



ANNUAL REPORT 2018

E.SUN FHC 2884

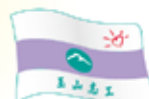


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Printing Date: 2019.3.20



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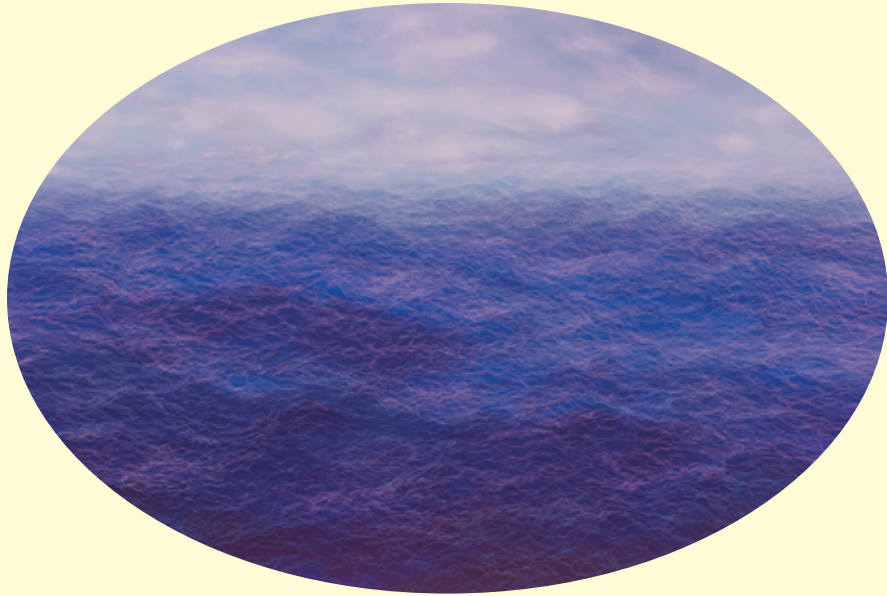
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Information of Overseas Depositary Receipt

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



E.SUN FHC 17th



Dance of Time I,II,III
Salvador Dalí 2015 bronze with green and gold patina
Possession of E.SUN

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I. Letter to the Shareholders

Dear Shareholders,

2018 was a year characterized by international turmoil. Major economies wrestled for dominance in the midst of regional economic integration and trade protectionism, causing exacerbated volatility in the international financial market. Climate change has led to an increase in the occurrence of natural disasters in many regions as it tests countries' abilities to respond to environmental emergencies. Meanwhile, as technological advances create new business models, information security and privacy protection issues have emerged as a result. Macroeconomic conditions kept improving but were accompanied by many challenges. We face an increasingly complex environment that has many downsides, but we believe that this moment in time also provides us with the chance to rise as it becomes a turning point for our business. That is, we hold the opportunity to demonstrate careful planning, exercise competitive advantages and create change in order to build a different future.

Overall Performance Reaffirmed

In 2018, E.SUN again excelled in terms of overall performance as the winner of many domestic and international honors and awards. We received the National Quality Award for the 4th time, thus attaining the best-ever record for a Taiwanese company. The Dow Jones Sustainability Index (DJSI) has included the Company for 5 consecutive years and the DJSI World for 3 years. The Bank has also been named as the best bank in Taiwan by The Banker, Asiamoney and The Asset. Other international recognitions include that given by Moody's, which has upgraded E.SUN Bank to



an A2 rating and E.SUN FHC to an A3, making the two the highest rated private sector bank and financial holding company, respectively, in Taiwan.

In terms of financial indicators, E.SUN FHC reported another record-breaking after-tax earnings amount of NT\$17,068 million, with EPS at NT\$1.58, ROE at 11.04%, ROA at 0.78% and capital adequacy ratio at 137.28%. In particular, E.SUN Bank reported an ROE of 11.20%, the highest among banks under financial holding companies. Asset quality maintained at a sound level with an NPL ratio of 0.23% and an NPL coverage ratio of 523.85%.

As business indicators kept following an upward trend, the total assets of E.SUN FHC have reached

NT\$2.29 trillion while total deposits amounted to NT\$1.89 trillion and total loans NT\$1.35 trillion. Both foreign currency deposits and loans displayed steady growth. Total foreign currency deposits have increased by 20.68% to equivalent of NT\$642.9 billion, while total foreign currency loans have increased by 21.9%, making E.SUN the market leader in terms of foreign currency deposit growth volume and growth rate. Fee revenues have also grown steadily. Net commissions and fee revenues reached NT\$16,371 million, out of which NT\$8,043 million came from wealth management fees, at a 4.5% growth, and NT\$5,124 million from credit card fees, at a 6.8% growth.

As part of our business sustainability and corporate social responsibility campaigns, we enforce effective corporate governance practices and strengthen information disclosure. For this reason, E.SUN has ranked in the top 5% in the TWSE Corporate Governance Evaluation for 4 consecutive years. In terms of sustainable finance, E.SUN works actively to adopt international trends and implements responsible lending and investment principles. The Company's banking strengths enable customers, suppliers, and business partners to achieve environmental sustainability, while also assisting businesses in issuing NT\$5 billion green bonds and approving the financing of 3 Equator Principles projects. In response to climate change, E.SUN has adopted internationally-accepted environmental protection standards and completed greenhouse gases and water resource inventories for all domestic and international offices. E.SUN has also

become the first company within Taiwan's financial sector to build a LEED Gold-certified green computer facility to improve energy efficiency. As a proactive member of society, E.SUN continues to invest in academic education, support for the disadvantaged, and the arts and cultures. More than 13,000 children benefited from the Care for Schoolchildren Project in 2018. Thanks to the support of more than 170,000 E.SUN Bank World Card holders, 137 E.SUN Libraries in total have been established through the E.SUN Golden Seed Project while the aim is to reach 200 as we continue to plant more golden seeds in anticipation of the lush green forests of the future.

Leading in Cross-Border and Technological Services Development

The rise of Asian markets and technological advances have directed E.SUN's long-term expansionary strategies towards Asia and fintech. Two more overseas offices were added to our company network with the opening of the Brisbane Branch and Guangzhou Branch in 2018, bringing E.SUN's total number of 28 offices spanning 9 countries and regions. Having completed the current goal of stabilizing markets within the Asian region, E.SUN will focus more on developing integrated cross-border services, and work to expand foreign currency services and increase the proportion of international operations. Sustainability has become the most important issue for Taiwanese businesses. We plan to rely again on our banking strengths to help businesses achieve sustainability and steady development as the Bank

transforms into a unique Asia Pacific banking platform.

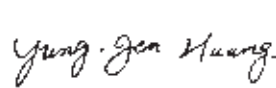
With respect to fintech, E.SUN has chosen point-of-sale-scenario finance, inclusive finance, and smart banking to be the main focuses of development. In terms of scenario finance, E.SUN works with first-class business partners in various industries to provide convenient payment services, and was also the first within the industry to offer a credit card that can be linked to an electronic wallet service instantly upon approval. In terms of inclusive finance, E.SUN gives priority to mobile banking services that enable customers to meet most of their banking needs on their mobile phones. In addition, 24-hour service foreign currency ATMs have been installed to make it much easier for customers with travel plans to purchase foreign currencies. In terms of smart banking, E.SUN already employs data science and artificial intelligence in risk management, marketing, and process optimization to boost efficiency. In 2019, the Intelligent Banking Division was created as part of an effort to accelerate digital transformation.

We believe that no business operation can be considered beyond risk, and no service can be considered above the law. As such, E.SUN upholds a deeply entrenched culture of risk management and compliance, which is why we have utilized technology to strengthen our three lines of defense, ensure effective execution of international anti-money

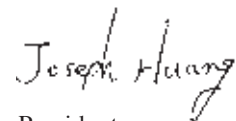
laundering and counter-terrorism practices and enhance information security protection. These methods and approaches allow E.SUN to keep creating value for customers and also for ourselves.

Creating a New Future

A closer look at the hidden champions around the world will always reveal three important characteristics: long-term commitment, pursuit of professional perfection, and the setting and surpassing of challenging goals. Since our foundation in 1992, E.SUN has remained committed to the values of integrity, honesty, and professionalism, and to the fulfillment of our corporate social responsibility while pursuing sustainability persistently. We are named after the highest mountain in Taiwan in hopes of becoming the best bank and the first choice for customers. We furthermore aspire that the E.SUN of today will one day become the E.SUN of the world. We would like to thank you for your continuous support and affirmation as we continue to achieve excellence and work together to build a better future.



Chairman



President

Key Gauges for E.SUN FHC

Unit: NT\$ millions

Indicator	Item	2018/12	2017/12
Total Assets	E.SUN FHC	2,287,787	2,074,388
	E.SUN Bank (consolidated)	2,272,337	2,056,337
	E.SUN Securities (consolidated)	12,673	15,411
	E.SUN Venture Capital	3,319	3,419
Key Financial Ratios	E.SUN FHC Book Value Per Share (NT\$)	14.78	14.61
	Double Leverage Ratio	104.00%	104.39%
	E.SUN FHC CAR	137.28%	143.69%
Physical Channels	E.SUN Bank's Domestic Branches	139	138
	E.SUN Bank's Overseas Outlets	Subsidiaries: E.SUN(China), UCB, Cambodian Branches: Los Angeles(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	18
Earnings	Net Income (Attributable to owners of the parent company)	17,068	14,757
	EPS (NT\$)	1.58	1.49
	ROE	11.04%	10.54%
	ROA	0.78%	0.74%

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	2018.11
	S&P	BBB	A-3	Stable	2018.07
Domestic Ratings	Taiwan Ratings	twAA-	twA-1+	Stable	2018.07

E.SUN Bank

Category	Credit Rating Agency	Long-Term Ratings	Short-Term Ratings	Outlook	Effective Date
International Ratings	Moody's	A2	P-1	Stable	2018.11
	S&P	BBB+	A-2	Stable	2018.07
Domestic Ratings	Taiwan Ratings	twAA	twA-1+	Stable	2018.07

II. Company Profile



CHENG LEIGH WEN

1. Date of establishment: January 28th, 2002

2. Introduction

(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, subsidiaries includes E.SUN Commercial Bank, E.SUN Securities, and E.SUN Ventures, and 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 reinvestment established in October 2002 through reinvestment. E.SUN Insurance Brokers was established through reinvestment in July 2003, and E.SUN Investment Trust was established in September 2003 through conversion of shares.

For the purpose of achieving higher economics of scale and overall synergy, and strengthen 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 Schrodgers 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)Core subsidiary: E.SUN Bank

E.SUN Bank was established in 1992. At that time, Mr. Huang Yung-jen, the founder and current chairman of E.SUN FHC, called on a group of elite financial professionals who shared the same mission: “to build the best bank in Taiwan”. E.SUN, named after the summit of Taiwan, determined to be the best in overall performance and the most respected company, is a banker's bank.

Subsidiary E.SUN Bank assumed the assets, liabilities, and operations of the Kaoshiung Business Bank o 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, 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 bank in Shenzhen, China in January 2016, and this was the first Taiwanese-owned subsidiary in southern China.

In order to expand use of 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 took over control of this company.

(3)Subsidiary: E.SUN Securities

With regard to our brokerage services, it has taken advantage of E.SUN's investment consulting and research resources by actively developing spot, futures, ETF, and overseas sub-brokerage services, and other services approved by the competent authority. E.SUN Securities continue to improve online trading platform while providing investors with superior service. As far as underwriting services, thanks to our integration of financial holdings, banking, and securities service resources, it is ready to seize underwriting opportunities, and is continuing to enhance our fund-raising market reputation and service. E.SUN Securities' proprietary trading department has continued its balanced development, and it launched overseas securities unit (OSU) services in December 2014, creating business opportunity for expanding the overseas securities market.

(4)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 a various of 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, High Performance Computing (HPC) and 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.

(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:

- a. 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 acquired Chu Nan's assets, liabilities and operations.
- b. Subsidiary E.SUN Bank on March 16, 2012 signed an agreement with Chiayi Fourth Credit Cooperation to acquire the latter. E.SUN acquired Chiayi Fourth's assets, liabilities and operations

with the record date for the transaction of November 3, 2012.

- c. Subsidiary E.SUN Bank on Mar. 22, 2013, has approved by its board to acquire 70% shares of Union Commercial Bank PLC. in Cambodia, 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.
- d. 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.
- e. 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.
- f. 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.

