



WANG SHOU YING

ANNUAL REPORT 2019

E.SUN FHC 2884



玉山金控 E.SUN FHC

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Information of Overseas Depositary Receipt

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



E.SUN FHC 18th



Peacock's Tail
Arman 1981 bronze
Possession of E.SUN

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1. Letter to Shareholders from E.SUN FHC

Dear shareholders,

The global economy saw mild growth in 2019. The competition and cooperation between regional economies unfolded series of multidimensional actions such as tariff barrier, tightened regulatory supervision, and exchange rates. These factors induced migration and deployment of cross-border supply chains. Moreover, the risks of extreme events have increased as climate change causes disasters such as forest fires and floods. The recent novel coronavirus outbreak (COVID-19) brought a significant disruption to the order of global economy as well as our society. Governments worldwide were forced to respond to the outbreak through fiscal and monetary policies. These global issues challenge countries' and enterprises' management abilities, and require the collective wisdom that comes from solving these problems through multinational collaboration.

On technology development, virtual banks will soon open in Taiwan. It posed new challenges and great opportunities to the banking industry. Through introduction of new technologies and business models, digital transformations of financial institutions will be facilitated, which will accelerate development of financial inclusion and financial scenarios. The enhanced customer experience will create long-term value for the community. However, convenient technologies also come with potential risks. Financial institutions must strengthen their risk management capabilities and their organizational resilience to accommodate the rapid changing and competitive environment.

Focus on sustainable development of comprehensive performance

E.SUN's overall performance continued to grow in 2019. Regarding qualitative indicators, E.SUN's credit ratings or outlook were upgraded by credit agencies for 6 consecutive years. E.SUN Bank received a long-term credit rating of A from S&P and Moody's, and E.SUN FHC received an A3 rating from Moody's. E.SUN has been included as constituent of DJSI for 6 consecutive years and is ranked 1st in the banking sector of Asia Pacific and 3rd worldwide; MSCI ESG rated E.SUN with an AA rating, the highest in the banking sector of Taiwan; Highest brand value in Taiwan with a brand rating AA+ in Global Top 500 Banking Brand by The Banker (UK).



On financial performance, E.SUN FHC reported after-tax earnings NT\$20.105 billion, setting another record high. The profit yoy growth rate was 17.8%, EPS at NT\$1.73, ROA at 0.84%, ROE at 12.07%, and capital adequacy ratio at 126.10%. E.SUN maintained sound asset quality with an NPL ratio at 0.19% and an NPL coverage ratio at 640.44%.

On business indicators, E.SUN FHC has total assets at NT\$2.4984 trillion, total deposits at NT\$2.0821 trillion, and total loans at NT\$1.4598 trillion. Foreign currency deposits grew by 19.8%, leading the balance to equivalence of NT\$770.3 billion. E.SUN is number one in terms of net increase in FX deposit for 2 years in a row. The result was largely contributed by development of a cross-border platform and digital banking. Fee income also set record high at NT\$18.73 billion, an annual growth rate of 14.4%. Credit card fee income growth was 33.4%, and wealth management growth was 4.8%.

On CSR and sustainability, we actively improve corporate governance and disclosure. E.SUN is ranked top 5% in TWSE Corporate Governance Evaluation for the 5th consecutive year. On environment, E.SUN responded to climate change with its influence of green finance. E.SUN is the first Taiwanese bank who pledged to stop project-financing to coal-fired power generation plant. E.SUN continues to engage in financing and investments in green energy industries, such as wind power and solar energy. In 2019, E.SUN approved 10 Equator Principles compliant project financing cases. Moreover, E.SUN is the leading issuer of green bond among domestic banks in Taiwan by amount and number of deals. As for society, E.SUN continues to invest in education, support for the disadvantaged children and humanity. 148 E.SUN Libraries have been established under E.SUN Golden Seed Project; 12,832 children benefited from the Care for Schoolchildren Project in 2019. Beholding spirit of a global citizen, E.SUN's contributions and donations also reached Southeast Asia. E.SUN Volunteers devoted to medical services and the Habitat for Humanity in Cambodia for 4 years in a row.

Development of cross-border platform and FinTech

Developing the cross-border platform and FinTech is E.SUN's long-term strategy. For the cross-border platform, after the establishment of 28 overseas offices in 9 countries and regions, E.SUN vigorously engages in globalization and localization, enhances its resilience in terms of talent, systems, and information, and takes advantage of integrated services to establish a distinct Asia Pacific banking platform. E.SUN provides services to Taiwanese and local enterprises with access to cross-border cash flow, funding, financing, and asset allocation. E.SUN also seizes opportunities, such as cross country migration of supply chains, global tax governance, and the home returning investments by overseas Taiwanese businesses. E.SUN endeavors to assist companies in investment expansion, sustainability, cross-border development, and management upgrade. E.SUN's goal is to become the most reliable partner for businesses.

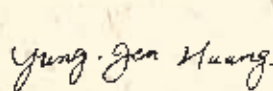
On FinTech, we believe key to successful digital transformation lies in teamwork that deeply integrates technologies and businesses. E.SUN has gradually

incorporated AI into its businesses, including credit card fraud detection, product recommendations, conversational services, and automated loan services. The digital platform has been deployed for savings, lending, wealth management, and payment. E.SUN will continue to enhance the core system for cross-border and digital banking, optimize the customer experience, improve process efficiency, and strengthen risk management in order to build a leading and people-centered digital banking brand.

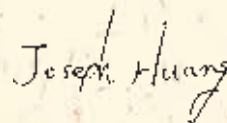
Facing a complex and changing environment, E.SUN upholds the principle of "no business operations can be considered beyond risk," focuses on our three lines of defense, strengthens compliance, complies with anti-money laundering practices, enhances information security, continuously improves management systems, and deepens the culture and systems of risk management. In recent years, Taiwan received best performance in evaluation by Asia/Pacific Group on Money Laundering (APG). E.SUN is honored to be part of the evaluation process to strengthen Taiwan's anti-money laundering capabilities. E.SUN will maintain stable management and keep improving to become the most reliable bank to our customers.

New E.SUN paves the path to a new future

Since our foundation in 1992, E.SUN has been determined to embark on a different path, in which a team of professional managers takes the lead to build a leadership team that lasts for generations to come. We furthermore aspire that the E.SUN of today will one day become the E.SUN of the world. We will continue to advance and achieve our three aims: overall performance, corporate social responsibility, and sustainable development. In addition, E.SUN will create more opportunities, cultivate talent, and contribute to a better future. We would like to thank you for your continuous support and advices.



Chairman



President

Summary of E.SUN FHC

Unit: NT\$ million

Indicator	Item	2019/12	2018/12
Total Assets	E.SUN FHC	2,498,358	2,287,787
	E.SUN Bank (consolidated)	2,481,011	2,272,337
	E.SUN Securities (consolidated)	14,991	12,673
	E.SUN Venture Capital	3,462	3,319
Key Financial Ratios	E.SUN FHC Book Value Per Share (NT\$)	14.89	14.78
	Double Leverage Ratio	103.88%	104.00%
	E.SUN FHC CAR	126.10%	137.28%
Physical Channels	E.SUN Bank's Domestic Branches	139	0139
	E.SUN Bank's Overseas Outlets	- Subsidiaries: E.SUN(China), UCB, Cambodian - Branches: Los Angles(US), Hong Kong, Singapore,Tokyo(Japan), Sydney(Australia) , Brisbane(Australia) , Dong Nai(Vietnam), Yangon(Myanmar) - Representative Office: Hanoi(Vietnam) A total of 28 sites	
	E.SUN Securities' Branches	17	17
Earnings	Net Income (Attributable to owners of the parent company)	20,105	17,068
	EPS (NT\$)	1.73	1.58
	ROE	12.07%	11.04%
	ROA	0.84%	0.78%

Credit Ratings

E.SUN FHC

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	A3	P-2	Stable	2020.01
	S&P	BBB	A-3	Stable	2019.06
Domestic Ratings	Taiwan Ratings	twAA-	twA-1+	Stable	2019.06

E.SUN Bank

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	A2	P-1	Stable	2020.01
	S&P	A-	A-2	Stable	2019.06
Domestic Ratings	Taiwan Ratings	twAA+	twA-1+	Stable	2019.06

2. Company profile



Yang San Lang

2.1 Date of establishment: January 28th, 2002

2.2 Introduction

2.2.1 E.SUN FHC

E.SUN FHC was established on January 28, 2002. Thanks to the prudent management and the dedicated efforts of all E.SUN colleagues, E.SUN FHC has developed into a business group with comprehensive financial services. Its subsidiaries include E.SUN Commercial Bank, E.SUN Securities, and E.SUN Ventures, providing banking, securities, insurance, and venture capital services.

In addition, E.SUN has achieved a consistent performance both internationally and domestically in various domains, including corporate governance, business performance, service quality, risk management, and fulfillment of corporate social responsibilities. E.SUN will strive to work even more conscientiously, maintain our spirit of "Pure as Jade, Sturdy as Mountain," and employ prudent strategies and team execution to provide high quality of financial services and optimize customer value.

E.SUN FHC was established in January 2002 by E.SUN Bank, E.SUN Securities, and E. SUN Bills Finance through the conversion of shares, and E.SUN Venture Capital was subsequently established in October 2002 through investment. E.SUN Insurance Brokers was established through investment in July 2003, and E.SUN Investment Trust was acquired in September 2003 through conversion of shares.

For the purpose of achieving higher economics of scale and overall synergy, and strengthening the E.SUN Group's capital structure in view of long-term development, E. SUN Bills Finance was merged with E.SUN Bank in December 2006.

Subsequently, in September 2008, 100% of subsidiary E.SUN Investment Trust's equity was assigned to Britain's Schroders Group after signing an investment trust equity purchase contract. In view of the leasing market environment, E.SUN Bank liquidated all of its investment in E.SUN Leasing in September 2008. And in order to expand economies of scale and reduce operating costs, on March 25, 2016 E.SUN Insurance Brokers was merged with E.SUN Bank, which has continued to provide integrated financial services.

Thanks to the devotion of all E.SUN colleagues, E.SUN FHC has been recognized by consumers as a trusted brand name of purity and professionalism. It will always uphold business philosophy of "professionalism, service, and responsibility," continue to talent cultivation and strive for growth through innovation, thereby fulfilling our vision for pursuing long-term sustainability.

2.2.2 Core subsidiary: E.SUN Bank

In 1992, Mr.Yung-Jen Huang, the founder and current chairman of E.SUN FHC, called on a group of financial elites, to build E.SUN Bank. Keeping a shared faith: "to build the best bank in Taiwan" in mind, they are determined to overcome 3 peaks: "being illustrious in general performance, being responsible to the society, building the business to the last."

Responding to the surging Asia market and trend of financial innovation, E.SUN proactively develops service platform in Asia and Fintech. Regarding deployment in Asia, E.SUN Bank has established 139 domestic branches, while owning 28 overseas branches in 9 countries and regions, including the USA, Japan, Australia, Singapore, Hong Kong, China, Vietnam, Cambodia, and Myanmar. Through collaboration of overseas and domestic operation channels, E.SUN Bank keeps utilizing its distinctive Asia platform to satisfy customers' diverse needs.

On Fintech development side, digitalization has been applied to deposit, loan, wealth management, and payment business. Artificial Intelligence is also gradually incorporated into each aspect of its business, including credit card fraud detection, product recommendation, and automatic loan and conversation. E.SUN Bank will continue to optimize customer experience and improve operation efficiency and risk management, so as to build a leading customer-oriented brand of digital banking.

E.SUN Bank's acquisitions, merges, and investments are stated as below:

In order to increase synergy and expand service channel, E.SUN Bank assumed the assets, liabilities, and operations of the Kaoshiung Business Bank in September 2004. Afterwards, E.SUN Bank assumed the assets, liabilities, and operations of Chiayi Forth Credit Cooperation and Chu Nan Credit-Cooperative Association in November 2012 and July 2011.

In order to expand overseas service channel, E.SUN Bank purchased 70% of shares of Cambodia's Union Commercial Bank PLC.(joint commercial bank) on August 28, 2013, and increased its share to 75% on December 29, 2015. E.SUN Bank completed establishment of a subsidiary, E.SUN Bank (China), in Shenzhen, China in January 2016, and this was the first Taiwanese-owned bank in southern China.

In order to invest in financial technology, E.SUN Bank purchased 58.34% of the outstanding common stock of the BankPro e-Services Technology Co., Ltd. on January 11, 2016, and the total shareholding ratio increased to 61.67%.

2.2.3 Subsidiary: E.SUN Securities

E.SUN Securities, which established in 2000, utilizes research resources of its subsidiary, E.SUN Investment Consulting Co. and service channels of E.SUN Bank to provide customers with domestic and foreign securities brokerage services, as well as underwriting services.

With regard to our brokerage services, it provides spot, futures, ETF, and overseas sub-brokerage services, and other services approved by the competent authority. Besides, it also strives to improve customer experience on online trading platform and expand overseas stock and futures business. Regarding underwriting services, thanks to our integration of financial holding, banking, and securities service resources, it is continuing to enhance our fund-raising market reputation and service. For taking overseas market opportunity, it launched overseas securities unit (OSU) services in December 2014, developing overseas securities business step by step, satisfying domestic and foreign personal and institutional customers, by building platform and product, and E.SUN Securities strives to fulfill the long-term strategy of overseas development.

2.2.4 Subsidiary: E.SUN Venture Capital

Established in 2002, E.SUN Venture Capital has built on its business foundation by increasing capital from NT\$1 billion to NT\$ 3.09 billion. E.SUN Venture Capital invests in various domains, including electronics, optical communications, energy conservation, cultural creativity, biotech pharmaceutical, and medical devices, and it is also actively expanding to various innovative emerging industries. By the trend of 5G, AI, self-driving car, etc., we hope to draw on E.SUN FHC's resources to support startups and promote Taiwan's industrial transformation, and are making a contribution to Taiwan's industrial upgrading and development.

2.2.5 In the latest reporting year, as of printing date of the annual report, condition of merger and acquisition, investment in affiliates and restructuring 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, 2011 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 Bank acquired Chu Nan's assets, liabilities and operations.
- (2) Subsidiary E.SUN Bank on March 16, 2012 signed an agreement with Chiayi Fourth Credit Cooperation to acquire the latter. E.SUN Bank acquired Chiayi Fourth's assets, liabilities and operations with the record date for the transaction of November 3, 2012.
- (3) Subsidiary E.SUN Bank on Mar. 22, 2013, has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, and the record date for the transaction was Aug. 28, 2013. Furthermore, on Aug. 25, 2017, E.SUN increased shareholding of UCB to 100%. Our Cambodia subsidiary now has 14 branches, providing financial service including deposits, loans and credit card etc.
- (4) On January 24, 2014, the subsidiary E.SUN Bank received approval from the Board of Directors to establish a subsidiary in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in Shenzhen of China. On January 12, 2016, the Beijing Banking Regulatory Commission officially approved the opening of E.SUN Bank (China), E.SUN Bank (China) Shenzhen Branch, E.SUN Bank (China) Dongguan Branch, and E.SUN Bank (China) Dongguan Chang'an Subbranch.
- (5) On November 13, 2015, the subsidiary E.SUN Bank received approval from the Board of Directors to transfer its investment to BankPro e-Service Technology Co. Ltd., acquiring a total of 7,875,000 shares (accounting for 58.34% of the paid-in capital), which were transferred on January 11, 2016.
- (6) The consolidation by merger of two subsidiaries, E.SUN Bank and E.SUN Insurance Brokers, was passed on August 21, 2015. E.SUN Bank would be the continuing company. The effective date was set on March 25, 2016.
- (7) Other matters of importance that can impact shareholder's right and the financial holding company: None

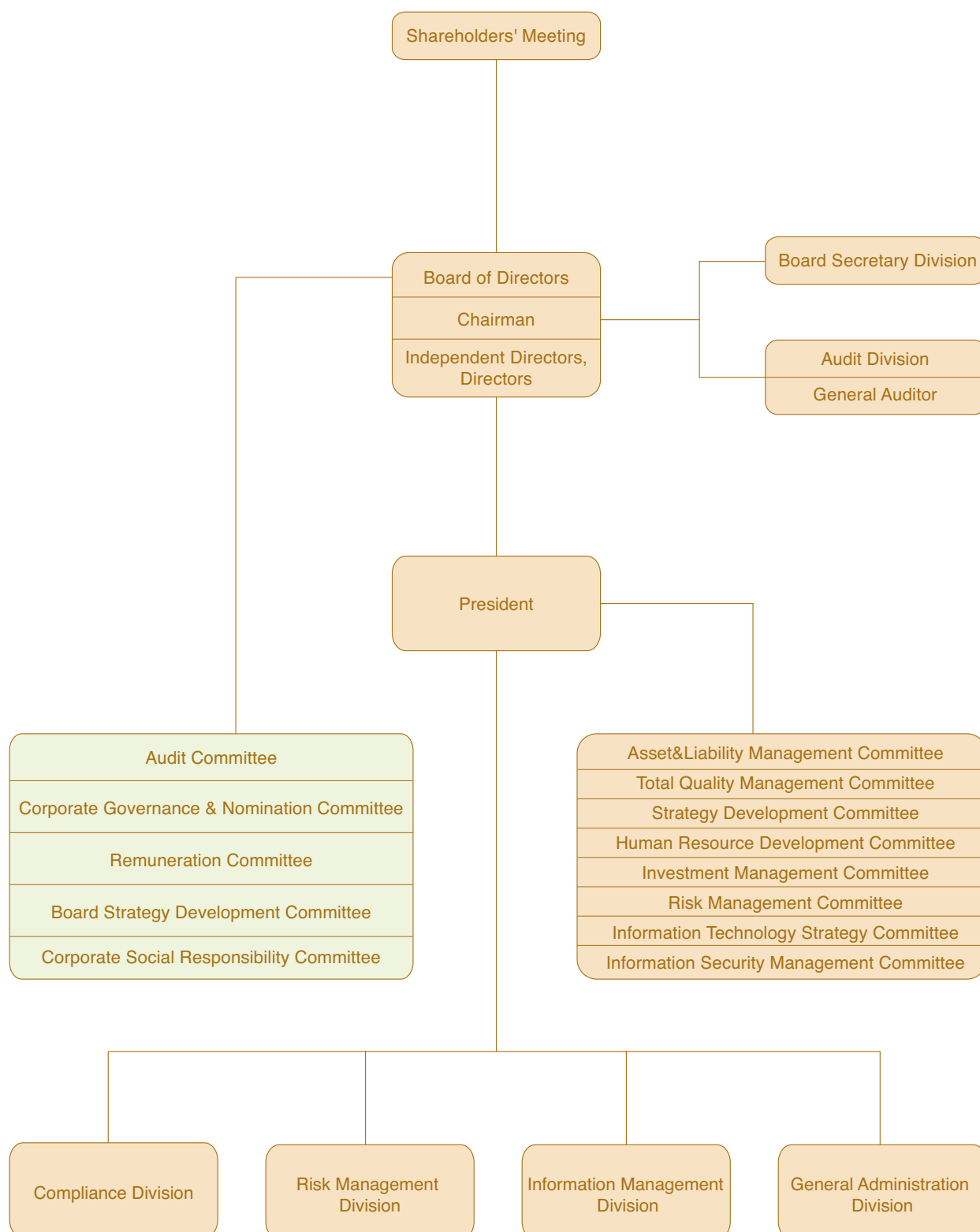
3. Corporate Governance



HUANG YU CHENG

3.1 Organization

3.1.1 Organization Chart



3.1.2 Primary duties of the board of directors functional committees

(1) Audit Committee

- Stipulation and amendment of internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- Assessment of internal control system effectiveness.
- Stipulation or amendment of the handling procedure for acquisition or disposal of assets or derivative trading in accordance with Article 36-1 of the Securities and Exchange Act.
- Matters involving the personal interests of the directors.
- Major asset or derivative trading.
- Public offering, issuance, or private offering of equity securities.
- Appointment, discharge and remuneration of the certified public accountant.
- Appointment and removal of chief officers of finance, accounting and internal audit.
- Annual financial reports and semi-annual financial reports.
- Other significant matters stipulated by the Company or competent authorities.

(2) Corporate Governance and Nomination Committee

- Locate director and supervisor candidates for the company or subsidiaries, propose the list of director and supervisor candidates to the Board of Directors, review in advance director and supervisor candidate qualifications according to the Director Election Guidelines for the company and its subsidiaries, and provide review results and a recommendation list of director and supervisor candidates to the shareholders as reference for election or appointment of appropriate directors after the resolution of the Board of Directors.
- Nominate or review the presidents of the company and its subsidiaries as well as the list of vice president candidates for the company and its banking subsidiary according to the E.SUN Executive Officer Selection Guidelines.
- Establish and develop an organizational structure for the board and committees of the company and its subsidiaries.
- Devise and review regularly the succession plans for the directors and executive officers.
- Audit and assess the soundness of the organization and

system of the company's corporate governance and make recommendations to the Board of Directors.

- Review the governance relationship between the company, its subsidiaries and other affiliates.
- Establish the policies of ethical corporate management and prevention programs and supervise the implementation thereof:
 - A. Assist the integration of ethical and moral values into the company's business strategies and stipulate preventive measures against corruption and malfeasance related to ethical corporate management in accordance with laws and regulations.
 - B. Establish courses of action to prevent unethical conduct and form business-related standard operating procedures and guidelines for each course of action.
 - C. Formulate internal organization, structure and duties, provide reciprocal supervision, check and balance for business activities with higher risks of unethical conduct within the scope of business.
 - D. Promote and coordinate ethical policy advocacy and training.
 - E. Plan reporting systems to ensure the effectiveness of implementation.
 - F. Assist the Board of Directors and management in inspecting and assessing whether the preventive measures established for the implementation of ethical corporate management work effectively, evaluate the compliance of relevant business procedures on a regular basis and compile into reports.

(3) Remuneration Committee

- Stipulate and regularly review the policies, systems, standards and structure of performance evaluation and remuneration of the directors and executives of the Company and the presidents of non-bank subsidiaries.
- Regularly assess and establish the remuneration of the directors and executives and the senior managers of the subsidiaries.

(4) Board Strategy Development Committee

- Call for meetings on the strategy development goals of the Company and report to the Board of Directors. The

content may include overall goals and short, mid and long-term development strategies.

- Report other major strategy-related matters that affect the development of the Company to the Board of Directors.

(5) Corporate Social Responsibility Committee

- Stipulate the annual plans and strategic directions of corporate social responsibility (CSR).
- Establishment of CSR projects and activity plans.
- Follow up and review the implementation outcomes of annual plans, strategic directions, projects and activities.
- Other decisions related to CSR.

3.1.3 Duties of key departments

(1) Board Secretary Division

Oversees general meeting administration for the board of directors, the Audit Committee and other functional committees under the board. The corporate governance officer is in charge of handling general affairs for the board of directors, and reports directly to the board.

(2) Audit Division

Check and evaluate whether the internal control system of the Company and subsidiaries are functioning effectively. Provide timely recommendations for improvement to ensure that the internal control system continues to be implemented effectively, and take charge of the execution of audit system, as well as the audit of business, finance, accounting and contracts. Audit Division reports directly to the board of directors, and is equipped with a general auditor who oversees all audit operations in the Company.

(3) Compliance Division

Responsible for overseeing compliance affairs; planning, managing, and executing the compliance system; managing consultation on internal guidelines and procedures; and supervising the subsidiaries in complying with the laws and regulations applicable to their businesses.

(4) Risk Management Division

Responsible for overseeing risk management and anti-money laundering and countering the financing of terrorism; devising information security plans; and formulating policies and principles. Also responsible for assisting and supervising the subsidiaries in developing and implementing

risk management related tasks; and monitoring the overall risk tolerance and the risks currently undertaken by the Company.

(5) Information Management Division

Responsible for overseeing information policy planning, information resource utilization strategy formulation and management, information governance policies, and data collection and analysis and application.

(6) General Administration Division

Responsible for overseeing investment management and related paperwork, public relations, human resources, legal affairs, financial management, and shareholder services as well as business management in the subsidiaries.

(7) Asset & Liability Management Committee

Establish the asset allocation and risk limitation of the Company, follow-up, check and examine financial management and effectiveness of the subsidiaries as well as other matters related to major asset and liability management.

(8) Total Quality Management Committee

Be in charge of formulation of the total quality management policies, establishment, operation and review of total quality management system, implementation and review of the promotion of total quality management education, review and recommendation on the performance of the total quality management activities as well as recommendations on other major decisions related to total quality management.

(9) Strategy Development Committee

In charge of the development of the Company's short, mid and long term strategies, over all goals, organizational structure of management, innovation and development strategies of financial products, advertisement and marketing strategies, advocacy and promotion of strategy development plan and planning of other major strategy developments.

(10) Human Resource Development Committee

Be in charge of selection, appointment, assignment, rotation system, training system, remuneration and bonus system, promotion and assessment of promotion, reward and punishment system, benefits, insurance, leave, travel system of employees and review of other regulations related to human resources as well as establishment of harmonious relationship among employees, handling of employees' complaints and satisfactory survey.

(11) Investment Management Committee

Be in charge of the assessment and analysis of the Company's investment business, establishment of counter measures, review of the Company's investment allocation, supervision and review of the subsidiaries' investment allocation, benefit analysis and other management matters related to important investment.

(12) Risk Management Committee

Be in charge of the Company's risk management, risk assessment, risk supervision, review of risk management and implementation of each risk unit, exposure to risks, risk decision-making, follow-up of the compliance of risk management policies of each risk unit and promotion of risk management culture.

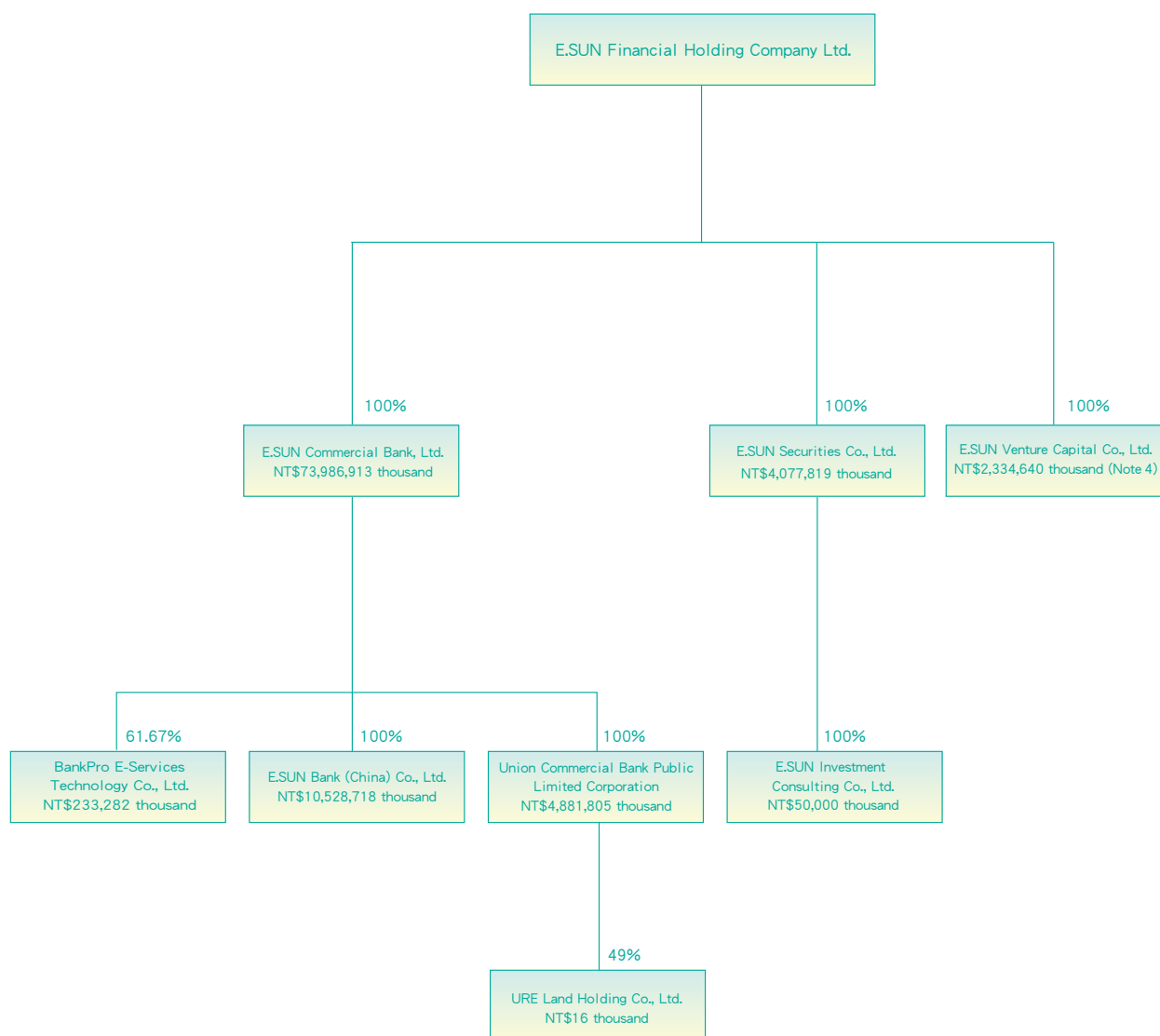
(13) Information Technology Strategy Committee

Promotion of information integration services, review of strategies for application of information resources, review and follow-up of major information investment plan, review or proposal of business application ideas or operation improvement, and introduction of new technology knowledge.

(14) Information Safety Management Committee

Organize and examine the trends of domestic and foreign information security development, devise future information security strategies, decide and promote the Company's information security strategies, formulate information security management standards for the Company, supervise and manage the Company's information security risks, review resources used in information security related solutions, integrate and coordinate the Company's information security related matters, review of other material matters relating to information security, regularly check the information security governance policies for all of the Company's subsidiaries, and regularly keep the Board of Directors updated on an overview of the Company's information security governance.

3.1.4 Organization chart for E.SUN FHC and its subsidiaries



Note 1: Actual investment as of the record date, December 31, 2019

Note 2: Union Commercial Bank (UCB) Public Limited Corporation (PLC) holds 49% of shares for URE Land Holding Co., Ltd. However, according to the Company Charter of URE Land Holding Co., Ltd., UCB is entitled to control the composition of the Board of Directors of URE Land Holding Co., Ltd., and UCB holds at least of 90% of economic benefits of URE Land Holding Co., Ltd. Thus, it has been listed as a subsidiary.

Note 3: The initial investment made by Union Commercial Bank Public Limited Corporation in URE Land Holding Co., Ltd. was US\$490.

Note 4: Subsidiary E.SUN Ventures holds a 2.4% stake, or NT\$3,250,000, in BankPro E-Service Technology Co. Ltd. The group holds in total a 64.07% stake in BankPro E-Service Technology Co. Ltd.

3.2 Directors, independent directors and senior managers

3.2.1 Board of director information-1

Position	Nationality	Representative	Gender	Date of Election	Term	Date of First Elected	Shareholding when elected (Note1)		Current Shares (Note1)		Shareholdings of the spouses and minors (Note2)		Shareholding under other's name		
							Shares	%	Shares	%	Shares	%	Position		
													Shares	%	
Chairman	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Yung-Jen Huang	Male	2017.06.16	3 years	2005.06.10	26,325	0.278	36,698	0.316	8,267	0.071	0	0	
						2001.12.10									
Director	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	Male	2017.06.16	3 years	2005.06.10	26,325	0.278	36,698	0.316	12,984	0.112	0	0	
						2008.06.13									
Director	R.O.C.	Representative of E.SUN Culture and Education Foundation Gary K. L. Tseng	Male	2017.06.16	3 years	2001.12.10	14,531	0.154	18,804	0.162	3,666	0.032	0	0	
						2010.05.14									
Director	R.O.C.	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	Male	2017.06.16	3 years	2001.12.10	47,501	0.502	64,481	0.555	30,527	0.263	0	0	
						2001.12.10									
Independent Director	R.O.C.	Chen-En Ko	Male	2017.06.16	3 years	2004.06.11	0	0	0	0	0	0	0	0	
Independent Director	R.O.C.	Ji-Ren Lee	Male	2017.06.16	3 years	2006.06.09	0	0	0	0	0	0	0	0	

2020.03.27 Unit:1,000 shares; %

Education and experience	Current position within the company or other companies	Division chiefs, directors or supervisors are spouse or within 2nd degree of consanguinity of each other		
		Position	Name	Relationship
- Bachelor of Department of Cooperative Economics at National Chung Hsing University	None	None	None	None
- MBA of the City University of New York - 27 years in financial industry	- President of E.SUN FHC - Director and President of E.SUN Bank - Chairman of E.SUN Bank(China)	None	None	None
- Master of Public Administration at Harvard University - Director of Banking Bureau, Financial Supervisory Commission	- Chairman of E.SUN Bank	None	None	None
- 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., Yuan Sheng Co., Ltd., Sheng Yang Construction Co., Ltd. , Sin Yang Investment Co., Ltd., and Mai's Hsin Tung Yang foundation. - Director of Hsin Tung Yang Construction Co., Ltd., Hua Yang Logistics Co., Ltd., Tao Garden Hotel Co., Ltd., and Great Harbor Limited. - Managing Director of E.SUN Bank	None	None	None
- PhD of Department of Accounting at University of Minnesota - Dean of College of Management at National Taiwan University	- Honorary professor of Department of Accounting at National Taiwan University - Independent director of E.SUN Bank - Independent director and member of remuneration committee of Novatek Microelectronics Co. - Independent director and member of remuneration committee of Everlight Electronics Co., Ltd. - Member of remuneration committee of ATEN International Co., Ltd. , Zhen Ding Tech. Co., Ltd. , and E.SUN FHC	None	None	None
- PhD of Business Administration at University of Illinois, USA	- Professor of International Business at National Taiwan University - Independent director of E.SUN Bank - Independent director and member of remuneration committee of Acer Inc. , Delta Electronic Inc. , and VIVOTEK Co., Ltd. - Member of remuneration committee of Mediatek Inc. and E.SUN FHC	None	None	None

Position	Nationality	Representative	Gender	Date of Election	Term	Date of First Elected	Shareholding when elected (Note1)		Current Shares (Note1)		Shareholdings of the spouses and minors (Note2)		Shareholding under other's name		
							Shares	%	Shares	%	Shares	%	Position		
													Shares	%	
Independent Director	R.O.C.	Chen-Chen Chang Lin	Female	2017.06.16	3 years	2007.06.15	0	0	0	0	0	0	0	0	
Independent Director	R.O.C.	Hsin-I Lin	Male	2017.06.16	3 years	2008.06.13	0	0	0	0	0	0	0	0	
Independent Director	R.O.C.	Chun-Yao Huang	Male	2017.06.16	3 years	2017.06.16	0	0	0	0	0	0	0	0	
Director	R.O.C.	Representative of Fu-Yuan Investment Co., Ltd. Ron-Chu Chen	Male	2017.06.16	3 years	2014.06.20 2004.06.11	29,771	0.315	47,076	0.405	431	0.004	0	0	
Director	R.O.C.	Representative of Shang Li Car Co., Ltd. Chien-Li Wu	Male	2017.06.16	3 years	2005.06.10 2005.06.10	40,000	0.423	52,192	0.449	0	0	0	0	
Director	R.O.C.	Representative of Shan Meng Investment Co., Ltd. Magi Chen	Female	2017.06.16	3 years	2001.12.10 2014.06.20	19,274	0.204	24,941	0.215	2,178	0.019	0	0	
Director	R.O.C.	Representative of Sunlit Transportation Co., Ltd. Mao-Chin Chen	Male	2017.06.16	3 years	2005.06.10 2017.06.16	41,349	0.437	56,017	0.482	2,978	0.026	0	0	

Note 1: The number of shares held includes the number of shares under trust.

Note 2: For institutional director, the term 'shareholdings of the spouse and minors' refer to the representative of the institution and the information of their spouses and minor children.

Note 3: Company's names underlined are listed companies or OTC-listed companies.

	Education and experience	Current position within the company or other companies	Division chiefs, directors or supervisors are spouse or within 2nd degree of consanguinity of each other		
			Position	Name	Relationship
	- Master of Mathematics and Statistics at University of Michigan	- Independent director and Managing director E.SUN Bank - Convener of remuneration committee of E.SUN FHC	None	None	None
	- Bachelor of Department of Mechanical Engineering at National Cheng-Kung University	- Director of Yulon Motor Co., Ltd. , China Motor Co., Ltd. , Yan Ching-Ling Industrial Development Foundation, Shye Shyang Mechanical Industrial Co., Ltd., and Yulon Management Co., Ltd. - Chairman of Guang Yuan Investment Co., Ltd., Yuan Chuang Industrial Investment Consulting Co., Ltd., and Yuan Chao Investment Co., Ltd. - Independent director of E.SUN Bank - Member of remuneration committee of E.SUN FHC - Independent director, Managing director and member of remuneration committee of Shih Lin Electric & Engineering Co., Ltd. - Managing Director of Tai Yuen Textile Co., Ltd.	None	None	None
	- PhD of Department of Marketing at London Business School	- Professor of Department of Business Administration at National Taiwan University - Independent director of E.SUN Bank, member of remuneration committee of E.SUN FHC	None	None	None
	- Chu Nan Junior High School	- Chairman of Ron Yuan Investment Co., Ltd., Fu Yuan Investment Co., Ltd., and Jia Tien Sia Investment Co., Ltd. - Director of E.SUN Bank	None	None	None
	- Chung Jung High School	- Chairman of Shang Li Car Co., Ltd., Shen Li Investment Co., Ltd., Shang Li Transportation Co., Ltd., Shan Ben Intl. Investment Co., Ltd., Sunlit Investment Pty., Ltd., and Shen Li Transportation Co., Ltd. - Director of Ruen Li Transportation Co., Ltd., Guang Yuan Investment Co., Ltd., Genius Technology Co., Ltd., Keeper Technology Co., Ltd., Tong Lit Logistics Co., Ltd., Tong Chun Co., Ltd., E.SUN Bank, Yung Feng Shun Construction Co., Ltd., and Feng Sheng logistic Co., Ltd.	None	None	None
	- EMBA at University of Tennessee, Knoxville - 42 years in financial industry	- Deputy president and CFO of E.SUN FHC and E.SUN Bank - Director of E.SUN Bank	None	None	None
	- Master of Department of Economics at National Taiwan University - 28 years in financial industry	- Deputy president of E.SUN FHC - CEO of Corporate banking division, CSO of E.SUN FHC and E.SUN Bank - Chairman of Union Commercial Bank Plc.	None	None	None

Table 1: Main shareholders of institutional shareholders

2019.12.31

Institutional shareholder	Large shareholders of institutional shareholder
E.SUN Volunteer & Social welfare Foundation	Yun-Ren Huang (23.32%)/Xin Gao Shan Investment Co., Ltd. (6.97%)/ E.SUN Commercial Bank, Ltd. (6.14%)/ Shan Tai Investment Co., Ltd. (3.95%)/ E.SUN Bills Finance Co., Ltd. (3.51%)/ HUNG-MEI YEH (2.18%)/ YONG-XIONG HOU (0.61%)/ WU-LIN DU (0.41%)/ JIAO-HUANG SHI (0.41%)/ YONG-HUO HUANG (0.41%)
E.SUN Culture and Education Foundation	E.SUN Commercial Bank, Ltd. (10.20%)/ ZU-SHOU LI (12.66%)/ Xiao Shan Intl. (0.87%)/ E.SUN Bills Finance Co., Ltd. (8.44%)/E.SUN Venture Capital Co., Ltd. (4.64%)
Hsin Tung Yang Co., Ltd.	MAI,SHIH-LAI(19.97%)/Jackson Mai (20.20%)/ Sin Yang Investment Co., Ltd.(8.86%)/ Ding Yang Investment Co., Ltd.(8.75%)/Hua Yang Logistics Co., Ltd. (7.46%)/ MAI, SHENG- YANG(8.20%)/HUEY YANG Department Store Co., Ltd.(4.79%)/MAI, CHEN- TSANG(4.42%)/MAI,KAI-YEN(2.42%)/LI,SHU-WAN(2.20%)
Fu-Yuan Investment Co., Ltd.	Ming Yuan Investment Co., Ltd.(99.982%)/CHEN,HUNG-YUN(0.006%)/WANG, LI- HSIN(0.006%)/CHUNG,I-SHAN(0.006%)
Shang Li Car Co., Ltd.	Sunlit Investment Pty., Ltd. (46.10%)/Ying Yu Investment Co., Ltd.(5.30%)/ Chien- Li Wu(2.10%)/ LIAO,YU-HUA(1.50%)/HUNG,YAO-TANG(1%)/LIN OH YANG, TSUI- CHIN(0.90%)/LO LIAO, LAI-YU (0.90%)/LIN,CHEN-LUNG(0.50%)/CHIU, PO-HSIN(0.30%), Shen Li Investment Co., Ltd. (14.60%)/ Shan Ben Intl. Investment Co., Ltd.(26.80%)
Shan Meng Investment Co. Ltd.	FU,JUNG-HUI(9.95%)/FU,SHU-HUI(29.85%)/FU,CHIEN-YI(24.05%)/KUO,CHEN-YEN(9.95%)/YEH,HUNG-MEI(19.90%)/Jyh-Cherng Wang (6.30%)
Sunlit Transportation Co., Ltd.	Sunlit Investment Pty., Ltd. (49.50%)/Shen Li Investment Co., Ltd. (28.20%)/ Yingyu Investment Co., Ltd. (2.50%)/ HUNG,YAO-TANG(4%)/Chien- Li Wu (2.90%)/ LIAO, YU- HUA(1.20%)/LIN,CHEN LUNG(1.90%)/CHIU,PO-HSIN(1.20%)/Shan Ben Intl. Investment Co., Ltd. (3.50%)/HOU,YU-FAN(1)%

Table 2: Main shareholders of institutional shareholders in table 1

2019.12.31

Institutional shareholder	Large shareholders of institutional shareholder
Sin Yang Investment Co., Ltd	Jackson Mai(68.74%)/Hsin Tung Yang Real Estate Broker Co., Ltd. (18%)/Ding Yang Investment Co., Ltd.(9.18%)/MAI,HSIU-WEI(4.08%)
Ding Yang Investment Co., Ltd	Jackson Mai(54.81%)/Shiyang Construction Co., Ltd.(19.70%)/LIN,HSIU-YING(19.08%)/MAI,JIA- RONG(0.25%)/MAI,HSIU-WEI(1.51%)/MAI,HSIU-JEN(1.96%)/Sin Yang Investment Co., Ltd(2.69%)
Ming Yuan Investment Co., Ltd.	CHEN, HUNG-YUN(34%)/WANG,LI-HSIN(33%)/CHUNG,I-SHAN(33%)
Sunlit Investment Pty., Ltd.	Chien- Li Wu (49.25%)/ LIAO,YU-HUA(31.48%)/SUNLIT&SUNNY COMPANY LIMITED (12.50%)/ WU,PEI-CHEN (3.42%)/ WU,PEI-JU(3.35%)
Shen Li Investment Co., Ltd.	Chien- Li Wu(45%)/ SUNLIT&SUNNY COMPANY LIMITED (30%)/ LIAO,YU-HUA (24.96%)
Shan Ben Intl. Investment Co., Ltd.	Chien- Li Wu (63%)/ LIAO,YU-HUA (13.80%)/ WU,PEI-CHEN (11.60%)/ WU,PEI-JU (11.60%)
Ying Yu Investment Co., Ltd.	YANG, WEI-YUN(38%)/YANG,WEI-HSIN(41%)/CHEN,SHU-HUI(21%)

3.2.2 Board of director information-2

Name	Criteria	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	Being a judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Having work experience in commerce, law, finance, or accounting, or other areas necessary for the business of the Company
Chairman Yung-Jen Huang			V	V
Director Gary K.L.Tseng	V	V	V	
Director Joseph N.C. Huang			V	
Independent Director Chen-En Ko	V		V	
Independent Director Ji-Ren Lee	V		V	
Independent Director Chen-Chen Chang Lin			V	
Independent Director Hsin-I Lin			V	
Independent Director Chun-Yao Huang	V		V	
Director Jackson Mai			V	
Director Rong-Chu Chen			V	
Director Chien-Li Wu			V	
Director Magi Chen			V	
Director Mao-Chin Chen			V	

	Independence Criteria (Note)												Number of Other public companies in which the individual is concurrently serving as an Independent Director
	1	2	3	4	5	6	7	8	9	10	11	12	
	V		V		V	V	V	V	V	V	V		0
	V		V	V	V	V	V	V	V	V	V		0
			V	V	V	V	V	V	V	V	V		0
	V	V	V	V	V	V	V	V	V	V	V	V	2
	V	V	V	V	V	V	V	V	V	V	V	V	3
	V	V	V	V	V	V	V	V	V	V	V	V	0
	V	V	V	V	V	V	V	V	V	V	V	V	1
	V	V	V	V	V	V	V	V	V	V	V	V	0
	V		V	V	V	V	V	V	V	V	V		0
	V		V	V	V	V	V	V	V	V	V		0
	V		V	V	V	V	V	V	V	V	V		0
			V	V	V	V	V	V	V	V	V		0
			V	V	V	V	V	V	V	V	V		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 (except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations)
- (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 number of 1% or more of the shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
- (5) Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the company's shares, being one of the top five shareholders, or being appointed a director or supervisor of the company pursuant to Article 27, Paragraph 1 of the Securities and Exchange Act (except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations)
- (6) Not a director, supervisor or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is simultaneously an independent director of the company or its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations)
- (7) Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the company (except where the person is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations)
- (8) Not a director, supervisor, manager or shareholder holding 5% or more of the company's shares of certain company or institution that has a financial or business relationship with the company (except where the certain company or institution holds 20% or more but no more than 50% of the company's shares and is simultaneously an independent director of the company and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations)
- (9) Not a professional who provides audit or receives no more than NT\$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates. However, exception applies to members of a remuneration committee, a public tender review committee, or a special committee for merger, consolidation and acquisition exercising their authority pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.3 Executive Officers

Position	Nationality	Representative	Gender	Date of Appointment	Personal Shareholding		Current Shares (Note)		Shareholdings of the spouses and minors (Note)		
					Shares	%	Shares	%	Shares	%	
President	ROC	Joseph N. C. Huang	M	2008.07.16	12,623	0.109	361	0.003	0	0	
CFO	ROC	Magi Chen	F	2004.02.13	2,178	0.019	0	0	0	0	
Deputy President	ROC	Ben Chen	M	2014.01.24	4,436	0.038	1,358	0.012	0	0	
CSO	ROC	Mao-Chin Chen	M	2016.01.29	1,729	0.015	1,249	0.011	0	0	
CHRO	ROC	J. C. Wang	M	2002.01.28	2,592	0.022	1,585	0.014	0	0	
CRO	ROC	Oliver Hsieh	M	2011.03.18	1,557	0.013	0	0	0	0	
CIO	ROC	Wan-Li Hsieh	M	2020.01.15	1,215	0.010	24	0.0002	0	0	
SEVP	ROC	L. C. Lin	M	2018.01.31	707	0.006	843	0.007	0	0	
SEVP	ROC	Wu-Ming Hsieh	M	2018.01.31	857	0.007	950	0.008	0	0	
SEVP	ROC	Louis Chang	M	2018.01.31	2,263	0.019	426	0.004	0	0	
SEVP	ROC	Jung-Hua Lin	M	2020.01.15	1,107	0.010	401	0.003	0	0	
SEVP	ROC	Cathy Kuo	F	2017.01.20	1,735	0.015	0	0	0	0	

Note: Including number of shares under trust.

	Experience (Education)	Positions taken concurrently at E.SUN FHC and other companies	Spouse or a relative within the second degree of kinship serving as an E.SUN manager		
			Position	Name	Relation
	- MBA, The City University of New York - 27 years in financial services	- Director, ESUN FHC - President/Director, E.SUN Bank - Chairman, E.SUN Bank (China)	None	None	None
	- EMBA, The University of Tennessee, Knoxville - 42 years in financial services	- Director, ESUN FHC - President/Director, E.SUN Bank - Director, E.SUN Bank (China) - CFO/SEVP, E.SUN Bank	None	None	None
	- Department of Business Administration, Soochow University - 30 years in financial services	- Director, E.SUN Bank - CEO, Individual Banking Division, E.SUN Bank	None	None	None
	- Master, Department of Economics, National Taiwan University - 28 years in financial services	- Director, E.SUN FHC - Director, ESB - CSO/Corporate Banking CEO, E.SUN Bank - Chairman, Union Commercial Bank (Cambodia)	None	None	None
	- Master, Department of Agricultural Economics, National Chung Hsing University - 31 years in financial services	- CHRO/SEVP, E.SUN Bank	SVP	Pei-Hua Wang	Younger Sister
	- Master, Applied Finance Center, Macquarie University - 25 years in financial services	- CRO/SEVP, E.SUN Bank	None	None	None
	- Department of Information & Computer Engineering, Chung Yuan Christian University - 26 years in financial services	- CIO/SEVP, E.SUN Bank	None	None	None
	- Department of Public Administration, National Chung Hsing University - 31 years in financial services	- SEVP, E.SUN Bank - Chairman, E.SUN Venture Capital	None	None	None
	- Department of Business Administration, Ming Chuan University - 28 years in financial services	- SEVP, E.SUN Bank - Director, E.SUN Securities	None	None	None
	- Institute of Business and Management, National Chiao Tung University - 24 years in financial services	- SEVP, E.SUN Bank	None	None	None
	- Graduate School of Business Administration, National Chung Hsing University - 28 years in financial services	- SEVP, E.SUN Bank - Director, EasyCard Investment Holdings Corp. - Director, EasyCard Corp.	None	None	None
	- Master, Department of Economics, National Taiwan University - 27 years in financial services	- SEVP, E.SUN Bank - Director, Union Commercial Bank (Cambodia)	None	None	None

Position	Nationality	Representative	Gender	Date of Appointment	Personal Shareholding		Current Shares (Note)		Shareholdings of the spouses and minors (Note)		
					Shares	%	Shares	%	Shares	%	
SEVP	ROC	Bruce Lee	M	2017.01.20	1,596	0.014	113	0.001	0	0	
SEVP	ROC	Po-Hsuan Hsu	F	2018.01.31	1,898	0.016	604	0.005	0	0	
SEVP	ROC	Yi-Hsin Tseng	M	2018.01.31	1,154	0.010	3	0.00002	0	0	
SEVP	ROC	Te-Ming Chung	M	2019.01.24	547	0.005	774	0.007	0	0	
SEVP	ROC	Mei-Ling Liu	F	2019.01.24	877	0.008	166	0.001	0	0	
CTO	ROC	Sheng-Wei Chen	M	2019.02.01	110	0.001	0	0	0	0	
General Auditor	ROC	Chih-Kuang Huang	M	2018.03.15	1,624	0.014	0	0	0	0	
CCO	ROC	Fion Ouyang	F	2016.01.22	400	0.003	0	0	0	0	
CBO	ROC	Daniel Tsai	M	2014.06.26	714	0.006	483	0.004	0	0	
CMO	ROC	Chun-Yu Lin	M	2018.08.10	1,372	0.012	0	0	0	0	
CAO	ROC	Jhy-Hung Ke	M	2017.07.31	100	0.001	0	0	0	0	
Corporate Governance Officer	ROC	Mei-Cheng Chu	F	2020.01.20	365	0.003	0	0	0	0	

Note: Including number of shares under trust.

	Experience (Education)	Positions taken concurrently at E.SUN FHC and other companies	Spouse or a relative within the second degree of kinship serving as an E.SUN manager		
			Position	Name	Relation
	- Department of Business Administration, Tamkang University - 25 years in financial services	- SEVP, E.SUN Bank - Director, BankPro e-Services Technology Co., Ltd.	None	None	None
	- Department of Economics, Fu Jen University - 27 years in financial services	- Deputy CIO/EVP, E.SUN Bank - Director, E.SUN Securities - Director, BankPro e-Services Technology Co., Ltd.	None	None	None
	- Department of Applied Mathematics, National Chung Hsing University - 33 years in financial services	- Chairman, E.SUN Securities	None	None	None
	- Master of Business Management, National Sun Yat-sen University - 26 years in financial services	- SEVP, E.SUN Bank - Director, E.SUN Venture Capital	None	None	None
	- Department of Finance and Taxation, National Chengchi University - 28 years in financial services	- SEVP/Deputy CDO, E.SUN Bank - Director, GAMA PAY Co., Ltd.	None	None	None
	- Graduate Institute of Electrical Engineering, National Taiwan University - 14 years in information/consulting industries	- CDO/SEVP, E.SUN Bank	None	None	None
	- Department of Accounting, National Chung Hsing University - 39 years in financial services	None	None	None	None
	- Department of Law, National Chengchi University - 22 years in financial services	- CCO, E.SUN Bank/head of the compliance unit at headquarters	None	None	None
	- Master, Graduate Institute of International Business, National Taiwan University - 17 years in financial services	- Director, E.SUN Investment Consulting	None	None	None
	- Graduate School of Business Administration, National Chung Hsing University - 18 years in financial services	- CMO/SVP/Special Assistant, President Office, E.SUN Bank - Director, E.SUN Bank (China)	None	None	None
	- Master, Department of Accounting, National Taiwan University - 17 years in financial services	- CAO/SVP, E.SUN Bank	None	None	None
	- Department of Law, National Chengchi University - 26 years in financial services	- Corporate Governance Officer /SVP, E.SUN Bank	None	None	None

3.2.4 Remuneration of Non-Independent/Independent Directors, President, and Senior Executive Vice Presidents

(1) Remuneration of Non-Independent/Independent Directors

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		
		Base Remuneration(A)		Severance Pay (B)		Bonus(C)		Allowance (D)				
		The Company	Companies in consolidated financial statements	The Company	Companies in consolidated financial statements	The Company	Companies in consolidated financial statements	The Company	Companies in consolidated financial statements	The Company	Companies in consolidated financial statements	
Directors	(Names listed below)	8,769	20,202	0	0	67,183	84,833	130	610	0.38%	0.53%	
Independent Directors	(Names listed below)	0	0	0	0	46,117	46,117	1,255	1,975	0.24%	0.24%	

※List of Directors: Chairman Yung-Jen Huang (Representative of E.SUN Volunteer & Social Welfare Foundation), Directors E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Culture and Education Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd. (Representative Jackson Mai), Fu-Yuan Investment Co., Ltd. (Representative Rong-Chu Chen), Shang Li Car Co., Ltd. (Representative Chien-Li Wu), Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd.(Representative Mao-Chin Chen).

※List of Independent Directors: Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang

※Remuneration distributed to directors who are serving for year 2019.

※On top of the items disclosed above, remuneration collected by directors for rendering services to companies in the Company's consolidated financial statements (such as acting as non-employee advisors) during the most recent year: None.

※The policy, system, criteria, and structure concerning remuneration of independent directors, and correlation with their powers and duties, risk assumed, and time devoted:

- Set in accordance with the Company's Rules for Remuneration of Directors, all the remuneration criteria have undergone deliberations of the Remunerations Committee and secured approval of the Board of Directors.
- Remuneration of independent directors, the setting of which is based on the Bank's business performance, includes pay, recompense, and payments for business performed. In accordance with Article 40 of the Bank's Articles of Incorporation, the earnings of the Bank in a given year (pretax profit before distribution of employee and director compensation) shall be reserved to cover the losses accumulated from previous years. Of the subsequent balance, 2%-5% shall be allocated as employee compensation while not more than 0.9% shall be allocated as director remuneration. Every year the Bank's Remuneration Committee and Board of Directors shall consider and determine the weighting of such remuneration each director is entitled to. On top of the fundamental weighting, independent directors shall be assigned a weighting different from that given to non-independent directors commensurate with their powers and duties, risk assumed, and time devoted. Also taken into account shall be each director's attendance rate and concrete contribution to the operations of the Bank (results from evaluation of director performance). Ultimately the Board of Directors shall adopt a resolution on assigning an exclusive remuneration weighting commensurate with performance individually.
- With remuneration granted by industry peers also taken into account, the Bank's director remuneration is closely tied to the performance of both directors and the Bank and the risk that may emerge in the future. The Bank shall refrain from inducing directors to act in excess of its risk appetite simply to pursue higher remuneration. In the event of a major decline in the Bank's net income, the growth rate of director remuneration for the year in question shall not exceed that posted a year earlier. If any director violates the Bank's Code of Ethical Conduct for Directors or commits an offense that undermines the Bank's public image and reputation, future risk shall be incorporate into the deliberations of director remuneration and the Board of Directors may also resolve on reducing or recovering director remuneration.

2019.12.31 Unit: NT\$1,000

	Remuneration of Directors Concurrently Serving as Employees								Ratio of Total Remuneration (A+B+C+D+E=F+G) to Net Income (%)	Remuneration collected from the parent company or invested companies other than the Company's subsidiaries
	Salary, Bonus, and Allowance(E)		Severance Pay (F)		Employee Profit Sharing Plan (G)					
	The Company	Companies in consolidated financial statements	The Company	Companies in consolidated financial statements	The Company		Companies in consolidated financial statements		The Company	
					Cash	Stock	Cash	Stock		
	25,050	49,723	0	0	4,580	0	7,530	0	0.53%	0.81%
	0	0	0	0	0	0	0	0	0.24%	0.24%

Remuneration Bracket

Bracket	Name of Directors		
	Total of (A+B+C+D)		
	The Company	Companies in consolidated financial statements (H)	
Under NT\$1,000,000			
NT\$1,000,000 (inclusive)- NT\$2,000,000 (not inclusive)			
NT\$2,000,000 (inclusive)- NT\$3,500,000(not inclusive)			
NT\$3,500,000(inclusive)- NT\$5,000,000(not inclusive)			
NT\$5,000,000(inclusive)- NT\$10,000,000(not inclusive)	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Culture and Education Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd. (Representative Jackson Mai), , Fu-Yuan Investment Co., Ltd. (Representative Rong-Chu Chen), Shang Li Car Co., Ltd. (Representative Chien-Li Wu), Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd.(Representative Mao-Chin Chen), Independent Director Chen-En Ko, Independent Director Ji-Ren Lee, Independent Director Chen-Chen Chang Lin, Independent Director Hsin-I Lin, Independent Director Chun-Yao Huang	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Culture and Education Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd. (Representative Jackson Mai), , Fu-Yuan Investment Co., Ltd. (Representative Rong-Chu Chen), Shang Li Car Co., Ltd. (Representative Chien-Li Wu), Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd.(Representative Mao-Chin Chen), Independent Director Chen-En Ko, Independent Director Ji-Ren Lee, Independent Director Chen-Chen Chang Lin, Independent Director Hsin-I Lin, Independent Director Chun-Yao Huang	
NT\$10,000,000(inclusive)- NT\$15,000,000(not inclusive)			
NT\$15,000,000(inclusive)- NT\$30,000,000(not inclusive)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang)	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), Chairman of E.SUN Bank Gary K.L. Tseng	
NT\$30,000,000(inclusive)- NT\$50,000,000(not inclusive)			
NT\$50,000,000(inclusive)- NT\$100,000,000(not inclusive)			
Over NT\$100,000,000			
Total	123,454	153,737	

* The percentage of total profits distributed to directors as remuneration is based on the regulations set forth in Article 36 of the Company's Articles of Incorporation. The ratio and adjustment of remuneration for the chairman and directors are based on the regulations set forth in Article 27-1. The remuneration is meant to reflect the level of involvement in and contribution to the Company's operations. With remuneration granted by industry peers also taken into account, the Board is authorized to determine the level of such remuneration based on proposals by the Remuneration Committee.

Unit: NT\$1,000

Name of Directors		
	Total of (A+B+C+D+E+F+G)	
	The Company	Companies in consolidated financial statements (I)
	<p>E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Culture and Education Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd. (Representative Jackson Mai), Fu-Yuan Investment Co., Ltd. (Representative Rong-Chu Chen), Shang Li Car Co., Ltd. (Representative Chien-Li Wu), Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd. (Representative Mao-Chin Chen),</p> <p>Independent Director Chen-En Ko,</p> <p>Independent Director Ji-Ren Lee,</p> <p>Independent Director Chen-Chen Chang Lin,</p> <p>Independent Director Hsin-I Lin,</p> <p>Independent Director Chun-Yao Huang</p>	<p>E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Culture and Education Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd. (Representative Jackson Mai), Fu-Yuan Investment Co., Ltd. (Representative Rong-Chu Chen), Shang Li Car Co., Ltd. (Representative Chien-Li Wu),</p> <p>Independent Director Chen-En Ko,</p> <p>Independent Director Ji-Ren Lee,</p> <p>Independent Director Chen-Chen Chang Lin,</p> <p>Independent Director Hsin-I Lin,</p> <p>Independent Director Chun-Yao Huang</p>
	<p>E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), President of E.SUN FHC, Joseph N.C. Huang</p>	<p>E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), President of E.SUN FHC, Joseph N.C. Huang, Chairman of E.SUN Bank, Gary K.L. Tseng, Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd. (Representative Mao-Chin Chen)</p>
	153,084	210,990

(2) Remuneration of the President and Senior Executive Vice Presidents

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Allowance (C)		
		The Company	Companies in consolidated financial statements	The Company	Companies in consolidated financial statements	The Company	Companies in consolidated financial statements	
President	Joseph N. C. Huang	14,633	71,310	0	0	22,610	72,106	
CFO	Magi Chen							
Deputy President	Ben Chen							
CSO	Mao-Chin Chen							
CHRO	J.C. Wang							
CRO	Oliver Hsieh							
CIO	Wan-Li Hsieh							
SEVP	L.C. Lin							
SEVP	Wu-Ming Hsieh							
SEVP	Louis Chang							
SEVP	Jung-Hua Lin							
SEVP	Shui-Chin Shen							
SEVP	Cathy Kuo							
SEVP	Bruce Lee							
SEVP	Po-Hsuan Hsu							
SEVP	Yi-Hsin Tseng							
SEVP	Te-Ming Chung							
SEVP	Mei-Ling Liu							
CTO	Sheng-Wei Chen							
General Auditor	Chih-Kuang Huang							
CCO	Fion Ouyang							

2019.12.31 Unit: NT\$1,000

	Employee Profit Sharing Plan (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		
	The Company		Companies in consolidated financial statements		The Company	Companies in consolidated financial statements	Remuneration collected from the parent company or invested companies other than the Company's subsidiaries
	Cash	Stock	Cash	Stock			
	9,945	0	19,696	0	0.23%	0.81%	None

Remuneration Bracket

Unit: NT\$1,000

Bracket	Names of President, Deputy President, and SEVPs	
	The Company	Companies in consolidated financial statements
Under NT\$ 1,000,000	Mao-Chin Chen, Magi Chen, Ben Chen, J.C. Wang, Wan-Li Hsieh, Wu-Ming Hsieh, L.C. Lin, Louis Chang, Jung-Hua Lin, Cathy Kuo, Bruce Lee, Po-Hsuan Hsu, Te-Ming Chung, Mei-Ling Liu, Oliver Hsieh, Fion Ouyang	
NT\$1,000,000 (inclusive)- NT\$2,000,000 (not inclusive)	Shui-Chin Shen	Shui-Chin Shen
NT\$2,000,000 (inclusive)- NT\$3,500,000 (not inclusive)	Yi-Hsin Tseng	
NT\$3,500,000(inclusive)- NT\$5,000,000 (not inclusive)	Chih-Kuang Huang	Chih-Kuang Huang, Yi-Hsin Tseng, Te-Ming Chung, Mei-Ling Liu, Fion Ouyang
NT\$5,000,000(inclusive)- NT\$10,000,000 (not inclusive)	Sheng-Wei Chen	Mao-Chin Chen, J.C. Wang, Wan-Li Hsieh, Wu-Ming Hsieh, L.C. Lin, Louis Chang, Jung-Hua Lin, Cathy Kuo, Bruce Lee, Po-Hsuan Hsu, Oliver Hsieh, Sheng-Wei Chen
NT\$10,000,000(inclusive)- NT\$15,000,000 (not inclusive)		Ben Chen
NT\$15,000,000(inclusive)- NT\$30,000,000 (not inclusive)	Joseph N. C. Huang	Joseph N. C. Huang, Magi Chen
NT\$30,000,000(inclusive)- NT\$50,000,000 (not inclusive)		
NT\$50,000,000(inclusive)- NT\$100,000,000 (not inclusive)		
Over NT\$100,000,000		
Total	47,188	163,112

(3) Analysis of the ratios of total remuneration paid by all the companies included in the Company's consolidated financial statements to directors, the President, and senior executive vice presidents to net income for the most recent two years:

Unit: NT\$1,000

Year Title	2019						2018					
	The company			Companies in consolidated financial statements			The company			Companies in consolidated financial statements		
	Persons	Amount	Ratio to net income	Persons	Amount	Ratio to net income	Persons	Amount	Ratio to net income	Persons	Amount	Ratio to net income
Directors	13	153,084	0.76%	13	210,990	1.05%	13	154,590	0.87%	13	205,537	1.20%
President and SEVPs	21	47,188	0.23%	21	163,112	0.81%	19	33,438	0.20%	19	141,699	0.83%

Note: 2019 net income NT\$20,105,129,000; 2018 net income NT\$17,068,493,000.

(4) The remuneration policies, criteria, and portfolios; procedures for determining remuneration; and correlation with business performance and future risk:

A. The percentage of total profits distributed to directors as remuneration is based on the regulations set forth in Article 36 of the Company's Articles of Incorporation. The ratio and adjustment of remuneration for the chairman and directors are based on the regulations set forth in Article 27-1. The remuneration is meant to reflect the level of involvement in and contribution to the Company's operations. With remuneration granted by industry peers also taken into account, the board is authorized to determine the level of such remuneration. The Company formulated the Director Remuneration Policy regulating that the amount of director salary, payment method, and future risks for the company would have to be considered in negotiation for director remuneration. Furthermore, following the New Corporate Governance Blueprint, Strategy, and Goal, when a company sustains a material decline in net income, growth rate of director remuneration cannot be more than the level in the previous year. Moreover, to create a link between director performance evaluation and remuneration and personal performance and future risks, a number of "personal performance" criteria were added to the calculation and distribution of director remuneration. The policy was also made to explicitly state that director remuneration might be reduced or withdrawn by the resolution of board of directors if a director was found involved in a moral risk incident or any other incident that might have a negative impact on the company's image or reputation.

B. The performance review of the Company's senior managers and the policy, system, criteria, and structure with regard to their remuneration are subject first to deliberations of the Remuneration Committee and then to approval of the Board of Directors. With salary levels of the Company, industry peers, and the market at large taken into account, such remuneration is granted on the basis of managers' professional experience and in accordance with the E.SUN FHC Guidelines for Remuneration of Managers. To motivate managers to achieve and exceed corporate goals, create earnings, and advance business performance, the Company evaluates the remuneration of managers on a regular basis, during which the correlation with future risk is also taken into account. Meanwhile, a reward deferral mechanism is implemented in accordance with the E.SUN Company Guidelines for Long-Term Incentives so that the remuneration of managers can be linked to the Company's business performance more closely. On the other hand, bonuses for managers are bound to be adversely affected in the event of any major risk event that threatens to undermine corporate reputation, management deficiencies, abuses of various sorts, etc. Meanwhile, the Company will conduct stress tests and scenario simulations to gauge risk that is likely to emerge in the future, based on which the Risk Management Committee will submit a quarterly risk exposure report to the Board of Directors.

(5) Names of executive recipients of employee compensation and distribution of such

2019.12.31 Unit: NT\$1,000

Position	Name	Stock Amount	Cash Amount	Total	Ratio of Total to Net Income (%)
President	Joseph N.C. Huang	0	21,645	21,645	0.11%
CFO	Magi Chen				
Deputy President	Ben Chen				
CSO	Mao-Chin Chen				
CHRO	J. C. Wang				
CRO	Oliver Hsieh				
CIO	Wan-Li Hsieh				
SEVP	L.C. Lin				
SEVP	Wu-Ming Hsieh				
SEVP	Louis Chang				
SEVP	Jung-Hua Lin				
SEVP	Cathy Kuo				
SEVP	Bruce Lee				
SEVP	Po-Hsuan Hsu				
SEVP	Yi-Hsin Tseng				
SEVP	Te-Ming Chung				
SEVP	Mei-Ling Liu				
CTO	Sheng-Wei Chen				
General Auditor	Chih-Kuang Huang				
CCO	Fion Ouyang				
CBO	Daniel Tsai				
CMO	Chun-Yu Lin				
CAO	J. H. Ke				
Corporate Governance Officer	Mei-Cheng Chu				

(6) Top 10 beneficiaries of employee compensation and distribution

2019.12.31 Unit: NT\$1,000

Position	Name	Stock Amount	Cash Amount
President	Joseph N.C. Huang	3,353	13,490
CFO	Magi Chen		
Deputy President	Ben Chen		
CSO	Mao-Chin Chen		
CRO	Oliver Hsieh		
CIO	Wan-Li Hsieh		
SEVP	Po-Hsuan Hsu		
SEVP	Mei-Ling Liu		
CTO	Sheng-Wei Chen		
CBO	Daniel Tsai		

(7) Information on retired chairmen and presidents serving as advisors

Title	Nationality	Name	Gender	Position upon Retirement		Date of Appointment as Advisor	Purpose of Appointment	Division of Authority and Responsibility	Remuneration	Ratio of Remuneration to Net Income
				Entity and Title	Date of Retirement					
None										

3.3 Implementation of Corporate Governance



3.3.1 Board of Directors

8 board meetings (A) were held in the previous period. Directors and Independent Directors 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	8	0	100	Re-elected
Director	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	8	0	100	Re-elected
Director	Representative of E.SUN Culture and Education Foundation Gary K.L. Tseng	8	0	100	Re-elected
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	8	0	100	Re-elected
Independent Director	Chen –En Ko	8	0	100	Re-elected
Independent Director	Ji-Ren Lee	8	0	100	Re-elected
Independent Director	Chen-Chen Chang Lin	8	0	100	Re-elected
Independent Director	Hsin-I Lin	8	0	100	Re-elected
Independent Director	Chun-Yao Huang	8	0	100	Newly elected
Director	Representative of Fu –Yuan Investment Co., Ltd. Rong-Chu Chen	8	0	100	Re-elected
Director	Representative of Shang Li Car Co., Ltd. Chien-Li Wu	8	0	100	Re-elected
Director	Representative of Shan Meng Investment Co., Ltd. Magi Chen	8	0	100	Re-elected
Director	Representative of Sunlit Transportation Co., Ltd. Mao-Chin Chen	8	0	100	Newly elected

Note: all independent directors attended the board meetings in person.

Other mentionable items:

(1) If there are the circumstances referred to the following issue, the Company should specify the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion.

A. Article 14-3 of Securities and Exchange Act: Not applicable as the Company has set Audit Committee.

B. In addition to matters above, other objections or qualified opinions from the independent directors to resolutions made by the Board of Directors on-record or in writing: None.

(2) Recusals of Directors due to conflicts of interests

Directors	Motion	Reason for recusal	Voting participation situation
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Salary adjustments for senior managers of the Company	The agenda contained matters involving personal interests of the directors	Joseph Huang, Magi Chen and Mao-Chin Chen recused themselves from discussions and voting.
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Proposal for 2018 year-end bonus and long term incentive distribution to managers of the Company	The agenda contained matters involving personal interests of the directors	Joseph Huang, Magi Chen and Mao-Chin Chen recused themselves from discussions and voting.
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Proposal for 2018 employee compensation distribution to managers of the Company and presidents of its non-banking subsidiaries	The agenda contained matters involving personal interests of the directors	Joseph N.C. Huang recused himself from discussions after reporting. Magi Chen and Mao-Chin Chen recused themselves from discussions and voting
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Salary adjustments for managers of the Company and presidents of its non-banking subsidiaries	The agenda contained matters involving personal interests of the directors	Joseph N.C. Huang recused himself from discussions after the proposed remuneration adjustments of senior managers on the levels below senior executive vice presidents. Magi Chen and Mao-Chin Chen recused themselves from discussions and voting.
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Proposal for 2019 year-end bonus and long term incentive distribution to managers of the company and presidents of its non-banking subsidiaries	The agenda contained matters involving personal interests of the directors	Joseph N.C. Huang recused himself from discussions after the proposed year-end bonus and long term incentive distribution to senior managers on the levels below senior executive vice presidents. Magi Chen and Mao-Chin Chen recused themselves from discussions and voting.
Yung-Jen Huang Gary K.L. Tseng Joseph N.C. Huang Jackson Mai Chen –En Ko Ji-Ren Lee Chen-Chen Chang Lin Hsin-I Lin Chun-Yao Huang Rong-Chu Chen Chien-Li Wu Magi Chen Mao-Chin Chen	Proposal for the Company's 2019 remuneration of directors	The agenda contained matters involving personal interests of the directors	The proposal was discussed in stages: 1. Independent directors did not participate in discussions or voting when directors discussed the independent director compensation distribution plan. 2. Non-independent directors did not participate in discussions or voting when independent directors discussed the director compensation distribution plan.
Yung-Jen Huang Joseph N.C. Huang Jackson Mai Rong-Chu Chen Chien-Li Wu Magi Chen Mao-Chin Chen	Nomination for directors of 7th board of directors	The agenda contained matters involving personal interests of the directors	Those directors recused themselves from discussions and voting.
Chun-Yao Huang	Nomination for independent directors of 7th board of directors	The agenda contained matters involving personal interests of the directors	The director recused himself from discussions and voting.

