,000,000 | 9.15 |
| JP Morgan Chase Bank | 4,801,072 | 7.32 |
| Morgan Stanley | 3,375,482 | 5.15 |
| Royal Bank of Scotland | 3,291,803 | 5.02 |
| Deutsche Bank | 3,082,969 | 4.70 |
| 2.Same related parties | | |
| None | | |
| 3.Same affiliate | | |
| Hon Hai Precision Co., Ltd. and related parties | 14,381,167 | 21.93 |
| China Steel Corporation and related parties | 11,040,127 | 16.83 |
| AUO Co., Ltd. and related parties | 8,221,346 | 12.54 |
| Nan Ya Plastic Co., Ltd. and related parties | 7,168,943 | 10.93 |
| Hongkong and Shanghai Banking Corporation Limited and related parties | 5,082,027 | 7.75 |
| Walsin Lihwa Corporation and related parties | 4,597,689 | 7.01 |
| Eva Airways Corporation and related parties | 4,359,215 | 6.65 |
| Yuen Foong Yu Paper Mfg. Co., Ltd. and related parties | 3,337,064 | 5.09 |
| Ruen Chen Investment Holding Co., Ltd. and related parties | 3,107,450 | 4.74 |
| First Commercial Bank Co., Ltd. and related parties | 3,023,267 | 4.61 |

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 |

(concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD.

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

TABLE 13

| 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) | | | | Notes |
|---------------------------------------|----------------------------------|----------|---|-------------------------|----------------|-----------------|---|---------------------------|--------------------|-------------------------|-------|
| | | | | | | | Shares (Thousands) | Pro Forma Shares (Note 2) | Total | | |
| | | | | | | | | | Shares (Thousands) | Percentage of Ownership | |
| E.SUN Financial Holding Company, Ltd. | E.SUN Commercial Bank, Ltd. | Taipei | Banking | 100.00 | \$64,909,541 | \$3,157,630 | 4,220,600 | - | 4,220,600 | 100.00 | 3 |
| | E.SUN Securities Co., Ltd. | Taipei | Dealing, underwriting, brokering securities and operating in brokerage of futures | 100.00 | 3,584,973 | 72,339 | 306,000 | - | 306,000 | 100.00 | 3 |
| | E.SUN Venture Capital Co., Ltd. | Taipei | Investment | 100.00 | 1,671,600 | 93,118 | 150,000 | - | 150,000 | 100.00 | 3 |
| | E.SUN Insurance Broker Co., Ltd. | Taipei | Insurance broker | 100.00 | 662,396 | 458,255 | 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 the "Securities and Exchange Law Enforcement Rules," such as convertible bonds and warrants.

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

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

TABLE 14

MARKETABLE SECURITIES ACQUIRED OR 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 INVESTEEES ACQUIRED OR DISPOSED OF)
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-Party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---------------------------------------|-------------------------------------|--|---------------|------------------------|-------------------|--------------|------------------|------------------------------|----------|---------------|-----------------------------|-------------------------|----------------|------------------------|
| | | | | | Shares | Amount | Shares | Amount | Shares | Selling Price | Carrying Value | Gain (Loss) on Disposal | Shares | Amount |
| E.SUN Financial Holding Company, Ltd. | E.SUN Commercial Bank | Equity investments under the equity method | None | None | 3,510,000 | \$54,941,642 | 710,600 (Note 1) | \$10,989,261 (Notes 2 and 4) | - | \$- | \$1,021,362 (Notes 3 and 4) | \$- | 4,220,600 | \$ 64,909,541 (Note 4) |

Note 1: Consisting of 500,000 thousand shares issued for cash and 210,600 thousand shares issued as stock dividends.

Note 2: Consisting of \$7,500,000 thousand due to capital increase, \$247,765 thousand due to equity increase in share-based payment, \$83,866 due to special reserve recognized under the equity method and \$3,157,630 thousand as the net gain from equity investment under the equity method.