- g. Other matters of importance that can impact shareholder's right and the financial holding company:None

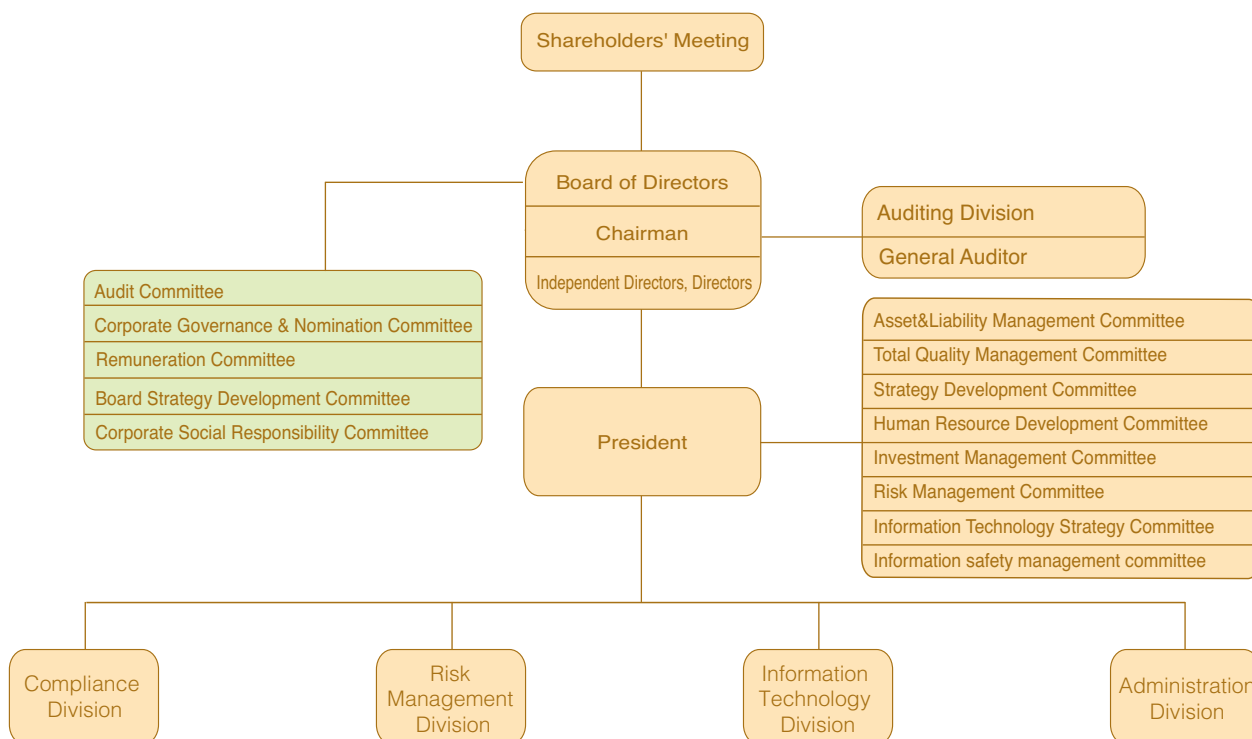
III. Corporate Governance



CHEN YIN HUI

1. Organization

(1) Organization Chart



(2) Primary Duties of the Board of Directors functional committees

a. 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.

b. 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, 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.
- When nominating candidates as independent directors, attention should be paid to the nominees' qualifications, professionalism and integrity, which should comply with the criteria of independent directors set forth by laws and regulations.
- Nominate or audit the general managers of the Company and subsidiaries as well as the list of candidates of deputy general managers of the Company and subsidiary banks.
- Establishment and development of the

organizational structure of the Board of Directors of the Company and subsidiaries as well as their committees.

- (e) Audit and assess the soundness of the organization and system of the Company's corporate governance and make recommendations to the Board of Directors.
- (f) Review the governance relationship between the Company, its subsidiaries and other affiliates.
- (g) Establish the policies of integrity management and prevention programs and supervise the implementation thereof:
 - Assist the integration of integrity and moral values into the company's business strategies and stipulate preventive measures against corruption and malfeasance related to integrity management in accordance with laws and regulations.
 - Establish courses of action to prevent dishonest acts and form business-related standard operating procedures and guidelines for each course of action.
 - Formulate internal organization, structure and duties, provide reciprocal supervision, check and balance for business activities with higher risks of dishonesty within the scope of business.
 - Promotion and coordination of integrity policy advocacy and training.
 - Plan reporting systems to ensure the effectiveness of implementation.
 - Assist the Board of Directors and management in auditing and assessing whether the preventive measures established for the implementation of integrity management work effectively, evaluate the compliance of relevant business procedures on a regular basis and compile into reports.

c. Remuneration Committee

- (a) 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 senior managers at the level of deputy general managers and above of the subsidiary banks and the general manager of other subsidiaries (hereinafter referred to as senior managers of the subsidiaries).
- (b) Regularly assess and establish the remuneration of the directors and executives and the senior managers of the subsidiaries.

d. Board Strategy Development Committee

- (a) 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.

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

e. Corporate Social Responsibility Committee

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

(3) Major duties of each main department

a. Auditing 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. It is directly under the Board of Directors.

b. 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.

c. Risk Management Division

Responsible for overseeing risk management and anti-money laundering and terrorist financing; 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.

d. 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.

e. Administration Division

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

f. 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.

g. 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.

h. 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.

i. Human Resource Development 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.

j. 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.

k. 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.

l. 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.

m. 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.

2. Directors, Independent Directors and Management Team

(1) Board of Director-1

2018.12.31 Unit: 1,000 shares; %

Position	Nationalities	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 Position		Education (Experience) Relationship	Current positions within the company or other companies	Division chiefs, directors or supervisors are spouse or within 2nd degree of consanguinity of each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Position	name	relationship
Chairman	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Yung-Jen Huang	Male	2017.06.16	3 Years	2005.6.10 2001.12.10	26,325	0.278	33,262	0.307	8,018	0.074	0	0	Department of Cooperative Economics at National Chung Hsing University	None	None	None	
Director	R.O.C.	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	Male	2017.06.16	3 Years	2005.6.10 2008.6.13	26,325	0.278	33,262	0.307	12,122	0.112	0	0	MBA of the City University of New York, 26 years in Financial Industry	President of E.SUN FHC Director and President of E.SUN Bank, Chairman of E.SUN Bank(China) Director of Cho Pharma Inc.	None	None	None
Director	R.O.C.	Representative of E.SUN Cultural and Educational Foundation Gary K. L. Tseng	Male	2017.06.16	3 Years	2001.12.10 2010.5.14	14,531	0.154	17,556	0.162	3,422	0.032	0	0	Master of Public Administration at Harvard University, Director of Banking Bureau, Financial Supervisory Commission	Chairman of E.SUN Bank	None	None	None
Director	R.O.C.	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	Male	2017.06.16	3 Years	2001.12.10 2001.12.10	47,501	0.502	60,200	0.556	28,500	0.263	0	0	Kai-Nan Commercial & Technical High School	Chairman of Hsin Tung Yang Co.,Ltd., Shang Yang Investment Co.,Ltd., Ding Yang Investment Co.,Ltd., Cheng Yang Investment Co.,Ltd., Hsin Tung Yang Real Estate Broker Co.,Ltd. Yuan Sheng Co.,Ltd., Sheng Yang Construction Co.,Ltd. and Sin Yang Investment Co.,Ltd. Director of Hsin Tung Yang Construction Co.,Ltd., Hua Yang Logistics Co.,Ltd., Tao Garden Hotel, Shang Yang Development Co.,Ltd. and Shang Yang International Development Co.,Ltd. Managing Director of E.SUN Bank	None	None	None
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	PhD of Department of Accounting at University of Minnesota, Dean, College of Management, 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 Chang Type Industrial Co.,Ltd. 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
Independent Director	R.O.C.	Ji-Ren Lee	Male	2017.06.16	3 Years	2006.06.9	0	0	0	0	0	0	0	0	PhD of Business Administration, 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. Member of remuneration committee of Mediatek Inc. and E.SUN FHC. Independent director and member of remuneration committee of Delta Electronic Inc.			
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	Master of Mathematics and Statistics of University of Michigan	Independent director and Managing director E.SUN Bank, Convener of remuneration committee of E.SUN FHC.			
Independent Director	R.O.C.	Hsin-I Lin	Male	2017.06.16	3 Years	2008.6.13	0	0	0	0	0	0	0	0	Director of Yulon Motor Co.,Ltd., China Motor Co.,Ltd., Yan Ching-Ling Industrial Development Foundation and Acer Foundation. Chairman of Guang Yuan Investment Co.,Ltd. Bachelor of Department of Mechanical Engineering and Yulon Management Company 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 Corp	None	None	None	
Independent Director	R.O.C.	Chun-Yao Huang	Male	2017.06.16	3 Years	2017.6.16	0	0	0	0	0	0	0	0	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
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	42,451	0.392	83	0.001	0	0	Chu Nan Junior High School	Chairman of Chen Chin-Po Culture and Education Foundation, Ron Yuan Investment Co.,Ltd. and Fu Yuan Investment Co.,Ltd. Director of E.SUN Bank and Jia Tien Sia Investment Co.,Ltd.	None	None	None
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	48,727	0.450	0	0	0	0	Chung Jung High School	Chairman of Shang Li Car Co.,Ltd.,Shen Li Investment Co.,Ltd., Guang Yuan Investment Co.,Ltd., Shang Li Transportation Co.,Ltd., Shan BenIntl Investment Co.,Ltd. Sunlit Investment Pty.,Ltd. and Shen Li Transportation Co.,Ltd. Director of Ruen Li Transportation Co.,Ltd., Genius Technology Co.,Ltd., Keeper Technology Co.,Ltd. Tong Lit Logistics Co.,Ltd., Tong Chun Co.,Ltd., E.SUN Bank and Yung Feng Shun Construction Co.,Ltd. Supervisor of Jung Shing Wire Co.,Ltd.	None	None	None
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	23,285	0.215	2,033	0.019	0	0	EMBA, University of Tennessee, Knoxville., 40 years in Financial Industry	Deputy president and CFO of E.SUN FHC and E.SUN Bank, Director of E.SUN Bank	None	None	None
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	52,298	0.483	2,777	0.026	0	0	Master of Department of Economics at National Taiwan University, 26 years in Financial	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

Note 1: Shareholdings include trust accounts

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 or minor children.

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

Table 1: Main shareholders of institutional shareholder

2018.12.31

Institutional shareholder	Large shareholders of institutional shareholder
E.SUN Volunteer & Social welfare Foundation	Not applicable to foundations
E.SUN Cultural and Educational Foundation	Not applicable to foundations
Hsin Tung Yang Co., Ltd.	MAI,SHIH-LAI(20.05%)/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(7.90%)/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%)/Yingyu 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%)/CHUI,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%)/CHUANG,CHIN-TE(1%)/Shan Ben Intl. Investment Co.,Ltd. (3.50%)/HOU,YU-FAN(1%)

Table 2: Main shareholders of institutional shareholders in table 1

2018.12.31

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 Limited	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%)

(2) Board of Director-2

Name (Note)	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other public companies in which the individual is concurrently serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	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	1	2	3	4	5	6	7	8	9	10	
Chairman Yung-Jen Huang			v	v	v		v		v	v	v	v	v		0
Director Gary K.L. Tseng	v	v	v	v	v		v	v	v	v	v	v	v		0
Director Joseph N.C. Huang			v	v			v	v	v	v	v	v	v		0
Independent Director Chen-En Ko	v		v	v	v	v	v	v	v	v	v	v	v	v	3
Independent Director Ji-Ren Lee	v		v	v	v	v	v	v	v	v	v	v	v	v	3
Independent Director Chen-Chen Chang Lin			v	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	v	1
Independent Director Chun-Yao Huang	v		v	v	v	v	v	v	v	v	v	v	v	v	0
Director Jackson Mai			v	v		v	v	v	v	v	v	v	v		0
Director Rong-Chu Chen			v	v		v	v	v	v	v	v	v	v		0
Director Chien-Li Wu			v	v		v	v	v	v	v	v	v	v		0
Director Magi Chen			v			v	v	v	v	v	v	v	v		0
Director Mao-Chin Chen			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. (Exception shall apply to independent directors established 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 amount of 1% or more of the shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to any person listed in the three preceding criteria.
- (5) Not a director, supervisor, or employee of an institutional shareholder that holds 5% or more of the shares of the Company, and not a director, supervisor, or employee of any of the top five institutional shareholders.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional who provides commercial, legal, financial, accounting, or consulting 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. Not applicable to members of the Remuneration Committee who exercise powers in accordance with Article 7 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
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(3) Executive Officers