(3) Board evaluation status

A. The 4th board of directors passed the "Board of Directors Performance Evaluation Policy" in its 15th meeting on February 1, 2013. The evaluation procedure is as follows:

Frequency	Period	Scope	Method	Description
Internal Evaluation: Conducted in the first quarter of every year for the performance of the previous year	In January 2020, the company evaluated performance of the board of directors and the functional committees for the period between January 1, 2019 and December 31, 2019. The results were submitted to the board of directors and the functional committees for approval or presented to the board of directors as appropriate in January 2020.	Evaluation of performance of the board of directors as a whole, that of individual board members, and that of the functional committees.	1. Board performance evaluation 2. Director self-assessment and overall evaluation 3. Functional committee performance evaluation	1. Board performance evaluation covers 5 aspects (47 indicators): degree of participation in company operations; quality of board decisions; board composition and structure; selection of suitable board directors and continuing professional education; and internal control. 2. Functional committee performance evaluation covers 5 aspects (24 indicators): degree of participation in company operations, awareness of functional committee responsibilities, improvement in the quality of decision making by the functional committee, composition and structure of the functional committee, and internal control. 3. Director self-assessment covers 6 aspects (25 indicators): grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.
External Evaluation: Once every three years	In May 2017, E.SUN commissioned the Taiwan Corporate Governance Association, an external independent agency, to conduct board performance evaluation.	Composition, leadership, authorization, supervision, communication, and self-regulation of the board of directors, internal control, and risk management	Performance evaluation to be conducted by an external independent agency or external experts at the company's commission. Having a professional agency review the activities of the board and the functional committees gave E.SUN the opportunity to receive instructions from and exchange views with the inspectors and obtain reports that were professional and impartial.	TCGA conducted the board performance evaluation in 8 aspects, including composition, leadership, authorization, supervision, communication, and self-regulation of the board of directors, internal control, and risk management, and 30 indicators. The evaluation took the forms of questionnaires and onsite interviews. In particular, 78.25% of the results were fully compliant and 18% partially compliant.

B. Starting in 2019, the Board Performance Evaluation Scorecard is changed from a yes/no system to a 5-point scale with "excellent", "good", "satisfactory", "unsatisfactory", and "needs improvement" for quantified evaluation. E.SUN has incorporated commitments, community participation, and environmental policies into its business strategies. Evaluation of the performance of the board of directors and the functional committees for 2019 was completed on January 10, 2020 and January 8, 2020, respectively. All areas were rated excellent.

(A) The board of directors participated actively in company operations and performed their duties in advising and overseeing business strategies, major operations, and risk management and establishing an adequate internal control system. 43 items were rated "excellent" and 4 "good". The score is 98.29%

(B) The overall performance of the functional committees was in line with corporate governance principles. The functional committees served their purposes as intended and effectively made the board more effective.

- a. The results of the Audit Committee evaluation had 22 items rated "excellent" and 2 not applicable. Overall result: Excellent.
- b. The results of the Remuneration Committee evaluation had 17 items rated "excellent", 1 "good", 1 "satisfactory", and 5 not applicable. Overall result: Excellent.
- c. The results of the Corporate Governance and Nomination Committee evaluation had 16 items rated "excellent", 1 "good", and 7 not applicable. Overall result: Excellent.

- d. The results of the Board Strategy Development Committee evaluation had 16 items rated "excellent", 1 "good", and 7 not applicable. Overall result: Excellent.
- e. The results of the CSR Committee evaluation had 16 items rated "excellent", 1 "good", and 7 not applicable. Overall result: Excellent.

(C) In addition, on March 12, 2020, the company presented the results of the 2019 director performance evaluation based on self-assessments by the directors and peer reviews.

- a. Self-assessment score: 99.38%
- b. Overall self-evaluation score: 99.26%

C. In the board performance evaluation that it conducted for E.SUN, the Taiwan Corporate Governance Association concluded that the professional training of E.SUN directors were in line with the needs of the company, and the board upheld the founder's vision to build a healthy financial holding group and stayed in close communication with the management divisions to fulfill its role in oversight and supervision. Meanwhile, TCGA made the following recommendations: the company conduct evaluation by classifying and quantifying the items, implement orientation training for new directors, and keep monitoring workforce characteristics such as low turnover and high homogeneity in the company. E.SUN had submitted the final report to the 4th meeting of the 6th board of directors on August 11, 2017. The recommendations were added to the corporate governance priority project, and are being implemented on an ongoing basis. E.SUN intends to commission an independent external agency to conduct board performance evaluation by the end of 2020.

(4) Evaluation of the goals (e.g., set up an audit committee, enhance information transparency) and implementation status of strengthening the duties and functions of the Board of Directors during the most recent year:

- A. To improve the corporate governance system, improve monitoring functions, and reinforce management functions, the Company has officially adopted the auditing committee system as of June 2008 following the reelection of directors in the shareholders' meeting.
- B. In 2006, a Remuneration Committee was established and the criteria for committee members were adjusted in advance in 2011 in accordance with the provisions specified in Article 6, Paragraph 1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. Since 2012, a CSR Committee was established to implement the CSR of the Company and its subsidiaries. The Company's Board of Directors will cooperate with all functional committee members and actively strengthen the responsibilities of the Board of Directors to implement corporate governance.
- C. In 2016, the item, "regular inspections of sustainability practices of company", was made one of the indicators in the board of directors performance evaluation process in the interest of creating short-, medium- and long-term value for the company and achieving sustainability.
- D. In 2017, the Corporate Governance Association in Taiwan was commissioned to conduct board performance evaluation. The professional agency examines the operation of the board of directors and functional committees. The evaluation committee's guidance and exchange provided the Company with professional and objective medical examination report.
- E. The directors of the 6 board of directors were elected at the 2017 shareholders meeting. The Company added one independent director to the board on a voluntary basis. The five current independent directors and directors of the board possess individually the knowledge, skills, and literacy and collectively the training necessary to perform their duties. The Company tries to incorporate CSR into its business strategies. The CSR Committee composition was adjusted in 2017 to comprise only directors and two independent directors based on international trends.
- F. In 2019, E.SUN organized two director training courses for a total of 6 hours, on "A director's fiduciary duty and the business judgment rule" and "Global Trends in AML/CTF Efforts and Regulations". In addition, directors will be provided with a variety of external courses that help them to gain a better understanding of their fields and fulfill their duties of loyalty and due diligence as business decision makers and leaders.
- G. E.SUN assigns an appropriate number of suitable corporate governance staff to be responsible for corporate governance practices. On January 18, 2019, E.SUN appointed Senior Manager Mei-Cheng Chu, who had more than 10 years of experience in legal affairs and business meetings, to be the corporate governance officer. The establishment of the Board Secretary Division under the board of directors was approved by the board of directors on January 10, 2020. The Board Secretary Division reports directly to the board of directors and handles general meeting administration for the board of directors.

3.3.2 Audit Committee

A total of 7 Audit Committee meetings (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	7	0	100	Re-elected
Independent Director	Ji-Ren Lee	6	1	85.71	Re-elected
Independent Director	Chen-Chen Chang Lin	7	0	100	Re-elected
Independent Director	Hsin-I Lin	7	0	100	Re-elected
Independent Director	Chun-Yao Huang	7	0	100	Newly elected

Other details that warrant inclusion:

(1) In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the company's responses to the Audit Committee's opinions should be provided:

A. Matters listed in Article 14-5 of the Securities and Exchange Act:

Date	Session	Issue to discuss	Result
2019.01.18	13th session of 6th Board of Directors	Amendment of the Company's Asset Acquisition or Disposal Procedures	Audit Committee: The proposal was passed by a unanimous vote and submitted to the board of directors. Board of Directors: The proposal was passed by a unanimous vote.
2019.03.15	14th session of 6th Board of Directors	2018 consolidated financial statements	
		Capitalized earnings and employee compensation	
		Auditing and Certification of Financial Statements by Certified Public Accountants	
		2018 Statement on the Internal Control System	
2019.04.24	15th session of 6th Board of Directors	Amendment of the Company's Shareholder Services Guidelines	
		Submission of the Company's re-reviewed audit plan for 2019	
2019.08.09	17th session of 6th Board of Directors	2019 first half consolidated financial statements	
		Amendment of the Company's Procedure for Derivatives Transactions	
2019.11.13	18th session of 6th Board of Directors	Amendment of the Company's internal control system	
		Submission of the Company's 2020 audit plan	
2020.01.10	19th session of 6th Board of Directors	Nomination of new general auditor for the Company	
2020.03.12	20th session of 6th Board of Directors	2019 consolidated financial statements	
		Capitalized earnings and employee compensation	
		Change/Replacement of independent auditor	
		2019 Statement on the Internal Control System	
		Amendment of the Company's Procedure for Derivatives Transactions	

B. In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None

(2) If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None

(3) Communications between the independent directors, the Company's Chief Internal Auditor and CPAs, including the items, methods and results of audits of corporate finance or operations, etc.

Date	Mode	Object	Issues to communicate	Result
2019.01.08	Meeting	The Company's CPA	Pre-audit meeting for communication on the 2018 group financial statement audit	Proceed as required.
2019.01.17	Audit Committee	The Company's CPA	Submission of the 2018 financial statement audit plan	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted.
		The Company's General Auditor	Submission of the 2018 Q4 audit working papers	Duly noted and no other recommendation.
2019.03.14	Audit Committee	The Company's CPA	Submission of the 2018 financial statement audit results	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted.
2019.04.18	Audit Committee	The Company's General Auditor	Submission of the 2019 Q1 audit working papers	Duly noted and proceed as recommended.
			Submission of re-reviewed audit plan for 2019.	The plan was passed by a vote and submitted to the Board of Directors for review.
2019.08.06	Audit Committee	The Company's CPA	Submission of the 2019 first half financial statement audit results	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted and thereafter provided as recommended by independent directors to the accountant as reference for drafting the due diligence report.
		The Company's General Auditor	Submission of the 2019 Q2 audit working papers	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted and proceed as recommended.
2019.11.12	Audit Committee	The Company's General Auditor	Submission of the 2019 Q3 audit working papers and the reports from the securities and banking subsidiaries to the directors	Duly noted and proceed as recommended.
			Submission of the 2020 financial statement audit plan	1. Approved and proposed to the Board of Directors. 2. Proceed as recommended.
2019.11.12	Audit meeting	The Company's General Auditor and other auditors	Discussions on internal audit related matters.	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Implemented assessment mechanism as recommended.
2019.12.03	Meeting	The Company's CPA	Pre-audit meeting for communication on the 2019 group financial statement audit.	1. Questions raised by the independent directors were answered and opinions exchanged. 2. As recommended by independent directors, the Group's significant considerations and the ratios of individual financial information of non-significant components were presented at the Audit Committee meeting.
2020.01.08	Audit Committee	The Company's CPA	Submission of the 2019 financial statement audit plan	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted and no other recommendation.
		The Company's General Auditor	Submission of the 2019 Q4 audit working papers and the immediate reports from the bank's subsidiaries to the directors in 2019 Q4.	Duly noted and no other recommendation.
2020.03.11	Audit Committee	The Company's CPA	Submission of the 2019 financial statement audit results	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted and no other recommendation.

Note:

- A. The chief auditor of the Company reports regularly the audits performed and the results and follow-up to the independent directors during quarterly meetings of the Audit Committee.
- B. Independent directors meet with the chief auditor and auditors at least once every year to fully communicate and document issues relevant to the Company's internal and external audits. Meeting minutes are included as part of the audit working papers.
- C. The CPA attends at least three Audit Committee meetings every year during the review of semi-annual and annual financial reports, to explain the method and scope of financial statement auditing as well as relevant statutory updates and to engage in in-depth discussions with independent directors.
- D. The CPA and independent directors convene a pre-audit meeting for communication on the group financial statement audit at least once every year.
- E. The chief internal auditor, CPA, and independent directors shall maintain an unimpeded two-way communication, and each of the parties can contact one another directly, when it is deemed necessary.

(4) Key focuses of the Audit Committee for the year

A. The Company's Audit Committee shall be operated, mainly, to fulfill the following supervisory purposes:

- Fair representation of the Company's financial statements.
- Evaluation of hiring or dismissal of an attesting CPA and its independence and performance.
- Effective implementation of the internal control system.
- The compliance to relevant regulations and rules.
- Management of existing or latent risks.

B. Matters to be reviewed by the Audit Committee in 2019 include mainly the following:

- Financial statement audit and accounting policies and procedures.
- Internal control system and policies and procedures related to it.
- Policies and procedures relevant to the acquisition or disposal of major assets or to derivative trading.
- Annual audit plan.
- Evaluation of CPA qualifications and their independence and performance.
- Appointment, discharge, or remuneration of CPA.
- Appointment or removal of chief officers of finance, accounting and internal audit.
- General auditor performance evaluation.
- Evaluation of Audit Committee performance.

3.3.3 Items of disclosure according to corporate governance code for FHCs

Please refer to this annual report and <https://www.esunfhc.com/en/corporate-governance>

3.3.4 Status of the Company's implementation of corporate governance, any difference of such implementation from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference

Item			
	Yes	No	
<p>1. Shareholding structure and shareholders' equity of the financial holding company</p> <p>(1) Does the Company institute a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and suits, as well as act in accordance with the said procedures?</p> <p>(2) Does the Company have access to the identity of major shareholders who have actual control over the Company as well as that of their ultimate control persons?</p> <p>(3) Has the financial holding company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations?</p> <p>(4) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market?</p>	V		
<p>2. Composition and Duties/ Responsibilities of the Board of Directors</p> <p>(1) Besides setting up the Remuneration Committee and Audit Committee according to law, does the Company voluntarily set up other functional committees?</p> <p>(2) Does the Company evaluate the independence of its CPA on a regular basis?</p> <p>(3) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?</p> <p>(4) Has the listed financial holding company established and implemented methods for assessing the performance of the Board of Directors, conducted performance evaluation annually, presented the performance evaluation results to the Board of Directors, and used the results as reference for remuneration and re-election nominations of individual director?</p>	V		

Status of implementation		Any difference from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference
	Summary	
	<p>(1) The Company has appointed a spokesperson and established an investor relations department as well as a department charged specifically with stock affairs. Meanwhile, contact information is fully disclosed on the Company's official website so that shareholders can express opinions over the phone, by email, or through leaving online messages. In turn, the Company is proactive to respond to and deal with them properly in accordance with pertinent internal procedures.</p> <p>(2) Major shareholders who own a stock of not less than 5% all report to the Company the status of their shareholdings in accordance with pertinent laws and regulations. For its part, the Company promotes awareness of such laws and regulations and offers related documents and forms on its official website.</p> <p>(3) To supervise the establishment and implementation of a risk management system across the Company and its subsidiaries, the Company has set up a Risk Management Committee that is responsible for implementing and supervising risk management policy, building a risk management culture, and laying down the Company's Risk Management Policy and Guiding Principles. Moreover, the Risk Management Committee is responsible for implementing risk management decisions made by the Board of Directors. It also supposed to act as integrator when it comes to the review, supervision, and coordination of risk management mechanisms across the Company and its subsidiaries; it is also to establish defense mechanisms to uphold information security in business interaction, transactions, and information exchanges between the parent company and subsidiaries. E.SUN has implemented the Guidelines for Managing Counterparty Limits for E.SUN FHC and Subsidiaries in order to improve asset quality and strengthen management of concentration risk. In addition, to establish the guidelines for managing affiliated companies in the group, E.SUN has also implemented the E.SUN FHC Stakeholder Transaction Policy, the E.SUN FHC Management Guidelines for Stakeholder Transactions, the E.SUN FHC Subsidiary Management Guidelines, the Internal Operating Procedures Pursuant to Article 45 of the Financial Holding Company Act for E.SUN FHC and Subsidiaries.</p> <p>(4) The Company has established the E.SUN Financial Holding Co., Ltd. and Subsidiaries Material Insider Information Management Procedures, which states that insiders shall refrain from inquiring or gathering material non-public information irrelevant to their duties from other personnel within the Company. Any material non-public information obtained through means unrelated to one's own duties cannot be revealed to others. Insiders shall also be prohibited from trading shares or equity securities of relevant companies before information is made public. Furthermore, the abovementioned personnel are not allowed to trade non-equity instruments, such as corporate bonds, if the material insider information concerns the Company's principal and interest servicing capabilities.</p>	None
	<p>(1) The Company has also set up the Corporate Governance and Nomination Committee, Strategy Committee, and Corporate Social Responsibility Committee.</p> <p>(2) Pursuant to Article 29 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Company engages professional, responsible, and independent CPAs to audit its finances and internal control on a regular basis. Meanwhile, the Company's Audit Committee and Board of Directors are called upon to evaluate the suitability, independence, and fair pricing of the engaged CPA every six months (in the first and third quarters). For its part, the CPA firm is supposed to present a statement of independence (specifying that the CPAs responsible for audit and their spouses as well as dependent relatives have no major financial interests involving the Company, either directly or indirectly, or have independence in any other way). To effectively avoid conflicts of interest, the Company conducts an inspection in the first quarter of every year to make sure that the contracted CPAs are not interested parties referred to in Article 45 of the Financial Holding Company Act, do not enjoy more favorable terms and deposit/lending rates than for similarly situated customers while engaging in relationship of loans with the subsidiary E.SUN Bank, and do not hold shares in the Company.</p> <p>(3) The Company has established the Rules for Director Election and made mid/long-term plans for director structure and diversification according to the company's industry characteristics and future development strategies. The Rules specify the basic qualities, professional knowledge/skills, and overall capabilities required of directors and encourage referral of excellent outsider candidates in order to ensure corporate sustainability. In addition, the Company also evaluates and reviews the structure and composition of every newly elected director.</p> <p>(4) The Company approved the Board of Directors Performance Evaluation Policy on 2013.02.11 during the 15th Meeting of the Fourth Board of Directors, and evaluates the performance of the board, functional committees, and directors (self- and overall assessment) periodically on a yearly basis. The 2019 director performance evaluation was presented to the 20th Meeting of the Sixth Board of Directors on 2020.03.12. The results are included as the basis for the next director election. The Company's director remuneration distribution is also linked to the evaluation results, taking into consideration the individual performance of the directors and the company's future risks to assign the weightage of exclusive remuneration for each director.</p>	None

Item			
	Yes	No	
3. Has E.SUN FHC established adequate number of competent corporate governance personnel and officer who are in charge of corporate governance-related matters (including but not limited to providing directors and supervisor's information needed for the implementation of their duties, matters related to compliance of directors, implementation of corporate registration and registration changes, and production of board and shareholders meeting minutes, etc.)?	V		
4. Has the financial holding company established any communication channels with stakeholders (including but not limited to shareholders, employees, and clients) or stakeholders' area on official website to respond to important CSR issues?	V		
5. Information Disclosure (1) Does the Company install a website for disclosing information on finances, operations, and corporate governance? (2) Does the Company resort to other means of information disclosure (such as installing an English website designating personnel to collect and disclose material information of the company, appointing a spokesman to communicate with the general public, making public the recordings of investor briefings on its website, etc.)? (3) Does the financial holding company publicly disclose its annual financial report at the end of the accounting year within the prescribed time limit in accordance with the Financial Holding Company Act and the Securities and Exchange Act, and publicly disclose its Q1, Q2, and Q3 financial reports and monthly operation status ahead of the prescribed time limit?	V		

Status of implementation		Any difference from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference
	Summary	
	<p>The Company assigns an appropriate number of suitable corporate governance staff to be responsible for corporate governance practices. On January 18, 2019, the Company appointed Senior Manager Mei-Cheng Chu, who had more than 10 years of experience in legal affairs and business meetings, as the corporate governance officer. As approved by the Board of Directors on 2020.01.10, a Board Secretary Division directly under the Board of Directors was established to organize meeting agendas and related matters.</p> <p>Following are matters related to corporate governance:</p> <ol style="list-style-type: none"> (1) Preparing for matters for board and shareholders meetings in accordance with law. (2) Preparing for board and shareholders meeting minutes. (3) To provide assistance for the directors to assume office and complete continuing education. (4) To provide directors and independent directors with information needed for the performance of their duties. (5) To assist the directors and independent directors in legal compliance. (6) Other matters determined in the Company's articles of incorporation or in contract. <p>Proceedings of 2019 are as follows. Agenda that have been proposed to and approved by the board:</p> <ol style="list-style-type: none"> (1) Execution and business integrity policies, including education and training, announcement of rules for compliance, and annual examination. (2) Held a 6-hours training session was offered to the directors; and purchased adequate "directors and officers liability insurance". (3) Received an Outstanding rating from the Corporate Governance Association in Taiwan (CG6010). (4) Established the Procedures for Handling Director Requests to assist directors with performing their duties and complying with laws, to provide appropriate and timely responses to directors' requests, and to support directors in performing their duties. (5) Established the Rules for Director Election, which include the overall capabilities required of the Board of Directors, directors' basic criteria, professional qualifications, and director recruitment and election procedures. 	None
	<p>The Company has appointed a spokesperson and set up an investor relations department for communicating with stakeholders. Shareholders and customers can fully express their opinions through the Company's stock affairs and customer service departments respectively. For their part, employees can take their complaints, if any, to the Company's human resources department. All problems can be solved properly and communication can proceed smoothly. Separately, the Company's website includes a special section for corporate social responsibility and stakeholders that not only makes public the Company's CSR report but also responds to issues cared by stakeholders and provides a channel for communicating with stakeholders.</p>	None
	<ol style="list-style-type: none"> (1) a. The Company has installed a website (https://www.esunfhc.com/en/investor-relations/company-overview/company-profile) to disclose information on finances, operations, and corporate governance. b. Information to be disclosed includes that with regard to finances, operations, board resolutions, presentations at investor briefings, internal control, personnel designated for communicating with investors, etc. (2) a. The Company has installed an English website and designated personnel to collect and disclose material information. b. The Company has faithfully implemented a mechanism under which the position of spokesperson is taken by someone who has a thorough understanding of the financial holding company's finances and operations and is able to coordinate with all department. The spokesperson's contact information is fully disclosed on the Company's website: <ul style="list-style-type: none"> - Spokesperson Name: Joseph Huang Title: President, E.SUN FHC Telephone: (+886) 02-2175-1313 - Deputy Spokesperson Name: Magi Chen Title: CFO Telephone: (+886) 02-2175-1313 - Agency Handling Share Transfer Administration Department (Stock Affairs), General Administration Division, E.SUN FHC Address: 1F, No. 115 Sec. 3, Ming-Sheng E. Road, Taipei, Taiwan Telephone: (+886) 02-2175-1313 c. Investor conference presentations, along with audio files, are uploaded onto the Company's website. A dedicated unit is in charge of material maintenance. (3) The Company prepared documents in advance and completed quarterly reports as well as relevant processes before deadlines. 	None

Item			
	Yes	No	
6. Does the financial holding company have other crucial information that facilitates understanding the operation status of its corporate governance(including but not limited to situations regarding employee rights and interests, employee care, investor relations, the rights and interests of stakeholders, the continuing education of directors and super- visors, the implementation status of risk management policies and risk measuring standards, the implementation status of customer policies, the situation concerning the Company's purchase of liability insurance for directors and supervisors, and donations made to political parties, stakeholders, and public interest groups)?	V		

	Status of implementation	Any difference from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference
	Summary	
	<p>(1) To boost the capacity of the Board of Directors for supervision and management, the Company has adopted the Rules of Procedure for Board Meetings that regulate the main agenda items, operational procedures, and mandatory contents of meeting minutes. Board meetings shall be held in accordance with these rules.</p> <p>(2) Board directors are asked to attend relevant training programs from time to time.</p> <p>(3) The Company has established the Risk Management Committee that is called upon to effectively implement risk control and management policy. A summary of the scope and characteristics of the Company's compile risk management reports and risk measurement system is as follows:</p> <p>A. Credit Risk Establish a systematic approach to managing credit risk associated with borrowers, counterparties in transactions, or asset portfolios: setting up a proper credit risk control environment; placing the credit risk of trading counterparties under control and management as well as producing credit ratings for the counterparties; setting conditions for the control and management of risk exposure and risk concentration associated with any individual product, industry, or business conglomerate.</p> <p>B. Market Risk For their on- and off-balance sheet items, the Company and its subsidiaries shall establish mechanisms for assessing and controlling risk deriving from price, exchange rate, and interest rate fluctuations.</p> <p>C. Liquidity Risk Assess the composition of major assets and the liquidity risk they facing. Manage the risk based on the features of each industry and pertinent regulations set by the competent authority. Put in place a liquidity risk emergency response plan.</p> <p>D. Operational Risk Establish a full range of operational processes, limits of authority for various operations, and processes for the control and management as well as audit of documents and certificates.</p> <p>E. Legal and Other Risk Manage legal and other risk by means of risk scenario stress testing as well as risk tolerance and capital adequacy evaluation.</p> <p>(4) The Company has always given priority to making sure that its subsidiaries offer quality customer service and implement a sound consumer protection policy. Their websites provide consumers with various channels of communication, including 24 hours customer service hotlines and sections reserved for online messages.</p> <p>(5) As part of its effort to establish a well-rounded corporate governance mechanism, the Company has provided board directors and key employees with comprehensive liability insurance so as to minimize the risk exposure of both itself and the personnel in question. The insured parties include the directors, supervisors, and managerial/supervisory employees of E.SUN FHC and its subsidiaries. The coverage extends to damage compensation and litigation expenses deriving from damage claims filed against E.SUN FHC and its subsidiaries for charges in relation to securities or employment practices; against directors or outside directors for alleged management or employment malpractices; against directors and outside directors for charges in relation to labor safety and health.</p> <p>(6) Multiple channels are made available for employees of the Company to communicate with all levels of management and the human resources department. All problems can be solved properly and communication can proceed smoothly. Each year the Company will organize a "knowledge-sharing" seminar to inform employees of its vision, policy, and other employee-related matters. Video conferences are also held for communicating with employees as needed. Meanwhile, the Employee Welfare Committee is charged with the responsibility of caring for employees.</p> <p>(7) To encourage shareholders to get involved in corporate governance, the Company has adopted the Rules of Procedure for Shareholders' Meetings. Besides the appointment of a spokesperson, the Company has also set up a department responsible specifically for handling stock affairs. Shareholders can fully express their opinions, and designated personnel will handle such matters accordingly. Moreover, all information on finances and operations is fully and truthfully disclosed in the Company's annual report and on its website.</p> <p>(8) To uphold corporate governance and corporate social responsibility, the Company has adopted the Regulations on Handling Donations. A summary of the Company's donations to political parties, interested parties, and public welfare organizations during the latest year: none.</p> <p>(9) Status of implementation of resolutions adopted by shareholders' meetings: Reports and acknowledgments are conducted as required by law. Regarding items submitted for discussion, the amendment of the Articles of Incorporation, Procedures for the Acquisition or Disposal of Assets, Rules of Procedure for Shareholders Meetings, and Rules for Director Election changed their wording in response to changes in external policies. The transfer of earnings and employee remuneration to capital was filed with the competent authority as required, and the related issuing procedures completed.</p> <p>(10) To build a team of leaders in sustainable operations and establish a professional leadership system for E.SUN, selection of management associates and discussion on plans to cultivate and develop top managers are regularly conducted by the management team, according to the functional duties of the Human Resource Development Committee. Job promotions must be reviewed by the Corporate Governance and Nomination Committee and approved by the Board of Directors.</p> <p>The Company's top managers are not only highly committed to E.SUN but also demonstrate a strong ambition and sense of responsibility, integrity, and willingness to selflessly cultivate talent. In addition to having a forward-thinking perspective on long-term development and providing a specific direction of development, these top managers also value the importance of corporate social responsibility and persist in the core values of E.SUN, making them a true representative of E.SUN's brand image.</p> <p>Vice Presidents De-Ming Chung and Mei-Ling Liu, who were elected for the first time in 2019, participated in training programs that cultivate and rotate employees across different roles. They also attended top-level management cultivation courses offered by prestigious universities in Taiwan and overseas such as National Taiwan University. The purpose of these courses is to foster abilities to communicate, coordinate, and integrate macro-level perspectives, different departments, and product lines. The expectation is to effectively establish consensus among E.SUN employees and develop strategies for E.SUN Group, thereby realizing the visions of E.SUN and building a bank run by professional bankers.</p>	None

7. Please explain improvements made pursuant to the Taiwan Stock Exchange Corporation Corporate Governance Center's corporate governance assessment results issued in the most recent year, and explain any matters and measures to be strengthened as a first priority in areas where improvements have not yet been made.

The Company advocates philosophies of corporate governance. It has been ranked within top 5% of the Corporate Governance Evaluation for five consecutive years since 2015 by TWSE, enabling E.SUN FHC to stand out from a crowd of TWSE/TPEX-listed companies. This honor was recognition of E.SUN FHC's commitment to the rights and interests of its shareholders and stakeholders and to corporate governance as well as its achievements.

The Company keeps close attention to and upholds the quality of its information disclosure. In 2018, it became Taiwan's first bank to disclose personal remuneration for the president and vice presidents of the company on a voluntary basis. Provided the financial statement and audit quality requirements are met, annual financial statements are released as soon as possible. Furthermore, the board of directors have established the E.SUN FHC Procedure For Handling Whistleblowing Reports. Whistleblowing hotlines, email addresses, and mailboxes are set up and announced on the corporate website and on the intranet. These channels are available to any insider or outsider wishing to report criminal, corrupt, or illegal conduct. The Company intends to make the criteria in which the Company did not score a part of the corporate governance priority project after the results of the 5th Corporate Governance Evaluation are announced.

The Company is also an active participant in the Corporate Governance Evaluation and devotes itself to become the best overall performance and being the most respected company. The Company received an "outstanding" rating in the CG6011 Corporate Governance Assessment (2017) by the Corporate Governance Association in Taiwan. Certification is valid from December 25, 2018 to December 24, 2020. E.SUN will continue to refine corporate governance, comply with international standards, and focus on sustainable development, thereby setting new milestones in Taiwan's banking sector.

8. The corporate governance officer completed the following training in 2019:

Date	Organizer	Course name	Hours
2019.07.03	Corporate Operation Association	Introduction to Taiwan's New Corporate Governance Blueprint and Corporate Governance Measures Related to Merger and Acquisition	3
2019.07.18		Defense Against Hostile Takeover and Responsibilities of Company Owners	3
2019.01.05-2019.04.20	Taiwan Corporate Governance Association	Interpreting Financial and Accounting Information	30
2019.01.05-2019.04.20		Corporate Governance	27
2019.07.26		Board Effectiveness and Remuneration Seminar	3
2019.05.14	Securities and Futures Institute	Advanced Practical Workshop for (Independent) Directors and Supervisors - How Directors and Supervisors with Non-Financial Background Review Financial Reports	3
2019.07.24		2019 Compliance Seminar on Insider Share Transfers for Listed Companies and Unlisted Public Companies	3
2019.10.02		Case Analysis for Special Breaches of Trust and Breach of Trust by Directors and Supervisors	3
2019.05.16-2019.05.17	Taiwan Academy of Banking and Finance	2019 Workshop for Current Personnel on Anti-Money Laundering and Counter Terrorism Financing	12
2019.06.21		Workshop on the Financial Consumer Protection Act - Financial Consumer Protection Act and Principles of Fair Customer Treatment	3
2019.11.25-2019.11.26		Compliance Personnel Workshop (80th)	15
2019.09.23-2019.09.24		Financial Derivative Regulations and Product Analysis Workshop	12
2019.09.19	Taiwan Stock Exchange Corporation	Forum for Strengthening the Stewardship Principles for Institutional Investors and Investor Relations of Listed Companies (no certificate)	3

3.3.5 Composition, duties, and operation of the Remuneration Committee

(1) Information concerning members of the Remuneration Committee

Status	Criteria	Whether individual possesses for at least five years' work experience and the following professional qualifications			Complies with the requirement of independence (Note)										Number of compensation committees at other listed companies of which the individual is a member on a concurrent basis	Notes
		At least a lecturer in the business, law, finance, or accounting department or other department connected with corporate business needs of a public or private university	A judge, prosecutor, lawyer, CPA, or other professional or technical worker who has received national certification in an area needed by the Company	Possesses business, law, finances, accounting, or other work experience needed by the company	1	2	3	4	5	6	7	8	9	10		
Independent director	Chen-En Ko	V		V	V	V	V	V	V	V	V	V	V	V	3	Complying with the requirements of Paragraph 1, Article 6 of the Regulations Governing the Establishment of Compensation Committees and Exercise of their Powers at Companies Listed on a Securities Exchange or Traded at a Securities Dealer's Office
Independent director	Ji-Ren Lee	V		V	V	V	V	V	V	V	V	V	V	V	4	
Independent director	Chen-Chen Chang Lin			V	V	V	V	V	V	V	V	V	V	V	0	
Independent director	Hsin-I Lin			V	V	V	V	V	V	V	V	V	V	V	1	
Independent director	Chun-Yao Huang	V		V	V	V	V	V	V	V	V	V	V	V	0	

Note: Please mark "V" in the space below relevant criteria met by members during the two years prior to appointment and during their period of appointment.

- A. Not an employee of the Company or an affiliate.
- B. 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, subsidiary or any subsidiary of the same parent company established pursuant to the Securities and Exchange Act or local regulations).
- C. 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 amount of 1% or more of the shares of the Company or ranks as one of its top ten shareholders.
- D. Not a manager listed in (A) or a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in (B) and (C).
- E. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that appoints a representative, as provided in Paragraphs 1 or 2, Article 27 of the Company Act, to act as a director or supervisor of the company (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to the Securities and Exchange Act or local regulations).
- F. Not a director, supervisor, or employee of other companies controlled by the same person with more than half of the company's director seats or voting shares (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to the Securities and Exchange Act or local regulations).
- G. Not a director, supervisor, or employee of another company or institution of the same person or spouse who is the company's chairman, president, or persons with equivalent position (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to the Securities and Exchange Act or local regulations).
- H. Not a director, supervisor, manager or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (the same does not apply, however, in cases where the specified company or institution holds 20 percent or more but 50 percent or less of the company's shares and the person is an independent director of the company, its parent company, subsidiary or any subsidiary of the same parent company established pursuant to the Securities and Exchange Act or local regulations).
- I. Not a professional who provides auditing service or provides commercial, legal, financial, accounting services, for which a cumulative compensation of less than NT\$500,000 is obtained in the past two years, to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or institution that provides such services to the Company or its affiliates; however, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- J. Not contain one of the requirements listed in the various subparagraphs of Article 30 of the Company Act.

(2) Information concerning the Remuneration Committee's operations

A. The Company's Remuneration Committee shall have 5 members. All members are independent directors.

B. Period of appointment of current committee members: From June 16, 2017 to June 15, 2020; the Remuneration Committee met 6 times during the most recent year (A). The following are the members' qualifications and their meeting attendance:

Title	Name	Actual attendance (B)	Attendance by a representative	Actual attendance rate (%) (B/A) (Note)	Notes
Convener	Chen-Chen Chang Lin	6	0	100	Re-elected
Member	Chen-En Ko	6	0	100	Re-elected
Member	Ji-Ren Lee	5	1	83.3	Re-elected
Member	Hsin-I Lin	6	0	100	Re-elected
Member	Chun-Yao Huang	6	0	100	Newly elected

Other matters that must be recorded:

- (1) In cases when the board of directors does not accept, or revises, a recommendation of the Remuneration Committee, clearly state the board meeting date, board number, resolution content, board resolution result, and the Company's handling of the Remuneration Committee's opinion (please clearly state the discrepancy and its reason of the salary compensation approved by the board was better than that recommended by the Remuneration Committee): none.
- (2) In cases when there is a record or written statement of members' opposition or qualified opinion concerning a resolution of the Remuneration Committee, please clearly state Remuneration Committee meeting date, committee period, resolution content, opinions of all members, and handling of members' opinions: None.

C. Agenda items and resolutions

Date	Name	Agenda	Resolution
2019.01.17	5th session of 3rd board of directors	2018 Performance evaluation of the committee	Remuneration Committee: All proposals were passed by a unanimous vote and submitted to the board of directors. Proposals regarding committee performance evaluation were submitted to the board of directors. Board of Directors: The proposal was passed by a unanimous vote.
		Amendment to the E.SUN Manager Remuneration Policy	
		Remuneration for Dr. Sheng-Wei Chen, new CTO and SEVP for the Company and its banking subsidiary	
		Salary adjustments for managers of the Company and senior managers of its subsidiaries	
		Proposal for 2018 year-end bonus and long term incentive distribution to managers of the Company and senior managers of its subsidiaries	
2019.03.14	6th session of 3rd board of directors	Amendment to the E.SUN Remuneration Committee Charter	
		Amendment to the Director Remuneration Policy for the Company and its subsidiary E.SUN Bank	
		2018 employee and director compensation distribution plans	
		2018 employee and director compensation distribution plans for the Company's subsidiary E.SUN Bank	
2019.08.06	7th session of 3rd board of directors	Amendment of the Company's Employee Retirement Rules.	
		Proposal for 2018 employee compensation distribution to managers of the Company and the presidents of subsidiaries other than the bank's subsidiaries	
2019.11.12	8th session of 3rd board of directors	Amendment of the Company's Director Remuneration Policy	
2020.01.08	9th session of 3rd board of directors	2019 Performance evaluation of the committee	
		Salary adjustments for managers of the Company and the presidents of subsidiaries other than the bank's subsidiaries	
		Proposal for 2019 year-end bonus and long term incentive distribution to managers of the Company and the presidents of subsidiaries other than the bank's subsidiaries	
2020.03.11	10th session of 3rd board of directors	Amendment of the Company's Remuneration Committee Charter	
		2019 employee and director compensation distribution plans	
		Proposal for the Company's 2019 director remuneration distribution plan and review of director remuneration reasonableness and director performance evaluation standards	

(3) Key focuses of the Remuneration Committee for the year

A. The Company's Remuneration Committee must exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the board of directors of the company to which it belongs.

B. The Remuneration Committee conducts yearly reviews of the remunerations for the Company's directors and managers and the subsidiary's senior managers, as well as the performance evaluation and remuneration policy, system, standards

and structure. Reasonableness is taken into account when the remunerations to the directors and senior managers are set, and such remunerations shall not run contrary to financial performance to a material extent. The said remuneration shall not be higher than that in the preceding year in the event of a material decline in profits or of long-term losses. The Committee reviews director performance evaluation standards in the first quarter of every year and combines them with directors' individual performance evaluation results to calculate the weightage of remuneration distribution, which is submitted to the board of directors for approval. Directors' remunerations are paid according to their performance evaluation results.

(4) Information concerning the Corporate Governance and Nomination Committee's operations

- A. The Company's Corporate Governance and Nomination Committee shall have 8 members.
- B. Period of appointment of current committee members: From June 16, 2017 to June 15, 2020. The Corporate Governance and Nomination Committee met 4 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

Title	Name	Actual attendance(B)	Attendance by a representative	Actual attendance rate(%)(B/A)	Note
Convener	Ji-Ren Lee	3	1	75	Re-elected
Member	Chen-En Ko	4	0	100	Re-elected
Member	Chen-Chen Chang Lin	4	0	100	Re-elected
Member	Hsin-I Lin	4	0	100	Re-elected
Member	Chun-Yao Huang	4	0	100	Newly elected
Member	Jackson Mai	4	0	100	Re-elected
Member	Yung-Jen Huang	4	0	100	Re-elected
Member	Gary K.L. Tseng	4	0	100	Re-elected

(5) Information concerning the Board Strategy Development Committee's operations

- A. The Company's Board Strategy Development Committee shall have 11 members.
- B. Period of appointment of current committee members: From June 16, 2017 to June 15, 2020. The Board Strategy Development Committee met 2 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

Title	Name	Actual attendance(B)	Attendance by a representative	Actual attendance rate(%)(B/A)	Note
Convener	Yung-Jen Huang	2	0	100	Re-elected
Member	Joseph N.C. Huang	2	0	100	Re-elected
Member	Gary K.L. Tseng	2	0	100	Re-elected
Member	Jackson Mai	2	0	100	Re-elected
Member	Chen-En Ko	2	0	100	Re-elected
Member	Ji-Ren Lee	2	0	100	Re-elected
Member	Chen-Chen Chang Lin	2	0	100	Re-elected
Member	Hsin-I Lin	2	0	100	Re-elected
Member	Chun-Yao Huang	2	0	100	Newly elected
Member	Ron-Chu Chen	2	0	100	Re-elected
Member	Chien-Li Wu	2	0	100	Re-elected

(6) Information concerning CSR Committee's operations

- A. The Company's CSR Committee shall have 5 members
- B. Period of appointment of current committee members: From June 23, 2017 to June 15, 2020. The CSR Committee met 4 times during the most recent year (A). The following are the member's qualifications and their meeting attendance:

Title	Name	Actual attendance(B)	Attendance by a representative	Actual attendance rate(%)(B/A)	Note
Convener	Yung-Jen Huang	4	0	100	Re-elected
Member	Joseph N.C. Huang	4	0	100	Re-elected
Member	Gary K.L. Tseng	4	0	100	Newly elected
Member	Ji-Ren Lee	3	1	75	Newly elected
Member	Chun-Yao Huang	4	0	100	Newly elected

3.3.6 Status of performance of social responsibility and difference from the CSR Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons for such difference

Item			
	Yes	No	
1. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality?	V		
2. Does the company have a unit that supports CSR practices on a full-time or part-time basis? Is the CSR unit operated by senior managers as authorized by the board of directors, and does the CSR unit report to the board of directors?	V		

Status of implementation	Summary	Any difference from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM- Listed Companies, and the reasons for any such difference
	The Company has risk management policies and guidelines in place that require the subsidiaries, while conducting business activities, evaluate adequately environmental, social, and corporate governance issues by taking risk management measures such as identification, measurement, monitoring and management. For example, the bank will assess the impact on the bank's profit in terms of environmental, social, and corporate governance risks.	No difference
	<p>(1) E.SUN FHC established a corporate social responsibility committee (CSR Committee) in 2011. The chairman serves as the committee's convener, and there are five dedicated teams to handle the issues of corporate governance, social welfare, environmental sustainability, customer rights, and care for employees. The teams effectively integrate resources and boost efficiency; there were a total of 40 meetings in 2019. In addition, the company reports three times of CSR strategies and implementation results to the board in 2019. As a rule, the company employs systematic and well-planned methods to achieve the long-term fulfillment of its corporate social responsibilities.</p> <p>(2) To implement corporate social responsibility, E.SUN take long term commitment and systematically methods to involve in economic, social and environmental aspects. Action plans of 2020 are listed below</p> <p>A. Economic aspect</p> <p>(A) Compliance: E.SUN raises awareness on legal compliance so that all E.SUN employees are exposed to a good compliance culture, voluntarily comply with laws and business regulations, uphold the value of integrity and discipline, and realize the belief that no business operations can be considered beyond risk and all services shall comply with laws and regulations. E.SUN adopts risk-based approaches to establish procedures, plans, and mechanisms for risk identification, assessment, control, measurement, monitoring, and independent reporting of legal compliance, and plans to set up a statutory information management system to comprehensively supervise and support the relevant legal compliance matters of each business unit.</p> <p>(B) Information Security: International professional institutions are hired to assess the maturity of E.SUN FHC in information security. The results are provided as the basis for the improvement and optimization of internal departments and for the planning of information security insurance purchases in order to enhance information governance. By using the platform of the Financial Information Sharing and Analysis Center (F-ISAC), E.SUN regularly shares threat intelligence and participates in red/blue army defense drills in an effort to build a joint defense system for the information security of the financial environment.</p> <p>(C) Anti-Money Laundering: E.SUN continues to benchmark against international standards and statutory regulations, improves the internal AML/CFT specifications of overseas and domestic sites, while strengthening relevant system effectiveness. In addition, E.SUN adopts a diverse array of an educational model to create an AML/CFT awareness culture to expand the professional and international perspectives of E.SUN employees.</p> <p>(D) Corporate Governance: E.SUN compiles a director manual, which is provided to newly elected directors as a guideline to exercise their duties. Director diversity and professional requirements, director candidate selection practices, and seminars for newly elected directors are stipulated in relevant rules and regulations. The implementation status of the Senior Manager Successor Plan is regularly reported to the Corporate Governance and Nomination Committee and the Board of Directors. The organizational rules for all committees are disclosed on the company's website.</p> <p>B. Social Aspect</p> <p>(A) Care For Employees: E.SUN continues to improve employee care by advocating work-life balance and providing employees with heartwarming health-promotion activities that closely meet their needs. Maternal care measures are also promoted and implemented to create a happy workplace.</p> <p>(B) Financial Inclusion: E.SUN incorporates the government's Open Banking policy to actively develop an API-based service economy, expand inclusive financing, and provide financial services that are as convenient and universal as access to utilities.</p> <p>E.SUN plans to offer short-term, speedy personal micro-loans, thus enabling customers who need small loans to also access financial services conveniently. E.SUN continues to improve the exchange rate alert and instant notification regarding max/min exchange rate alert, which keeps customers abreast of the best exchange rate and entry opportunities, and creates new service experiences in "foreign currency average cost" that enable customers to embark on the most unforgettable foreign currency journey.</p> <p>E.SUN is an active participant in the National Development Council's My Data campaign. With customer consent, financial institutions can, whenever and wherever, access customers' personal data from government institutions to apply for various financial services.</p> <p>Online care mechanisms such as scam prevention will be provided on digital channels to elevate customers' safety of using digital banking services.</p> <p>(C) Consumer Protection and Fair Customer Treatment: While business is developing, E.SUN continues to build a corporate culture that embraces financial consumer protection and places the principles of fair customer treatment at the core. This is achieved by establishing a Customer Charter in line with international standards and implementing this charter for the betterment of customer services. The Customer Charter introduces the services we provide, our key commitment to customers, what we expect from customers, fair customer treatment principles, and relevant service terms and conditions. In addition to assisting customers to clearly understand E.SUN products and services, E.SUN adopts diversified communication channels to understand and care for customers and to continue to improve customer experience.</p>	E.SUN's corporate culture and operational philosophies play a foremost role in establishing complete legal compliance and internal control system. 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

Item			
	Yes	No	

Status of implementation		Any difference from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM- Listed Companies, and the reasons for any such difference
	Summary	
	<p>(D) Talent Cultivation: Infused with science, technology, cultural, and environmental elements, innovative learning experiences are provided to employees and coupled with strategy development to promote digital technological capacity and to enhance international banking competency. E.SUN continues to improve its talent development system, offering interdisciplinary training through job rotations to foster high-potential and high-caliber talent.</p> <p>(E) Social Welfare</p> <ul style="list-style-type: none"> - Academic Education: Through E.SUN Golden Seed Project, E.SUN expects to build 14 libraries; conducts industry-academia cooperation initiative with 36 schools; works with the academic community to develop AI and FinTech; gives out E.SUN Academic Award to encourage cutting-edge research; organizes International Masters Forum to introduce innovative thinking; awards outstanding talent scholarships focusing on the three areas of management, technology, and humanity; and increases the scope of industry-academia cooperation in ASEAN countries to foster a greater pool of young talented professionals. - Social Engagement: E.SUN is long committed to the Concern for Schoolchildren Program for aiding disadvantaged children or children facing sudden changes in circumstances. E.SUN brings love and care into the community by caring for orphaned children and working with top-choice partners to engage in charity activities such as blood donation, international medical services, and habitat for humanity. E.SUN continues to support social enterprise development by collaborating in the Smile Hope Loan with the Taipei City Government, Small and Medium Enterprise Credit Guarantee Fund, Taiwan S&M Enterprise Counseling Foundation, and four major private incubators. - Sports development: E.SUN invests in and supports junior baseball teams in Taiwan. In addition to promoting the E.SUN National Junior Baseball Tournament, E.SUN Junior Baseball Camp, E.SUN Junior Baseball Protection Camp, and the Remote Caring Program, E.SUN also supports the participation of Taiwan's U-18 baseball team in international games to encourage Taiwanese junior baseball players to shine on the international stage. E.SUN promotes international trail running competitions and also organizes training camps in northern, central, and southern Taiwan to promote a healthy lifestyle. Moreover, competitions are integrated with local tourism to attract more participants and advertise the beauty of Taiwan. - Arts and Humanities: By supporting quality arts and cultural events at home and abroad, E.SUN seeks to expose the wider community to cultural sophistication and show care for the less fortunate. The Company sponsors Music Concert for Mothers, the Vienna Boys' Choir, Play ARTs workshop, Standing on Yushan: Witness the Art of Taiwan, and other quality arts events and exhibitions. <p>C. Environmental Aspect</p> <p>(A) Environmental protection and saving energy: E.SUN encourages Taiwan green building and international green building certifications, continues to make plans to go green (such as setting up solar-powered branches, replacing air-conditioning facilities using refrigerant R22 with environment-friendly coolants R410, and replacing old air-conditioners and lights to reduce energy consumption), and takes concrete actions to create a green sustainable environment.</p> <p>(B) Low Carbon Operations: E.SUN adopts internationally-accepted environmental protection standards, regularly conducts GHG inventory, and continues to invest in the maintenance and operation of ISO50001 energy management systems and ISO14001 environmental management systems.</p> <p>(C) Climate Change Risks: E.SUN evaluates how climate change risks impact service-related operations and plans corresponding control and mitigation measures and applicable opportunities to strengthen the management of climate change risks.</p> <p>(D) Sustainable Finance: E.SUN adopts the Equator Principles Version 4 (EP4) in line with international trends and actively invests in financing large domestic renewable energy projects such as offshore and onshore wind farms and ground solar power stations. In the first half of 2020, E.SUN expects to continuously issue green bonds aimed at promoting green financing, social responsibility, and sustainable development. In doing so, corporate social responsibilities are integrated into our main financial businesses to fulfill our promises to society.</p>	

Item			
	Yes	No	
<p>3. Environmental issues</p> <p>(1) Does the company have in place a suitable environmental management system based on the characteristics of the industry?</p> <p>(2) Does the company work to improve resource utilization efficiency and use recycled materials that have a low impact on the environment?</p> <p>(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?</p> <p>(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in the last two years, and draw up policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?</p>	V		

	Status of implementation	Any difference from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM- Listed Companies, and the reasons for any such difference
	Summary	
	<p>(1) The Taipei headquarters building, Boai Building, Technology Building, Dengfeng Building, Hope Building, and all domestic branches have adopted the ISO 14001 environmental management system and ISO50001 energy management system, and has established an environmental/energy management framework in accordance with the "E.SUN White Paper on Environmental Protection and Energy Conservation" in order to effectively implement carbon reduction, energy conservation, water conservation, and industrial waste management.</p> <p>(2) The Company prioritizes the purchase and use of building materials, equipment, and tools bearing the Green Building Materials Label or Green Label, and also complying with relevant legal requirements. The Company makes extensive use of recycled materials and recyclable, low-pollution, energy-saving products, and avoids mechanical equipment with high energy consumption and products that are excessively packaged, harmful to the living environment, and not spontaneously decomposing.</p> <p>(3) E.SUN signed up to TCFD in 2017. In addition to reporting regularly to the board of directors and the E.SUN FHC Risk Management Committee to help the board of directors and the executive management understand the impact of climate change on the company, E.SUN follows the Recommendations of the Task Force on Climate-related Financial Disclosures and provides information on governance, strategy, risk management, and metrics and targets that is consistent with investors' and other stakeholders' needs. E.SUN also works with suppliers and partners to support environmental sustainability. In 2019, the subsidiaries started taking inventory of their business operations and identifying risks regarding climate change. The subsidiaries assess direct and indirect physical effects of extreme weather events and the impact of transformation necessitated by regulations, technologies, or market demand, and perform matrix analysis on risks and opportunities in business activities created by other cultural and social elements. Assessment results provide the basis for risk management strategy plans. The bank builds the campaign to counter climate change around the plans, and uses them to calculate management costs and the financial impact. Data collected in the process described above are used to strengthen climate change governance in the bank. They are also used in systematic assessments of financial links in order to reduce risks and exploit opportunities. For more details, please visit the Climate Change Risks and Opportunities section of the company website. https://www.esunfhc.com/en/csr/overview/customer/climate</p> <p>(4) The Company conducts the ISO14064-1: 2018 greenhouse gases inventory and ISO14046: 2014 organization water inventory for the Taipei headquarter building, Boai Building, Technology Building, Dengfeng Building, E.SUN Securities, and all offices in and outside Taiwan. The results showed that 23,838.387 tons and 24,475.971 tons of CO₂ were emitted in 2017 and 2018, respectively. 206.726.25m³ and 228,699.79m³ were used in 2017 and 2018, respectively. Verifications were completed by SGS Taiwan Ltd. (SGS). A total inventory of weight of waste from the Taipei headquarter building, E.SUN Securities, and all offices together counted 809,530kg of general waste, 242,859kg of recycling, and 566,671kg of waste in 2017; and 634,803kg of general waste, 190,525kg of recycling, and 444,278kg of waste in 2018. Inventories of greenhouse gas emissions, water consumption, and wastes facilitate action plans for reduction. The Company sets the following policy, goals and action plans for environmental sustainability:</p> <p>A. Policy Since the release and implementation of the E.SUN Energy Efficiency White Paper - E.SUN Green Policy, E.SUN has been dedicating itself to environmental conservation, which encompasses environmentally friendly and energy efficient policies, support for environmental education, building an environmentally friendly and energy efficient culture and implementing environmentally friendly and energy efficient measures. In addition, the environmental/energy management policy was established with green finance, saving the earth, and environmental sustainability at the core. E.SUN also took the initiative to implement international management systems.</p> <p>B. Goals With 2016 as the base year, water consumption per unit revenue will be reduced by 15% by 2025, and carbon emission and waste per unit revenue will be reduced by 25% by 2025. Carbon emission and waste per unit revenue will be reduced by 25% by 2025. The energy saving targets for 2019 are 5% reduction in water consumption, and 10% reduction in carbon emission and waste.</p> <p>C. Action plans The electricity consumption of E.SUN is the main source of GHG emissions. To promote a low-carbon environment, the Bank adopts carbon expenses and water and electricity bills as the performance indicator of each business department. Departments must submit monthly reports on energy conservation and carbon reduction, which detail a review of monthly water and electricity bills, telecommunications charges, a comparison of electricity consumption in the previous period and last year, energy conservation and carbon reduction measures adopted by each unit, and description of reasons and improvement measures if an unusual amount of electricity is consumed. The performance of environmental management personnel takes into consideration activities related to environmental sustainability and implementation status so that E.SUN employees could make it their mission to protect the earth and sustain the environment.</p>	<p>The Company seeks to promote environmentally sustainable development through a progressive approach, and complies with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies." There are no substantive discrepancies in the promotion of environmentally sustainable development.</p>

Item			
	Yes	No	
<p>4. Social Issues</p> <p>(1) Does the company have adequate management policies and procedures in place pursuant to the applicable regulations and the International Bill of Human Rights?</p> <p>(2) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?</p> <p>(3) Does the company provide a safe and healthy work environment and organize regular health and safety training for employees?</p> <p>(4) Does the company have in place effective tools to help employees with career planning and development?</p> <p>(5) Does the company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?</p> <p>(6) Does the company implement supplier management policies to require suppliers observe certain regulations on environmental protection, occupational health and safety, or labor or human rights? If yes, describe the results.</p>	V		

	Status of implementation	Any difference from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies, and the reasons for any such difference
	Summary	
	<p>(1) E.SUN endeavors to protect employees' basic human rights, comply with relevant labor laws, and protect employees' legal rights. E.SUN FHC announced the E.SUN Declaration of Human Rights and formulated the E.SUN FHC Human Rights Due Diligence Investigation Procedures in accordance with international human rights conventions, including the UN Universal Declaration of Human Rights, UN Global Compact, UN Guiding Principles on Business and Human Rights, and UN ILO Convention, as well as local statutory labor laws. E.SUN prohibits any conduct that infringes upon or violates human rights, and regularly monitors and measures issues related to human rights and impacts. For details on human rights protection, please visit the Corporate Governance section on the Company's website at: https://www.esunfhc.com/en/corporategovernance</p> <p>(2) E.SUN offers competitive salaries and bonuses to attract and retain talent. The idea is to set salary based on position and bonus based on performance. A reasonable and competitive remuneration system is based on employees' responsibilities, and combines company and individual business results as well as salary survey results. Since 2016, E.SUN has forged the link between top-level managers and key talents and the long-term performance of the company, with reference to international corporate governance trends. In addition, staggered hours, flexible hours, and work-at-home schemes are available to create a friendly workplace. Various wedding/birth and family care benefits are also available. The terms of maternity leave, maternity leave, and unpaid child care leave are better than those stipulated by the Labor Standards Act. A number of health and recreational programs and an employee stock trust are in place to complete a comprehensive benefit plan that provides a good employee experience and makes E.SUN the second home for its employees.</p> <p>(3) The installation of an exclusive section designed specifically for them signifies the emphasis the Company places on providing employees with a safe and healthy working environment. Every business division is staffed with a responsible person charged with labor safety who organizes training and study sessions on a regular basis. Meanwhile, a set of guidelines on physical examination is laid down as the basis for employees to undergo health checkup regularly. The special section on labor safety and health is intended to keep employees up to date on this front. In addition to sessions intended specifically for novice employees, labor safety training and health examination are undertaken across the Company on a regular basis. On top of emergency care personnel, every place of business is equipped with a security system as well as security personnel so as to uphold the safety of the place, employees and customers.</p> <p>(4) E.SUN has established a comprehensive training system and career roadmap reflecting its organizational strategy, and relies on "on-the-job learning," "learning through training," and "self-learning" models to ensure that colleagues grow together with E.SUN in a learning environment. Our training system includes three parts: new personnel training, management leadership training, and financial professional training. From new personnel to our management team, we arrange classes targeting the abilities needed at each stage. Apart from cultivating professional skills, we also strive to train "π-shaped" manpower, and rely on internal selection of talent, rotation through different departments, and second-specialization training to train, forge, cultivate, and promote outstanding all round employees, which ensures that our manpower supply chain is unbroken and sufficiently flexible.</p> <p>(5) In terms of marketing and labeling products and services, the Company makes it a point to spell out related charges and risk reminders in pertinent texts. Product information is fully disclosed in brochures and prospectuses. Meanwhile, product information, calculation of charges, and campaign contents across the institutional banking, personal banking, wealth management, and credit card businesses are also made public through the Company's website, application forms, bills, DM and EDM, consumer manuals, contracts, and propaganda materials. Priority is given to enabling customers to understand methods of use and favorable terms, if any. Marketing events are organized in accordance with customer characteristics in a bid to create customer value. State of formulating and implementing consumer rights policies are as below.</p> <p>A. 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>	No difference

Item			
	Yes	No	
5. Does the company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third party assurance or certification for the reports above?	V		

Status of implementation		Any difference from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies, and the reasons for any such difference
	Summary	
	<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>B. Consumers complaint procedures: Customer disputes are uniformly resolved in accordance with the "E.SUN Commercial Bank Consumer Dispute Resolution Standard Operating Procedures," and we have established 24-hour complaint hotlines in the form of our "Smart Text Customer Service," "Online Phone Service," "Visitor Message Board," and "Telephone Customer Service," which allow consumers to initiate complaint procedures.</p> <p>(6) When selecting suppliers in Taiwan or in other countries, E.SUN gives priority to local suppliers. To build a healthy, safe and sustainable supply chain that protects the environment and human rights, E.SUN follows the E.SUN Bank Supplier Management Guidelines and selects qualified suppliers. E.SUN works only with suppliers that comply with local regulations, have signed the Statement of Commitment to Human Rights and Environmental Sustainability, and adhere to the E.SUN FHC Corporate Social Responsibility Guidelines for Suppliers. The statement clearly specifies E.SUN's requirements and expectations of the supplier regarding environmental health and safety, prohibition of child labor, labor management, elimination of any form of forced labor, absence of damage to basic labor rights, basic human rights, the code of ethics, and ethical management. To enhance supplier management practices, we introduced the Supplier's CSR Self-Assessment Form and, according to the Supplier Visit Questionnaire, occasionally pay visits to key suppliers and record the results. The purpose of the visits was to verify the status of corporate social responsibility practices by suppliers. The assessment covers economic, environmental, and societal dimensions as well as green management practice. Furthermore, 100% of the new suppliers added in 2019 were selected in accordance with these principles. No significant deficiency and changes were discovered.</p>	
	<p>As part of its CSR commitment, E.SUN has the E.SUN FHC Corporate Social Responsibility Report certified by the British Standards Institution (BSI), a third party certification body. The 2018 CSR Report is certified by both GRI Standards and AA1000 Type 2, and is available also in English. The E.SUN FHC Corporate Social Responsibility Report is available for download at: https://www.esunfhc.com/en/csr/overview/csr</p>	No difference

6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:






E.SUN has drafted its corporate social responsibility on the basis of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," upholds the spirit of prudence, pragmatism, and trustworthy operation, relies on its business philosophy, corporate culture, and common vision as its core, fulfills its corporate social responsibility, and strives to promote sound corporate governance, develop environmental sustainability, maintain social welfare, and strengthen its disclosure of corporate social responsibility information. It has no substantive discrepancies connected with fulfillment of corporate social responsibility.

7. Other useful information for explaining the status of corporate social responsibility practices:

The Company has issued corporate social responsibilities reports annually throughout the nine-year period since 2011. The chief content of these reports includes CSR performance, corporate governance, customer concern, environmental protection & energy conservation, community participation, social contribution and service, and the protection of human rights. Please refer to the corporate social responsibilities area of the Company website: <https://www.esunfhc.com/en/csr/overview/csr>

E.SUN FHC's corporate governance organization and relevant responsibility



	 Corporate Governance	 Social welfare	 Environmental sustainability	 Customer rights	 Care for employees
Unit	<ul style="list-style-type: none"> · Operation Administration Department(legal affair), General Administration Division · Operation Administration Department(shareholder service), General Administration Division · Compliance Division · Risk Management Division · Auditing Division 	<ul style="list-style-type: none"> · Headquarters · Operation Administration Department(management), General Administration Division 	<ul style="list-style-type: none"> · Operation Administration Department(management), General Administration Division · Business Administration Department(corporate banking), General Administration Division · Investment management Department, General Administration Division · Financial management Department, General Administration Division 	<ul style="list-style-type: none"> · Operation Administration Department(customer service), General Administration Division · Business Administration Department(individual banking), General Administration Division · Business Administration Department(credit card), General Administration Division · Business Administration Department(wealth management), General Administration Division · Information Management Division · Business Administration Department(digital banking), General Administration Division 	<ul style="list-style-type: none"> · Operation Administration Department(human resource), General Administration Division · Headquarters
Responsibilities	<p>Incorporate domestic and foreign corporate governance trends, investigate and plan suitable corporate governance system, promote the functionality of the Board of Directors, enhance the company's information disclosure and transparency, strengthen communication with stakeholders, implement legal compliance, and pay attention to shareholders' interests.</p>	<p>Infuse corporate social responsibilities into the company's business strategy, investigate and develop a model that suitably integrates public concerns and financial core competencies, unite E.SUN volunteers, employees, customers, and business partners to support the same causes, invest in academic education, social engagement, sports development, art and culture, and emergency aid, and lead by example to build a better world together.</p>	<p>Aim to achieve environmental sustainability and sustainable development, investigate and develop a model that suitably integrates public concerns and financial core competencies, promote green finance, environmental protection, energy conservation and carbon reduction, ecological sustainability, and animal conservation, and utilize our impact as a corporate citizen.</p>	<p>Plan various business activities that promote fair customer treatment, protect customer interest, and offer products and services that bring better customer experience; adapt to environmental changes, continue to solve customers' problems, and create greater customer value.</p>	<p>Focus on training, talent development, human rights protection, employee care, healthy workplace, and other important human resource issues; investigate and develop suitable systems, and construct a big dance stage that coheres teamwork and enables employees to build an exciting future with their bare hands.</p>

3.3.7 Ethical corporate management and departure from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Item			
	Yes	No	
<p>1. Adoption of an ethical management policy and action plan</p> <p>(1) Has the company implemented a board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices as well as the commitment of the board of directors and the executive management to enforcement of the ethical corporate management policy?</p> <p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of the risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least those described in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against dishonest conducts, and enforce the programs effectively and perform regular reviews?</p>	v		
<p>2. Implementation of Ethical Management</p> <p>(1) Does the Company evaluate the records of ethical conduct of its business counterparties and include integrity clauses in its contracts with business counterparties?</p> <p>(2) Does the company have a unit that supports ethical corporate management practices on a full-time basis under the board of directors, and reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors and oversees the operations?</p> <p>(3) Does the Company adopt a policy for avoiding conflicts of interest, provide appropriate means for reporting on any such conflict, and implement them without fail?</p> <p>(4) Does the company have effective accounting and internal control systems in place to enforce ethical management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct or hire outside accountants to perform the audits?</p> <p>(5) Does the Company offer internal and external training with regard to ethical management on a regular basis?</p>	v		

Status of implementation		Any discrepancies and reasons for such with Trustworthy Op- erations
	Summary	Best-Practice Principles for TSE/ GTSM Listed Companies
	<p>(1) Based on a board of director's resolution, the Company has established a set of "Ethical Corporate Management Principles, Operational Procedures and Guidelines (hereafter "Ethical Corporate Management Principles," applicable to the Company as well as its subsidiaries). It spells out E.SUN's ethical corporate management policy, which is specified through such channels as the corporate website, external documents and investor briefings. Meanwhile, it also specifies that the board of directors shall exercise the due care of a good administrator to urge the Company to prevent unethical conduct, always review the results of preventive measures, and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policy. All E.SUN directors and executive managers have signed the statement of compliance with ethical corporate management to declare a commitment to uphold ethical corporate management best practice principles while conducting business activities and to actively assist the board of directors in fulfilling its promise of ethical corporate management and overseeing ethical corporate management compliance in internal management practices and other business activities.</p> <p>(2) E.SUN has always been committed to business integrity, and does not engage in business activities with a higher risk of involving unethical conduct in the scope of business. E.SUN also takes step to reinforce related preventive measures, and always take a politically impartial position by not making any political donations. E.SUN has mechanisms in place to assess the risk of unethical conduct. The departments assess business activities with a higher risk of involving unethical conduct in the existing scope of business. Preventive measures and related management mechanisms are added to the compliance self-checklist. The preventive measures are reviewed semiannually to ensure appropriateness and effectiveness. Such reviews cover at least the preventive measures described in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies.</p> <p>(3) E.SUN takes an active approach to preventing unethical conduct. The company makes ethical corporate management part of the employee performance evaluation and human resources policies, and implements and follows clear and effective complaints and disciplinary systems. The preventive measures above are reviewed thoroughly every six months.</p>	No difference
	<p>(1) In the Ethical Corporate Management Principles, it is specified that the Company shall refrain from having any dealings with parties that have any records of unethical conduct. When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance.</p> <p>(2) E.SUN has a Corporate Governance and Nomination Committee to support ethical corporate management and be responsible for devising and overseeing the ethical corporate management policy and unethical conduct prevention programs. The committee is also responsible for revision, execution, and interpretation of the code of conduct as well as related advisory, reporting and filing procedures. Results are submitted to the board of directors at least once a year.</p> <p>(3) The results are reported to the board of directors at least once a year. The Ethical Corporate Management Principles shall specify policies for preventing conflicts of interests and provide a viable communication and complaint system. Employees can file reports through a number of channels to management and the human resources department.</p> <p>(4) E.SUN has implemented effective internal control systems. The company has an internal audit unit that reports to the board of directors and follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct. The unit also reports results to the Audit Committee and the board of directors at least once every quarter.</p> <p>(5) The Company undertakes training with regard to ethnical service principles and behavioral guidelines on a regular basis. All employees are required to take the said training courses and pass tests afterwards</p>	No difference

Item			
	Yes	No	
<p>3. Status of the Company's implementation of its mechanism for whistle-blowing:</p> <p>(1) Whistleblowing system: Does the Company establish a mechanism that incentivizes informants to report any wrongdoing, put in place channels convenient for taking such action and assign appropriate personnel to handle such cases?</p> <p>(2) Does the company have in place standard operating procedures for investigating reports and taking follow-up actions and the necessary confidentiality measures?</p> <p>(3) Does the Company adopt measures to make sure that informants do not receive improper treatment because of their report?</p>	V		
<p>4. Improvement of information disclosure</p> <p>Does the Company disclose the content and implementation status of its Principles for Ethical Management on its own website and the TWSE's Market Observation Post System website?</p>	V		

	Status of implementation	Any discrepancies and reasons for such with Trustworthy Op- erations Best-Practice Principles for TSE/ GTSM Listed Companies
	Summary	
	<p>(1) For the purpose of developing a corporate culture of integrity and transparency and facilitating sound business practices while protecting the rights of whistleblowers, the establishment of the E.SUN FHC Procedure For Handling Whistleblowing Reports was passed in the 10th meeting of the 6th board of directors of the Company on August 10, 2018. Whistleblowing hotlines, email addresses, and mailboxes were set up and announced on the corporate website and on the internet. These channels are available to any insider or outsider wishing to report crime, corruption, or illegal conduct. The Compliance Department is the receiving unit for whistleblowing reports. The President is responsible for appointing suitable individuals in non-conflicting roles to form an investigation team based on the nature of each case. External agencies or experts or academics may be hired to provide assistance as needed. In addition, the Company has implemented and follows the Corporate Governance Best Practice Principles, Ethical Corporate Management Best Practice Principles, and Ethical Procedures and Code of Conduct. The Company actively prevents unethical behaviors and encourages internal and external whistleblowing on unethical or improper conduct. There are clear and effective systems that enforce rewards and discipline as well as other open channels of communication. The Stakeholders page on the Company's website provides an effective means of communication for employees, shareholders, stakeholders, and outsiders. Email addresses of the Audit Committee (independent directors) are disclosed to give insiders and outsiders direct access to all independent directors on the Audit Committee.</p> <p>(2) The E.SUN FHC Procedure For Handling Whistleblowing Reports state the standard procedures for handling reported malpractices and the duty of confidentiality. The accepting unit should confirm a report before sending it to the investigating unit for investigation and review. The accepting unit should also keep the whistleblower updated on acceptance, processing, and results of the report. Any report found to involve any extraordinary or illegal incident should be filed or reported to the appropriate competent authorities. The Company maintains confidentiality of the whistleblower identity and any details of reports during both the accepting and investigating procedures. It does not reveal, disclose, or publish any confidential information or otherwise make such known to any irrelevant third parties. The Company also takes effective measures to protect information as appropriate. Directors, managers, staff, agents and employees of the Company shall not assist, become involved, participate, review or take any other action in the acceptance, investigation, and disciplinary procedures which might affect the investigation or outcome of a case, if details of the case meet the criteria for recusal.</p> <p>(3) The Company keeps whistleblower identity strictly confidential and provide measures to protect whistleblowers from unfavorable treatment or retaliation.</p>	No difference
	The Company makes public its ethical corporate management principles and behavioral guidelines as well as other related measures both on its own website and on the TWSE's Market Observation Post System website.	No difference

5. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies, please describe the Company's implementation of the principles and any discrepancy therein and explain why: none.

6. Other information to understand more about the Company's Ethical Corporate Management practice.

E.SUN started implementing guidelines and code of conduct in 2011. Amendment of related guidelines will have to be passed by the board of directors and submitted to the annual general meeting. E.SUN's ethical corporate management practices are kept constantly up to date. The practices are reviewed and revised frequently in response to external regulations and the needs of ethical corporate management. E.SUN follows the philosophy of "Pure as Jade, Sturdy as Mountain" and strives to become "the benchmark in banking and service". E.SUN works hard to fulfill the commitment to its ethical corporate management policy and sound business practices. The company strives to fulfill corporate social responsibility while pursuing sustainability, and relevant results of implementation in 2019 are stated as below.

(1) Education and training:

Courses, such as the E.SUN General Knowledge on Law or the E.SUN EMP and EPCC, are offered at the training facilities to raise awareness. Self assessment practices are incorporated into entry-level training, mid-level courses, and professional training courses. The concept and practice of three lines of defense are reinforced through case studies. A total of 402 hours were completed. Furthermore, a summary of business activities and general knowledge of financial regulations are included in orientation sessions to provide early training and prevent unethical conduct.

(2) Promotion of compliance:

The Compliance Division promotes compliance training for all employees. In 2019, the theme of the campaigns was "ethical corporate management best practice principles and operating procedures and code of conduct". The Ethical Corporate Management Best Practice Principles and examples of material inside information were turned into videos and case studies that educated the employees on things to watch out for when they performed their duties.

(3) Annual examinations:

E.SUN FHC and its subsidiaries have all employees complete an online test every year. The test encompasses the E.SUN EMP and EPCC. The test in 2019 focused on important rules on ethical business activities, prohibition of unethical behaviors and infringe on stakeholders' rights, protection of personal data, and new friendly financial services.

(4) The boards of directors of E.SUN FHC, E.SUN Bank, and E.SUN Securities passed the Procedure For Handling Whistleblowing Reports in 2018. Whistleblowing hotlines, email addresses, and mailboxes are set up and announced on the corporate websites and on the intranets. These channels are available to any insider or outsider wishing to report criminal, corrupt, or illegal conduct. The procedure was amended in response to correction of Article 23 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies in 2019. The amendment allows reports to be made in anonymity or a false name. As of the end of 2019, E.SUN and its subsidiaries received a total of 30 cases through the reporting channels, 28 of which are customer dispute related complaints (which had been resolved by the Customer Service Department). The other cases were assigned by type to be handled by the appropriate units. Where appropriate, the units also informed the whistleblowers of the status of the cases and the results by suitable means.

(5) All E.SUN directors and executive managers have signed the statement of compliance with ethical corporate management to declare a commitment to uphold ethical corporate management best practice principles while conducting business activities and to actively assist the board of directors in fulfilling its promise of ethical corporate management and overseeing ethical corporate management compliance in internal management practices and other business activities. The statements are archived by the company.

(6) E.SUN has mechanisms in place to assess the risk of unethical conduct. The departments assess business activities with a higher risk of involving unethical conduct in the existing scope of business. Preventive measures and related management mechanisms are added to the compliance self-checklist. The preventive measures are reviewed regularly to ensure appropriateness and effectiveness.

3.3.8 Methods of referencing corporate governance guidelines and related regulations

Please refer to <https://www.esunfhc.com/en/corporate-governance>

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

The Company prudently public information on corporate governance, and strives to ensure the correctness, integrity, and timeliness of reports and major news announced via the Market Observation Post System, the Company's website, news issued externally annual reports, and other information that must be disclosed in accordance with law. The responsible units are clearly required to regularly inspect and update all disclosed matters. If any major events or news occurs, the relevant subsidiaries must quickly report their responses, and the Company's spokesperson will supervise external information disclosure, such as media contact and the issuance of news or major information, by the responsible unit. Content including information concerning the board of directors, audit committee information, business integrity regulations, procedures for acquisition or disposition of assets, the internal audit organization and its operations, disclosure of major information, shareholders meeting status, allocation of dividends, and financial service information is disclosed in detail in the Company's annual report and on the Company's website. The Company discloses information concerning corporate governance in full, and has been listed in the top 5% of the Taiwan Stock Exchange's "corporate governance assessment" rankings for the 5th consecutive year since 2015.