Note 3: Consisting of \$702,000 thousand due to cash dividend and \$319,362 thousand due to net decrease in other equity adjustments.

Note 4: This amount was not included in the consolidated financial statements.

VII. Risk Management



An Ancient Pine among the Craggs, Green throughout the Year.

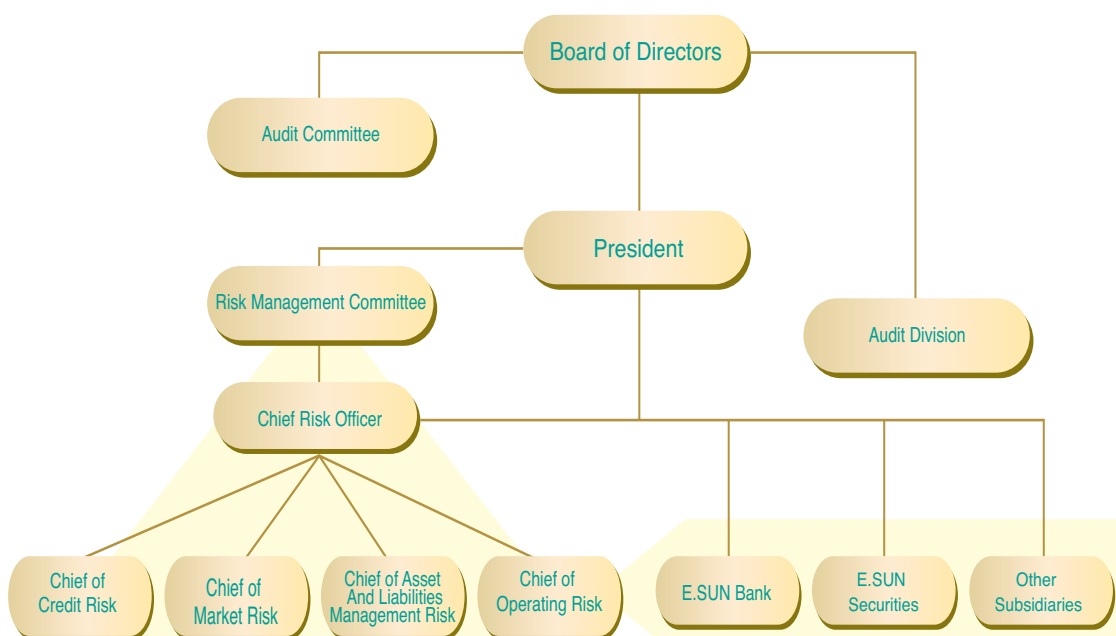
1.Risk Management

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 quasi 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 and Basel III 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.



The 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 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.
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. The Company and its subsidiaries establish market risk management mechanisms to meet risk management needs, including tools to identify, measure, supervise, and control risk, as well as procedures for handling exceptions.

2. E.SUN sets all types of limits with respect to market risk and designates the level of management that must approve these limits. It also has procedures in place to handle circumstances when limits are breached.

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) Asset and Liability Risk Management

1. Asset and liability risk management is aimed at appropriately managing asset utilization and ensuring suitable liquidity. It also controls and manages the Bank's book interest rate risk.
2. Measures are taken to prevent risks from over-concentration, avoiding a situation in which the Bank might rely only on a handful of fiscal tools or trading counterparties for capital sources.

(d) Operational Risk Management

E.SUN will continue 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 behavior, 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 establish a credit screening committee, an asset and liabilities management committee, and a risk management department and auditing department that 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 or 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: Reports are provided to decision-making management with regards to the fair value and trading profits/losses of transactions, as well as the level of exposure and the adequacy of risk management assessment. These reports are also submitted periodically to the Risk Management Committee and the Board of Directors.
- (c) Asset and Liability Risk: Measures are adopted to examine on-sheet and off-sheet assets and liabilities, and risk assessment and management mechanisms for price, exchange rate, and interest fluctuations to determine whether they comply with principles on safety, liquidity and returns. Reports including this information are periodically submitted to managers, the Asset and Liability Management Committee, the Risk Management Committee and the Board of Directors.