2019.3.20 Unit: 1,000 shares; %

Position	Nationality	Name	Gender	Date of Appointment	2018.12.31						Experience (Education)	Positions taken concurrently at E.SUN BANK and other companies	Spouse or a relative within the second degree of kinship serving as an E.SUN manager		
					Shareholdings		Shares Held by Spouse and Children under 18		Shares Held Using Names of Other				Position	Name	Relationship
					Shares	%	Shares	%	Shares	%					
President	ROC	Joseph N. C. Huang	M	2008.07.16	11,785	0.109	337	0.003	0	0	MBA, The City University of New York. 26 years in financial services	Director, E.SUN FHC President/Director, E.SUN BANK Chairman, E.SUN BANK (China) Director, CHO Pharma, Inc.	None	None	None
CFO	ROC	Magi Chen	F	2004.02.13	2,033	0.019	0	0	0	0	EMBA, The University of Tennessee, Knoxville. 41 years in financial services	Director, E.SUN FHC President/Director, E.SUN BANK CFO/SEVP, Treasury Division, E.SUN BANK	None	None	None
Deputy President	ROC	Ben Chen	M	2014.01.24	4,141	0.038	1,268	0.012	0	0	Department of Business Administration, Soochow University. 29 years in financial services	Director, E.SUN BANK CEO, Consumer Banking Division, E.SUN BANK	None	None	None
CSO	ROC	Mao-Chin Chen	M	2016.01.29	1,611	0.015	1,166	0.011	0	0	Master, Department of Economics, National Taiwan University. 27 years in financial services	Director, E.SUN FHC Director, E.SUN BANK CSO/Corporate Banking CEO, E.SUN BANK Chairman, Union Commercial Bank (Cambodia)	None	None	None
CHRO	ROC	J. C. Wang	M	2002.01.28	2,700	0.025	1,360	0.013	0	0	Master, Department of Agricultural Economics, National Chung Hsing University. 30 years in financial services	CHRO/SEVP, Human Resources Division, E.SUN BANK	SVP	Pei-Hua Wang	Younger Sister
CRO	ROC	Oliver Hsieh	M	2011.03.18	1,453	0.013	0	0	0	0	Master, Applied Finance Center, Macquarie University. 25 years in financial services	CRO/SEVP, Risk Management Division, E.SUN BANK	None	None	None
CIO	ROC	Wan-Li Hsieh	M	2012.03.23	1,211	0.011	23	0.0002	0	0	- Department of Information & Computer Engineering, Chung Yuan Christian University - 25 years in financial services	CIO/SEVP, Information Technology Division, E.SUN BANK	None	None	None
SEVP	ROC	L. C. Lin	M	2012.01.07	658	0.006	787	0.007	0	0	- Department of Public Administration, National Chung Hsing University - 30 years in financial services	SEVP, Corporate Banking Division, E.SUN BANK Chairman, E.SUN Venture Capital	None	None	None
SEVP	ROC	Wu-Ming Hsieh	M	2014.01.24	857	0.008	831	0.008	0	0	Department of Business Administration, Ming Chuan University. 27 years in financial services	SEVP, Consumer Banking Division, E.SUN BANK Director, E.SUN Securities	None	None	None
SEVP	ROC	Louis Chang	M	2015.02.06	2,112	0.020	394	0.004	0	0	Institute of Business and Management, National Chiao Tung University. 23 years in financial services	SEVP, Wealth Management Division, E.SUN BANK	None	None	None
SEVP	ROC	Shui-Chin Shen	M	2012.01.07	1,052	0.010	250	0.002	0	0	Master of Business Management, National Sun Yat-sen University. 41 years in financial services	Chairman, E.SUN Securities	None	None	None
SEVP	ROC	Jung-Hua Lin	M	2014.01.24	1,100	0.010	1	0.00001	0	0	Graduate School of Business Administration, National Chung Hsing University. 27 years in financial services	SEVP, Credit Card and Payment Finance Division, E.SUN BANK Director, EasyCard Investment Holdings Corp. Director, EasyCard Corp.	None	None	None
SEVP	ROC	Cathy Kuo	F	2017.01.20	1,620	0.015	0	0	0	0	Master, Department of Economics, National Taiwan University. 26 years in financial services	SEVP, Corporate Banking Division, E.SUN BANK Director, Union Commercial Bank (Cambodia)	None	None	None
SEVP	ROC	Bruce Lee	M	2017.01.20	1,488	0.014	105	0.001	0	0	Department of Business Administration, Tamkang University. 24 years in financial services	CDO/SEVP, Digital Banking Division, E.SUN BANK Director, BankPro e-Services Technology Co., Ltd.	None	None	None
SEVP	ROC	Po-Hsuan Hsu	F	2018.01.31	1,519	0.014	560	0.005	0	0	Department of Economics, Fu Jen University. 26 years in financial services	Deputy CIO/EVP, E.SUN BANK Director, E.SUN Securities Director, BankPro e-Services Technology Co., Ltd.	None	None	None
SEVP	ROC	Yi-Hsin Tseng	M	2018.01.31	1,049	0.010	3	0.00002	0	0	Department of Applied Mathematics, National Chung Hsing University. 32 years in financial services	EVP/Director, E.SUN Securities	None	None	None
SEVP	ROC	Te-Ming Chung	M	2019.01.24	586	0.005	722	0.007	0	0	Master of Business Management, National Sun Yat-sen University. 25 years in financial services	SEVP, Wealth Management Division, E.SUN BANK	None	None	None
SEVP	ROC	Mei-Ling Liu	F	2019.01.24	819	0.008	173	0.002	0	0	Department of Finance and Taxation, National Chengchi University. 27 years in financial services	SEVP, Credit Card and Payment Finance Division, E.SUN BANK Director, GAMA PAY Co., Ltd.	None	None	None
CTO	ROC	Sheng-Wei Chen	M	2019.02.01	0	0	0	0	0	0	Graduate Institute of Electrical Engineering, National Taiwan University/ Graduate Program, Department of Computer Science, National Tsing Hua University. 13 years in technology services	CTO/SEVP, E.SUN BANK	None	None	None
General Auditor	ROC	Chih-Kuang Huang	M	2018.03.15	1,517	0.014	0	0	0	0	Department of Accounting, National Chung Hsing University. 38 years in financial services	None	None	None	None
CCO	ROC	Fion Ouyang	F	2016.01.22	373	0.003	0	0	0	0	Department of Law, National Chengchi University. 21 years in financial services	E.SUN BANK CCO/head of the compliance unit at headquarters	None	None	None
CBO	ROC	Daniel Tsai	M	2014.06.26	620	0.006	249	0.002	0	0	Master, Graduate Institute of International Business, National Taiwan University. 16 years in financial services	Director, E.SUN Investment Consulting	None	None	None
CMO	ROC	Chun-Yu Lin	M	2018.08.10	1,266	0.012	0	0	0	0	Graduate School of Business Administration, National Chung Hsing University. 16 years in financial services	Special Assistant/SVP, President Office, E.SUN BANK	None	None	None
CAO	ROC	Jhy-Hung Ke	M	2017.07.31	84	0.001	0	0	0	0	Master, Department of Accounting, National Taiwan University. 16 years in financial services	CAO/SVP, Accounting Division, E.SUN BANK	None	None	None

(4) Remuneration of Directors (including Independent directors), President, and Senior Executive Vice Presidents

a. Remuneration of Directors (including Independent Directors)

2018.12.31Unit: NT\$1,000

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration of Directors Concurrently Serving as Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration paid to directors by invested companies other than the Company's subsidiaries
		Base Remuneration(A)		Severance Pay (B)		Bonus (C)		Allowance (D)				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	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	Cash	Stock	Cash	Stock	The Company	Companies in consolidated financial statements	
(Names listed below)		8,747	20,000	0	0	111,800	133,030	1,375	1,560	0.71%	0.91%	23,012	45,397	0	0	2,900	0	5,550	0	0.87%	1.20%	None

※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 Cultural and Educational Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd. (Representative Jackson Mai), Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, 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).

※Remuneration distributed to directors who are serving for year 2018.

※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.

Remuneration Bracket

Unit: NT\$1,000

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in consolidated financial statements (H)	The Company	Companies in consolidated financial statements (I)
Under NT\$ 2,000,000				
NT\$2,000,000 (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 Cultural and Educational Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, Fu-Yuan Investment Co., Ltd., Shang Li Car Co., Ltd., Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd. (Representative Mao-Chin Chen)	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Cultural and Educational Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, Fu-Yuan Investment Co., Ltd., Shang Li Car Co., Ltd., Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd. (Representative Mao-Chin Chen)	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Cultural and Educational Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, Fu-Yuan Investment Co., Ltd., Shang Li Car Co., Ltd., Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd. (Representative Mao-Chin Chen)	E.SUN Volunteer & Social Welfare Foundation (Representative Joseph N.C. Huang), E.SUN Cultural and Educational Foundation (Representative Gary K.L. Tseng), Hsin Tung Yang Co., Ltd., Chen-En Ko, Ji-Ren Lee, Chen-Chen Chang Lin, Hsin-I Lin, Chun-Yao Huang, Fu-Yuan Investment Co., Ltd., Shang Li Car Co., Ltd.,
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	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), President&CEO of E.SUN FHC, Joseph N.C. Huang	E.SUN Volunteer & Social Welfare Foundation (Representative Yung-Jen Huang), Shan Meng Investment Co., Ltd. (Representative Magi Chen), Sunlit Transportation Co., Ltd. (Representative Mao-Chin Chen), President & CEO of E.SUN FHC, Joseph N.C. Huang, Chairman of E.SUN Bank, Gary K.L. Tseng
NT\$30,000,00 (inclusive)- NT\$50,000,000 (not inclusive)				
NT\$50,000,000 (inclusive)- NT\$100,000,000 (not inclusive)				
Over NT\$100,000,000				
Total		121,922	154,590	147,834
				205,537

※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.

b. Remuneration of the President and Senior Executive Vice Presidents

2018.12.31 Unit: NT\$1,000

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Allowance (C)		Employee Profit Sharing Plan (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration paid to directors by invested companies other than the Company's subsidiaries
		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	
								Cash	Stock	Cash	Stock			
President	Joseph N.C. Huang	9,514	59,818	1,536	8,914	18,645	62,290	3,743	0	10,677	0	0.20%	0.83%	None
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	Shui-Chin Shen													
SEVP	Jung-Hua Lin													
SEVP	Cathy Kuo													
SEVP	Bruce Lee													
SEVP	Po-Hsuan Hsu													
SEVP	Yi-Hsin Tseng													
General Auditor	Chien-Hua Cheng													
General Auditor	Chih-Kuang Huang													
CCO	Fion Ouyang													

※General Auditor Chien-Hua Cheng retired on March 21, 2018.

Remuneration Bracket

Unit: NT\$1,000

Bracket	Names of President, Deputy President, and SEVPs	
	The Company	Companies in consolidated financial statements
Under NT\$ 2,000,000	Mao-Chin Chen, Magi Chen, Ben Chen, J. C. Wang, Shui-Chin Shen, L.C. Lin, Wu-Ming Hsieh, Jung-Hua Lin, Louis Chang, Cathy Kuo, Bruce Lee, Oliver Hsieh, Wan-Li Hsieh, Po-Hsuan Hsu, Yi-Hsin Tseng, Fion Ouyang	Shui-Chin Shen
NT\$2,000,000 (inclusive)- NT\$5,000,000 (not inclusive)	Chih-Kuang Huang, Chien-Hua Cheng	Cathy Kuo, Bruce Lee, Po-Hsuan Hsu, Yi-Hsin Tseng, Fion Ouyang, Chih-Kuang Huang
NT\$5,000,000 (inclusive)- NT\$10,000,000 (not inclusive)		Mao-Chin Chen, J. C. Wang, L. C. Lin, Wu-Ming Hsieh, Jung-Hua Lin, Louis Chang, Oliver Hsieh, Wan-Li Hsieh
NT\$10,000,000 (inclusive)- NT\$15,000,000 (not inclusive)		Ben Chen, Chien-Hua Cheng
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		33,438 141,699

c. 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	2018						2017					
	The company			Companies in consolidated financial statements			The company			Companies in the consolidated financial statements		
	No. of persons	Amount	Ratio to net income	No. of persons	Amount	Ratio to net income	No. of persons	Amount	Ratio to net income	No. of persons	Amount	Ratio to net income
Directors	13	154,590	0.87%	13	205,537	1.20%	14	139,179	0.94%	14	199,716	1.35%
President and SEVPs	19	33,438	0.20%	19	141,699	0.83%	16	27,618	0.19%	16	108,232	0.73%

Note: 2018 net income NT\$17,068,493,000; 2017 net income NT\$14,756,556,000.

d. The remuneration policies, criteria, and portfolios; procedures for determining remuneration; and correlation with business performance and future risk:

- 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 amended the Director Remuneration Policy at the 14th meeting of the 6th board of directors on March 15, 2019. The amendment added a provision 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, another provision was added to follow the New Corporate Governance Blueprint and require that when a company sustains a material decline in net income, director remuneration not increase more than it did 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 rescinded 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. The amended calculation and distribution of director remuneration above shall come into effect in 2020 when the 2019 director remuneration will be processed.
- 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.

e. Names of executive recipients of employee compensation and distribution of such

2018.12.31 Unit: NT\$1,000

Position	Name	Stock Amount	Cash Amount	Total	Ratio of Total to Net Income (%)
President	Joseph N.C. Huang	0	11,844	11,844	0.07%
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	Shui-Chin Shen				
SEVP	Jung-Hua Lin				
SEVP	Cathy Kuo				
SEVP	Bruce Lee				
SEVP	Po-Hsuan Hsu				
SEVP	Yi-Hsin Tseng				
General Auditor	Chih-Kuang Huang				
CCO	Fion Ouyang				
CMO	Chun-Yu Lin				
CBO	Daniel Tsai				
CAO	J. H. Ke				

f. Top 10 beneficiaries of employee compensation and distribution

2018.12.31 Unit: NT\$1,000

Position	Name	Stock Amount	Cash Amount
President	Joseph N.C. Huang	89	9,462
CSO	Mao-Chin Chen		
CFO	Magi Chen		
Deputy President	Ben Chen		
SEVP	Po-Hsuan Hsu		
SEVP	Yi-Hsin Tseng		
CIO	Wan-Li Hsieh		
CRO	Oliver Hsieh		
CBO	Daniel Tsai		
CMO	Chun-Yu Lin		

g. 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. Implementation of Corporate Governance

(1) Board of Directors

A total of 9 meetings of the board of directors (A) were held in the previous period. Directors and Independent Directors attendance was as following

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	9	0	100	Re-elected
Director	Representative of E.SUN Volunteer & Social welfare Foundation Joseph N.C. Huang	9	0	100	Re-elected
Director	Representative of E.SUN Cultural and Educational Foundation Gary K.L. Tseng	9	0	100	Re-elected
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	9	0	100	Re-elected
Independent Director	Chen -En Ko	9	0	100	Re-elected
Independent Director	Ji-Ren Lee	9	0	100	Re-elected
Independent Director	Chen-Chen Chang Lin	9	0	100	Re-elected
Independent Director	Hsin-I Lin	8	1	88.9	Re-elected
Independent Director	Chun-Yao Huang	9	0	100	Newly elected
Director	Representative of Fu -Yuan Investment Co., Ltd. Rong-Chu Chen	9	0	100	Re-elected
Director	Representative of Shang Li Car Co., Ltd. Chien-Li Wu	9	0	100	Re-elected
Director	Representative of Shan Meng Investment Co., Ltd. Magi Chen	8	1	88.9	Re-elected
Director	Representative of Sunlit Transportation Co., Ltd. Mao-Chin Chen	9	0	100	Newly elected

Note: Except for Independent Director Hsin-I Lin who attended the 8th Session of 6th Board of Directors by proxy on April 25, 2018, all independent directors attended the board meetings in person as follows. 100%

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.

(1) Article 14-3: Not applicable as the Company has set Audit Committee.