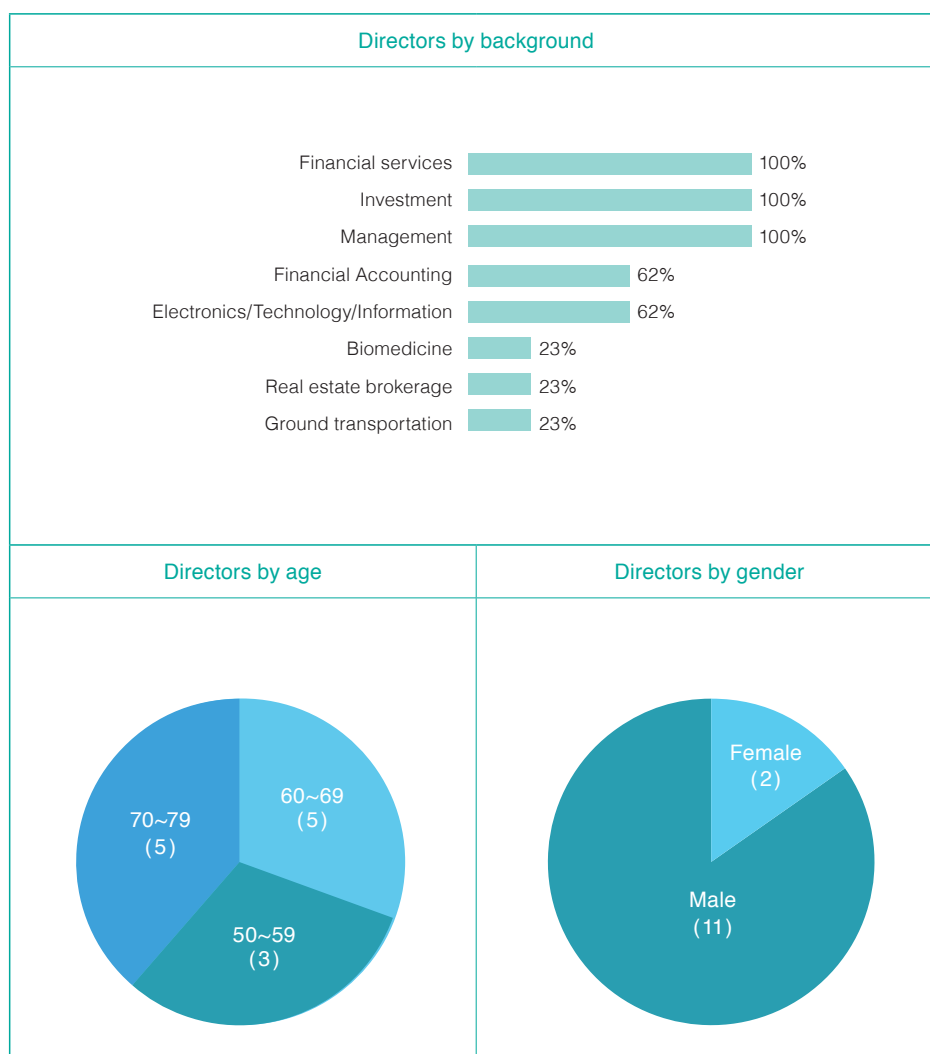
E.SUN FHC has implemented a well-designed director election system. All directors are elected through a fair, open and just process that complies with the Articles of Incorporation, the Director Election Rules, and the Corporate Governance Best Practice Principles. Board composition is based on the Company's future business strategy and development and takes diversity into consideration in order to elect the most suitable directors who have integrity and the ability to lead the Company to achieve continuing excellence. The board consists of a diverse range of trained professionals from the financial sector, the industries and the academia and include independent directors from different backgrounds. All members of the board must be equipped with the knowledge, skills, literacy necessary to perform their duties; and the board as a whole must possess decision making, risk management, business management and related competencies in the banking sector. In addition, directors will be provided with a variety of courses that help them gain a better understanding of their fields and exercise due care of good administrator 23.08% of the directors and 38.46% of the independent directors of the Company are also employees. 15.38% of the directors are female. The directors, during their terms, meet and discuss extensively the business operations of the Company and future directions, and work together as a whole to make decisions on organizational growth, performance improvement, business development, risk management, corporate governance and other areas of importance. The directors contribute their training to advise the management of the Company and oversee the board of directors.

Board diversity is achieved through education and work experience as well as training and related background of individual directors as follows:

Diversity Name of director	Ability to make sound business judgments	Ability to conduct accounting and financial analysis	Ability to manage a business	Ability to respond to a crisis	Industry knowledge	An understanding of international markets	Leadership ability	Decision making abilities	Risk management knowledge and skills
Yung-Jen Huang	V		V	V	V	V	V	V	V
Joseph N.C. Huang	V	V	V	V	V	V	V	V	V
Gary K.L.Tseng	V	V	V	V	V	V	V	V	V
Chen-En Ko		V	V			V	V	V	V
Ji-Ren Lee		V				V	V	V	V
Chen-Chen Chang Lin		V		V		V	V	V	V
Hsin-I Lin	V		V		V	V	V	V	V
Chun-Yao Huang					V	V	V	V	V
Jackson Mai	V		V		V	V	V	V	
Ron-Chu Chen	V		V		V	V	V	V	
Chien-Li Wu	V		V		V	V	V	V	
Magi Chen	V	V	V	V	V	V	V	V	V
Mao-Chin Chen	V		V	V	V	V	V	V	V

The five independent directors possess expertise in accounting and audit, strategy, information, Fintech, and management.

- (1) Independent Director Chen-En Ko serves as the convener of the Audit Committee. With three major international certifications in the field of accounting, Director Ko specializes in financial accounting and corporate governance, with management capabilities in highly professional governance and financial operations.
- (2) Independent Director Ji-Ren Lee specializes in corporate growth strategies and strategic innovation and transformation, and is one of the top experts on strategic management and human resources management in Taiwan.
- (3) Independent Director Chen-Chen Chang Lin is an expert in information and has over the years focused on the development of financial information systems, with rich experience in financial technology and information security management.
- (4) Independent Director Hsin-I Lin provides revealing insights on industry risk, performance management and corporate management.
- (5) Independent Director Chun-Yao Huang specializes in digital marketing, new product development, and e-commerce applications, with a focus on the research domains of marketing quantity model, customer analysis, sales forecasting, and analysis of browsing behavior, and has years of experience as a market consultant for industries such as retail, finance, technology, and the Internet.



3.3.10 Training of directors

Title	Name	Date appointed	Host organization	
Institutional director's representative	Yung-Jen Huang	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
Institutional director's representative	Gary K. L. Tseng	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
Institutional director's representative	Joseph N.C Huang	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
Institutional director's representative	Jackson Mai	2017.06.16	Taiwan Academy of Banking and Finance	
			The Institute Internal Auditors - Taiwan	
			Taiwan Corporate Governance Association	
Independent director	Chen-En Ko	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	

	Training course	Training hour	Does training meet regulations
	A director's fiduciary duty and the business judgment rule (and director liability - a study of recent key cases in the banking sector)	3	Yes
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	A director's fiduciary duty and the business judgment rule (and director liability - a study of recent key cases in the banking sector)	3	Yes
	[Summit] 15th International Corporate Governance Forum - A director's financial reporting obligations, a global institutional investor's active role in strengthening the corporate governance culture, use of the business judgment rule, effective implementation of the independent director system, and fulfillment of an independent director's responsibilities (all day)	6	
	Financial Consumer Protection Act Seminar	3	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	A director's fiduciary duty and the business judgment rule (and director liability - a study of recent key cases in the banking sector)	3	Yes
	Financial Consumer Protection Act Seminar	3	
	Trust Supervisors (Including Current Personnel) Workshop	6	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	Financial Consumer Protection Act Seminar	3	Yes
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	Regulations and practices of real estate arbitration	3	
	Global Trend Analysis - Risks and Opportunities	3	
	2019 Global Trend Analysis - Risks and Opportunities	1	Yes
	Importance of ESG Integration to Investing - Aberdeen Standard Investments' Perspective	1	
	Artificial Intelligence in Taiwan: Opportunities and Challenges in Industry Transformation	1	
	Anti-tax avoidance regulations and Taiwan's CRS Impact on offshore companies and countermeasures in terms of corporate governance	3	
	Offshore tax havens in trouble	3	
	Compliance and supervision	1	
	Financial Consumer Protection Act Seminar	3	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	

Title	Name	Date appointed	Host organization	
Independent director	Ji-Ren Lee	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
Independent director	Chen-Chen Chang Lin	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
Independent director	Hsin-I Lin	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
Independent director	Chun-Yao Huang	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
			Taiwan Securities Association	
Institutional director's representative	Rong Chu Chen	2017.06.16	Securities and Futures Institute	
			Taiwan Academy of Banking and Finance	
Institutional director's representative	Chien-Li Wu	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
			Taiwan Securities Association	
Institutional director's representative	Magi Chen	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	
Institutional director's representative	Mao-Chin Chen	2017.06.16	Taiwan Corporate Governance Association	
			Taiwan Academy of Banking and Finance	

	Training course	Training hour	Does training meet regulations
	Corporate Governance and Compliance - Starting with anti-corruption and economic crime	1.5	Yes
	Cyber insurance and corporate governance	3	
	Balance between technology and human culture - Which side is AI on?	3	
	Financial Consumer Protection Act Seminar	3	Yes
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	A director's fiduciary duty and the business judgment rule (and director liability - a study of recent key cases in the banking sector)	3	Yes
	Financial Consumer Protection Act Seminar	3	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	Group governance	3	Yes
	Innovation, digital technology, and competitive advantages	3	
	Financial Consumer Protection Act Seminar	3	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	A director's fiduciary duty and the business judgment rule (and director liability - a study of recent key cases in the banking sector)	3	Yes
	Financial Consumer Protection Act Seminar	3	
	Financial crime and fraud risk management	3	
	2019 Insider Trading Prevention Information Session	3	Yes
	Financial Consumer Protection Act Seminar	3	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	Group governance	3	Yes
	Innovation, digital technology, and competitive advantages	3	
	Financial Consumer Protection Act Seminar	3	
	AML/CTF regulations and risk trends and patterns around the world	3	
	A director's fiduciary duty and the business judgment rule (and director liability - a study of recent key cases in the banking sector)	3	Yes
	Financial Consumer Protection Act Seminar	3	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	
	A director's fiduciary duty and the business judgment rule (and director liability - a study of recent key cases in the banking sector)	3	Yes
	Financial Consumer Protection Act Seminar	3	
	Trust Supervisors (Including Current Personnel) Workshop	6	
	Corporate Governance Forum - Global Trends in AML/CTF Efforts and Regulations	3	

3.3.11 Training of managers

Title	Name	Date	Host Organization
President	Joseph N. C. Huang	2008.07.16	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
CFO	Magi Chen	2004.02.13	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
Deputy President	Ben Chen	2014.01.24	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
CSO	Mao-Chin Chen	2016.01.29	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Talent Cultivation Forum—Corporate Globalization and Talent Development
CHRO	J. C. Wang	2002.01.28	Yu Heng Attorneys-at-Law (2018)
			E.SUN Bank
			E.SUN Bank
			Taiwan Institute for Sustainable Energy

	Course	Training Hours
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Workshop for Supervisory Personnel (incumbents included) in the Trust Industry (695th)	6
	Workshop on the Financial Consumer Protection Act	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Financial Derivatives Workshop (812nd)	6
	Financial Derivatives Workshop (919th)	6
	Workshop on the Financial Consumer Protection Act	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Workshop on the Financial Consumer Protection Act	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Workshop for Supervisory Personnel (incumbents included) in the Trust Industry (695th)	6
	Workshop on the Financial Consumer Protection Act	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Service for Executive Development, College of Management, National Taiwan University	3
	Lectures on Labor Regulations—Discussing Labor Incident Act Cases	2
	New Topics for Taiwan's Electronic Payment Legislation	2
	Management and Development of Next-Generation Talent	2
	2019 Global Corporate Sustainability Forum	2.5

Title	Name	Date	Host Organization
CRO	Oliver Hsieh	2011.03.18	Taiwan Institute for Sustainable Energy
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
CIO	Wan-Li Hsieh	2012.03.23	Taiwan Academy of Banking and Finance
			Taiwan CIO Association
			Taiwan Academy of Banking and Finance
			Financial Examination Bureau, Financial Supervisory Commission
			Taiwan Academy of Banking and Finance
SEVP	L. C. Lin	2018.01.31	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
SEVP	Wu-Ming Hsieh	2018.01.31	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
SEVP	Louis Chang	2018.01.31	Taiwan Academy of Banking and Finance
			Amundi Taiwan
SEVP	Jung-Hua Lin	2020.01.15	Taiwan Academy of Banking and Finance
SEVP	Cathy Kuo	2017.01.20	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
SEVP	Bruce Lee	2017.01.20	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance

	Course	Training Hours
	Financial Derivatives Workshop (115th)	12
	On-the-Job Workshop for Personnel Charged With Preventing Money-Laundering and Countering Financing of Terrorism (144th)	12
	Symposium for Overseas Managers, Compliance Officers, and Internal Auditing and Control Personnel	10
	Learning from the International Community: Strategy for Taiwan to Usher in Internet-Only Banking	3.5
	The 9th Summit of Financial CIOs	7
	Roundtable for Financial Executives on Deploying AI Services and Breaking Digital Gridlock	3
	2019 Seminar for Promoting Information Security of Domestic Banks	2
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Addressing the Issues Faced by Taiwan in Financing Offshore Wind Energy	3.5
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Workshop on the Financial Consumer Protection Act	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Workshop for Supervisory Personnel (incumbents included) in the Trust Industry (681st)	6
	2019 Asian Investment Forum	13
	Workshop on the Financial Consumer Protection Act	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3

Title	Name	Date	Host Organization
SEVP	Po-Hsuan Hsu	2018.01.31	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
SEVP	Yi-Hsin Tseng	2018.01.31	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Securities Association
SEVP	Te-Ming Chung	2019.01.24	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
SEVP	Mei-Ling Liu	2019.01.24	Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
CTO	Sheng-Wei Chen	2019.02.01	Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			InfoQ

	Course	Training Hours
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Fintech Forum: Opportunities and Challenges Presented by Internet-Only Banking	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Global Political and Economic Conditions and Their Impact on and Risk to Taiwan	3
	Shareholdings of Directors and Supervisors, Legal Restrictions, and Analysis of Court Rulings	3
	Addressing and Managing Internet and Information Security	3
	Global Anti-Tax Avoidance Trends and Regulations on Shareholdings of Directors and Supervisors	3
	2019 Seminar for Brokerage Executives	3
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Workshop for Managerial Personnel in the Trust Industry (475th)	18
	2019 Fact-Finding Tour of Israel on Fintech and Information Security	32
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3
	Learning from the International Community: Strategy for Taiwan to Usher in Internet-Only Banking	3.5
	Taking China's Lead: Picking Out the Winning Strategy for Digital Banking From the Internet	6
	AICon	16

Title	Name	Date	Host Organization
General Auditor	Chih-Kuang Huang	2018.03.15	Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			E.SUN Bank
			Financial Examination Bureau, Financial Supervisory Commission
CCO	Fion Ouyang	2016.01.22	Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Taiwan Academy of Banking and Finance
			Corporate Operation Association
			Taiwan Academy of Banking and Finance
CBO	Daniel Tsai	2014.06.26	Taiwan Corporate Governance Association
			Taiwan Academy of Banking and Finance

	Course	Training Hours
	Workshop on Financial Crime and Its Control (49th)	15
	Workshop for Analysis of Penalties Imposed by the Competent Authority (64th)	3
	Workshop on Self-Auditing—Corporate Governance and Internal Control	1
	Seminar on Internal Audit of Financial Holding Companies	3
	On-the-Job Workshop on Preventing Money Laundering and Countering Financing of Terrorism (144th)	12
	Workshop on the Financial Consumer Protection Act	3
	On-the-Job Workshop for Legal Compliance Personnel (129th)	15
	Offenses and Defenses in Hostile Takeovers and the Responsibility of Companies' Responsible Persons	3
	Financial Derivatives Workshop (117th)	12
	Guidelines for Directors' Fiduciary Duty and Business Judgment (Also on Directors' Responsibility—Recent Major Financial Cases)	3
	Corporate Governance Forum—International Trends and Regulations in Preventing Money Laundering and Countering Financing of Terrorism	3


(1) Statement of internal control

E.SUN Financial Holding Co., Ltd.**Internal Control System Statement**

To: Financial Supervisory Commission

On the behalf of E.SUN Financial Holding Co., Ltd., we hereby declare that in the period from January 1, 2019 to December 31, 2019, the Company duly complied with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing an internal control system, implementing risk management processes. In the meantime, an impartial and independent unit was designated to conduct audits and report regularly to the Board of Directors and supervisors. Based on meticulous evaluation, the Company found that, except for the items enumerated in the attached table, the internal control and legal compliance systems of all units were effectively implemented during the year. This statement will be included as the primary content of the Company's annual report and any prospectuses, and made available to the public. Any information in this statement found to be falsified, concealed, or otherwise illegal shall be subject to the legal liabilities prescribed by Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

Declarant

Chairman:  (Signature/ Seal)

President:  (Signature/ Seal)

Chief Auditor:  (Signature/ Seal)

Chief Compliance Officer:  (Signature/ Seal)

Date: March 12, 2020

E.SUN Financial Holding Co., Ltd. Internal Control System

Items for Improvement of deficiencies Status

(As of December 31, 2019)

Item for Improvement	Improvement Measures	Target Date
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> An incident of abnormal payment deduction from the tax payment portal of the Ministry of Finance.	<ol style="list-style-type: none"> 1. Built the FISC simulator and execute automated tests. 2. Established system monitoring and alarm mechanisms. 	Completed.
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> Group of "NEW SITE INDUSTRIES" Loan Fraud Case.	<ol style="list-style-type: none"> 1. Revise "Business Credit Report," adding a column in conclusion for elaborating the comparison of financial ratios in the same industry in the "Cross Sectional Analysis" section. 2. Revise "Credit Analysis Manual," which requires the comparison of financial ratio in the same industry to be analysed in the "Business Credit Report." It will help implementing the Cross Sectional Analysis and enhancing review procedures. 3. Revise the "Credit Application Checklist," in order to remind business units and auditors checking abnormal financial statements. 	Completed.
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> Misappropriation of client's fund by a former financial advisor.	<ol style="list-style-type: none"> 1. Improved the wealth management agreement, modification and transacting application (including insurance) with confirming mechanism. 2. Improved mechanism of random inspection of financial advisors' office. 3. Improved the delivery procedure of bank statements (investment and insurance). 4. Improved transaction monitoring and account monitoring mechanism. 5. Improved mechanism of rotation, annual leave and customer transfer of financial advisor. 	Completed.
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> From 2017 to 2018, the Bank's agency work on the borrower's renewal of residential fire insurance, not stamped in the signature field of the insured and there is no evidence supporting the fact that the policyholder is neglected to apply for insurance.	The "Management Essentials of the Solicitation Procedure for the Insurance Agency Business", the "Manual of the Insurance Agency Operation", the "Manual of Insurance Agency Act Compliance", the "Self-audits Working Paper", the "Agent insured Operating Procedure" and the "Credit Agreement" have revised in 2018.	Completed

Item for Improvement	Improvement Measures	Target Date
Subsidiary <u>E.SUN Commercial Bank, Ltd.</u> As to Credit Card Loan business, it has pointed out that overrated the cardholder's credit line in doubt by the sum of related party's income from salaries or operating revenue being evaluated the repayment for borrowers. The lack of credit risk control would be a disadvantage when working on the above.	<ol style="list-style-type: none"> 1. Revised "The guidelines of Credit Card Loan Business" and "The directions of Credit Card Loan Operation", all the criterion of credit check, limit review and application approval that had been set up for taking control on loan quality. 2. Built the blacklist function in system for pre-review loan applicants and monitoring the fulfillment with any IP address so as to prevent fraud activities from operational risk. 	Completed.
Subsidiary <u>Union Commercial Bank PLC.</u> Strengthen the control of fund flow after loan disbursement.	<ol style="list-style-type: none"> 1. "Formulated "Loan Notices". 2. Back office has strengthened the procedures for centralizing the loan disbursement. 3. The loan disbursement fund management is under the control of headquarters' back office. 4. The lead loan officer in the branch is delegated with responsibility of management of fund flow. 5. The lead loan officer will review all previous month loan disbursement files of their branch and then BMD team will conduct the surprise check on loan review file. 	Completed.
Subsidiary <u>Union Commercial Bank PLC.</u> Implement standard procedures for testing of information systems.	<ol style="list-style-type: none"> 1. Strengthen the procedures of system change. 2. The recommended practices which provided by the original system manufacturer should provide an impact assessment description. Then use it as a reference for reviewing the appropriateness of the change. 3. Strengthen the completeness of the test work before the change. 4. Extremely cases are listed as items that must be verified for major changes. 	Completed.
Subsidiary <u>Union Commercial Bank PLC.</u> Establish Nostro account reimbursement mechanism.	<ol style="list-style-type: none"> 1. Establish Nostro account reimbursement Standard Operation Procedure and implement it. 2. Establish internal account reimbursement mechanisms. 3. Adjust the T24 system operation method. 4. Establish a cross-department problem handling mechanism to strengthen collaboration with IT and Accounting departments. 	The end of March 2020.

Item for Improvement	Improvement Measures	Target Date
Subsidiary <u>E.SUN Securities Co., Ltd.</u> After the client has already reported as default account, the company did not set the trading control immediately and still accepted new position of futures transaction.	The company has already enhanced the procedure and control mechanism of futures default transaction and also enforced the internal employee training.	Completed.
Subsidiary <u>E.SUN Securities Co., Ltd.</u> Regarding securities brokerage business, the company's staff used customer's accounts to place orders to buy and sell stocks and process fund flow transactions. For customers with total credit line which is equal or greater than NT\$10 million, the company didn't investigate and update credit information annually, and for the loan without restricted using purpose, the company didn't conduct credit evaluation every 6 months.	The company has already required the sales to comply with the regulation of "Personal conduct prohibited in business", and revised the relevant procedure and contract.	Completed.

- (2) If the Company mandated independent auditor to audit internal control system under a dedicated project, the Company shall disclose relevant auditing report: N/A.

3.3.13 Penalties imposed against the Company and subsidiaries, the weaknesses found and improvements made in the last 2 years

(1) Prosecution against the person-in-charge or staff for criminal conduct: N/A.

(2) Disclose any fine imposed by the FSC for violation of a law or regulation, any deficiency for which an official reprimand was issued by the FSC, any matters in which sanctions were imposed by the FSC pursuant to Article 54, Paragraph 1 of the Act, any punishments imposed by the Company to internal personnel for violation of the Internet control system. In case the punishment results may pose material impacts on shareholders' equity or share price or violate the regulations prescribed in Article 2 of the Financial Supervisory Commission Regulations Governing Public Announcement and Explanation of Major Sanctions and Disciplinary Actions for Violations of Financial Laws, the punishment contents, major deficiencies, and status of improvements shall be clearly described.

- A. E.SUN Bank was fined NT\$200,000 by the competent authority for having purchased residential fire and basic earthquake insurance policies on behalf of borrowers but failed to disclose the delegation. E.SUN Bank has revised the internal regulations and modified internal processes to ensure compliance.
- B. E.SUN Bank was fined NT\$12,000,000 by the competent authority for misappropriation of customers' funds committed by a former financial advisor with the bank. E.SUN Bank has conducted a complete review of the processes, and improved transaction monitoring mechanisms and account controls. Telephone confirmation, interview, and system controls have been put in place to strengthen compliance throughout processes including new account, foreign currency purchase and transfer, in-branch withdrawal, and early termination of term deposit.
- C. E.SUN Bank was given a warning by the competent authority for shortcomings in the personal loan system and management measures that might damage the soundness business operations. E.SUN Bank has made improvements to the management measures and added new monthly income calculation rules. E.SUN Bank also conducted random checks on credit card loans and reviewed the application forms, underwriting reports, and approval forms. A proof of income requirement has been added to the calculation of credit card loan customers' monthly income, and approval is performed according to the improved process.
- D. E.SUN Bank was given a warning by the competent authority for errors in the pre-update test and inspection procedures for the e-Filing and Tax Payment Service of the Ministry of Finance. E.SUN Bank has made improvements and checked all related transactions. E.SUN Bank also installed an automated test platform to create more management controls and alerts. Transaction results are checked daily in batches.
- E. Regarding futures brokerage services operated by Subsidiary E.SUN Securities, an error in an application update caused the company to fail to make offsetting transactions on behalf of its customers. The competent authority fined E.SUN Securities NT\$240,000. Subsidiary E.SUN Securities has modified the offsetting code. The errors have all been corrected.
- F. Regarding futures brokerage services operated by Subsidiary E.SUN Securities, salespersons were found in violation of the futures regulations while accepting trade orders. The competent authority fined E.SUN Securities NT\$240,000. Disciplinary action has been taken against Subsidiary E.SUN Securities as required, and reviews have been conducted. The errors have all been corrected.
- G. Certain employees at Banqiao Branch and Chengzhong Branch of E.SUN Securities were found to have traded stocks and made fund transfers in and out of customers' accounts and made transfers to settle stock trades made by customers. The competent authority imposed a one-month suspension on the salespersons who committed the violation. In addition, the competent authority issued a warning for failure to update credit checks on customers holding a total of NT\$10 million or more in their names every year and failure to perform credit checks every 6 months to extend approval for non-restricted purpose loans. The company has removed the salespersons from their duties, and reassigned them to the head office to strengthen their training. The errors above have been corrected.

(3) Losses, of any, resulting from events of corruption of personnel, serious accidents or incidents (fraud, theft, embezzlement and misappropriation, false transactions, falsified certificate or negotiable securities, receiving kickbacks, losses from natural disasters, losses from external forces, data hacked or stolen, or leaking business

secrets and client data) or the security incidents caused by failure to comply with the Notices for Financial Institution Security Maintenance resulting in actual losses exceeding NT\$50 million individually or in total, the nature of the security incident and the amount of losses shall be disclosed: None.

- (4) Other Disclosures, if any, designated by the Financial Supervisory Commission: According to the letter from the Taoyuan City Government dated September 19, 2018, Subsidiary E.SUN Bank was ruled to be in violation of Article 24 of the Labor Standards Act based on the labor inspection results, and was fined NT\$20,000. Subsidiary E.SUN Bank had promptly made improvement.

3.3.14 Important resolutions made during shareholders and board meetings in recent years and up to the publication date of this annual report

(1) Important resolutions of the 2018 and 2019 shareholders meetings:

Date	Resolutions of shareholders meeting	Status
2018.06.08	1. Acknowledgment of the 2017 business report and financial statements	Implemented as approved.
	2. Acknowledgment of the 2017 earnings distribution	August 3, 2018 had been chosen as the ex-dividend date for earnings distribution and capitalization and the record date for new share issue by transfer of employee remuneration to capital. The distribution process has been completed.
	3. Approval of capitalization of earnings and employee remuneration	
	4. Approval of the amendment of the E.SUN FHC Procedure for Derivative Transactions	Proceeded according to the amended procedure.
2019.06.14	5. Acknowledgment of the 2018 business report and financial statements	Implemented as approved.
	6. Acknowledgment of the 2018 earnings distribution	August 2, 2019 had been chosen as the ex-dividend date for earnings distribution and capitalization and the record date for new share issue by transfer of employee remuneration to capital. The distribution process has been completed.
	7. Approval of capitalization of earnings and employee remuneration	
	8. Approval of the amendment of E.SUN FHC's Articles of Incorporation	Proceeded according to the amended procedure.
	9. Approval of the amendment of the E.SUN FHC Asset Acquisition or Disposal Procedures	
	10. Passed amendments to the Company's Rules of Procedure for Shareholders' Meeting.	
	11. Passed amendments to the Company's Rules for Director Election.	

(2) Important resolutions of the 2019 board meeting:

13th meeting of 6th Board of Directors on January 18, 2019:

Reports on "E.SUN FHC 2018 Ethical Management Report", "2018 E.SUN FHC and Subsidiaries Updates on AML Practices and Results", "2019 E.SUN FHC and Subsidiaries AML/CFT Programs", "2018 Q4 E.SUN FHC Audit Report", and "2018 Performance and Results of Internal Subsidiary Audits by E.SUN FHC". Agreement on approval of "2018 E.SUN FHC director performance evaluation", "amendment of E.SUN FHC Asset Acquisition or Disposal Procedures", "2018 E.SUN FHC general auditor performance evaluation", "appointment of E.SUN FHC corporate governance officer", "replacement of director representatives of E.SUN FHC's securities subsidiary", "nomination of vice presidents of the company for promotion", "nomination of Dr. Sheng-Wei Chen to chief technology officer/vice president of the company", "amendment of E.SUN FHC Managerial Remuneration Policy", "proposal of remuneration for CTO/SEVP Dr. Sheng-Wei Chen", "salary adjustments for senior managers of the company", "2018 year-end bonus and long term incentive distribution to senior managers of the company", and "submission of follow-up on improvements of the errors listed in the general audit of E.SUN FHC by the Financial Examination Bureau of the Financial Supervisory Commission in July 2017".

14th meeting of 6th Board of Directors on March 15, 2019:

Reports on "2018 Q4 Risk Management Report", "E.SUN FHC and Subsidiaries Performance Evaluation Scores for CPAs", "E.SUN FHC and Subsidiaries (and Sub-subsidiaries) 2018 H2 Tax Governance Report", "award of "Outstanding" rating in Corporate Governance Evaluation", "2019 E.SUN FHC Renewal of Liability and Security Insurance Policies for Directors and Supervisors", and "2018 Summary of E.SUN FHC Director Performance Evaluation". Agreement on approval of "2018 E.SUN FHC and subsidiaries Consolidated Financial Statements and Business Report", "2018 E.SUN FHC Table of Allocation of Director and Employee Remuneration", "2018 E.SUN FHC Table of Earnings Distribution", "Capitalization of Earnings and Employee Remuneration", "renewal of contract with the accounting firm for 2019 and 2010 financial and tax audits and certification", "statement on internal control", "amendment of E.SUN FHC Procedure For Handling Whistleblowing Reports", "amendment of E.SUN FHC Remuneration Committee Charter", "E.SUN FHC Director Remuneration Policy", "establishment of E.SUN FHC Procedures for Handling Director Requests", "amendment of the Articles of Incorporation", "amendment of E.SUN FHC Rules Governing the Conduct of Shareholders Meeting", "amendment of E.SUN FHC Director Election Rules", "amendment of E.SUN FHC and Subsidiaries Guidelines for Selection of Consultants", "E.SUN FHC's CSR campaigns in detail", "date, location, and agenda of 2019 general shareholders meeting", "new appointments of managers", "further improvements of the errors (Table B) listed in the general audit by the Financial Examination Bureau of the Financial Supervisory Commission in July 2017", and "improvements of the errors (Table B) listed in the general audit by the Financial Examination Bureau of the Financial Supervisory Commission in August and September 2018".

15th meeting of 6th Board of Directors on April 24, 2019:

Reports on the Company's "2018 H2 Status Report on Compliance Practices", "2019 Q1 Risk Management Report", "2019 Q1 Audit Report", and "2019 Q1 E.SUN FHC and Subsidiaries Consolidated Financial Statements". Agreement on approval of "amendment of E.SUN FHC Shareholder Services Guidelines", "amendment of E.SUN FHC Articles of Incorporation", "amendment of E.SUN FHC Corporate Social Responsibility Best Practice Principles", "E.SUN FHC 2019 Shareholders' Meeting Proposal Handling", "amendment of E.SUN Financial Holding Co., Ltd. and Subsidiaries Personal Information Management Policy and of E.SUN Financial Holding Co., Ltd. and Subsidiaries Personal Information File Security Plan and Post-relationship Practice", and "E.SUN FHC re-reviewed audit plan for 2019".

16th meeting of 6th Board of Directors on June 14, 2019:

Agreement on approval of "2018 Earnings Distribution Proposal and new share issue by capitalization of earnings and employee remuneration", "amendment of Procedure For Handling Whistleblowing Reports", "amendment of E.SUN FHC Remuneration Committee Charter", and "E.SUN FHC Corporate Governance Best-Practice Principles".

17th meeting of 6th Board of Directors on August 09, 2019:

Reports on "2019 Q2 E.SUN FHC Risk Management Report", "2019 H1 Status Report on Compliance Practices", "2019 H1 E.SUN FHC and Subsidiaries (and Sub-subsidiaries) Tax Governance Report", and "2019 Q2 E.SUN FHC Audit Report". Agreement on approval of "2019 H1 E.SUN FHC and Subsidiaries Consolidated Financial Statements", "amendment of E.SUN FHC and Subsidiaries internal guidelines for complying with Article 45 of the Financial Holding Company Act", "amendment of E.SUN FHC Procedure for Derivative Transactions", "amendment of E.SUN FHC and Subsidiaries AML/CFT policies", "amendment of E.SUN FHC Compliance Policy", "amendment of E.SUN FHC Regulatory Framework", "proposal for 2018 employee compensation distribution to managers of the Company and the presidents of subsidiaries other than the bank's subsidiaries", "submission of improvements of the errors (Table B) listed in the special audit by the Financial Examination Bureau of the Financial Supervisory Commission in August and September 2018".

18th meeting of 6th Board of Directors on November 13, 2019:

Reports on "2019 Q3 E.SUN FHC Risk Management Report", "2019 Q1-Q3 E.SUN FHC and Subsidiaries Consolidated Financial Statements", "misappropriating of clients' money by financial consultant of subsidiary E.SUN Bank and follow-up progress report", "punishment imposed by the competent authority on the Purchasing of Residential Fire Insurance by Mortgage Loan Lender of Subsidiary E.SUN Bank and update on improvements of misappropriating of clients' money by Puqian Branch financial consultant", "2019 Q3 E.SUN FHC Audit Report", "2019 Q3 Immediate Reports to Directors by Securities and Bank Subsidiaries", and "2019 Performance and Results of Internal Subsidiary Audits by E.SUN FHC". Agreement on approval of "amendment of E.SUN FHC Procedure For Handling Whistleblowing Reports", "E.SUN FHC 2020 CSR campaigns in detail", "amendment of E.SUN FHC internal control system", "establishment of the Rules for Director Election", "amendment of E.SUN FHC Rules for Director Remuneration", "amendment of E.SUN FHC Ethical Corporate Management Best Practice Principles", "amendment of E.SUN FHC and Subsidiaries Guidelines for Selection of Consultants",

"submission of improvements of the errors (Table B) listed in the special audit by the Financial Examination Bureau of the Financial Supervisory Commission in August and September 2018", and "submission of 2020 E.SUN FHC Audit Plan".

(3) Important resolutions of the 2020 board meeting:

19th meeting of 6th Board of Directors on January 10, 2020:

Reports on "E.SUN FHC 2019 Ethical Management Report", "E.SUN FHC 2019 Q4 Audit Report", and "immediate reports from the bank's subsidiaries to the directors in 2019 Q4". Agreement on approval of "2020 E.SUN FHC and Subsidiaries AML/CFT Programs", "2019 E.SUN FHC director performance evaluation", "amendment of E.SUN FHC Charter", "amendment of E.SUN FHC Rules and Procedures of Board Meetings", "amendment of E.SUN FHC Procedures for Handling Director Requests", "2019 E.SUN FHC general auditor performance evaluation", "nomination of new general auditor for E.SUN FHC", "replacement of director representatives of E.SUN FHC's securities subsidiary", "salary adjustments for managers of the Company and the presidents of subsidiaries other than the bank's subsidiaries", "proposal for 2019 year end bonus and long term incentive distribution to managers of the Company and the presidents of subsidiaries other than the bank's subsidiaries", "establishment of E.SUN FHC Rules for Senior Manager Selection", "amendment of the Rules for Director Election", "amendment of E.SUN FHC Corporate Governance and Nomination Committee Charter", and "submission of improvements of the errors (Table B) listed in the special audit by the Financial Examination Bureau of the Financial Supervisory Commission in August and September 2018".

20th meeting of 6th Board of Directors on March 12, 2020:

Reports on "2019 Q4 Risk Management Report", "2019 E.SUN FHC and Subsidiaries Updates on AML Practices and Results", "E.SUN FHC and Subsidiaries Performance Evaluation Scores for CPAs", "E.SUN FHC and Subsidiaries (and Sub-subsidiaries) 2019 Tax Governance Report", "description of E.SUN FHC financial report preparation", "E.SUN FHC 2019 Information Security Implementation Overview Report", "punishment imposed by the Financial Supervisory Commission and improvements of subsidiary E.SUN Bank's handling of deficiencies in the system program testing and inspection of Ministry of Finance's electronic tax reporting service website, and of E.SUN securities subsidiary's deficiencies in relation to violations of securities regulations listed by the Financial Supervisory Commission during the special auditing of brokerage operations", "2020 E.SUN FHC Renewal of Liability and Security Insurance Policies for Directors and Supervisors", "2019 Summary of E.SUN FHC Director Performance Evaluation", and "possible measures taken by bank subsidiary in response to a letter received from the competent authority, and punishment to be imposed by the National Bank of Cambodia on bank subsidiary as forwarded by the Union Commercial Bank". Agreement on approval of "2019 E.SUN FHC and Subsidiaries Consolidated Financial Statements and Business Report", "2019 E.SUN FHC Table of Allocation of Director and Employee Remuneration", "2019 E.SUN FHC Table of Earnings Distribution", "Capitalization of Earnings and Employee Remuneration", "agreement on change/replacement of CPA", "statement on internal control", "amendment of E.SUN FHC Guidelines for Managing Operational Risks", "amendment of E.SUN FHC risk management policies and guidelines", "amendment of E.SUN FHC Procedure for Derivative Transactions", "establishment of E.SUN Financial Holding Co., Ltd. and Subsidiaries Emergency Response and Crisis Management Procedures", "amendment of E.SUN FHC Donation Handling Guidelines", "proposal for the Company's 2019 director remuneration distribution plan and review of director remuneration reasonableness and director performance evaluation standards", "E.SUN FHC plans to re-elect the 7th directors at the annual (2020) shareholders' meeting, with a 3-year term of office beginning from the election date at the shareholders' meeting", "nomination of E.SUN FHC 7th directors", "nomination of E.SUN FHC 7th independent directors", "removal of the non-competition restriction for E.SUN FHC's 7th independent directors", "amendment of E.SUN FHC Rules Governing the Conduct of Shareholders Meeting", "amendment of E.SUN FHC Rules and Procedures of Board Meetings", "amendment of the E.SUN Audit Committee Charter", "amendment of E.SUN FHC Remuneration Committee Charter", "amendment of E.SUN FHC Corporate Social Responsibility Code of Conduct", "amendment of E.SUN FHC Stakeholder Transaction Policy", "date, location, and agenda of 2020 general shareholders meeting", "proposal of E.SUN FHC's nomination of new general auditor to Board of Directors for full discussion", and "improvements of the errors (Table B) listed in the special audit by the Financial Examination Bureau of the Financial Supervisory Commission in August and September 2018".

3.3.15 Dissenting or qualified opinion of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: All resolutions were passed by a unanimous vote without disagreement.

3.3.16 A summary of resignations and dismissals, in the past year and up to the date of report(including the Chairman, President, Chief Financial Officer, Chief Accounting Officer, and Chief Internal Auditor):None.

3.4 Information on fees for CPAs

CPA Firm	CPAs		Period of Audit	Note
Deloitte & Touche	Chen Yin-Chou	Huang Jui-Chan	2019	

Range of fees for CPAs

Unit: NT\$ thousand

Range of Fees		Item	Audit Fee	Non-Audit Fees	Total
1	Less than NT\$2,000			V	
2	NT\$2,000-4,000		V		
3	NT\$4,000-6,000				V
4	NT\$6,000-8,000				
5	NT\$8,000-10,000				
6	More than NT\$10,000				

Unit: NT\$ thousand

CPA Firm	CPAs	Audit Fee	Non-Audit Fees					Period of Audit	Note
			System Design	Business Registration	Human Resources	Others	Subtotal		
Deloitte & Touche	Chen Yin-Chou	3,900	-	50	-	490	540	2019	
	Huang Jui-Chan								

3.5 Information on changing CPAs

Due to internal adjustments by Deloitte & Touche, since the financial statements review for the Three Months Ended March 31, 2020, the CPAs was changed to Chen Yin-Chou and Huang Jui-Chan to Chen Yin-Chou and Yang Chen-Hsiu.

3.6 Information on service of the company's chairman, president, and financial or accounting managers in the accounting firm or its affiliates: None.

3.7 In the most recent year to the date this report was printed, directors, managers, and the parties stated in Article 11 of the Regulations Governing the Percentage of Holding of Voting Shares Issued by Particular Bank by Particular Person or Particular Related Party that required the declaration of the holding of equity shares in the transfer of shares or pledge of shares under lien, and any change thereof:

3.7.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

2020.3.27 Unit: thousand shares

Title	Name	2019		2020.3.27	
		Shareholding Increase (Decrease)	Pledged Shareholding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged shareholding Increase (Decrease)
Chairman	E.SUN Volunteer & Social welfare Foundation	3,436	0	0	0
Director	E.SUN Volunteer & Social welfare Foundation	3,436	0	0	0
Director	E.SUN Culture and Education Foundation	1,248	0	0	0
Director	Hsin Tung Yang Co., Ltd.	4,280	0	0	0
Independent Director	Chen –En Ko	0	0	0	0
Independent Director	Ji-Ren Lee	0	0	0	0
Independent Director	Chen-Chen Chang Lin	0	0	0	0
Independent Director	Hsin-I Lin	0	0	0	0
Independent Director	Chun-Yao Huang	0	0	0	0
Director	Fu-Yuan Investment Co., Ltd.	4,625	0	0	0
Director	Shang Li Car Co., Ltd.	3,465	0	0	0
Director	Shan Meng Investment Co., Ltd.	1,656	0	0	0
Director	Sunlit Transportation Co., Ltd.	3,719	0	0	0
President	Joseph N.C. Huang	838	0	0	0
CFO	Magi Chen	145	0	0	0
Deputy president	Ben Chen	294	0	0	0
CSO	Mao-Chin Chen	119	0	0	0
CHRO	J. C. Wang	(108)	0	0	0
CRO	Oliver Hsieh	103	0	0	0
CIO	Wan-Li Hsieh	4	0	0	0
SEVP	L.C. Lin	49	0	0	0
SEVP	Wu-Ming Hsieh	1	0	0	0
SEVP	Louis Chang	150	0	0	0
EVP	Jung-Hua Lin	7	0	0	0
EVP	Cathy Kuo	115	0	0	0
EVP	Bruce Lee	108	0	0	0
EVP	Po-Hsuan Hsu	354	0	25	0
EVP	Yi-Hsin Tseng	90	0	15	0
EVP	Te-Ming Chung	(38)	0	0	0
EVP	Mei-Ling Liu	58	0	0	0
CTO	Sheng-Wei Chen	100	0	10	0
General Auditor	Chih-Kuang Huang	108	0	0	0
CCO	Fion Ouyang	27	0	0	0
CMO	Chun-Yu Lin	106	0	0	0
CBO	Daniel Tsai	94	0	0	0
CAO	J. H. Ke	16	0	0	0
Corporate Governance Officer	Mei-Cheng Chu	30	0	0	0

Note: shareholding includes shares in that retain the power to decide the allocation of the trust fund

3.7.2 Shares Transfer with Related Parties

2020.03.27 Unit: thousand shares

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price (NTD)
Yung-Jen Huang	Gift	2019.01.17	E.SUN Volunteer & Social welfare Foundation	Representative of director	300	-
J. C. Wang	Gift	2019.07.22	Mei-Ching Lo	Husband and wife	200	27.20
J. C. Wang	Gift	2019.07.22	Yu-Hsin Wang	Father and daughter	80	27.20
Wan-Li Hsieh	Gift	2019.09.18	Hsin-Yun Hsieh	Father and daughter	82	26.35
Wu-Ming Hsieh	Gift	2019.10.25	Chun-Yu Hsieh	Father and son	60	26.40

3.7.3 Shares Pledged with Related Parties: None.

3.8 Information disclosing the relationship between any of the Company's top ten shareholders

2019.12.31 Unit: 1,000 shares

Name	Shares held by themselves		Shares held by spouses, minor children		Total of shares held in the names of others		Names and the relationship among the top ten shareholders in the relationship of related parties or spouses, blood relatives within the second degree of kinship.		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ron-Yuan Investment Co., Ltd.	502,571	4.33	0	0	0	0	None	None	None
E.SUN Commercial Bank Trust Fiduciary trust account	385,299	3.32	0	0	0	0	None	None	None
Morgan Stanley & Co. International Plc	309,336	2.66	0	0	0	0	None	None	None
Government of Singapore	222,883	1.92	0	0	0	0	None	None	None
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	179,292	1.54	0	0	0	0	None	None	None
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	164,919	1.42	0	0	0	0	None	None	None
Bank J. Safra Sarasin Ltd--Singapore Branch - For Clients' account	158,566	1.36	0	0	0	0	None	None	None
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	155,121	1.34	0	0	0	0	None	None	None
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	149,010	1.28	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd.	143,844	1.24	0	0	0	0	None	None	None

3.9 The shareholding of the Company, director, supervisor, management and the business that is controlled by the Company directly or indirectly on the invested company

2019.12.31 Unit: share

Subsidiaries	The Company's investment		Investment of directors, supervisors, managers, and enterprises under direct or indirect control		Investment summary	
	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)	No. of shares	Shareholding ratio (%)
E.SUN Commercial Bank, Ltd.	9,048,100,000	100	0	0	9,048,100,000	100
E.SUN Securities Co., Ltd.	400,000,000	100	0	0	400,000,000	100
E.SUN Venture Capital Co., Ltd.	309,300,000	100	0	0	309,300,000	100
Taiwan Depository & Clearing Corporation	629,982	0.17	0	0	629,982	0.17

4. Capital Overview



YANG SHU HUI

4.1 Capital and dividend

4.1.1 Source of capital

(1) Issued shares

2020.03.20 Unit: share in millions, amount in NT\$ millions

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Others
2002.1.28	10	5,000	50,000	2,290	22,900	Share Conversion	-
2002.10.21(note 1)	10	5,000	50,000	2,470	24,700	Retained Earnings	-
2003.9.16	10	5,000	50,000	2,505	25,054	Share Conversion	-
2004.3.15	10	5,000	50,000	2,506	25,064	ECB Conversion	-
2004.5.20	10	5,000	50,000	2,584	25,842	ECB Conversion	-
2004.9.8	10	5,000	50,000	2,596	25,964	ECB Conversion	-
2004.10.11(note 2)	10	5,000	50,000	2,690	26,897	Retained Earnings	-
2004.11.26	10	5,000	50,000	2,768	27,679	ECB Conversion	-
2005.3.4	10	5,000	50,000	2,931	29,306	ECB Conversion	-
2005.9.14(note 3)	10	5,000	50,000	3,027	30,270	Retained Earnings	-
2006.4.3	10	5,000	50,000	3,230	32,304	ECB Conversion	-
2006.8.18(note 4)	10	5,000	50,000	3,303	33,033	Retained Earnings	-
2008.8.29	10	5,000	50,000	3,311	33,113	ECB Conversion	-
2008.9.4(note 5)	10	5,000	50,000	3,451	34,514	Retained Earnings	-
2008.9.23	10	5,000	50,000	3,544	35,444	ECB Conversion	-
2009.9.7(note 6)	10	5,000	50,000	3,653	36,528	Retained Earnings	-
2010.9.9(note 7)	10	5,000	50,000	3,803	38,033	Retained Earnings	-
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	-
2012.9.18(note 10)	10	10,000	100,000	4,811	48,107	Retained Earnings	-
2012.11.6(note 11)	15.5	10,000	100,000	5,011	50,107	Rights offering	-
2013.7.16(note 12)	10	10,000	100,000	5,524	55,243	Retained Earnings	-
2014.2.20(note 13)	10	10,000	100,000	5,763	57,643	ECB Conversion	-
2014.5.19(note 14)	15	10,000	100,000	6,463	64,634	Rights Offering	-
2014.9.12(note 15)	10	10,000	100,000	7,053	70,530	Retained Earnings	-
2015.05.21(note 16)	10	10,000	100,000	7,301	73,016	ECB Conversion	-
2015.08.24(note 17)	10	10,000	100,000	7,952	79,517	Retained Earnings	-
2016.08.16(note 18)	10	10,000	100,000	8,765	87,654	Retained Earnings	-
2017.05.19(note 19)	15	10,000	100,000	9,465	94,654	Rights offering	-
2017.08.28(note 20)	10	15,000	150,000	10,167	101,666	Retained Earnings	-
2017.08.28(note 20)	10	15,000	150,000	10,186	101,855	Employee Compensation	-
2018.08.14(note 21)	10	15,000	150,000	10,809	108,095	Retained Earnings	-
2018.08.14(note 21)	10	15,000	150,000	10,829	108,289	Employee Compensation	-
2019.08.19(note 22)	10	15,000	150,000	11,599	115,989	Retained Earnings	-
2019.08.19(note 22)	10	15,000	150,000	11,620	116,195	Employee Compensation	-

Note 1: 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.

Note 2: 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.

Note 3: 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.

Note 4: 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.

Note 5: 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.

Note 6: 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.

Note 7: 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.

Note 8: 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.

Note 9: 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.

Note10: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Sep. 18, 2012 granted approval for issuance in its letter Zidi 1010030640. In addition, the Ministry of Economic Affairs on Sep. 18, 2012 approved amended registration in its letter Zidi 10101191510.

Note11: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Nov. 6, 2012 granted approval for issuance in its letter Zidi 1010045676. In addition, the Ministry of Economic Affairs on Nov. 6, 2012 approved amended registration in its letter Zidi 10101223560.

Note12: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 16, 2013 granted approval for issuance in its letter Zidi 1020026708. In addition, the Ministry of Economic Affairs on Sep. 4, 2013 approved amended registration in its letter Zidi 10201180450.

Note13: The Department of Commerce, Ministry of Economic Affairs on Feb. 20, 2014 granted approval for ECB conversion in its letter Zidi 10301030090 with total amount of NT\$ 2,390,794,320.

Note14: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Mar. 21, 2014 granted approval for issuance in its letter Zidi 1030007372. In addition, the Ministry of Economic Affairs on May 19, 2014 approved amended registration in its letter Zidi 10301089620.

Note15: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Jul. 22, 2014 granted approval for issuance in its letter Zidi 1030026909. In addition, the Ministry of Economic Affairs on Sep 12, 2014 approved amended registration in its letter Zidi 10301188300.

Note16: The Ministry of Economic Affairs on May. 21, 2015 approved amended registration in its letter Zidi 10401085930.

Note17: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on Jul. 8, 2015 granted approval for issuance in its letter Zidi 1040024819. In addition, the Ministry of Economic Affairs on Aug 24, 2015 approved amended registration in its letter Zidi 10401171480.

Note18: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on July 6, 2016 granted approved the application, and the Ministry of Economic Affairs on Aug 16, 2016 approved amended registration in its letter Zidi 10501199620.

Note19: The Securities and Futures Bureau of the Executive Yuan's Financial Supervisory Committee on March 24, 2017 granted approved the application, and the Ministry of Economic Affairs on May 19, 2017 approved amended registration in its letter Zidi 10601063920.

Note20: The Ministry of Economic Affairs on Aug 28, 2017 approved amended registration in its letter Zidi 10601122040.

Note21: The Ministry of Economic Affairs on Aug 14, 2018 approved amended registration in its letter Zidi 10701100450.

Note22: The Ministry of Economic Affairs on Aug 19, 2019 approved amended registration in its letter Zidi 10801109960.

(2) Types of shares

2020.03.27 Unit: thousand Shares

Share Type	Authorized Capital			Note
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	11,619,500,000	3,380,500,000	15,000,000,000	-

Note: The issued shares are listed shares

(3) State of application for corporate bond: None.

4.1.2 Composition of shareholders

2019.12.31 Unit: thousand shares

Share Type	Government Agencies	Financial Institutions	Other Institutions Investors	Individuals	Foreign Institutions Investors and Foreigners	Total
Number of Shareholders	2	13	656	269,430	1,110	271,211
Shareholdings	27,415	263,561	2,293,049	3,894,333	5,141,142	11,619,500
Ownership (%)	0.24	2.27	19.73	33.52	44.24	100

4.1.3 Distribution profile of shareholders

2019.12.31 (The par value for each share is NT\$10)

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~999	74,221	17,323	0.15
1,000~5,000	111,862	247,898	2.13
5,001~10,000	30,244	214,204	1.84
10,001~15,000	15,922	193,349	1.66
15,001~20,000	7,513	131,360	1.13
20,001~30,000	9,115	221,276	1.90
30,001~50,000	8,462	328,304	2.83
50,001~100,000	6,755	461,288	3.97
100,001~200,000	3,632	493,453	4.25
200,001~400,000	1,699	467,347	4.02
400,001~600,000	572	276,606	2.38
600,001~800,000	276	189,244	1.63
800,001~1,000,000	147	130,209	1.12
1,000,001~	791	8,247,639	70.99
Total	271,211	11,619,500	100

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

4.1.4 Major shareholders

2019.12.31 Unit: thousand shares

name	Shareholding	Percentage (%)
Ron-Yuan Investment Co., Ltd.	502,571	4.33
E.SUN Commercial Bank Trust Fiduciary trust account	385,299	3.32
Morgan Stanley & Co. International Plc	309,336	2.66
Government of Singapore	222,883	1.92
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	179,292	1.54
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	164,919	1.42
Bank J. Safra Sarasin Ltd--Singapore Branch - For Clients' account	158,566	1.36
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	155,121	1.34
First State Investments ICVC - Stewart Investors Asia Pacific Leaders Fund	149,010	1.28
Chunghwa Post Co., Ltd.	143,844	1.24

Note: the list above shows the top 10 shareholders

4.1.5 Market prices, book value, earnings, and dividends per share

Item		Year	2019	2018	Year to date (as of March 27 2020 (Note 1))
Market Prices Per Share (Note 2)	Highest		28.30	22.75	30.30
	Lowest		20.00	18.40	20.00
	Average		25.25	20.78	27.57
book value Per Share (Note 3)	Weighted average number of shares		14.89	14.78	15.20(Note 11)
	Original EPS		-	14.07	-
EPS	Weighted average number of shares (Note 10)		11,615,370	10,824,963	11,619,500(Note 11)
	Original EPS (Note 4)		1.73	1.58	0.29(Note 11)
	Adjusted EPS		(Note 9)	1.47	-
Dividend Per Share	Cash dividend (Note 8)		0.7910	0.710	-
	Distribution of bonus shares	Stock dividends from retained earnings(Note 9)	0.7970	0.711	-
		Stock dividends from capital reserve	-	-	-
	Accumulated unpaid dividends (Note 5)		-	-	-
Return on Investment	P/E ratio (Note 6)		14.60	13.15	-
	Ratio of dividend / price to dividend ratio (Note 7)		31.92	29.27	-
	Cash dividend yield (Note 8)		3.13	3.42	-

Note 1: Numbers as of March, 27 2020 calculated by using unaudited data with regard to net worth per share and the weighted average number of shares.

Note 2: The highest and lowest market prices in each given year; average market prices calculated by taking into account each year's market turnover value and amount.

Note 3: Based on the number of shares already issued as of the end of each given year and on earnings distribution approved by the shareholders' meeting of the following year.

Note 4: Where there is need for retroactive adjustment due to distribution of bonus shares, earnings per share shall be reported for both before and after the said distribution.

Note 5: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 6: Price to earnings ratio = earnings per share divided by average closing price per share for a given year.

Note 7: Ratio of dividend/ Price to dividend ratio = average closing price per share divided by cash dividends per share for a given year.

Note 8: Cash dividend yield = cash dividend per share divided by average closing price per share for a given year.

Note 9: Earnings distribution for 2019 yet to be approved by the 2020 shareholders' meeting

Note 10: Weighted average number of shares in 2018 was due to the retroactive adjustment distribution of bonus shares.

Note 11: Preliminary figure of nearly month.

4.1.6 Dividend policy and implementation status

(1) Dividend policy

According to the Article 36-1 of the statute, if the final accounting of the Company shows profit, after having paid all taxes and duties, the losses accumulated in the preceding years shall be first covered before the remaining amount is appropriated as legal reserve and special reserve in accordance with the law. If necessary, a special reserve may also be appropriated. The distribution of remaining profits together with the reversal of special reserve as well as the retained earnings accumulated from previous years shall then be proposed by the board of directors and submitted for resolution at shareholders' meetings. In order to achieve the goal of sound financial structure and to increase the ratio of self-owned capital, the dividend distribution policy of the Company shall be formulated primarily on the basis of stock dividend. In the event that the BIS ratio of the Company at the time final dividends are proposed to be distributed after compilation of final financial statements is greater than that required by the competent authority, a portion of no less than 10% of total dividends may be distributed as cash dividend. However, in the event the proposed distribution of cash dividend is lower than NT\$0.1 per share, the Company may, at its sole discretion, opt to make such distribution in the form of stock dividends. The distribution of dividends shall be conducted based on the shareholdings of shareholders as recorded in the shareholders register on the dividend distribution baseline date.

To ensure shareholders' equity, shareholders shall have the right to receive the company's earnings. The Company's stock dividend shall be distributed at least 50% percent of undistributed earnings, and the past five- year stock dividend shall be accounts for 56% of the surplus available for distribution.

(2) Proposed distribution of dividend

It was proposed at the 2020 shareholders' meeting that shareholders would be entitled to a stock dividend of NT\$0.797 per share, totaling NT\$9,260,000,000, as well as a cash dividend of NT\$0.791 per share, or a total of NT\$9,191,766,000. Combined, the Company was to pay out NT\$18,451,766,000, or NT\$ 1.588 per common share in dividends, accounts for 99.98% of the surplus available for distribution.

4.1.7 The impact of the stock dividend distribution for the latest year on the Company's business performance and earnings per share:

In line with the Regulations Governing the Publication of Financial Forecasts of Public Companies and Criteria for the Compulsory Publication of Complete Financial Forecasts by TWSE-Listed Companies, the Company did not publish such forecasts for 2020. This item of disclosure is not applicable as the Company cannot disclose predictive information on its finances.

4.1.8 Profit-Sharing for Employees and Compensation for Directors

(1) Percent age or scope of employee compensation and directors' compensation specified in the Articles of Incorporation:

According to the Article 36 of the statute, the earnings of the Company in a given year (pretax profit before distribution of employee and director compensation) shall be reserved to cover the losses accumulated from previous years. 2% to 5% of the balance from the above shall be allocated as employee compensation, while not more than 0.9% shall be allocated as director compensation.

If employee compensation is to be distributed in the form of shares, the Company may either issue new shares or repurchase existing shares.

Recipients of employee compensation shall include employees of affiliate companies who fulfill certain criteria. Proposals of employee and director compensation distribution shall be presented to shareholders' meetings.

(2) In the event current bases of estimation for employee and directors' compensation, share number calculation bases for allotment of stock compensation and actual allotted amounts are at variance with estimated amounts:

A. Employee and directors' compensation shall be calculated according to the percentage of their pretax profit as specified in the Articles of Incorporation and previous distributions.

B. Employee stock compensation share number calculations for this Company shall be determined by the closing price of Company shares one day prior to the board of directors resolution meeting in compliance with the January 30, 2016 Decree (Jin-Guan-Zheng-Shen-Zi-Di 1050001900) issued by the Financial Supervisory Commission.

C. In the event actual allotted amounts are at variance with estimated amounts due to changes in estimation, there sulting differences shall be listed as losses for the 2020 fiscal year.

(3) Board of directors approved proposals for the allocation of employee compensation and other relevant information:

A. Allocation of employee cash compensation, stock compensation, and amount of directors' compensation. Employee cash compensation is NTD 204,339, employee stock compensation is NTD 600,480,000 and directors' cash compensation is NTD 113,300,000. Compensation distribute to employees is NT\$699,098 lower than estimated amount. The difference was due to the change of accounting estimate and will reflect on 2020 profit and loss account.

B. The proposed allocated amount of employee stock compensation accounts for 2.99% of total net income as specified in the individual financial statement for the current year and 99.97% of total employee compensations.

(4) Actual allocations of employee compensation and directors' compensation for the preceding fiscal year:

This Company's surplus earnings allocation for the preceding year amount to NTD1,999,890 in employee cash compensation, NTD 461,527,500 in employee stock compensation, and NTD 111,800,000 in directors' compensation, or NTD 4,428 higher than the estimated amount ; Cash remuneration to directors is NT\$19,200,000 lower than estimated amount. This difference was incurred by changes in accounting estimations and has been listed as losses for the 2019 fiscal year.

4.1.9 Buyback of the Company's shares: None.

4.2 Corporate bonds

4.2.1 Issuance of corporate bonds

As of December 31, 2019 Unit: NT\$ thousand

Corporate bond type	E.SUN FHC 2016-1Senior unsecured corporate bond	E.SUN FHC 2016-2Senior unsecured corporate bond	E.SUN FHC 2019-1Senior unsecured corporate bond
Issue date	2016.9.22	2017.1.20	2019.1.14
Denomination	NT\$10,000	NT\$10,000	NT\$10,000
Issuing and transaction location (Note)	Republic of China Market (TPEX listed)	Republic of China Market (TPEX listed)	Republic of China Market (TPEX listed)
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total	NT\$900,000	NT\$1,100,000	NT\$4,000,000
Coupon rate	fixed rate of 0.75% per annum	fixed rate of 1.1% per annum	fixed rate of 0.95% per annum
Tenor	5 years Maturity: 2021.9.22	5 years Maturity: 2022.1.20	5 years Maturity: 2024.1.14
Subordinated/senior ranking	Senior	Senior	Senior
Guarantee agency	N/A	N/A	N/A
Consignee	Hua Nan Commercial Bank	Hua Nan Commercial Bank	Hua Nan Commercial Bank
Underwriting institution	Yuanta Securities	Yuanta Securities	Yuanta Securities
Certified lawyer(s)	GUO, HUI-JI	GUO, HUI-JI	GUO, HUI-JI
CPA	HUANG, RUI-ZHAN LAI, GUAN-ZHONG	CHEN, YING-ZHOU HUANG, RUI-ZHAN	CHEN, YING-ZHOU HUANG, RUI-ZHAN
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal	NT\$900,000	NT\$1,100,000	NT\$4,000,000
Terms of redemption or advance repayment	None	None	None
Restrictive clause	None	None	None
Included as eligible capital	No	No	No
Name of credit rating agency, rating date, rating of corporate bonds	None	None	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs, or other securities	None	None
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	None	None
Transfer agent	None	None	None

4.2.2 Convertible bonds: None.

4.2.3 Exchangeable bonds: None.

4.2.4 Shelf registration for issuing bonds: None.

4.2.5 Corporate bonds with warrants: None.

4.3 Issuance of Preferred Share: None.

4.4 Global depository receipt

Date of Issue		Sept. 27, 2004 (1st issue)	Oct. 17, 2012 (2nd issue)
Item			
Date of Issue		Sept. 27, 2004	Oct. 17, 2012
Place of Issue & Listing		Outside the ROC (Taiwan) (Listed on the Luxembourg Stock Exchange)	
Amount		US\$98,600,000	US\$105,840,000
Issue Price		US\$14.50	US\$13.23
Number of GDSs Issued		6,800,000	8,000,000
Subject Shares		Common shares in E.SUN FHC held by E.SUN Bank	E.SUN FHC's newly issued common shares
Number of Shares Represented		170,000,000	200,000,000
Rights & Obligations of GDS Holders		<p>The rights and obligations of GDS holders shall be governed by ROC laws and decrees and the Deposit Agreements. Main points of the Deposit Agreements are as follows:</p> <p>(1)Exercise of Voting Rights: Pursuant to provisions of the Deposit Agreements and ROC laws and regulations, GDS holders shall be entitled to exercise voting rights for the common shares represented by their GDSs.</p> <p>(2)Dividend Distribution, New Shares Subscription & Other Rights: When E.SUN FHC distributes stock dividends or undertakes other forms of stock distribution, the depository may grant additional GDSs to GDS holders in proportion to the comm on shares represented by their GDSs on hand pursuant to provisions of the Deposit Agreements. If it is permitted by law, the depository may also increase the amount of common shares represented by each GDS. The depository may also sell the stock dividends in question on behalf of GDS holders and distribute the proceeds among GDS holders proportionally after subtracting related expenses and tax payments.</p> <p>When E.SUN FHC undertakes a rights offer or similar exercise, the depository should make available this right to GDS holders pursuant to provisions of the Deposit Agreements. The depository may also sell the right in question on behalf of GDS holders and distribute the proceeds among GDS holders proportionally after sub- tracting related expenses and tax payments. But if neither option is feasible, the depository may opt to waive its preemptive right pursuant to provisions of the Deposit Agreements.</p>	
Fiduciary		None	
Depository		Citibank	
Custodian		Citibank Taiwan	
Unredeemed Balance (Number of GDSs)		60 (As of Dec. 31, 2019)	
Expenses for Duration of GDSs		<p>Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, E.SUN Bank, lead underwriters and the depository, all the cost and expenses of the GDS issue (including but not confined to fees for lawyers, CPAs, the listing agent and financial advisors as well as other expenses) shall be shouldered by E.SUN Bank.</p> <p>Expenses Incurred After GDS Issue: Unless it is separately negotiated between E. SUN FHC and the depository, all the expenses incurred over the duration of the GDSs (including annual fees for listing and fees for information disclosure and related items) shall in principle be shouldered by the issuer.</p>	<p>Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, lead underwriters and the depository, all the cost and expenses of the GDS issue (including but not confined to fees for lawyers, CPAs, the listing agent and financial advisors as well as other expenses) shall be shouldered by E.SUN FHC.</p> <p>Expenses Incurred After GDS Issue: Unless it is separately negotiated between E.SUN FHC and the depository, all the expenses incurred over the duration of the GDSs (including annual fees for listing and fees for information disclosure and related items) shall in principle be shouldered by the issuer.</p>
Key Provision in Deposit/Custodian Agreements		None	
Market Price Per GDS	Mar 20, 2020	Highest	US\$ 24.800
		Lowest	US\$ 16.500
		Avg.	US\$ 23.259
	2019	Highest	US\$ 23.400
		Lowest	US\$ 15.218
		Avg.	US\$ 19.646

4.5 Status of employee stock option plan and restricted stock awards

4.5.1 Status of unexpired employee subscription warrants issued by the Bank in existence as of the date of printing of this annual report and the effect of such warrants upon shareholders' equity: None.

4.5.2 Names of top-level executives holding employee share subscription warrants as of the date of printing of the annual report and the names of the 10 employees holding employee subscription warrants authorizing purchase of the most shares for a value in excess of NT\$30 million, along with the status of actual exercising: None.

4.5.3 Status of offering restricted stock awards: None.

4.5.4 Names and positions of the 10 employees holding employee subscription warrants authorizing purchase of the most shares: None.

4.6 Merger and acquisition

4.6.1 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: None.

4.6.2 M&A or transfer of other financial institutions in past 5 years:

- (1) The board of directors of Subsidiary – E.SUN Bank passed the acquisition of 5% stake in Union Commercial Bank PLC of Cambodia. The record date of this investment project was set to be December 29 of the same year, thereby increasing E.SUN Bank's share ownership in UCB from 70% to 75%.
- (2) Subsidiary E.SUN Bank merged with E.SUN Insurance Brokers Co., Ltd. on March 25, 2016, consolidating all of the assets and liabilities of E.SUN Insurance Brokers by exchanging 1 ordinary share of E.SUN Insurance Brokers with 3.91 ordinary shares of E.SUN Bank.
- (3) Subsidiary E.SUN Bank was approved by the Board of Directors on June 29, 2016 to acquire 25% stake in Union Commercial Bank PLC. (UCB). This acquisition was completed on August 25, 2017, thereby increasing E.SUN Bank's share ownership in UCB from 75% to 100%.

Methods of issuing new shares in such M&A or sale, and opinions issued by the leading underwriter: Not applicable.

4.6.3 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&A or sale that involves the issuance of new shares: None.

4.7 Fund utilization plans and execution

4.7.1 Plan: Programs completed in the most recent three years with beneficial results yet to assert themselves: None.

4.7.2 Execution: None.

5. Business Operation



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5.1 Business scope

5.1.1 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, other businesses approved by regulators.

B. Primary subsidiaries

Three main subsidiaries include E.SUN Bank, E.SUN Securities and E.SUN Venture Capital, in which E.SUN Bank holds the sub- subsidiaries of E.SUN Bank (China), Union Commercial Bank PLC in Cambodia and BankPro e-Services Technology Co. Ltd.

C. Composition of operations

Unit: NT\$ thousand

Item \ Year	2019		2018	
	Amount	%	Amount	%
Interest Income	41,263,631	52.55	37,390,417	54.53
Fee Income	21,335,254	27.17	18,430,982	26.88
Others	15,926,415	20.28	12,746,903	18.59
Total	78,525,300	100.00	68,568,302	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, syndicated loan, domestic remittances, commercial acceptances, issuance of domestic letters of credit, domestic guarantees, custodian services and warehousing, rental of safe deposit boxes and credit card operations.

(B) Foreign exchange operations

These operations include import and export negotiation, general inward and outward remittance, foreign currency deposits, foreign currency loans, foreign currency guarantees, and exchange of foreign cash and travelers checks.

(C) Investment and treasury operations

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

(D) Agency operations and other

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

B. Composition of operations

Unit: NT\$ thousand

Item \ Year	2019		2018	
	Amount	%	Amount	%
Interest Income	40,950,651	53.35	37,003,677	55.15
Fee Income	20,211,002	26.33	17,291,221	25.77
Others	15,599,128	20.32	12,799,667	19.08
Total	76,760,780	100.00	67,094,565	100.00

Note1: E.SUN Bank consolidated financial figures

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

(3) E.SUN Securities

A. Primary subsidiaries

(A) Brokerage

Provide consigned trading of local and foreign securities and domestic futures and options to meet the needs of domestic and overseas customers for multiple commodities.

(B) Underwriting

Assist foreign and domestic enterprises to become listed on the TPEX and TWSE; assist listed and OTC companies to use different types of capital market tools to solicit the funds they need for long-term development, with the goal of achieving stronger financial structure and expanded business operation.

(C) Proprietary trading financial product sale, and other business approved by the regulator

B. Composition of operations

Unit: NT\$ thousand

Item \ Year	2019		2018	
	Amount	%	Amount	%
Fee Income	1,128,299	69.99	1,143,985	72.26
Interest Income	302,750	18.78	381,069	24.07
Gains from Securities Trading	180,058	11.17	58,101	3.67
Other Operating Income	961	0.06	(81)	0.00
Total	1,612,068	100.00	1,583,074	100.00

(4) E.SUN Venture Capital

A. Primary operations

(A) Invest in domestic and foreign non-TWSE/TPEX-

listed companies with development potentials.

- (B) Provide management and industry consulting services, and provide assistance and guidance in fund solicitation, merger and acquisition, and strategic cooperation.
- (C) Guide second-generation companies with core competitiveness to engage in transformation and restructuring.

B. Composition of operations

Unit: NT\$ thousand

Item \ Year	2019		2018	
	Amount	%	Amount	%
Investment Income	155,211	99.20	325	10.83
Interest and other operating income	1,255	0.80	2,675	89.17
Total	156,466	100.00	3,000	100.00

5.1.2 Business Plan

Key business area	Annual business plan
Corporate banking services	To accomplish the goal of "First Choice for Businesses and Premier Cross border Platform", E.SUN Bank continues to follow government policies, foster SMEs, and adopt the Investment via Taiwan's Three Major Programs and the Statute for Repatriation of Offshore Funds to guide Taiwanese businesses to return from overseas and support Taiwanese enterprises. Additionally, E.SUN promotes the New Southbound Policy to assist cross-border Taiwanese businesses in relocating their production bases to ASEAN countries and expanding into overseas markets. The Bank continues to leverage its influence to develop green finance services and fulfill its corporate social responsibility, and also strengthens overseas and domestic risk control mechanisms and maintains asset quality by using information technology and professionalism as the base as well as brand and team as the core. E.SUN helps businesses embrace cross border opportunities and move toward sustainability through integrated services.
Individual banking services	E.SUN Bank works on adding value to the branches. The bank focuses on the steady growth of foreign currency deposit, devotes the consumer banking resources to the sustainability of the society. To cope with the changing market situation, E.SUN Bank consolidates the teamwork model to build an efficient back-end for risk control.
Wealth Management Services	In response to market trends and customers' needs, E.SUN continuously enhances the expertise of wealth management teams, selects diversified financial products, uses innovative digital tools and AI technology to improve operational efficiency, and strengthens risk management to protect customers' assets.
Credit card and payment services	E.SUN Bank specifically focuses on managing high-value customer, developing digital consumer and deepening the relationship with strategic partners. By utilizing technologies and data to provide innovative products and services, satisfying customer needs in credit card usage and building up delightful experience, E.SUN Bank is dedicated to create maximum value for customer, merchant and itself. We believe it will make our credit card the best choice for consumption lifestyle and E.SUN Bank into customers' favorite credit card brand.
Securities services	Brokerage business is focused on diverse products and digital applications. E.SUN integrates online and offline channels, including branches, various online service operation processes, and independent platform development, and expands the field of inter-industry cooperation to develop securities services. Underwriting business focus on hidden champion of every industry, helping to solve the second generation succession problem of enterprises, and deepening customer relationships.
Venture Capital services	E.SUN Venture Capital combines resources within E.SUN FHC and invests in emerging stock companies and other unlisted companies with growth potential. E.SUN Venture Capital offers business management and industry consulting services and helps companies which it invests implement sustainability measures and seek academia-industry collaboration. In addition, E.SUN Venture Capital utilizes the resources of E.SUN FHC to help these companies enter the capital market and grow to be more competitive. Meanwhile, following government's policy and international regulation, E.SUN Venture Capital stably expands investment scope and properly manages risks to create higher shareholders' value and better managerial performance.