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:

- (1) Financial businesses to which the first stage of the IFRS shall be applicable shall produce their financial statements accordingly in 2013 and this means beginning 2012 their accounting shall be adjusted in line with the IFRS. As such, in addition to the tax issues relating to reserved earnings at the beginning of the year, equity accounts, lendings and accounts receivable must be adjusted and evaluated in accordance with the relevant new standards under the IFRS. It is expected that the Bank will be able to more accurately than before evaluate and control losses resulting from a reduction in lendings and accounts receivable.

To facilitate smooth application of the IFRS, the Bank has planned and developed relevant proper measures which will be completed and ready to be implemented before the scheduled date indicated in the timetable announced by the competent authority.

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

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

1.4 Impact of Technological and Industrial Changes on the FHC's Financial Operations, and Countermeasures:

Technological and industrial changes not only inevitably influence the structural allocation of social resources, the method of utilizing capital and financial management tools, but also trigger fundamental conceptual changes in financial operations with respect to performance management, 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:

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, 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: None.

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, supervisors or major shareholders with a stake of over 1% transferred stakes to another party.

1.9 Influence of Changes in Ownership of the FHC, Possible Risks and Countermeasures: None.

1.10 Litigious or Non-litigious Incidents: None.

1.11 Other Major Risks and Countermeasures: None.

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 point 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



Endless Green Pastures, Tranquil and Exquisite.

1. Representation of Consolidated Financial Statements of Affiliated Enterprises

Representation of Consolidated Financial Statements of Affiliated Enterprises

March 13, 2012

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 2011 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)

Your Trust is Priceless to E.SUN.

Believe in E.SUN! Believe in Your Choice!



There are Various Types of Fortune in Life.

Entrust the Tangible Fortune to E.SUN and Benefit More to Yourself !

To Trust the Professional E.SUN Bank is the Best Choice of Mine !



E.SUN FINANCIAL HOLDING COMPANY, LTD.



Chairman of the Board

Yung-Jen Huang



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

E.SUN Securities Co., Ltd.

| | | | |
|---------------------------|------------------|-------------------|------------------|
| Headquarters | +886 2 5556 1313 | Hsinchuang Branch | +886 2 2998 1313 |
| Brokerage HQ | +886 2 2713 1313 | Tucheng Branch | +886 2 2265 1313 |
| Nanching East Road Branch | +886 2 2765 1313 | Taoyuan Branch | +886 3 336 6813 |
| Songjiang Branch | +886 2 2562 1313 | Hsinchu Branch | +886 3 666 9913 |
| Renai Branch | +886 2 3393 1313 | Taichung Branch | +886 4 2258 9913 |
| Taida Branch | +886 2 8369 1313 | Chiayi Branch | +886 5 216 9913 |
| Chengjiong Branch | +886 2 2382 1313 | Tainan Branch | +886 6 269 9913 |
| Shinlin Branch | +886 2 2833 1313 | Jin Hua Branch | +886 6 291 6613 |
| Neihu Branch | +886 2 2656 1313 | Kaohsiung Branch | +886 7 397 1313 |
| Banciao Branch | +886 2 2951 9913 | Zuoying Branch | +886 7 558 6613 |
| Shwangho Branch | +886 2 8923 1313 | | |

E.SUN Insurance Brokers Co., Ltd.

| | |
|--------------|------------------|
| Headquarters | +886 2 2545 6613 |
|--------------|------------------|

E.SUN Venture Capital Co., Ltd.

| | |
|--------------|------------------|
| Headquarters | +886 2 2175 1313 |
|--------------|------------------|



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