(2) 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 concerned the director's own interests	Joseph N.C. Huang recused himself from discussions after the proposed salary adjustments for vice presidents and other senior managers on the levels below were submitted. Magi Chen and Mao-Chin Chen recused themselves from discussions and voting.
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Proposal for 2017 year-end bonus and long term incentive distribution to senior managers of the Company	The agenda concerned the director's own interests	Joseph N.C. Huang recused himself from discussions after the proposed 2017 year-end bonus and long term incentive distribution to vice presidents and other senior managers on the levels below were submitted. Magi Chen and Mao-Chin Chen recused themselves from discussions and voting.
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Proposal for 2017 employee compensation distribution to senior managers of the Company	The agenda concerned the director's own interests	Joseph N.C. Huang recused himself from discussions after the proposed employee compensation distribution to vice presidents and other senior managers on the levels below were submitted. Magi Chen and Mao-Chin Chen recused themselves from discussions and voting.
Joseph N.C. Huang Magi Chen Mao-Chin Chen	Salary adjustments for senior managers of the Company	The agenda concerned the director's own interests	Joseph Huang, Magi Chen and Mao-Tsin 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 concerned the director's own interests	Joseph Huang, Magi Chen and Mao-Tsin Chen recused themselves from discussions and voting.

3. 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 Director during the most recent year:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) In 2018, the Company organized two director training courses, titled "Introduction to U.S. federal anti-money laundering regulations and the Money Laundering Control Act of the Republic of China" and "Corporate responses to regulatory changes - Latest amendment of Company Act and practical issues", for a total of 6 hours. In addition, a variety of courses offered by external parties were made available to provide ongoing professional training and help directors fulfill their duties of loyalty and due diligence as business decision makers and leaders.
- (7) 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 meeting procedure, as the corporate governance officer.

(2) Audit Committee

A total of 7 Audit Committee (A) were held in the previous period. Independent director attendance was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) [B/A]	Remarks
Independent Director	Chen-En Ko	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	6	1	85.71	Re-elected
Independent Director	Chun-Yao Huang	7	0	100	Newly elected

1. Other details that warrant inclusion: 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:

(1) Matters listed in Article 14-5 of the Securities and Exchange Act:

Date	Term	Issue to communicate	Result
January 19, 2018	6th Session of 6th Board of Directors	Nomination of chief auditor for the Company	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.
March 16., 2018	7th Session of 6th Board of Directors	2017 consolidated financial statements	
		Capitalized earnings and employee compensation	
		Amendment of the Company's accounting policy	
		2017 Statement on the Internal Control System	
		Amendment of the Company's Procedure for Derivative Transactions	
April 25, 2018	8th Session of 6th Board of Directors	Amendment of the Company's Shareholder Services Guidelines	
August 10, 2018	10th Session of 6th Board of Directors	2018 first half consolidated financial statements	
		Amendment of the Company's internal control system	
November 09, 2018	12th Session of 6th Board of Directors	Amendment of the Company's Property Acquisition or Disposal Procedures	
		Submission of the Company's 2019 audit plan	
January 18, 2019	13th Session of 6th Board of Directors	Amendment of the Company's Asset Acquisition or Disposal Procedures	
March 15, 2019	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	

(2) 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
January 16, 2018	Audit Committee	CPA	Submission of the 2017 financial statement audit plan	Duly noted.
		General Auditor	Submission of the 2017 Q4 audit working papers	Duly noted without further recommendations.
March 08, 2018	Audit Committee	CPA	Submission of the 2017 financial statement audit results	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted.
April 25, 2018	Audit Committee	General Auditor	Submission of the 2018 Q2 audit working papers	Duly noted and proceed as recommended.
August 07, 2018	Audit Committee	CPA	Submission of the 2018 first half financial statement audit results	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted and proceed as recommended.
		General Auditor	Submission of the 2018 Q1 audit working papers	Duly noted without further recommendations.
November 08, 2018	Audit Committee	General Auditor	Submission of the 2018 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 2019 audit plan	1. The plan was passed by a unanimous vote and submitted to the Board of Directors for approval. 2. Proceed as recommended.
November 08, 2018	Auditors Conference	Chief auditor and other auditors in the Company	Discussions on internal audit related matters.	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Proceed as recommended.
January 08, 2019	Meeting	CPA	Pre-audit meeting for communication on the 2018 group financial statement audit	Proceed as required.
January 17, 2019	Audit Committee	CPA	Submission of the 2018 financial statement audit plan	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted.
		General Auditor	Submission of the 2018 Q4 audit working papers	Duly noted without further recommendations.
March 14, 2019	Audit Committee	CPA	Submission of the 2018 financial statement audit results	1. Questions raised by the independent directors were answered and opinions exchanged. 2. Duly noted and proceed as recommended.

Note: (1) 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.

(2) The chief auditor of the Company attend all board meetings.

(3) During an audit of semi-annual and annual financial statements, the CPA would attend meetings of the audit committee to explain the methods and scope of the financial audit and updates of relevant regulations and discuss the details with the independent directors.

(4) 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.

(3) Items of disclosure according to corporate governance code for FHCs

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

(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	Status of implementation			Any difference from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference
	Yes	No	Summary	
1. Shareholding structure and shareholders' equity of the financial holding company (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? (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? (3) Has the financial holding company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations?	V		(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. (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. (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.	None
2. Composition and Duties/ Responsibilities of the Board of Directors (1) Besides setting up the Remuneration Committee and Audit Committee according to law, does the Company voluntarily set up other functional committees? (2) Does the Company evaluate the independence of its CPA on a regular basis?	V		(1) The Company has also set up the Corporate Governance and Nomination Committee, Strategy Committee, and Corporate Social Responsibility Committee. (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. (3) 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). (4) 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.	None
3. Has E.SUN FHC established a full-time (or part-time) corporate governance position or person to bear responsibility corporate governance-related matters (including but not limited to providing directors and supervisor's information needed for the implementation of their duties, matters connected with the holding of board and shareholder's meetings in accordance with law, implementation of corporate registration and registration changes, and production of board and shareholders meeting minutes, etc.)?	V		The Company assigns an appropriate number of suitable corporate governance staff to be responsible for corporate governance practices. The resolution passed by the Board of Directors on January 18th appointed Senior Manager Mei-Cheng Chu as the corporate governance officer. Following are matters related to corporate governance: (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. Proceedings of 2018 are as follows. Agenda that have been proposed to and approved by the board: (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) The Outside Employment Guidelines for Responsible Persons were established. The guidelines aims to prevent conflict of interest and avoid misuse of information. Responsible persons are required to fulfill their duty of care. The levels of authority should be adhered to; job titles should match the responsibilities; and the reporting systems should have clear and definite rules.	None
4. Has the financial holding company established any communication channels with stakeholders (including but not limited to shareholders, employees, and clients)?	V		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 that not only makes public the Company's CSR report but also provides a channel for communicating with stakeholders.	None

Item	Status of implementation			Any difference from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference
	Yes	No	Summary	
<p>5. Information Disclosure</p> <p>(1) Does the Company install a website for disclosing information on finances, operations, and corporate governance?</p> <p>(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.)?</p>	V		<p>(1) a. The Company has installed a website (https://www.esunfhc.com/zh-tw/investor-relations/company-overview/company-profile) to disclose information on finances, operations, and corporate governance.</p> <p>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.</p> <p>(2) a. The Company has installed an English website and designated personnel to collect and disclose material information.</p> <p>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 departments.</p> <p>The spokesperson's contact information is fully disclosed on the Company's website:</p> <p>Spokesperson Name: Joseph Huang Title: President, E.SUN FHC Telephone: (+886) 02-2175-1313</p> <p>Deputy Spokesperson Name: Magi Chen Title: CFO Telephone: (+886) 02-2175-1313</p> <p>Agency Handling Share Transfer Administration Department (Stock Affairs), Administration Division, E.SUN FHC Address: 1F, No. 115 Sec. 3, Ming-Sheng E. Road, Taipei, Taiwan Telephone: (+886) 02-2175-1313</p> <p>c. Investor conference presentations, along with audio files, are uploaded onto the Company's website. A dedicated unit is in charge of material maintenance.</p>	None
<p>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 supervisors, the implementation status of risk management policies and risk measuring standards, the implementation status of customer policies, the situation concerning the purchase of liability insurance for directors and supervisors, and donations made to political parties, stakeholders, and public interest groups)?</p>	V		<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 "Procedure for Processing Derivative Transactions" changed wording in response to changes in the accounting 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>	None

Item	Status of implementation			Any difference from the Corporate Governance Best Practice Principles for Financial Holding Companies, and the reason for any such difference
	Yes	No	Summary	
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.				
<p>The Company advocates philosophies of corporate governance. It has been ranked within top 5% of the Corporate Governance Evaluation for four 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.</p> <p>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.</p> <p>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.</p>				
8. The corporate governance officers completed the following training in 2018:				
Organizer	Course name			Hours
Corporate Governance Association in Taiwan	The Hand Behind Corporate Governance - The Role of Company Secretary in Practice			3
	[Summit] 14th International Corporate Governance Forum - Board duty of compliance oversight - the Delaware experience, board duty of oversight under existing laws in Taiwan, accountability of independent directors (all-day session)			6
Corporate Operation Association	"2018 Board Meetings for Managers - 5th Session of Best Practice Principles for Board of Directors" seminars			6
	"Latest Amendments to the Company Act and Case Studies" seminars - Board Practices and the New Company Act			3
Governance Professionals Institutes of Taiwan	Directors and supervisors and board of directors			3
	Preparation of statements			3
	Corporate Governance Workshop: Governance personnel and financial statement guidelines			6
Taiwan Academy of Banking and Finance	Taiwan Banking and Finance Forums			3
	Compliance Personnel Workshop (23rd)			15
	Derivatives Workshop			12
	Regulatory Compliance for Financial Holding Companies and Banks			3
	Welcoming Age of Regulatory Sandbox and Fintech Innovations			3
Taiwan Stock Exchange Corporation	FSC New Corporate Governance Blueprint Seminars - Role and Responsibilities of Directors			3

(5) Composition, Duties, and Operation of the Remuneration Committee

a. Information concerning members of the Remuneration Committee

Status	Name	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
Independent director	Chen-En Ko		V	V V V V V V V V	6	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	4	
Independent director	Chen-Chen Chang Lin		V	V V V V V V V V	0	
Independent director	Hsin-I Lin		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	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.

- (1) Not an employee of the Company or an affiliate.
- (2) Not a director or supervisor of the Company or affiliate. Independent directors appointed by the Company, its parent company, or its subsidiary according to security exchange law or other local laws are not subject to the restriction.
- (3) The individual or individual's spouse or minor child or the individual under another name does not hold more than 1% of the Company's total issued shares and is not one of the Company's ten largest natural person shareholders.
- (4) Not the spouse, relative within the 2nd degree of kinship, or blood relative within the 3rd degree of kinship of one of the persons listed in the three foregoing subparagraphs.
- (5) Not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total issued shares, and is not the director, supervisor, or employee of one of the Company's five largest institutional shareholders in terms of shareholdings.
- (6) Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a specified company or organization with financial or business dealings with the Company
- (7) Not the chief officer, partner, director, supervisor, or manager, or spouse of such persons, of a sole proprietorship, company, or organization providing commercial, legal, financial, accounting, or consulting services to the Company or an affiliated enterprise.
- (8) Not contain one of the requirements listed in the various subparagraphs of Article 30 of the Company Act.

b. 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 5 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	5	0	100	Re-elected
Member	Chen-En Ko	5	0	100	Re-elected
Member	Ji-Ren Lee	4	0	80	Re-elected
Member	Hsin-I Lin	5	0	100	Re-elected

(c) Agenda items and resolutions

Date	Name	Agenda	Resolution
2018.01.16	2nd session of 3rd board of directors	Amendment to the E.SUN Remuneration Committee Charter	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.
		Salary adjustments for senior managers of the Company and its subsidiaries	
		Proposal for 2017 year end bonus and long term incentive distribution to senior managers of the Company and its subsidiaries	
		2017 Performance evaluation of the committee	
2018.03.08	3th session of 3rd board of directors	2017 employee and director compensation distribution plans for E.SUN FHC	
		2017 employee and director compensation distribution plans for E.SUN Bank	
2018.08.07	4th session of 3rd board of directors	Proposal for 2017 employee compensation distribution to senior managers of the Company and its subsidiaries	
2019.01.17	5th session of 3rd board of directors	2018 Performance evaluation of the committee	
		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	
2019.03.14	6th session of 3rd board of directors	Proposal for 2018 year end bonus and long term incentive distribution to managers of the Company and senior managers of its subsidiaries	
		Amendment to the E.SUN Remuneration Committee Charter	
		Amendment to the Director Remuneration Policy for the Company and its subsidiaries E.SUN Bank	
		2018 employee and director compensation distribution plans	
		2018 employee and director compensation distribution plans for E.SUN Bank	

c. 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 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	Ji-Ren Lee	1	1	50	Re-elected
Member	Chen-En Ko	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	New appointment
Member	Jackson Mai	2	0	100	Re-elected
Member	Yung-Jen Huang	2	0	100	Re-elected
Member	Gary K.L. Tseng	2	0	100	Re-elected

d. 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	New appointment
Member	Ron-Chu Chen	2	0	100	Re-elected
Member	Chien-Li Wu	2	0	100	Re-elected

e. 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 5 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	5	0	100	Re-elected
Member	Joseph N.C. Huang	5	0	100	Re-elected
Member	Gary K.L. Tseng	5	0	100	New appointment
Member	Ji-Ren Lee	4	1	80	New appointment
Member	Chun-Yao Huang	5	0	100	New appointment