5.1.3 Industry overview

(1) Uncertainties in the global economy

- A. The global economy is slightly weak, coupled with uncertainty factors such as the U.S.–China trade war, China's credit risks, geopolitical instability, and the outbreak of the novel coronavirus (COVID-19). As a result, the International Monetary Fund (IMF) revised the global economic growth rate down to 3.2 percent in January 2020.
- B. By contrast, the U.S. economy was more favorable, albeit signs of an economic slowdown. Although the unemployment rate sits at a low of 3.5%, the manufacturing industry presented a slow economic growth, leading to weak private investments. Attention must also be paid to the impact of the subsequent U.S. presidential election.
- C. China's economy is filled with challenges, flanked by weak domestic demand and the trade war with the United States. The country's economic growth in 2019 fell to 6.1%, projecting an uncertain economic outlook. Attention must also be paid to the subsequent developments of the coronavirus outbreak, trade war, and credit problems.
- D. The U.S. and China signed the phase one trade agreement on January 15, easing trade tensions for the short-term. However, the phase two trade deal will touch upon China's core problems, rendering negotiations more challenging.

(2) Modest economic growth in Taiwan

- A. Domestic investments drive economic growth and rebounding exports. However, the coronavirus outbreak impacts economic performance. Economic growth for the year 2020 is forecast to be 2.37%, according to the Directorate-General of Budget, Accounting, and Statistics.
- B. The semiconductor industry, deployment of 5G network, offshore wind power industry, and returning Taiwanese business investments will continue to bolster investment growth. With the government's forward-looking infrastructure projects, the Directorate-General of Budget, Accounting, and Statistics forecasts 4.1% growth in fixed investments, which are essential to Taiwan's economic growth.
- C. Export dropped 1.4% in 2019, with positive growth seen only in the ICT and electronic parts sectors. The first quarter of 2020 saw challenges posed by the coronavirus to the supply chain. However, optimism remains for future exports, thanks to the relocation of Taiwanese production sites due to the trade war and the development of new high-tech applications.
- D. The stable employment market and rising salaries in Taiwan have provided support for private consumption. The growth of private consumption is projected at 1.58% for the year.

5.1.4 Research and development

(1) R&D results in last two years and future directions

Key business activity	R&D results in last two years and future directions
Corporate banking services	<p>A. Innovations in green finance: In 2019, E.SUN completed three syndicated loans for offshore wind farms and was the joint mandated lead arranger of two of the loans. E.SUN will continue to cultivate green energy industries in 2020, including offshore and onshore wind farms and large solar power stations. We hope to provide customers with professional services and be the support for promoting the sustainable development of Taiwan in the green finance field.</p> <p>B. Cross-border finance platform: In response to the needs of cross-border customers, E.SUN introduced a new Corporate Online Banking platform that centers on the customer experience and needs, to provide customers with cross border capital management and account information integration services. The platform integrates the resources of different product lines, creates special financial services, and offers total solutions. It has received multiple international awards and recognitions. (E.SUN Bank has received the Asian Banker's the Best Trade Financing Program in Taiwan award, the Asset's the Best Supplier Solution in Taiwan award [with JOHNSON], and the Asset's the Best Cross-Border Payment Risk Solution in Taiwan award [with KKDAY])</p>

Key business activity	R&D results in last two years and future directions
Individual Banking Services	<p>A. Mobile services: E.SUN Bank provides a mobile banking service that enable the customers to “set pre-designated account” and “raise the limit of non-pre-designated account transfer.” The limit is TWD 2,000,000 for transfer to a pre-designated account and 200,000 per transact, 200,000 per day, 500,000 per month for transfer to a non-pre-designated account.</p> <p>B. Online account opening: The customer can open and account in E.SUN Bank with the Citizen Digital Certificate or a credit card of E.SUN Bank, completing the self-service experience.</p> <p>C. Mobile ticketing: By using the E.SUN Bank mobile banking applications, the customer can check the information of a branch, including location shown in a map and the waiting numbers for different business. The service reduce the time customer spent waiting in the lobby, improving service experience.</p> <p>D. E-Lending service: E.SUN Bank strives to provide a seamless self-help loan service which enable customers to verify the identity and reserve for appropriation on-line.</p>
Wealth Management Services	<p>A. Diversified and innovative products: In order to meet customers' asset allocation needs, E.SUN was the first in Taiwan to raise the products of 5G equity fund, global senior secured high-yield bond fund and Danish covered mortgage bond index fund.</p> <p>B. Convenient investment and financing services: In 2019, E.SUN was approved to start the credit business of pledge on its beneficial rights of specific money trust, assisting customers to allocate assets flexibly and improve the efficiency and liquidity of funds.</p> <p>C. Strengthening risk management mechanisms: E.SUN strengthened multiple risk management mechanisms in regard to the aspects of processes and operations, complied with related laws and regulations while safeguarding the rights of customers.</p>
Credit card and payment services	<p>A. Instant Card Approval: The instant card link is the leading industry service, and the instant card approval was newly launched in 2019. Both services are authorized patents.</p> <p>B. E.SUN Wallet: The card management allows customer to customize his or her own transaction channel, and continuously launched new self-checking services.</p> <p>C. Mobile ID: Mobile ID help identify user's mobile identification when the user purchases abroad online. The service builds a safer, more convenient digital environment by real-name authentication.</p> <p>D. Product innovation: To get close to customers' daily life, U Bear Card combines with E.SUN Wallet, aimed at young teenagers and online customers; E.SUN Only Card was issued with Only Reward program. Cardholder of E.SUN Only Card could obtain several times bonus and exclusive offer with higher member level. This Only Reward program increases the customer engagement significantly.</p>
Securities services	<p>The cross-platform securities service " E.SUN Securities FUGLE Account" service in cooperation with FUGLE, the industry's first cross-scenario application of securities services, allows customers to invest in transactions without having to open the software, without being limited by time, space and scenarios, providing customers with the latest and most immediate cross-scenario investment platform.</p>

(2) R&D progress and expenses

A. R&D expenses of recent 2 years

Unit: NT\$ thousand

Year	2020(F)	2019	2018
E.SUN Bank	533,717	471,693	283,736
E.SUN Securities	31,989	39,205	53,061

B. R&D projects and progresses

Projects	Estimated Time of Completion
Central operating system upgrade project	2020
New customer service center system project	2020
E-Lending platform improvement project	2020
E.SUN ebanking improvement project	2020
Letter of credit system improvement project	2020
New foreign exchange system project	2021
AML system improvement project	2021
New credit card system project	2024

Note1: Ongoing R&D projects will require further investments of NTD\$ 1,224,026 thousand, which will be amortized over the years.

Note2: Success of an R&D project depends primarily on changes in the laws and regulations and market trends and the commitment of consultants and project members.



E.SUN invited professor Roger Martin, the strategy management master, to deliver the speech of "Creating Great Choice by Integrative Thinking."

5.1.5 Short-term and long-term business development plan

(1) Long-term business development plan

Key business area	Long-term business development plan
Corporate banking services	Integrate cross-border banking platforms and improve product integration capabilities to expand the international customer base and provide diverse banking services. Expand overseas by resource integration; start locally in Taiwan and go forward and work with overseas offices to develop localized products to effectively meet local demands; and advance toward becoming a distinguished bank in Asia.
Individual banking services	By the cross-industry collaboration and the deployment of technology to financial service, E.SUN bank provides an efficient and considerate service experience among on-line and off-line channels.
Wealth management services	E.SUN will provide comprehensive product portfolio, professional advices and differentiated services for high-end customers, cultivate international financial talents as well as combine technology to develop digital services that close to customers' lives, continuously create the greatest value with customers.
Credit card and payment services	Start with customer needs and experience and employ technological innovations for larger-scale application; develop a more refined journey while working more closely with best strategic partners; and increase exposure of E.SUN Bank credit cards in the market and develop stronger relationships with customers to make E.SUN Bank credit cards the first choice of payment tool for everyday spending.
Securities services	With the power of Fintech and the cooperation with financial holdings, E.SUN can provide completely cross border transation platform.
Venture Capital Services	Invest in 5G telecommunications, smart machinery, electric vehicles and related industries; improve time management in investment and risk management; integrate E.SUN FHC resources to facilitate overseas expansion; and work with banks, securities dealers, and accountants to explore opportunities in other countries.

(2) Short-term business development plan

Key business area	Short-term business development plan
Corporate banking services	Improve business efficiency through regional integration and "detailed customer classification, and focused operation;" Jumbo deepens professional business with top enterprises; MEs propose featured business models for unsung customers to fortify stronger customer relations; focus on improving product processes for SMEs to serve customers efficiently; SME focuses on improving product processes to serve customers efficiently; continue to improve risk management mechanisms and implement internal control; and help businesses to develop sound business practices and achieve success.
Individual banking services	Deploying FinTech to improve Omni-Channel customer experience while simplifying the operation process and increasing the level of risk control. The self-help on-line service is available for the customers. E.SUN Bank makes it to improve service experience for both the employees and the customers, overcome the opposable mind of being efficient or being considerate.
Wealth management services	To develop private banking and high-end wealth management business, E.SUN will keep completing asset allocation advisory services, strengthen risk management mechanisms and combine innovative digital tools to provide comprehensive wealth management services.
Credit card and payment services	Strengthen credit card usage experience by providing handy digital service like instant card-linking, instant credit card approval mechanism, online service inquiry and E.SUN e-Wallet in-app service to seek cross-selling marketing opportunity; expand cross-border electronic payment business and cooperate with strategic partners to establish scenario finance in order to deepen connections with customers.
Securities services	Enhance the competitiveness of overseas product platforms and deepen their advantages. Expand multiple channels for customer acquisition and comprehensively guide online account opening. Focus on developing digital services to enhance customer experience.
Venture Capital Services	Invest in undervalued public or emerging stock companies with growth potential to enhance the efficiency of capital utilization; cultivate existing customers and identify investment opportunities to increase profits and fortify customer relations.

5.2 Cross sector integration and marketing

Help business owners succeed in succession and inheritance and making the move towards sustainable development

E.SUN works alongside its expert partners to help its customers understand the larger picture of inheritance. It provides customers with a complete range of services and inheritance planning. Commonly, it is first generation entrepreneurs in Taiwan who are now faced with family inheritance. According to research, more than half of business owners in Taiwan are over the age of 50, of whom, more than 70% plan to "pass the torch" within the next ten years. These enterprises, in terms of business operation and inheritance, most want their banks to provide services in the three following areas: "family inheritance issues," "allocation of domestic and foreign assets of family members" and "group transnational financial services." It was also found that "values" and "corporate culture" are crucial to the sustainable development of an enterprise.

E.SUN has cooperated with Global Views Monthly Magazine and PricewaterhouseCoopers Taiwan to hold several lectures on inheritance and succession to help its customers understand the process. To these lectures, the Bank invited expert scholars, corporate representatives, and accounting and tax experts to share their knowledge on the challenges and practical suggestions during succession. It also jointly built a common learning platform with CommonWealth Magazine through which they analyzed the opportunities and challenges faced by Taiwanese companies on four aspects: "inheritance and succession", "digital transformation", "innovation and breakthroughs" and "operations and management." E.SUN has also integrated the capabilities of the two major departments of wealth management and corporate finance to meet the diverse and complex financial needs of businesses. Through in-depth Know-Your-Customer (KYC) work, it helps customers clarify their goals (the "What"), inheritance recipients (the "Who"), inheritance time (the "When") and the execution plan (the "How"). Working together with customers, it has progressively completed wealth and corporate inheritance, and has also helped Taiwanese companies to become solid, long-lasting, and sustainable enterprises.



As E.SUN offers its unfailing support to Taiwanese enterprises, succession has mounted a new peak.

"Pi Only U" has become the first choice for consumer payments

E.SUN Bank is committed to financial innovation. It provides its cardholders with a smooth digital experience online and friendly financial services offline. Since 2018, the Bank has worked with Pi Mobile Technology, a subsidiary of PChome, to issue the E.SUN Bank PChome Point credit card. Along with the Pi wallet app with its 180,000 use scenarios that focus on life and consumer actions, the card has received rave reviews from customers. Aiming to meet the needs of more cardholders, it has become the top choice for consumer payments in 2019. The U Bear card, Only card, and Hanshin Arena co-branded card were launched beginning at the second half of the year. Pairing these cards with ESUN Wallet, the Bank launched two industry firsts with its financial patents for real-time card approval and real-time card-binding functions. Statistics show that more than 70% of cardholders have completed the application process online, which has realized the issuance of 1.29 million cards for the year, and that increase is another first for the market. Whenever a E.SUN Bank credit card is launched, there are three underlying meanings: "hope", "companionship" and "attaining the Good". Every cardholder, it is hoped, will move forward at each stage of life and each beautiful moment with their E.SUN Bank credit card at their side, and that the card will become the customer's most preferred credit card.



The "E.SUN Bank U Bear Credit Card" - the preferred payment method for consumers

5.3 Market and business competitive landscape

5.3.1 Key business area

Business	Key business area
Corporate banking services	E.SUN Bank operates the services primarily in Taiwan. To meet the demand of cross-currency for Taiwanese businesses, E.SUN Bank provides cross border banking services in financial hubs in Asia Pacific, Greater China, and ASEAN countries. The network covers 28 offices in 9 countries and regions offering services for Taiwanese businesses and local consumers through the integration of overseas branches.
Consumer banking services	E.SUN Bank operates the services primarily in Taiwan. It has 139 branches in the country. To meet the demand of customers overseas, E.SUN Bank tries to provide a wider range of consumer banking services at overseas offices.
Wealth management services	E.SUN Bank operates the services primarily in Taiwan. It is also developing wealth management services in Hong Kong and Singapore branches to satisfy the customers' needs of wealth management.
Credit card and payment services	E.SUN Bank operates the services primarily in Taiwan. Meanwhile, the UCB subsidiary in Cambodia is developing a local credit card service.
Securities services	E.SUN Bank operates the services primarily in Taiwan with 17 subsidiaries and 85 branches co-services offices.

5.3.2 Future opportunity of market

- (1) Persistent low interest rates in financial markets: Global economic growth is slowing, and central banks are going to maintain low interest rates in the markets over the long term. In addition, in response to the impact of the COVID-19 pandemic that started in early 2020, central banks have been introducing rate cuts and related policies, which in turn affect the interest spreads for banks. Strong risk management and flexible emergency management will be key to stable growth for a bank.
- (2) Demand for international finance platforms: Coopetition between regional economies are fueling transfer of international supply chains. Having been an integral part of the global supply chain over the years, Taiwanese businesses are finding themselves in need of services such as cross border fund transfer, investment and financing, factory establishment, merger and acquisition, and asset planning in the process of international supply chain transfer. The growing demand for international finance platforms is making a cross-border network and the ability to provide an international finance platform increasingly important for a bank.
- (3) Financial planning opportunities in high-end customers: With the global tax transparency trend and the demand of Taiwanese business owners for family inheritance, business succession, and asset allocation services, the authorities in Taiwan have been trying to create a better banking environment for working with high-end customers by encouraging overseas Taiwanese businesses to return to invest and developing Wealth Management 2.0. Meanwhile, the authorities implement more rigorous wealth management regulations to protect customers' rights regarding their assets. Taiwanese banks, by satisfying the banking needs of high-end customers, will be able to manage stronger wealth management operations and compete more effectively globally.
- (4) Fierce competition in fintech: Technological advancement and decreased regulation means Taiwan will see the first online-only bank in the country in 2020. With more and more service providers entering financial services, a fully developed system can be created via cross-industry cooperation. A growing number of participants in the financial service market will lead to more fierce competition in financial services, and facilitate digital transformations among financial institutions and accelerate the development of financial inclusion and scenario-based finance, which will further enhance the customer experience and create long-term social value.

5.3.3 Objective

Business	Objective
Corporate Banking	Focus on hidden champion companies, develop green finance, and cross boarder business to make E.SUN an outstanding regional bank.
Consumer Banking	E.SUN aims to provide the most efficient service by digital financing on omni-channel. Provide higher value in physical channels by considerate service. Enhance risk management and cooperate with cross-industry social enterprise to achieve the goal of inclusive financing.
Wealth Management	E.SUN Bank is based on the belief that "pure as jade, and sturdy as mountain," offering customer-oriented service. It aims to become the most trusted wealth management bank by the use of technology and discipline.
Credit Card and Payment	E.SUN Bank focuses on key customer segments and secures its leading position in premium cards, EasyCard cobranded cards, icash cobranded cards, cards aimed at female customers, and the Citizen Travel Card. E.SUN Bank invests heavily in new payment tools. Backed by its strength in risk management, E.SUN Bank embarks on innovation and utilizes technology to combine channels and create more value for customers under innovative business models. E.SUN Bank credit card aims to the best choice for daily spending and one of the favorites with consumers.
Securities	Focus on VIP and develop variety of products. Providing the total solution for domestic customers by integrating both online and offline and develop digital customers. Customizing the most suitable solution for customer in underlying business and make the customer get capital efficiently.

5.3.4 Challenges in the future and in the external environment

(1) Challenges in the future and in the external environment

- A. The rising popularity of Fintech, new technologies, and new business models are rapidly changing the borders between industries and fueling competition between industries.
- B. Economic development around the world is exposed to the prevailing volatility, changes in cooperation and competition relationships among major economies, and geopolitical risks.
- C. Regulatory changes, anti-money laundering practices, privacy protection, and tax return filing requirements in different countries are leading to higher costs in cross border financial services and compliance.

(2) Countermeasures and E.SUN's competitive advantages

- A. Training banking professionals sharing the same vision, and develop long term core values
- B. Increase the degree of differentiation in service, expertise, and technology, and incorporate speed and flexibility into execution.
- C. Develop sound corporate governance and strong risk management, and increase investment in technologies.

5.4 Human resources

Human resources are a leading indicator and a key barometer of corporate and national competitiveness. Committed to honesty and integrity as its core values while striving for a fresh, professional brand image, E.SUN has long focused on the cultivation of human resources. Priority is given to building a corporate culture of discipline and fostering dedication to innovation as all employees strive for a shared vision. High-caliber talent holds the key to the financial industry's making inroads across borders. As such, recruiting people with various talents and developing their innovative thinking and global vision are prerequisites for businesses to enhance competitiveness. Faced with the tides of digitization and challenges posed by doing business overseas, E.SUN seeks to grow the talent it needs for the future by working with domestic institutions of higher learning, an initiative that has now been extended to their overseas counterparts. Multilateral industry-academia collaborations are formed and domestic and overseas internship are offered. Through such more flexible and cross-border packages, E.SUN seeks to take on broad key talent that it expects to need in the future.

At E.SUN, talent cultivation is considered its foundation of long-term success. The Company developed a sound talent development system and built a well-rounded training framework that covers freshmen orientation, professional training, and leadership training. As corporate vision, customer needs, and business and personnel requirements dictate, E.SUN is constantly ready to innovate and reform training packages in order to secure the talent it truly needs for future development. Moreover, a rotation program is arranged on regular basis to help employees build up second expertise by rotating among jobs at different business level across regions with roles available from frontline to back office. By offering a full range of training, experiences, and tempering, E.SUN aims to create a comprehensive, flexible supply chain that delivers top-notch interdisciplinary people.

E.SUN firmly believes that great vision and ambition bring great energy and success. In the days ahead, E.SUN is set to persist with building systems, growing talent, and developing information as three pillars of its bid for a greater pool of strengths. The objective is to create a competitive edge backed by human capital superior in both quality and quantity that goes beyond the reach of competitors. With concerted efforts of all employees, E.SUN aims to become a bank with distinction in Asia Pacific and efficient execution, and smart teamwork.

5.4.1 Employee statistics of E.SUN's subsidiaries

(1) E.SUN FHC and subsidiaries

Item \ Year		As of March 27, 2020	2019	2018
No. of employees		9,421	9,356	8,923
Average age		33.1	8,923	33.1
Average years of service		8.0	33.1	7.3
Educational background %	Master's	25.5	25.7	25.1
	Bachelor's	69.8	25.7	25.1
	Junior college	3.9	3.9	4.4
	High school	0.8	0.8	0.8
Number of professional licenses held by employees	Banking	27,053	26,995	25,723
	Insurance	10,430	10,402	10,151
	Securities	7,999	7,986	8,199
	Other	1,425	1,423	1,268

(2) E.SUN Bank

Item \ Year		As of March 27, 2020	2019	2018
No. of employees		8,823	8,753	8,314
Average age		33	32.9	32.9
Average years of service		8	7.9	7.8
Educational background %	Master's	25.8	26	25.6
	Bachelor's	69.6	69.4	69.3
	Junior college	3.8	3.9	4.3
	High school	0.8	0.8	0.8
Number of professional licenses held by employees	Banking	26,410	25,995	25,161
	Insurance	10,187	10,074	9,929
	Securities	6,860	6,846	7,109
	Other	1,339	1,306	1,200

(3) E.SUN E.SUN Securities

Item \ Year		As of March 27, 2020	2019	2018
No. of employees		539	543	554
Average age		35.2	35	34.6
Average years of service		8.3	8.1	7.7
Educational background %	Master's	17.3	16.8	14.6
	Bachelor's	77.9	78.3	79.8
	Junior college	4.1	4.2	4.9
	High school	0.7	0.7	0.7
Number of professional licenses held by employees	Banking	523	524	518
	Insurance	219	219	215
	Securities	1,100	1,088	1,077
	Other	63	63	62

(4) E.SUN Venture Capital

Item \ Year		As of March 27, 2020	2019	2018
No. of employees		8	8	8
Average age		39.3	38.9	38
Average years of service		12.9	12.6	11.6
Educational background %	Master's	75	75	75
	Bachelor's	25	25	25
Number of professional licenses held by employees	Banking	19	19	18
	Insurance	5	5	5
	Securities	6	6	6
	Other	1	1	1

5.4.2 Status of acquisition of certificates designated by the competent authority by personnel connected with financial information transparency

- Chartered Financial Analyst (CFA) L1: 31 persons
- Chartered Financial Analyst (CFA) L2: 9 persons
- Chartered Financial Analyst (CFA) L3: 6 persons
- Certified Financial Planner (CFP): 34 persons
- Associate Financial Planner (AFP): 13 persons
- Certified Internal Auditor (CIA): 3 persons
- Financial Risk Manager (FRM): 30 persons
- Certified Information Systems Auditor (CISA): 5 persons
- Certified Financial Service Auditor (CFSA): 1 person
- Certified Anti-Money Laundering Specialist (CAMS): 331 persons
- Project Management Professional (PMP): 169 persons
- Registered Financial Consultant (RFC): 2 persons
- Certificate for Documentary Credit Specialist (CDCS): 20 persons
- Certified Business Analysis Professional (CBAP): 2 persons
- Personal insurance agent: 6 persons
- Property insurance agent: 3 persons
- Securities investment analyst: 48 persons
- Futures trading analyst: 7 persons
- CPA: 23 persons
- Attorney: 8 persons

5.4.3 Continuing education and training for employees

- (1) The Company systematically plans and implements continuing education and training in accordance with pertinent training guidelines and the applicable annual plan.
- (2) In accordance with its employees' continuing education, learning, and business trip guidelines, the Company assigns colleagues recommended by unit managers for domestic and foreign continuing education, business visits, and workshops after final selection by the responsible units.
- (3) Human resources are the key to E.SUN's sustainable development. In order to strengthen its human capital, the Company established a human resources development center in 2004. The center was revamped in 2019 to adapt to accelerating changes in technology and evolving learning needs of employees. With emphasis placed on technological innovation, arts and the humanities, and environmental protection and energy conservation, the center is now incorporated into the Company's comprehensive training and development framework with

a view to growing high-caliber financial professionals. In accordance with its annual development strategy and with the competence requirements of employees taken into account, E.SUN devises its annual education and training development directions and methods, based on which comprehensive short-, mid-, and long-term career development training mechanisms are developed for everyone. Highlights of recent years include risk control and legal compliance, information security, and the principle of treating customers fairly. An E-learning platform is adopted for employees to read and complete tests online. Also available are lectures and courses on self-management and self-development. As such, E.SUN now makes a solid learning organization that provides its employees with a workplace truly conducive to personal and career growth and development.

- (4) During 2019, the Company and its subsidiaries held 295 internal education and training classes of various types, and sent personnel to participate in 1,067 training sessions held by external professional organizations. As a result, our colleagues took part in training a total of 131,301 person-times.
- (5) The Company's education and training funding accounts for 0.86% of operating revenue in 2019.

5.4.4 Number, average salary, and median salary of employees serving in non-supervisory positions in the year, and differences from the previous year.

Unit: NT\$ thousand; persons

	2019	2018	Growth rate
Number of employees serving in non-supervisory positions	7,556	7,604	(0.63%)
Average salary of employees serving in non-supervisory positions	1,057	1,002	5.49%
Median salary of employees serving in non-supervisory positions	966	922	4.77%

Note: the above statistic standard follows the instruction, jointly issued by TWSE and GTSM, for reporting salary information of employees serving in non-supervisory positions.

5.4.5 Promotion and enforcement of employee conduct and ethics rules

- (1) All E.SUN employees must sign and pledge to uphold the Company's employee service regulations and rules of conduct.
- (2) The Company posts its employee service regulations and rules of conduct on E.SUN's internal and external websites

in order to facilitate browsing and familiarization by employees.

- (3) To ensure that all executives and employees have correct awareness and faithfully uphold regulations in their conduct and work, all units' legal compliance managers shall promote awareness of employee conduct and relevant regulations on a regular basis and when needed.
- (4) E.SUN Bank provides tests with regard to "Code of Conduct for E.SUN Employees" to all employees annually. All employees are required to take the online courses and pass the tests afterwards. This is to remind employees to comply with the code.
- (5) In accordance with the Personal Information Protection Act and the Personal Information File Security Regulations for Non-Governmental Institutions Designated by the Financial Supervisory Commission, the Company has strengthened management mechanisms in order to fully implement the protection of personal information and information security.

5.5 Corporate responsibility and ethics

Corporate social responsibility has been one of the top priorities for E.SUN for years. On our road to sustainability, E.SUN insists on starting from its core banking businesses, incorporates CSR into its business strategies, and implements practices to follow international trends in sustainability. By making a long-term commitment and adopting systematic methods to improve performance in the economic, environmental, and social aspects of its business activities, E.SUN takes action and makes constant progress in business, environmental, and social aspects.

5.5.1 Corporate governance aspect

- (1) E.SUN builds its corporate governance practices on honesty, integrity and professionalism. Under the leadership of the management team, E.SUN has been rated "Excellent" in Corporate Governance Certification by Taiwan Corporate Governance Association, and ranked in the top 5% of TWSE Corporate Governance Evaluation for 5 consecutive years. E.SUN is also the first listed financial institution in Taiwan to create a corporate governance and nomination committee. It currently has 5 independent directors, accounting for more than 30% of board membership. E.SUN tries to make the board of directors better trained and more independent by having independent directors with different academia, industry, and government backgrounds.
- (2) A bank is a business that manages risks. Believing that no business operations can be considered beyond risk, E.SUN continues to reinforce the three lines of defense, establish a complete set of handbook and process, and implement them in a disciplined manner. E.SUN also

strengthens its skills to combat money laundering and enhances its system surveillance.

5.5.2 Environmental aspect

- (1) E.SUN continues to work on the green building project and build solar-powered branches. As of the end of 2019, E.SUN has 2 server rooms with LEED Gold international certification (Hope Building and Technology Building), 1 green building with LEED Gold international certification (E.SUN HR Development Center - Dengfeng Building), 9 offices with green building certification (Chiayi, Daya, Yuanlin, Toufen, Changhua, Annan, Taiping, eastern Tainan, and Shalu Branches), 13 solar-powered branches (Toufen, Daya, Dali, Taiping, Shalu, Changhua, Yuanlin, Douliu, Chiayi, Jen-Teh, eastern Tainan, Annan, and Jinhua Branches), and 2 solar-powered buildings (Dengfeng Building and Technology Building).
- (2) E.SUN continues to implement the ISO14001 environmental management system and the ISO50001 energy management system and complete taking inventory of ISO14064-1:2018 greenhouse gases, ISO 14046:2014 water footprint assessment, and ISO 14064-3:2006 carbon emission (from employee commuting and business travel as well as waste from operation) for the Taipei headquarter building, Boai Building, Technology Building, Dengfeng Building, E.SUN Securities, and all offices in and outside Taiwan.
- (3) E.SUN is no longer financing coal-fired power generation facilities, nor renewing contracts following their expiration. This is aimed at working together with other parts of the world to maintain the sustainable development of the environment and society.

5.5.3 Social aspect

- (1) As part of its commitment to education, E.SUN continues to promote the E.SUN Golden Seed Project. It has made contributions and donated more than 320,000 books to 148 E.SUN Libraries by the end of 2019. More than 92,000 students have benefited from the program. This charity project has been certified by the Social Value International (SVI), in compliance with their SROI guidelines and criteria. According to comprehensive calculation analysis, for every NT\$1 to the E.SUN Golden Seed Project, NT\$28.74 social value is generated. This project is the first SVI-certified educational SROI in Taiwan with the highest social value in the Taiwan educational SROI report. E.SUN will be moving on to building its next 100 E.SUN Libraries. E.SUN keeps cultivating excellent students. The E.SUN Outstanding Management Talent Scholarship was rewarded to 13 outstanding students in the field of management, technology, and humanities and arts. The E.SUN ASEAN Scholarship was rewarded to 6 students from ASEAN countries. E.SUN teams up with National Taiwan University,

National Chengchi University, National Tsing Hua University, and National Chiao Tung University to offer the E.SUN Academic Award and help raise the standards of management research in the country. 28 teachers have received the award so far. For 5 years in a row, E.SUN has worked with the College of Management of National Taiwan University in running the Hope Seedling Program. The program is designed to train talent in digital banking and help students build up key skills in digital banking.

- (2) In supporting Taiwan's junior baseball as part of our efforts in sports development, E.SUN has systematically established the E.SUN Junior Baseball Fund and planned a series of junior baseball events, including E.Sun National Junior Baseball Tournament, E.SUN Junior Baseball Camp, and E.SUN Junior Baseball Protection Camp, among other seminar and health-related activities for 13 consecutive years. Almost 3,000 baseball players have received training. Through the Remote Caring Program, E.SUN has supplied appropriate sports aids to almost 30 schools in remote areas and in need of resources, creating a performance stage in Taiwan that encourages young adults to pursue their dream.
- (3) E.SUN is continuing to hold regular "One simple act of love can inspire others to love" blood donation activities, where 6,590 bags (250 ml per bag) of blood were donated in 2019. Besides, E.SUN also held 16 "Accompanying Kids as the Grow" young child concern activities in 2019. Thanks to the commitment of E.SUN personnel and E.SUN volunteers nationwide, we are helping even more people in need and spreading love everywhere it is needed. We will continue to plant the seeds of love and concern throughout the country, and ensure that E.SUN volunteers can achieve even greater results.



"A love can draw more loves" - the blood-donating campaign.

5.6 Environmental protection expenditure information

During the most recent year and until the publication date of this annual report, losses (including compensation) and penalties due to environmental pollution totaled 0.

5.7 IT Facilities

The majority of E.SUN FHC's IT Facilities are owned and operated by its subsidiary E.SUN Bank. Details are as below.

5.7.1 Current IT system's hardware/software configuration and maintenance

E.SUN Bank's IT systems for Accounting, Deposits, Loans, Remittance, Foreign Exchange, Wealth Management, Treasury Service, Credit Cards and E-Commerce, as well as its Customer Relationship Management, Risk Management and Business Intelligence Analysis systems are all built upon the most optimal system architecture based on each business needs. The underlying operating systems range from z/OS, OS/400, UNIX, Linux to Windows, with the business applications built on Virtualization Platform and Private Cloud environments. In addition, software and hardware maintenance contracts are signed to ensure the functionality and reliability of the IT systems meet the service level requirements of each business.

5.7.2 Future development and procurement plans

In order to keep up with global competition, rapid changes in the industry, and the continuous evolvement of international business management concepts and standards, E.SUN Bank plans to be even more committed in System Integration, E-Commerce Services, Digital Banking and Overseas Business Development in 2020. E.SUN Bank will also adopt the latest trends in information technology to continuously strengthen our Information Security Management and Financial Regulation Technology. Finally, E.SUN bank will also utilize Big Data and AI extensively to assist in decision making and improve both the breadth and depth of service towards our customers. Please see below for E.SUN Bank's major information systems development projects for 2020:

(1) FinTech Application

- Cloud Service Applications
- Face Recognition Infrastructure Development
- Text Mining and Natural Language Processing Services

(2) Digital Channels

- Next Generation Call Center System Development
- Open API Services

(3) Cross-border Financial Services

- Core Banking System Migration for Singapore Branch
- Overseas Account Opening System Development
- Overseas Branch Teller System Development

(4) Regulation Technology

- AML Monitoring and Detection System for TWD Transfer

(5) System Integration

- Corporate Banking, Personal Banking, Wealth Management, Treasury, and Digital Banking information systems Refinement
- Information Technology Infrastructure and Platform Virtualization Expansion
- New Capital Accrual System

5.7.3 Emergency Recovery and Security Measures

- (1) The environments of E.SUN Bank's IT systems including access control, fire safety, power supply, air conditioning, Internet, data security, data Cryptography, and system data backup, all comply with ISO27001 and IT System Security Requirements from The Bankers Association of the Republic of China.
 - (2) With respect to business continuity measures, except for local system backup, E.SUN Bank performs drills once a year in accordance with the remote backup and restoration procedures of the Bank's core business systems in order to ensure the effectiveness of the backup procedure and data validity.
 - (3) With respect to safety protection measures, E.SUN Bank adopts a multi-layered defense in depth structure, which is equipped with firewalls, anti-virus software, spam email filter, APT intrusion detection and defense system, online behavior management, and network management systems. The operating systems and patch fixing are centrally controlled. In addition, vulnerability scanning, penetration test, and social engineering testing, we also clarify information assets according to their level of importance and degree of influence. Furthermore, information security assessment is regularly conducted to ensure the stability and security of the IT systems.
- (4) The overview of the information security operations in 2019:**
- A. Information security governance: Improving the maturity level of E.SUN Group's security governance by optimizing existing control systems and implementing information security governance through consistent security standards.
 - B. Information security promotion: Improving the security awareness of all employees through information security training and social engineering exercises; establishing a secure software development consulting channel to enhance employees' security development capabilities.
 - C. Information security risk: Performing information security assessments through independent third parties to verify the effectiveness of existing security measures; integrating information security appliances for real-time alerts and dynamic joint defense, cultivating emergency response capabilities in the face of security incidents to improve overall information security protection mechanisms.
- (5) In terms of network architecture, since 2018 we have already completed the network infrastructure development of both Technology Building and Hope Building, ensuring uninterrupted availability of information services in both sites and improving the overall reliability of E.SUN Bank services. In 2019 we further integrated Software-Defined Network (SDN) into Technology Building, and have future plans to fully migrate our entire network infrastructure into SDN to keep up with the technology needs of the rapid changing environment and enable more flexibility, efficiency and automation in network deployment.

(6) Compliance with International Standards on Information Security:

The Bank's Information System Division and Information Security Management Division have continuously passed ISO 27001 certification in 2019. Wealth Management Division Insurance Agent has adopted the ISO 27001 standard and passed the assessment in 2019. The Bank's credit card acquisition system obtained PCI DSS certification in 2018 and has maintained continuous effectiveness to ensure that customers have the best security in the use of services and the protection of information.

5.8 Labor-Management Relations

5.8.1 Information on labor-management relations

(1) Employee benefits and status of implementation

- A. Care for employees' families and care in the workplace: We have established the E.SUN Baby Growth Fund, which encourages E.SUN people to raise an outstanding new generation by providing subsidies of NT\$100,000 for each newborn baby. Likewise, we have established an infant product-sharing platform to enable parents to swap infant supplies and products. We promote maternal care in the workplace, and have produced a handbook designed specifically for new mothers, spelling out healthcare information and benefits available to them. We Provide family care leave, maternity leave, paternity leave, and unpaid childcare leave policies that are superior to statutory requirements so that colleagues can have more flexibility and time to care for family members. We have further established the E.SUN Family Care and Child Awards that honor extraordinary performance on the part of employees' children at school and in major competitions. Finally, we do our utmost to assist those E.SUN people who suffer from sickness or injury, unfortunate family events, and natural disasters.
- B. Insurance and healthcare: Apart from purchasing labor and health insurance for employees in accordance with applicable regulations, the Company also provides employees with group insurance, group accident insurance, life insurance, major illness insurance, and hospitalization and accident medical insurance. As an example, when and if employees experience emergencies or accidents overseas, they can enjoy international support services. We further provide employees with business travel group insurance. All employees stationed or traveling overseas for business are covered by accident insurance, accidental injury medical insurance, overseas emergency hospitalization insurance, and overseas outpatient and emergency care insurance. Premiums for all group insurance (including business travel group insurance) are paid by the Company. The Company and its subsidiaries place great emphasis on employees' mental and physical health. Apart from the foregoing benefits, we also provide employees with free health check-ups. Proactively committed to creating a quality workplace, we take the initiative to care for employees.
- C. Special leave: Our offer is superior to what is prescribed by the Labor Standards Law. Employees who have worked for more than three months enjoy a number of days off proportional to their length of service.
- D. Employee Welfare Committee: The committee offers a full range of employee subsidies and benefits for such occasions as marriage, childbirth, children's education, major illness, hospitalization, and travel, as well as bonuses for the country's three most important traditional holidays.
- E. Employee stock ownership trust: To encourage colleagues to perform retirement planning, E.SUN has established an employee savings club stock ownership trust. While employees set aside savings at their discretion each month, the Company provides an incentive contribution three times each year.
- F. Supportive mortgages for home purchases and consumer loans.

(2) Retirement system and status of implementation

In accordance with the Labor Standards Act, Labor Pension Act, and other pertinent statutes, the Company and its subsidiaries provide a comprehensive retirement system. Monthly contributions are sent to the Bank of Taiwan under the old retirement reserve fund system. In the case of employees applicable to the new retirement system, the Company and its subsidiaries contribute the equivalent to 6% of their salaries to the Bureau of Labor Insurance on a monthly basis. To encourage employees to achieve outstanding performance, extra retirement incentives commensurate with extraordinary performance and special contributions are provided in addition to the prescribed retirement pensions.

(3) Status of labor-management agreements and measures taken to preserve employee rights and interests

The Company and its subsidiaries preserve the rights and interests of labor and management in accordance with applicable laws and regulations, regularly hold labor-management conferences, and issue notices with regard to employee complaints. Communication channels are easily accessible, employees' views are taken seriously, and labor-management relations are harmonious.

5.8.2 Losses suffered due to labor- management disputes during the most recent year and up to the date of printing of this annual report, and the estimated amount expected to be incurred for the present and future as well as preventive measures thus planned: None.

5.8.3 Work environment and protective measures for preserving employee safety

- (1) The Company and its subsidiaries have installed security systems and personnel throughout their business premises, and are continuing to strengthen training in an effort to effectively maintain workplace, employee, and customer safety.
- (2) In order to promote the health and safety of all employees, the Company and its subsidiaries have drafted work health and safety management plans and health and safety work rules, held work health and safety committee meetings, implemented occupational health and safety policies, and secured occupational health and safety management system certification (OHSAS 18001 and ISO 45001). Meanwhile, arrangements are made for occupational health and safety executives, first aid personnel, and fire safety management personnel to undergo pertinent training. On top of education and training sessions designed specifically for new hires, all employees are required to receive general health and safety in-service training as part of our efforts to enhance employees' health and safety consciousness and achieve the goal of a zero-accident workplace.
- (3) In accordance with the E.SUN FHC/Subsidiaries Guidelines for Addressing Prevention, Complaints, and Punishment of Sexual Harassment, we have installed a hotline to prevent the occurrence of sexual harassment and establish a welcoming work environment. We seek to eliminate hostility originating from sexual or gender factors in the workplace and protect employees and service recipients from the threat of sexual harassment. After investigation and verification, persons committing sexual harassment will receive appropriate punishment based on the severity of their actions.

5.9 Important Contract

Contract type	Parties involved	Contract commencement/ expiration	Content	Restrictive clauses
Outsourcing agreement	System Corporation	2011.12.23	Preparation, printing, and postal handling of forms related to stock affairs	None
	Provision Information Co., Ltd.	2019.03.01	Labor support maintenance and development service for stock systems	None
	Cloudsys Technology, inc.	2019.09.25	Insider declaration maintenance system	None

6. Financial Information



6.1 Condensed Financial Statements from 2015 to 2019

6.1.1 Condensed Balance Sheet(Consolidated)

Unit: NT\$1,000

Item	Year	Financial data for the most recent five years from 2015 to 2019 (Note 1)				
		2019(Note 3)	2018(Note 3)	2017(Note 3)	2016(Note 3)	2015(Note 3)
Cash and cash equivalents, due from the central bank and call loans to other banks		128,578,895	132,443,937	131,175,124	99,544,974	104,112,647
Financial assets at fair value through profit or loss		519,648,673	475,506,677	408,918,355	366,689,364	349,603,244
Available-for-sale financial assets		-	-	170,745,924	141,645,924	131,281,637
Financial assets at fair value through other comprehensive income		215,878,199	183,846,186	-	-	-
Debt Instrument Investments Measured at Amortized Cost		12,599,698	8,165,004	-	-	-
Derivative financial assets for hedging		-	-	-	-	-
Securities purchased under resell agreements		4,971,085	-	-	173,470	896,844
Receivables, net		113,150,366	93,450,521	94,083,377	83,935,869	78,562,234
Current tax assets		7,200	11,790	5,054	33	104
Assets held for sale, net		158,036	-	-	-	-
Discounts and loans, net		1,444,322,101	1,333,277,269	1,211,071,275	1,118,148,669	1,021,944,720
Reinsurance assets		-	-	-	-	-
Held-to-maturity financial assets		-	-	3,078,813	3,616,960	5,289,839
Investments accounted for using equity method, net		-	-	-	-	-
Restricted assets		-	-	-	-	-
Other financial assets, net		8,039,483	13,694,947	13,571,397	31,009,269	43,697,797
Properties and equipment, net		33,351,444	32,604,520	28,209,309	26,439,666	26,792,354
Investment properties, net		1,853,907	1,948,418	1,960,511	2,033,334	461,799
Right-of-use assets, net		3,181,031	-	-	-	-
Intangible assets, net		6,188,674	6,116,132	6,222,969	6,241,852	5,953,922
Deferred tax assets, net		1,456,489	1,098,436	954,988	438,264	500,739
Other assets		4,972,910	5,623,195	4,391,191	4,382,542	6,136,051
Total assets		2,498,358,191	2,287,787,032	2,074,388,287	1,884,300,190	1,775,283,931
Due to the Central Bank and other banks		57,903,786	72,223,020	66,652,215	52,516,006	71,170,130
Funds borrowed from the Central Bank and other banks		-	-	-	-	-
Financial liabilities at fair value through profit or loss		59,630,516	50,315,163	43,439,501	42,145,098	35,875,595
Derivative financial liabilities for hedging		-	-	-	-	-
Securities sold under repurchase agreements		7,228,239	12,526,789	12,200,468	8,881,723	8,034,391
Commercial paper issued		3,681,576	2,669,356	4,895,219	2,557,414	2,279,200
Payables		29,184,083	28,969,420	31,332,005	27,503,039	21,441,650
Current tax liabilities		1,899,196	1,523,828	1,948,106	1,636,966	1,144,949
Liabilities directly associates with assets held for sale		-	-	-	-	-
Deposits and remittances		2,082,984,629	1,886,693,981	1,712,278,637	1,557,116,388	1,456,393,949
Bonds payable		38,070,000	42,650,000	42,550,000	48,950,000	50,750,000
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		35,167,492	25,019,142	5,519,631	6,903,561	1,319,959
Lease liabilities		3,177,727	-	-	-	-
Provisions		656,223	860,739	505,300	442,271	499,097
Deferred tax liabilities		1,306,719	1,338,393	697,535	925,546	1,288,004
Other liabilities		4,286,905	2,867,101	3,421,239	5,540,820	3,426,109
Total liabilities	Before distribution	2,325,177,091	2,127,656,932	1,925,439,856	1,755,118,832	1,653,623,033
	After distribution	(Note 2)	2,135,345,299	1,931,679,331	1,759,764,494	1,657,042,264
Equity attributable to owners of the Company		173,057,921	160,014,288	148,842,216	128,524,475	120,927,106
Capital stock	Before distribution	116,195,000	108,289,000	101,855,000	87,654,000	79,517,000
	After distribution	(Note 2)	115,988,500	108,094,800	94,666,320	87,468,700
Capital surplus		24,965,734	24,710,706	24,529,129	20,658,669	20,501,164
Retained earnings	Before distribution	31,697,756	26,627,780	22,012,117	19,802,447	18,253,944
	After distribution	(Note 2)	11,239,913	9,532,842	8,144,465	6,883,013
Other equity		199,431	386,802	445,970	409,359	2,654,998
Treasury stock		(Note 2)	-	-	-	-
Non-controlling interests		123,179	115,812	106,215	656,883	733,792
Total equity	Before distribution	173,181,100	160,130,100	148,948,431	129,181,358	121,660,898
	After distribution	(Note 2)	152,441,733	142,708,956	124,535,696	118,241,667

Note1: All financial statements above have been audited and certified by accountants.

Note2: Earnings distribution of the year (ended December 31) 2019 shall be resolved in the shareholders' meeting.

Note3: Data was based on financial statements that have been audited and certified by independent auditors.

6.1.2 Condensed Statement of Comprehensive Income (Consolidated)

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

Item	Year	Financial data 2015-2019 (Note)				
		2019(Note)	2018(Note)	2017(Note)	2016(Note)	2015(Note)
Interest revenue		41,263,631	37,390,417	33,008,486	29,823,991	29,981,181
Less: Interest expense		21,392,562	17,079,102	12,758,870	11,239,320	12,507,553
Net interest		19,871,069	20,311,315	20,249,616	18,584,671	17,473,628
Total net revenues and gains other than interest		34,651,549	29,117,919	25,857,573	22,480,161	21,015,701
Total net revenues		54,522,618	49,429,234	46,107,189	41,064,832	38,489,329
Bad-debt expenses and provision for losses on guarantees		1,598,078	3,252,472	4,055,371	3,463,088	3,566,430
Net changes in insurance liability reserve		-	-	-	-	-
Operating expenses		29,854,264	25,839,405	25,178,945	22,396,072	20,137,768
Income before tax from continuing operations		23,070,276	20,337,357	16,872,873	15,205,672	14,785,131
Income tax expense		(2,949,766)	(3,254,589)	(2,218,434)	(2,222,490)	(1,906,172)
Net income from continuing operations		20,120,510	17,082,768	14,654,439	12,983,182	12,878,959
Net income (loss) from discontinuing operations		-	-	-	-	-
Net income		20,120,510	17,082,768	14,654,439	12,983,182	12,878,959
Other comprehensive income for the year (net of tax)		138,758	(526,762)	(70,657)	(2,476,343)	783,746
Total comprehensive income		20,259,268	16,556,006	14,583,782	10,506,839	13,662,705
Net income attributable to owners of the company		20,105,129	17,068,493	14,756,556	13,135,212	12,816,347
Net income attributable to non-controlling interests		15,381	14,275	(102,117)	(152,030)	62,612
Total comprehensive income attributable to owners of the company		20,244,626	16,541,559	14,721,101	10,673,795	13,567,419
Total comprehensive income attributable to non-controlling interests		14,642	14,447	(137,319)	(166,956)	95,286
Earnings per share (NT\$)		1.73	1.58	1.49	1.5	1.63

Note: All financial statements above have been audited and certified by accountants, and are based on financial statements that have been audited and certified by accountants for previous years.

6.1.3 CPAs' Auditing Opinion from 2015 to 2019

Huang Jui Chan, CPA, and Lai Kwan Chung, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2015, ended on December 31, and issued an unqualified opinion report ; Chen Yin Chou, CPA, and Huang Jui Chan, CPA, of Deloitte & Touche had examined the Financial Statements of E.SUN Bank for the year of 2016, 2017, 2018 and 2019 ended on December 31, and issued an unqualified opinion report.

6.2 Financial data for the most recent five years

Item			Year	Financial data for the most recent five years from 2015 to 2019				
				2019 (Note 1)	2018 (Note 1)	2017 (Note 1)	2016 (Note 1)	2015 (Note 1)
Operating ratio	Total assets turnover (Times)		0.02	0.02	0.02	0.02	0.02	
	Loan to Deposit Ratio (E.SUN Commercial Bank) (%)		70.19	71.56	71.64	72.69	70.97	
	NPL ratio (E.SUN Commercial Bank) (%)		0.19	0.23	0.23	0.19	0.13	
	Average revenue per employee(NT\$ thousand)		5,640.08	5,227.29	4,898.25	4,583.13	4,617.24	
	Average net income per employee(NT\$ thousand)		2,081.36	1,806.55	1,556.83	1,449.02	1,544.98	
Profitability ratio	Ratio of return on total assets(%)		0.84	0.79	0.74	0.72	0.78	
	Ratio of return on stockholders' equity(%)		12.07	11.05	10.54	10.35	11.23	
	Profit margin ratio(%)		36.90	34.56	31.78	31.62	33.46	
	Basic Earnings per share(NT\$)		1.73	1.58	1.49	1.50	1.63	
Financial structure(%)	Ratio of debt to assets		93.07	93.00	92.82	93.14	93.15	
	Ratio of debt to net worth		1,342.63	1,328.71	1,292.69	1,358.65	1,359.21	
	Double Leverage Ratio		103.76	104.00	104.39	104.80	104.29	
	According to Article 41 of Financial Holding Company Law		None	None	None	None	None	
Leverage ratio(%)	Operating leverage ratio		1.07	1.16	1.24	1.23	1.24	
	Financial leverage ratio		1.00	1.01	1.01	1.01	1.01	
Ratio of growing(%)	Ratio of assets growing		9.07	10.14	10.09	6.14	13.33	
	Ratio of income growing (Note 2)		13.44	20.53	10.96	2.84	15.68	
Cash flow(%)	Cash flow ratio		5.64	5.95	14.72	0.18	14.14	
	Cash flow adequacy ratio		120.58	136.64	127.66	86.80	178.85	
	Cash flow content ratio		(Note 5)	(Note 5)	(Note 5)	(Note 5)	(Note 5)	
Operating Scale(%)	Market share of assets		4.15	4.11	3.95	3.92	3.90	
	Market share of equity		3.89	4.34	4.01	3.85	3.88	
	Market share of deposit (E.SUN Commercial Bank)		4.86	4.67	4.37	4.15	4.42	
	Market share of assets loans(E.SUN Commercial Bank)		4.60	4.43	4.25	4.00	4.26	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank (consolidated)	14.62	15.13	15.01	13.71	12.95	
		E.SUN Securities Co., Ltd.	436.09	540.24	377.76	535.17	596.44	
		E.SUN Venture Capital Co., Ltd.	98.39	98.88	99.63	98.16	99.49	
		E.SUN Insurance Brokers Co., Ltd.		-	-	-	88.46	
	Qualified capital of subsidiaries (NT\$ thousand)	E.SUN Commercial Bank	225,229,332	214,187,113	194,484,051	174,936,955	154,838,582	
		E.SUN Securities Co., Ltd.	4,377,258	4,128,876	4,026,967	3,908,927	3,921,842	
		E.SUN Venture Capital Co., Ltd.	3,406,096	3,280,563	3,406,334	3,589,935	3,819,566	
		E.SUN Insurance Brokers Co., Ltd.	-	-	-	-	1,133,244	
	Net Group qualified capital(NT\$ thousand)		208,420,469	195,921,649	177,161,990	156,549,604	140,989,432	
	Legal requirement of subsidiaries' capital	E.SUN Commercial Bank	161,743,250	139,779,358	119,861,902	110,066,610	95,640,422	
		E.SUN Securities Co., Ltd. (Note 3)	1,505,640	1,146,402	1,599,005	1,095,615	986,316	
		E.SUN Venture Capital Co., Ltd.	1,730,833	1,658,795	1,709,548	1,828,567	1,919,557	
		E.SUN Insurance Brokers Co., Ltd.	-	-	-	-	640,531	
	Legal requirement of group capital(NT\$ thousand)		165,280,619	142,714,687	123,297,429	114,029,344	99,480,031	
	Group Capital Adequacy Ratio		126.10	137.28	143.69	137.29	141.73	
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 (Note 4)			915,952,505	717,204,176	682,476,469	610,572,634	605,641,651	

Note 1: Based on financial statements compiled by accountants for previous years.

Note 2: The YOY growth rate of net profit decreased, mainly due to the increase of operating expenses.

Note 3: The demand for regulatory capital increased, due to trading of Taiwan's stock market was heavy in 2019, which caused the increase of general and financing transaction amount compared to 2018.

Note 4: The total amount was higher in 2019 than in 2018, mainly due to the Company's stable growth of business.

Note 5: The cash flow content ratio is negative, and therefore not included in the analysis herein.

Note 6: The formula is as follows.

1. Operating ratio

(1) Total assets turnover=Net income/Average assets

(2) Loan to Deposit Ratio =Total loans/Total deposits

(3) NPL ratio=Nonperforming loans/Total loans

(4) Average revenue per employee=Net revenues/employee

(5) Average net income per employee=Net income/employee

2. Profitability ratio

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

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

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

(4) Basic earnings per share=(Income and loss attributable to owners of the company-Dividends for preferred stocks)/Average issued shares

3. Financial structure

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

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

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

4. Leverage ratio:

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

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

5. Ratio of growing:

(1) Ratio of assets growing =(Total assets-Last year total assets)/Last year total assets

(2) Ratio of income growing =(income before income tax-Last year income before income tax)/Last year income before income tax

6. Analyses for liquidity

(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 sold under repurchased issued+Current portion of Payables).

(2) Cash flow adequacy ratio=Net cash provided by operating activities(from 2015 to 2019)/from 2015 to 2019(capital expenditure+Cash dividends).

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

7. Operating Scale

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

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

(3) Market share of deposit (%)(bank)=Total deposits/Total deposits held by all financial institutions which are qualified in deposit and loan business

(4) Market share of assets loans(%)(bank)=Total loans/Total loans granted by all financial institutions which are qualified in deposit and loan business

8. Capital adequacy Ratio

(1) Net Group qualified capital=Qualified requirement of Financial Holding Company Law+(Shares hold in ratio of Financial Holding Company Law \times Qualified capital of subsidiaries)-Deduction.

(2) Legal requirement of subsidiaries' capital=Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law \times Legal requirement of subsidiaries.

(3) Group Capital Adequacy Ratio=Net Group qualified capital \div Legal requirement of group capital.

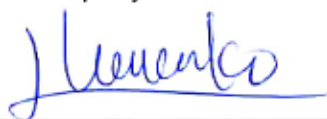
6.3 Financial holding company and its subsidiaries should disclose the detail of impact when encounter financial difficulties for the latest complete financial year and year to date before the printing of annual report: None.

6.4 Audit Committees' Report

Audit Committee Report

To: E.SUN Financial Holding Company

The 2019 consolidated financial statements of E.SUN Financial Holding Company ("the Company") have been prepared in accordance 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", "International Financial Reporting Standards", "International Accounting Standards", "IFRIC Interpretations" and "SIC Interpretations" endorsed by the Financial Supervisory Commission of the Republic of China. CPA Chen Yin Chou and CPA Huang Jui Chan 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 guidelines. 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 11, 2020

7. Management discussion and analysis of financial performance and matters of risk management



HUANG PO WEI

7.1 Financial status

Unit: NT\$1,000

Item	Year	2019	2018	Difference	
				Amount	%
Cash and Cash Equivalents (Note 1)		43,023,628	55,755,562	(12,731,934)	(23)
Deposits at CBC and loans to peer banks		85,555,267	76,688,375	8,866,892	12
Financial assets at fair value through profit or loss		519,648,673	475,506,677	44,141,996	9
Available-for-sale financial assets-Net		-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income		215,878,199	183,846,186	32,032,013	17
Debt Instrument Investments Measured at Amortized Cost (Note 2)		12,599,698	8,165,004	4,434,694	54
Investments in Notes and Bonds with Resale Agreement (Note 3)		4,971,085	-	4,971,085	-
Receivables-net (Note 4)		113,150,366	93,450,521	19,699,845	21
Current income tax assets (Note 5)		7,200	11,790	(4,590)	(39)
Assets Held for Sale-net (Note 6)		158,036	-	158,036	-
Loans and advances-net		1,444,322,101	1,333,277,269	111,044,832	8
Held-to-Maturity Financial Assets-Net		-	-	-	-
Other Financial Assets-Net (Note 7)		8,039,483	13,694,947	(5,655,464)	(41)
Investment property-Net		1,853,907	1,948,418	(94,511)	(5)
Property, plant, and equipment-net		33,351,444	32,604,520	746,924	2
Intangible assets-Net		6,188,674	6,116,132	72,542	1
Deferred tax assets (Note 8)		1,456,489	1,098,436	358,053	33
Other assets-Net		4,972,910	5,623,195	(650,285)	(12)
Right-of-use asset-Net (Note 9)		3,181,031	-	3,181,031	-
Total asset		2,498,358,191	2,287,787,032	210,571,159	9
Deposits from CBC and peer banks (Note 10)		57,903,786	72,223,020	(14,319,234)	(20)
Financial liabilities at fair value through profit and loss		59,630,516	50,315,163	9,315,353	19
Notes and Bonds Issued under Repurchase Agreement (Note 11)		7,228,239	12,526,789	(5,298,550)	(42)
Commercial papers payable-net (Note 12)		3,681,576	2,669,356	1,012,220	38
Payables		29,184,083	28,969,420	214,663	1
Current tax liabilities (Note 13)		1,899,196	1,523,828	375,368	25
Deposits and remittances		2,082,984,629	1,886,693,981	196,290,648	10
Bonds payable		38,070,000	42,650,000	(4,580,000)	(11)
Other loans		381,356	399,094	(17,738)	(4)
Liability provisions (Note 14)		656,223	860,739	(204,516)	(24)
Other financial liabilities (Note 15)		35,167,492	25,019,142	10,148,350	41
Deferred tax liabilities		1,306,719	1,338,393	(31,674)	(2)
Lease liability (Note 16)		3,177,727	-	3,177,727	-
Other Liabilities (Note 17)		3,905,549	2,468,007	1,437,542	58
Total Liabilities		2,325,177,091	2,127,656,932	197,520,159	9
Common Stock		116,195,000	108,289,000	7,906,000	7
Total capital surpluses		24,965,734	24,710,706	255,028	1
Total retained earnings		31,697,756	26,627,780	5,069,976	19
Other equity (Note 18)		199,431	386,802	(187,371)	(48)
Non-controlling shareholders		123,179	115,812	7,367	6
Total equity		173,181,100	160,130,100	13,051,000	8
Total liabilities and equity		2,498,358,191	2,287,787,032	210,571,159	9

Note 1: Mainly due to repayment of bank debentures and distribution of cash dividends, resulting in decreases in cash and cash equivalents.

Note 2: Mainly due to increases in bonds issued by foreign institutions.

Note 3: Mainly due to the increase of deposits and new investment projects.

Note 4: Mainly due to increases in credit card services, leading to an increase in credit card receivables.

Note 5: Mainly due to a decrease in prepaid income tax.

Note 6: Mainly due to the relocation of branches and the increase of branches held for sale at the end of the year.

Note 7: Mainly due to a decrease in deposits to industry peers.

Note 8: Mainly due to bank interest compensation increases leading to increases in deferred income tax assets.

Note 9: Mainly due to the adoption of IFRS 16.

Note 10: Mainly due to decreases in loans from banks.

Note 11: Mainly due to the maturation of some transactions.

Note 12: Mainly due to new commercial papers.

Note 13: Mainly due to increases in net profit before tax, leading to increases in income from tax.

Note 14: Mainly due to decreases in employee welfare provisions.

Note 15: Mainly due to increases in principal collected on structured instruments.

Note 16: Mainly due to the adoption of IFRS 16.

Note 17: Mainly due to increases in advance payments.

Note 18: Mainly due to increases in translation differences arising from foreign operations caused by exchange rate volatility.

Note 19: The 2018 financial status is based on financial statements issued by a CPA for the current year.

7.2 Financial Performance

Unit: NT\$1,000

Item	Year	2019	2018	Change amount	Percentage (%) of change
Net interest income		19,871,069	20,311,315	(440,246)	(2)
Non-interest net revenue		34,651,549	29,117,919	5,533,630	19
Allowance for bad debt expenses and guarantee liabilities(Note 1)		(1,598,078)	(3,252,472)	1,654,394	(51)
Operating expenses		(29,854,264)	(25,839,405)	(4,014,859)	16
Net Profit before Tax for On-going Business Departments		23,070,276	20,337,357	2,732,919	13
Income Tax (Expense) Benefit		(2,949,766)	(3,254,589)	304,823	(9)
Net Profit after Tax for On-going Business Departments		20,120,510	17,082,768	3,037,742	18
Other comprehensive income (Note 2)		138,758	(526,762)	665,520	(126)
Total comprehensive income for the current period(Note 3)		20,259,268	16,556,006	3,703,262	22

Note 1: Mainly due to increases in handling fees from credit card and credit extension services and decreases in losses on currency exchanges caused by exchange rate volatility compared to the previous period.

Note 2: Mainly due to the economic environment, leading to increases in revaluation gains and losses for equity instruments at fair value through other comprehensive income compared to the previous period.

Note 3: Mainly due to increases in overall services and increases in net profit compared to the previous period.

7.3 Cash Flow

7.3.1 Cash liquidity analysis for the past two year

Unit: %

Item	Year	2019	2018	Percentage (%) increase (decrease)
Cash flow ratio (%)		5.64	5.95	(5.21)
Cash flow adequacy ratio (%)		120.58	136.64	(11.75)
Cash reinvestments ratio (%) (Note 1)		0.05	0.42	(88.10)

Note 1: The cash reinvestment ratio was lower in 2019 than in 2018, mainly due to higher financial assets at fair value through profit or loss in 2019 than in 2018, which caused the increase of working capital.

7.3.2 Cash liquidity analysis for the next year

Unit: NT\$1,000

Cash balance at beginning of period [1]	Expected annual net cash flow from operating activities [2]	Expected cash outflow For the year [3]	Expected cash surplus (deficit) [1]+[2]-[3]	Remedial actions For expected cash deficit	
				Investment plan	Financing plan
54,299,407	8,530,930	16,150,566	46,679,771	-	-

1. Analysis of cash flow change for the year

(1)Operating activities: Expected annual net cash flow from operating activities was NT\$8,530,930 thousand dollars.

(2)Investing activities: Expected annual net cash flow was NT\$(2,859,627) thousand dollars.

(3)Financing activities: Expected annual net cash flow was NT\$(13,290,939) thousand dollars.

2. Liquidity contingency plan and liquidity analysis: None.

7.4 Impact of significant capital expenditures on finances

7.4.1 Major capital expenditure items and source of capital in the next five years: None

7.4.2 Expected benefits: None

7.5 2019 reinvestment policy, main reasons for profits or losses, improvement plan, and investment the coming year

7.5.1 2019 reinvestment policy

E.SUN FHC's investment is made in accordance with the Financial Holding Company Act and in compliance with the regulations and requirements of the competent authority. Considering the future return rate of each investment opportunity and long-term strategic investment value including marketing benefit with subsidiaries, scale economy and category economy creation, new market and new product development.

7.5.2 Main reasons for Profit or Loss and Improvement Plan

The overall profitability of E.SUN FHC's subsidiaries including bank, securities and venture capital is great. For the main reasons and business plan, please refer to "V. Business Operation \1. Business Scope and 3. Industry Overview".

7.5.3 2019 investment plan

With the goal of supporting long-term and steady development strategy and improving the operating efficiency, E.SUN FHC actively evaluates potential investment opportunities.

7.6 Risk Management

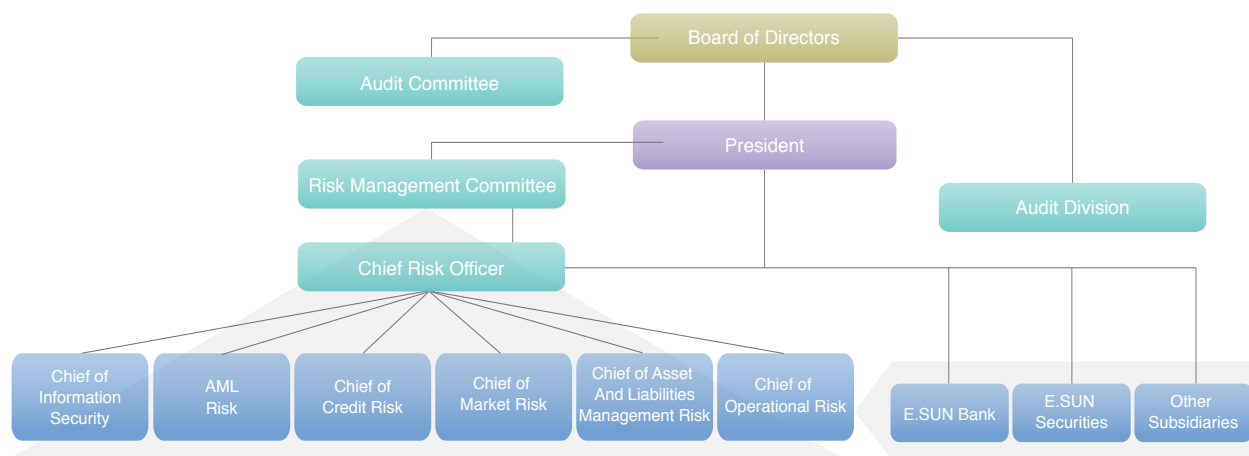
The goal of the Company's risk management is to ensure the safety of assets, enhance customer service quality, increase shareholder value, and achieve the goal of rationalization of risk and compensation. The development of business must uphold the highest guiding principles of risk management: safety and liquidity first, profitability second, growth next, and always concern the public interest.

7.6.1 FHC's Risk Management Framework

The Company has established an independent and impartial risk management committee to take the responsibility for implementing risk management policies approved by the board, promoting risk management culture at the Company, and supervising each business unit's compliance with international regulations.

The committee is headed by the president, who serves as chairman, fourteen to sixteen supervisors are chosen as ex officio members by chairman from the relevant department of the Company, subsidiaries as E.SUN Bank, E.SUN Securities and E.SUN Venture Capital. The committee reports the state of risk management implementation to the board on a quarterly basis. In accordance with the "E.SUN FHC Risk Management Policy and Guiding Principles," the Company and subsidiaries have determined relevant operational standards to enable the effective identification, assessment, supervision, and control of credit risk, market risk, operational risk, money laundering risk, countering the financing of terrorism risk, liquidity risk, and other risk. Comprehensively enhance the quality of risk management.

At the same time, E.SUN Bank is working to comply with the framework of Basel III. In order to pave the way for appropriate capital and asset risk allocation, E.SUN Bank committed to enhance the accuracy of calculate risk-based capital charges under Pillar I. Furthermore, E.SUN Bank strive to comply with Pillar II qualitative and quantitative standards, and the Pillar III disclosure requirements in order to establish a more risk sensitive management framework. The Company's risk management organizational framework is shown in the following diagram.



E.SUN FHC's Risk Management Organizational Framework

7.6.2 Risk Measurement and Control Methods, and Exposure-related Quantitative Information – Applicable to All Subsidiaries

(1) Routine Disclosures

A.Strategies and Procedures

(A) Credit Risk Management

- a. With regard to credit risk management goals and development strategies of the Company and subsidiaries, we comply with the competent authority's legal and regulatory system, "Credit Risk Management Guidelines approved by the board," which provides a basis for regularly risk management. We continuously monitor and assess domestic and

foreign economic and financial trends, and make revisions to our internal regulations at appropriate times. In addition, we are actively adopting internal credit rating tools, have implemented a verification mechanism aimed to ensure the effectiveness and stability of our credit rating model, and are continuing to establish comprehensive risk management procedures.

- b. According to regulations set by authorities, restrictions are placed on the risk exposure of any single financial institution. Credit rating and operational status are also factors taken into consideration.
- c. E.SUN Bank abides by authorities stipulated by regulators regarding and establishes the standards to limit credit risk exposure for a single enterprise and group of affiliates.
- d. To appropriately diversify the risk exposure and to avoid over concentration risk. The Company sets limits and acts on the exposure of lending and investment. Considering the risk tolerance in business, the limits of company imposes lending on specific industries or counterparties as well as on individual countries and business conglomerates, and review regularly.

(B) Market Risk Management

- a. The Company and its subsidiaries establish market risk management mechanisms to meet risk management needs, through four steps including identify, measure, monitoring, and control, as well as procedures for handling unexpected events.
- b. The market risk management department clearly identifies the risks of various financial instruments and integrate with regular risk management to measure and monitor the overall market risk situation.
- c. The Company sets various limits of market risk and ensures each risk level is under control. When there is overdraft of the limit, the Company will run the procedure to reduce the risk and recheck the tolerance is still available.
- d. After review of financial asset holdings under a regular basis. After review is done, the analysis report is submitted to the Company's risk management committee and board of directors to make them deeply and fully understand the risk exposure. This procedure revises the strategy if necessary and has the advantage of making better trading decisions.

(C) Operational Risk Management

- a. In order to effectively identify, assess, supervise, and control all operational risks that may be encountered, and promote sound management, the Company and its subsidiaries have determined "Operational Risk Management Guidelines" as a basis for operating risk management. In addition, the Company has determined "operational risk incident notification guidelines" and the risk management division continues to collect operational risk incidents of subsidiaries to assist in the improvement of operational risk management.
- b. To well manage the operational risk, the subsidiaries had established the standard operating procedures and the operational risk management mechanisms based on each business nature as well as actual needs respectively. Then it uses the action plan to improve the high potential operation risk event for keeping up with changes in operational risk management.
- c. The audit division shall examine the procedure of managing operational risk on a regular basis in order to ensure that both evaluation and supervisory processes of operational risks management are functioning properly.

(D) Anti-money laundering and counter terrorist financing

- a. In order to manage the risk related to money laundering and financing of terrorism, the Company and its subsidiaries have formulated the Group-wide Policy: "Anti-Money Laundering and Countering Terrorism Financing Policy of E.SUN Financial Holding Company and its Subsidiaries" and have established countermeasures applying "the Risk-Based Approach"(RBA) to ensure the management and controls are effectively implemented. Regarding AML/CFT management for overseas affiliates, we will continuously promote several mechanisms such as information sharing at group level and regulatory gap analysis to establish unified standards of management worldwide. The philosophy of "no business can be considered beyond risk" serves as the ultimate guiding principle for risk management.
- b. With regard to risk control measures, subsidiaries shall set up their risk control plans, monitoring, and procedures according to the institutional risk assessment to manage and mitigate the ML/TF risks that has been identified. For those with higher risk, the subsidiaries should apply enhanced measures to fulfill the mechanism to prevent money laundering and financial crime.
- c. To ensure that the subsidiaries would fulfill the plan of AML/CFT, the company report the execution of the plan to the board of E.SUN FHC annually.
- d. The Asia/Pacific Group on Money Laundering (APG) conducted the 3rd Round of on-site evaluations on Taiwan in November 2018. Subsidiary of E.SUN FHC, E.SUN Commercial Bank was one of the representatives from the banking

industry to participate in the evaluation. The evaluation result was announced in October 2019. Taiwan received "regular follow-up," which is the best result in the evaluation among members in the Asia-Pacific region. After the evaluation, E.SUN Bank received "Excellence in Evaluation" from the Executive Yuan and Financial Supervisory Commission. This award is an affirmation of efforts made by the E.SUN Bank during the evaluation process. In the future, subsidiaries of E.SUN FHC, E.SUN Bank and E.SUN Securities will continuously implement and strengthen various AML/CFT control mechanisms in accordance with external regulations and the results of annual institutional risk assessments. Such mechanisms include the amendments to AML policies and procedures, refining customer due diligence control measures, optimizing AML monitoring and screening systems, and providing comprehensive training to strengthen the quality of AML personnel.

(E) Information Security Risk

- a. The establishment of a bank-wide information security management system and determination of relevant information security management standards and procedures in accordance with the "E.SUN FHC Information Security Policy" has ensured the confidentiality, integrity, and availability of key information throughout the company, and provides an important basis for information security management.
- b. The Bank's information security management is based on international standards and complies with domestic and foreign information security laws and regulations. E.SUN Bank has obtained the Information Security Management System (ISMS) ISO/IEC 27001: 2013 certification, BS 10012: 2017 certification, and PCI DSS certification.

B. Related Risk Management Systems Organization and Framework -Applicable to All Subsidiaries

Based on "Risk Management Policy and Guiding Principle of E.SUN Financial Holding Company", each subsidiary shall plan to establish operational procedures that can allocate capital to the associated risks and meet the level of risk. According to the business, they shall also set its risk management operation specifications, perform regularly position evaluation, risk level measurement and abnormal event supervision and report to the risk management department and audit department. Meanwhile, each subsidiary is required to continue to enhance its customer value and risk analysis technology, along with internal control systems. This allows the Company 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 Management

Risk control criteria have been determined on the basis of country, industry or counterparty and the level of risk concentration. The Company also perform regular inspection and review of the suitability of limits in order to achieve our goal of mitigate concentrated risk. The Company have established an appropriate credit risk control environment, which includes credit approval procedures, credit management, and assessment and supervision procedures. The Company regularly report the state of credit risk control to management, the risk management committee, and the the board of directors.

(B) Market Risk Management

Relevant risk factors are included in the evaluation system of the Company, also reports are provided We capture relevant risk factors in the evaluation system of the Company, and provide reports which contains the fair value, trading profits/losses of transactions, level of exposure and the adequacy of risk management assessment to decision-making management. These reports are also submitted periodically to the Risk Management Committee and the Board of Directors.