(6) Status of performance of social responsibility

Item	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
	yes	No		
I. Promotion of corporate governance (1) The Company's setting of corporate social responsibility policies or systems, and review of status of implementation and results. (2) Does company provide regular training of CSR? (3) Status of operation of any units established by the Company with full (or concurrent) corporate social responsibility duties. (4) The Company's regular holding of corporate ethics education, training, and awareness events for directors, supervisors, and employees, linkage with the employee performance evaluation system, and establishment of clear and effective rewards and penalties.	V		(1) The Company has a set of corporate governance best-practice principles to comply with laws and regulations, bolster internal management, strengthen the functions of the board, and protect the rights and interests of shareholders and stakeholders. With priority given to capital adequacy, asset quality and liquidity, management competence, profit capacity, and risk sensitivity, the Company is equally committed to honoring corporate social responsibility and making investment accordingly. Besides working on corporate governance, customer rights, employee welfare, the public good, and energy conservation/carbon reduction, we make great effort in humanities, the arts and environmental protection toward fulfilling CSR and thus generate a greater impact on the community. (2) The Company instills and realizes corporate ethics through publicity and examinations. (3) 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 38 meetings in 2018. In addition, the company reports two times of CSR strategies and implementation results to the board. As a rule, the company employs systematic and well-planned methods to achieve the long-term fulfillment of its corporate social responsibilities. (4) The performance review system and remuneration framework for executives and managers is screened by the Compensation Committee, following which the board makes a final decision. The performance evaluation and remuneration scheme, based on realizing corporate core value, strong leadership and management competency, encompass financial and business performance, as well as quality management including brand management, human development, innovation and integration, risk management and legal compliance. (5) 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 2018 are listed below.	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	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
	yes	No		
			<p>a. Economic aspect</p> <p>(a) Compliance: In order to implement compliance evaluation mechanism and control risk well, E.SUN refine whistleblowing policy to improve the procedure. The Company has set up dedicated teams, kept the whistleblower's identity and provided protection against retaliation.</p> <p>(b) Information Security: Established Security Operations Center (SOC) and dedicated information security officers in every business unit. We also enhance the number of employee to acquire the ISO27001 Lead Auditor Certificate.</p> <p>(c) Anti-Money Laundering: E.SUN builds and refines an anti-money laundering system in accordance with international anti-money laundering standards including CDD functions, suspicious transaction monitoring logic and parameter settings. We also strengthen training on Anti-Money Laundering to help employees to keep pace with time in terms of expertise and skills.</p> <p>(d) Corporate Governance: E.SUN will enhance the information transparency in English official website and improve the quality of non-financial information disclosure. We aims to issue handbook for Board of Directors to help them discharge the responsibilities.</p> <p>b. Social Aspect</p> <p>(a) Care For Employees: Continued to improve diversified employee communication and promote work-life balance. E.SUN works hard to implement benefits that cultivate a happy workplace and team environment.</p> <p>(b) Financial Inclusion: All physical channels in Taiwan will provide JPY and USD in foreign currency ATM. On digital channel, we have received the AAA certification from the National Communications Commission in 2019. E.SUN aims to create convenient service experiences for online users, thereby achieving the goal of financial inclusion.</p> <p>(c) Talent Cultivation: Continue to strengthen training, job rotation, and learning at E.SUN in response to E.SUN's long-term development strategy, and thereby enhance employees' future competitiveness.</p> <p>(d) Social Welfare</p> <p>□ Academic Education: Human resource is the valuable asset of the company, so E.SUN makes a great effort in academic education, including building 13 E.SUN libraries by Golden Seed Project, an industry-academia cooperation with 13 universities, E.SUN Outstanding Management Talent Scholarship and International Masters Forum.</p> <p>□ Social Engagement: E.SUN continued to promote activities such as social enterprise development which works with Taipei city government, The Concern for Schoolchildren Program, partnered with corporates of industry leader to co-host the blood donation event, overseas volunteer clinics and Community Housing Project in Cambodia. We hope to bring love and care to the community.</p> <p>□ Sports: E.SUN focus on junior baseball development and hold a series of activities such as E.SUN Cup International AAA Baseball Tournament, E.SUN Junior Baseball Camp, E.SUN Junior Baseball Protection Camp and Remote Caring Program.</p> <p>□ Arts and Humanities: E.SUN always holds the For Mother - Mother's Day Music Concert in May and being a long term supporter of arts and culture. We have invited the Vienna Boys' Choir to perform in Taiwan every year since 2011. The heavenly voices of the Bruckner members of the Vienna Boys Choir were enjoyed by 6,000 in five concerts in Taipei, Taichung, Chiayi, Kaohsiung, and Hualien.</p> <p>c. Environmental Aspect</p> <p>(a) Environmental protection and saving energy: E.SUN continued to acquire the green building license for newly built bank buildings or build solar-powered branches. Continue to implement energy conservation and carbon reduction measures with the goal of reducing annual emissions by 1% per capita. E.SUN also installs sanitation equipment with EPA certification for water efficiency.</p> <p>(b) Low Carbon Operations: E.SUN is actively working to introduce greater accountability into our head office and 138 nationwide branches by adopting the ISO14001 Environmental Management System, ISO 50001 Energy Management System, ISO 14064-1 Organizational Greenhouse Gas Inventory, ISO 14046 Water Footprint Inventory, and ISO 14064 Greenhouse Gas Inventory System (Scope 3), allowing us to comprehensively assess and manage our carbon emissions and formulate corresponding actions plans to reduce greenhouse gas emissions.</p> <p>(c) Climate Change Risks: E.SUN delivers periodic reports to the Board of Directors and the Financial Holdings Risk Management Committee to ensure that board members and senior management are keenly aware of how climate change is impacting the company. Moreover, E.SUN has developed a robust reporting framework based on the Recommendations of the Task Force on Climate-related Financial Disclosures to provide relevant and reliable information concerning the company's financial fundamentals to investors, financiers, and other stakeholders.</p> <p>(d) Sustainable Finance: E.SUN focus on green finance and promote Equator Principles. E.SUN Bank Investment Policy attaches importance to the corporate social responsibility performance of the investee target. Based on the Principles for Responsible Investment (PRI), ESG issues were incorporated in investment analyses and decision-making processes. In 2019, we will issue zero-carbon credit cards and to have great impact to the society.</p>	
<p>2. Environmentally sustainable development</p> <p>(1) The Company's efforts to enhance the efficiency of resource usage, and use of recycled materials with low environmental load.</p> <p>(2) The Company's establishment of an appropriate environmental management system reflecting the characteristics of its industry.</p> <p>(3) The Company's attention to the effect of climate change on its operational activities, and drafting of corporate energy conservation, carbon emission reduction, and greenhouse gas reduction strategies.</p>		V	<p>(1) The Company prioritizes the purchase and use of building materials, equipment, and tools bearing the Green Building Materials Mark or Green Mark, 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>(2) The Company has adopted the ISO 14001 environmental management system and ISO 50001 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>(3) The Company has conducted ISO 14064-1 greenhouse gas inventories at the E.SUN headquarters building, Bao'an building, L&D center, and all branches in Taiwan. These inventories have enabled the Company to understand its carbon emissions and draft a greenhouse gas reduction action plan.</p> <p>(4) The corporate social responsibility committee has established and environmental sustainability committee to bear responsibility for the promotion of environmental/energy management policies, and maximize the efforts of the Company and individuals. E.SUN FHC headquarters' Administration Department bears responsibility for implementation.</p> <p>(5) The Company includes borrowing companies' implementation of environmental protection policies and degree of environmental pollution in items considered when lending, and hopes to induce external companies to protect the environment. The Company also strives to promote widespread use of online services, reduction in paper use, and conservation of power.</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.

Item	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
	yes	No		
			<p>a. Economic aspect</p> <p>(a) Compliance: In order to implement compliance evaluation mechanism and control risk well, E.SUN refine whistleblowing policy to improve the procedure. The Company has set up dedicated teams, kept the whistleblower's identity and provided protection against retaliation.</p> <p>(b) Information Security: Established Security Operations Center (SOC) and dedicated information security officers in every business unit. We also enhance the number of employee to acquire the ISO27001 Lead Auditor Certificate.</p> <p>(c) Anti-Money Laundering: E.SUN builds and refines an anti-money laundering system in accordance with international anti-money laundering standards including CDD functions, suspicious transaction monitoring logic and parameter settings. We also strengthen training on Anti-Money Laundering to help employees to keep pace with time in terms of expertise and skills.</p> <p>(d) Corporate Governance: E.SUN will enhance the information transparency in English official website and improve the quality of non-financial information disclosure. We aims to issue handbook for Board of Directors to help them discharge the responsibilities.</p> <p>b. Social Aspect</p> <p>(a) Care For Employees: Continued to improve diversified employee communication and promote work-life balance. E.SUN works hard to implement benefits that cultivate a happy workplace and team environment.</p> <p>(b) Financial Inclusion: All physical channels in Taiwan will provided JPY and USD in foreign currency ATM. On digital channel, we have received the AAA certification from the National Communications Commission in 2019. E.SUN aims to create convenient service experiences for online users, thereby achieving the goal of financial inclusion.</p> <p>(c) Talent Cultivation: Continue to strengthen training, job rotation, and learning at E.SUN in response to E.SUN's long-term development strategy, and thereby enhance employees' future competitiveness.</p> <p>(d) Social Welfare</p> <p><input type="checkbox"/> Academic Education: Human resource is the valuable asset of the company, so E.SUN makes a great effort in academic education, including building 13 E.SUN libraries by Golden Seed Project, an industry-academia cooperation with 13 universities, E.SUN Outstanding Management Talent Scholarship and International Masters Forum.</p> <p><input type="checkbox"/> Social Engagement: E.SUN continued to promote activities such social enterprise development which works with Taipei city government, The Concern for Schoolchildren Program, partnered with corporates of industry leader to co-host the blood donation event, overseas volunteer clinics and Community Housing Project in Cambodia. We hope to bring love and care to the community.</p> <p><input type="checkbox"/> Sports: E.SUN focus on junior baseball development and hold a series of activities such as E.SUN Cup International AAA Baseball Tournament, E.SUN Junior Baseball Camp, E.SUN Junior Baseball Protection Camp and Remote Caring Program.</p> <p><input type="checkbox"/> Arts and Humanities: E.SUN always holds the For Mother - Mother's Day Music Concert in May and being a long term supporter of arts and culture. We has invited the Vienna Boys' Choir to perform in Taiwan every year since 2011. The heavenly voices of the Bruckner members of the Vienna Boys Choir were enjoyed by 6,000 in five concerts in Taipei, Taichung, Chiayi, Kaohsiung, and Hualien.</p> <p>c. Environmental Aspect</p> <p>(a) Environmental protection and saving energy: E.SUN continued to acquire the green building license for newly built bank buildings or build solar-powered branches. Continue to implement energy conservation and carbon reduction measures with the goal of reducing annual emissions by 1% per capita. E.SUN also installs sanitation equipment with EPA certification for water efficiency.</p> <p>(b) Low Carbon Operations: E.SUN is actively working to introduce greater accountability into our headoffice and 138 nationwide branches by adopting the ISO14001 Environmental Management System, ISO 50001 Energy Management System, ISO 14064-1 Organizational Greenhouse Gas Inventory, ISO 14046 Water Footprint Inventory, and ISO 14064 Greenhouse Gas Inventory System (Scope 3), allowing us to comprehensively assess and manage our carbon emissions and formulate corresponding actions plans to reduce greenhouse gas emissions.</p> <p>(c) Climate Change Risks: E.SUN delivers periodic reports to the Board of Directors and the Financial Holdings Risk Management Committee to ensure that board members and senior management are keenly aware of how climate change is impacting the company. Moreover, E.SUN has developed a robust reporting framework based on the Recommendations of the Task Force on Climate-related Financial Disclosures to provide relevant and reliable information concerning the company's financial fundamentals to investors, financiers, and other stakeholders.</p>	

(7) Status of Ethical Corporate Management Implementation and Actions

Item	Status of implementation			Any discrepancies and reasons for such with Trustworthy Operations Best-Practice Principles for TSE/GTSM Listed Companies
	Yes	No	Summary	
<p>1. Adoption of an ethical management policy and action plan</p> <p>(1) Does the Company specify its ethical management policy and measures in internal regulations and external documents, and does the Board of Directors and management take action to ensure compliance with the management policy?</p> <p>(2) Does the Company adopt an unethical conduct prevention program in which operational procedures, behavioral guidelines, and a mechanism for punishment of and appeal for alleged violations are clearly defined, and enforce it without fail?</p> <p>(3) Does the Company adopt preventive measures against practices listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies or other business activities with higher risk of being linked to unethical conduct?</p>	V		<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.</p> <p>(2) To effectively forestall unethical conduct, the Company makes ethical corporate management an integral part of its evaluation of employee performance and human resources policy. It has also established a clearly defined, effective system for setting rewards/penalties and handling complaints.</p> <p>(3) Standing by ethical principles and committed to honest business, the Company refrains from engaging in business activities within its business scope that may incur a higher risk of committing acts of unethical conduct, and makes it a point to strengthen preventive measures. Meanwhile, the Company refrains from offering political donations as it is set to uphold political neutrality.</p>	No difference
<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 establish a unit under the Board of Directors that is exclusively or concurrently responsible for promoting ethical management, and reports its status of implementation to the board on a regular basis?</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) To enforce ethical management, does the Company establish effective accounting and internal control systems that are subject to regular inspection of an internal auditing department or audit by externally engaged CPAs?</p> <p>(5) Does the Company offer internal and external training with regard to ethical management on a regular basis?</p>	V		<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) The Company's Corporate Governance and Nomination Committee is the business unit responsible for promotion of ethical corporate management, establishment of business integrity policies and fraud prevention measures and supervision of such practices. The committee is also responsible for amending, implementing, interpreting, providing advisory services and recording and archiving related reports.</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) The Company has established an effective accounting system that prohibits any outside or secret accounts. On top of an effective internal control system, the Company has also established an internal audit unit under the board of directors; it is required to report to the audit committee and the board at least once each quarter.</p> <p>(5) The Company undertakes training with regard to ethical 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
<p>3. Status of the Company's implementation of its mechanism for handling informants and their information:</p> <p>(1) Whistleblowing system: Does the Company establish a mechanism that incentivizes informants to step forward, put in place channels convenient for taking such action and assign appropriate personnel to handle such cases?</p> <p>(2) Does the Company set a standard operating procedure (SOP) for handling reports from informants and adopt a mechanism for keeping confidentiality?</p> <p>(3) Does the Company adopt measures to make sure that informants do not undergo improper treatment because of their stepping forward?</p>	V		<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 criminal, corrupt, or illegal conduct. The Compliance Department is the receiving unit for whistleblowing reports. The Audit Department or an appropriate unit appointed by the Audit Department is the investigating unit. 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. Business integrity has been made part of the Company's employee performance appraisal and human resource policy. 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 monitored directly by 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) Articles 5 to 7 of 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.</p> <p>(3) The Company keeps whistleblower identity strictly confidential and provide measures to protect whistleblowers from unfavorable treatment or retaliation.</p>	No difference