(C) Operational Risk Management

Apart from regularly checking whether the implementation of business complies with operating guidelines, the Company also continues to track and improve the internal audits and internal control opinions concerning shortcomings in order to respond to risks. In accordance with the "Operational risk incident notification guidelines.", the risk management division regularly compiles the content of risk incident notification from subsidiaries, and reports to the risk management committee and the board of directors. With regard to major operational risk issues and state of risk exposure, the risk management division also regularly analyzes and reports to the management, the risk management committee, and the board of directors in order to ensure continuous monitoring of operational risk management.

(D) Anti-money laundering and counter terrorist Financing

The Company and its subsidiaries comply with regulations of the financial competent authority to implement the

anti-money laundering and counter terrorism financing control. The bank conducts transaction monitoring with the assistant of IT system and staff's professional judgment in accordance with typologies of the Bankers Association of the Taiwan. If any suspicious transaction or activity detected, responsible unit should report it to the financial investigation bureau through independent computer and ensure data security. Besides, the company adopts external database and sanction lists published by international authoritative organizations in the filtering system to conduct name screening. The company prohibits to establish relationship with objects whose name is listed on sanction list and will perform enhanced due diligence and obtain senior management approval before a high risk customer on-boarding.

(E) Information Security Risk

- a. Assessing and identifying information security risk (Security risk can be mitigated through defining the SOP and operational guidelines to control potential threats and vulnerabilities, planning risk assessment, implementing control mechanisms, following audit review and taking improving action. A summary of how these steps are taken is as follows PDCA) :

Plan: Conduct a risk assessment of control mechanisms already in place to identify information security threats and vulnerabilities.

Do: Use the assessment as the basis for installing and implementing a better-rounded control regime.

Check: Conduct routine internal audits to ensure the effectiveness of the information security management system; enforce effective information security management through rigorous double-checking by executives.

Act: Use the audits as the basis for taking corrective and preventive action, introducing a further-improved control regime, and conducting employee training with regard to information security.

- b. Reporting line

- (a) Bank: The Bank's dedicated unit responsible for the planning and implementation of information security matters. "Information Security Management Division" performs the bank-wide information security governance and information security risk mitigation, and all bank units cooperate in implementation.

- (b) E.SUN Security: According to E.SUN FHC Information Security Policy, we formed a dedicated team under the Information Technology Division for the planning and implementation of information security matters in all business units.

- (c) Financial Holding Company: The Company has established the "Information Security Management Committee" to review information security management policies at subsidiaries. The Company's chief information security officer serves as the chairperson of this committee, and representatives of subsidiaries' chief information officers serve as committee members. The Information Security Management Committee meets once each quarter, and the general manager presides at these meetings. The committee also meets once each month at a working group conference, which supervises and reviews the state of the Company's information security management and discusses information security issues.

- (d) Board of directors: After the Information Security Management Division has reviewed the overall state of information security implementation during the previous year, the chief information security officer, general auditor, general manager, and chairman shall jointly sign and issue a statement concerning the overall implementation of information security, which is presented to the board within 3 months after the end of the accounting year.

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

The Company and its subsidiaries seek collateral, third-party guarantees, netting agreement and trade credit derivative products to hedge against the risk. The Company will also use a trading counterparty's deposits to offset counterparty's liabilities. For derivative financial products that are standardized and highly liquid, centralized settlement by the Counterparty is adopted to reduce counterparty risk and capital requirements. E.SUN Bank has set up internal risk control mechanisms and also complies with rules and systems set by regulatory agencies. E.SUN Bank will adjust its measures based on the developments in the domestic and foreign economic and banking environment. These measures ensure the continued effectiveness of risk hedging and risk mitigation tools.

(2) Measurement and control methods, and exposure related quantitative information

A. Credit Risk-based Capital Charge & Risk-weighted Assets

(A) E.SUN Bank

2019.12.31 Unit : NT\$ thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charges
Sovereign	139,810,022	54,334
Public Sector (Non-central government)	13,321,695	371,539
Banks (including multilateral development banks)	231,792,741	8,039,590
Corporate (including securities and insurance companies)	604,296,814	46,741,686
Retail Bonds	617,041,544	39,989,242
Residential Real Estate	320,700,342	13,195,256
Equity Investments	203,812	16,305
Other Assets	57,819,591	3,225,031
Total	1,984,986,561	111,632,983

(B) E.SUN Securities

Unit : NT\$ thousand

Item	December 31, 2019		December 31, 2018	
	Market value	Risk Equivalent	Market value	Risk Equivalent
Margin trading amount	6,183,871	154,602	5,263,897	131,649
Securities loan	1,158,965	28,974	1,461,211	36,530
Securities Brokerage	11,260,991	302,281	7,755,042	201,427
General transaction amount	428,484	34,279	381,035	30,483

B. Market Risk-based Capital Charge & Risk-weighted Assets

(A) E.SUN Bank

2019.12.31 Unit : NT\$ thousands

Risk Type	Capital Charged
Interest rate risk	3,772,228
Equity Securities risk	1,143,684
FX risk	107,530
Commodity Risk	9,720
Option based on simple method	0
Total	5,033,162

The capital charge for foreign exchange options positions of the Bank are calculated using sensitivity analysis (Delta-plus), for which E.SUN bank has been approved to do by the regulatory authority. All other financial products are calculated using the standard approach.

(B) E.SUN Securities

Unit : NT\$ thousands

Risk Type	December 31, 2019		December 31, 2018	
	Market value	Risk Equivalent	Market value	Risk Equivalent
General positions				
Interest Rate risk	548,280	44,499	309,545	24,938
Equity Securities risk	940,605	194,115	462,976	110,379
FX risk	302,946	24,288	281,677	11,267
Subtotal	1,791,831	262,902	1,054,198	146,584
Optional positions				
Equity Securities risk(Delta-plus approach)	-	-	63,287	17,752
Total	1,791,831	262,902	1,117,485	164,336

C. Liquidity risk

The Company and its subsidiaries assess the liquidity risk which according to its major asset-liability portfolio and its business attributes, establishing liquidity risk management indicators and early warnings. In addition to meet the rules set by regulator, E.SUN Bank also manage various liquidity risk limits. If there is a risk of liquidity crisis, relevant measures should be formulated immediately according to the Contingency Funding Plan. To ensure the interest rate, exchange rate and liquidity risk are under control, E.SUN Bank monitor the maturity gap and the change of asset-liability position via the system. Thereby, asset-liability optimization and the safety of funding can be achieved. The related liquidity risk management reports will submit to the Risk Management Committee and the Board of Directors.

(A) E.SUN Bank

2019.12.31 Unit:NT\$ thousands

TWD Maturity Term Structure Analysis							
	Total	Remaining Period to Maturity					
		0~10 Days	11~30 Days	31~90 Days	91~180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	2,033,364,576	269,158,394	176,105,824	155,647,997	154,782,050	154,829,054	1,122,841,257
Main capital outflow on maturity	2,442,160,886	111,107,130	127,513,682	376,619,972	273,927,762	366,397,174	1,186,595,166
Gap	(408,796,310)	158,051,264	48,592,142	(220,971,975)	(119,145,712)	(211,568,120)	(63,753,909)

Note: The figures refer to the amount of TWD position in the whole bank.

2019.12.31 Unit:USD\$ thousands

USD Maturity Term Structure Analysis						
	Total	Remaining Period to Maturity				
		0~30 Days	31~90 Days	91~180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	37,023,841	9,964,160	10,399,306	4,636,702	2,323,236	9,700,437
Main capital outflow on maturity	41,008,958	10,083,026	10,707,788	7,529,734	8,935,512	3,752,898
Gap	(3,985,117)	(118,866)	(308,482)	(2,893,032)	(6,612,276)	5,947,539

Note 1: The figures refer to the amount of USD position in the whole bank

Note 2: If the assets in overseas branches account for more than 10% of the whole bank, supplementary disclosure information should provide supplementary disclosure information.

(B) E.SUN Securities

2019.12.31 Unit:NT\$ thousands

December 31, 2019	Total	Remaining Period to Maturity				
		0~30Days	31~90 Days	91~180 Days	181 Days to 1 Year	Over 1 Year
Assets	15,033,973	6,859,802	480,270	788,339	1,205,700	5,699,862
Liabilities	15,033,973	6,290,182	1,316,857	98,082	158,487	7,170,365
Gap	-	569,620	(836,587)	690,257	1,047,213	(1,470,503)
Cumulative gap	-	569,620	(266,967)	423,290	1,470,503	-

D. Operational risk

(A) E.SUN Bank

Unit:NT\$ thousands

Year	Gross Income	Capital Charged
2017	42,360,320	
2018	46,475,796	
2019	51,170,247	
Total	140,006,362	6,566,807

(B) E.SUN Securities

Unit:NT\$ thousands

Year	Gross Income	Capital Charged
2017	1,345,379	
2018	1,419,405	
2019	1,470,569	
Total	4,235,353	254,121

7.6.3 Effect of major domestic and overseas policies and legal changes on the E.SUN FHC's financial business and countermeasures :

(1) Implementation of the anti-money laundering and countering the counter terrorist financing

A. Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG). In order to re-establish cash flow order, and enhance both the public and private institution prevention of money laundering, strengthen Taiwan's anti-money laundering situation, and improve the international legal system collaboration, we amended the Anti-Money Laundering Law on December 28, 2016 in accordance with the forty recommendations of the Financial Action Task Force (FATF) and international agreements and legislation. The Anti-Money Laundering Law was put into effect on June 28, 2017 and then amended on November 7, 2018. The Financial Supervisory Commission also established its Financial Institution Anti Money Laundering Guidelines according to the law.

- B. In order to conduct the control of money laundering and terrorism financing risk, E.SUN enacted "Anti-Money Laundering and Countering Terrorist Financing Policy of E.SUN Financial Holding Company and its Subsidiaries" on August 8, 2018." E.SUN Bank revised internal regulations in accordance with regulations on November 13, 2019. E.SUN Securities also revised internal regulations on November 6, 2019. to facilitate the use of risk-based methods to confirm customers' identities and continuing review mechanisms, and to verify the shareholder structures and actual beneficiaries of institutional or trust customers. In accordance with the structure of three lines of defense, we have confirmed the effectiveness of our plan.

(2) Implementing the Fair Dealing Policy and Strategy

- A. In order to promote the Fair Dealing Policy and Strategy as the core enterprise culture of the financial institutions, Financial Supervisory Commission R.O.C(FSC) issued the Fair Dealing Policy and Strategy on December 31, 2015. FSC request financial institution build the related policy and strategy which should be incorporated into the internal audit and control system. In addition, FSC carried out the assessment of Fair Dealing Policy and Strategy to examine the status of implementation since the year of 2019.

- B. The goals of implementing Fair Dealing Policy and Strategy are listed below:

- (A) Implementing the principles of fairness, reasonableness, equality, reciprocity, and good faith to ensure the interests of financial consumers.
- (B) Building the enterprise culture of emphasizing on the importance of financial consumer protection and regarding it as the principle and value system of the Company.
- (C) Complying with related regulations of financial consumer protection and the letters of competent authority.

- C. Implementing the "The Internal Control Procedures to Prevent the financial consultant from Misappropriating customer money" and "Directions for Insurance Enterprises, Insurance Broker Companies and Insurance Agent Companies establishing Internal Control Procedures to Prevent Insurance Solicitors from Misappropriating or Embezzling Policyholder's Funds".

- (A) The Bankers Association of the Republic of China put forth "The Internal Control Procedures to Prevent the financial consultant from Misappropriating customer money" on June 14, 2019 and "Directions for Insurance Enterprises, Insurance Broker Companies and Insurance Agent Companies establishing Internal Control Procedures to Prevent Insurance Solicitors from Misappropriating or Embezzling Policyholder's Funds" on December 12, 2019.

- (B) The specific procedures of the Company listed below are drawn up in order to strengthen the internal control.

a. Personnel Management:

Implementing the due diligence process when recruiting the personnel.

Set the personnel behavior principles to request personnel shall treat customers in accordance with good faith.

Personnel shall not keep the passbooks, seals and blank transaction receipts for the customer.

Personnel shall not make transaction with customers without permission and solicit customers unfairly.

Building the job rotation system of financial consultant and the mechanism to audit during their day-off.

b. Internal Control System and the Principles of Segregation of Duties:

With a view to preventing the financial consultant from conducting the business of deposits, withdrawals and insurance policy transfer, acquiring the password of internet banking unfairly and conduct the transaction for the customers, having funds flow with customers privately or selling the financial product without permission and making the Company reconciliation by themselves, We set the specific and effective control points in accordance with the Internal Principles of Segregation of Duties and business process to ensure the implementation of internal control mechanism.

D. Follow up on execution of the Dodd-Frank Act

In 2019, the U.S. government tweaked the threshold of reporting resolution plan by each adhere item. Under the current regulations, the Bank would continue submitting the resolution plan for Risk management and Risk Management Committee. Prospectively, E.SUN Bank will keep a close eye on the development and change, as well as on our overall assets.

E. Hong Kong Counterparty Credit Risk Plan

Hong Kong Monetary Authority (HKMA) revised the Supervisory Policy Manual("SPM") module CR-G-13 on Counterparty Credit Risk Management ("CR-G-13") in 2018. The module is intended to provide guidance on measures and sound practices that AIs should adopt in their CCR management, including corporate governance, risk management policies and procedures, credit assessment, risk valuation and monitoring, stress test, etc. In Dec 2019, HKMA has formally requested all AIs in Hong Kong to assess their compliance with the requirements set out in the revised SPM and submit a self-assessment report by 12 Mar 2020. E.SUN had engaged an external consultant in 2019 to assist on the gap analysis and provide recommendations to enhance our CCR management. All action plans are devised and will be go-live by Q2 2020.

F. Margin Requirement

In response of Global Financial Crisis in 2008, the Group of Twenty (G20) initiated a reform in 2009 to reduce the systemic risk and enhance the risk capacity in OTC derivative, which require by different types of instrument and notional amount. For Non-centrally cleared OTC derivative would require margin movement which include Variation margin and Initial Margin. According to the different implement phases, E.SUN has already complied with the Variation Margin in December 2016, and will imply the initial margin in September 2021.

G. Common Reporting Standard, (CRS)

- (A) The Ministry of Finance announced the Regulations for Financial Institution Joint Declaration and Due Diligence, dated of November 16, 2017. We have executed due diligences consistently to new individual accounts and entity accounts since the beginning of 2019 and completed the report of the account Information and non-information account to the Revenue Service Office. By the end of 2020, we will complete review process of the lower asset account as well as the current account.
- (B) The overseas Branches and Subsidiaries of E.SUN Bank, such as China, Hong Kong, Singapore, Japan and Australia has signed the taxation agreement and implemented the project by the external consultant. Branches of Hong Kong, Singapore and Japan has executed the new account process since January, 2017; Australia, China did it since July, 2017. In addition, we have completed the review of the high asset accounts and finish the first report in May, 2020. The review of current accounts will be completed by the end of 2020.

7.6.4 Effect of developments in science and technology as well as industrial change on the E. SUN FHC's finances and operations, and countermeasures:

Information security has become a crucial component of risk management because of the rapid development of FinTech. To strengthen our information security, the Company and its subsidiaries have deployed various protection mechanisms, including intrusion prevention/detection systems, web application firewalls (WAF), data loss prevention (DLP) tools, distributed denial of service (DDoS) and advanced persistent threat (APT) defense systems, etc.

Before implementing new technologies, requirements review and architecture consultation are conducted respectively by the requirements management team systems architects team. A thorough assessment, based on the aspects such as compliance, data protection, and the use of technologies, will also be conducted to ensure that risks brought by emerging technologies can be controlled. These efforts are to address impacts on the bank's finances and business due to the recent technological and market changes.

7.6.5 Effect of Changes in E.SUN FHC's Image on the Company's Risk Management, and Countermeasures:

The Company and its subsidiaries are dedicated to establishing themselves as a model of corporate governance that provides one-stop financial services while adhering strictly to the laws, regulations and regulatory requirements, ensures transparency in disclosure of stakeholder transactions, avoids conflict of interest, and endeavors to protect shareholders' rights and interests. The Company is constantly refining the systems of risk management, education and training, and employee benefits in an effort to maintain a sound business practice. The Company is also a strong supporter of charitable causes and environmental campaigns. With respect to its corporate image, the Company will respond promptly to any incident that has led to a damaged or tarnished image and proceed with improvement in order to set an example for socially responsible corporations.

The Company's emphasis on its corporate social responsibilities and customer service has won the affirmation of the public and international organizations. In 2019, E.SUN FHC was included as a constituent stock in the Dow Jones Sustainability Index (DJSI), won its 12th consecutive Taiwan's Excellence in Corporate Social Responsibility Award from Commonwealth Magazine, and won 6th consecutive Wealth Magazine's CSR Award in the financial holding company category, Brand Image Award (gold) in the banking category, and Customer Product Award (gold) in the banking category. Both E.SUN Bank and E.SUN Securities received 4th consecutive after Wealth Magazine's newly-added Financial Technology Applications Innovation Award. It has also won the No.1 in the Taiwan Banking Industry, the world-renowned banker magazine "The Banker", "the world's top 500 bank brand value", and Asiamoney magazine, "the best corporate social responsibility bank in Taiwan". E.SUN Bank provides high-quality financial integration services with comprehensive performance, cross-team, cross-border, cross-virtual and physical.

In view of the international emphasis on the protection of the rights and interests of financial consumers, in order to protect the rights and interests of financial consumers, E.SUN Bank has incorporated the establishment and implementation of the principle of fair hospitality into its Internal Audit and Internal Control System, and has also incorporated the principle of fair hospitality. Training courses, regular education and personnel training. E.SUN Bank people require themselves to the highest standards, and

regard the improvement of customer rights and customer experience as the goal of the Bank's efforts. Because of the importance attached to customer rights, the products and services provided are in compliance with relevant regulations, but compliance is only the boundary of the minimum standards. All business must not be above risk. E.SUN Bank has actively strengthened its operating procedures. In order to enhance the moving value of customers, the Bank has set up a customer service office and established a comprehensive customer service management system to improve service quality management. Actively create temperature-friendly customer service and wonderful customer experience, and provide products and services that are closer to customer needs.

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

None.

7.6.7 Business concentration risks and countermeasures :

(1) Business concentration

The Company continue to pay attention to macroeconomic trends and changes in the financial industry and other industries, and in response to the opening of internet-only bank , adjust its business development and banking channels management strategies as needed, and monitor both risk and profitability.

(2) Counter party concentration

Determine risk limits on the basis of industry type and the group, and adjust risk limits in accordance with the state of the economy and the risk circumstances.

7.6.8 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 2019, no directors, supervisors or major shareholders with a stake of over 1% transferred stakes to another party.

7.6.9 Influence of Changes in Ownership of the FHC, Possible Risks and Countermeasures:

As of the end of 2019, there is no significant change in ownership.

7.6.10 Litigious or Non-litigious Incidents: None.

7.6.11 Other Major Risks and Countermeasures: None.

7.7 Crisis Handling Mechanism

E.SUN FHC and its subsidiaries abide by standard operating procedures and rules set forth in the Guidelines on Emergency Response and Crisis Management and Guidelines on Infringement of Personal Data are put in place as the framework for preventing, reporting and handling incidents of the sort as well as taking other precautionary measures. Separately, both E.SUN FHC and its subsidiaries have set up their crisis management task forces and assigned emergency liaison officers. In the event of an emergency or other abnormal incident, they are supposed to promptly decide on response measures that are to be implemented systematically and effectively. Timely reporting and reporting to the authorities and the board are also imperative to ward off escalation of a given crisis.

7.8 Disclosure of evaluation for financial products

For all the financial products are undertaken by the Company, besides those whose value can be quoted from open market such as the closing price of future and equity for commodities, other OTC derivatives, the value are calculated via the company's evaluation system.

7.9 Other Important Issues: None.

8. Special Disclosure



JAN CHIN SHUI

8.1 Information of affiliated companies

8.1.1 Operation reports of affiliated enterprises

(1) Profiles of affiliated enterprises

2019.12.31 Unit: NT\$1,000

Company	Date of Incorporation	Address	Total amount of paid-in capital	Main businesses and products
E.SUN Commercial Bank, Ltd.	1992.01.16	No.115 & No.117, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	90,481,000	Corporate Banking, Individual Banking, wealth management, Treasury, Foreign Exchange, Credit Card
E.SUN Securities Co., Ltd.	2000.08.02	6F, No.158, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	4,000,000	Underwriting, brokering, dealing securities and operating in broker- age of futures
E.SUN Venture Capital Co., Ltd.	2002.10.07	6F, No.115, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	3,093,000	Investment
E.SUN Securities Investment Consulting Co., Ltd.	2003.03.11	6F.-1, No.156, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	50,000	Security consulting
Union Commercial Bank Public Limited Corporation	1994.03.31	No. 61, 130 Road, Sangkat Phsar Chas, Khan Daun Penh, Phnom Penh.	2,408,026 (Note 1)	Corporate Banking, Individual Banking, Foreign Exchange, Credit Card
URE Land Holding Co., Ltd.	2013.07.25	No. 61, 130 Road, Sangkat Phsar Chas, Khan Daun Penh, Phnom Penh.	30 (Note 2)	Real estate leasing and management
BankPro E-Service Technology Co., Ltd.	2000.10.07	7F., No.261, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City 10550, Taiwan	135,000	Retail sale of computer software, software design service, data processing service, digital information supply service and business consultant
E.SUN Bank (China), Ltd.	2016.01.13	1F., Building 7, Excellence Qianhai Yihao, 5033 Menghai Avenue, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	10,038,248	Deposit, Lending, and Remittance

(1) Companies deemed to have controlling and subordinate relationships: None.

(2) The scope of business for E.SUN FHC and affiliates includes: investing in domestic and foreign financial services related enterprises approved by the competent authority and conducting subsidiary management, banking services, securities underwriting services, brokerage and proprietary trading, startup investment, life and property insurance brokerage services, and securities investment consulting services. All affiliates are legal persons that are independent from each other and conduct their own business activities.

Note 1: The capital of Union Commercial Bank Public Limited Corporation, US\$80,000,000, converted to NTD at the applicable exchange rate at the time

Note 2: The capital of URE Land Holding Co., Ltd., US\$1,000, converted to NTD at the applicable exchange rate at the time of acquisition

Note 3: E.SUN Insurance Brokers, formerly a subsidiary of E.SUN FHC, merged with E.SUN Bank on March 25, 2016.

Note 4: To develop e-commerce services, the board of directors of E.SUN Bank approved a proposal to acquire 7,875,000 shares of BankPro E-Service Technology Co., Ltd. on November 13, 2015. The acquisition was approved by the competent authority and settlement was completed on January 11, 2016.

Note 5: E.SUN Commercial Bank (China) opened on March 11, 2016.

(2) Business overview of affiliated enterprises

2019.12.31 Unit: NT\$1,000

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Profit after tax	EPS (NT\$)
E.SUN Commercial Bank, Ltd.	90,481,000	2,430,968,216	2,260,009,081	170,959,135	19,642,947	2.17
E.SUN Securities Co., Ltd.	4,000,000	14,982,731	9,661,031	5,321,700	431,203	1.08
E.SUN Venture Capital Co., Ltd.	3,093,000	3,461,912	55,816	3,406,096	114,263	0.37
E.SUN Securities Investment Consulting Co., Ltd.	50,000	70,870	11,236	59,634	1,210	0.24
Union Commercial Bank Public Limited Corporation	2,408,026	22,184,204	18,367,934	3,816,270	515,440	6,443
URE Land Holding Co., Ltd.	30	470,333	435,545	34,788	(881)	(881)
BankPro E-Service Technology Co., Ltd.	135,000	568,277	169,438	398,839	43,057	3.19
E.SUN Bank (China), Ltd.	10,038,248	50,306,184	41,551,542	8,754,642	75,440	Note 6

Note 1: Assets and liabilities of Union Commercial Bank Public Limited Corporation converted to NTD at the applicable exchange rates on December 31, 2019. Assets and liabilities of Union Commercial Bank Public Limited Corporation converted to NTD at the average exchange rates over 2019.

Note 2: Shares of Union Commercial Bank Public Limited Corporation are US\$1,000 per share, and those of URE Land Holding Co., Ltd. are US\$1 per share.

Note 3: E.SUN Insurance Brokers, formerly a subsidiary of E.SUN FHC, merged with E.SUN Bank on March 25, 2016.

Note 4: To develop e-commerce services, the board of directors of E.SUN Bank approved a proposal to acquire 7,875,000 shares of BankPro E-Service Technology Co., Ltd. on November 13, 2015. The acquisition was approved by the competent authority and settlement was completed on January 11, 2016.

Note 5: E.SUN Commercial Bank (China) opened on March 11, 2016.

Note 6: E.SUN Commercial Bank (China) is a limited company without share capital. Therefore, EPS data are not available.

(3) Information of director, supervisor and president of affiliated enterprises

2019.12.31 Unit: 1,000 shares%

Company	Occupation	Name/representative	Shareholding	
			Share	Percentage
E.SUN Commercial Bank, Ltd.	Chairman	E.SUN Financial Holding Co. Ltd. Gary K.L. Tseng	9,048,100	100
	Director and president	E.SUN Financial Holding Co. Ltd. Joseph N.C. Huang		
	Managing Director	E.SUN Financial Holding Co. Ltd. Jackson Mai		
	Independent (Managing) Director	E.SUN Financial Holding Co. Ltd. Chen-Chen Chang Lin		
	Independent Director	E.SUN Financial Holding Co. Ltd. Chen-En Ko		
	Independent Director	E.SUN Financial Holding Co. Ltd. Ji-Ren Lee		
	Independent Director	E.SUN Financial Holding Co. Ltd. Hsin-I Lin		
	Independent Director	E.SUN Financial Holding Co. Ltd. Chun-Yao Huang		
	Director	E.SUN Financial Holding Co. Ltd. Ron-Chu Chen		
	Director	E.SUN Financial Holding Co. Ltd. Chien-Li Wu		
	Director	E.SUN Financial Holding Co. Ltd. Magi Chen		
	Director	E.SUN Financial Holding Co. Ltd. Ben Chen		
	Director	E.SUN Financial Holding Co. Ltd. Mao-Chin Chen		
E.SUN Securities Co., Ltd.	Chairman	E.SUN Financial Holding Co. Ltd. Shui-Chin Shen	400,000	100
	Director and president	E.SUN Financial Holding Co. Ltd. Chin-Hui Lin		
	Director	E.SUN Financial Holding Co. Ltd. Wu-Ming Hsieh		
	Director	E.SUN Financial Holding Co. Ltd. Yi-Hsin Tseng		
	Director	E.SUN Financial Holding Co. Ltd. Po-Hsuan Hsu		
	Supervisor	E.SUN Financial Holding Co. Ltd. Yu-Ju Chen		
E.SUN Venture Capital Co., Ltd.	Chairman	E.SUN Financial Holding Co. Ltd. L.C. Lin	309,300	100
	Director	E.SUN Financial Holding Co. Ltd. Wu-Lin Duh		
	Director	E.SUN Financial Holding Co. Ltd. Tien-Ying Huang		
	Director	E.SUN Financial Holding Co. Ltd. Te-Ming Chung		
	Director	E.SUN Financial Holding Co. Ltd. Hung-bin Wu		
	Supervisor	E.SUN Financial Holding Co. Ltd. Lu-Erh Chuang		
E.SUN Securities Investment Consulting Co., Ltd.	Chairman and president	E.SUN Securities Co., Ltd. Raymond Hsu	5,000	100
	Director	E.SUN Securities Co., Ltd. WEN-LI, KUO		
	Director	E.SUN Securities Co., Ltd. Daniel Tsai		
	Supervisor	E.SUN Securities Co., Ltd. YI-HAO, SU		

Company	Occupation	Name/representative	Shareholding	
			Share	Percentage
Union Commercial Bank Public Limited Corporation	Chairman	E.SUN Commercial Bank, Ltd. Mao-Chin Chen	80	100
	Director and president	E.SUN Commercial Bank, Ltd. Chi-Kan Chung		
	Director	E.SUN Commercial Bank, Ltd. Cathy Kuo		
	Director	E.SUN Commercial Bank, Ltd. Chien-Hung Chen		
	Director	E.SUN Commercial Bank, Ltd. Hun Phalin		
	Independent Director	E.SUN Commercial Bank, Ltd. Tung-Lung Kuo		
	Independent Director	E.SUN Commercial Bank, Ltd. HUANG,CHUAN-HSING		
URE Land Holding Co., Ltd.	Chairman	Liang Yuan-Yi	0	0
	Director	Huang Shun-Chieh		
	Director	Chen Che-I		
BankPro E-Service Technology Co., Ltd.	Chairman	E.SUN Commercial Bank, Ltd. David Chen	8,325	61.67
	Director and president	E.SUN Commercial Bank, Ltd. Ivan Chiu		
	Director	E.SUN Commercial Bank, Ltd. Po-Hsuan Hsu		
	Director	E.SUN Commercial Bank, Ltd. Bruce Lee		
	Director	E.SUN Commercial Bank, Ltd. Lu-Erh Chuang		
	Director	Financial Information Service Co.,Ltd. Stone Fang	1,800	13.33
	Director	Financial Information Service Co., td. Chang Hsiu Chen		
	Supervisor	Yin Ying Chien	0	0
E.SUN Bank (China), Ltd.	Chairman	E.SUN Commercial Bank, Ltd. Joseph N.C. Huang	-	-
	Director and president	E.SUN Commercial Bank, Ltd. TSAO,CHUNG-JEN		
	Director	E.SUN Commercial Bank, Ltd. HSU,CHENG-CHOU		
	Director	E.SUN Commercial Bank, Ltd. Magi Chen		
	Director	E.SUN Commercial Bank, Ltd. LIN,CHUN-YU		
	Independent Director	E.SUN Commercial Bank, Ltd. CHANG,RYH-YAN		
	Independent Director	E.SUN Commercial Bank, Ltd. HUANG,CHUAN-HSING		
	Independent Director	E.SUN Commercial Bank, Ltd. TAN,JINSONG		
	Independent Director	E.SUN Commercial Bank, Ltd. KONG,FANMIN		
	Supervisor	E.SUN Commercial Bank, Ltd. LIN,YAO-PIN		

Note 1: E.SUN Securities Investment Consulting Co., Ltd., URE Land Holding Co., Ltd., and E.SUN Bank (China), Ltd. don't appoint president.

Note 2: E.SUN Commercial Bank (China) is a limited company without share capital.

8.1.2 Declaration for consolidated financial statements of affiliates

The companies to be included in the consolidated financial statements of affiliates pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and the companies to be included in the consolidated financial statements pursuant to IFRS 10 in 2019 are the same for E.SUN Financial Holding Co., Ltd. Furthermore, since the information to be disclosed in the consolidated financial statements of affiliates has been disclosed in the aforesaid consolidated financial statements, the consolidated financial statements of affiliates will not be prepared in addition.

8.1.3 Affiliation reports: N/A.

8.2 Private placement securities in the most recent years: None.

8.3 The shares of the company held or disposed of by its subsidiaries in the most recent years: None.

8.4 Other supplementary notes

8.4.1 Accounting treatment for impairment of assets

(1) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivables and lease receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

A. Internal or external information show that the debtor is unlikely to pay its creditors.

B. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

Under 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, with collectability highly doubtful and uncollectable, 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%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. Furthermore, the FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

Credits deemed uncollectable might be written off if the write-off is approved by the board of directors.

(2) Impairment of tangible and intangible assets other than goodwill

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets (except goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Corporate assets are allocated to the individual CGUs on a reasonable and consistent basis of allocation. The recoverable amount is the higher of fair value less selling costs or value in use.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

(3) Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each CGU that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with goodwill allocated in the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

8.4.2 Modifications to the accounting principles in the Republic of China in relation to the International Financial Reporting Standards (or the Generally Accepted Accounting Principles): None.

8.4.3 Endorsements by affiliates, lending/borrowing and other derivative transactions with others

- (1) Endorsement/guarantee provided: None.
- (2) Financing provided: None.
- (3) Derivative transactions: note of financial statement: financial instruments.

8.4.4 The objectives and methods of hedge accounting: The Company does not adopt hedge accounting.

8.5 Any Events in 2017 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan:

E.SUN Commercial Bank acquired 70% share of Union Commercial Bank PLC. on August 28 2013. Subsequently, the stake ownership in UCB increased to 75% on December 29 2015. On August 25 2017, E.SUN acquired the remaining 25% share of UCB.

Appendix

E.SUN Financial Holding Company, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

Address: 14F, No.117 & 1F No.115, Sec.3, Minsheng E. Rd., Songshan District, Taipei, Taiwan

Telephone +8862 2175131

**E.SUN Financial Holding Company, Ltd.
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the combined financial statements of E.SUN Financial Holding Company, Ltd. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, E.SUN Financial Holding Company, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

E.SUN FINANCIAL HOLDING COMPANY, LTD.

By



YUNG-JEN HUANG
Chairman

March 12, 2020

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of E.SUN Financial Holding Company, Ltd. (ESFHC) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial 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, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Company's consolidated financial statements for the year ended December 31, 2019 are described as follows:

Assessment of Allowance for Possible Losses on Loans

The Company is engaged principally in providing loans to customers. As of December 31, 2019, the net amount of discounts and loans of the Company was NT\$1,444,322,101 thousand, which represented approximately 58% of total consolidated assets, and is considered material to the consolidated financial statements as a whole. Besides assessing expected credit losses of loans in accordance with IFRS 9 "Financial Instruments", the management of E.SUN Commercial Bank, Ltd. (E.SUN Bank), a subsidiary of ESFHC, complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations (collectively, the Regulations) when assessing classification of credit assets and recognizing allowance for possible losses. For accounting policies and relevant information about loan impairment assessment of E.SUN Bank, please refer to Notes 4, 5, and 14 to the consolidated financial statements.

We determined the assessment of allowance for possible losses on loans to be a key audit matter for the year ended December 31, 2019 because the assessment made by E.SUN Bank to assess the classification of credit assets and recognize allowance for possible losses in accordance with the Regulations involves critical estimates and judgements.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. We obtained an understanding of and performed test on the relevant internal controls in respect of E.SUN Bank's loan impairment assessment.
2. We acquired the loan evaluation form used by management of E.SUN Bank and assessed the provision for possible losses on credit assets; we tested the completeness of the loan assets.
3. We assessed that the loans of E.SUN Bank were classified in accordance with the definition of the Regulations.
4. We calculated the required provision of allowance for possible losses on loans of E.SUN Bank in order to assess whether it complied with the Regulations.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial 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, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yin-Chou Chen and Jui-Chan Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent 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 independent auditors' report and consolidated financial statements shall prevail.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 43,023,628	2	\$ 55,755,562	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	85,555,267	3	76,688,375	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 40)	519,648,673	21	475,506,677	21
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 40 and 43)	215,878,199	9	183,846,186	8
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10, 40 and 43)	12,599,698	1	8,165,004	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	4,971,085	-	-	-
RECEIVABLES, NET (Notes 4, 12 and 39)	113,150,366	5	93,450,521	4
CURRENT TAX ASSETS (Notes 4 and 36)	7,200	-	11,790	-
ASSETS HELD FOR SALE (Notes 4 and 13)	158,036	-	-	-
DISCOUNTS AND LOANS, NET (Notes 4, 14, 39 and 40)	1,444,322,101	58	1,333,277,269	58
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	8,039,483	-	13,694,947	1
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	1,853,907	-	1,948,418	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	33,351,444	1	32,604,520	2
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	3,181,031	-	-	-
INTANGIBLE ASSETS, NET (Notes 4 and 19)	6,188,674	-	6,116,132	-
DEFERRED TAX ASSETS (Notes 4 and 36)	1,456,489	-	1,098,436	-
OTHER ASSETS, NET (Notes 4, 18, 20 and 29)	<u>4,972,910</u>	<u>-</u>	<u>5,623,195</u>	<u>-</u>
TOTAL	<u>\$ 2,498,358,191</u>	<u>100</u>	<u>\$ 2,287,787,032</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 21)	\$ 57,903,786	2	\$ 72,223,020	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 26)	59,630,516	3	50,315,163	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10 and 22)	7,228,239	-	12,526,789	1
COMMERCIAL PAPER ISSUED, NET (Note 23)	3,681,576	-	2,669,356	-
PAYABLES (Notes 24 and 39)	29,184,083	1	28,969,420	1
CURRENT TAX LIABILITIES (Notes 4 and 36)	1,899,196	-	1,523,828	-
DEPOSITS AND REMITTANCES (Notes 25 and 39)	2,082,984,629	83	1,886,693,981	83
BOND PAYABLES (Note 26)	38,070,000	2	42,650,000	2
OTHER BORROWINGS (Note 27)	381,356	-	399,094	-
PROVISIONS (Notes 4, 28 and 29)	656,223	-	860,739	-
OTHER FINANCIAL LIABILITIES (Notes 16 and 30)	35,167,492	2	25,019,142	1
LEASE LIABILITIES (Notes 4 and 18)	3,177,727	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 36)	1,306,719	-	1,338,393	-
OTHER LIABILITIES (Note 31)	<u>3,905,549</u>	<u>-</u>	<u>2,468,007</u>	<u>-</u>
Total liabilities	<u>2,325,177,091</u>	<u>93</u>	<u>2,127,656,932</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF ESFHC				
Capital stock				
Common stock	<u>116,195,000</u>	<u>5</u>	<u>108,289,000</u>	<u>5</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	21,583,250	1	21,328,222	1
From treasury stock transactions	<u>3,382,484</u>	<u>-</u>	<u>3,382,484</u>	<u>-</u>
Total capital surplus	<u>24,965,734</u>	<u>1</u>	<u>24,710,706</u>	<u>1</u>
Retained earnings				
Legal reserve	11,068,215	-	9,361,366	-
Special reserve	164,235	-	164,235	-
Unappropriated earnings	<u>20,465,306</u>	<u>1</u>	<u>17,102,179</u>	<u>1</u>
Total retained earnings	<u>31,697,756</u>	<u>1</u>	<u>26,627,780</u>	<u>1</u>
Other equity	<u>199,431</u>	<u>-</u>	<u>386,802</u>	<u>-</u>
Total equity attributable to owners of ESFHC	173,057,921	7	160,014,288	7
NON-CONTROLLING INTERESTS	<u>123,179</u>	<u>-</u>	<u>115,812</u>	<u>-</u>
Total equity	<u>173,181,100</u>	<u>7</u>	<u>160,130,100</u>	<u>7</u>
TOTAL	<u>\$ 2,498,358,191</u>	<u>100</u>	<u>\$ 2,287,787,032</u>	<u>100</u>

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 32 and 39)	\$ 41,263,631	75	\$ 37,390,417	76	10
INTEREST EXPENSE (Notes 4, 32 and 39)	<u>(21,392,562)</u>	<u>(39)</u>	<u>(17,079,102)</u>	<u>(35)</u>	25
NET INTEREST	<u>19,871,069</u>	<u>36</u>	<u>20,311,315</u>	<u>41</u>	(2)
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 33 and 39)	18,725,133	34	16,371,015	33	14
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 34)	15,306,337	28	18,401,060	37	(17)
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	1,092,762	2	761,188	2	44
Foreign exchange gains (losses), net (Note 4)	(770,449)	(1)	(6,703,033)	(14)	(89)
Reversal of impairment losses (impairment losses) on assets (Notes 4 and 16)	4,710	-	(5,990)	-	179
Other noninterest gains, net (Note 4)	<u>293,056</u>	<u>1</u>	<u>293,679</u>	<u>1</u>	-
Total net revenues and gains other than interest	<u>34,651,549</u>	<u>64</u>	<u>29,117,919</u>	<u>59</u>	19
TOTAL NET REVENUES	<u>54,522,618</u>	<u>100</u>	<u>49,429,234</u>	<u>100</u>	10
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 14)	<u>(1,598,078)</u>	<u>(3)</u>	<u>(3,252,472)</u>	<u>(7)</u>	(51)

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 4, 16, 17, 18, 19, 29, 35 and 39)					
Employee benefits	\$ (12,779,300)	(24)	\$ (11,596,823)	(23)	10
Depreciation and amortization	(3,317,609)	(6)	(2,028,751)	(4)	64
General and administrative	<u>(13,757,355)</u>	<u>(25)</u>	<u>(12,213,831)</u>	<u>(25)</u>	13
Total operating expenses	<u>(29,854,264)</u>	<u>(55)</u>	<u>(25,839,405)</u>	<u>(52)</u>	16
INCOME BEFORE INCOME TAX	23,070,276	42	20,337,357	41	13
INCOME TAX EXPENSE (Notes 4 and 36)	<u>(2,949,766)</u>	<u>(5)</u>	<u>(3,254,589)</u>	<u>(7)</u>	(9)
NET INCOME FOR THE YEAR	<u>20,120,510</u>	<u>37</u>	<u>17,082,768</u>	<u>34</u>	18
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 29 and 36):					
Remeasurement of defined benefit plans	292,764	-	45,125	-	549
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(131,554)	-	78,430	-	(268)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	409,064	1	(647,216)	(1)	163
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(3,044)</u>	<u>-</u>	<u>(3,177)</u>	<u>-</u>	(4)
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>567,230</u>	<u>1</u>	<u>(526,838)</u>	<u>(1)</u>	208

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss (Notes 4 and 36):					
Exchange differences on the translation of financial statements of foreign operations	\$ (967,049)	(2)	\$ 377,868	1	(356)
Unrealized gain (losses) on investments in debt instruments at fair value through other comprehensive income	373,499	1	(360,068)	(1)	204
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>165,078</u>	-	<u>(17,724)</u>	-	1,031
Items that may be reclassified subsequently to profit or loss, net of income tax	<u>(428,472)</u>	(1)	<u>76</u>	-	(563,879)
Other comprehensive income (loss) for the year, net of income tax	<u>138,758</u>	-	<u>(526,762)</u>	(1)	126
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 20,259,268</u>	<u>37</u>	<u>\$ 16,556,006</u>	<u>33</u>	22
NET INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$ 20,105,129	37	\$ 17,068,493	34	18
Non-controlling interests	<u>15,381</u>	-	<u>14,275</u>	-	8
	<u>\$ 20,120,510</u>	<u>37</u>	<u>\$ 17,082,768</u>	<u>34</u>	18
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$ 20,244,626	37	\$ 16,541,559	33	22
Non-controlling interests	<u>14,642</u>	-	<u>14,447</u>	-	1
	<u>\$ 20,259,268</u>	<u>37</u>	<u>\$ 16,556,006</u>	<u>33</u>	22

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 37)					
Basic	<u>\$ 1.73</u>		<u>\$ 1.47</u>		
Diluted	<u>\$ 1.73</u>		<u>\$ 1.47</u>		

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

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of ESFHC						Other Equity					
	Capital Stock (Note 38)		Capital Surplus (Notes 4 and 38)	Retained Earnings (Notes 4, 9 and 38)			Exchange Differences on the Translation of Financial Statements of Foreign Operations (Note 4)	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 9)	Unrealized Gains on Available-for-sale Financial Assets	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss (Note 4)	Non-controlling Interests (Notes 4 and 38)	Total Equity
	Shares (In Thousands)	Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2018	10,185,500	\$ 101,855,000	\$ 24,529,129	\$ 7,973,975	\$ 164,235	\$ 13,873,907	\$ (877,303)	\$ -	\$ 1,321,416	\$ 1,857	\$ 106,215	\$ 148,948,431
Effect of retrospective application	-	-	-	-	-	172,331	-	1,643,296	(1,321,416)	-	-	494,211
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	10,185,500	101,855,000	24,529,129	7,973,975	164,235	14,046,238	(877,303)	1,643,296	-	1,857	106,215	149,442,642
Appropriation of 2017 earnings												
Legal reserve	-	-	-	1,387,391	-	(1,387,391)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,239,475)	-	-	-	-	-	(6,239,475)
Stock dividends	623,980	6,239,800	-	-	-	(6,239,800)	-	-	-	-	-	-
Issuance of common stock from employees' compensation	19,420	194,200	181,577	-	-	-	-	-	-	-	-	375,777
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(4,850)	(4,850)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(192,465)	-	192,465	-	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	1,331	-	-	-	(1,331)	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	17,068,493	-	-	-	-	14,275	17,082,768
Other comprehensive income (loss) for the year ended December 31 2018, net of income tax	-	-	-	-	-	45,248	336,459	(987,071)	-	78,430	172	(526,762)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	17,113,741	336,459	(987,071)	-	78,430	14,447	16,556,006
BALANCE AT DECEMBER 31, 2018	10,828,900	108,289,000	24,710,706	9,361,366	164,235	17,102,179	(540,844)	848,690	-	78,956	115,812	160,130,100
Effect of retrospective application	-	-	-	-	-	25,846	-	-	-	-	-	25,846
BALANCE AT JANUARY 1, 2019 AS APPLIED RETROSPECTIVELY	10,828,900	108,289,000	24,710,706	9,361,366	164,235	17,128,025	(540,844)	848,690	-	78,956	115,812	160,155,946
Appropriation of 2018 earnings												
Legal reserve	-	-	-	1,706,849	-	(1,706,849)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(7,688,367)	-	-	-	-	-	(7,688,367)
Stock dividends	769,950	7,699,500	-	-	-	(7,699,500)	-	-	-	-	-	-
Issuance of common stock from employees' compensation	20,650	206,500	255,028	-	-	-	-	-	-	-	-	461,528
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(7,275)	(7,275)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	32,223	-	(32,223)	-	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	747	-	-	-	(747)	-	-
Net income for the year ended December 31, 2019	-	-	-	-	-	20,105,129	-	-	-	-	15,381	20,120,510
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	293,898	(775,569)	752,722	-	(131,554)	(739)	138,758
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	20,399,027	(775,569)	752,722	-	(131,554)	14,642	20,259,268
BALANCE AT DECEMBER 31, 2019	11,619,500	\$ 116,195,000	\$ 24,965,734	\$ 11,068,215	\$ 164,235	\$ 20,465,306	\$ (1,316,413)	\$ 1,569,189	\$ -	\$ (53,345)	\$ 123,179	\$ 173,181,100

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

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 23,070,276	\$ 20,337,357
Adjustments for:		
Depreciation expenses	2,698,912	1,386,414
Amortization expenses	618,697	642,337
Expected credit losses/bad-debt expenses	1,545,708	3,166,355
Gains on financial assets and liabilities at fair value through profit or loss	(15,306,337)	(18,401,060)
Interest expense	21,392,562	17,079,102
Interest revenue	(41,263,631)	(37,390,417)
Dividend income	(386,034)	(381,883)
Provision for losses on guarantees	50,988	85,605
Salary expenses on share-based payments	601,387	463,521
Gains on disposal of properties and equipment	(52,141)	(83,170)
Losses on disposal of intangible assets	21	602
Gains on disposal of investments	(706,728)	(379,305)
Impairment losses on non-financial assets	704	149
Others	10,993	-
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(6,580,307)	476,628
Financial assets at fair value through profit or loss	(18,137,793)	(29,801,490)
Financial assets at fair value through other comprehensive income	(32,384,764)	(13,901,756)
Investments in debt instruments at amortized cost	(4,516,329)	(5,064,613)
Receivables	(19,622,172)	1,617,162
Discounts and loans	(113,243,466)	(125,426,376)
Other financial assets	5,602,895	(3,825,985)
Other assets	59,645	81,038
Due to the Central Bank and other banks	(14,319,234)	5,570,805
Financial liabilities at fair value through profit or loss	(9,358,822)	(20,206,138)
Securities sold under repurchase agreements	(5,298,550)	326,321
Payables	(9,204)	(3,834,963)
Deposits and remittances	196,290,648	174,415,344
Provision for employee benefits	(15,790)	(3,572)
Other financial liabilities	10,539,998	17,934,714
Other liabilities	<u>1,429,270</u>	<u>408,331</u>
Cash used in operations	(17,288,598)	(14,708,943)
Interest received	50,238,583	43,714,418
Dividend received	462,785	655,515
Interest paid	(22,495,393)	(16,828,651)
Income tax paid	<u>(2,753,808)</u>	<u>(3,310,170)</u>
Net cash generated from operating activities	<u>8,163,569</u>	<u>9,522,169</u>
		(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	\$ (2,849,593)	\$ (5,946,004)
Proceeds from disposal of properties and equipment	106,739	136,105
Decrease in operating deposits	-	15,000
Increase in settlement fund	(3,591)	(3,843)
Decrease in settlement fund	10,521	2,558
Increase in refundable deposits	-	(1,294,211)
Decrease in refundable deposits	516,412	-
Payments for intangible assets	(516,210)	(458,080)
Payments for right-of-use assets	(381)	-
Increase in other assets	<u>(382)</u>	<u>(1,240)</u>
Net cash used in investing activities	<u>(2,736,485)</u>	<u>(7,549,715)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	152
Repayments of short-term borrowings	(10,000)	-
Increase in commercial paper issued	1,012,907	-
Repayments of commercial paper	-	(2,226,888)
Proceeds from issue of corporate bonds	4,000,000	-
Repayments of corporate bonds	(3,800,000)	-
Proceeds from issue of bank debentures	3,000,000	5,100,000
Repayments of bank debentures	(7,780,000)	(5,000,000)
Repayments of long-term borrowings	-	(886,330)
Increase in financial liabilities designated as at fair value through profit or loss	309,100	5,880,000
Decrease in financial liabilities designated as at fair value through profit or loss	(310,060)	-
Increase in guarantee deposits received	-	1,564,797
Decrease in guarantee deposits received	(391,648)	-
Repayments of the principal portion of lease liabilities	(1,053,259)	-
Cash dividends paid	(7,688,367)	(6,239,475)
Cash dividends paid to non-controlling interests	<u>(7,275)</u>	<u>(4,850)</u>
Net cash used in financing activities	<u>(12,718,602)</u>	<u>(1,812,594)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,817,254</u>	<u>1,563,195</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(5,474,264)</u>	<u>1,723,055</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>59,773,671</u>	<u>58,050,616</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 54,299,407</u>	<u>\$ 59,773,671</u>

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	December 31	
	2019	2018
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018		
Cash and cash equivalents in the consolidated balance sheets	\$ 43,023,628	\$ 55,755,562
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	6,304,694	4,018,109
Securities purchased under resell agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>4,971,085</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>\$ 54,299,407</u>	<u>\$ 59,773,671</u>

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

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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 Corp. (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 banking activities permitted by the Banking Law of the ROC. 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, 2019, E.SUN Bank had a business department, an international banking department, a trust department, a credit card and payment division, an offshore banking unit (OBU), an insurance agent department, 8 overseas branches, and 138 domestic branches.

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 E.SUN Bank's merger with E.SUN Bills on August 25, 2006, to have a merger with each other, with E.SUN Bank as the surviving entity. The effective date of this merger is December 25, 2006.

E.SUN Bank acquired the assets, liabilities, and business of Chiayi The Fourth Credit Cooperative and Chu Nan Credit-Cooperative Association on November 3, 2012 and July 9, 2011, respectively.

To expand economies of scale, improve integrated marketing, reduce operating costs and develop operating synergy, the stockholders of E.SUN Bank and E.SUN Insurance Broker Co., Ltd. (ESIB) resolved E.SUN Bank's merger with ESIB on August 21, 2015, with E.SUN Bank as the surviving entity. The effective date of this merger is March 25, 2016.

Union Commercial Bank Plc. (UCB) was founded in March 1994, under the Laws of the Kingdom of Cambodia. UCB is engaged in banking activities permitted by the Laws of the Kingdom of Cambodia. E.SUN Bank acquired 70% equity interest of UCB on August 28, 2013, and on December 29, 2015, E.SUN Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%. E.SUN Bank acquired residual 25% equity interest of UCB on August 25, 2017.

In January 2016, E.SUN Bank (China), Ltd. (ESBC) began its formal launch after acquiring the approval of the Financial Supervisory Commission (FSC) and the China Bank Regulatory Commission. The registered capital of ESBC is CNY two billion, and ESBC has been opened in Shenzhen, China on March 11, 2016. ESBC is engaged in banking activities permitted by the laws of Mainland China.

E.SUN Securities, as an integrated securities firm, engages in underwriting, dealing and brokerage of securities. The FSC approved the brokerage of futures on January 28, 2010 and E.SUN Securities started the operating in brokerage of futures on June 7, 2010. In addition, the FSC approved the dealing of futures on June 4, 2014 and E.SUN Securities started the operating in dealing of futures on June 12, 2014.

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

To expand business in electronic commerce, E.SUN Bank's board of directors resolved the acquisition of 7,875 thousand common shares of BankPro E-Service Technology Co., Ltd. (BankPro) on November 13, 2015. This acquisition was approved by the authorities and settled on January 11, 2016, and BankPro was included in the consolidated financial statements from the acquisition date.

BankPro is engaged in retail sale of computer software, software design service, data processing service, digital information supply service and business consultant.

For the years ended December 31, 2019 and 2018, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,894 and 8,761, respectively. For the years ended December 31, 2019 and 2018, the average number of employees of ESBC, UCB and BankPro was 773 and 695, respectively.

For more information on the consolidated entities, please refer to Table 1 (attached).

The operating units of ESFHC and its subsidiaries (collectively, the Company) maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors of ESFHC, in their meeting on March 12, 2020, approved and authorized the consolidated financial statements for issue.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Influences of the Company initially applied amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial 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, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the FSC

Except for the following, the initial application of related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial 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 and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies:

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted-average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is varying from 0.8% to 7.5%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of operating lease commitments on December 31, 2018	\$ 3,408,667
Less: Cancellable operating lease commitments	(610,441)
Less: Recognition exemption for short-term leases	(27,543)
Add: Others	<u>12,729</u>
Undiscounted amounts on January 1, 2019	<u>\$ 2,783,412</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 2,654,032
Add: Adjustments as a result of a different treatment of extension and termination options	<u>79,967</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 2,733,999</u>

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount on January 1, 2019
Right-of-use assets	\$ -	\$ 2,804,280	<u>\$ 2,804,280</u>
Other assets, net	<u>\$ 5,623,195</u>	<u>(94,831)</u>	<u>\$ 5,528,364</u>
Total effect on assets		<u>\$ 2,709,449</u>	
Lease liabilities	\$ -	\$ 2,733,999	<u>\$ 2,733,999</u>
Payables	<u>\$ 28,969,420</u>	(50,881)	<u>\$ 28,918,539</u>
Provisions	<u>\$ 860,739</u>	2,475	<u>\$ 863,214</u>
Other liabilities	<u>\$ 2,468,007</u>	<u>(1,990)</u>	<u>\$ 2,466,017</u>
Total effect on liabilities		<u>\$ 2,683,603</u>	
Retained earnings	<u>\$ 26,627,780</u>	<u>\$ 25,846</u>	<u>\$ 26,653,626</u>
Total effect on equity		<u>\$ 25,846</u>	

- b. Not yet applied new IFRSs endorsed by the FSC for application starting from 2020

The New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

The Company assessed the application of the above standards would not have any material impact on the Company’s financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. Not yet applied new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC

The New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

The Company assessed the application of the above standards would not have any material impact on the Company’s financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial 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 and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities/assets that are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of ESFHC, and the entities controlled by ESFHC, including E.SUN Bank, UCB (subsidiary of E.SUN Bank), ESBC (subsidiary of E.SUN Bank), BankPro (subsidiary of E.SUN Bank), E.SUN Securities, E.SUN Securities Investment Consulting Corp. (subsidiary of E.SUN Securities), and ESVC.

The accounting policies of ESFHC and subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. E.SUN Bank's financial statements include the accounts of its Head Office, OBU, and all branches. All intra-bank transactions and balances have been eliminated.

Total comprehensive income of subsidiaries is attributed to the owners of the ESFHC and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d. Foreign-currency transactions

Foreign-currency transactions of ESFHC and E.SUN Securities, ESVC 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. On the transaction date, foreign currency income and expenses are translated at the prevailing exchange rates. At month-end, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in profit or loss. Nonmonetary assets and liabilities measured at fair value are translated using the prevailing exchange rates at month-end. Translation differences on nonmonetary assets and liabilities measured at fair value are recognized in profit or loss, except for translation difference arising from nonmonetary items of which the change in fair values is recognized in other comprehensive income, in which case, the translation differences are also recognized directly in other comprehensive income. Nonmonetary assets and liabilities that are classified as carried at cost are recognized at the exchange rate on the transaction date.

In preparing the consolidated financial statements, foreign operations' financial statements are translated at the following rates: Assets and liabilities - the prevailing exchange rates on the balance sheet date; and income and expenses - the prevailing exchange rates on the transaction date. Translation difference net of income tax is recorded as "other comprehensive income" and accumulated in equity, and is attributed to the owner of ESFHC and non-controlling interests.

e. Current and noncurrent assets and liabilities

Since the operating cycle in the financial holding company and banking industry cannot be reasonably identified, accounts included in the financial statements of ESFHC, E.SUN Bank, UCB and ESBC 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.

Classification of accounts included in the financial statements of the other subsidiaries as current or noncurrent is as follows:

Current assets are assets held for trading purposes, assets expected to be converted to cash, sold or consumed within twelve months from the balance sheet date and cash and equivalents, excluding assets held for an exchange or held to settle a liability at more than twelve months after the balance sheet date and assets that are otherwise restricted. Properties and equipment, investment properties, intangible assets and other assets that are not classified as current are noncurrent assets. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within twelve months from the balance sheet date, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial reports are authorized for issue, or when it does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Liabilities that are not classified as current are noncurrent liabilities. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the 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.

f. Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheet, due from the Central Bank, call loans to other banks and securities purchased under resell agreements that correspond to the definition of cash and cash equivalents in IAS 7 - "Statement of Cash Flows," as endorsed and issued into effect by the FSC.

g. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in debt instruments and equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 43.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables and discounts and loans, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivables and lease receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

Under 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, with collectability highly doubtful and uncollectable, 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%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. Furthermore, the FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

Credits deemed uncollectable might be written off if the write-off is approved by the board of directors.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2) Equity instruments

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as at FVTPL.

A financial liability is classified as designated as at FVTPL upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

ii. Financial guarantee contracts

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

- i) The amount of the loss allowance reflecting expected credit loss; and
- ii) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, the assessment is also performed in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

h. Overdue loans

Under FSC guidelines, E.SUN Bank classifies loans and other credits (including accrued interest) that past due for at least six months as overdue loans.

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

i. Purchase on margin and short sale

E.SUN Securities recognizes the financing of securities investor who buy stocks as securities margin loans receivable while handling margin purchases of securities. 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 are recorded using memorandum entries. After the security investors settle the margin loans, these pledged securities would be returned to investors.

On unsettled margin loans, if the collateral maintenance ratio is unmet even after E.SUN Securities disposes of the loan collaterals and the investors do not make supplementary payments on time, E.SUN Securities will recognize overdue receivables on these loans. If the securities in an investor's credit account cannot be disposed of, the security amount should be transferred from margin loans receivables to other receivables or overdue receivables.

E.SUN Securities requires a deposit from security investors for short sale services while providing short sale services to investors. This deposit is recorded under 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.

j. Securities purchased/sold under resell/repurchase agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized as interest revenue or interest expense on an accrual basis.

k. Assets held for sale

Assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

l. 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 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, the clearing balances of futures clearing house, which are described as follows:

- 1) Deposits in bank represent the amounts of customers' margins and premiums deposited in banks.
- 2) Securities are the instruments collected from futures traders for the margins and premiums when the futures merchants engage in brokerage of futures.
- 3) The deposits held by futures commission merchants (FCMs) for futures transactions are transferred to a clearinghouse of the exchange of which the FCM is a member (a clearing FCM).
- 4) The deposits held by non-member futures commission merchants (FCMs) for futures transactions are transferred to FCM, which is a member (a clearing FCM).

m. Investment properties

Investment properties are properties owned specifically to generate profit through rental income and/or capital gains. Land for which the future purpose of use has not been decided is classified under investment properties.

Investment properties are initially recognized at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation by the straight-line method.

Any gain or loss recognized on derecognition of the investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the investment property is derecognized.

n. Properties and equipment

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

Land for self-use is not depreciated. Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss recognized on the disposal or retirement of an item of property and equipment is the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

o. Leases

2019

At the inception of a contract, the Company assesses whether the contract is a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rentals are recognized as income in the period in which they are incurred under operating leases.

Lease incentives included in an operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis.

2) The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term. Contingent rentals are recognized as expenses in the period in which they are incurred under operating leases.

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis.

p. Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each CGU that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with goodwill allocated in the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an

impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

q. Intangible assets other than goodwill

1) Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Company examines its estimates of the asset useful lives, residual values, and amortization method, with the effect of any changes in estimate accounted for on a prospective basis. Unless the Company expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero. Effect of any changes in estimate accounted for on a prospective basis.

2) Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition

Gains or losses recognized on derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

r. Impairment of tangible and intangible assets other than goodwill

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets (except goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Corporate assets are allocated to the individual CGUs on a reasonable and consistent basis of allocation. The recoverable amount is the higher of fair value less selling costs or value in use.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

s. Foreclosed collaterals

Foreclosed collaterals (part of other assets) are recorded at the fair value on recognition and recorded at the lower of cost or net fair value as of the balance sheet date. Net fair value falling below book value indicates impairment, and impairment loss should be recognized. If the net fair value recovers, the recovery of impairment loss is recognized as gain. For foreclosed collaterals that should have been disposed of in the statutory term, unless the disposal period is prolonged, an additional provision for losses should be made and impairment loss should be recognized, as required under a FSC directive.

t. Provisions

Provision is the best estimate of the consideration required to settle a present obligation at the balance sheet date, taking into account the risks and uncertainties on the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that the settlement amount will be received and the amount of the receivable can be measured reliably.

u. Recognition of revenue

Interest revenue on loans is recorded on an accrual basis. Under the guidance of the FSC, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection of the loans and credits.

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

Dividend income from investments is recognized when the stockholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably.

The points earned by customers under loyalty program are treated as multiple-element arrangements, in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer. The consideration is not recognized in earnings at the original sales transactions but at the time when the points are redeemed and the Company's obligation is fulfilled.

v. Employee benefits

1) Short-term employee benefits

Short-term and non-discounted employee benefits are recognized as expenses in the current period as services are rendered.

2) Post-employment benefits

Payments to defined contribution post-employment benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit post-employment benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Preferential interest deposits for employees

The preferential interest deposit for entitled employees is for deposits within a certain amount. The preferential rates for employees' deposits in excess of market rate should be treated as employee benefit.

w. Share-based payment

The Company's employees subscribed for the reserved shares of E.SUN Financial Holding Company, Ltd., (ESFHC) in accordance with the Financial Holding Company Act, and the Company recognized the fair value of the stock options under salary expenses and under capital surplus for share-based payment on the grant date, i.e., the date when the Company and its employees made an agreement for the employees to subscribe for ESFHC's shares.

x. Taxation

Income tax expense represents the sum of tax currently and deferred income tax.

1) Current income tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences based on the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred taxes arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

ESFHC and subsidiaries elected to file consolidated tax returns. The difference between consolidated income tax payable and the sum of income tax payables of the entities included in consolidated tax return is considered as a tax consolidation adjustment that 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 current tax assets or current tax liabilities.

y. Business combination

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expenses as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

z. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income that is recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss of the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the Company's management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of loans

The provision for impairment of loans is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of end of each reporting period.

In the calculation of the required provision of allowance for possible losses, the Company also takes into consideration the classification of loans based on the status of the loan collaterals and the length of time the loans are overdue. The Company evaluates the impairment of loans based on the customer's financial conditions, whether the repayments of principal and interest are overdue and the status of the collateral, etc. If future actual cash flows are lesser than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 18,307,385	\$ 14,394,143
Checks for clearing	2,235,915	8,685,830
Due from banks	22,482,739	32,644,555
Cash in transit	-	37,501
	<u>43,026,039</u>	<u>55,762,029</u>
Less: Allowance for possible losses	<u>(2,411)</u>	<u>(6,467)</u>
	<u>\$ 43,023,628</u>	<u>\$ 55,755,562</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2019 and 2018 are shown in the consolidated statements of cash flows.

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

	December 31	
	2019	2018
Deposit reserves - account A	\$ 22,540,210	\$ 22,218,598
Deposit reserves - account B	42,010,879	39,784,413
Reserves for deposits - foreign currency deposits	542,034	460,995
Due from the Central Bank - other	13,454,596	9,613,040
Deposit in the Central Bank - deposits of government agencies	4,917	7,054
Call loans to banks	<u>7,032,905</u>	<u>4,645,774</u>
	85,585,541	76,729,874
Less: Allowance for possible losses	<u>(30,274)</u>	<u>(41,499)</u>
	<u>\$ 85,555,267</u>	<u>\$ 76,688,375</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 a 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.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets mandatorily classified as at fair value through profit or loss		
Negotiable certificates of deposits	\$ 274,066,671	\$ 280,550,446
Commercial paper	76,452,039	50,697,502
Treasury bills	8,970,725	-
Corporate bonds	77,312,400	66,809,958
Bank debentures	67,042,684	66,773,345
Overseas government bonds	148,823	-
Stock	3,590,807	2,920,498
Overseas mutual funds	371,806	327,368
Operating securities - dealing department	666,525	311,453
Operating securities - hedging	-	79,268
Operating securities - underwriting department	243,853	70,785
Beneficial certificates	170,456	69,030
Taiwan depositary receipts	1,518	1,328
Currency swap contracts	4,634,534	4,528,238
Interest rate swap contracts	4,879,493	1,144,186
Currency option contracts	592,864	635,170
Forward contracts	295,111	266,692
Futures exchange margins	164,751	267,446

(Continued)

	December 31	
	2019	2018
Non-deliverable forward contracts	\$ 7,977	\$ 42,808
Cross-currency swap contracts	30,267	10,697
Metal commodity swap contracts	5,369	404
Credit default swaps contracts	-	54
Taiwan stock index option contracts	-	1
	<u>\$ 519,648,673</u>	<u>\$ 475,506,677</u>

Held-for-trading financial liabilities

Currency swap contracts	\$ 7,833,585	\$ 2,040,257
Interest rate swap contracts	1,754,580	2,735,167
Currency option contracts	600,624	679,429
Forward contracts	227,051	268,393
Stock warrants issued liabilities, net	-	36,755
Cross-currency swap contracts	3,925	6,138
Non-deliverable forward contracts	4,374	40,813
Metal commodity swap contracts	1,182	-
Credit default swap contracts	156	-
Payable on borrowing securities - hedging	-	1,320
	<u>10,425,477</u>	<u>5,808,272</u>

Financial liabilities designated as at fair value through profit or loss

Bank debentures (Note 26)	48,974,699	44,258,039
Structured products	<u>230,340</u>	<u>248,852</u>
	<u>49,205,039</u>	<u>44,506,891</u>
	<u>\$ 59,630,516</u>	<u>\$ 50,315,163</u>

(Concluded)

The contract (nominal) amounts of derivative transactions by ESFHC as of December 31, 2019 and 2018 were zero.

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

The contract (nominal) amounts of derivative transactions by E.SUN Bank as of December 31, 2019 and 2018, respectively, were as follows:

	December 31	
	2019	2018
Currency swap contracts	\$ 880,410,246	\$ 577,726,058
Interest rate swap contracts	479,685,565	102,273,937
Currency option contracts	118,125,683	106,997,086
Forward contracts	29,877,972	26,179,084
Non-deliverable forward contracts	2,152,229	4,648,966
Cross-currency swap contracts	2,324,807	4,339,105
Metal commodity swap contracts	154,235	18,812
Credit default swaps	74,718	34,530

The open positions of futures transactions of E.SUN Bank as of December 31, 2019 and 2018, respectively, were as follows:

December 31, 2019					
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	Commodity futures	Buy	50	\$ 99,044	\$ 100,142
	Commodity futures	Sell	51	165,006	169,538
December 31, 2018					
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	Commodity futures	Buy	30	\$ 139,384	\$ 138,042
	Commodity futures	Sell	28	133,323	128,795
	Interest rate futures	Buy	150	3,167,014	3,176,517
	Interest rate futures	Sell	200	5,973,573	5,990,015

As of December 31, 2019 and 2018, the amounts of futures exchange margins receivable held by E.SUN Securities were \$144,406 thousand and \$213,844 thousand, respectively.

The open position of futures and option transactions of E.SUN Securities as of December 31, 2019 and 2018 were as follows:

December 31, 2019					
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	Stock Index Futures	Sell	3	\$ 7,207	\$ 7,196
	Single Stock Futures	Sell	1	683	681
December 31, 2018					
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	Stock Index Futures	Buy	12	\$ 5,787	\$ 5,802
	Stock Index Futures	Sell	40	77,360	77,353
	Single Stock Futures	Buy	66	23,616	23,637
	Single Stock Futures	Sell	128	27,092	27,233
Options contracts	Taiwan Stock Index - Put Option	Buy	15	8	1

The gains or losses resulting from the futures and option contracts for the years ended December 31, 2019 and 2018 of E.SUN Securities were as follows:

	2019		2018	
	Gains (Losses) on Futures Contracts	Gains (Losses) on Option Transactions	Gains (Losses) on Futures Contracts	Gains (Losses) on Option Transactions
Realized - non-hedge	\$ 17,882	\$ (3,435)	\$ 45,315	\$ 7,603
Unrealized - non-hedge	(43)	7	(136)	(5)
Realized - hedged	(5,212)	-	(17,120)	-
Unrealized - hedged	<u>102</u>	<u>-</u>	<u>(619)</u>	<u>-</u>
	<u>\$ 12,729</u>	<u>\$ (3,428)</u>	<u>\$ 27,440</u>	<u>\$ 7,598</u>

The fair values of stock warrants issued and repurchased by E.SUN Securities were as follows:

	December 31, 2018
Stock warrants issued liabilities	\$ 779,444
Gains on changes in fair value of stock warrants issued liabilities	<u>(338,504)</u>
	<u>440,940</u>
Repurchase of stock warrants issued liabilities	618,158
Losses on changes in fair value of repurchase of stock warrants issued liabilities	<u>(213,973)</u>
	<u>404,185</u>
Stock warrants issued liabilities, net	<u>\$ 36,755</u>

The expected life of stock warrants issued by E.SUN Securities is about six to ten months from the date of becoming listed on the exchange; the stock warrants will be exercised by cash settlement.

Gains (losses) on stock warrants issued by E.SUN Securities in 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Gains on changes in value of stock warrants issued liabilities	\$ 43,890	\$ 925,317
Losses on changes in value of stock warrants repurchased	(38,102)	(828,586)
Gains on exercise stock warrants before expired	675	998
Gains on stock warrants expired	268	6,382
Expense of issuing stock warrants	<u>-</u>	<u>(10,168)</u>
	<u>\$ 6,731</u>	<u>\$ 93,943</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI	\$ 8,057,694	\$ 7,060,879
Investments in debt instruments at FVTOCI	<u>207,820,505</u>	<u>176,785,307</u>
	<u>\$ 215,878,199</u>	<u>\$ 183,846,186</u>

a. Investments in equity instruments at FVTOCI

	December 31	
	2019	2018
Listed shares and emerging stocks	\$ 6,790,271	\$ 5,881,516
Unlisted shares	<u>1,267,423</u>	<u>1,179,363</u>
	<u>\$ 8,057,694</u>	<u>\$ 7,060,879</u>

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

In 2019 and 2018, the Company sold shares of stocks for \$479,282 thousand and \$1,084,573 thousand, respectively, for the return on investment positions and risk management. The related other equity - unrealized gain of \$32,223 thousand and unrealized loss of \$192,465 thousand on financial assets at FVTOCI were transferred to retained earnings, respectively.

Dividends income of \$386,034 thousand and \$381,883 thousand were recognized in profit or loss for the years ended December 31, 2019 and 2018, respectively. The dividends related to investments held at the end of the reporting period were \$377,549 thousand and \$335,920 thousand, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2019	2018
Bank debentures	\$ 106,686,396	\$ 90,543,845
Government bonds	62,686,326	59,774,281
Corporate bonds	34,344,796	22,698,299
Overseas bonds	2,562,519	450,181
Negotiable certificates of deposit	1,508,450	2,293,744
Discounted note	<u>32,018</u>	<u>1,024,957</u>
	<u>\$ 207,820,505</u>	<u>\$ 176,785,307</u>

- 1) As of December 31, 2019 and 2018, the investments in debt instruments at FVTOCI, which amounted to \$7,026,815 thousand and \$11,839,947 thousand, respectively, had been sold under repurchase agreements.
- 2) Refer to Note 43 for information relating to their credit risk management and impairment.
- 3) Refer to Note 40 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2019	2018
Overseas bonds	\$ 8,880,623	\$ 5,441,147
Bank debentures	3,189,062	2,339,671
Corporate bonds	455,804	308,244
Overseas certificates of deposits	<u>75,283</u>	<u>76,832</u>
	12,600,772	8,165,894
Less: Allowance for impairment losses	<u>(1,074)</u>	<u>(890)</u>
	<u>\$ 12,599,698</u>	<u>\$ 8,165,004</u>

- a. As of December 31, 2019 and 2018, the investments in debt instruments at amortized cost, which amounted to \$431,211 thousand and \$1,059,315 thousand, respectively, had been sold under repurchase agreements.
- b. Refer to Note 43 for information relating to their credit risk management and impairment.
- c. Refer to Note 40 for information relating to investments in debt instruments at amortized cost pledged as security.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for \$4,971,085 thousand under resell agreements as of December 31, 2019 would subsequently be sold for \$4,973,492 thousand.