Item	Status of implementation			Any discrepancies and reasons for such with Trustworthy Operations Best-Practice Principles for TSE/GTSM Listed Companies
	Yes	No	Summary	
4. Strengthening of information disclosure 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?	V		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. (1) Education and training: The Company has planned a series of courses such as laws and regulations, auditing, risk management, anti-money laundering, E.SUN General Knowledge on Law, and E.SUN Employee Service Code of Conduct and Behavior Standards for each training class, providing a total of 360.5 hours of training. In the courses, the concept and practice of three lines of defense are reinforced through case studies in order to enable the employees to work together in prevention of unethical behaviors. (2) Legal compliance training: In 2018, the theme of the campaigns was "corporate integrity and credibility as means to achieve ethical management and sustainable development". 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: The Company and its subsidiaries conduct annual online examinations for all employees. The scope of examinations includes E.SUN FHC's business integrity rules, and E.SUN FHC's business integrity operating procedures and code of conduct. In 2018, the core issue was on business integrity in commercial activities, the prohibition of conduct violating business integrity and harming the interests of stakeholders, and the duty of maintaining the confidentiality of the Company's intellectual property rights. (4) The Board of E.SUN FHC, E.SUN Bank and E.SUN Security Procedure pass Handling Whistleblowing Reports. The Company has set up Stakeholders page on the company's website to provide an directly number, email address and address to effective communication channel for employees, shareholders, stakeholders, and outsiders. In 2018, there were no whistleblowing reports other than three customer dispute related complaints (which have been resolved by the Customer Service Department) received by E.SUN Bank.				

(8) Methods of referencing corporate governance guidelines and related regulations

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

(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 4th 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 diligence as business decision makers and leaders. 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.

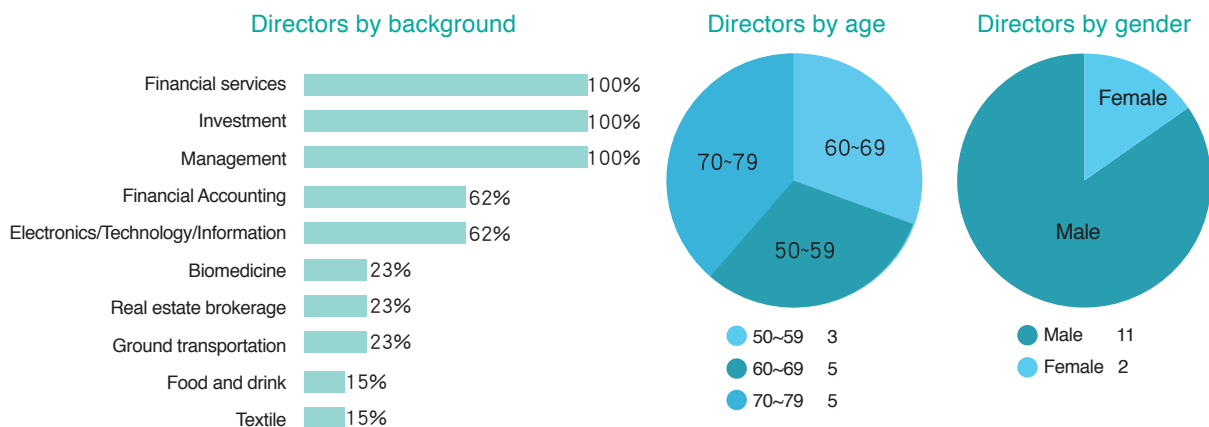
Board diversity is achieved through education and work experience as well as training and related background of individual directors as follows:

Name of director	Diversity at the core	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		√		√	√	√	√	√	√	√
Joseph N.C. Huang		√	√	√	√	√	√	√	√	√
Gary K.L. Tseng		√	√	√	√	√	√	√	√	√
Chen-En Ko			√	√			√	√	√	√
Ji-Ren Lee			√				√	√	√	√
Chen-Chen Chang Lin			√		√		√	√	√	√
Hsin-I Lin		√		√		√	√	√	√	√
Chun-Yao Huang						√	√	√	√	√
Jackson Mai		√		√		√	√	√	√	
Ron-Chu Chen		√		√		√	√	√	√	
Chien-Li Wu		√		√		√	√	√	√	
Magi Chen		√	√	√	√	√	√	√	√	√
Mao-Chin Chen		√		√	√	√	√	√	√	√

Five independent directors of the Company are experts in accounting auditing, strategy, information, digital banking, and management and other expertise.

The five independent directors possess expertise in accounting and audit, strategy, information, fintech, and management, all of which contribute to the Company's development in the fields.

- Independent Director Chen-En Ko serves as the chair 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.
- 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.
- 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.
- Independent Director Hsin-I Lin provides revealing insights on industry risk, performance management and corporate management.
- 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.



(10) Training of Directors

Title	Name	Date appointed	Implementing organization	Training Course	Training hours	Does training meet regulations
Institutional director's representative	Yung-Jen Huang	2017.06.16	Taiwan Corporate Governance Association	Introduction to U.S. federal anti-money laundering regulations and Money Laundering Control Act of the Republic of China	3	Yes
				Corporate responses to regulatory changes - Latest amendment of Company Act and practical issues	3	
Institutional director's representative	Gary K.L.Tseng	2017.06.16	Taiwan Corporate Governance Association	Introduction to U.S. federal anti-money laundering regulations and Money Laundering Control Act of the Republic of China	3	Yes
				Corporate responses to regulatory changes - Latest amendment of Company Act and practical issues	3	
Institutional director's representative	Joseph N.C Huang	2017.06.16	Taiwan Corporate Governance Association	Introduction to U.S. federal anti-money laundering regulations and Money Laundering Control Act of the Republic of China	3	Yes
				Corporate responses to regulatory changes - Latest amendment of Company Act and practical issues	3	
			Taiwan Stock Exchange	E-voting Improves Corporate Governance Forum	6	
Institutional director's representative	Jackson Mai	2017.06.16	The Institute Internal Auditors Taiwan	Taxation issues and planning in construction	3	Yes
				Latest amendment of Company Act - impact on businesses, responses, and recent case studies	3	
Independent director	Chen-En Ko	2017.06.16	Taiwan Corporate Governance Association	Major economic crimes in corporations - A brief look into insider trading	1	Yes
				3rd meeting of 6th Corporate Governance Assessment Committee	2	
				Introduction to New Corporate Governance Blueprint	1	Yes
				Effective exercise of the directors' role as strategy advisors	1	
				4th meeting of 6th Corporate Governance Assessment Committee	3	Yes
				[Summit] 14th International Corporate Governance Forum- Board duty of compliance oversight - the Delaware experience, board duty of oversight under existing laws in Taiwan, accountability of independent directors (morning session)	3	
				[Summit] 14th International Corporate Governance Forum- Board duty of compliance oversight, holding independent directors accountable (morning session)	3	Yes
				Corporate responses to regulatory changes - Latest amendment of Company Act and practical issues	3	
				Analysis and practices of anti-money laundering and counter terrorist financing	3	Yes
				Responses to anti-tax avoidance policies and measures around the world and across the Strait	3	
				Intellectual property protection strategies from a major international player's perspective	1	Yes
Independent director	Ji-Ren Lee	2017.06.16	Taiwan Corporate Governance Association	Impact of international political and economic conditions on Taiwan's telecommunication industry	3	Yes
				Introduction to new personal information protection laws in EU and in China	3	
Independent director	Chen-Chen Chang Lin	2017.06.16	Taiwan Corporate Governance Association	Introduction to U.S. federal anti-money laundering regulations and Money Laundering Control Act of the Republic of China	3	Yes
				[Summit] 14th International Corporate Governance Forum- Board duty of compliance oversight - the Delaware experience, board duty of oversight under existing laws in Taiwan, accountability of independent directors (morning session)	3	
				Corporate responses to regulatory changes - Latest amendment of Company Act and practical issues	3	Yes
Independent director	Hsin-I Lin	2017.06.16	Taiwan Corporate Governance Association	Accounting and information disclosure strategies and corporate governance	3	Yes
				How directors and supervisors review internal control and audit and a discussion on whistleblowing mechanisms	3	
Independent director	Chun-Yao Huang	2017.06.16	Taiwan Corporate Governance Association	AML/CFT trends and important regulations	3	Yes
				[Summit] 14th International Corporate Governance Forum- Effectiveness of independent directors, support of independent directors (afternoon session)	3	
Institutional director's representative	Rong Chu Chen	2017.06.16	Securities and Futures Institute	Compliance Seminar on Insider Share Transfers for Listed Companies and Unlisted Public Companies	3	Yes
				2018 Insider Trading Prevention Information Session	3	
Institutional director's representative	Chien-Li Wu	2017.06.16	Taiwan Corporate Governance Association	Accounting and information disclosure strategies and corporate governance	3	Yes
				How directors and supervisors review internal control and audit and a discussion on whistleblowing mechanisms	3	
Institutional director's representative	Magi Chen	2017.06.16	Taiwan Securities Association	Corporate governance and corporate transparency in financial statements	3	Yes
			Taiwan Corporate Governance Association	Corporate responses to regulatory changes - Latest amendment of Company Act and practical issues	3	
Institutional director's representative	Mao-Chin Chen	2017.06.16	Taiwan Institute of Directors	Driving digital transformation with corporate governance, managing digital risks	3	Yes
			Taiwan Institute for Sustainable Energy Center for Corporate Sustainability	14th CEO Lectures and Keynote Speeches	2	
			Taiwan Corporate Governance Association	Introduction to U.S. federal anti-money laundering regulations and Money Laundering Control Act of the Republic of China	3	

(11) Training of Managers

Title	Name	Date of Appointment	Host Organization	Course	Training hours
President	Joseph N. C. Huang	2008.07.16	Taiwan Stock Exchange	Forum on 100% E-Voting in 2018 and Enhancement of Corporate Value	6
			Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3
CFO	Magi Chen	2004.02.13	Taiwan Securities Association	Corporate Governance and Transparency in Corporate Financial Information (Continuing Education for Directors)	3
			Taiwan Academy of Banking and Finance	Financial Derivatives Workshop (577th)	6
			Taiwan Academy of Banking and Finance	Financial Derivatives Workshop (636th)	6
			Taiwan Securities Association	Corporate Governance and Transparency in Corporate Financial Information	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3
Deputy President	Ben Chen	2014.01.24	Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3
CSO	Mao-Chin Chen	2016.01.29	Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Institute for Sustainable Energy, Center for Corporate Sustainability	14th CEO Lecture and Keynote Speech	2
			Taiwan Institute of Directors	Drive Digital Transformation via Corporate Governance to Control Digital Risk	3
CHRO	J. C. Wang	2002.01.28	Yu Heng Attorneys-at-Law	Attorney Yi-Hsuan Shen's Speech on Labor Regulations	2
			Willis Towers Watson	Class for Growing Digital Technology Professionals	8
			Willis Towers Watson	Class for Digital Technology Professionals on Performance Management	8
CRO	Oliver Hsieh	2011.03.18	The Bankers Association of the ROC	Forum on the Financial Industry's Preventing Money Laundering and Countering Financing of Terrorism	3.5
			Taiwan Academy of Banking and Finance	Financial Derivatives Workshop (633rd)	12
CIO	Wan-Li Hsieh	2012.03.23	Willis Towers Watson	Class for Growing Digital Technology Professionals	8
			Willis Towers Watson	Class for Digital Technology Professionals on Performance Management	8
SEVP	L. C. Lin	2018.01.31	Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
SEVP	Wu-Ming-Hsieh	2018.01.31	Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3
SEVP	Shui-Chin Shen	2012.01.07	Taiwan Securities Association	Analysis of M&A Regulations and Discussion of Practices	3
			Taiwan Securities Association	Shareholding Transfer and Taxation Planning Practices for Directors, Supervisors, and Accounting Officers	3
			Taiwan Stock Exchange	2018 Seminar for Promoting Money Laundering Prevention Practices Among Securities Firms	3.5
			Taiwan Securities Association	2018 Workshop for Senior Executives of Securities Firms	4.5
			Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
SEVP	Cathy Kuo	2017.01.20	Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3
SEVP	Bruce Lee	2017.01.20	Taiwan Academy of Banking and Finance	Breakfast Meeting for Executives on "Explore Machine Learning and Find the Keys to Financial AI"	2
			Taiwan Academy of Banking and Finance	"Foresee Bank 4.0": Dinner for Financial Industry Senior Executives	5
			Willis Towers Watson	Class for Growing Digital Technology Professionals	8
			Willis Towers Watson	Class for Digital Technology Professionals on Performance Management	8
			Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3

Title	Name	Date of Appointment	Host Organization	Course	Training hours
SEVP	Po-Hsuan Hsu	2018.01.31	Taiwan Academy of Banking and Finance	Taiwan Financial Forum Series: International Symposium on Ushering in the Era of Regulatory Sandboxes and Fintech Innovation	3
			Yu Heng Attorneys-at-Law	Attorney Yi-Hsuan Shen's Speech on Labor Regulations	2
			Taiwan Academy of Banking and Finance	"Foresee Bank 4.0": Dinner for Financial Industry Senior Executives	5
			Willis Towers Watson	Class for Growing Digital Technology Professionals	8
			Willis Towers Watson	Class for Digital Technology Professionals on Performance Management	8
			Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3
SEVP	Yi-Hsin Tseng	2018.01.31	Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3
SEVP	Te-Ming Chung	2019.01.24	Yu Heng Attorneys-at-Law	Attorney Yi-Hsuan Shen's Speech on Labor Regulations	2
SEVP	Mei-Ling Liu	2019.01.24	Taiwan Academy of Banking and Finance	2018 Fact-Finding Tour of Israel on Fintech and Information Security	32
			Rural Commercial Bank of China	E.SUN's Innovation and Development in Digital Banking	4
			Thomson Reuters	Discussion on Big Data Technology	1
General Auditor	Chih-Kuang Huang	2018.03.21	Taiwan Academy of Banking and Finance	Taiwan Financial Forum Series: International Symposium on Ushering in the Era of Regulatory Sandboxes and Fintech Innovation	3
			Taiwan Academy of Banking and Finance	Cross-Strait Financial Symposium: Financial Supervision and Risk Management	7
			Taiwan Academy of Banking and Finance	Fintech Forum: Trends in Fintech and Financial Supervision	3.5
			Taiwan Academy of Banking and Finance	2018 Asia Financial Supervision Conference	3.5
			Taiwan Academy of Banking and Finance	Financial Derivatives Workshop (640th)	12
			E.SUN Bank	Workshop on Self-Auditing	2
			Financial Examination Bureau, Financial Supervisory Commission	Seminar on Internal Audit of Financial Holding Companies	3
CCO	Fion Ouyang	2016.01.22	Taiwan Academy of Banking and Finance	Financial Derivatives Workshop (633rd)	12
			Taiwan Academy of Banking and Finance	On-the-Job Workshop for Legal Compliance Personnel (24th)	15
			Taiwan Academy of Banking and Finance	2018 Cross-Strait Financial Symposium: Preventing Money Laundering and Countering Financing of Terrorism (1st)	7
			Taiwan Academy of Banking and Finance	Symposium on Financial Supervision Regulatory Sandboxes and International Trends in Combatting Money Laundering (1st)	3
			Financial Supervisory Commission	Seminar for Promoting Information Security of Domestic Banks	2
			Corporate Operation Association	Practices of Board Functioning and the Newly Revised Company Act	3
			Securities and Futures Institute	U.S. SEC Regional Training Program 2018	4
			Yu Heng Attorneys-at-Law	Attorney Yi-Hsuan Shen's Speech on Labor Regulations	2
CBO	Daniel Tsai	2017.11.02	Taiwan Corporate Governance Association	An Introduction to U.S. Federal Anti-Money Laundering Practices and Taiwan's Money Laundering Control Act	3
			Taiwan Corporate Governance Association	Corporate Adaptation to Statutory Reform: Highlights and Practices of the Latest Revision to the Company Act	3

(12) Internal Control

a. statement of Internal Control

E.SUN FHC Statement of Internal Control System

Date: March 1, 2018

On behalf of E.SUN Financial Holding Co., Ltd., we hereby declare that the Company, pursuant to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, did establish an internal control system and conduct risk management from January 1 through December 31, 2017. In the meantime, an impartial and independent entity was called in to conduct audit and report its findings to the Company's Audit Committee and Board of Directors on a regular basis. Based on a meticulous review, we affirm that all departments of the Company had been able to effectively enforce internal control and compliance-related measures during the said period, except for matters listed in the table attached below. This Statement will be an integral part of E.SUN FHC's Annual Report for the year 2016 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the aforementioned items to be disclosed will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

To the Financial Supervisory Commission

Declarers

Chairman

Yang Gen Huang

President

Joseph Huang

Chief Auditor

Chien-kua Chang

Chief Compliance Officer

Fion Ou Yang

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

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

b. Fines imposed by Financial Supervisory Commission(FSC) for violations:

(a) Subsidiary E.SUN Bank failed to establish or implement an internal control mechanism for reviewing Board of Directors records of financial derivatives clients and their financial data. The competent authority thus imposed a fine of NT\$ 4 million and an order to correct. Subsidiary E.SUN Bank has made improvements to the processes ranging from information application, credit review, post-loan management, and corresponding disciplinary actions. The errors have all been corrected.

In the case above, restrictions were imposed on E.SUN Bank in undertaking new derivative business involving embedded put options (including structured notes), but excluding transactions between E.SUN Bank and professional institutional investors or high net worth institutional investors and stop-loss orders placed by existing customers. Improvement of the failure above has been approved by the Financial Supervisory Commission, and the services have resumed.

(b) 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.

(c) 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.

c. Corrections issued by the Financial Supervisory Commission:

(a) There were discrepancies between the 2015 Financial Report approved in the Company's 2016 shareholders meeting and the 2015 Financial Report that was announced and reported. The discrepancies were not announced and reported within 2 days of their occurrence and were corrected by the competent authority. The discrepancies were due to the version of the financial report that was announced and reported using net amount to express items, and do not affect the total of main items on the Company's financial statements. This will not cause readers of the Company's financial statements to be misled or make the wrong judgment. The Company thus made a checklist to include primary items and secondary items of the annual financial report and strictly control operating procedures.

(b) Subsidiary - E.SUN Bank was found to have failed to follow an appropriate sales process, business management and compliance procedure when handling derivative products and failed to implement adequate risk management mechanisms. E.SUN Bank had been given a warning by the competent authority. Subsidiary - E.SUN Bank reviewed the above findings again, amended relevant procedures and guidelines accordingly, and also implemented adequate risk management mechanisms and ensured they are effectively executed.

(c) Subsidiary - E.SUN Bank failed to properly supervise anti-money laundering operations in its Hong Kong Branch, and did not establish adequate internal control procedures for domestic branches to help overseas branches carry out savings and credit businesses. E.SUN Bank had been given a warning by the competent authority. Subsidiary - E.SUN Bank commissioned an external consultant to implement an improvement plan, establish a system for periodically reexamining customer risk, comprehensively review branch customers, assist with the establishment of a GAML system, and establish the "E.Sun Bank Cross-border Due Diligence Guidelines" as an internal control policy, including cross-border due diligence as part of internal audits that are carried out.

(d) Subsidiary E.SUN Bank was found to have failed to meet the security requirements in the use of information systems. The competent authority issued an improvement notice to E.SUN Bank. Subsidiary E.SUN Bank has made improvements and strengthened measures, including enhanced test environment security and stronger network environment, connections and administrator passwords. E.SUN Bank also refined the tracking system and corrected the errors.

d. Penalties imposed by the FSC in accordance with Paragraph 1 of Article 54 of the Financial Holding Company Act: None.

e. 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.

f. 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.

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

a. Important resolutions of the 2017 and 2018 shareholders meetings:

Time	Resolutions of shareholders meeting	Status
2017.06.16	1. Acknowledgment of the 2016 business report and financial statements	Implemented as approved.
	2. Acknowledgment of the 2016 earnings distribution	August 15, 2017 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
	3. Approval of capitalization of earnings and employee remuneration	
	4. Approval of the amendment of E.SUN FHC's Articles of Incorporation	Proceeded according to the amended Articles of Incorporation.
	5. Approval of the amendment of the E.SUN FHC Asset Acquisition or Disposal	Proceeded according to the amended procedure.
	6. Election of Directors of 6th Board of Directors	The term is three years, which actually ends when members of the 7th board of directors are elected.
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
	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.

b. Important resolutions of the 2018 board meeting:

6th meeting of 6th Board of Directors on January 19, 2018:

Reports on "E.SUN FHC 2017 Ethical Management Report", "2017 H2 Status Report on Compliance Practices", "2017 Q4 Audit Report", "2017 Performance and Results of Internal Subsidiary Audits by E.SUN FHC". Agreement on approval of "2017 E.SUN FHC Board of Directors Performance Evaluation", "amendment of E.SUN FHC Charter", "amendment of E.SUN FHC Remuneration Committee Charter", "nomination of chief audit officer", "promotion of vice presidents of the company", "salary adjustments for senior managers of the company", and "2017 year end bonus and long term incentive distribution to senior managers of the company".

7th meeting of 6th Board of Directors on March 16, 2018:

Reports on "2017 Q4 Risk Management Report", "2017 Update on AML Programs", "E.SUN FHC and Subsidiaries Performance Evaluation Scores for CPAs", "E.SUN FHC 2017 Tax Governance", "Impact Assessment Results for Adoption of IFRS 16 Leases by E.SUN FHC", "2018 E.SUN FHC Renewal of Liability and Security Insurance Policies for Directors and Supervisors", and "2017 Summary of E.SUN FHC Director Performance Evaluation". Agreement on approval of "2017 E.SUN FHC Consolidated Financial Statements and Business Report", "2017 E.SUN FHC Table of Allocation of Director and Employee Remuneration", "2017 E.SUN FHC Table of Earnings Distribution", "Capitalization of Earnings and Employee Remuneration", "amendment of the E.SUN FHC Accounting Policy", "statement on internal control", "amendment of E.SUN FHC risk management policies and guidelines", "amendment of E.SUN FHC Procedure for Derivative Transactions", "E.SUN FHC's CSR campaigns in detail", "date, location, and agenda of 2018 general shareholders meeting", and "improvements of the errors (Table B) listed in the general audit by the Financial Examination Bureau of the Financial Supervisory Commission in July 2017".

8th meeting of 6th Board of Directors on April 25, 2018:

Reports on "2018 Q1 Risk Management Report", "2018 Q1 Audit Report", "2018 E.SUN FHC and subsidiaries Consolidated Financial Statements". Agreement on approval of "amendment of E.SUN FHC Compliance Policy", "amendment of E.SUN FHC Shareholder Services Guidelines", "amendment of E.SUN FHC Stakeholder Transaction Policy", "amendment of E.SUN FHC Non-Arm's-Length Transfer Pricing Policy", "amendment of E.SUN FHC Tax Governance Policy", "establishment of E.SUN FHC and Subsidiaries AML/CFT policies", and "amendment of E.SUN FHC Rules and Procedures of Board Meetings".

9th meeting of 6th Board of Directors on June 8, 2018:

Report on "letters received by bank subsidiary and securities subsidiary from the competent authorities with orders to improve major errors and potential punishments". Agreement on approval of "E.SUN FHC Declaration of Money Laundering and Counter Terrorism Risk Appetite", "2017 Earnings Distribution Proposal and new share issue by capitalization of earnings and employee remuneration", "amendment of E.SUN FHC Charter", "amendment of E.SUN FHC and Subsidiaries Guidelines for Acquisitions and Mergers", and "followup 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".

10th meeting of 6th Board of Directors on August 10, 2018:

Reports on "2018 Q2 E.SUN FHC Risk Management Report", "2018 H1 Status Report on Compliance Practices", "E.SUN FHC and Subsidiaries Information Security Overview", "2018 H1 E.SUN FHC and Subsidiaries Tax Governance", and "2018 Q2 E.SUN FHC Audit Report". Agreement on approval of "2018 H1 E.SUN FHC Consolidated Financial Statements", "amendment of expense allocation for shared information equipment and personnel", "amendment of E.SUN FHC and Subsidiaries AML/CFT policies", "amendment of E.SUN FHC Asset Acquisition or Disposal Procedures", "amendment of E.SUN FHC Regulatory Framework", "amendment of E.SUN FHC Procedure For Handling Whistleblowing Reports", "amendment of E.SUN FHC Corporate Governance Best Practice Principles", "amendment of E.SUN FHC Stakeholder Transaction Policy", "amendment of E.SUN FHC and Subsidiaries internal guidelines for complying with Article 45 of the Financial Holding Company Act", "E.SUN FHC's application to issue unsecured corporate bonds up to NT\$5.0 billion in installment or otherwise in five to ten years", "amendment of E.SUN FHC Guidelines for Managing Mainland China Exposures", "amendment of E.SUN FHC Guidelines for Managing Operational Risks", "amendment of E.SUN FHC Tax Governance Policy", "amendment of E.SUN FHC Non-Arm's-Length Transfer Pricing Policy", "amendment of E.SUN FHC and Subsidiaries Material Insider Information Management Procedures", "amendment of E.SUN FHC Guidelines for Handling Corporate Seals", "amendment of E.SUN FHC and Subsidiaries Emergency Response and Crisis Management Procedures", "amendment of E.SUN FHC Code of Business Integrity", "amendment of E.SUN FHC Corporate Social Responsibility Code of Conduct", "2017 employee remuneration distribution to senior managers of E.SUN FHC", "appointment of chief marketing officer", and "submission of followup 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".