12. RECEIVABLES, NET

	December 31	
	2019	2018
Receivables on credit cards	\$ 83,522,275	\$ 64,606,766
Accounts receivable factored without recourse	12,910,583	13,442,092
Margin loans receivable	5,623,084	4,635,635
Accrued interest	4,463,752	4,523,915
Accounts receivable	1,871,867	1,805,276
Settlements receivable	2,477,891	1,280,232
Acceptances	1,258,156	1,440,849
Securities business money lending	1,159,395	1,461,641
Settlement consideration	-	555,870
Others	<u>1,849,534</u>	<u>1,760,643</u>
	115,136,537	95,512,919
Less: Allowance for possible losses	<u>(1,986,171)</u>	<u>(2,062,398)</u>
	<u>\$ 113,150,366</u>	<u>\$ 93,450,521</u>

The changes in allowance for possible losses of receivables were as follows:

For the year ended December 31, 2019

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	\$ 111,346	\$ 22,734	\$ 1,050,336	\$ 1,184,416	\$ 877,982	\$ 2,062,398
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(307)	1,014	(707)	-	-	-
Credit-impaired financial assets	(1,111)	(6,991)	8,102	-	-	-
12-month ECL	10,710	(6,495)	(4,215)	-	-	-
Derecognition of financial assets in the reporting period	(7,287)	(8,647)	(61,627)	(77,561)	-	(77,561)
New financial assets purchased or originated	18,374	784	16,827	35,985	-	35,985
Difference of impairment loss under regulations	-	-	-	-	299,954	299,954
Write-offs	-	-	(542,846)	(542,846)	-	(542,846)
Recovery of written-off receivables	-	-	449,241	449,241	-	449,241
Change in model or risk parameters	(35,925)	7,051	(168,195)	(197,069)	-	(197,069)
Change in exchange rates or others	(32)	1	(32,757)	(32,788)	(11,143)	(43,931)
Balance at December 31, 2019	<u>\$ 95,768</u>	<u>\$ 9,451</u>	<u>\$ 714,159</u>	<u>\$ 819,378</u>	<u>\$ 1,166,793</u>	<u>\$ 1,986,171</u>

For the year ended December 31, 2018

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	\$ 107,790	\$ 26,465	\$ 1,014,239	\$ 1,148,494	\$ 1,069,242	\$ 2,217,736
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(233)	567	(334)	-	-	-
Credit-impaired financial assets	(2,090)	(9,184)	11,274	-	-	-
12-month ECL	10,866	(7,582)	(3,284)	-	-	-
Derecognition of financial assets in the reporting period	(6,062)	(9,024)	(70,028)	(85,114)	-	(85,114)
New financial assets purchased or originated	13,225	1,065	427,375	441,665	-	441,665
Difference of impairment loss under regulations	-	-	-	-	(221,964)	(221,964)
Write-offs	-	-	(853,038)	(853,038)	-	(853,038)
Recovery of written-off receivables	-	-	489,916	489,916	-	489,916
Change in model or risk parameters	(12,220)	20,419	236,105	244,304	-	244,304
Change in exchange rates or others	70	8	(201,889)	(201,811)	30,704	(171,107)
Balance at December 31, 2018	<u>\$ 111,346</u>	<u>\$ 22,734</u>	<u>\$ 1,050,336</u>	<u>\$ 1,184,416</u>	<u>\$ 877,982</u>	<u>\$ 2,062,398</u>

The changes in gross carrying amount of receivables were as follows:

For the year ended December 31, 2019

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 92,283,510	\$ 196,948	\$ 3,032,461	\$ 95,512,919
Transfers to				
Lifetime ECL	(162,069)	164,216	(2,147)	-
Credit-impaired financial				
assets	(637,529)	(65,007)	702,536	-
12-month ECL	63,992	(51,604)	(12,388)	-
Derecognition of financial				
assets in the reporting				
period	(32,740,875)	(72,480)	(221,474)	(33,034,829)
New financial assets				
purchased or originated	53,053,975	44,037	115,794	53,213,806
Write-offs	-	-	(542,846)	(542,846)
Change in exchange rates or				
others	(9,996)	(115)	(2,402)	(12,513)
Balance at December 31, 2019	<u>\$ 111,851,008</u>	<u>\$ 215,995</u>	<u>\$ 3,069,534</u>	<u>\$ 115,136,537</u>

For the year ended December 31, 2018

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Total
Balance at January 1, 2018	\$ 91,250,622	\$ 2,469,906	\$ 2,579,561	\$ 96,300,089
Transfers to				
Lifetime ECL	(125,836)	127,224	(1,388)	-
Credit-impaired financial				
assets	(659,017)	(57,083)	716,100	-
12-month ECL	99,374	(90,387)	(8,987)	-
Derecognition of financial				
assets in the reporting				
period	(34,012,419)	(2,314,514)	(291,808)	(36,618,741)
New financial assets				
purchased or originated	35,731,513	61,550	891,874	36,684,937
Write-offs	-	-	(853,038)	(853,038)
Change in exchange rates or				
others	(727)	252	147	(328)
Balance at December 31, 2018	<u>\$ 92,283,510</u>	<u>\$ 196,948</u>	<u>\$ 3,032,461</u>	<u>\$ 95,512,919</u>

13. ASSETS HELD FOR SALE, NET

	December 31, 2019
Land	\$ 109,459
Buildings	<u>48,577</u>
	<u>\$ 158,036</u>

For effective management, on December 27, 2019, the board of directors of E.SUN Bank approved a disposal of freehold properties, and the related assets have transferred to assets held for sale. No impairment loss was recognized on the classification of the properties as held for sale for the year ended December 31, 2019.

14. DISCOUNTS AND LOANS, NET

	December 31 2019	2018
Loans		
Short-term	\$ 298,091,260	\$ 297,266,947
Medium-term	350,595,376	331,187,808
Long-term	808,910,883	717,060,406
Overdue loans	2,228,167	2,390,377
Bills negotiated and discounts	<u>2,362,138</u>	<u>2,365,176</u>
	1,462,187,824	1,350,270,714
Less: Allowance for possible losses	(17,739,287)	(16,865,753)
Less: Adjustment of premium or discount	<u>(126,436)</u>	<u>(127,692)</u>
	<u>\$ 1,444,322,101</u>	<u>\$ 1,333,277,269</u>

As of December 31, 2019 and 2018, the loan and credit balances of E.SUN Bank, for which the accrual of interest revenues was discontinued, amounted to \$1,944,481 thousand and \$2,107,014 thousand, respectively. The unrecognized interest revenues on these loans and credits of E.SUN Bank were \$39,951 thousand and \$47,558 thousand for the years ended December 31, 2019 and 2018, respectively.

The changes in allowance for possible losses of discount and loans were as follows:

For the year ended December 31, 2019

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	\$ 821,079	\$ 92,835	\$ 3,829,950	\$ 4,743,864	\$ 12,121,889	\$ 16,865,753
Changes of financial assets recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(3,884)	88,010	(84,126)	-	-	-
Credit-impaired financial assets	(1,560)	(22,632)	24,192	-	-	-
12-month ECL	184,480	(9,440)	(175,040)	-	-	-
Derecognition of financial assets in the reporting period	(320,904)	(31,412)	(406,904)	(759,220)	-	(759,220)
New financial assets purchased or originated	551,589	31,254	412,026	994,869	-	994,869
Difference of impairment loss under regulations	-	-	-	-	403,620	403,620
Write-offs	-	-	(1,625,507)	(1,625,507)	-	(1,625,507)
Recovery of written-off credits	-	-	1,066,086	1,066,086	-	1,066,086
Change in model or risk parameters	(161,078)	224,963	783,517	847,402	-	847,402
Change in exchange rates or others	<u>(6,797)</u>	<u>(133)</u>	<u>(6,563)</u>	<u>(13,493)</u>	<u>(40,223)</u>	<u>(53,716)</u>
Balance at December 31, 2019	<u>\$ 1,062,925</u>	<u>\$ 373,445</u>	<u>\$ 3,817,631</u>	<u>\$ 5,254,001</u>	<u>\$ 12,485,286</u>	<u>\$ 17,739,287</u>

For the year ended December 31, 2018

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	\$ 844,210	\$ 637,296	\$ 3,325,298	\$ 4,806,804	\$ 10,559,632	\$ 15,366,436
Changes of financial assets recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(5,344)	28,958	(23,614)	-	-	-
Credit-impaired financial assets	(2,757)	(28,369)	31,126	-	-	-
12-month ECL	547,311	(461,805)	(85,506)	-	-	-
Derecognition of financial assets in the reporting period	(350,841)	(117,913)	(398,312)	(867,066)	-	(867,066)
New financial assets purchased or originated	498,025	16,435	508,363	1,022,823	-	1,022,823
Difference of impairment loss under regulations	-	-	-	-	1,511,952	1,511,952
Write-offs	-	-	(2,524,665)	(2,524,665)	-	(2,524,665)
Recovery of written-off credits	-	-	1,228,466	1,228,466	-	1,228,466
Change in model or risk parameters	(708,421)	18,174	1,769,541	1,079,294	-	1,079,294
Change in exchange rates or others	(1,104)	59	(747)	(1,792)	50,305	48,513
Balance at December 31, 2018	<u>\$ 821,079</u>	<u>\$ 92,835</u>	<u>\$ 3,829,950</u>	<u>\$ 4,743,864</u>	<u>\$ 12,121,889</u>	<u>\$ 16,865,753</u>

The changes in gross carrying amount of discount and loans were as follows:

For the year ended December 31, 2019

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 1,336,155,309	\$ 4,832,002	\$ 9,283,403	\$ 1,350,270,714
Transfers to				
Lifetime ECL	(2,393,292)	2,660,938	(267,646)	-
Credit-impaired financial assets	(2,424,086)	(957,501)	3,381,587	-
12-month ECL	1,177,782	(611,369)	(566,413)	-
Derecognition of financial assets in the reporting period	(552,068,575)	(2,069,139)	(2,562,631)	(556,700,345)
New financial assets purchased or originated	669,372,459	392,332	695,869	670,460,660
Write-offs	-	-	(1,625,507)	(1,625,507)
Change in exchange rates or others	(208,261)	(1,581)	(7,856)	(217,698)
Balance at December 31, 2019	<u>\$ 1,449,611,336</u>	<u>\$ 4,245,682</u>	<u>\$ 8,330,806</u>	<u>\$ 1,462,187,824</u>

For the year ended December 31, 2018

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	\$ 1,170,145,601	\$ 47,877,032	\$ 8,571,119	\$ 1,226,593,752
Transfers to				
Lifetime ECL	(2,774,973)	2,875,482	(100,509)	-
Credit-impaired financial assets	(3,049,270)	(1,711,665)	4,760,935	-
12-month ECL	35,423,344	(35,021,328)	(402,016)	-
Derecognition of financial assets in the reporting period	(486,995,168)	(9,833,596)	(1,984,074)	(498,812,838)
New financial assets purchased or originated	623,302,057	644,584	962,172	624,908,813
Write-offs	-	-	(2,524,665)	(2,524,665)
Change in exchange rates or others	103,718	1,493	441	105,652
Balance at December 31, 2018	<u>\$ 1,336,155,309</u>	<u>\$ 4,832,002</u>	<u>\$ 9,283,403</u>	<u>\$ 1,350,270,714</u>

The bad-debt expenses and provision for losses on commitments and guarantees for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Provision (reversal of provision) for possible losses on due from banks	\$ (4,032)	\$ 6,353
Reversal of provision for possible losses on call loans to other banks	(10,485)	(19,164)
Provision for possible losses on receivables	61,309	378,891
Provision for possible losses on discounts and loans	1,486,671	2,747,003
Provision for possible losses on guarantees	50,988	85,605
Provision for possible losses on financing commitments	<u>13,627</u>	<u>53,784</u>
	<u><u>\$ 1,598,078</u></u>	<u><u>\$ 3,252,472</u></u>

The FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions. As of December 31, 2019 and 2018, E.SUN Bank was in compliance with the FSC's provision requirement for both type of credit assets.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2019	2018
Due from banks	\$ 7,174,238	\$ 12,814,899
Guarantee deposits received on futures contracts	865,245	875,881
Others	<u>-</u>	<u>4,167</u>
	<u><u>\$ 8,039,483</u></u>	<u><u>\$ 13,694,947</u></u>

Guarantee deposits received on futures contracts were as follows:

	December 31	
	2019	2018
Deposits in bank	\$ 461,503	\$ 540,148
Deposits held by futures commission merchants as a clearing member	<u>403,742</u>	<u>335,733</u>
	<u><u>\$ 865,245</u></u>	<u><u>\$ 875,881</u></u>
Guarantee deposits received on futures contracts	\$ 865,245	\$ 875,881
Less: Commission revenue	(427)	(511)
Futures transaction tax	(128)	(160)
Temporary receipts	<u>(411)</u>	<u>(244)</u>
Customers' equity accounts - futures (Note 30)	<u><u>\$ 864,279</u></u>	<u><u>\$ 874,966</u></u>

Due from banks were collateral for loans from other financial institution, deposits for operating reserve, and time deposits with maturities longer than three months.

16. INVESTMENT PROPERTIES, NET

		December 31	
		2019	2018
Land		\$ 203,085	\$ 191,966
Buildings		<u>1,650,822</u>	<u>1,756,452</u>
		<u>\$ 1,853,907</u>	<u>\$ 1,948,418</u>
		Land	Buildings
			Total
<u>Cost</u>			
Balance, January 1, 2019	\$ 191,970	\$ 1,872,362	\$ 2,064,332
Net exchange difference	-	(62,071)	(62,071)
Reclassification	<u>11,140</u>	<u>8,334</u>	<u>19,474</u>
Balance, December 31, 2019	<u>\$ 203,110</u>	<u>\$ 1,818,625</u>	<u>\$ 2,021,735</u>
Balance, January 1, 2018	\$ 137,524	\$ 1,890,258	\$ 2,027,782
Net exchange difference	-	(42,377)	(42,377)
Reclassification	<u>54,446</u>	<u>24,481</u>	<u>78,927</u>
Balance, December 31, 2018	<u>\$ 191,970</u>	<u>\$ 1,872,362</u>	<u>\$ 2,064,332</u>
<u>Accumulated depreciation and impairment</u>			
Balance, January 1, 2019	\$ (4)	\$ (115,910)	\$ (115,914)
Depreciation expenses	-	(50,716)	(50,716)
Impairment losses	(21)	(683)	(704)
Net exchange difference	-	5,467	5,467
Reclassification	<u>-</u>	<u>(5,961)</u>	<u>(5,961)</u>
Balance, December 31, 2019	<u>\$ (25)</u>	<u>\$ (167,803)</u>	<u>\$ (167,828)</u>
Balance, January 1, 2018	\$ -	\$ (67,271)	\$ (67,271)
Depreciation expenses	-	(51,248)	(51,248)
Impairment losses	(4)	(145)	(149)
Net exchange difference	-	2,369	2,369
Reclassification	<u>-</u>	<u>385</u>	<u>385</u>
Balance, December 31, 2018	<u>\$ (4)</u>	<u>\$ (115,910)</u>	<u>\$ (115,914)</u>

Investment properties (except for land) are depreciated through 25 to 50 years on a straight-line basis.

As of December 31, 2019 and 2018, the fair values of investment properties were \$2,737,799 thousand and \$2,769,177 thousand, respectively. The fair values were based on the valuation of discounted cash flow analysis method from external real estate appraiser joint firm (that were not the Company's related parties), and the comparison of price of the comparable property from external appraisal company and the Company's appraisal center.

The revenues generated from the investment properties are summarized as follows:

	For the Year Ended December 31	
	2019	2018
Rental income from investment properties	\$ 47,822	\$ 65,935
Direct operating expenses of investment properties that generate rental income	(51,334)	(51,707)
Direct operating expenses of investment properties that do not generate rental income	<u>(580)</u>	<u>(574)</u>
	<u>\$ (4,092)</u>	<u>\$ 13,654</u>

Lease agreements on premises occupied by other companies and individuals are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods. As of December 31, 2019, refundable deposits on these leases totaled \$12,268 thousand (part of refundable deposits). The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 48,784
Year 2	44,770
Year 3	15,402
Year 4	8,552
Year 5	<u>232</u>
	<u>\$ 117,740</u>

17. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2019	2018
<u>Carrying amount</u>		
Land	\$ 14,578,440	\$ 14,743,743
Buildings	10,290,885	10,571,703
Computers	2,645,296	2,536,532
Transportation equipment	337,986	352,902
Miscellaneous equipment	1,435,187	1,367,523
Prepayments for properties and equipment	<u>4,063,650</u>	<u>3,032,117</u>
	<u>\$ 33,351,444</u>	<u>\$ 32,604,520</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
<u>Cost</u>							
Balance, January 1, 2019	\$ 14,743,743	\$ 14,795,088	\$ 6,061,055	\$ 876,590	\$ 3,676,239	\$ 3,032,117	\$ 43,184,832
Addition	-	386,355	744,142	47,099	226,489	1,390,960	2,795,045
Disposal	(38,712)	(44,035)	(272,778)	(44,542)	(74,747)	(286)	(475,100)
Net exchange difference	(5,992)	(58,999)	(8,009)	(2,112)	(16,918)	492	(91,538)
Reclassification and others	(120,599)	(105,626)	4,635	500	122,165	(359,633)	(458,558)
Balance, December 31, 2019	<u>\$ 14,578,440</u>	<u>\$ 14,972,783</u>	<u>\$ 6,529,045</u>	<u>\$ 877,535</u>	<u>\$ 3,933,228</u>	<u>\$ 4,063,650</u>	<u>\$ 44,954,681</u>
Balance, January 1, 2018	\$ 14,338,561	\$ 13,385,885	\$ 5,243,099	\$ 812,920	\$ 3,315,121	\$ 655,931	\$ 37,751,517
Addition	465,502	981,226	923,874	83,195	463,074	3,010,430	5,927,301
Disposal	(34,862)	(38,009)	(149,880)	(20,812)	(110,582)	-	(354,145)
Net exchange difference	7,773	(12,768)	(740)	1,285	6,140	146	1,836
Reclassification and others	(33,231)	478,754	44,702	2	2,486	(634,390)	(141,677)
Balance, December 31, 2018	<u>\$ 14,743,743</u>	<u>\$ 14,795,088</u>	<u>\$ 6,061,055</u>	<u>\$ 876,590</u>	<u>\$ 3,676,239</u>	<u>\$ 3,032,117</u>	<u>\$ 43,184,832</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2019	\$ -	\$ (4,223,385)	\$ (3,524,523)	\$ (523,688)	\$ (2,308,716)	\$(10,580,312)
Disposal	-	30,545	272,038	44,382	73,263	420,228
Depreciation expenses	-	(550,097)	(636,628)	(61,623)	(294,437)	(1,542,785)
Net exchange difference	-	4,987	5,364	1,380	8,505	20,236
Reclassification and others	-	56,052	-	-	23,344	79,396
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ (4,681,898)</u>	<u>\$ (3,883,749)</u>	<u>\$ (539,549)</u>	<u>\$ (2,498,041)</u>	<u>\$(11,603,237)</u>
Balance, January 1, 2018	\$ -	\$ (3,771,027)	\$ (3,143,518)	\$ (487,569)	\$ (2,140,094)	\$(9,542,208)
Disposal	-	27,335	147,111	20,812	107,239	302,497
Depreciation expenses	-	(479,410)	(527,455)	(55,725)	(272,576)	(1,335,166)
Net exchange difference	-	102	(669)	(1,206)	(3,285)	(5,058)
Reclassification and others	-	(385)	8	-	-	(377)
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ (4,223,385)</u>	<u>\$ (3,524,523)</u>	<u>\$ (523,688)</u>	<u>\$ (2,308,716)</u>	<u>\$(10,580,312)</u>

Depreciation is calculated by the straight-line method over service lives estimated as follows:

Buildings	
Main buildings	20 to 50 years
Equipment installed in buildings	10 to 15 years
Computers	3 to 8 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1 to 20 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets, net - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Buildings	\$ 3,169,650
Office equipment	4,313
Transportation equipment	<u>7,068</u>
	<u>\$ 3,181,031</u>

	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 1,569,399</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 1,099,773
Office equipment	2,037
Transportation equipment	<u>3,601</u>
	<u>\$ 1,105,411</u>

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	<u>\$ 3,177,727</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	0.80%-7.50%
Office equipment	0.80%-2.98%
Transportation equipment	0.66%-7.50%

c. Material lease-in activities and terms - 2019

The Company has entered into certain lease contracts with other companies or individuals for the business halls and office space that are required to be rented for operating activities. Rentals are calculated based on the actual number of rented flats and are payable monthly, quarterly or semi-annually. As of December 31, 2019, refundable deposits on these leases totaled \$689,393 thousand.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 26,731</u>
Expenses relating to low-value asset leases	<u>\$ 364</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>
Total cash outflow for leases	<u>\$ (1,078,956)</u>

The Company leases certain land, buildings, transportation equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

19. INTANGIBLE ASSETS, NET

	December 31	
	2019	2018
Goodwill	\$ 4,475,005	\$ 4,487,444
Computer software	1,153,103	1,047,338
Banking licenses	480,362	490,253
Core deposits	21,869	24,581
Developed technology	38,309	43,782
Customer relationship	<u>20,026</u>	<u>22,734</u>
	<u>\$ 6,188,674</u>	<u>\$ 6,116,132</u>

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2019	\$ 4,487,444	\$ 1,047,338	\$ 490,253	\$ 24,581	\$ 43,782	\$ 22,734	\$ 6,116,132
Separate acquisition	-	515,361	-	-	-	-	515,361
Amortization expenses	-	(604,511)	-	(2,712)	(5,473)	(2,708)	(615,404)
Disposal	-	(21)	-	-	-	-	(21)
Reclassification	-	197,469	-	-	-	-	197,469
Net exchange difference	<u>(12,439)</u>	<u>(2,533)</u>	<u>(9,891)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,863)</u>
Balance, December 31, 2019	<u>\$ 4,475,005</u>	<u>\$ 1,153,103</u>	<u>\$ 480,362</u>	<u>\$ 21,869</u>	<u>\$ 38,309</u>	<u>\$ 20,026</u>	<u>\$ 6,188,674</u>
Balance, January 1, 2018	\$ 4,469,688	\$ 1,139,299	\$ 476,135	\$ 63,151	\$ 49,255	\$ 25,441	\$ 6,222,969
Separate acquisition	-	448,559	-	-	-	-	448,559
Amortization expenses	-	(590,725)	-	(38,980)	(5,473)	(2,707)	(637,885)
Disposal	-	(495)	-	-	-	-	(495)
Reclassification	-	51,620	-	-	-	-	51,620
Net exchange difference	<u>17,756</u>	<u>(920)</u>	<u>14,118</u>	<u>410</u>	<u>-</u>	<u>-</u>	<u>31,364</u>
Balance, December 31, 2018	<u>\$ 4,487,444</u>	<u>\$ 1,047,338</u>	<u>\$ 490,253</u>	<u>\$ 24,581</u>	<u>\$ 43,782</u>	<u>\$ 22,734</u>	<u>\$ 6,116,132</u>

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	2 to 10 years
Core deposits	16 years
Developed technology	11 years
Customer relationship	11 to 17 years

In testing assets for impairment, the Company uses as recoverable amounts (a) value in use for an operating segment defined as a CGU and (b) net fair value for an investment property. Goodwill on E.SUN Bank's acquisition of UCB (subsidiary of E.SUN Bank), BankPro (subsidiary of E.SUN Bank), the Kaohsiung Business Bank Co., Ltd., Chu Nan Credit-Cooperative Association and Chiayi The Fourth Credit Cooperative was allocated to operating segments (CGUs with allocated goodwill). The 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.

20. OTHER ASSETS, NET

	December 31	
	2019	2018
Refundable deposits, net	\$ 4,063,420	\$ 4,579,832
Operating deposits and settlement funds	564,934	571,864
Prepayments	159,100	231,094
Defined benefit asset (Note 29)	56,631	23,547
Collection of securities underwriting	-	2,517
Others	<u>128,825</u>	<u>214,341</u>
	<u>\$ 4,972,910</u>	<u>\$ 5,623,195</u>

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2019	2018
Call loans from banks	\$ 52,667,432	\$ 63,712,441
Deposits from Chunghwa Post Co., Ltd.	2,476,177	2,687,937
Call loans from the Central Bank	1,505,650	1,536,650
Banks overdrafts	307,435	374,082
Due to banks	921,328	3,638,576
Due to the Central Bank	<u>25,764</u>	<u>273,334</u>
	<u>\$ 57,903,786</u>	<u>\$ 72,223,020</u>

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$7,228,239 thousand and \$12,526,789 thousand under repurchase agreements as of December 31, 2019 and 2018, respectively, would subsequently be purchased for \$7,242,042 thousand and \$12,572,637 thousand, respectively.

23. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$3,683,000 thousand and \$2,670,000 thousand, and the annual discount rates were from 0.43%-0.70% and 0.50%-0.72%, as of December 31, 2019 and 2018, respectively. These financial instruments were accepted and guaranteed by financial institutions.

24. PAYABLES

	December 31	
	2019	2018
Checks for clearing	\$ 2,235,915	\$ 8,685,830
Accrued interest	3,770,089	3,607,778
Accrued expenses	5,015,266	4,494,851
Accounts payable	2,425,783	973,941
Factored accounts payable	2,961,570	2,351,823
Settlements payable	2,243,822	1,833,924
Acceptances	1,261,333	1,482,874
Payable on credit cards	2,132,136	614,995
Payables for short-sale transactions	1,007,500	897,974
Deposits on short-sale transactions	906,186	831,394
Tax payable	336,628	334,578
Collections payable	326,551	350,140
Others	<u>4,561,304</u>	<u>2,509,318</u>
	<u>\$ 29,184,083</u>	<u>\$ 28,969,420</u>

25. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Deposits		
Checking	\$ 14,148,389	\$ 15,890,347
Demand	507,000,506	462,920,703
Savings - demand	552,703,970	508,532,868
Time	682,333,242	587,715,162
Negotiable certificates of deposits	10,240,026	11,219,755
Savings - time	304,253,481	288,840,651
Treasury deposits	11,390,086	10,765,922
Remittances	<u>914,929</u>	<u>808,573</u>
	<u>\$ 2,082,984,629</u>	<u>\$ 1,886,693,981</u>

26. BOND PAYABLES

	December 31	
	2019	2018
Bank debentures	\$ 32,070,000	\$ 36,850,000
ESFHC's unsecured corporate bonds - first issue in 2012	-	3,800,000
ESFHC's unsecured corporate bonds - first issue in 2016	900,000	900,000
ESFHC's unsecured corporate bonds - second issue in 2016	1,100,000	1,100,000
ESFHC's unsecured corporate bonds - first issue in 2019	<u>4,000,000</u>	<u>-</u>
	<u>\$ 38,070,000</u>	<u>\$ 42,650,000</u>

On June 29, 2012, ESFHC made a first issue of unsecured subordinated corporate bonds with aggregate face value of \$3,800,000 thousand and par value of \$10,000 thousand. The bonds will mature in seven years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 1.75%.

On September 22, 2016, ESFHC made a first issue of unsecured corporate bonds with aggregate face value of \$900,000 thousand and par value of \$10,000 thousand. The bonds will mature in five years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 0.75%.

On January 20, 2017, ESFHC made a second issue of unsecured corporate bonds with aggregate face value of \$1,100,000 thousand and par value of \$10,000 thousand. The bonds will mature in five years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 1.10%.

On January 14, 2019, ESFHC made a first issue of unsecured corporate bonds with aggregate face value of \$4,000,000 thousand and par value of \$10,000 thousand. The bonds will mature in five years, and principal is repayable on maturity. Interest is payable annually at annual interest rate for 0.95%.

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

	December 31	
	2019	2018
Subordinated bonds issued on April 27, 2012; 1.58% interest payable annually; principal repayable on maturity (7 years after the issue date).	\$ -	\$ 2,280,000
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	2,720,000	2,720,000
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,500,000	8,000,000
Two types of subordinated bonds issued on May 24, 2013; interest rate at (a) 1.55% for type A bond and (b) 1.70% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	2,300,000	2,300,000
Subordinated bonds issued on August 28, 2013; 1.75% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,700,000	2,700,000
Two types of subordinated bonds issued on December 19, 2013; interest rate at (a) 1.75% for type A bond and (b) 1.85% 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	1,500,000
Two types of subordinated bonds issued on March 7, 2014; interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,500,000	3,500,000
Two types of subordinated bonds issued on April 30, 2015; interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	5,000,000	5,000,000

(Continued)

	December 31	
	2019	2018
Two types of subordinated bonds issued on September 29, 2015; interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	\$ 3,750,000	\$ 3,750,000
Two types of subordinated bonds issued on March 30, 2018; interest rate at (a) 1.30% for type A bond and (b) 1.55% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	4,000,000	4,000,000
Bonds issued on April 24, 2018; interest rate at 0.66%; interest payable annually; principal repayable on maturity (2 years after the issue date).	1,100,000	1,100,000
Bonds issued on August 13, 2019; interest rate at 0.65%; interest payable annually; principal repayable on maturity (3 years after the issue date).	<u>3,000,000</u>	<u>-</u>
	<u>\$ 32,070,000</u>	<u>\$ 36,850,000</u> (Concluded)

E.SUN Bank designated the bank debentures as at fair value through profit or loss, which are summarized below:

	December 31	
	2019	2018
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	\$ 3,358,391	\$ 3,065,878
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,445,112	2,353,576
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,487,231	2,250,454
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,360,100	1,239,340
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	9,365,842	8,323,252
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	7,825,900	6,711,081
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	3,320,111	2,979,170
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,929,904	2,704,771
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,881,861	2,677,115
Unsecured USD-denominated bonds issued on May 19, 2017	2,049,648	1,766,846
Unsecured USD-denominated bonds issued on November 21, 2017	4,477,071	4,026,898
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	<u>6,473,528</u>	<u>6,159,658</u>
	<u>\$ 48,974,699</u>	<u>\$ 44,258,039</u>

On May 27, 2015, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$85,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On May 27, 2015, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$85,000 thousand with no maturity date and with a 4.97% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On October 28, 2015, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$63,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On October 28, 2015, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$43,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On January 22, 2016, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$240,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On January 22, 2016, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$240,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On June 6, 2016, E.SUN Bank issued unsecured subordinated bank debentures amounting to US\$95,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On June 6, 2016, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$95,000 thousand with no maturity date and with a 4.41% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On December 29, 2016, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$90,000 thousand with no maturity date and with a 4.85% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On May 19, 2017, E.SUN Bank issued unsecured bank debentures amounting to US\$60,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, E.SUN Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On November 21, 2017, E.SUN Bank issued unsecured bank debentures amounting to US\$135,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, E.SUN Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On February 12, 2018, E.SUN Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US\$200,000 thousand with no maturity date and with a 4.75% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.

On March 13, 2019, E.SUN Bank issued unsecured bank debentures amounting to US\$10,000 thousand with a 10-year maturity and with a 3.8% interest payable annually on March 13. In accordance with the terms of the bank debentures, E.SUN Bank may either redeem the bonds at an agreed-upon price after three months from the issue date and each three months afterward, or make bond repayments on the maturity date. E.SUN Bank redeemed the bonds amounting to US\$10,000 thousand on September 13, 2019 under the terms of issuance.

To hedge against its exposure to interest rate risk due to the issuance of the above bank debentures, E.SUN Bank entered into interest rate swap (IRS) contracts, which are measured at fair value. The changes in fair value of the IRS contracts are recognized in profit or loss. To eliminate an accounting mismatch, E.SUN Bank also designated the bank debentures as at fair value through profit or loss.

To support business sustainable development and the government's green finance policy, E.SUN Bank applied for the issuance of unsecured bank debentures amounting to NT\$10 billion (or foreign currency equivalent) with no more 30 years to maturity. The application was approved by the FSC on July 4, 2019.

To increase E.SUN Bank's capital adequacy ratio and to strengthen its capital structure, E.SUN Bank applied for the issuance of unsecured noncumulative perpetual subordinated bank debentures and long-term subordinated bank debentures amounting to NT\$4 billion (or foreign currency equivalent) with no more than 30 years to maturity. The application was approved by the FSC on December 3, 2019.

On January 8, 2020, E.SUN Bank issued noncumulative perpetual subordinated bank debentures amounting to \$4,000,000 thousand with no maturity date and with a 1.45% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 5 years and 1 month from the issue date.

As of the date of the consolidated financial statements were authorized for issue, bank debentures amounting to NT\$7 billion had not yet been issued.

27. OTHER BORROWINGS

	December 31			
	2019		2018	
	Amount	%	Amount	%
Short-term borrowings	\$ 20,000	1.25	\$ 30,000	1.34
Long-term borrowings	<u>361,356</u>	4.29-4.51	<u>369,094</u>	4.51-4.89
	<u>\$ 381,356</u>		<u>\$ 399,094</u>	

28. PROVISIONS

	December 31	
	2019	2018
Provision for losses on financing commitment	\$ 328,837	\$ 316,855
Provision for employee benefits	10,918	287,291
Provision for losses on guarantees	269,086	218,541
Others	<u>47,382</u>	<u>38,052</u>
	<u>\$ 656,223</u>	<u>\$ 860,739</u>

The changes in provision for losses on guarantees and financing commitments are summarized below:

For the year ended December 31, 2019

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	\$ 244,518	\$ 1,620	\$ 2,703	\$ 248,841	\$ 286,555	\$ 535,396
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(190)	190	-	-	-	-
Credit-impaired financial instruments	(101)	(30)	131	-	-	-
12-month ECL	1,576	(1,426)	(150)	-	-	-
Derecognition of financial instruments in the reporting period	(71,400)	(126)	(60)	(71,586)	-	(71,586)
New financial instruments purchased or originated	94,210	90	456	94,756	-	94,756
Difference of impairment loss under regulations	-	-	-	-	132,135	132,135
Change in model or risk parameters	(91,196)	382	124	(90,690)	-	(90,690)
Change in exchange rates or others	<u>(298)</u>	<u>-</u>	<u>-</u>	<u>(298)</u>	<u>(1,790)</u>	<u>(2,088)</u>
Balance at December 31, 2019	<u>\$ 177,119</u>	<u>\$ 700</u>	<u>\$ 3,204</u>	<u>\$ 181,023</u>	<u>\$ 416,900</u>	<u>\$ 597,923</u>

For the year ended December 31, 2018

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	\$ 249,190	\$ 14,573	\$ 6,306	\$ 270,069	\$ 123,732	\$ 393,801
Changes of financial instruments recognized at the beginning of the reporting period						
Transfers to						
Lifetime ECL	(52)	53	(1)	-	-	-
Credit-impaired financial instruments	(122)	(52)	174	-	-	-
12-month ECL	13,547	(13,285)	(262)	-	-	-
Derecognition of financial instruments in the reporting period	(88,877)	(1,102)	(3,818)	(93,797)	-	(93,797)
New financial instruments purchased or originated	105,218	95	146	105,459	-	105,459
Difference of impairment loss under regulations	-	-	-	-	160,542	160,542
Change in model or risk parameters	(34,311)	1,338	158	(32,815)	-	(32,815)
Change in exchange rates or others	(75)	-	-	(75)	2,281	2,206
Balance at December 31, 2018	<u>\$ 244,518</u>	<u>\$ 1,620</u>	<u>\$ 2,703</u>	<u>\$ 248,841</u>	<u>\$ 286,555</u>	<u>\$ 535,396</u>

29. POST-EMPLOYMENT BENEFIT PLAN

a. Defined contribution plan

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Under the Act, the Company makes monthly contribution equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

The Company recognized expenses of \$352,216 thousand and \$342,263 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The Company has a defined benefit pension plan for all regular employees. Under this plan, the pension is calculated on the basis of an employee's seniority accumulated since the hire date in accordance with the Labor Standards Act.

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 under management of Bureau of Labor Funds, Ministry of Labor (the Bureau).

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 Supervisory Committee of Workers' Retirement Preparation Fund, 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 deposited in the Bank of Taiwan under management of the Bureau. However, E.SUN Securities paused in making monthly contributions from January 2017 to December 2020 with the approval of Department of Labor, Taipei City Government.

Starting from July 1, 2005, the Company has made monthly contributions to the pension fund by the foregoing pension calculation for the employees that choose to continue being subject to the Labor Standards Act.

The pension fund is managed by the Bureau and the Company has no right to influence the investment policy and strategy. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay post-employment benefits for employees who conform to post-employment requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 2,100,020	\$ 2,018,978
Fair value of plan assets	<u>(2,145,733)</u>	<u>(1,755,234)</u>
Deficit	(45,713)	263,744
Net defined benefit asset (part of other assets)	<u>56,631</u>	<u>23,547</u>
Net defined benefit liability (part of provision for employee benefits)	<u>\$ 10,918</u>	<u>\$ 287,291</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	<u>\$ 1,935,612</u>	<u>\$ (1,622,806)</u>	<u>\$ 312,806</u>
Service cost			
Current service cost	23,416	-	23,416
Net interest expense (income)	<u>25,764</u>	<u>(21,840)</u>	<u>3,924</u>
Recognized in profit or loss	<u>49,180</u>	<u>(21,840)</u>	<u>27,340</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(130,193)	(130,193)
Actuarial loss - changes in financial assumptions	65,111	-	65,111
Actuarial loss - experience adjustments	<u>19,957</u>	<u>-</u>	<u>19,957</u>
Recognized in other comprehensive income	<u>85,068</u>	<u>(130,193)</u>	<u>(45,125)</u>
Contributions from the employer	<u>-</u>	<u>(31,277)</u>	<u>(31,277)</u>
Benefits paid	<u>(50,882)</u>	<u>50,882</u>	<u>-</u>
Balance at December 31, 2018	<u>2,018,978</u>	<u>(1,755,234)</u>	<u>263,744</u>
Service cost			
Current service cost	22,866	-	22,866
Net interest expense (income)	<u>21,879</u>	<u>(19,207)</u>	<u>2,672</u>
Recognized in profit or loss	<u>44,745</u>	<u>(19,207)</u>	<u>25,538</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (446,609)	\$ (446,609)
Actuarial loss - changes in financial assumptions	91,446	-	91,446
Actuarial loss - experience adjustments	<u>62,399</u>	<u>-</u>	<u>62,399</u>
Recognized in other comprehensive income	<u>153,845</u>	<u>(446,609)</u>	<u>(292,764)</u>
Contributions from the employer	<u>-</u>	<u>(30,926)</u>	<u>(30,926)</u>
Benefits paid	<u>(117,548)</u>	<u>106,243</u>	<u>(11,305)</u>
Balance at December 31, 2019	<u>\$ 2,100,020</u>	<u>\$ (2,145,733)</u>	<u>\$ (45,713)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic (and foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rate	0.70%-0.80%	0.75%-1.25%
Expected rates of return on plan assets	0.75%-0.80%	1.00%-1.25%
Expected rates of future salary increase	2.50%-3.00%	2.25%-3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (66,439)</u>	<u>\$ (65,833)</u>
0.25% decrease	<u>\$ 69,282</u>	<u>\$ 68,749</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 66,638</u>	<u>\$ 66,398</u>
0.25% decrease	<u>\$ (64,304)</u>	<u>\$ (61,632)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

As of December 31, 2019 and 2018, the expected contributions to the plan for the next year were \$28,827 thousand and \$30,038 thousand, respectively; the average durations of the defined benefit obligation were 10 to 16.49 years and 6 to 18.11 years, respectively.

30. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Principal of structured products	\$ 32,737,919	\$ 22,187,234
Guarantee deposits received	1,565,294	1,956,942
Customers' equity accounts - futures	<u>864,279</u>	<u>874,966</u>
	<u>\$ 35,167,492</u>	<u>\$ 25,019,142</u>

31. OTHER LIABILITIES

	December 31	
	2019	2018
Advance receipts	\$ 3,260,701	\$ 1,795,168
Deferred revenue	617,711	662,574
Collection of securities underwriting	-	2,517
Others	<u>27,137</u>	<u>7,748</u>
	<u>\$ 3,905,549</u>	<u>\$ 2,468,007</u>

32. NET INTEREST

	For the Year Ended December 31	
	2019	2018
Interest revenue		
From discounts and loans	\$ 32,493,890	\$ 29,679,622
From investments	4,869,220	3,705,145
From revolving interests of credit cards	2,068,075	2,077,081
From due from other banks and call loans to banks	1,471,055	1,537,476
Others	<u>361,391</u>	<u>391,093</u>
	<u>41,263,631</u>	<u>37,390,417</u>
Interest expense		
From deposits	(18,189,769)	(13,921,654)
From due to the Central Bank and other banks	(1,782,263)	(1,820,803)
From issuing bonds payable	(665,661)	(752,949)
From lease liabilities	(39,091)	-
Others	<u>(715,778)</u>	<u>(583,696)</u>
	<u>(21,392,562)</u>	<u>(17,079,102)</u>
	<u>\$ 19,871,069</u>	<u>\$ 20,311,315</u>

33. SERVICE FEE AND COMMISSION INCOME, NET

	For the Year Ended December 31	
	2019	2018
Service fee and commission income		
From credit cards	\$ 8,248,684	\$ 6,077,629
From insurance	3,763,871	4,408,206
From trust business	4,502,702	3,388,090
From loans	1,452,505	1,388,528
From brokerage	1,108,056	1,137,289
Others	<u>2,259,435</u>	<u>2,031,240</u>
	<u>21,335,253</u>	<u>18,430,982</u>
Service charge and commission expenses		
From agency	(930,570)	(815,079)
From cross - bank transactions	(352,969)	(349,597)
From computer processing	(319,421)	(244,233)
Others	<u>(1,007,160)</u>	<u>(651,058)</u>
	<u>(2,610,120)</u>	<u>(2,059,967)</u>
	<u>\$ 18,725,133</u>	<u>\$ 16,371,015</u>

34. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the Year Ended December 31, 2019					
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 83,021	\$ 8,516,445	\$ 15,364,527	\$ 10,986,311	\$ 34,950,304
Held-for-trading financial liabilities	-	-	(6,425,266)	(6,496,389)	(12,921,655)
Financial liabilities designated as at fair value through profit or loss	-	(2,213,149)	(3,624)	(4,505,539)	(6,722,312)
	<u>\$ 83,021</u>	<u>\$ 6,303,296</u>	<u>\$ 8,935,637</u>	<u>\$ (15,617)</u>	<u>\$ 15,306,337</u>
For the Year Ended December 31, 2018					
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	\$ 117,187	\$ 7,171,782	\$ 31,637,235	\$ 1,113,820	\$ 40,040,024
Held-for-trading financial liabilities	-	-	(20,995,008)	(457,634)	(21,452,642)
Financial liabilities designated as at fair value through profit or loss	-	(2,075,466)	(8,358)	1,897,502	(186,322)
	<u>\$ 117,187</u>	<u>\$ 5,096,316</u>	<u>\$ 10,633,869</u>	<u>\$ 2,553,688</u>	<u>\$ 18,401,060</u>

35. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

For the Year Ended December 31		
	2019	2018
Employee benefits		
Salaries	\$ 10,886,166	\$ 9,842,926
Insurance	716,317	677,956
Excessive interest from preferential rates	189,054	182,367
Post-employment benefits	377,754	369,603
Others	610,009	523,971
Depreciation expenses	2,698,912	1,386,414
Amortization expenses	618,697	642,337

Under the Articles of Incorporation of ESFHC, ESFHC accrued employees' compensation and remuneration of directors at the rates from 2.0% to 5.0% (2.7% prior to June 14, 2019) and no higher than 0.9%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). For the years ended December 31, 2019 and 2018, the employees' compensation were \$601,383 thousand and \$463,523 thousand, respectively; and the remuneration of directors were \$113,300 thousand and \$131,000 thousand, respectively.

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded in the next fiscal year as a change in the accounting estimate.

The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018 that have been approved by ESFHC's board of directors on March 12, 2020 and March 15, 2019, respectively, were as follows:

	2019	2018
Employees' compensation - cash	\$ 204	\$ 1,999
Employees' compensation - stock	600,480	461,528
Remuneration of directors - cash	113,300	111,800

ESFHC announced the distribution of 21,600 thousand shares and 20,650 thousand shares as employees' compensation for 2019 and 2018, respectively, which were determined by the closing price (NT\$27.80 and NT\$22.35) of the day before the board of directors approved the distribution.

The differences between the approved amounts of employees' compensation and remuneration of directors and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2017, respectively, were resulted from a change in the accounting estimate. The differences recognized in profit or loss for 2019 and 2018, respectively, were as follows:

	2018		2017	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved by ESFHC's board of directors	<u>\$ 463,527</u>	<u>\$ 111,800</u>	<u>\$ 377,431</u>	<u>\$ 106,000</u>
Amounts recognized in the consolidated financial statements	<u>\$ 463,523</u>	<u>\$ 131,000</u>	<u>\$ 377,434</u>	<u>\$ 106,000</u>

Information on the approved amounts of employees' compensation and remuneration of directors is available at the website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

36. 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 income tax on undistributed earnings for FHC and its domestic subsidiaries if the FHC holds more than 90% of the domestic subsidiaries' outstanding shares in the entire tax year; for other taxation issues, ESFHC and domestic subsidiaries should conduct separately.

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

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
Current year	\$ 3,697,760	\$ 2,764,971
Additional income tax on unappropriated earnings	15,200	4,309
Prior year's adjustments		
Share-based payment	(382,280)	-
Others	(148,165)	(1,864)
	<u>3,182,515</u>	<u>2,767,416</u>
Deferred tax		
Current year	(232,749)	467,787
Effect of change in tax rate	-	19,386
	<u>(232,749)</u>	<u>487,173</u>
Income tax expense recognized in profit or loss	<u>\$ 2,949,766</u>	<u>\$ 3,254,589</u>

A reconciliation of accounting profit and current income tax expenses was as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	<u>\$ 23,070,276</u>	<u>\$ 20,337,357</u>
Income tax expense calculated at the statutory rate	\$ 4,614,055	\$ 4,067,471
Nondeductible expenses in determining taxable income	122,090	62,130
Tax-exempt income	(1,426,491)	(1,167,468)
Additional income tax on unappropriated earnings	15,200	4,309
Land value increment tax	408	-
Unrecognized deductible temporary differences	(129,514)	181,734
Effect of different tax rate of overseas branches operating in other jurisdictions	293,918	87,192
Effect of change in tax rate	-	19,386
Adjustments for prior year's income tax	(530,445)	(1,864)
Others	<u>(9,455)</u>	<u>1,699</u>
Income tax expense recognized in profit or loss	<u>\$ 2,949,766</u>	<u>\$ 3,254,589</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate has been adjusted from 17% to 20%. The rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ (32,025)
In respect of the current period		
Income tax relating to items that will not be reclassified subsequently to profit or loss		
Fair value changes of financial assets in equity instruments at fair value through other comprehensive income	3,509	3,390
Remeasurement of defined benefit plans	(465)	8
Income tax relating to items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	(191,410)	73,131
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	<u>26,332</u>	<u>(23,603)</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ (162,034)</u>	<u>\$ 20,901</u>

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Prepaid taxes	<u>\$ 7,200</u>	<u>\$ 11,790</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,899,196</u>	<u>\$ 1,523,828</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 518,136	\$ 207,121	\$ -	\$ (4)	\$ -	\$ 725,253
Investments in debt instruments at fair value through other comprehensive income	34,551	-	(34,551)	-	-	-
Allowance for possible losses	171,731	(45,082)	-	(2,606)	-	124,043
Other financial assets	1,180	-	-	-	-	1,180
Investment properties	29	137	-	-	-	166
Properties and equipment	5,786	652	-	-	-	6,438
Foreclosed collaterals	2,510	-	-	-	-	2,510
Other assets	126	-	-	-	-	126
Payable for annual leave	72,934	14,118	-	-	-	87,052
Other liabilities	46,318	(4,002)	-	-	-	42,316
Exchange differences on foreign operations	138,898	-	191,410	-	-	330,308

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
Defined benefit plans	\$ 1,705	\$ 4	\$ 465	\$ -	\$ -	\$ 2,174
Unrealized foreign exchange loss	-	37	-	-	-	37
Lease incentives	8	(8)	-	-	-	-
Payable for long-term compensation of employees	6,220	17,931	-	-	-	24,151
Government grant revenues	-	20,784	-	(700)	-	20,084
Unearned revenues	-	12,757	-	(391)	-	12,366
Right-of-use assets	-	3,736	-	(99)	-	3,637
Others	4,030	(2,495)	-	(21)	-	1,514
	1,004,162	225,690	157,324	(3,821)	-	1,383,355
Unused loss carryforward	94,274	(19,395)	-	(1,745)	-	73,134
	<u>\$ 1,098,436</u>	<u>\$ 206,295</u>	<u>\$ 157,324</u>	<u>\$ (5,566)</u>	<u>\$ -</u>	<u>\$ 1,456,489</u>

Deferred tax liabilities

Temporary differences						
Financial instruments at fair value through profit or loss	\$ 544,351	\$ (28,579)	\$ -	\$ -	\$ -	\$ 515,772
Investments in equity instrument at fair value through other comprehensive income	5,225	-	3,509	(66)	-	8,668
Investments in debt instrument at fair value through other comprehensive income	78,919	-	(8,219)	(334)	-	70,366
Properties and equipment	404	3,246	-	(93)	-	3,557
Intangible assets	603,148	-	-	-	-	603,148
Unrealized foreign exchange gains	22,359	(305)	-	(17)	-	22,037
Provision of land value increment tax	83,987	(816)	-	-	-	83,171
	<u>\$ 1,338,393</u>	<u>\$ (26,454)</u>	<u>\$ (4,710)</u>	<u>\$ (510)</u>	<u>\$ -</u>	<u>\$ 1,306,719</u>

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ 293,369	\$ 224,836	\$ -	\$ (69)	\$ -	\$ 518,136
Investments in debt instruments at fair value through other comprehensive income	-	-	34,551	-	-	34,551
Allowance for possible losses	40,998	131,260	-	(527)	-	171,731
Available-for-sale financial assets	5,208	-	(5,185)	(23)	-	-
Other financial assets	6,102	(4,922)	-	-	-	1,180
Investment properties	-	29	-	-	-	29
Properties and equipment	6,271	(507)	-	22	-	5,786
Foreclosed collaterals	2,133	377	-	-	-	2,510
Other assets	107	19	-	-	-	126
Payable for annual leave	61,779	11,155	-	-	-	72,934
Other liabilities	31,314	15,004	-	-	-	46,318
Exchange differences on foreign operations	180,225	-	(41,327)	-	-	138,898
Deferred revenue	16	(16)	-	-	-	-
Defined benefit plans	1,452	40	213	-	-	1,705
Unrealized foreign exchange loss	332	(332)	-	-	-	-
Lease incentives	37	(29)	-	-	-	8
Payable for long-term compensation of employees	1,254	4,966	-	-	-	6,220
Others	3,096	862	-	72	-	4,030
	633,693	382,742	(11,748)	(525)	-	1,004,162
Unused loss carryforward	321,295	(231,247)	-	4,226	-	94,274
	<u>\$ 954,988</u>	<u>\$ 151,495</u>	<u>\$ (11,748)</u>	<u>\$ 3,701</u>	<u>\$ -</u>	<u>\$ 1,098,436</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Financial instruments at fair value through profit or loss	\$ -	\$ 544,351	\$ -	\$ -	\$ -	\$ 544,351
Investments in equity instrument at fair value through other comprehensive income	-	-	5,189	36	-	5,225
Investments in debt instrument at fair value through profit or loss	-	-	79,464	(545)	-	78,919
Available-for-sale financial assets	75,480	-	(75,500)	20	-	-
Properties and equipment	-	397	-	7	-	404
Intangible assets	512,676	90,472	-	-	-	603,148
Unrealized foreign exchange gains	18,869	3,448	-	42	-	22,359
Provision of land value increment tax	90,510	-	-	-	(6,523)	83,987
	<u>\$ 697,535</u>	<u>\$ 638,668</u>	<u>\$ 9,153</u>	<u>\$ (440)</u>	<u>\$ (6,523)</u>	<u>\$ 1,338,393</u>

(Concluded)

e. Unrecognized deferred tax assets:

	December 31	
	2019	2018
Deductible temporary difference	<u>\$ 4,142,056</u>	<u>\$ 4,694,638</u>

f. The years which income tax returns have been assessed by the tax authorities were as follows:

ESFHC	E.SUN Bank	E.SUN Securities	ESIB	ESVC
2014	2014	2014	Before 2014; 2016	2014

- g. In 2017 and prior years, the parent company ESFHC issued shares to the employees of the subsidiaries (including E.SUN Bank, ESIB, E.SUN Securities and ESVC) and the subsidiaries accounted for the shares as salary expenses on share-based payments. However, the subsidiaries excluded the salary expenses on share-based payments in their respective income tax returns to comply with the guidelines of the Ministry of Finance of the ROC (MOF) issued on April 20, 2011 and recognized the additional taxes derived from such transactions. On December 28, 2018, the MOF issued guidelines stating that if a company compensates the services of the employees of its subsidiary by issuing new shares or giving its own shares or other equity instruments, and the subsidiary measures and recognizes expenses for the services of the employees during the vesting period, the subsidiary can then recognize the expenses as salary expenses in the income tax returns. The above subsidiaries believe the MOF guidelines on December 28, 2018 are applicable to the shares issued by ESFHC to the employees of the subsidiaries, and the shares should be accounted for as salary expenses in their respective income tax returns. Accordingly, the above subsidiaries has filed an administrative remedy or applied for tax authority's review and reassessment of the tax returns from 2010 to 2017 in view of the December 28, 2018 guidelines. Based on the current examination of tax authorities, the Company assessed that the tax authorities will approve the deduction of the relevant salary expenses in these years, and recognized the estimated income impact amounted to \$382,280 thousand. In addition, the deduction of the relevant salary expenses of 2010 to 2012 and 2014 has been approved by the tax authorities. While the final result of the remaining years is subject to the examination of the taxation administration. The above subsidiaries will continue to follow through the development of the issues and evaluate the impact on their taxation.

37. EARNINGS PER SHARE

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

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
<u>For the year ended December 31, 2019</u>			
Basic earnings per share	\$ 20,105,129	11,615,370	<u>\$ 1.73</u>
Effect of dilutive common shares:			
Employees' compensation	<u>-</u>	<u>25,685</u>	
Diluted earnings per share	<u>\$ 20,105,129</u>	<u>11,641,055</u>	<u>\$ 1.73</u>
<u>For the year ended December 31, 2018</u>			
Basic earnings per share	\$ 17,068,493	11,594,633	<u>\$ 1.47</u>
Effect of dilutive common shares:			
Employees' compensation	<u>-</u>	<u>27,278</u>	
Diluted earnings per share	<u>\$ 17,068,493</u>	<u>11,621,911</u>	<u>\$ 1.47</u>

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The earnings per share after income tax were retrospectively adjusted as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 1.58</u>	<u>\$ 1.47</u>
Diluted earnings per share	<u>\$ 1.57</u>	<u>\$ 1.47</u>

ESFHC can elect to distribute compensation to employees by stock or by cash. If the compensation is in the form of cash or shares, ESFHC should presume that the entire amount of the compensation 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 compensation by the closing price of the shares on the balance sheet date. The dilutive effects of the potential shares need to be included in the calculation of diluted EPS until the number of shares to be distributed to employees resolved in the following year.

38. EQUITY

a. Capital stock

Common stock

	December 31	
	2019	2018
Authorized number of shares (in thousands)	<u>15,000,000</u>	<u>15,000,000</u>
Authorized capital	<u>\$ 150,000,000</u>	<u>\$ 150,000,000</u>
Number of shares issued (in thousands)	<u>11,619,500</u>	<u>10,828,900</u>
Common stock issued	<u>\$ 116,195,000</u>	<u>\$ 108,289,000</u>

Common stock issued has a NT\$10 par value. Each share has one voting right and the right to receive dividends.

In 2018, the stockholders of ESFHC resolved to use \$6,239,800 thousand from the 2017 unappropriated earnings as stock bonus to stockholders and \$375,777 thousand from the compensation to employees by stock. The appropriations and compensation, which were a total of 643,400 thousand shares, were approved by the FSC. The issuance was approved by the MOEA.

In 2019, the stockholders of ESFHC resolved to use \$7,699,500 thousand from the 2018 unappropriated earnings as stock bonus to stockholders and \$461,528 thousand from the compensation to employees by stock. The appropriations and compensation, which were a total of 790,600 thousand shares, were approved by the FSC. The issuance was applied for the approval of the MOEA.

To dispose of ESFHC's shares held by E.SUN Bank and to increase its capital by issuing common stocks for the issuance of Global Depositary Shares (GDS), ESFHC issued 14,800 thousand units of GDS (one unit represents 25 common shares), which equaled 370,000 thousand common shares, on the Luxembourg Stock Exchange.

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, 2019, ESFHC issued 502 thousand units (equal to 12,529 thousand shares) because of capital increase, the deposit agents reissued 5,379 thousand units (equal to 134,477 thousand shares), and the GDS holders had canceled 20,681 thousand units (equal to 517,004 thousand shares). Therefore, the outstanding GDSs were 0.06 thousand units, which were equal to 2 thousand shares, or 0.00002% of ESFHC's total outstanding common shares.

b. Capital surplus

Under related regulations, capital surplus must be used to offset deficit except capital surplus arising from the issuance of shares (issuance in excess of par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be used to distribute cash dividends or transfer to common stock. However, any capital surplus transferred to common stock should be within a certain percentage of paid-in capital prescribed by law.

For FHC, if the capital surplus due from stocks convert of financial intuition is from unappropriated retained earnings before convert, according to the regulatory, the FHC could implement distributing cash dividends or the capital increase in entre year, furthermore, the proportion of capital increase is not restricted by Securities and Exchange Act Article 41 point 2 and Securities and Exchange Act Enforcement Rules Article 8. The distribution of unappropriated retained earnings without restriction above, is the amount after recognizing legal reserve or special reserve.

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.

As of December 31, 2019, the capital surplus 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	<u>2,919,727</u>
	6,219,524
Total capital stock of subsidiaries in excess of ESFHC's issuance	<u>600,000</u>
Balance on January 28, 2002	6,819,524
From E.SUN Securities Investment Trust Corp. (ESSIT) which became a 100% subsidiary of ESFHC in 2003 through a share swap	
Legal reserve	4,350
Unappropriated earnings	<u>7,861</u>
	6,831,735
Corporate bonds converted into capital stock	7,407,345
Treasury stock transactions recognized from subsidiaries	3,015,943
Transferring of shares to employees by subsidiaries	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	401,166
The difference between par value and issue price for the issuance of common stock from compensation to employees	757,318
Additional paid-in capital from ESFHC's share issuance in excess of par value	10,562,422
Share-based payment for the subscription for ESFHC's new shares by the employees of ESFHC and its subsidiaries	<u>672,153</u>
	30,014,623

Uses

Remuneration of 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)
Difference between par value and issue price for the issuance of common stock from bonus to employees in 2009	<u>(980)</u>
	<u>\$ 24,965,734</u>

c. Special reserve

Under FSC guidelines, ESFHC reclassified the trading loss reserve and default loss reserve made before 2010 to special reserve. This special reserve must be used to offset a deficit except if ESFHC has no deficit and the special reserve exceeds 50% of its paid-in capital, half of the excess may be used to issue new shares. Furthermore, when the special reserve exceeds ESFHC's paid-in capital, ESFHC may, under the FSC's approval, reclassify the excess back to unappropriated earnings. The special reserve from equity investments under the equity method was \$164,235 thousand.

d. Appropriation of earnings

Under the ESFHC's Articles of Incorporation, where the ESFHC made profit in a fiscal year, the profit shall be first utilized for paying all taxes, offsetting deficit of previous years, setting aside a legal reserve and special reserve in accordance with related regulations, setting aside a special reserve if needed, and then any remaining profit together with reversal of special reserve and prior years' unappropriated earnings, the board of directors shall draw up the appropriation of earnings motion for the approval of stockholders.

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 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.

Under the Company Act, legal reserve should be appropriated until the reserve equals ESFHC's paid-in capital. This reserve should only be used to offset deficit. When the reserve exceeds 25% of ESFHC's paid-in capital, the excess may be used to issue new shares or distribute cash dividends.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section (such as exchange differences on the translation of financial statements of foreign operations and unrealized gain or loss on financial assets at fair value through other comprehensive income). The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated. Afterward, if there is any reversal of the decrease in other stockholders' equity, ESFHC is allowed to appropriating retained earnings from the reversal amount.

The appropriations of earnings for 2018 and 2017 approved in the stockholders' meetings on June 14, 2019 and June 8, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$ 1,706,849	\$ 1,387,391		
Cash dividends	7,688,367	6,239,475	\$0.710	\$0.6126
Stock dividends	7,699,500	6,239,800	0.711	0.6126

The appropriation of earnings for 2019 had been proposed by ESFHC's board of directors on March 12, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,010,513	
Cash dividends	9,191,766	\$0.791
Stock dividends	9,260,000	0.797

The appropriation of earnings for 2019 are subject to the resolution of the stockholders' meeting. Information on earnings appropriation or deficit offsetting is available at the website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance, January 1	\$ 115,812	\$ 106,215
Cash dividends distributed by subsidiary	(7,275)	(4,850)
Attributable to non-controlling interests:		
Net income	15,381	14,275
Exchange differences on the translation of financial statements of foreign operations	(71)	82
Remeasurement of defined benefit plans	<u>(668)</u>	<u>90</u>
Balance, December 31	<u>\$ 123,179</u>	<u>\$ 115,812</u>

39. RELATED-PARTY TRANSACTIONS

ESFHC is the ultimate controller of the E.SUN Group. All transactions, balances, income and expenses between the parent company (ESFHC) and the subsidiaries (related parties of the Company) are eliminated on a consolidated basis. In addition to those mentioned in Table 2 and 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
Others	Key management of the Company and other related parties

b. Significant transactions between the Company and related parties

1) Loans and deposits

a) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Ending Interest Rate (%)
For the year ended <u>December 31, 2019</u>				
Key management	\$ 294,480	\$ 248,103	\$ 3,651	
Others	<u>2,545,479</u>	<u>2,383,904</u>	<u>33,506</u>	
	<u>\$ 2,839,959</u>	<u>\$ 2,632,007</u>	<u>\$ 37,157</u>	1.07-2.10
For the year ended <u>December 31, 2018</u>				
Key management	\$ 282,842	\$ 216,164	\$ 3,260	
Others	<u>2,521,518</u>	<u>2,230,605</u>	<u>32,400</u>	
	<u>\$ 2,804,360</u>	<u>\$ 2,446,769</u>	<u>\$ 35,660</u>	1.36-2.10

b) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Ending Interest Rate (%)
For the year ended <u>December 31, 2019</u>				
Key management	\$ 951,300	\$ 754,983	\$ 3,031	
Others	<u>2,209,043</u>	<u>1,446,589</u>	<u>17,912</u>	
	<u>\$ 3,160,343</u>	<u>\$ 2,201,572</u>	<u>\$ 20,943</u>	0-6.62
For the year ended <u>December 31, 2018</u>				
Key management	\$ 1,027,064	\$ 799,666	\$ 2,282	
Others	<u>2,255,881</u>	<u>1,195,795</u>	<u>15,835</u>	
	<u>\$ 3,282,945</u>	<u>\$ 1,995,461</u>	<u>\$ 18,117</u>	0-6.62

Note: The sum of the respective highest balances of each account for the years ended December 31, 2019 and 2018.

- 2) There were no directors as credit guarantors as of December 31, 2019 and 2018, respectively.

	December 31	
	2019	2018
3) Interest receivable (part of receivables)		
Key management	\$ 129	\$ 97
Others	<u>1,410</u>	<u>1,395</u>
	<u>\$ 1,539</u>	<u>\$ 1,492</u>
4) Interest payable (part of payables)		
Key management	\$ 681	\$ 399
Others	<u>1,572</u>	<u>1,474</u>
	<u>\$ 2,253</u>	<u>\$ 1,873</u>
	For the Year Ended December 31	
	2019	2018
5) Donation (part of general and administrative expenses)		
Others - E.SUN Volunteer & Social Welfare Foundation	<u>\$ 46,921</u>	<u>\$ 77,733</u>

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

- 6) E.SUN Volunteer & Social Welfare Foundation entrusted some properties to E.SUN Bank. E.SUN Bank charged \$269 thousand and \$209 thousand (part of service fee and commission income, net) accordingly for the years ended December 31, 2019 and 2018, respectively.

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

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.

- c. Subsidiaries' related-party transactions and balances that each amounted to more than \$100,000 thousand

1) E.SUN Bank

a) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Ending Interest Rate (%)
For the year ended <u>December 31, 2019</u>				
Subsidiaries	\$ 2,529,492	\$ 2,529,492	\$ 35,599	
Sister companies	103,000	-	3	
Key management	279,766	236,219	3,544	
Others	<u>2,496,379</u>	<u>2,338,787</u>	<u>32,838</u>	
	<u>\$ 5,408,637</u>	<u>\$ 5,104,498</u>	<u>\$ 71,984</u>	1.07-3.44
For the year ended <u>December 31, 2018</u>				
Subsidiaries	\$ 3,205,147	\$ 2,157,341	\$ 39,599	
Sister companies	341,000	-	12	
Key management	272,735	208,451	3,147	
Others	<u>2,478,307</u>	<u>2,190,974</u>	<u>31,841</u>	
	<u>\$ 6,297,189</u>	<u>\$ 4,556,766</u>	<u>\$ 74,599</u>	1.38-3.94

b) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Ending Interest Rate (%)
For the year ended <u>December 31, 2019</u>				
Parent companies	\$ 11,845,965	\$ 467,249	\$ 3,500	
Subsidiaries	94,747	18,669	172	
Sister companies	3,883,345	1,765,635	10,724	
Key management	944,386	752,526	3,023	
Others	<u>2,180,811</u>	<u>1,430,647</u>	<u>17,887</u>	
	<u>\$ 18,949,254</u>	<u>\$ 4,434,726</u>	<u>\$ 35,306</u>	0-6.62
For the year ended <u>December 31, 2018</u>				
Parent companies	\$ 6,790,062	\$ 386,336	\$ 640	
Subsidiaries	80,805	39,595	256	
Sister companies	3,073,188	1,599,449	10,740	
Key management	1,021,838	796,226	2,271	
Others	<u>2,237,468</u>	<u>1,186,558</u>	<u>15,805</u>	
	<u>\$ 13,203,361</u>	<u>\$ 4,008,164</u>	<u>\$ 29,712</u>	0-6.62

Note: The sum of the respective highest balances of each account for the years ended December 31, 2019 and 2018.

		December 31	
		2019	2018
c) Call loans to banks (part of due from the Central Bank and call loans to other banks)			
ESBC		<u>\$ 7,692,134</u>	<u>\$ 7,875,534</u>
d) Consolidated tax return receivables (part of current tax assets)			
ESFHC		<u>\$ 305,758</u>	<u>\$ -</u>
e) Due to banks (part of due to the Central Bank and other banks)			
Subsidiaries		<u>\$ 34,339</u>	<u>\$ 271,592</u>
f) Payable (part of payables)			
Sister companies		<u>\$ 180,859</u>	<u>\$ 14,858</u>
g) Remuneration of directors (part of payables)			
ESFHC		<u>\$ 120,000</u>	<u>\$ 104,000</u>
h) Consolidated tax return payables (part of current tax liabilities)			
ESFHC		<u>\$ 1,358,166</u>	<u>\$ 566,329</u>
The consolidated tax return receivable and payable refer to ESFHC's filed consolidated corporate tax returns from 2003.			
		For the Year Ended December 31	
		2019	2018
i) Interest revenue from banks and call loans to banks			
ESBC		<u>\$ 207,021</u>	<u>\$ 222,838</u>
j) Others (part of employee benefits and general and administrative expenses)			
ESFHC		\$ 120,000	\$ 104,000
Subsidiaries		1,288	12,172
Sister companies		<u>10,333</u>	<u>14,618</u>
		<u>\$ 131,621</u>	<u>\$ 130,790</u>

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

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) E.SUN Securities

- a) Deposits each amounting to more than \$100,000 thousand in E.SUN Bank as of December 31, 2019 and 2018, respectively, were as follows:

	December 31	
	2019	2018
Deposits	\$ 220,063	\$ 147,073
Financial asset at amortized cost - current	\$ 341,017	\$ 209,835
Deposits - futures exchange margins	\$ 290,638	\$ 211,473
Restricted assets - current	\$ 214,000	\$ 214,000
Operating deposits	\$ 450,000	\$ 450,000
Deposits - settlements	\$ 86,389	\$ 107,030

- b) E.SUN Securities entrusted to E.SUN Bank the deal settlement of securities and applied for a guarantee for overdraft amounting to \$4,000,000 thousand as of December 31, 2019 and 2018, respectively. For this overdraft, E.SUN Securities provided time deposits and real estate to E.SUN Bank as collaterals. Other financial institutions provided guarantee for the overdraft. As of December 31, 2019 and 2018, 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. The balances and interest expense for the short-term loan were as follows:

	Highest Balances	Ending Balances	Ending Interest Rate (%)	Interest Expense
For the year ended December 31, 2019	\$ 40,000	\$ -	-	\$ 3
For the year ended December 31, 2018	40,000	-	-	12

3) ESVC

	December 31	
	2019	2018
Deposits - E.SUN Bank	\$ 98,565	\$ 192,658

d. Compensation of key management

The compensation of the directors and other key management for the years ended December 31, 2019 and 2018 are summarized as follows:

	For the Year Ended December 31	
	2019	2018
Salaries and other short-term employment benefits	\$ 311,389	\$ 328,912
Post-employment benefits	2,901	2,585
Interest arising from the employees' preferential rates in excess of normal rates	<u>488</u>	<u>414</u>
	<u><u>\$ 314,778</u></u>	<u><u>\$ 331,911</u></u>

40. PLEDGED ASSETS

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

	December 31	
	2019	2018
Financial assets at fair value through profit or loss (face value)	\$ 24,200,000	\$ 24,200,000
Investments in debt instruments at amortized cost (face value)	2,912,639	2,175,927
Investments in debt instruments at fair value through other comprehensive income (face value)	<u>1,099,170</u>	<u>1,118,976</u>
	<u><u>\$ 28,211,809</u></u>	<u><u>\$ 27,494,903</u></u>

As of December 31, 2019 and 2018, the foregoing bonds and securities, with aggregate face value of \$19,200,000 thousand at each period end, had been provided as collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS). The unused overdraft amount at day's end can also be treated as E.SUN Bank's liquidity reserve. For covering its call loans from the CB, E.SUN Bank had provided collaterals consisting of securities with aggregate face values of \$5,000,000 thousand as of December 31, 2019 and 2018, respectively. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

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

	(In Thousands of U.S. Dollars)	
Date	Outstanding Loan Balance	Collateral Value
December 31, 2019	<u>\$ 26,000</u>	<u>\$ 18,958</u>
December 31, 2018	<u>\$ 26,000</u>	<u>\$ 18,199</u>

41. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the contingencies and commitments were as follows:

a. E.SUN Bank

- 1) Lease agreements on premises occupied by E.SUN Bank's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. Minimum future annual rentals were as follows:

	December 31, 2018
Within one year	\$ 899,537
Over one to five years	1,676,012
Over five years	<u>66,429</u>
	<u>\$ 2,641,978</u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	\$ 805,806
Contingent rentals	<u>902</u>
	<u>\$ 806,708</u>

- 2) Lease agreements on investment properties owned by E.SUN Bank and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. Minimum future annual rentals were as follows:

	December 31, 2018
Within one year	\$ 7,024
Over one to five years	<u>4,912</u>
	<u>\$ 11,936</u>

- 3) As of December 31, 2019, agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by E.SUN Bank's branches amounted to approximately \$8,383,032 thousand, and the remaining unpaid amount was approximately \$4,538,606 thousand.

b. Union Commercial Bank (UCB)

- 1) Lease agreements on premises occupied by UCB are operating lease. Minimum future annual rentals were as follows:

	December 31, 2018
Within one year	\$ 20,485
Over one to five years	37,925
Over five years	<u>10,280</u>
	<u>\$ 68,690</u>

- 2) As of December 31, 2019, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately \$789,487 thousand, and the remaining unpaid amount was approximately \$19,783 thousand.

c. E.SUN Bank (China), Ltd (ESBC)

- 1) Lease agreements on premises occupied by ESBC are operating lease. Minimum future annual rentals were as follows:

	December 31, 2018
Within one year	\$ 141,813
Over one to five years	288,252
Over five years	<u>155,398</u>
	<u>\$ 585,463</u>

- 2) Lease agreements on investment properties owned by ESBC and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly. The lessees have no preemptive rights to buy properties at the end of the lease agreements. Minimum future annual rentals were as follows:

	December 31, 2018
Within one year	\$ 49,347
Over one to five years	282,883
Over five years	<u>83,940</u>
	<u>\$ 416,170</u>

- 3) As of December 31, 2019, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately \$69,151 thousand, and the remaining unpaid amount was approximately \$38,532 thousand.

d. BankPro E-Service Technology Co., Ltd. (BankPro)

Lease agreements on premises occupied by BankPro are operating lease. Minimum future annual rentals were as follows:

	December 31, 2018
Within one year	\$ 10,521
Over one to five years	<u>2,864</u>
	<u><u>\$ 13,385</u></u>

e. E.SUN Securities

There are renewable operating lease agreements on premises occupied by E.SUN Securities' branches. Rentals are calculated on the basis of the leased areas and are payable monthly or quarterly. Minimum annual rentals were as follows:

	December 31, 2018
Within one year	\$ 53,413
Over one to five years	<u>45,738</u>
	<u><u>\$ 99,151</u></u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	<u><u>\$ 54,522</u></u>

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

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

	For the Year Ended December 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents and other financial assets - due from banks	\$ 36,247,959	2.04	\$ 35,590,177	2.33
Call loans to banks	22,949,202	1.86	19,466,197	2.02
Due from the Central Bank	42,118,455	0.34	39,075,569	0.33
				(Continued)

For the Year Ended December 31				
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Financial assets mandatorily classified as at fair value through profit or loss - bonds	\$ 138,273,472	4.72	\$ 125,630,547	4.37
Financial assets mandatorily classified as at fair value through profit or loss - bills	341,892,830	0.58	310,056,058	0.54
Securities purchased under resell agreements	236,166	0.54	-	-
Accounts receivable factored without recourse	7,805,140	3.09	9,143,584	2.84
Discounts and loans	1,370,657,253	2.23	1,254,514,140	2.21
Receivables on credit cards	30,233,384	6.80	27,510,313	7.50
Debt instruments at fair value through other comprehensive income	185,140,206	2.27	149,377,649	2.29
Investments in debt instruments at amortized cost	9,969,352	2.12	4,190,118	1.79
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	76,581,752	2.24	85,868,508	2.04
Financial liabilities at fair value through profit or loss	45,102,474	4.95	42,784,677	4.88
Securities sold under repurchase agreements	7,402,514	1.28	10,090,557	1.69
Demand deposits	455,533,002	0.20	451,223,036	0.19
Savings - demand deposits	544,321,248	0.18	507,287,591	0.20
Time deposits	616,316,091	2.03	491,669,116	1.82
Savings - time deposits	310,198,054	1.05	278,769,965	1.05
Negotiable certificates of deposits	9,098,920	1.70	4,658,660	1.07
Bank debentures	34,174,219	1.69	38,759,315	1.72
Principal of structured products	26,592,238	1.07	9,592,381	1.74
Lease liabilities	2,416,279	0.80	-	-

(Concluded)

43. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31			
	2019		2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 12,599,698	\$ 12,636,705	\$ 8,165,004	\$ 8,121,714

Financial liabilities

Bond payables	38,070,000	39,070,410	42,650,000	43,449,317
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Fair value hierarchy as of December 31, 2019

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 12,636,705	\$ 12,636,705	\$ -	\$ -

Financial liabilities

Bond payables	39,070,410	-	39,070,410	-
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Fair value hierarchy as of December 31, 2018

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized cost	\$ 8,121,714	\$ 8,121,714	\$ -	\$ -

Financial liabilities

Bond payables	43,449,317	-	43,449,317	-
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The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

- b. The valuation techniques and assumptions the Company uses for determining fair values were as follows:

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. When market prices are not available, valuation techniques are applied. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. The fair value of the unlisted stocks held by the Company is determined by using market approach or asset approach.

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 of these two types of contracts are provided by counterparties. Fair values of currency option contracts are based on estimates made using the Black Scholes model, binomial method or Monte Carlo simulation. The fair values of futures contracts are 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, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollar, U.S. dollar, etc.) to be used for payments. As of December 31, 2019 and 2018, the discount rates used ranged from 0.266% to 1.006% and from 0.264% to 1.415%, respectively, for the New Taiwan dollar and from 1.645% to 2.043% and from 2.250% to 3.030%, 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 evaluating the fair value of debt instruments, which are classified as investments in debt instruments at amortized cost; otherwise, the Company uses the foregoing valuation techniques to determine fair value.

The Company takes credit/debit valuation adjustments into consideration in order to reflect the credit risk resulted from counterparties and the credit quality of the Company when determining fair values of the financial instruments.

- c. The fair value hierarchies of the Company's financial instruments, which were measured at fair value on a recurring basis, as of December 31, 2019 and 2018, were as follows:

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 10,610,366	\$ 164,751	\$ 10,445,615	\$ -
Equity instruments	4,274,098	2,189,085	-	2,085,013
Debt instruments	144,708,560	197,819	144,510,741	-
Others	360,055,649	566,214	359,489,435	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	8,057,694	6,790,271	-	1,267,423
Debt instruments	207,820,505	106,682,466	101,138,039	-

(Continued)

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	\$ 10,425,477	\$ -	\$ 10,425,477	\$ -
Financial liabilities designated as at fair value through profit or loss	49,205,039	-	49,205,039	-
				(Concluded)
	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Financial assets at fair value through profit or loss</u>				
Derivative instruments	\$ 6,921,638	\$ 293,389	\$ 6,628,249	\$ -
Equity instruments	3,416,430	1,790,248	-	1,626,182
Debt instruments	133,613,658	30,355	133,583,303	-
Others	331,554,951	307,003	331,247,948	-
<u>Financial assets at fair value through other comprehensive income</u>				
Equity instruments	7,060,879	5,881,516	-	1,179,363
Debt instruments	176,785,307	83,809,704	92,975,603	-
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative instruments	5,806,952	36,755	5,770,197	-
Non-derivative financial liabilities held-for trading	1,320	1,320	-	-
Financial liabilities designated as at fair value through profit or loss	44,506,891	-	44,506,891	-

The Company remeasures the classification of fair value hierarchy at the end of each reporting period to determine whether there is a transfer between levels of the fair value hierarchy.

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

d. Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2019

	Financial Assets at FVTPL Equity Instruments	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2019	\$ 1,626,182	\$ 1,179,363
Valuation recognized in profit or loss	141,388	-
Valuation recognized in other comprehensive income	-	81,054
Acquisitions	376,627	10,000
Disposal	(43,259)	-
Capital reduction and cash distribution	-	(2,520)
Capital reduction in shares exchange	474	(474)
Transfers out of Level 3 (Note)	(16,399)	-
Balance at December 31, 2019	<u>\$ 2,085,013</u>	<u>\$ 1,267,423</u>
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>\$ 164,809</u>	

For the year ended December 31, 2018

	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Equity Instruments	Equity Instruments
Balance at January 1, 2018 under IAS 39	\$ -	\$ -
Adjustment on retrospective application of IFRS 9	<u>1,589,407</u>	<u>1,430,435</u>
Balance at January 1, 2018 under IFRS 9	1,589,407	1,430,435
Valuation recognized in profit or loss	(18,058)	-
Valuation recognized in other comprehensive income	-	(230,792)
Acquisitions	410,452	-
Disposal	(177,873)	-
Capital reduction and cash distribution	(7,462)	(20,280)
Transfers out of Level 3 (Note)	<u>(170,284)</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 1,626,182</u>	<u>\$ 1,179,363</u>
Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>\$ (18,058)</u>	

Note: The stock transferred into Level 1 since the quoted price in active markets is available.

e. Valuation process on fair value in Level 3

The Company's risk management division is responsible for conducting independent fair value verification, using independent source data to bring the valuation results close to market conditions, confirming that the data sources are independent, reliable, consistent with other data messages, and representing executable prices, and regularly calibrating valuation models and updating input values and data required for the model, as well as any other necessary fair value adjustments, to ensure that the valuation results are reasonable.

f. Quantitative information on significant unobservable input (Level 3) in fair value

The significant unobservable inputs of the fair value of financial instruments classified in Level 3 on a recurring basis are as follows:

December 31, 2019

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted- average)	The Relation Between Inputs And Fair Value
Financial assets at fair value through profit or loss					
Investments in equity instruments	\$ 1,257,798	Market approach	Lack of liquidity discount	0%-30%	The higher the lack of liquidity, the lower the fair value is
	827,215	Asset approach	Lack of liquidity discount; allowance of minority interest	0%-20%; 5%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

(Continued)

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs And Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	1,223,993	Market approach	Lack of liquidity discount	10%-30%	The higher the lack of liquidity, the lower the fair value is
	34,900	Asset approach	Lack of liquidity discount; allowance of minority interest	10%-40%; 10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is
	8,530	Income approach	Lack of liquidity discount	20%	The higher the lack of liquidity, the lower the fair value is
					(Concluded)

December 31, 2018

	Fair Value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs And Fair Value
Financial assets at fair value through profit or loss					
Investments in equity instruments	\$ 909,263	Market approach	Lack of liquidity discount	0%-30%	The higher the lack of liquidity, the lower the fair value is
	716,919	Asset approach	Lack of liquidity discount; allowance of minority interest	0%-20%; 5%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	1,145,214	Market approach	Lack of liquidity discount	5%-30%	The higher the lack of liquidity, the lower the fair value is
	34,149	Asset approach	Lack of liquidity discount; allowance of minority interest	5%-30%; 10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

g. Sensitivity analysis of fair value hierarchy classified in Level 3

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if the parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current period are as follow:

December 31, 2019

	Changes in Fair Value Reflected in Profit or Loss for the Current Year		Changes in Fair Value Reflected in Other Comprehensive Income for the Current Year	
	Favorable Changes	Unfavorable Changes	Favorable Changes	Unfavorable Changes
Financial assets at fair value through profit or loss Investments in equity instruments	\$ 208,501	\$ (208,501)	\$ -	\$ -
Financial assets at fair value through other comprehensive income Investments in equity instruments	-	-	126,742	(126,742)

December 31, 2018

	Changes in Fair Value Reflected in Profit or Loss for the Current Year		Changes in Fair Value Reflected in Other Comprehensive Income for the Current Year	
	Favorable Changes	Unfavorable Changes	Favorable Changes	Unfavorable Changes
Financial assets at fair value through profit or loss Investments in equity instruments	\$ 162,618	\$ (162,618)	\$ -	\$ -
Financial assets at fair value through other comprehensive income Investments in equity instruments	-	-	117,936	(117,936)

h. Information on financial liabilities designated as at fair value through profit or loss was as follows:

	December 31	
	2019	2018
Difference between carrying amounts and the amounts due on maturity		
Fair value	\$ 49,205,039	\$ 44,506,891
Amounts due on maturity	<u>47,430,012</u>	<u>47,372,532</u>
	<u>\$ 1,775,027</u>	<u>\$ (2,865,641)</u>

**Change in Fair
Values
Resulting from
Credit Risk
Variations**

Accumulated amount of change

As of December 31, 2019

\$ 53,345

As of December 31, 2018

\$ (78,956)

The change in fair value of bank debentures and structured products resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations of these financial instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair values of bank debentures and structured products are the present values of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates of the debt issuers' borrowings with similar maturities.

i. Information on financial risk management

1) ESFHC

a) Risk management

ESFHC established the Risk Management Committee, of which the convener is the general manager and the executive secretary is the chief risk officer, to draw up the principles and policies of risk management to be 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.

b) Market risk

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

It monitors and controls the market risk of ESFHC and subsidiaries, and sets up the risk limit of ESFHC and subsidiaries, including the value at risk (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 quarterly.

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, 2019 and 2018, ESFHC does not conduct any businesses involves currencies different from its functional currency.

The influence of the fluctuations in exchange rates for foreign-currency assets and liabilities on profit or loss is limited; 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 policies and requirements of counterparties' credit rating, default risk, settlement risk, and risk concentration pertaining products, industries, and affiliates.

d) Liquidity risk

ESFHC set up the "Liquidity Risk Management Guideline of E.SUN Financial Holding Company" as the guideline for liquidity risk management. 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 monitor it strictly.

2) E.SUN Bank and its subsidiaries

a) Risk management

E.SUN Bank established the Risk Management Division to draw up the principles and policies of risk management to be 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 to deal with a variety of issues are suitable for E.SUN Bank.

b) Credit risk

Credit risk refers to E.SUN Bank and its subsidiaries' exposure to financial losses due to inability of customers or counterparties to meet the contractual obligations on financial instruments. Credit risk exists in both on- and off-balance sheet items. The on-balance sheet exposure to credit risks is mainly in loans and the credit card business, due from other banks, call loans to other banks, investment in debt instrument and derivatives. The off-balance sheet exposure to credit risks is mainly in financial guarantees, acceptance, letter of credits and loan commitments.

To ensure its credit risk falls within the acceptable range, E.SUN Bank and its subsidiaries have stipulated in the Guidelines for Credit Risk Management that for all the products provided and businesses conducted, including all on- and off-balance sheet transactions in the banking and trading books, E.SUN Bank and its subsidiaries should make a detailed analysis to identify existing and potential credit risks. Before launching new products or businesses, E.SUN Bank and its subsidiaries ensure compliance with all applicable rules and regulations and identify relevant credit risks. For sophisticated credit extensions, such as accounts receivable factored without recourse and credit derivative instruments, etc., E.SUN Bank and its subsidiaries also require the use of a certain risk management system described in related rules and guidelines. The assessment of asset qualities and provision for possible losses of the overseas operating units, unless regulated by the local authorities, are in accordance with E.SUN Bank and its subsidiaries' risk management policies and guidelines.

The measurement and management of credit risks from E.SUN Bank and its subsidiaries' main businesses are as follows:

i. Loans and credit card business (including loan commitment and guarantees)

On each reporting date, E.SUN Bank and its subsidiaries assess the change in the default risk of financial assets, as well as consider reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situation, credit investigation result, announcement of dishonored checks and negotiation of the debts from other financial institutions, or the debtor has reorganized or is likely to reorganize to determine whether the credit risk has increased significantly.

E.SUN Bank and its subsidiaries adopt the 12-month ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

E.SUN Bank and its subsidiaries consider both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

"PD" refers to the borrower's probability to default and "LGD" refers to losses caused by the default. E.SUN Bank and its subsidiaries apply the "PD" and "LGD" to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information, then calculate by applying the progressive one factor model respectively.

E.SUN Bank and its subsidiaries estimate the account balance based on the ways in repayment, and consider the possible survival rate to calculate the EAD. In addition, E.SUN Bank and its subsidiaries estimate the 12-month ECLs and lifetime ECLs of loan commitments by considering the portion of the loan commitments expected to be used within 12 months after the reporting date and within expected lifetime based on the guidelines issued by the Bank's Association and Basel Accords to determine the amount of "EAD" for calculating expected credit losses.

E.SUN Bank and its subsidiaries use the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 91 days, or the credit investigation appears to be abnormal, E.SUN Bank and its subsidiaries determine that the financial assets are defaulted and credit-impaired.

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. E.SUN Bank and its subsidiaries also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

For risk management purposes, E.SUN Bank and its subsidiaries rate credit qualities (by using an internal rating model for credit risk, a credit score table, etc.) in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, E.SUN Bank and its subsidiaries have developed a credit rating model for clients. E.SUN Bank and its subsidiaries review the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result. Except the petit credit and residential mortgage, which are assessed by using the credit rating model, consumer loans are assessed individually for default risks.

E.SUN Bank and its subsidiaries classify the credit qualities of corporate loans as strong, medium and weak.

E.SUN Bank and its subsidiaries evaluate the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, E.SUN Bank and its subsidiaries annually conduct validity test and back testing on the models using data on customers' actual defaults.

ii. Due from and call loans to other banks

E.SUN Bank and its subsidiaries evaluate the credit status of counterparties before deals are closed. E.SUN Bank and its subsidiaries grant different limits to the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes.

iii. Investments in debt instruments and derivatives

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 206,860,164	\$ 12,600,772	\$ 219,460,936
Less: Allowance for impairment loss	<u>(56,329)</u>	<u>(1,074)</u>	<u>(57,403)</u>
Amortized cost	206,803,835	<u>\$ 12,599,698</u>	219,403,533
Adjustment to fair value	<u>1,016,670</u>		<u>1,016,670</u>
	<u>\$ 207,820,505</u>		<u>\$ 220,420,203</u>

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 176,203,204	\$ 8,165,894	\$ 184,369,098
Less: Allowance for impairment loss	<u>(59,297)</u>	<u>(890)</u>	<u>(60,187)</u>
Amortized cost	176,143,907	<u>\$ 8,165,004</u>	184,308,911
Adjustment to fair value	<u>641,400</u>		<u>641,400</u>
	<u>\$ 176,785,307</u>		<u>\$ 184,950,311</u>

E.SUN Bank and its subsidiaries only invest in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an

assessment whether there has been a significant increase in credit risk since the investment was recognized.

In order to minimize credit risk, E.SUN Bank and its subsidiaries have tasked a team to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the team uses other publicly available financial information to rate the debtors.

E.SUN Bank and its subsidiaries consider the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. E.SUN Bank and its subsidiaries' current credit risk grading framework comprises the following categories:

December 31, 2019

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0%-0.18%	\$ 219,460,936

December 31, 2018

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0%-0.94%	\$ 184,369,098

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost grouped by credit rating is reconciled as follows:

For the year ended December 31, 2019

	<u>Credit Rating</u> <u>Performing</u> <u>(12-month</u> <u>ECL)</u>
Allowance for Impairment Loss	
Balance at January 1, 2019	\$ 60,187
New financial assets purchased	27,844
Derecognition	(22,756)
Change in model or risk parameters	(10,502)
Change in exchange rates or others	<u>2,630</u>
Balance at December 31, 2019	<u>\$ 57,403</u>

For the year ended December 31, 2018

	<u>Credit Rating</u> Performing (12-month ECL)
Allowance for Impairment Loss	
Balance at January 1, 2018 under IAS 39	\$ -
Effect of retrospective application of IFRS 9	<u>56,874</u>
Balance at January 1, 2018 under IFRS 9	56,874
New financial assets purchased	31,186
Derecognition	(25,302)
Change in exchange rates or others	<u>(2,571)</u>
Balance at December 31, 2018	<u>\$ 60,187</u>

E.SUN Bank and its subsidiaries identify and manage credit risks from debt instruments through using external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparties risks.

The other banks with which E.SUN Bank and its subsidiaries conduct derivative transactions are mostly considered investment grade. E.SUN Bank and its subsidiaries monitor the credit limits (including lending limits) by counterparties. The credits extended to counterparties that are not rated as investment grade are assessed case by case. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

E.SUN Bank and its subsidiaries classify the debt instruments and derivatives into different categories, which are mainly based on the credit ratings provided by external credit agencies (Moody's, S&P, Fitch or Taiwan Ratings).

E.SUN Bank and its subsidiaries have a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the debt, E.SUN Bank and its subsidiaries manage and assess the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, E.SUN Bank and its subsidiaries stipulate the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that E.SUN Bank and its subsidiaries reserve the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in E.SUN Bank and its subsidiaries in order to reduce the credit risks. The requirements for collaterals for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collaterals.

To avoid the concentration of credit risks, E.SUN Bank and its subsidiaries have included credit limits for a single counterparty and for a single group in its credit-related guidelines. E.SUN Bank and its subsidiaries have also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, E.SUN Bank and its subsidiaries set credit limits by industry, conglomerate, country, transactions collateralized by stocks, and other categories and integrated within one system the supervision of concentration of credit risk in these categories.

E.SUN Bank and its subsidiaries settle most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

The maximum exposures of assets on the consolidated balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

December 31, 2019

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit - impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,099,574,959	\$ 231,625	\$ 2,326,596	\$ -	\$ 1,102,133,180
Allowance for possible losses	(177,119)	(700)	(3,204)	-	(181,023)
Difference of impairment loss under regulations	-	-	-	(416,900)	(416,900)
	<u>\$ 1,099,397,840</u>	<u>\$ 230,925</u>	<u>\$ 2,323,392</u>	<u>\$ (416,900)</u>	<u>\$ 1,101,535,257</u>

December 31, 2018

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit - impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	\$ 1,011,444,375	\$ 339,654	\$ 2,318,603	\$ -	\$ 1,014,102,632
Allowance for possible losses	(244,518)	(1,620)	(2,703)	-	(248,841)
Difference of impairment loss under regulations	-	-	-	(286,555)	(286,555)
	<u>\$ 1,011,199,857</u>	<u>\$ 338,034</u>	<u>\$ 2,315,900</u>	<u>\$ (286,555)</u>	<u>\$ 1,013,567,236</u>

The management of E.SUN Bank and its subsidiaries believes their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of credit extended and the periodic reviews of these credits.

The maximum exposures of consolidated balance sheet items (recognized as financial assets), collateral, master netting arrangements and other credit enforcement instruments are as follows:

December 31, 2019

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangements	Other Credit Enhancements	
Credit-impaired financial assets					
Receivables					
Credit cards	\$ 2,566,508	\$ -	\$ -	\$ -	\$ -
Other	494,850	1,521	-	-	1,521
Discounts and loans	8,330,806	4,351,308	-	-	4,351,308

December 31, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangements	Other Credit Enhancements	
Credit-impaired financial assets					
Receivables					
Credit cards	\$ 2,459,743	\$ 261	\$ -	\$ -	\$ 261
Other	526,141	21,184	-	-	21,184
Discounts and loans	9,283,403	5,523,815	-	-	5,523,815

Concentration of credit risk exists when counterparties 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. E.SUN Bank and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Group or industry, regions and collaterals that were 10% or more of total outstanding loans were as follows:

Credit Risk Profile by Group or Industry	December 31			
	2019		2018	
	Amount	%	Amount	%
Natural person	\$ 715,870,408	49	\$ 656,316,326	48
Manufacturing	281,787,658	19	271,418,138	20
Finance, insurance and real estate	144,284,587	10	122,219,727	9

Credit Risk Profile by Regions	December 31			
	2019		2018	
	Amount	%	Amount	%
Domestic	\$ 1,233,585,018	84	\$ 1,152,581,148	85

Credit Risk Profile by Collaterals	December 31			
	2019		2018	
	Amount	%	Amount	%
Unsecured	\$ 386,098,015	26	\$ 361,993,163	27
Secured				
Real estate	936,944,001	64	859,586,036	63

Some financial assets held by E.SUN Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have rather high credit ratings.

The credit quality of discounts and loans evaluation on a 12-month expected credit loss basis were as follows:

	December 31	
	2019	2018
Credit rating		
Strong	\$ 784,321,191	\$ 667,463,737
Medium	632,935,456	617,982,739
Weak	<u>32,354,689</u>	<u>50,708,833</u>
Carrying value	1,449,611,336	1,336,155,309
Allowance for possible losses	<u>(1,062,925)</u>	<u>(821,079)</u>
	<u>\$ 1,448,548,411</u>	<u>\$ 1,335,334,230</u>

c) Market risk

Market risk refers to the risk of fluctuation in the fair values or the future cash flows of the on- and off-balance sheet instruments held by E.SUN Bank and its subsidiaries because of market price changes. The risk factors that cause market price changes usually include interest rates, exchange rates, and the prices of equity securities and commodities. Changes in these risk factors will cause risk of fluctuation in the net income or in the value of investment portfolio of E.SUN Bank and its subsidiaries.

The main market risks E.SUN Bank and its subsidiaries face are the risks on equity securities, interest rates, and exchange rate risks. The equity securities exposed to market risks mainly include stocks listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market and stock index futures in Taiwan; the instruments exposed to interest rate risk mainly include bonds and interest rate derivatives such as the fixed-for-floating interest rate swap; and the instruments exposed to exchange rate risk mainly include the consolidated positions of the investment held by E.SUN Bank and its subsidiaries, such as the derivatives denominated in foreign currency and foreign-currency bonds.

E.SUN Bank monitors the market risk positions and the tolerable loss of E.SUN Bank in accordance with the goals of risk management and the amount limits authorized by the board of directors. E.SUN Bank has set up market risk information systems to effectively monitor the management of amount limits on financial instruments, to evaluate the profit and loss, to conduct sensitivity analysis, stress test and calculation of value at risk (VaR), etc. The result is reported in the meetings of risk management and to the board of directors as their reference for making managerial decisions.

E.SUN Bank and its subsidiaries mainly divide the positions exposed to market risks into investment portfolios held for trading and investment portfolios not held for trading. The portfolios are monitored by the Risk Management Division, and the management results are reported regularly to the board of directors and the supervisors of each division.

The business units and the risk management units both identify market risk factors for E.SUN Bank and its subsidiaries' exposed positions in order to measure market risks. Market risk factors refer to the factors that affect interest rates, exchange rates and values of held financial instruments such as equity securities, etc. E.SUN Bank and its subsidiaries analyze the impact of risk factors on their holding positions, profit and loss, negative result of stress test, sensitivity, VaR, etc., and measure the levels within which the investment portfolios and equity securities might suffer from interest rate risks, exchange rate risks, etc.

The Risk Management Division reports regularly to the board of directors the achievement of management objectives on market risks, the control of holding positions and profit and loss, the sensitivity analysis, the stress test, the value at risk of equity securities, etc. for their understanding of E.SUN Bank's market risk control. E.SUN Bank also has sound mechanisms for reporting and set limits and stop-loss regulations for all the transactions. If a trade reaches the stop-loss limit, the stop-loss will be executed immediately. Trades that do not follow the stop-loss rule should be reported to the management for their approval, and the reasons for their noncompliance as well as corresponding strategies should also be presented to the management.

E.SUN Bank uses the VaR model and stress tests to evaluate risks on investment portfolios for trading. E.SUN Bank also assesses market risks and evaluates the maximum expected loss of positions through making assumptions on changes in various market conditions. The board of directors set amount limits based on VaR. The whole risk management process is monitored daily by the Risk Management Division.

VaR statistically estimates the potential loss of the positions due to adverse market movements. E.SUN Bank may suffer the “maximum potential loss” within a certain confidence interval (99%), so it is still probable that the actual loss is larger than the VaR to some extent. VaR model assumes that E.SUN Bank holds the positions at least for the minimum holding periods (10 days) before they can be settled, and that the market fluctuation in these 10 days is similar to that in the past. E.SUN Bank evaluates historical market fluctuation based on historical data in the past two years. It evaluates the VaR of its holding positions using the variance/covariance method. The computation will be used for periodic examinations and verification of assumptions and parameters used. However, this evaluation method cannot prevent losses from significant market fluctuations.

Information on the VaR of E.SUN Bank was as follows:

For the year ended December 31, 2019

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2019
<u>By risk type</u>				
Currency	\$ 2,514,865	\$ 1,000,480	\$ 3,607,735	\$ 2,221,621
Interest	1,756,118	339,009	4,443,074	3,817,952
Equity	169,938	24,263	332,437	289,848
Risk diversification	<u>(1,030,351)</u>	-	-	<u>(2,380,754)</u>
Total risk exposure	<u>\$ 3,410,570</u>			<u>\$ 3,948,667</u>

For the year ended December 31, 2018

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2018
<u>By risk type</u>				
Currency	\$ 3,180,602	\$ 2,673,423	\$ 3,684,856	\$ 3,567,715
Interest	440,903	301,397	1,055,463	436,484
Equity	49,672	26,819	76,545	31,421
Risk diversification	<u>(470,051)</u>	-	-	<u>(474,839)</u>
Total risk exposure	<u>\$ 3,201,126</u>			<u>\$ 3,560,781</u>

Stress test is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenarios. The Risk Management Division performs it, and it includes (a) a stress test on risk factors, in which the stress test is applied to all kinds of risks; and (b) a temporary stress test, in which the stress test is applied to special investment positions or specific investment areas, for example, areas where exchange rates fluctuate dramatically. The results of stress tests are reported to the senior management.

For the information on the foreign-currency financial assets and liabilities with significant effect, please refer to Table 3.

d) Liquidity risk

Liquidity risk refers to the possibility of financial loss resulting from the shortage of funds in meeting the needs of asset acquisition or debt repayment on maturity. Examples are the depositors' withdrawal of deposits before maturity, difficulty in raising funds from other banks or worsening funding conditions due to the fluctuations in specific markets, unstable recovery of money due to credit defaults, deterioration of the convertibility of financial instruments, early termination of interest-sensitive instruments, etc. These situations might result in decrease of cash inflows from loans, trades and investments. In some extreme cases, lack of liquidity may cause decrease of asset values in balance sheets, disposal of assets or other situations in which loan commitments cannot be met. Liquidity risks exist in all banking operations, and are influenced by specific events from industries or markets, including but not limited to credit events, mergers and acquisitions, systematic risks in the industry or natural disasters.

Liquidity risk management is done by the money market division and monitored by the risk management division. The procedures include (a) maintaining daily money market operations and monitoring future cash flows to ensure the meeting of liquidity requirements; (b) holding an appropriate amount of readily convertible and highly liquid assets to prevent from unpredictable events that disrupt cash flows; (c) monitoring the liquidity ratios for the balance sheets in accordance with internal and external policies; and (d) managing security products during their remaining maturity periods. Liquidity risk monitoring and reporting are based on the valuation and prediction of future cash flows from different terms to maturity (maturity gap is used by E.SUN Bank as a tool to manage liquidity risk). The prediction of cash flows involves the cash outflows at the maturity date of the financial liabilities and the cash inflows at the receipt date of financial assets.

For maintaining solvency and meeting the needs of emergency assistance arrangements, E.SUN Bank and its subsidiaries hold cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, financial assets at fair value through other comprehensive income and debt instruments at amortized cost, etc.

The liquidity reserve ratios of E.SUN Bank for December 2019 and 2018 were 30.55% and 29.02%, respectively.

E.SUN Bank and its subsidiaries disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet date. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 36,037,226	\$ 19,723,614	\$ 1,440,525	\$ 702,421	\$ -	\$ 57,903,786
Nonderivative financial liabilities at fair value through profit or loss	56	434	-	552,754	46,876,769	47,430,013
Securities sold under repurchase agreements	4,914,184	1,383,002	740,700	204,156	-	7,242,042
Payables	16,316,421	908,117	911,803	1,547,448	3,599,029	23,282,818
Deposits and remittances	776,302,076	178,061,697	196,266,445	320,018,479	613,492,539	2,084,141,236
Bank debentures	-	-	1,900,000	3,200,000	26,970,000	32,070,000
Lease liabilities	81,137	145,256	264,958	445,143	2,284,736	3,221,230
Other items of cash outflow on maturity	6,031,991	1,550,378	197,182	313,194	26,595,504	34,688,249

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	\$ 43,493,224	\$ 27,091,412	\$ 1,116,801	\$ 521,583	\$ -	\$ 72,223,020
Nonderivative financial liabilities at fair value through profit or loss	73	678	-	564,135	46,807,646	47,372,532
Securities sold under repurchase agreements	10,273,828	1,853,233	445,576	-	-	12,572,637
Payables	18,483,395	849,642	1,375,960	823,283	2,598,652	24,130,932
Deposits and remittances	651,544,989	152,705,821	178,741,750	334,126,196	570,539,531	1,887,658,287
Bank debentures	-	-	3,280,000	4,500,000	29,070,000	36,850,000
Other items of cash outflow on maturity	5,212,642	1,098,168	76,833	705,095	17,424,107	24,516,845

E.SUN Bank and its subsidiaries assessed the maturity date of contracts to understand the basic elements of all derivative financial instruments shown in the consolidated balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

i. Derivative financial liabilities to be settled at net amount

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives	\$ -	\$ 3,283	\$ 1,092	\$ -	\$ -	\$ 4,375

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives	\$ 4,087	\$ 2,066	\$ 4,180	\$ 30,604	\$ -	\$ 40,937

ii. Derivative financial liabilities to be settled at gross amounts

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 280,286,489	\$ 369,992,774	\$ 157,283,843	\$ 99,707,199	\$ 4,797,724	\$ 912,068,029
Cash inflow	279,726,483	368,802,972	156,801,088	100,021,865	4,810,829	910,163,237
Interest derivatives						
Cash outflow	496,012	1,421,615	628,708	907,206	27,280,795	30,734,336
Cash inflow	898,560	1,396,543	757,665	871,983	40,682,808	44,607,559
Total cash outflow	280,782,501	371,414,389	157,912,551	100,614,405	32,078,519	942,802,365
Total cash inflow	280,625,043	370,199,515	157,558,753	100,893,848	45,493,637	954,770,796
Net cash outflow (inflow)	\$ 157,458	\$ 1,214,874	\$ 353,798	\$ (279,443)	\$ (13,415,118)	\$ (11,968,431)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	\$ 233,176,525	\$ 172,015,357	\$ 109,332,162	\$ 83,007,963	\$ 499,635	\$ 598,031,642
Cash inflow	233,642,737	170,783,269	108,277,549	82,087,132	483,352	595,274,039
Interest derivatives						
Cash outflow	3,399,080	768,880	761,303	583,582	33,180,228	38,693,073
Cash inflow	3,755,348	494,715	902,636	568,453	38,697,942	44,419,094
Total cash outflow	236,575,605	172,784,237	110,093,465	83,591,545	33,679,863	636,724,715
Total cash inflow	237,398,085	171,277,984	109,180,185	82,655,585	39,181,294	639,693,133
Net cash outflow (inflow)	\$ (822,480)	\$ 1,506,253	\$ 913,280	\$ 935,960	\$ (5,501,431)	\$ (2,968,418)

E.SUN Bank and its subsidiaries conducted the maturity analysis of off-balance sheet items based on the residual maturities as of the consolidated balance sheet date. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 364,421	\$ 257,285	\$ 1,252,524	\$ 6,275,169	\$ 36,834,577	\$ 44,983,976
Credit card commitments	3,650,249	2,796,165	6,787,742	11,777,916	410,329,530	435,341,602
Letters of credit issued and yet unused	1,888,621	4,829,870	1,489,203	567,121	1,643,771	10,418,586
Other guarantees	2,880,814	5,498,737	4,320,652	11,195,598	5,026,600	28,922,401

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 788,066	\$ 2,098,705	\$ 8,674,343	\$ 8,317,926	\$ 33,062,959	\$ 52,941,999
Credit card commitments	987,084	2,924,299	5,551,364	12,267,547	351,405,171	373,135,465
Letters of credit issued and yet unused	3,224,312	4,813,478	765,211	303,282	662,520	9,768,803
Other guarantees	4,388,627	2,874,257	10,774,196	5,930,608	2,324,723	26,292,411

j. Transfers of financial assets

Most of the transferred financial assets of the Company that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right on cash flow of the transferred financial assets would be transferred to other entities and the associated liabilities of the Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Company is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

December 31, 2019					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 7,026,815	\$ 6,800,123	\$ 7,026,815	\$ 6,800,123	\$ 226,692
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	431,211	428,116	436,261	428,116	8,145

December 31, 2018					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	\$ 11,839,947	\$ 11,484,694	\$ 11,839,947	\$ 11,484,694	\$ 355,253
Investments in debt instruments at amortized cost - securities sold under repurchase agreements	1,059,315	1,042,095	1,045,427	1,042,095	3,332

k. Offsetting financial assets and financial liabilities

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 10,610,366	\$ -	\$ 10,610,366	\$ (4,536,685)	\$ (2,228,912)	\$ 3,844,769
Resell agreements	4,971,680	-	4,971,680	(4,971,680)	-	-
Settlements	<u>6,275</u>	<u>(2,448)</u>	<u>3,827</u>	<u>-</u>	<u>-</u>	<u>3,827</u>
	<u>\$ 15,588,321</u>	<u>\$ (2,448)</u>	<u>\$ 15,585,873</u>	<u>\$ (9,508,365)</u>	<u>\$ (2,228,912)</u>	<u>\$ 3,848,596</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 10,425,477	\$ -	\$ 10,425,477	\$ (4,536,685)	\$ (2,738,441)	\$ 3,150,351
Repurchase agreements	7,234,754	-	7,234,754	(7,234,754)	-	-
Settlements	<u>32,968</u>	<u>(11,642)</u>	<u>21,326</u>	<u>-</u>	<u>-</u>	<u>21,326</u>
	<u>\$ 17,693,199</u>	<u>\$ (11,642)</u>	<u>\$ 17,681,557</u>	<u>\$ (11,771,439)</u>	<u>\$ (2,738,441)</u>	<u>\$ 3,171,677</u>

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	\$ 6,921,638	\$ -	\$ 6,921,638	\$ (1,699,049)	\$ (2,621,941)	\$ 2,600,648
Settlements	<u>29,692</u>	<u>(19,281)</u>	<u>10,411</u>	<u>-</u>	<u>-</u>	<u>10,411</u>
	<u>\$ 6,951,330</u>	<u>\$ (19,281)</u>	<u>\$ 6,932,049</u>	<u>\$ (1,699,049)</u>	<u>\$ (2,621,941)</u>	<u>\$ 2,611,059</u>

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	\$ 5,806,952	\$ -	\$ 5,806,952	\$ (1,699,049)	\$ (3,307,130)	\$ 800,773
Repurchase agreements	12,551,682	-	12,551,682	(12,551,682)	-	-
Settlements	<u>52,453</u>	<u>(26,494)</u>	<u>25,959</u>	<u>-</u>	<u>-</u>	<u>25,959</u>
	<u>\$ 18,411,087</u>	<u>\$ (26,494)</u>	<u>\$ 18,384,593</u>	<u>\$ (14,250,731)</u>	<u>\$ (3,307,130)</u>	<u>\$ 826,732</u>

44. 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
For the year ended <u>December 31, 2019</u>				
Others	<u>\$ 528</u>	<u>\$ 930</u>	<u>\$ 1,458</u>	Utilities - 50% each Building maintenance fee - based on space actually occupied
For the year ended <u>December 31, 2018</u>				
Broadcasting and security systems	\$ 15	\$ 15	\$ 30	50% each
Others	1,901	1,677	3,578	Utilities - 50% each Building maintenance fee - based on space actually occupied
	<u>\$ 1,916</u>	<u>\$ 1,692</u>	<u>\$ 3,608</u>	

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

	For the Year Ended December 31	
	2019	2018
Revenue	<u>\$ 3,947</u>	<u>\$ 4,224</u>
Expense	<u>\$ 67,247</u>	<u>\$ 65,396</u>

45. CAPITAL MANAGEMENT

ESFHC's objective of capital management is to sustain the eligible capital of the Group at an amount that meets the requirements for legal capital and minimum group capital adequacy ratio (CAR). To ensure that there is sufficient capital to undertake a variety of risks, ESFHC assesses the risk portfolios by their characteristics. The calculation of group eligible capital and minimum requirement of legal capital is in conformity with the rules enacted by the authorities.

Financial Management Division manages Group CAR. The Financial Management Division ensures that ESFHC's group CAR meets both its internal requirements and external requirements by the authorities, and the timely report to the authorities every half year. ESFHC has set up a warning signal mechanism that gives alarm when the CAR falls below the standard, and asks relevant units to bring up improvement strategies to deal with it.

Under the Financial Holding Company Act and related regulations, ESFHC should maintain a group CAR at no lower than 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 ratios of regulatory capital to risk-weighted assets (including ratio of the common equity to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and capital adequacy ratio) should comply with the minimum ratio requested by authorities.

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 436% and 540% as of December 31, 2019 and 2018, respectively.

Please refer to related information in Table 13 (attached).

46. 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 4 (attached).

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

(In Thousands of New Taiwan Dollars, %)

December 31, 2019				December 31, 2018		
Rank (Note 1)	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Current Year's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of Current Year's Equity
1	Group A Air transport	\$ 10,809,126	6.32	Group A Air transport	\$ 10,923,358	6.91
2	Group B Other activities auxiliary to financial service activities not elsewhere classified	9,086,810	5.32	Group B Other activities auxiliary to financial service activities not elsewhere classified	9,762,558	6.17
3	Group C Activities of head offices	7,418,394	4.34	Group K Manufacture of computers	5,758,388	3.64
4	Group D Manufacture of other electronic parts and components not elsewhere classified	6,788,382	3.97	Group F Manufacture of computers	5,690,617	3.60
5	Group E Manufacture of computers	6,262,888	3.66	Group D Manufacture of liquid crystal panel and components	4,779,849	3.02
6	Group F Manufacture of computers	4,439,575	2.60	Group C Activities of head offices	4,761,637	3.01
7	Group G Wired telecommunications activities	4,297,400	2.51	Group G Wired telecommunications activities	4,479,713	2.83
8	Group H Wholesale of computers, computer peripheral equipment and software	4,207,850	2.46	Group L Retail sale of computers, computer peripheral equipment and software	4,053,270	2.56
9	Group I Manufacture of edible vegetable and animal oils and fats	4,186,546	2.45	Group E Manufacture of computers	3,880,375	2.45
10	Group J Manufacture of integrated circuits	4,131,034	2.42	Group J Manufacture of electric wires and cables	3,866,539	2.44

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

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

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

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

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

December 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,432,546,938	\$ 73,102,274	\$ 53,155,640	\$ 113,333,084	\$ 1,672,137,936
Interest rate-sensitive liabilities	380,050,796	845,093,636	71,186,193	56,752,750	1,353,083,375
Interest rate sensitivity gap	1,052,496,142	(771,991,362)	(18,030,553)	56,580,334	319,054,561
Net worth					144,925,187
Ratio of interest rate-sensitive assets to liabilities					123.58
Ratio of interest rate sensitivity gap to net worth					220.15

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,341,983,782	\$ 57,512,457	\$ 62,017,752	\$ 81,124,178	\$ 1,542,638,169
Interest rate-sensitive liabilities	349,468,414	794,930,758	91,586,531	49,853,991	1,285,839,694
Interest rate sensitivity gap	992,515,368	(737,418,301)	(29,568,779)	31,270,187	256,798,475
Net worth					147,289,659
Ratio of interest rate-sensitive assets to liabilities					119.97
Ratio of interest rate sensitivity gap to net worth					174.35

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)

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

December 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 13,432,612	\$ 891,096	\$ 352,331	\$ 1,193,211	\$ 15,869,250
Interest rate-sensitive liabilities	17,156,573	3,352,727	2,792,439	1,479,951	24,781,690
Interest rate sensitivity gap	(3,723,961)	(2,461,631)	(2,440,108)	(286,740)	(8,912,440)
Net worth					520,022
Ratio of interest rate-sensitive assets to liabilities					64.04
Ratio of interest rate sensitivity gap to net worth					(1,713.86)

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 12,020,982	\$ 563,137	\$ 189,732	\$ 1,077,799	\$ 13,851,650
Interest rate-sensitive liabilities	15,123,128	2,225,585	1,755,486	1,463,821	20,568,020
Interest rate sensitivity gap	(3,102,146)	(1,662,448)	(1,565,754)	(386,022)	(6,716,370)
Net worth					247,470
Ratio of interest rate-sensitive assets to liabilities					67.35
Ratio of interest rate sensitivity gap to net worth					(2,714.01)

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

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

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

d. Profitability

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

Unit: %

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.96	0.93
	After income tax	0.84	0.78
Return on equity	Before income tax	13.84	13.14
	After income tax	12.07	11.04
Net income ratio		36.90	34.56

2) E.SUN Financial Holding Company, Ltd.

Unit: %

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	11.37	10.47
	After income tax	11.49	10.50
Return on equity	Before income tax	11.95	11.01
	After income tax	12.07	11.04
Net income ratio		99.34	98.46

3) E.SUN Bank

Unit: %

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.98	0.95
	After income tax	0.85	0.80
Return on equity	Before income tax	13.82	13.17
	After income tax	11.98	11.20
Net income ratio		38.28	36.68

4) E.SUN Securities

Unit: %

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	3.63	3.07
	After income tax	3.11	2.48
Return on equity	Before income tax	9.67	8.60
	After income tax	8.27	6.94
Net income ratio		27.57	22.54

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

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

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

Note 4: Income before (after) income tax represents income from January to each period-end date.

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

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

December 31, 2019

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 2,033,364,576	\$ 269,158,394	\$ 176,105,824	\$ 155,647,997	\$ 154,782,050	\$ 154,829,054	\$ 1,122,841,257
Main capital outflow on maturity	2,442,160,886	111,107,130	127,513,682	376,619,972	273,927,762	366,397,174	1,186,595,166
Gap	(408,796,310)	158,051,264	48,592,142	(220,971,975)	(119,145,712)	(211,568,120)	(63,753,909)

December 31, 2018

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,805,518,735	\$ 207,555,376	\$ 163,032,287	\$ 127,059,389	\$ 146,137,691	\$ 163,309,053	\$ 998,424,939
Main capital outflow on maturity	2,166,123,108	107,623,400	111,009,647	229,180,650	234,082,199	381,039,872	1,103,187,340
Gap	(360,604,373)	99,931,976	52,022,640	(102,121,261)	(87,944,508)	(217,730,819)	(104,762,401)

Note: The above amounts included only New Taiwan dollar amounts held by E.SUN Bank.

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

(In Thousands of U.S. Dollars)

December 31, 2019

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 37,023,841	\$ 9,964,160	\$ 10,399,306	\$ 4,636,702	\$ 2,323,236	\$ 9,700,437
Main capital outflow on maturity	41,008,958	10,083,026	10,707,788	7,529,734	8,935,512	3,752,898
Gap	(3,985,117)	(118,866)	(308,482)	(2,893,032)	(6,612,276)	5,947,539

December 31, 2018

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 28,268,588	\$ 9,360,708	\$ 4,900,541	\$ 3,726,816	\$ 2,290,484	\$ 7,990,039
Main capital outflow on maturity	32,378,540	8,865,754	7,578,817	5,578,578	6,423,755	3,931,636
Gap	(4,109,952)	494,954	(2,678,276)	(1,851,762)	(4,133,271)	4,058,403

Note: The above amounts included only U.S. dollar amounts held by E.SUN Bank.

47. E.SUN BANK'S TRUST BUSINESS UNDER THE TRUST LAW

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

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

Balance Sheets of Trust Accounts December 31, 2019 and 2018

Trust Assets	2019	2018	Trust Liabilities	2019	2018
Cash in banks	\$ 4,764,892	\$ 4,520,486	Accounts payable		
Investments	248,321,601	228,445,903	on securities		
Receivables	250	-	under custody	\$ 514,582,278	\$ 389,009,330
Real estate	2,644,847	4,005,567	Other liabilities	-	4
Securities under custody	<u>514,582,278</u>	<u>389,009,330</u>	Trust capital		
			Cash	252,516,063	232,898,840
			Securities	1,821,726	1,787,807
			Real estate	2,251,921	3,608,130
			Reserves and accumulated deficit	(9,878,042)	(8,272,004)
			Net income	<u>9,019,922</u>	<u>6,949,179</u>
Total assets	<u>\$ 770,313,868</u>	<u>\$ 625,981,286</u>	Total liabilities	<u>\$ 770,313,868</u>	<u>\$ 625,981,286</u>

Trust Property List
December 31, 2019 and 2018

	December 31	
	2019	2018
Cash in E.SUN Bank	\$ 4,758,403	\$ 4,514,719
Cash in other banks	6,489	5,767
Stocks	7,369,589	6,811,210
Mutual funds	212,011,278	189,204,786
Bonds	23,755,366	27,135,778
Structured products	5,149,976	4,744,202
Beneficial certificates pending settlement	35,392	549,927
Receivables	250	-
Real estate	2,644,847	4,005,567
Securities under custody	<u>514,582,278</u>	<u>389,009,330</u>
	<u>\$ 770,313,868</u>	<u>\$ 625,981,286</u>

Statements of Income on Trust Accounts
For the Years Ended December 31, 2019 and 2018

	For the Year Ended December 31	
	2019	2018
<u>Revenues</u>		
Interest	\$ 18,665	\$ 17,572
Cash dividend	9,411,227	7,654,572
Realized capital gain - common stocks	70	7,932
Unrealized capital gain - common stocks	29,417	12,221
Property gain	3,146,537	2,687,509
Realized capital gain	2,215,233	2,035,467
Revenues from beneficial certificates	5,596	6,055
Revenues from rent for stocks	455	1,247
Total revenues	<u>14,827,200</u>	<u>12,422,575</u>
<u>Expenses</u>		
Management fees	119,386	262,354
Supervisor fees	60	60
Service fees	210	126
Property loss	5,509,097	4,727,962
Income tax	1,285	1,189
Tax expenditures	10,540	14,440
Other expenses	12,533	12,111
Realized capital loss	144,594	443,634
Unrealized capital loss	9,573	11,520
Total expenses	<u>5,807,278</u>	<u>5,473,396</u>
Net income	<u>\$ 9,019,922</u>	<u>\$ 6,949,179</u>

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

48. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2019

				<u>Non-cash Changes</u>		
	Opening Balance	Cash Inflows (Outflows)	New Leases	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Short-term borrowings	\$ 30,000	\$ (10,000)	\$ -	\$ -	\$ -	\$ 20,000
Commercial paper issued	2,669,356	1,012,907	-	-	(687)	3,681,576
Bond payables	42,650,000	(4,580,000)	-	-	-	38,070,000
Long-term borrowings	369,094	-	-	-	(7,738)	361,356
Financial liabilities designated as at fair value through profit or loss-bank debentures	44,258,039	(960)	-	4,620,435	97,185	48,974,699
Guarantee deposits received	1,956,942	(391,648)	-	-	-	1,565,294
Lease liabilities	<u>2,733,999</u>	<u>(1,053,259)</u>	<u>1,559,933</u>	<u>-</u>	<u>(62,946)</u>	<u>3,177,727</u>
	<u>\$ 94,667,430</u>	<u>\$ (5,022,960)</u>	<u>\$ 1,559,933</u>	<u>\$ 4,620,435</u>	<u>\$ 25,814</u>	<u>\$ 95,850,652</u>

For the year ended December 31, 2018

				<u>Non-cash Changes</u>		
	Opening Balance	Cash Inflows (Outflows)	the Credit Risk)	Fair Value Adjustments (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Short-term borrowings	\$ 29,848	\$ 152	\$ -	\$ -	\$ -	\$ 30,000
Commercial paper issued	4,895,219	(2,226,888)	-	-	1,025	2,669,356
Bond payables	42,550,000	100,000	-	-	-	42,650,000
Long-term borrowings	1,253,949	(886,330)	-	-	1,475	369,094
Financial liabilities designated as at fair value through profit or loss-bank debentures	37,773,748	5,880,000	(1,974,629)	2,578,920	44,258,039	44,258,039
Guarantee deposits received	<u>392,144</u>	<u>1,564,797</u>	<u>-</u>	<u>1</u>	<u>1,956,942</u>	<u>1,956,942</u>
	<u>\$ 86,894,908</u>	<u>\$ 4,431,731</u>	<u>\$ (1,974,629)</u>	<u>\$ 2,581,421</u>	<u>\$ 91,933,431</u>	<u>\$ 91,933,431</u>

49. ESFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF SUBSIDIARIES

Please refer to Table 5 (attached).

50. BUSINESS SEGMENT FINANCIAL INFORMATION

Please refer to Table 6 (attached).

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

Please refer to Table 14 (attached).

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

The financial ratios of E.SUN Securities complied with the requirements of the Regulations Governing Futures Commission Merchants. Please refer to Table 16 (attached).

53. FUTURES BROKERAGE AND DEALING BUSINESS RISK

a. Futures brokerage business

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 additional margins immediately. If the customers fail to do so, E.SUN Securities settles their position by making offsets against their contracts.

b. Futures dealing business

E.SUN Securities has to deposit an initial margin at a percentage of the amount of transaction when dealing with futures contracts. In addition, E.SUN Securities has to deposit an initial margin at a percentage of the amount of transaction when dealing with put option contracts. E.SUN Securities reevaluates daily the margin accounts on the basis of the market prices of the outstanding futures and option contracts. When the margin accounts fall below an agreed level (the maintenance margin), E.SUN Securities will deposit additional margins immediately or settle its position by making offsets against its contracts.

54. ADDITIONAL DISCLOSURES

Following are additional disclosures for ESFHC and its investees:

a. Significant transactions and b. investees:

- 1) Financing provided: ESFHC, E.SUN Bank, UCB and ESBC - not applicable; investee - none.
- 2) Endorsement/guarantee provided: ESFHC, E.SUN Bank, UCB and ESBC - not applicable; investee - none.
- 3) Marketable securities held: ESFHC, E.SUN Bank, UCB, ESBC and E.SUN Securities - not applicable; investee - Table 7 (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, E.SUN Bank, UCB and ESBC disclosed its investments acquired or disposed of): E.SUN Securities - not applicable; ESFHC and investee - none.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: Table 8 (attached).
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital: Table 9 (attached).
 - 7) Financial asset securitization: None.
 - 8) Allowance of service fees to related parties amounting to at least NT\$5 million: None.
 - 9) Sale of nonperforming loans by subsidiaries: None.
 - 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Table 10 (attached).
 - 11) Related information and proportionate share in investees: Table 15 (attached).
 - 12) Derivative transactions: Notes 8 and 43 to the consolidated financial statements.
 - 13) Other significant transactions that may affect the decisions of users of financial reports: None.
- c. Investment in Mainland China:
- The information on major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at year-end, the remitted investment profits and the limit on the amount of investment in Mainland China is shown in Table 11 (attached).
- d. Business relationship and significant transactions among the parent company and subsidiaries: Table 12 (attached).

55. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

- a. Corporate banking unit, which handles corporate loans, foreign exchange business, and financial banking operations, etc.;
- b. Individual banking unit, which handles residential mortgage, unsecured personal loans (UPLs), wealth management, and credit cards;
- c. Overseas branches and subsidiaries, including overseas branches and subsidiaries' business; and
- d. Others, including other performance units except for the above operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4. 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:

(In Millions of New Taiwan Dollars)

	For the Year Ended December 31, 2019				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 11,463</u>	<u>\$ 15,163</u>	<u>\$ 4,710</u>	<u>\$ (11,465)</u>	<u>\$ 19,871</u>
Total net revenues (expenses)	\$ 24,101	\$ 26,036	\$ 7,616	\$ (3,231)	\$ 54,522
Bad-debt expenses and provision for losses on commitments and guarantees	(203)	(766)	(114)	(515)	(1,598)
Operating expenses	<u>(5,097)</u>	<u>(15,470)</u>	<u>(2,465)</u>	<u>(6,822)</u>	<u>(29,854)</u>
Income (loss) before income tax	<u>\$ 18,801</u>	<u>\$ 9,800</u>	<u>\$ 5,037</u>	<u>\$ (10,568)</u>	<u>\$ 23,070</u>
	For the Year Ended December 31, 2018				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 10,352</u>	<u>\$ 13,517</u>	<u>\$ 3,816</u>	<u>\$ (7,374)</u>	<u>\$ 20,311</u>
Total net revenues (expenses)	\$ 22,034	\$ 23,529	\$ 6,162	\$ (2,296)	\$ 49,429
Bad-debt expenses and provision for losses on commitments and guarantees	(713)	(831)	(780)	(929)	(3,253)
Operating expenses	<u>(4,540)</u>	<u>(12,398)</u>	<u>(2,069)</u>	<u>(6,832)</u>	<u>(25,839)</u>
Income (loss) before income tax	<u>\$ 16,781</u>	<u>\$ 10,300</u>	<u>\$ 3,313</u>	<u>\$ (10,057)</u>	<u>\$ 20,337</u>

TABLE 1

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**CONSOLIDATED ENTITIES
DECEMBER 31, 2019 AND 2018**

Entities Included in the Consolidated Financial Statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2019	December 31, 2018	
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	100.00	
	E.SUN Securities Co., Ltd.	Taipei	Underwriting, brokering, dealing securities and operating in brokerage of futures	100.00	100.00	
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	100.00	
E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	Mainland China	Banking	100.00	100.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	Information software	61.67	61.67	
E.SUN Venture Capital Co., Ltd.	BankPro E-Service Technology Co., Ltd.	Taipei	Information software	2.40	2.40	
E.SUN Commercial Bank, Ltd.	Union Commercial Bank Plc.	Cambodia	Banking	100.00	100.00	Note
Union Commercial Bank Plc.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	
E.SUN Securities Co., Ltd.	E.SUN Securities Investment Consulting Co., Ltd.	Taipei	Security consulting	100.00	100.00	

Note: Union Commercial Bank Plc. holds a 49% interest in URE Land Holding Co., Ltd. In the Articles of Incorporation of URE Land Holding Co., Ltd., Union Commercial Bank Plc. has power to control the composition of the board of directors and owns at least 90% of economic benefit of URE Land Holding Co., Ltd.; hence, URE Land Holding Co., Ltd. is deemed as a subsidiary of Union Commercial Bank Plc.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

Loans

December 31, 2019

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2019 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	122	\$ 57,293	\$ 36,797	\$ 36,797	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	347	2,066,114	1,746,154	1,746,154	-	Land and buildings	None
Other loans	Others	1,002,726	849,056	849,056	-	Land, buildings, and plant	None

December 31, 2018

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2018 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	126	\$ 71,438	\$ 47,026	\$ 47,026	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	338	1,841,872	1,579,886	1,579,886	-	Land and buildings	None
Other loans	Others	1,088,327	819,857	819,857	-	Land, buildings, and plant	None

Note: The sum of the respective highest balances of each account for the years ended December 31, 2019 and 2018.

TABLE 3**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2019 AND 2018
(In Thousands)**

December 31						
2019			2018			
Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars	
<u>Financial assets</u>						
USD	\$ 18,226,416	30.1130	\$ 548,852,065	\$ 17,077,979	30.7330	\$ 524,857,529
CNY	13,701,017	4.3244	59,248,678	14,693,635	4.4760	65,768,710
AUD	3,531,944	21.1060	74,545,210	3,131,603	21.6820	67,899,416
HKD	4,969,170	3.8679	19,220,253	5,350,264	3.9239	20,993,901
JPY	56,855,408	0.2770	15,748,948	41,968,938	0.2785	11,688,349
EUR	244,740	33.7410	8,257,772	227,952	35.2260	8,029,837
SGD	272,199	22.3720	6,089,636	217,522	22.4990	4,894,027
NZD	117,915	20.2780	2,391,080	7,291	20.6310	150,421
GBP	154,718	39.5420	6,117,859	97,744	38.9020	3,802,437
CHF	4,326	31.0680	134,400	3,514	31.2330	109,753
ZAR	2,010,763	2.1408	4,304,641	1,213,692	2.1292	2,584,193
CAD	21,539	23.0810	497,142	7,768	22.5890	175,471
SEK	44,464	3.2189	143,125	343	3.4251	1,175
THB	36,507	1.0097	36,861	33,601	0.9491	31,891
MXN	21,578	1.5917	34,346	86,000	1.5608	134,229
VND	1,380,316,946	0.0013	1,794,412	485,238,497	0.0013	630,810
MMK	39,759,821	0.0205	815,076	10,391,935	0.0200	207,839
<u>Financial liabilities</u>						
USD	27,368,565	30.1130	824,149,598	24,682,192	30.7330	758,557,807
CNY	19,275,671	4.3244	83,355,712	19,470,075	4.4760	87,148,056
AUD	2,423,481	21.1060	51,149,990	2,387,535	21.6820	51,766,534
HKD	2,316,043	3.8679	8,958,223	2,591,545	3.9239	10,168,963
JPY	76,453,826	0.2770	21,177,710	57,591,755	0.2785	16,039,304
EUR	360,835	33.7410	12,174,934	253,421	35.2260	8,927,008
SGD	66,085	22.3720	1,478,454	50,798	22.4990	1,142,904
NZD	92,446	20.2780	1,874,620	74,352	20.6310	1,533,956
GBP	119,254	39.5420	4,715,542	95,526	38.9020	3,716,152
CHF	7,728	31.0680	240,094	4,982	31.2330	155,603
ZAR	3,910,715	2.1408	8,372,059	3,466,387	2.1292	7,380,631
CAD	73,210	23.0810	1,689,760	90,298	22.5890	2,039,742
SEK	72,558	3.2189	233,557	40,343	3.4251	138,179
THB	16,998	1.0097	17,163	19,621	0.9491	18,622
MXN	82,487	1.5917	131,295	131,396	1.5608	205,083
VND	1,440,901,463	0.0013	1,873,172	503,966,060	0.0013	655,156
MMK	44,103,705	0.0205	904,126	8,559,257	0.0200	171,185

TABLE 4

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2019					December 31, 2018				
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		\$ 659,391	\$ 358,135,126	0.18	\$ 3,938,068	597.23	\$ 869,455	\$ 332,158,212	0.26	\$ 3,833,811	440.94
	Unsecured		382,117	353,745,178	0.11	4,044,903	1,058.55	370,791	336,061,699	0.11	4,032,433	1,087.52
Consumer banking	Residential mortgage (Note 4)		544,801	374,517,165	0.15	5,405,010	992.11	610,348	323,664,541	0.19	4,694,128	769.09
	Cash card		38	1,574	2.41	682	1,794.74	47	2,102	2.24	896	1,906.38
	Small-scale credit loans (Note 5)		574,822	109,785,585	0.52	1,305,273	227.07	529,067	105,333,892	0.50	1,220,470	230.68
	Other (Note 6)	Secured	493,072	230,341,488	0.21	2,336,780	473.92	679,717	225,240,618	0.30	2,331,802	343.05
		Unsecured	7,932	1,774,000	0.45	18,974	239.21	21,002	2,098,910	1.00	23,302	110.95
Loan			2,662,173	1,428,300,116	0.19	17,049,690	640.44	3,080,427	1,324,559,974	0.23	16,136,842	523.85
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			162,890	82,770,749	0.20	972,824	597.23	150,184	64,469,570	0.23	988,894	658.45
Accounts receivable factored without recourse (Note 7)			-	12,462,591	-	164,791	-	-	13,255,273	-	170,253	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			9,834					13,322				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			43,986					58,550				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,239,949					1,182,831				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,582,474					1,471,050				

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 loans 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 residential mortgage, cash cards, credit cards and small-scale credit loans.

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

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

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 5**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****ESFHC'S FINANCIAL STATEMENTS AND CONDENSED BALANCE SHEETS AND STATEMENTS
OF COMPREHENSIVE INCOME OF SUBSIDIARIES
DECEMBER 31, 2019 AND 2018**

1. ESFHC's financial statements

E.SUN Financial Holding Company, Ltd.**Balance Sheets
December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)**

Assets	2019	2018	Liabilities and Equity	2019	2018
Cash and cash equivalents	\$ 491,892	\$ 364,574	Payables	\$ 836,702	\$ 691,397
Financial assets at fair value			Current tax liabilities	1,927,455	1,210,669
through other comprehensive			Corporate bonds payable	6,000,000	5,800,000
income	80,600	56,606	Provisions	7,863	27,690
Receivables	124,229	106,484	Lease liabilities	161,748	-
Current tax assets	1,419,966	648,854	Total liabilities	8,933,768	7,729,756
Investments under the equity			Equity		
method	179,691,026	166,536,131	Capital stock	116,195,000	108,289,000
Property and equipment, net	12,558	19,914	Capital surplus	24,965,734	24,710,706
Right-of-use assets	160,545	-	Retained earnings	31,697,756	26,627,780
Intangible assets	1,684	5,584	Other equity	199,431	386,802
Deferred tax assets	5,625	2,162	Total equity	173,057,921	160,014,288
Other assets	3,564	3,735			
Total	<u>\$ 181,991,689</u>	<u>\$ 167,744,044</u>	Total	<u>\$ 181,991,689</u>	<u>\$ 167,744,044</u>

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019	2018
Revenues and gains		
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 20,191,151	\$ 17,455,927
Other revenues and gains	<u>137,768</u>	<u>109,782</u>
Total revenues and gains	<u>20,328,919</u>	<u>17,565,709</u>
Expenses and losses		
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	-	144,624
Operating expenses	335,510	302,019
Other expenses and losses	<u>90,965</u>	<u>85,350</u>
Total expenses and losses	<u>426,475</u>	<u>531,993</u>
Income before income tax	19,902,444	17,033,716
Income tax benefit	<u>202,685</u>	<u>34,777</u>
Net income for the year	20,105,129	17,068,493
Other comprehensive income (loss)	<u>139,497</u>	<u>(526,934)</u>
Total comprehensive income for the year	<u>\$ 20,244,626</u>	<u>\$ 16,541,559</u>
Earnings per share (New Taiwan dollars)		
Basic	<u>\$ 1.73</u>	<u>\$ 1.47</u>
Diluted	<u>\$ 1.73</u>	<u>\$ 1.47</u>

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Changes in Equity
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

							Other Equity			Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Total Equity
	Capital Stock			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gains on Available-for-sale Financial Assets		
	Shares (In Thousands)	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2018	10,185,500	\$ 101,855,000	\$ 24,529,129	\$ 7,973,975	\$ 164,235	\$ 13,873,907	\$ (877,303)	\$ -	\$ 1,321,416	\$ 1,857	\$ 148,842,216
Effect of retrospective application	-	-	-	-	-	172,331	-	1,643,296	(1,321,416)	-	494,211
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	10,185,500	101,855,000	24,529,129	7,973,975	164,235	14,046,238	(877,303)	1,643,296	-	1,857	149,336,427
Appropriation of 2017 earnings											
Legal reserve	-	-	-	1,387,391	-	(1,387,391)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,239,475)	-	-	-	-	(6,239,475)
Stock dividends	623,980	6,239,800	-	-	-	(6,239,800)	-	-	-	-	-
Issuance of common stock from employees’ compensation	19,420	194,200	181,577	-	-	-	-	-	-	-	375,777
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(192,465)	-	192,465	-	-	-
Transfer of changes in the fair value attributable to charge in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	1,331	-	-	-	(1,331)	-
Net income for the year ended December 31, 2018	-	-	-	-	-	17,068,493	-	-	-	-	17,068,493
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	45,248	336,459	(987,071)	-	78,430	(526,934)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	17,113,741	336,459	(987,071)	-	78,430	16,541,559
BALANCE AT DECEMBER 31, 2018	10,828,900	108,289,000	24,710,706	9,361,366	164,235	17,102,179	(540,844)	848,690	-	78,956	160,014,288
Effect of retrospective application	-	-	-	-	-	25,846	-	-	-	-	25,846
BALANCE AT JANUARY 1, 2019 AS APPLIED RETROSPECTIVELY	10,828,900	108,289,000	24,710,706	9,361,366	164,235	17,128,025	(540,844)	848,690	-	78,956	160,040,134
Appropriation of 2018 earnings											
Legal reserve	-	-	-	1,706,849	-	(1,706,849)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(7,688,367)	-	-	-	-	(7,688,367)
Stock dividends	769,950	7,699,500	-	-	-	(7,699,500)	-	-	-	-	-
Issuance of common stock from employees' compensation	20,650	206,500	255,028	-	-	-	-	-	-	-	461,528
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	32,223	-	(32,223)	-	-	-
Transfer of changes in the fair value attributable to charge in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	747	-	-	-	(747)	-
Net income for the year ended December 31, 2019	-	-	-	-	-	20,105,129	-	-	-	-	20,105,129
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	293,898	(775,569)	752,722	-	(131,554)	139,497
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	20,399,027	(775,569)	752,722	-	(131,554)	20,244,626
BALANCE AT DECEMBER 31, 2019	11,619,500	\$ 116,195,000	\$ 24,965,734	\$ 11,068,215	\$ 164,235	\$ 20,465,306	\$ (1,316,413)	\$ 1,569,189	\$ -	\$ (53,345)	\$ 173,057,921
											(Continued)

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities		
Income before income tax	\$ 19,902,444	\$ 17,033,716
Adjustments for:		
Depreciation and amortization expenses	16,179	16,222
Interest expense	90,966	85,350
Interest revenue	(6,944)	(639)
Dividend income	(2,151)	(1,949)
Salary expenses on share-based payments	12,337	4,506
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(20,191,151)	(17,311,303)
Net changes in operating assets and liabilities		
Receivables	(17,745)	(17,370)
Other assets	(300)	8,041
Payables	2,688	31,816
Provision for employee benefits	<u>(1,574)</u>	<u>(1,455)</u>
Cash generated used in operating activities	(195,251)	(153,065)
Interest received	6,944	639
Dividend received	7,750,553	6,638,506
Interest paid	(85,351)	(85,350)
Income tax refund	<u>144,896</u>	<u>98,480</u>
Net cash generated from operating activities	<u>7,621,791</u>	<u>6,499,210</u>
Cash flows from investing activities		
Payments for properties and equipment	-	(1,182)
Increase in refundable deposits	<u>(90)</u>	<u>-</u>
Net cash used in investing activities	<u>(90)</u>	<u>(1,182)</u>
Cash flows from financing activities		
Proceeds from issue of corporate bonds	4,000,000	-
Repayment of corporate bonds	(3,800,000)	-
Repayments of the principal portion of lease liabilities	(6,016)	-
Cash dividends paid to owners of ESFHC	<u>(7,688,367)</u>	<u>(6,239,475)</u>
Net cash used in financing activities	<u>(7,494,383)</u>	<u>(6,239,475)</u>
Net increase in cash and cash equivalents	127,318	258,553
Cash and cash equivalents at the beginning of the year	<u>364,574</u>	<u>106,021</u>
Cash and cash equivalents at the end of the year	<u>\$ 491,892</u>	<u>\$ 364,574</u>

(Continued)

2. Subsidiaries' condensed balance sheets

E.SUN Commercial Bank, Ltd.

**Condensed Balance Sheets
December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)**

Assets	2019	2018	Liabilities and Equity	2019	2018
Cash and cash equivalents	\$ 36,594,820	\$ 42,880,961	<u>Liabilities</u>		
Due from the Central Bank and call loans to other banks	84,563,587	76,868,650			
Financial assets at fair value through profit or loss	515,290,476	471,860,812	Due to the Central Bank and other banks	\$ 54,796,530	\$ 67,786,230
Financial assets at fair value through other comprehensive income	203,207,198	174,034,814	Financial liabilities at fair value through profit or loss	59,620,612	50,248,562
Investments in debt instruments at amortized cost	11,528,075	7,057,308	Securities sold under repurchase agreements	6,372,008	8,587,909
Securities purchased under resell agreements	4,971,085	-	Payables	22,345,616	23,468,429
Receivables, net	102,330,053	84,447,741	Current tax liabilities	1,634,865	831,518
Current tax assets	307,126	5,497	Deposits and remittances	2,043,956,870	1,857,918,420
Assets held for sale, net	158,036	-	Bank debentures	32,070,000	36,850,000
Discounts and loans, net	1,411,123,990	1,308,295,440	Other financial liabilities	31,049,971	21,921,658
Investments under the equity method, net	12,842,026	12,784,006	Provisions	622,010	794,915
Other financial assets, net	4,826,328	12,013,815	Lease liabilities	2,578,995	-
Properties and equipment, net	30,110,788	29,225,436	Deferred tax liabilities	1,285,611	1,262,298
Right-of-use assets, net	2,593,792	-	Other liabilities	<u>3,675,993</u>	<u>2,273,787</u>
Investment properties, net	484,203	472,228	Total liabilities	<u>2,260,009,081</u>	<u>2,071,943,726</u>
Intangible assets, net	4,863,337	4,709,443	<u>Equity</u>		
Deferred tax assets	1,207,747	813,234			
Other assets, net	<u>3,965,549</u>	<u>4,621,232</u>	Capital stock	90,481,000	86,370,000
			Capital surplus	25,894,945	25,316,367
			Retained earnings	54,137,758	45,794,293
			Other equity	<u>445,432</u>	<u>666,231</u>
			Total equity	<u>170,959,135</u>	<u>158,146,891</u>
Total	<u>\$ 2,430,968,216</u>	<u>\$ 2,230,090,617</u>	Total	<u>\$ 2,430,968,216</u>	<u>\$ 2,230,090,617</u>

(Continued)

E.SUN Securities Co., Ltd.

**Condensed Balance Sheets
December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)**

Assets	2019	2018	Liabilities and Equity	2019	2018
Current assets	\$ 11,143,417	\$ 9,551,570	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	1,225,240	744,381			
Financial assets at fair value through other comprehensive income	477,989	393,434	Current liabilities	\$ 9,620,061	\$ 7,552,349
Investments in debt instruments at amortized cost	887,307	756,125	Noncurrent liabilities	<u>40,970</u>	<u>6,388</u>
Investments under the equity method	59,634	57,966	Total liabilities	<u>9,661,031</u>	<u>7,558,737</u>
Properties and equipment	343,873	381,035			
Right-of-use assets	71,272	-	<u>Equity</u>		
Investment properties	13,339	-			
Intangible assets	45,399	65,158	Capital stock	4,000,000	4,000,000
Deferred tax assets	37,230	38,489	Capital surplus	87,125	77,182
Other noncurrent assets	<u>678,031</u>	<u>677,380</u>	Retained earnings	1,228,907	1,023,014
			Other equity	<u>5,668</u>	<u>6,605</u>
			Total equity	<u>5,321,700</u>	<u>5,106,801</u>
Total	<u>\$ 14,982,731</u>	<u>\$ 12,665,538</u>	Total	<u>\$ 14,982,731</u>	<u>\$ 12,665,538</u>

E.SUN Venture Capital Co., Ltd.

**Condensed Balance Sheets
December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars)**

Assets	2019	2018	Liabilities and Equity	2019	2018
Current assets	\$ 58,147	\$ 108,162	<u>Liabilities</u>		
Financial assets at fair value through profit or loss	3,123,637	2,887,748			
Financial assets at fair value through other comprehensive income	205,578	195,205	Current liabilities	\$ 26,020	\$ 36,257
Other financial assets	50,000	123,002	Noncurrent liabilities	<u>29,796</u>	<u>1,857</u>
Properties and equipment	212	32	Total liabilities	<u>55,816</u>	<u>38,114</u>
Right-of-use assets	23,703	-			
Deferred tax assets	403	4,296	<u>Equity</u>		
Other noncurrent assets	<u>232</u>	<u>232</u>			
			Capital stock	3,093,000	3,093,000
			Capital surplus	80,522	79,993
			Retained earnings	549,445	435,287
			Other equity	<u>(316,871)</u>	<u>(327,717)</u>
			Total equity	<u>3,406,096</u>	<u>3,280,563</u>
Total	<u>\$ 3,461,912</u>	<u>\$ 3,318,677</u>	Total	<u>\$ 3,461,912</u>	<u>\$ 3,318,677</u>

(Continued)

3. Subsidiaries' condensed statements of comprehensive income

E.SUN Commercial Bank, Ltd.

Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	2019	2018
Interest revenue	\$ 38,648,775	\$ 35,064,333
Less: Interest expense	<u>(20,400,566)</u>	<u>(16,267,268)</u>
Net interest	18,248,209	18,797,065
Net revenues and gains other than interest	<u>33,275,939</u>	<u>27,844,073</u>
Total net revenues	51,524,148	46,641,138
Bad-debt expenses and provision for losses on commitments and guarantees	(1,541,891)	(3,023,936)
Operating expenses	<u>(27,311,181)</u>	<u>(23,488,690)</u>
Income before income tax	22,671,076	20,128,512
Income tax expense	<u>(3,028,129)</u>	<u>(3,020,197)</u>
Net income for the year	19,642,947	17,108,315
Other comprehensive income (loss)	<u>79,275</u>	<u>(416,738)</u>
Total comprehensive income	<u>\$ 19,722,222</u>	<u>\$ 16,691,577</u>
Earnings per share		
Basic	<u>\$ 2.17</u>	<u>\$ 1.89</u>

(Continued)

E.SUN Securities Co., Ltd.

Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	2019	2018
Income	\$ 1,612,068	\$ 1,583,074
Service charge	(111,075)	(127,104)
Employee benefit expenses	(555,650)	(551,558)
Share of profit of subsidiaries accounted for using equity method	1,210	695
Operating expenses	(509,235)	(516,881)
Other profits and losses	<u>66,771</u>	<u>42,864</u>
Income before income tax	504,089	431,090
Income tax expense	<u>(72,886)</u>	<u>(83,478)</u>
Net income for the year	431,203	347,612
Other comprehensive income (loss)	<u>7,753</u>	<u>(1,678)</u>
Total comprehensive income	<u>\$ 438,956</u>	<u>\$ 345,934</u>
Earnings per share		
Basic	<u>\$ 1.08</u>	<u>\$ 0.87</u>

E.SUN Venture Capital Co., Ltd.

Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

Items	2019	2018
Operating revenue	\$ 191,827	\$ 325
Operating costs	(36,616)	(131,315)
Operating expenses	<u>(15,997)</u>	<u>(15,103)</u>
Operating income (loss)	139,214	(146,093)
Non-operating income and expenses	<u>678</u>	<u>2,360</u>
Income (loss) before income tax	139,892	(143,733)
Income tax expense	<u>(25,629)</u>	<u>(1,385)</u>
Net income (loss) for the year	114,263	(145,118)
Other comprehensive income (loss)	<u>10,741</u>	<u>(102,526)</u>
Total comprehensive income (loss)	<u>\$ 125,004</u>	<u>\$ (247,644)</u>
Earnings (loss) per share		
Basic	<u>\$ 0.37</u>	<u>\$ (0.47)</u>

(Concluded)

TABLE 6**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**
BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2019

Business Segment Items	Banking	Securities	Others	Consolidated
Net interest revenues (expenses)	\$ 19,671,370	\$ 284,396	\$ (84,697)	\$ 19,871,069
Net revenues and gains other than interest	33,289,309	1,201,990	160,250	34,651,549
Total net revenues	52,960,679	1,486,386	75,553	54,522,618
Bad-debt expenses and provision for losses on commitments and guarantees	(1,603,019)	4,941	-	(1,598,078)
Operating expenses	(28,454,274)	(1,046,943)	(353,047)	(29,854,264)
Income (loss) before income tax	22,903,386	444,384	(277,494)	23,070,276
Income tax benefit (expense)	(3,053,793)	(72,886)	176,913	(2,949,766)
Net income (loss)	19,849,593	371,498	(100,581)	20,120,510

For the year ended December 31, 2018

Business Segment Items	Banking	Securities	Others	Consolidated
Net interest revenues (expenses)	\$ 20,042,670	\$ 353,980	\$ (85,335)	\$ 20,311,315
Net revenues and gains (losses) other than interest	28,136,202	1,110,005	(128,288)	29,117,919
Total net revenues (expenses)	48,178,872	1,463,985	(213,623)	49,429,234
Bad-debt expenses and provision for losses on commitments and guarantees	(3,209,215)	(43,257)	-	(3,252,472)
Operating expenses	(24,468,664)	(1,054,194)	(316,547)	(25,839,405)
Income (loss) before income tax	20,500,993	366,534	(530,170)	20,337,357
Income tax benefit (expense)	(3,204,365)	(83,478)	33,254	(3,254,589)
Net income (loss)	17,296,628	283,056	(496,916)	17,082,768

TABLE 7

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
E.SUN Venture Capital Co., Ltd.	<u>Stock</u>							
	TaiMed Biologics Co., Ltd.	-	Financial assets at fair value through profit or loss	424	\$ 42,018	0.17	\$ 42,018	
	ShengHua Entertainment Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	195	1,969	0.46	1,969	
	Turvo International Co., Ltd.	-	Financial assets at fair value through profit or loss	477	34,751	0.79	34,751	
	Ledlink Optics, Inc.	-	Financial assets at fair value through profit or loss	90	2,312	0.18	2,312	
	Xu Yuan Packing Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	878	11,103	1.60	11,103	
	OBI Pharma, Inc.	-	Financial assets at fair value through profit or loss	927	122,368	0.49	122,368	
	Enterex International Limited	-	Financial assets at fair value through profit or loss	1,251	21,455	1.13	21,455	
	Uniflex Technology Inc.	-	Financial assets at fair value through profit or loss	538	14,427	0.58	14,427	
	Tanvex BioPharma Inc.	-	Financial assets at fair value through profit or loss	2,255	100,918	0.85	100,918	
	Kham Inc.	-	Financial assets at fair value through profit or loss	399	27,911	1.43	27,911	
	Eurocharm Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	211	25,742	0.32	25,742	
	TBI Motion Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	894	46,399	0.92	46,399	
	Chien Shing Harbour Service Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500	42,750	1.85	42,750	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	194	29,192	0.16	29,192	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	900	161,550	0.69	161,550	
	MOSA Industrial Corporation	-	Financial assets at fair value through profit or loss	873	36,928	0.49	36,928	
	Oneness Biotech Co., Ltd.	-	Financial assets at fair value through profit or loss	2,119	62,310	0.60	62,310	
	Epoch Chemtronics Corp.	-	Financial assets at fair value through profit or loss	1,889	75,826	5.55	75,826	
	Wieson Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	1,891	7,640	2.84	7,640	
	Jason's Entertainment Co., Ltd.	-	Financial assets at fair value through profit or loss	249	3,154	1.58	3,154	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	175	4,048	0.22	4,048	
	Tekho Marine Biotech Co., Ltd.	-	Financial assets at fair value through profit or loss	1,808	8,235	8.97	8,235	
	Remotek Corporation	-	Financial assets at fair value through profit or loss	506	6,409	2.32	6,409	
	9splay Entertainment Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	89	3,509	0.32	3,509	
	CHO Pharma Inc.	-	Financial assets at fair value through profit or loss	7,224	173,741	3.94	173,741	
	Twoway Communications Inc.	-	Financial assets at fair value through profit or loss	600	6,732	0.74	6,732	
	Asia Metal Industries, Inc.	-	Financial assets at fair value through profit or loss	252	16,682	1.40	16,682	
	Brighten Optix Co., Ltd.	-	Financial assets at fair value through profit or loss	100	13,271	0.45	13,271	
	KHL Investment Advisors Ltd.	-	Financial assets at fair value through profit or loss	7,665	131,428	5.95	131,428	
	KHL II Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss	5,000	59,129	5.00	59,129	
	KHL IV Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss	10,000	100,321	2.86	100,321	
	Taishan Buffalo Investment Co., Ltd. (preferred stock)	-	Financial assets at fair value through profit or loss	100,000	92,591	2.15	92,591	
	KHL V Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss	7,133	71,333	4.76	71,333	
	Solidlite Co., Ltd.	-	Financial assets at fair value through profit or loss	2,867	22,809	13.07	22,809	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Orgchem Technologies Inc.	-	Financial assets at fair value through profit or loss	1,220	\$ 42,615	2.23	\$ 42,615	
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	400	10,522	1.38	10,522	
	Taiwan Advanced Nanotech Inc.	-	Financial assets at fair value through profit or loss	1,500	35,452	8.36	35,452	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	500	-	1.04	-	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,351	91,946	4.88	91,946	
	Arclite Optronics Corporation	-	Financial assets at fair value through profit or loss	643	3,991	8.25	3,991	
	Air-Bag Packing Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	6,178	4.00	6,178	
	Vizionfocus Inc.	-	Financial assets at fair value through profit or loss	3,500	120,650	7.18	120,650	
	Caremed Supply Inc.	-	Financial assets at fair value through profit or loss	1,418	50,728	5.21	50,728	
	Taiwan Silicones Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,880	18,313	9.84	18,313	
	ICP Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	734	10,125	2.35	10,125	
	Fashionguide Co., Ltd.	-	Financial assets at fair value through profit or loss	324	3,238	1.93	3,238	
	Excetek Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	651	6,802	3.69	6,802	
	Advanced Material Systems Corporation	-	Financial assets at fair value through profit or loss	1,164	9,048	4.20	9,048	
	XPEC Art Center Inc.	-	Financial assets at fair value through profit or loss	87	2,224	0.39	2,224	
	Brim Biotechnology, Inc.	-	Financial assets at fair value through profit or loss	1,100	19,157	1.87	19,157	
	3D Global Biotech Inc.	-	Financial assets at fair value through profit or loss	2,000	16,203	3.76	16,203	
	Amaran Biotechnology, Inc.	-	Financial assets at fair value through profit or loss	1,146	23,154	1.44	23,154	
	ACHB Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	333	15,725	3.59	15,725	
	Sam Lam Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,700	-	6.07	-	
	Exploit Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	42	-	0.51	-	
	Mesotek Corporation	-	Financial assets at fair value through profit or loss	446	-	3.62	-	
	Chuan Shih Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	2,250	-	5.79	-	
	Starchips Technology Inc.	-	Financial assets at fair value through profit or loss	56	-	0.93	-	
	Auria Solar Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200	-	0.57	-	
	Innovation & Infinity Global Corp.	-	Financial assets at fair value through profit or loss	2,724	-	2.75	-	
	Suntek Precision Corp.	-	Financial assets at fair value through profit or loss	1,117	-	2.93	-	
	Tera Xtal Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	206	-	0.11	-	
	Robospark Technology Inc.	-	Financial assets at fair value through profit or loss	670	-	2.72	-	
	Tapollop Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	666	-	8.67	-	
	Applied Green Light Taiwan, Inc.	-	Financial assets at fair value through profit or loss	96	-	2.04	-	
	Win Precision Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,122	24,481	2.47	24,481	
	MontJade Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	16,993	4.55	16,993	
	Msscrops Co., Ltd.	-	Financial assets at fair value through profit or loss	1,260	63,600	3.21	63,600	
	Green World FinTech Service Co., Ltd.	-	Financial assets at fair value through profit or loss	41	607	0.32	607	
	King Point Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	900	29,700	2.28	29,700	
	Evergreen Steel Corp.	-	Financial assets at fair value through profit or loss	1,000	35,000	0.25	35,000	
	Gogogro Inc. (preferred stock)	-	Financial assets at fair value through profit or loss	1,429	188,216	0.65	188,216	
	World known MFG (Cayman) Limited	-	Financial assets at fair value through profit or loss	1,500	93,550	5.00	93,550	
	IKALA Global Online Corp.	-	Financial assets at fair value through profit or loss	14,286	22,536	1.75	22,536	
	BioResource International, Inc. (preferred stock)	-	Financial assets at fair value through profit or loss	815	31,112	4.93	31,112	
	TRANSOUND Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200	16,977	3.40	16,977	
	Natural Polymer International Corporation	-	Financial assets at fair value through profit or loss	591	17,758	2.37	17,758	
	VPON Ltd.	-	Financial assets at fair value through profit or loss	1,186	23,222	0.98	23,222	
	AMARYLLO INC.	-	Financial assets at fair value through profit or loss	290	3,240	1.98	3,240	
	Arrowspan Inc. (preferred stock)	-	Financial assets at fair value through profit or loss	264	-	1.36	-	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Acepodia, Inc.	-	Financial assets at fair value through profit or loss	3,928	\$ 85,158	7.96	\$ 85,158	
	Ansun Biopharma, Inc.	-	Financial assets at fair value through profit or loss	673	31,160	0.20	31,160	
	Beyond Innovation Technology Co., Ltd.	-	Investments in equity instruments at FVTOCI	1,776	12,901	5.26	12,901	
	MCM Stamping Co., Ltd.	-	Investments in equity instruments at FVTOCI	600	6,007	1.90	6,007	
	Crowningtek Inc.	-	Investments in equity instruments at FVTOCI	1,140	10,446	9.12	10,446	
	Fuho Technology Co., Ltd.	-	Investments in equity instruments at FVTOCI	389	3,538	1.40	3,538	
	Mercury Electronic Industrial Co., Ltd.	-	Investments in equity instruments at FVTOCI	3,000	26,328	12.18	26,328	
	Awin Diamond Technology Corporation	-	Investments in equity instruments at FVTOCI	1,500	15,247	14.72	15,247	
	WeForce Co., Ltd.	-	Investments in equity instruments at FVTOCI	158	1,418	0.90	1,418	
	Danotech Co., Ltd.	-	Investments in equity instruments at FVTOCI	1,500	4,796	3.22	4,796	
	Biodenta Corporation	-	Investments in equity instruments at FVTOCI	57	-	0.63	-	
	UUPON Inc.	-	Investments in equity instruments at FVTOCI	4,000	14,634	11.14	14,634	
	allPay Investment Holdings Co., Ltd.	-	Investments in equity instruments at FVTOCI	1	103	0.34	103	
	Procrystal Technology Company Limited	-	Investments in equity instruments at FVTOCI	3,360	-	2.69	-	
	Life + Co., Ltd.	-	Investments in equity instruments at FVTOCI	2,975	12,946	9.02	12,946	
	Asia Carbons & Technology Inc.	-	Investments in equity instruments at FVTOCI	-	-	-	-	
	Vision Application Tech Corp.	-	Investments in equity instruments at FVTOCI	782	-	5.28	-	
	Topray Mems Inc.	-	Investments in equity instruments at FVTOCI	1,393	2,509	3.22	2,509	
	Gama Pay Co., Ltd.	-	Investments in equity instruments at FVTOCI	3,214	13,729	5.36	13,729	
	Pet Pharm Biotech Co., Ltd.	-	Investments in equity instruments at FVTOCI	314	2,048	2.02	2,048	
	O'Pay Electronic Payment Co., Ltd.	-	Investments in equity instruments at FVTOCI	334	2,231	0.33	2,231	
	Celestial Talent Limited	-	Investments in equity instruments at FVTOCI	1,457	65,727	2.41	65,727	
	Shanghai Vpon Ltd.	-	Investments in equity instruments at FVTOCI	38,615	5,013	8.93	5,013	
	<u>Taiwan depositary receipts</u>							
	Digital China Holdings Limited	-	Financial assets at fair value through profit or loss	200	1,518	0.01	1,518	
	<u>Foreign fund</u>							
	Delos Capital Fund	-	Financial assets at fair value through profit or loss	277,909	264,950	7.63	264,950	
	Delos Capital Fund 2	-	Financial assets at fair value through profit or loss	135,484	106,856	7.46	106,856	

(Concluded)

TABLE 8

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Property	Transaction Date	Transaction Amount	Payment Term/ Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Union Commercial Bank Plc.	Construction of new building for the operation of UCB's head office	2014.12.18 2018.07.04 2019.06.06	US\$ 25,027 thousand (Note 1)	US\$24,720 thousand has been paid as of December 31, 2019	LBL International	-	-	-	-	\$ -	Negotiation	For the operation of UCB's head office	None
E.SUN Commercial Bank, Ltd.	Construction of new building for the operation in Kaohsiung	2018.11.09 2019.11.28	745,300 (Note 2)	\$69,777 has been paid as of December 31, 2019	Chun Yuan Construction Co., Ltd.	-	-	-	-	-	Tender	For the operation of the branch of E.SUN Bank	None
	Construction of new building for the head office of E.SUN Commercial Bank, Ltd.	2018.11.09	6,392,400	\$3,196,200 has been paid as of December 31, 2019	Kindom Construction Corp.	-	-	-	-	-	Appraisal	For relocating the head office of E.SUN Bank	None

Note 1: The initial transaction amount was US\$21,835 thousand and additional decoration amount of US\$3,192 thousand.

Note 2: The initial transaction amount was \$707,000 thousand and additional amount of \$38,300 thousand.

TABLE 9

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**DISPOSAL OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name	Property	Transaction Date	Acquisition Date	Carrying Value	Transaction Amount	Receipt Status	Gain (Loss) on Disposal	Counterparty	Nature of Relationship	Purpose of Disposal	Price Reference	Other Terms
E.SUN Commercial Bank, Ltd.	Zhong Zheng Building	2019.12.27	2004.11.25	\$ 158,036	\$ 340,000	-	\$ -	Highwealth Construction Corp.	-	To comply with regulations and for effective management of freehold properties	Appraisal	None

TABLE 10

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Subsidiary	\$ 1,478,166 (Notes 1 and 3)	-	\$ -	-	\$ -	\$ -
E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	Parent company	305,758 (Notes 2 and 3)	-	-	-	-	-

Note 1: The receivables come from remuneration of directors and receivables related to consolidated tax returns.

Note 2: The receivables come from consolidated corporate tax returns from E.SUN Financial Holding Company, Ltd.

Note 3: When preparing the consolidated financial statements, the receivables have been eliminated.

TABLE 11

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

a. E.SUN Commercial Bank, Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
E.SUN Bank (China) Ltd.	Deposits, loans, import and export, exchange and foreign exchange business	\$ 9,758,742 (Note 1)	Direct	\$ 9,758,742	\$ -	\$ -	\$ 9,758,742 (Note 1)	100	\$ 75,440	\$ 8,754,641	\$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$9,758,742 (Note 1)	\$9,758,742 (Note 1)	\$102,654,200

(Continued)

b. E.SUN Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Transound Electronics (Dongguan) Co., Ltd.	Innovation, R&D, manufacture and selling in new electronic components, and establish R&D institution	\$ 224,645	Invest in Mainland China through the third-party company (Note 3)	\$ 30,000	\$ -	\$ -	\$ 30,000 (Note 1)	\$ 29,025	3.40	\$ -	\$ 16,977	\$ -
Shanghai Vpon Ltd.	Data analysis and developing software	201,222	Direct	38,615	-	-	38,615 (Note 1)	(5,770)	8.93	-	5,013	-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 4)
\$68,615 (Note 1)	\$68,615 (Note 1)	\$2,043,658

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

Note 2: Based on the Investment Commission’s “Regulation on the Examination of Investment or Technical Cooperation in Mainland China,” investments are limited to the larger of 60% of E.SUN Bank’s net asset value or 60% of E.SUN Bank’s consolidated net asset value.

Note 3: The subsidiary of ESHFC invest in Transound Electronics (Dongguan) Co., Ltd. through Transound Electronics Co., Ltd.

Note 4: Based on the Investment Commission’s “Regulation on Examination of Investment or Technical Cooperation in Mainland China,” investments are limited to 60% of E.SUN Venture Capital Co., Ltd.’s net asset value.

(Concluded)

TABLE 12**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Company	Counterparty	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	\$ 491,892	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Deposits and remittances	491,892	Note 4	0.02
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Receivable on consolidated tax returns	1,358,166	Note 4	0.05
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Payable on consolidated tax returns	1,358,166	Note 4	0.05
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Receivable on remuneration of directors	120,000	Note 4	-
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Payable on remuneration of directors	120,000	Note 4	-
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Payable on consolidated tax returns	305,758	Note 4	0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Receivable on consolidated tax returns	305,758	Note 4	0.01
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Other noninterest gains, net	120,000	Note 4	0.22
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Employee benefit	120,000	Note 4	0.22
2	E.SUN Securities Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents, other financial assets	561,080	Note 4	0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Securities Co., Ltd.	c	Deposits and remittances	561,080	Note 4	0.02
2	E.SUN Securities Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Account receivable	180,859	Note 4	0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Securities Co., Ltd.	c	Account payable	180,859	Note 4	0.01
1	E.SUN Commercial Bank, Ltd.	Union Commercial Bank Plc.	c	Discount and loans	2,529,492	Note 4	0.10
3	Union Commercial Bank Plc.	E.SUN Commercial Bank, Ltd.	c	Other financial liabilities	2,529,492	Note 4	0.10

(Continued)

No. (Note 1)	Transaction Company	Counterparty	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 (%)
1	E.SUN Commercial Bank, Ltd.	E.SUN Bank, Ltd. (China) Ltd.	c	Due from the Central Bank and call loans to other banks	\$ 7,692,134	Note 4	0.31
4	E.SUN Bank, Ltd. (China) Ltd.	E.SUN Commercial Bank, Ltd.	c	Due to the Central Bank and other banks	7,692,134	Note 4	0.31
1	E.SUN Commercial Bank, Ltd.	E.SUN Bank, Ltd. (China) Ltd.	c	Interest revenues	207,021	Note 4	0.38
4	E.SUN Bank, Ltd. (China) Ltd.	E.SUN Commercial Bank, Ltd.	c	Interest expenses	207,021	Note 4	0.38

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

- a. Parent company: 0.
- b. Subsidiaries are numbered in an order starting from 1.

Note 2: Transaction flows are as follows:

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

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

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

Note 5: Referring to transactions exceeding \$100,000 thousand.

(Concluded)

TABLE 13**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****CAPITAL ADEQUACY RATIO
DECEMBER 31, 2019 AND 2018**

1. E.SUN Financial Holding Company, Ltd.'s capital adequacy ratio

Unit: In Thousands of New Taiwan Dollars, %

	December 31, 2019			December 31, 2018		
	Pro-portionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement	Pro-portionate Share	Group's Net Eligible Capital	Group's Statutory Capital Requirement
E.SUN Financial Holding Company, Ltd.		\$ 173,050,612	\$ 180,072,522		\$ 160,006,542	\$ 166,722,869
E.SUN Commercial Bank, Ltd.	100	225,229,332	161,743,250	100	214,187,113	139,779,358
E.SUN Securities Co., Ltd.	100	4,377,258	1,505,640	100	4,128,876	1,146,402
E.SUN Venture Capital Co., Ltd.	100	3,406,096	1,730,833	100	3,280,563	1,658,795
Deduction		(197,642,829)	(179,771,626)		(185,681,445)	(166,592,737)
Total		208,420,469	165,280,619		195,921,649	142,714,687
Group capital adequacy ratio		126.10			137.28	

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

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

2. E.SUN Financial Holding Company, Ltd.'s eligible capital

Unit: In Thousands of New Taiwan Dollars

Items	December 31, 2019	December 31, 2018
Common stock	\$ 116,195,000	\$ 108,289,000
Capital instruments, which conform to the terms of bank's other Tier 1 capital	-	-
Other preferred stocks and subordinated debts	-	-
Capital collected in advance	-	-
Capital surplus	24,965,734	24,710,706
Legal reserve	11,068,215	9,361,366
Special reserve	164,235	164,235
Cumulative earnings	20,465,306	17,102,179
Equity adjustments	199,431	386,802
Less: Capital deduction	7,309	7,746
Total eligible capital	173,050,612	160,006,542

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

(Continued)

3. E.SUN Commercial Bank, Ltd.'s capital adequacy ratio

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

Items			Year	December 31, 2019		
				Standalone	Consolidated	
Eligible capital	Common equity		\$	161,585,961	\$	163,736,378
	Other Tier 1 capital			20,353,674		23,782,500
	Tier 2 capital			43,289,697		50,462,950
	Eligible capital			225,229,332		237,981,828
Risk-weighted assets	Credit risk	Standardized approach		1,395,412,290		1,460,785,074
		Internal ratings-based approach		-		-
		Securitization		-		-
	Operational risk	Basic indicator approach		-		-
		Standardized approach/alternative standardized approach		82,085,088		85,599,525
		Advanced measurement approach		-		-
	Market risk	Standardized approach		62,914,525		70,789,300
		Internal model approach		-		-
	Risk-weighted assets			1,540,411,903		1,617,173,899
	Capital adequacy ratio (%)				14.62	
Ratio of common equity capital to risk-weighted assets (%)				10.49		10.12
Ratio of Tier 1 capital to risk-weighted assets (%)				11.81		11.60
Ratio of leverage (%)				7.02		7.06

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

Items			Year	December 31, 2018	
				Standalone	Consolidated
Eligible capital	Common equity		\$ 149,446,951	\$ 151,529,663	
	Other Tier 1 capital		20,368,923	23,787,739	
	Tier 2 capital		44,371,239	51,792,894	
	Eligible capital		214,187,113	227,110,296	
Risk-weighted assets	Credit risk	Standardized approach	1,298,702,048	1,352,101,364	
		Internal ratings-based approach	-	-	
		Securitization	-	-	
	Operational risk	Basic indicator approach	-	-	
		Standardized approach/alternative standardized approach	74,177,125	77,731,050	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	42,608,000	47,862,450	
		Internal model approach	-	-	
	Risk-weighted assets		1,415,487,173	1,477,694,864	
	Capital adequacy ratio (%)			15.13	15.37
Ratio of common equity capital to risk-weighted assets (%)			10.56	10.25	
Ratio of Tier 1 capital to risk-weighted assets (%)			12.00	11.86	
Ratio of leverage (%)			7.17	7.22	

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.”

(Continued)

Note 2: Formulas used were as follows:

- a) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- b) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- c) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- d) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- e) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- f) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

(Concluded)

TABLE 14**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF
THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)**

December 31, 2019

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person or same juridical person		
Central Bank of the Republic of China (ROC)	\$ 274,446,238	158.59
Ministry of Finance, ROC	65,757,941	38.00
Societe Generale	15,381,195	8.89
Tai Power Co., Ltd.	14,055,774	8.12
Corsair Finance Jersey International Ltd.	13,366,425	7.72
Credit Agricole	13,053,784	7.54
JP Morgan Structured Products B.V.	11,940,277	6.90
Citi Bank	11,792,529	6.81
CPC Corporation, Taiwan	10,474,193	6.05
BPCE SA	10,385,491	6.00
Royal Bank Of Scotland	10,015,340	5.79
HSBC Bank Plc.	9,631,543	5.57
BNP Paribas	9,486,103	5.48
World Peace Industrial Co., Ltd.	8,569,505	4.95
Goldman Sachs International	8,485,123	4.90
Anshin Real Estate Management Company	7,381,810	4.27
Bank of America Corp.	6,753,305	3.90
Morgan Stanley	6,568,444	3.80
JP Morgan Chase Bank	6,411,010	3.70
Wells Fargo Capital Finance	6,031,795	3.49
Mizuho Bank	5,994,862	3.46
Kaohsiung City Government	5,899,110	3.41
Quanta Computer Inc.	5,796,951	3.35
IRIS SPV Plc.	5,749,897	3.32
YFG Shopping	5,593,090	3.23
LIBRETTO CAPITAL Plc.	5,289,428	3.06
Formosa Plastics Corporation	5,078,063	2.93
Malayan Banking Berhad	5,019,530	2.90
Taiwan Cooperative Financial Holding Co., Ltd.	4,998,555	2.89
Taiwan Railways Administration, MOTC	4,987,223	2.88

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
Morgan Stanley Finance LLC Nan Ya Plastic Co., Ltd. Cathay Financial Holdings Co., Ltd. WESTPAC MUFG Bank, Ltd. The Export-Import Bank Of Korea Eva Airway Corporation Nomura Holdings, Inc. Formosa Ha Tinh (Cayman) Limited Taiwan Cooperative Bank Bank of New Zealand The Export-Import Bank of the Republic of China Commonwealth Bank of Australia Banco Bilbao Vizcaya Argentaria UBS AG Eternal Materials Co., Ltd. Formosa Chemicals & Fiber Corporation US Government HSBC Bank (Taiwan) Hon Hai Precision Co., Ltd. Industrial and Commercial Bank of China Douro Finance B.V. Earls Eight Limited	\$ 4,855,867 4,787,600 4,654,615 4,269,222 4,261,598 4,008,421 3,959,876 3,935,440 3,824,351 3,707,540 3,703,835 3,703,180 3,683,883 3,637,695 3,607,996 3,493,607 3,463,191 3,459,406 3,287,775 3,098,850 3,077,684 3,031,900 3,010,346	2.81 2.77 2.69 2.47 2.46 2.32 2.29 2.27 2.21 2.14 2.14 2.14 2.13 2.10 2.08 2.02 2.00 2.00 1.90 1.79 1.78 1.75 1.74
2. Same natural person and his/her spouse and relatives by blood within the second degree of kinship, as well as enterprise in which the principal or his/her spouse is the responsible person		
Zhang Liu	7,388,190 4,038,328	4.27 2.33
3. Same affiliate Societe Generale and related parties Credit Agricole Corporation & Investment Bank and related parties HSBC Bank and related parties Citi Bank and related parties Morgan Stanley And Co. Int. Plc. Formosa Plastics Corp., Ltd. and related parties Eva Airway Corporation and related parties WPG Holdings Limited and related parties Groupe BPCE and related parties Sinyi Realty Inc. and related parties	15,385,347 13,100,130 12,919,318 11,795,226 11,424,311 10,874,816 10,845,866 10,507,345 10,392,035 10,177,524	8.89 7.57 7.47 6.82 6.60 6.28 6.27 6.07 6.00 5.88

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
BNP Paribas S.A. and related parties	\$ 9,592,146	5.54
Taiwan Cooperative Financial Holding Co., Ltd. and related parties	8,706,096	5.03
Wells Fargo Bank, National Association and related parties	8,089,944	4.67
Hon Hai Precision Co., Ltd. and related parties	7,904,665	4.57
Fubon Group and related parties	7,639,141	4.41
Bank of America Corp. and related parties	6,753,780	3.90
Quanta Computer Inc. and related parties	6,546,451	3.78
Mizuho Financial Group, Inc. and related parties	5,998,131	3.47
Cathay Financial Holdings Co., Ltd. and related parties	5,696,917	3.29
China Steel Corporation and related parties	5,040,765	2.91
Nan Ya Plastic Co., Ltd. and related parties	4,801,778	2.77
Far Eastern New Century Corporation and related parties	4,792,145	2.77
Mitac-synnex Group and related parties	4,434,744	2.56
Ruentex Industries Ltd. and related parties	4,346,814	2.51
Tokyo-Mitsubishi UFJ, Ltd. and related parties	4,346,710	2.51
Oisda Corporation and related parties	4,318,684	2.50
Chicony Technology Co. and related parties	4,214,905	2.44
Roya Golden Eagle and related parties	4,186,546	2.42
Walsin Lihwa Corporation and related parties	4,131,034	2.39
Formosa Chemicals & Fibre Corporation and related parties	4,029,064	2.33
UBS AG and related parties	3,617,870	2.09
Eternal Materials Co., Ltd. and related parties	3,608,073	2.08
Uni-President Enterprise Co. and related parties	3,389,254	1.96

December 31, 2018

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1. Same person or same juridical person		
Central Bank of the Republic of China (ROC)	\$ 280,533,854	175.32
Ministry of Finance, ROC	56,382,601	35.24
Tai Power Co., Ltd.	15,108,185	9.44
Societe Generale	14,408,864	9.00
Bank of China	11,639,467	7.27
Hong Kong & Shanghai Banking Corporation, Limited.	11,477,408	7.17
Corsair Finance Jersey International Ltd.	10,233,342	6.40
Credit Agricole	9,647,484	6.03

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
Goldman Sachs International Citi Bank JP Morgan Structured Products B.V. World Peace Industrial Co., Ltd. BNP Paribas Nomura Holdings, Inc. Ansin Real Estate Management Company Libretto Capital Plc. Morgan Stanley Iris Spv Plc. The Bank of Tokyo-Mitsubishi UFJ, Ltd. National Australia Bank Natixis Banques Populaires UBS AG Deutsche Bank Royal Bank of Scotland Industrial And Commercial Bank of China Eva Airway Corporation Nan Ya Plastic Co., Ltd. YFG Shopping Centres Pty Ltd. Pegatron Corporation Export Import Bank Clevo Co. Sinyi Realty Inc. Douro Finance B.V. Quanta Computer Inc. Hon Hai Precision Co., Ltd. Mizuho Bank JP Morgan Chase Bank N.A Formosa Chemicals & Fibre Corporation Kaohsiung City Government Commonwealth Bank Company, Inc. Wanda Commercial Properties Co Ltd. Kingston Technology Company, Inc.	\$ 9,483,193 9,003,755 8,188,148 8,101,818 8,064,765 7,552,127 7,107,558 6,629,961 6,021,775 5,872,815 5,602,284 5,548,292 5,543,980 5,064,330 5,033,064 4,910,405 4,720,961 4,670,833 4,363,805 4,336,400 4,302,620 4,282,029 4,150,000 4,062,595 4,018,606 3,904,695 3,517,295 3,469,705 3,285,629 3,265,175 3,190,043 3,155,622 3,073,300 3,073,300	5.93 5.63 5.12 5.06 5.04 4.72 4.44 4.14 3.76 3.67 3.50 3.47 3.46 3.16 3.15 3.07 2.95 2.92 2.73 2.71 2.69 2.68 2.59 2.54 2.51 2.44 2.20 2.17 2.05 2.04 1.99 1.97 1.92 1.92
2. Same natural person and his/her spouse and relatives by blood within the second degree of kinship, as well as enterprise in which the principal or his/her spouse is the responsible person Zhang Liu You	 7,114,352 4,748,808 4,156,177	 4.45 2.97 2.60

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
3. Same affiliate		
Societe General and related parties	\$ 14,410,698	9.01
Sinyi Realty Inc. and related parties	11,170,153	6.98
Eva Airway Corporation and related parties	10,923,358	6.83
WPG Holdings Limited and related parties	9,331,136	5.83
Hon Hai Precision Co., Ltd. and related parties	7,313,563	4.57
Fubon and related parties	7,093,762	4.43
Formosa Plastics Corp., Ltd. and related parties	5,673,529	3.55
Chicony Technology Co. and related parties	5,470,171	3.42
Pegatron Corporation and related parties	4,366,588	2.73
Mitac-synnex Group and related parties	4,364,263	2.73
China Steel Corporation and related parties	4,329,924	2.71
Quanta Computer Inc. and related parties	4,181,292	2.61
Kinpo Co., Ltd. and related parties	4,053,270	2.53
Qisda Technology Co., Ltd. and related parties	4,050,151	2.53
Walsin Lihwa Corporation and related parties	3,871,621	2.42
Roya Golden Eagle and related parties	3,828,401	2.39
Far Eastern New Century Corporation and related parties	3,683,872	2.30
Formosa Chemicals & Fibre Corporation and related parties	3,598,253	2.25
Powertech Technology Inc. and related parties	3,468,746	2.17

(Concluded)

TABLE 15

E.SUN FINANCIAL HOLDING COMPANY, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Income	The Proportionate Share of the Company and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	Taipei	Banking	100.00	\$ 170,961,323	\$ 19,645,136	9,048,100	-	9,048,100	100.00	3
	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in brokerage of futures	100.00	5,321,700	431,203	400,000	-	400,000	100.00	3
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	3,408,003	114,812	309,300	-	309,300	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 Act 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 paragraph 1 of Article 11 of the “Securities and Exchange Law Enforcement Rules,” such as convertible bonds and warrants.

c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

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

TABLE 16

E.SUN SECURITIES CO., LTD.

**FINANCIAL RATIOS OF FUTURES BUSINESS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

Requirement: The Regulations Governing Futures Commission Merchants.

Rule No.	Formula	December 31, 2019		December 31, 2018		Standard	Status of Compliance with Standard (Met/Unmet)
		Formula	Ratio	Formula	Ratio		
17	Equities	1,088,040	218.26	1,087,172	20.66	≥ 1	Met
	Total liabilities minus customers' equity accounts - Futures	(869,263-864,279)		(927,582-874,966)			
17	Current assets	1,654,885	1.90	1,740,493	1.98	≥ 1	Met
	Current liabilities	869,263		880,461			
22	Equities	1,088,040	116.37%	1,087,172	116.28%	≥ 60%	Met
	Capital stock	935,000		935,000		≥ 40%	
22	Adjusted net capital	1,016,887	404.51%	1,051,919	666.34%	≥ 20%	Met
	Client and proprietary account	251,389		157,866		≥ 15%	

SCHEDULE 1

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Amount
Cash on hand	\$ 18,307,385
Checks for clearing	2,235,915
Due from banks	<u>22,482,739</u>
	43,026,039
Less: Allowance for possible losses	<u>(2,411)</u>
	<u>\$ 43,023,628</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Shares	Face Value	Interest Rate (%)	Cost	Fair Value		Change in Fair Values Resulting from Credit Risk Variations
						Unit Price	Amount	
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>								
Negotiable certificates of deposits (Note)	2020.01.02-2021.12.20	-	\$ 273,410,000	0.2000-0.7050	\$ 273,410,000		\$ 274,066,671	\$ -
Commercial paper	2020.01.03-2020.06.15	-	76,536,100	0.5000-1.8500	76,417,604		76,452,039	-
Treasury bills	2020.06.29	-	9,000,000	0.5180	8,976,753		8,970,725	-
Corporate bonds	2020.08.19-2030.01.10	-	76,989,583	0.7950-7.0000	76,988,157		77,312,400	-
Bank debentures	2021.01.25-2030.01.09	-	66,850,860	0.0000-7.8000	66,850,993		67,042,684	-
Overseas government bonds	2029.11.15	-	150,565	1.7500	148,236		148,823	-
Stock		236,442	-		3,718,834		3,590,807	-
Overseas mutual funds		-	-		413,393		371,806	-
Operating securities - dealing department		-	-		663,926		666,525	-
Operating securities - underwriting department		-	-		207,815		243,853	-
Beneficial certificates		-	-		173,200		170,456	-
Taiwan depositary receipts		200	-		6,076		1,518	-
Currency swap contracts		-	-		-		4,634,534	-
Interest rate swap contracts		-	-		-		4,879,493	-
Currency option contracts		-	-		769,496		592,864	-
Forward contracts		-	-		-		295,111	-
Futures exchange margins		-	-		168,184		164,751	-
Non-deliverable forward contracts		-	-		-		7,977	-
Cross-currency swap contracts		-	-		-		30,267	-
Metal commodity swap contracts		-	-		-		5,369	-
					<u>\$ 508,912,667</u>		<u>\$ 519,648,673</u>	

Note: The negotiable certificates of deposits, with aggregate face value of \$19,200,000 thousand and \$5,000,000 thousand, had been provided as collaterals for day-term overdraft and foreign currency call loans from the Central Bank to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS).

SCHEDULE 3**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****DETAILED SCHEDULE OF DISCOUNTS AND LOANS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Short-term loans	
Short-term loans	\$ 145,118,608
Short-term secured loans	150,847,529
Secured overdrafts	1,270,147
Accounts receivable financing	208,953
Overdrafts	646,023
	<u>298,091,260</u>
Medium-term loans	
Medium-term loans	263,293,003
Medium-term secured loans	87,302,373
	<u>350,595,376</u>
Long-term loans	
Long-term loans	88,197,893
Long-term secured loans	720,712,990
	<u>808,910,883</u>
Overdue loans	<u>2,228,167</u>
Bills negotiated and discounts	
Export bills negotiated	1,697,069
Import bills negotiated	665,069
	<u>2,362,138</u>
	1,462,187,824
Less: Allowance for possible losses	(17,739,287)
Adjustment of premium or discount	<u>(126,436)</u>
Net amount	<u>\$ 1,444,322,101</u>

Note: The amount of US\$26,000 thousand had been provided as collaterals at the Discount Window of the Federal Reserve Bank of San Francisco.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	In Thousands of Shares	Face Value	Interest Rate (%)	Cost	Allowance for Impairment Losses	Fair Value		Note
							Unit Price	Amount (Note 1)	
Stock		210,425			\$ 7,462,019	\$ -		\$ 8,057,694	
Negotiable certificates of deposit	Expire on 2020.11.12 to 2023.08.16		\$ 1,505,655	2.6356-2.7541	1,504,874	(579)		1,508,450	
Bank debentures (Note 2)	Expire on 2020.01.22 to 2046.02.03		105,993,932	0.5500-9.3200	106,158,622	(37,469)		106,686,396	
Government bonds (Note 3)	Expire on 2020.01.18 to 2032.01.20		59,764,700	0.5000-6.2500	62,411,166	-		62,686,326	
Corporate bonds	Expire on 2020.03.26 to 2047.04.05		34,147,496	0.7200-8.7000	34,205,791	(18,281)		34,344,796	
Discounted Notes	Expire on 2020.01.10 to 2020.02.28			3.3000-3.6000	32,708	-		32,018	
Overseas bonds (Note 4)	Expire on 2020.11.30 to 2024.02.21		2,503,473	1.1300-5.0000	<u>2,547,002</u>	<u>-</u>		<u>2,562,519</u>	
					<u>\$ 214,322,182</u>	<u>\$ (56,329)</u>		<u>\$ 215,878,199</u>	

Note 1: The book value that amounted to \$7,026,815 thousand had been sold under repurchase agreements.

Note 2: Among the bank debentures, face value of \$240,904 thousand had been pledged to the Discount Window of the Federal Reserve Bank of San Francisco.

Note 3: Among the government bonds, face value of \$100,000 thousand had been provided as the bond payment settlement reserves for the Electronic Bond Trading System (EBTS); face value of \$280,000 thousand had been posted as the reserve fund of the trust business; face value of \$50,000 thousand had been provided as operating deposits for the bills houses; face value of \$50,000 thousand had been deposited as the margin of custodian agreement; and face value of \$118,800 thousand had been lodged with the courts.

Note 4: Among the overseas bonds, face value of \$259,466 thousand had been provided as collaterals for day-term and overnight overdraft to comply with the clearing system requirement of the banks in Hong Kong.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Bond Items	Summary	Unit	Face Value	Interest Rate (%)	Allowance for Impairment Losses	Unamortized Premium (Discount)	Book Value
Overseas bonds (Note 2)	Expire on 2020.01.10 to 2021.10.31		\$ 8,915,431	0.0000-2.5000	\$ -	\$ (34,808)	\$ 8,880,623
Overseas certificates of deposits (Note 3)	Expire on 2020.01.30		75,283	2.5500	(32)	-	75,251
Bank debentures	Expire on 2023.02.25 to 2026.11.30		3,196,936	2.5800-3.3300	(1,020)	(7,874)	3,188,042
Corporate bonds	Expire on 2023.07.16 to 2025.10.01		<u>453,394</u>	2.8800-3.2500	<u>(22)</u>	<u>2,410</u>	<u>455,782</u>
			<u>\$ 12,641,044</u>		<u>\$ (1,074)</u>	<u>\$ (40,272)</u>	<u>\$ 12,599,698</u>

Note 1: The book value that amounted to \$431,208 thousand had been sold under repurchase agreements.

Note 2: Among the overseas bonds, face value of \$2,837,356 thousand had been provided as collaterals for day-term and overnight overdraft to comply with the clearing system requirement of the banks in Hong Kong.

Note 3: Overseas certificates of deposits had been pledged as reserves to the Bank of California.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF OTHER FINANCIAL ASSETS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount	Note
Due from banks (Note)	\$ 7,174,238	
Guarantee deposits received on futures contracts	<u>865,245</u>	
	<u>\$ 8,039,483</u>	

Note: The amount of \$3,891,960 thousand had been provided as collaterals for day-term overdraft of CNY to comply with the clearing system requirement of the foreign currency; the amount of \$69,488 thousand is due from banks with restricted use in compliance with the relevant regulations of business operation.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF PROPERTIES AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Reclassification Increase (Decrease)	Net Exchange Difference	Balance, December 31
Cost						
Land	\$ 14,743,743	\$ -	\$ (38,712)	\$ (120,599)	\$ (5,992)	\$ 14,578,440
Buildings	14,795,088	386,355	(44,035)	(105,626)	(58,999)	14,972,783
Computers	6,061,055	744,142	(272,778)	4,635	(8,009)	6,529,045
Transportation equipment	876,590	47,099	(44,542)	500	(2,112)	877,535
Miscellaneous equipment	<u>3,676,239</u>	<u>226,489</u>	<u>(74,747)</u>	<u>122,165</u>	<u>(16,918)</u>	<u>3,933,228</u>
Total cost	<u>40,152,715</u>	<u>\$ 1,404,085</u>	<u>\$ (474,814)</u>	<u>\$ (98,925)</u>	<u>\$ (92,030)</u>	<u>40,891,031</u>
Less: Accumulated depreciation and impairment						
Buildings	4,223,385	\$ 550,097	\$ (30,545)	\$ (56,052)	\$ (4,987)	4,681,898
Computers	3,524,523	636,628	(272,038)	-	(5,364)	3,883,749
Transportation equipment	523,688	61,623	(44,382)	-	(1,380)	539,549
Miscellaneous equipment	<u>2,308,716</u>	<u>294,437</u>	<u>(73,263)</u>	<u>(23,344)</u>	<u>(8,505)</u>	<u>2,498,041</u>
Total accumulated depreciation and impairment	<u>10,580,312</u>	<u>\$ 1,542,785</u>	<u>\$ (420,228)</u>	<u>\$ (79,396)</u>	<u>\$ (20,236)</u>	<u>11,603,237</u>
Prepayments for properties and equipment	<u>3,032,117</u>	<u>\$ 1,390,960</u>	<u>\$ (286)</u>	<u>\$ (359,633)</u>	<u>\$ 492</u>	<u>4,063,650</u>
Property and equipment, net	<u>\$ 32,604,520</u>					<u>\$ 33,351,444</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**DETAIL SCHEDULE OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Items	Balance, January 1	Increase in the Current Year	Decrease in the Current Year	Reclassification Increase (Decrease)	Net Exchange Difference	Balance, December 31
Cost						
Buildings	\$ 2,798,780	\$ 1,557,893	\$ 130,975	\$ 37,036	\$ (21,838)	\$ 4,240,896
Office equipment	533	5,753	-	-	(2)	6,284
Transportation equipment	<u>4,967</u>	<u>5,753</u>	<u>292</u>	<u>-</u>	<u>(159)</u>	<u>10,269</u>
Total cost	<u>2,804,280</u>	<u>\$ 1,569,399</u>	<u>\$ 131,267</u>	<u>\$ 37,036</u>	<u>\$ (21,999)</u>	<u>4,257,449</u>
Accumulated depreciation						
Buildings	-	\$ 1,099,773	\$ 40,045	\$ 21,286	\$ (9,768)	1,071,246
Office equipment	-	2,037	-	-	(66)	1,971
Transportation equipment	<u>-</u>	<u>3,601</u>	<u>292</u>	<u>-</u>	<u>(108)</u>	<u>3,201</u>
Total accumulated depreciation	<u>-</u>	<u>\$ 1,105,411</u>	<u>\$ 40,337</u>	<u>\$ 21,286</u>	<u>\$ (9,942)</u>	<u>1,076,418</u>
	<u>\$ 2,804,280</u>					<u>\$ 3,181,031</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF COMMERCIAL PAPER ISSUED

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Company	Guarantee or Acceptance Agency	Terms of the Contract	Interest Rate (%)	Amount		
				Issue Amount	Unamortized Discount	Book Value
E.SUN Securities Co., Ltd.	International Bills Finance Corporation	2020.01.13	0.43	\$ 130,000	\$ 29	\$ 129,971
	International Bills Finance Corporation	2020.01.08	0.64	120,000	16	119,984
	China Bills Finance	2020.01.08	0.63	125,000	17	124,983
	China Bills Finance	2020.01.03	0.66	115,000	4	114,996
	China Bills Finance	2020.02.06	0.68	200,000	148	199,852
	Dah Chung Bills	2020.01.03	0.65	100,000	4	99,996
	Hua Nan Commercial Bank	2020.01.20	0.51	100,000	34	99,966
	Hua Nan Commercial Bank	2020.01.14	0.53	200,000	48	199,952
	Hua Nan Commercial Bank	2020.01.15	0.53	192,000	49	191,951
	Hua Nan Commercial Bank	2020.01.09	0.53	100,000	15	99,985
	Hua Nan Commercial Bank	2020.01.10	0.53	103,000	17	102,983
	Hua Nan Commercial Bank	2020.01.06	0.53	279,000	25	278,975
	Hua Nan Commercial Bank	2020.02.04	0.57	100,000	66	99,934
	Hua Nan Commercial Bank	2020.02.07	0.59	226,000	167	225,833
	Sunny Bank	2020.01.10	0.64	100,000	17	99,983
	Sunny Bank	2020.02.05	0.70	100,000	72	99,928
	Sunny Bank	2020.02.10	0.70	200,000	166	199,834
	Sunny Bank	2020.02.07	0.70	150,000	115	149,885
	Taishin International Bank	2020.01.09	0.58	182,000	29	181,971
	Taishin International Bank	2020.02.05	0.55	158,000	115	157,885
	Taishin International Bank	2020.02.06	0.55	153,000	114	152,886
	Union Bank of Taiwan	2020.01.16	0.60	127,000	34	126,966
	Union Bank of Taiwan	2020.01.17	0.60	273,000	79	272,921
	CTBC Bank	2020.01.06	0.67	<u>150,000</u>	<u>44</u>	<u>149,956</u>
				<u>\$ 3,683,000</u>	<u>\$ 1,424</u>	<u>\$ 3,681,576</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Financial Instrument Items	Summary	Face Value	Interest Rate (%)	Fair Value		Change in Fair Values Resulting from Credit Risk Variations
				Unit Price	Amount	
Held-for-trading financial liabilities						
Currency swap contracts					\$ 7,833,585	
Interest rate swap contracts					1,754,580	
Currency option contracts					600,624	
Forward contracts					227,051	
Cross-currency swap contracts					3,925	
Non-deliverable forward contracts					4,374	
Metal commodity swap contracts					1,182	
Credit default swap contracts					156	
					<u>10,425,477</u>	
Financial liabilities designated as at fair value through profit or loss						
Bank debentures						
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	Issued on May 27, 2015 with a 30-year maturity in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.	\$ 2,559,605	-	\$ 131.2074	3,358,391	\$ 80,923
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	Issued on May 27, 2015 with interest payable annually on July 1 under certain interest payment conditions in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.	2,559,605	4.97	95.5269	2,445,112	(44,843)
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	Issued on October 28, 2015 with a 30-year maturity in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.	1,897,119	-	131.1057	2,487,231	67,825
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	Issued on October 28, 2015 with interest payable annually on July 1 under certain interest payment conditions in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.	1,294,859	5.10	105.0385	1,360,100	(33,977)
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	Issued on January 22, 2016 with a 30-year maturity in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.	7,227,120	-	129.5930	9,365,842	262,767

(Continued)

Financial Instrument Items	Summary	Face Value	Interest Rate (%)	Fair Value		Change in Fair Values Resulting from Credit Risk Variations
				Unit Price	Amount	
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	Issued on January 22, 2016 with interest payable annually on July 1 under certain interest payment conditions in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.	\$ 7,227,120	5.10	\$ 108.2852	\$ 7,825,900	\$ (179,296)
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	Issued on June 6, 2016 with a 30-year maturity in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.	2,860,735	-	116.0580	3,320,111	85,831
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	Issued on June 6, 2016 with interest payable annually on July 1 under certain interest payment conditions in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.	2,860,735	4.41	102.4179	2,929,904	(79,739)
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	Issued on December 29, 2016 with interest payable annually on July 1 under certain interest payment conditions in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.	2,710,170	4.85	106.3351	2,881,861	(69,651)
Unsecured USD-denominated bonds issued on May 19, 2017	Issued on May 19, 2017 with a 30-year maturity in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and every single years afterward, or make bond repayments on the maturity date.	1,806,780	-	113.4421	2,049,648	71,799
Unsecured USD-denominated bonds issued on November 21, 2017	Issued on November 21, 2017 with a 30-year maturity in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and every single years afterward, or make bond repayments on the maturity date.	4,065,255	-	110.1301	4,477,071	105,805
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	Issued on February 12, 2018 with interest payable annually on July 1 under certain interest payment conditions in accordance with the terms of the bank debentures and with the approval of the authorities, E.SUN Bank may redeem all the bonds after 15 years from the issue date.	6,022,600	4.75	107.4873	<u>6,473,528</u>	(137,382)
Structured products (Note)					48,974,699	1,405
					<u>230,340</u>	
					<u>49,205,039</u>	
					<u>\$ 59,630,516</u>	

Note: The amount of each individual item does not exceed 5% of the account balance.

(Concluded)

SCHEDULE 11**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****DETAILED SCHEDULE OF DEPOSITS AND REMITTANCES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Checking deposits	
Cashier's checks	\$ 2,819,436
Checking deposits	<u>11,328,953</u>
	<u>14,148,389</u>
Demand deposits	
Demand deposits	243,130,438
Foreign currency demand deposits	263,860,149
Others (Note)	<u>9,919</u>
	<u>507,000,506</u>
Savings - demand deposits	
Savings - demand deposits	548,884,817
Bank employee demand savings deposits	<u>3,819,153</u>
	<u>552,703,970</u>
Time deposits	
Time deposits	175,895,629
Foreign currency time deposits	<u>506,437,613</u>
	<u>682,333,242</u>
Negotiable certificates of deposits	<u>10,240,026</u>
Savings - time deposits	
Withdrawals of interest savings	210,441,955
Round-amount savings	93,666,413
Others (Note)	<u>145,113</u>
	<u>304,253,481</u>
Treasury deposits	<u>11,390,086</u>
Remittances	
Remittances outstanding	902,375
Outward remittances	<u>12,554</u>
	<u>914,929</u>
	<u>\$ 2,082,984,629</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF BOND PAYABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Name	Trust Institutions	Issue Date	Interest Payment Date	Annual Interest Rate	Amount			Repayment Method	Types of Collateral	Note
					Total Issued Amount	Repaid Amount	Carrying Amount			
Corporate bonds										
Unsecured corporate bonds - first issue in 2016	Hua Nan Commercial Bank, Ltd.	2016.9.22	September 22 in each year	Fixed interest rate 0.75%	\$ 900,000	\$ -	\$ 900,000	Repay on the maturity date	Unsecured	
Unsecured corporate bonds - second issue in 2016	Hua Nan Commercial Bank, Ltd.	2017.1.20	January 20 in each year	Fixed interest rate 1.10%	1,100,000	-	1,100,000	Repay on the maturity date	Unsecured	
Unsecured corporate bonds - first issue in 2019	Hua Nan Commercial Bank, Ltd.	2019.1.14	January 14 in each year	Fixed interest rate 0.95%	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>	Repay on the maturity date	Unsecured	
					<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>			
Bank debentures										
Subordinated bonds - Second issue in, 2012 (matures after 10 years)	None	2012.6.28	June 28 in each year	Fixed interest rate 1.68%	2,720,000	-	2,720,000	Repay on the maturity date	Unsecured	
Subordinated bonds - third issue in 2012	None	2012.8.27	August 27 in each year	Two types of subordinated bonds; fixed interest rate at (a) 1.50% for type A bond and (b) 1.62% for type B bond (type A bond matures after 7 years and type B bond matures after 10 years).	8,000,000	4,500,000	3,500,000	Repay on the maturity date	Unsecured	
Subordinated bonds - first issue in 2013	None	2013.5.24	May 24 in each year	Two types of subordinated bonds; fixed interest rate at (a) 1.55% for type A bond and (b) 1.70% for type B bond (type A bond matures after 7 years and type B bond matures after 10 years).	2,300,000	-	2,300,000	Repay on the maturity date	Unsecured	
Subordinated bonds - second issue in 2013 (matures after 7 years)	None	2013.8.28	August 28 in each year	Fixed interest rate 1.75%	2,700,000	-	2,700,000	Repay on the maturity date	Unsecured	
Subordinated bonds - third issue in 2013	None	2013.12.19	December 19 in each year	Two types of subordinated bonds; fixed interest rate at (a) 1.75% for type A bond and (b) 1.85% for type B bond (type A bond matures after 5.5 years and type B bond matures after 7 years).	1,500,000	1,000,000	500,000	Repay on the maturity date	Unsecured	
Subordinated bonds - first issue in 2014	None	2014.3.7	March 7 in each year	Two types of subordinated bonds; fixed interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond (type A bond matures after 7 years and type B bond matures after 10 years).	3,500,000	-	3,500,000	Repay on the maturity date	Unsecured	
Subordinated bonds - first issue in 2015	None	2015.4.30	April 30 in each year	Two types of subordinated bonds; fixed interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond (type A bond matures after 7 years and type B bond matures after 10 years).	5,000,000	-	5,000,000	Repay on the maturity date	Unsecured	
Subordinated bonds - second issue in 2015	None	2015.9.29	September 29 in each year	Two types of subordinated bonds; fixed interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond (type A bond matures after 7 years and type B bond matures after 10 years).	3,750,000	-	3,750,000	Repay on the maturity date	Unsecured	
Subordinated bonds - second issue in 2018	None	2018.3.30	March 30 in each year	Two types of subordinated bonds; fixed interest rate at (a) 1.30% for type A bond and (b) 1.55% for type B bond (type A bond matures after 7 years and type B bond matures after 10 years).	4,000,000	-	4,000,000	Repay on the maturity date	Unsecured	
Bonds - third issue in 2018 (matures after 2 years)	None	2018.4.24	April 24 in each year	Fixed interest rate 0.66%	1,100,000	-	1,100,000	Repay on the maturity date	Unsecured	
Bonds - second issue in 2019 (matures after 3 years)	None	2019.8.13	August 13 in each year	Fixed interest rate 0.65%	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	Repay on the maturity date	Unsecured	
					<u>37,570,000</u>	<u>5,500,000</u>	<u>32,070,000</u>			
					<u>\$ 43,570,000</u>	<u>\$ 5,500,000</u>	<u>\$ 38,070,000</u>			

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Description	Lease Term	Discount Rate (%)	Balance, End of Year	Note
Buildings		2009.07.16-2030.04.15	0.80%-7.50%	\$ 3,175,858	
Transportation equipment		2017.09.05-2022.04.25	0.66%-7.50%	1,466	
Office equipment		2017.05.01-2023.09.30	0.80%-2.98%	<u>403</u>	
				<u>\$ 3,177,727</u>	

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF INTEREST REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest revenue from discounts and loans	
From long-term loan interest	\$ 14,008,566
From medium-term loan interest	11,239,160
From short-term loan interest	6,882,826
Others (Note)	<u>363,338</u>
	<u>32,493,890</u>
Interest revenue from investments	
From financial assets at fair value through other comprehensive income	4,619,294
From investments in debt instruments at amortized cost	<u>249,926</u>
	<u>4,869,220</u>
Interest revenue from due from other banks and call loans to banks	
Interest revenue due from banks	976,877
Interest revenue due from the Central Bank	171,106
From call loans to banks	<u>323,072</u>
	<u>1,471,055</u>
Interest revenue from revolving interests of credit cards	<u>2,068,075</u>
Others (Note)	<u>361,391</u>
	<u>\$ 41,263,631</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF INTEREST EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest expense from deposits	
From time deposits	\$ 13,036,048
From withdrawals of interest savings	2,171,058
From savings - demand deposits	803,312
From round-amount savings	1,026,023
From demand deposits	1,073,078
Others (Note)	<u>80,250</u>
	<u>18,189,769</u>
Interest expense from issuing bonds payable	
From bank debentures	577,552
From corporate bonds	<u>88,109</u>
	<u>665,661</u>
Interest expense from due to the Central Bank and other banks	
From call loans from Central Bank and other banks	1,782,142
From banks overdrafts	<u>121</u>
	<u>1,782,263</u>
Interest expense from securities sold under repurchase agreements	<u>182,741</u>
Interest expense from deposits due to the Central Bank and other banks	
From deposits from Chunghwa Post Co., Ltd.	27,380
Others (Note)	<u>9,862</u>
	<u>37,242</u>
Lease liabilities interest expense	<u>39,091</u>
Others (Note)	<u>495,795</u>
	<u>\$ 21,392,562</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF SERVICE FEE AND COMMISSION INCOME, NET
FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Service fee and commission income	
From credit cards	\$ 8,248,684
From insurance	3,763,871
From trust business	4,502,702
From loans	1,452,505
From brokerage	1,108,056
Others (Note)	<u>2,259,435</u>
	<u>21,335,253</u>
Service charge and commission expenses	
From agency	(930,570)
From cross - bank transactions	(352,969)
From computer processing	(319,421)
From service charge under custody	(268,112)
Others (Note)	<u>(739,048)</u>
	<u>(2,610,120)</u>
Service fee and commission income, net	<u>\$ 18,725,133</u>

Note: The amount of each individual item does not exceed 5% of the account balance.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**DETAILED SCHEDULE OF GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT
FAIR VALUE THROUGH PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Items	Realized Gains (Losses)	Unrealized Gains (Losses)	Total
Financial assets at fair value through profit or loss			
Stock (including dividend income)	\$ 329,833	\$ (26,482)	\$ 303,351
Negotiable certificates of deposits (including interest income)	1,585,082	36,012	1,621,094
Commercial paper (including interest income)	369,826	(7,741)	362,085
Bank debentures (including interest income)	3,156,468	84,207	3,240,675
Corporate bonds (including interest income)	3,545,930	73,527	3,619,457
Currency swap contracts	9,800,102	7,123,287	16,923,389
Forward contracts	2,506,836	32,672	2,539,508
Interest rate swap contracts	3,023,283	3,844,222	6,867,505
Currency option contracts	(592,440)	(202,239)	(794,679)
Non-deliverable forward contracts	80,363	(33,987)	46,376
Selling securities - dealing department	61,981	8,196	70,177
Selling securities - underwriting department	18,064	35,788	53,852
Others	78,665	18,849	97,514
	<u>23,963,993</u>	<u>10,986,311</u>	<u>34,950,304</u>
Financial liabilities at fair value through profit or loss			
Bank debentures (including interest expense)	(2,213,701)	(4,490,374)	(6,704,075)
Currency swap contracts	(3,141,469)	(7,636,600)	(10,778,069)
Interest rate swap contracts	(2,843,799)	919,595	(1,924,204)
Currency option contracts	1,008,146	160,771	1,168,917
Forward contracts	(1,286,859)	37,106	(1,249,753)
Cross-currency swap contracts	(70,511)	(18,721)	(89,232)
Non-deliverable forward contracts	(73,830)	36,128	(37,702)
Others	(20,016)	(9,833)	(29,849)
	<u>(8,642,039)</u>	<u>(11,001,928)</u>	<u>(19,643,967)</u>
	<u>\$ 15,321,954</u>	<u>\$ (15,617)</u>	<u>\$ 15,306,337</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR
VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Items	Amount
Dividend income	\$ 386,034
Bank debentures	451,181
Government bonds	191,997
Corporate bonds	49,201
Overseas bonds	13,998
Negotiable certificates of deposits	<u>351</u>
	<u>\$ 1,092,762</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF FOREIGN EXCHANGE GAINS (LOSSES)****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
General exchange loss	\$ (770,659)
Exchange gain of regulatory capital	<u>210</u>
	<u>\$ (770,449)</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF REVERSAL OF IMPAIRMENT LOSSES (IMPAIRMENT LOSSES) ON ASSETS****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Reversal of impairment losses on investments in debt instruments at fair value through other comprehensive income	\$ 5,613
Impairment losses on investments in debt instruments at amortized cost	(199)
Impairment losses on investment properties	<u>(704)</u>
	<u>\$ 4,710</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF OTHER NONINTEREST GAINS, NET
FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Net sales revenue	\$ 110,937
Rental revenue	47,822
Net gains on disposal of property	51,209
Others	<u>83,088</u>
	<u>\$ 293,056</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON
COMMITMENTS AND GUARANTEES****FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Reversal of provision for possible losses on due from banks	\$ (4,032)
Reversal of provision for possible losses on call loans to other banks	(10,485)
Provision for possible losses on receivables	61,309
Provision for possible losses on discounts and loans	1,486,671
Provision for possible losses on guarantees	50,988
Provision for possible losses on financing commitments	<u>13,627</u>
	<u>\$ 1,598,078</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF EMPLOYEE BENEFITS EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Amount			Total	Note
	Employee Benefits Expenses	Other Noninterest Gains, Net	Other Operating and Administrative Expenses		
Salaries	\$ 10,735,168	\$ 187,617	\$ -	\$ 10,922,785	
Insurance	716,317	14,850	-	731,167	
Remuneration of directors	152,423	-	-	152,423	
Excessive interest from preferential rates	189,054	-	-	189,054	
Post-employment benefits	377,754	7,895	-	385,649	
Others (Note 1)	<u>608,584</u>	<u>5,482</u>	<u>61,525</u>	<u>675,591</u>	
	<u>\$ 12,779,300</u>	<u>\$ 215,844</u>	<u>\$ 61,525</u>	<u>\$ 13,056,669</u>	

Note 1: The amount of each individual item does not exceed 5% of the account balance.

Note 2: For the years ended December 31, 2019 and 2018, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,894 and 8,761, of which the average number of directors who did not concurrently act as an employee was both 12. For the years ended December 31, 2019 and 2018, the average number of employees of ESBC, UCB and BankPro was 773 and 695, respectively, of which the average number of directors who did not concurrently act as an employee was 9 and 7.

Note 3: For the year ended December 31, 2019 and 2018, the average amount of employee benefits expenses of the Company was \$1,338 thousand and \$1,247 thousand, respectively; and the average amount of salary expenses of the Company was \$1,132 thousand and \$1,059 thousand, respectively.

Note 4: The percentage of change in annual average amount of salary expenses of the Company was 6.89%.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF DEPRECIATION AND AMORTIZATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Depreciation expense	
Property and equipment	\$ 1,542,785
Investment properties	50,716
Right-of-use assets	<u>1,105,411</u>
	2,698,912
Amortization expense	<u>618,697</u>
	<u>\$ 3,317,609</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Items	Amount
Business marketing expenses	\$ 4,930,592
Tax expenditures	2,189,124
Software services expenses	1,007,713
Research expenses on a consign basis	569,811
Insurance expenses	486,326
Others (Note)	<u>4,573,789</u>
	<u>\$ 13,757,355</u>

Note: The amount of each individual item does not exceed 5% of the account balance.



★★★★★

《DJSI》

Listed in DJSI World for 4 times
Ranked No.1 in Asia, No.3 worldwide

★★★★★

《MSCI ESG Ratings》

AA rating for the 3rd consecutive year
The best in Taiwan

★★★★★

《The Banker》

Top 500 Banking Brand
Taiwan's Most Valuable Brand for the 2nd consecutive year

Gratefulness for Glorious Moments

E.SUN's glories and honors in 2019

- 13th time winner of CSR Award and listed in the honor list (Global Views Monthly)
- 12th time winner of CSR Award (CommonWealth Magazine)
- Corporate Awards – Platinum Award for Governance, CSR and Investor Relations for the 10th consecutive year (The Asset)
- Taiwan Financial Awards - Best FHC CSR Award for the 6th consecutive year (Wealth Magazine)
- The only FHC ranked top 5% in the Corporate Governance Evaluation by TWSE for the 5th consecutive year
- Best SME Bank in Taiwan (Asiamoney and The Asian Banker)
- Best Wealth Management Bank in Taiwan (The Asset, The Asian Banker, and Business Today)
- Most Innovative Fintech Collaboration in Taiwan (The Asset)
- Mortgage and Home Loans Product of the Year in Taiwan (The Asian Banker)

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Yung-Jen Huang



Chairman

Service Network of E.SUN Financial Holding Company, Ltd. and its subsidiaries

E.SUN Commercial Bank, Ltd.

Branch	Phone	Branch	Phone	Branch	Phone
Head Office Business Department	+886 2 2719 1313	SinBan District Branch	+886 2 2954 1313	Changhua Branch	+886 4 728 1313
Customer Service Division	+886 2 2175 1313	Guangfu Branch	+886 2 2957 1313	Yuanlin Branch	+886 4 836 1313
International Banking Department / OBU	+886 2 2175 1313	Sanhe Branch	+886 2 2280 1313	Douliou Branch	+886 5 532 1313
Trust Department	+886 2 2175 1313	Sanchung Branch	+886 2 2984 1313	Chiayi Branch	+886 5 223 1313
Insurance Agency Department	+886 2 2175 1313	Er-Chong Branch	+886 2 2278 1313	East Chiayi Branch	+886 5 216 1313
Credit Card and Payment Division	+886 2 2182 1313	East Sanchung Branch	+886 2 2971 1313	Puzih Branch	+886 5 379 1313
Nanching East Road Branch	+886 2 2760 1313	Tucheng Branch	+886 2 2274 1313	Tainan Branch	+886 6 241 1313
Chengjhong Branch	+886 2 2389 1313	South Tucheng Branch	+886 2 2267 1313	East Tainan Branch	+886 6 289 1313
Chengtung Branch	+886 2 2504 1313	Shulin Branch	+886 2 8675 1313	Yanhang Branch	+886 6 253 1313
Hsiinyi Branch	+886 2 8789 1313	Hueilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Nanshan Plaza Branch	+886 2 2722 8913	Wugu Branch	+886 2 2290 1313	Annan Branch	+886 6 357 1313
Keelung Road Branch	+886 2 2378 1313	Sindian Branch	+886 2 2916 1313	Yungkang Branch	+886 6 201 1313
Tienmu Branch	+886 2 2835 1313	Beixin Branch	+886 2 8911 1313	South Yungkang Branch	+886 6 313 1313
Minsheng Branch	+886 2 2509 1313	Sanxia Branch	+886 2 8970 6613	Chiali Branch	+886 6 721 1313
Songjiang Branch	+886 2 2562 1313	LujhouBranch	+886 2 2848 1313	Rende Branch	+886 6 270 6613
Fuhshing Branch	+886 2 2771 1313	Taishan Branch	+886 2 2297 1313	Sinying Branch	+886 6 656 8813
Tunnan Branch	+886 2 2754 1313	Xizhi Branch	+886 2 2647 6613	Kaohsiung Branch	+886 7 336 1313
Changchun Branch	+886 2 2546 1313	East Linkuo Branch	+886 2 2606 9813	Dashun Branch	+886 7 727 1313
Chungshan Branch	+886 2 2537 1313	Taoyuan Branch	+886 3 332 1313	Lingya Branch	+886 7 716 1313
Neihu Branch	+886 2 2659 1313	Yiwen Branch	+886 3 357 1313	Gianjhen Branch	+886 7 761 1313
Chenggong Branch	+886 2 2791 8813	South Taoyuan Branch	+886 3 337 1313	Chihsien Branch	+886 7 235 1313
Songshan Branch	+886 2 3765 1313	Taoyin Branch	+886 3 375 1313	Zuoying Branch	+886 7 559 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Nanzih Branch	+886 7 364 1313
Minquan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	North Kaohsiung Branch	+886 7 350 1313
Jhonglun Branch	+886 2 2731 1313	Bade Branch	+886 3 367 1313	Dachang Branch	+886 7 341 1313
Daan Branch	+886 2 2755 1313	Jhongli Branch	+886 3 427 1313	Chengcing Branch	+886 7 386 1313
Guting Branch	+886 2 2364 1313	Lisin Branch	+886 3 492 1313	Siaogang Branch	+886 7 807 1313
Beitou Branch	+886 2 2895 1313	Zhongyuan Branch	+886 3 428 1313	Fongshan Branch	+886 7 743 1313
Donghu Branch	+886 2 2632 1313	Yangmei Branch	+886 3 488 1313	Gangshan Branch	+886 7 621 1313
Xinhu Branch	+886 2 8791 6613	Hsinchu Branch	+886 3 523 1313	Linyuan Branch	+886 7 643 1313
Ruiguang Branch	+886 2 2797 8813	Guanghua Branch	+886 3 533 1313	Houjhuang Branch	+886 7 702 1313
Shilin Branch	+886 2 2834 1313	JhuBei Branch	+886 3 554 1313	Pingtung Branch	+886 8 733 1313
Mujha Branch	+886 2 2936 1313	Lioujia Branch	+886 3 658 9013	Donggang Branch	+886 8 835 1313
Jhongsiao Branch	+886 2 8772 1313	Juke Branch	+886 3 564 1313	Keelung Branch	+886 2 2427 1313
Dongmen Branch	+886 2 2321 1313	Sinfong Branch	+886 3 557 1313	Luodong Branch	+886 3 957 1313
Jiancheng Branch	+886 2 2556 1313	Jhunan Branch	+886 3 746 1313	Hualien Branch	+886 3 831 1313
Nangang Branch	+886 2 2789 1313	Toufen Branch	+886 3 768 3313	Taitung Branch	+886 89 36 1313
Renai Branch	+886 2 2708 1313	Houlong Branch	+886 3 773 1313	Penghu Branch	+886 6 927 1313
Taipei Branch	+886 2 2507 1313	Taichung Branch	+886 4 2254 1313	Los Angeles Branch	+1 626 810 2400
Hsinchuang Branch	+886 2 2202 1313	Wunsin Branch	+886 4 2291 1313	Hong Kong Branch	+852 3405 6168
North Hsinchuang Branch	+886 2 2997 1313	Dadun Branch	+886 4 2320 1313	Singapore Branch	+65 6533 1313
Sinshu Branch	+886 2 2203 1313	Beitun Branch	+886 4 2241 6813	Sydney Branch	+61 2 9295 1399
Shwangho Branch	+886 2 2923 1313	Nantun Branch	+886 4 2380 1313	Brisbane Branch	+61 7 3033 8813
Yonghe Branch	+886 2 2949 1313	Situn Branch	+886 4 2461 1313	Tokyo Branch	+81 3 6213 1301
Jixian Branch	+886 2 8283 1313	Wuquan Branch	+886 4 2377 1313	Dong Nai (Vietnam) Branch	+84 251 367 1313
Yung An Branch	+886 2 8921 1313	Daya Branch	+886 4 2568 1313	Hanoi (Vietnam) Representative Office	+84 24 35551313
Jhonghe Branch	+886 2 2222 1313	Fongyuan Branch	+886 4 2512 1313	Yangon (Vietnam) Branch	+95 1 9345186 190
Liancheng Branch	+886 2 8228 1313	Taiping Branch	+886 4 2270 8813	E.SUN Bank (China)	+86 755 8898 1313
Nanshijiao Branch	+886 2 2942 8813	Jhonggong Branch	+886 4 2350 8913	Shenzhen Branch	+86 755 8360 1313
Taihe Branch	+886 2 2242 1313	Wurih Branch	+886 4 2260 8813	Guangzhou Branch	+86 20 6199 1313
Banciao Branch	+886 2 8257 1313	Shalu Branch	+886 4 2662 1813	Dongguan Branch	+86 769 2868 1313
Puchain Branch	+886 2 2963 1313	Dali Branch	+886 4 2418 1313	Dongguan Changan Sub-branch	+86 769 2330 8813
Banhsin Branch	+886 2 8952 1313	Caotun Branch	+886 4 9238 1313	Union Commercial Bank Plc	+855 2391 1313

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Headquarters	+886 2 5556 1313	Banciao Branch	+886 2 2951 9913
Brokerage HQ	+886 2 2713 1313	Taoyuan Branch	+886 3 336 6813
Nanching East Road Branch	+886 2 2765 1313	Hsinchu Branch	+886 3 666 9913
Songjiang Branch	+886 2 2562 1313	Taichung Branch	+886 4 2258 9913
Taida Branch	+886 2 8369 1313	Dali Branch	+886 4 2407 9813
Chengjhong Branch	+886 2 2382 1313	Chiayi Branch	+886 5 216 9913
Shinlin Branch	+886 2 2833 1313	Tainan Branch	+886 6 269 9913
Shwangho Branch	+886 2 8923 1313	Kaohsiung Branch	+886 7 397 1313
Hsinchuang Branch	+886 2 2998 1313	Zuoying Branch	+886 7 558 6613

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