12th meeting of 6th Board of Directors on November 9, 2018:

Reports on "2018 Q3 E.SUN FHC Risk Management Report", "2018 Q1-Q3 E.SUN FHC and subsidiaries Consolidated Financial Statements", "punishment imposed by the competent authority on Subsidiary E.SUN Securities and update on improvements by the subsidiary", and "2018 Q3 E.SUN FHC Audit Report, 2018 Q3 Immediate Reports to Directors by Securities and Bank Subsidiaries". Agreement on approval of "amendment of E.SUN FHC Investment Policy", "amendment of E.SUN FHC Asset Acquisition or Disposal Procedures", "amendment of E.SUN FHC Outside Employment Guidelines for Responsible Persons", "amendment of E.SUN FHC and Subsidiaries Emergency Response and Crisis Management Procedures", "submission of followup 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", and "submission of 2019 E.SUN FHC Audit Plan".

c. Important resolutions of board meetings in 2019 up to the publication date of this annual report:

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 chief 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 followup 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".

(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

(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):

Title	Name	Date to Assume	Date to Dismissal	Reason
General Auditor	Chien-Hua Cheng	September 13, 2013	March 21, 2018	Retirement

(17) Corporate governance implementation

a. Does the Company evaluate the performance of its Board of Directors on a regular basis (at least once a year) and disclose outcomes of such evaluation on the Company's website or annual report? The Company has implemented the "E.SUN Financial Holding Board of Directors Performance Evaluation Policy" with the following evaluation procedures:

(a) Evaluation of board performance

- i. Each year, the Company evaluates board performance of the previous year using the board performance scorecard.
- ii. Board performance evaluations are reviewed by the Corporate Governance and Nomination Committee and subsequently resolved by the board of directors.

(b) Evaluation of functional committee performance

- i. Each year, the Company evaluates performance of various functional committees in the previous year using the committee performance scorecard.
- ii. Functional committee performance evaluations are internally reviewed by the respective functional committees and subsequently reported to the board of directors.

(c) Evaluation of director performance

- i. At the beginning of each year, directors are required to evaluate their own performance (self-assessment) and the performance of other directors (overall assessment) in the previous year, using a designated scorecard.
- ii. The agenda working group of the board of directors will consolidate directors' self-assessments and overall assessments to conclude the final performance score for each director. This result is subsequently presented for review by the Chairman.

b. The Company's board of directors performance evaluation shall be executed at least once every three years by an external professional independent institution or external expert scholar. In 2017, the Company commissioned the Corporate Governance Association in Taiwan to conduct board performance evaluation, which includes 30 items in 8 aspects: the composition of board of directors, direction, delegation, supervision, communication and discipline, and internal control and risk management. The evaluation was conducted by survey and on-site visit. 78.25% of the items examined are fully-complied, and 18% are partly complied. 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.

c. The E.SUN FHC 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. Since 2019, E.SUN FHC has incorporated commitments, community participation, and environmental policies into its business strategies. The items in the evaluation are as follows:

(a) 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.

(b) 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.

(c) 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 professionalism and continued learning, and internal controls.

d. The Company completed 2018 performance evaluation for the board of directors and the functional committee on January 18, 2019. The result are as follows:

(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 98.30%

(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.

1.The results of the Audit Committee evaluation had 22 items rated "excellent" and 2 not applicable.

2.The results of the Remuneration Committee evaluation had 16 items rated "excellent", 2 "good", and 6 not applicable.

3.The results of the Corporate Governance and Nomination Committee evaluation had 15 items rated "excellent", 2 "good", and 7 not applicable.

4.The results of the Board Strategy Development Committee evaluation had 15 items rated "excellent", 2 "good", and 7 not applicable.

5.The results of the CSR Committee evaluation had 15 items rated "excellent", 2 "good", and 7 not applicable.

e.In addition, on March 15, 2019, the Company presented the results of the 2018 director performance evaluation based on self-assessments by the directors and peer reviews.

(a)Self-evaluation score: 98.77%

(b)Total self-evaluation score: 98.77%

4. Information on Fees for CPAs

CPA Firm	CPAs		Period of Audit	Note
Deloitte & Touche	Chen Yin-Chou	Huang Jui-Chan	2018	

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\$1,000

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	3,800	-	50	-	1,434	1,484	2018	Note
	Huang Jui-chan								

Note: Other non-audit fees include issuing CSR report assurance, tax advice services, reviewing the checklists and basic information tables intended for capital increase applications as well as transfer pricing reports, and going over data in annual reports meant for shareholders' meetings.

5. Information on Changing CPAs: None.

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

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:

a.Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2018		2019.03.20	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	E.SUN Volunteer & Social welfare Foundation	2,920	0	1,000	0
Director	E.SUN Volunteer & Social welfare Foundation	2,920	0	1,000	0
Director	E.SUN Cultural and Educational Foundation	1,013	0	0	0
Director	Hsin Tung Yang Co., Ltd.	6,125	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.	2,450	0	0	0
Director	Shang Li Car Co.,Ltd.	3,190	0	0	0
Director	Shan Meng Investment Co.Ltd.	1,344	0	0	0
Director	Sunlit Transportation Co., Ltd.	5,225	0	0	0
President	Joseph N.C. Huang	680	0	0	0
CFO	Magi Chen	117	0	0	0
Deputy president	Ben Chen	239	0	0	0
CSO	Mao-Chin Chen	93	0	4	0
CHRO	J. C. Wang	56	0	0	0
CRO	Oliver Hsieh	84	0	0	0
CIO	Wan-Li Hsieh	70	0	0	0
SEVP	L.C. Lin	38	0	2	0
SEVP	Wu-Ming Hsieh	49	0	0	0
SEVP	Louis Chang	122	0	0	0
EVP	Shui-Chin Shen	(32)	0	0	0
EVP	Jung-Hua Lin	66	0	0	0
EVP	Cathy Kuo	94	0	0	0
EVP	Bruce Lee	86	0	2	0
EVP	Po-Hsuan Hsu	88	0	230	0
EVP	Yi-Hsin Tseng	61	0	0	0
EVP	Te-Ming Chung	(46)	0	0	0
EVP	Mei-Ling Liu	47	0	0	0
CTO	Sheng-Wei Chen	0	0	0	0
General Auditor	Chih-Kuang Huang	88	0	0	0
CCO	Fion Ouyang	22	0	0	0
CBO	Daniel Tsai	(0.2)	0	0	0
CMO	Chun-Yu Lin	77	0	0	0
CAO	J. H. Ke	13	0	0	0

Note: including shares in trust custody

b. Shares Transfer with Related Parties

2019.3.20 Unit: 1,000 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)
E.SUN Volunteer & Social welfare Foundation	Donation	2018.2.1	Yung-Jen Huang	Chairman of E.SUN FHC	300	None
		2019.1.17			300	None

c. Shares Pledged with Related Parties: None.

8. Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

2018.12.31 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.	354,037	3.27	0	0	0	0	None	None	None
E.SUN Commercial Bank Trust Fiduciary trust account	342,449	3.16	0	0	0	0	None	None	None
Morgan Stanley & Co. International Plc	269,215	2.49	0	0	0	0	None	None	None
Chunghwa Post Co., Ltd.	264,137	2.44	0	0	0	0	None	None	None
Government of Singapore	203,763	1.88	0	0	0	0	None	None	None
Vanguard	163,866	1.51	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	158,832	1.47	0	0	0	0	None	None	None
First State Investments	155,632	1.44	0	0	0	0	None	None	None
Fidelity Funds	153,375	1.42	0	0	0	0	None	None	None
Bank J. Safra Sarasin Ltd--Singapore Branch - For Clients' account	148,040	1.37	0	0	0	0	None	None	None

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

2018.12.31 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.	8,637,000,000	100	0	0	8,637,000,000	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	614,617	0.17	0	0	614,617	0.17

IV. Capital Overview



YEH FAN JUNG

1. Capital and Dividend

(1) Source of Capital

a. Issued Shares

Date: 2019.03.20, 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)	10	5,000	50,000	4,575	45,750	Rights offering	-
2012.9.18(note 10)	10	5,000	50,000	4,811	48,107	Retained Earnings	-
2012.11.6(note 11)	10	5,000	50,000	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)	10	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	73,017	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	-
2017.05.28(note 20)	10	15,000	150,000	10,167	101,666	Retained Earnings	-
2017.05.28(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	-

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.

b. Types of Shares

2019.03.20

Share Type	Authorized Capital			Note
	Issued Shares *	Un-issued Shares	Total Shares	
Common Shares	10,828,900,000	4,171,100,000	15,000,000,000	-

Note: The issued shares are listed shares

c. State of application for corporate bond: None

(2) State of Shareholders

2018.12.31, in thousand shares, %

Share Type	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	13	591	229,683	1,007	231,298
Shareholdings	35,274	357,484	2,062,299	3,453,637	4,920,206	10,828,900
Ownership	0.33	3.30	19.04	31.89	45.43	100.00

(3) Demographic of shareholders

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

2018.12.31, in Thousand Shares, %

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~999	66,208	14,952	0.14
1,000~5,000	91,245	205,306	1.90
5,001~10,000	25,683	180,928	1.67
10,001~15,000	13,827	166,438	1.54
15,001~20,000	6,630	116,347	1.07
20,001~30,000	8,014	193,808	1.79
30,001~50,000	7,727	299,077	2.76
50,001~100,000	5,787	396,080	3.66
100,001~200,000	3,070	414,762	3.83
200,001~400,000	1,476	407,140	3.76
400,001~600,000	491	238,889	2.21
600,001~800,000	250	172,222	1.59
800,001~1,000,000	139	123,751	1.14
1,000,001~	751	7,899,200	72.94
Total	231,298	10,828,900	100

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

(4) List of Major Shareholders

2018.12.31, in thousand shares, %

name	Shareholding	Shareholding	Percentage (%)
Ron-Yuan Investment Co., Ltd.		354,037	3.27
ESUN Commercial Bank Trust Fiduciary Trust account		342,449	3.16
Morgan Stanley & Co. International Plc		269,215	2.49
Chunghwa Post Co., Ltd.		264,137	2.44
Government of Singapore		203,763	1.88
Vanguard Emerging Markets		163,866	1.51
Vanguard Star Funds		158,832	1.47
First State Investments		155,632	1.44
Fidelity		153,375	1.42
Bank J.Safra Sarasin Singapore Branch-for Client's account		148,040	1.37

Note: the list above shows the top 10 shareholders.

(5) Market Prices, book value, Earnings, and Dividends Per Share

Item		Year	2018	2017	Year to date (as of March 20, 2019) (Note 1)
Market Prices Per Share (Note 2)	Highest		22.75	19.75	23.35
	Lowest		18.40	17.70	20
	Average		20.78	18.54	21.58
book value Per Share (Note 3)	Weighted average number of shares		14.78	14.61	15.16
	Original EPS		-	14.00	-
EPS	Weighted average number of shares (Note 10)		10,824,963	10,528,611	10,832,801
	Original EPS (Note 4)		1.58	1.49	0.32
	Adjusted EPS		(Note 9)	1.40	-
Dividend Per Share	Cash dividend(Note 9)		0.710	0.6126	-
	Distribution of bonus shares	Stock dividends from retained earnings(Note 9)	0.711	0.6126	-
		Stock dividends from capital reserve	-	-	-
	Accumulated unpaid dividends (Note 5)		-	-	-
Return on Investment	P/E ratio (Note 6)		13.15	13.24	-
	Ratio of dividend / price to dividend ratio (Note 7)		29.27	30.26	-
	Cash dividend yield (Note 8)		3.42	3.30	-

Note 1: Preliminary figure as of March 20, 2019

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 2018 yet to be approved by the 2019 shareholders' meeting

Note 10: Weighted average number of shares in 2017 was due to the retroactive adjustment distribution of bonus shares.

(6) Dividend Policy and Implementation Status

a. 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 three-year stock dividend shall be accounts for 53% of the surplus available for distribution.

b. Proposed Distribution of Dividend

It is proposed at the 2019 shareholders' meeting that shareholders would be entitled to a stock dividend of NT\$0.711 per share, totaling NT\$7,699,500,000, as well as a cash dividend of NT\$0.710 per share, or a total of NT\$ 7,688,366,900. Combined, the Company was to pay out NT\$15,387,866,900, or NT\$ 1.421 per common share in dividends, accounts for 99.95% of the profits available for distribution.

(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 2019. This item of disclosure is not applicable as the Company cannot disclose predictive information on its financial.

(8) Profit-Sharing for Employees and Compensation for Directors

a. 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. 2.7% of the balance from the above shall be allocated as employee compensation, while not more than 0.9% shall be allocated as director compensation.

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.

b. 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 pre-tax income as specified in the Articles of Incorporation prior to the allocation of employee and directors' compensation.
- (b) Employee stock compensation share counts for the Company, in accordance to January 30, 2016 Decree (Jin-Guan-Zheng-Shen-Zi-Di 1050001900) issued by the Financial Supervisory Commission, shall be determined by the closing share price one day prior to the day of board of directors resolution.
- (c) In the event actual allotted amounts are at variance with estimated amounts due to changes in estimation, differences shall be counted towards profit or losses for the fiscal year 2019.

c. 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 NT\$1,999,890, employee stock compensation is NT\$461,527,500, and directors' cash compensation is NT\$111,800,000. Employee compensation is NT\$4,428 higher than the estimated amount. Directors' compensation is NT\$19,200,000 less than the estimated amount. This difference has been incurred by changes in accounting estimations and shall be counted towards profits or losses for the fiscal year 2019.
- (b) The proposed allocated amount of employee stock compensation accounts for 2.70% of total net income as specified in the individual financial statement for the current year and 99.57% of total employee compensations.

d. Actual allocations of employee compensation and directors' compensation for the preceding fiscal year:

The Company's surplus earnings allocation for the preceding year is NTD1,653,628 in employee cash compensation, NTD 375,777,000 in employee stock compensation, and NTD 106,000,000 in directors' compensation. Employee compensation is NT\$3,356 less than the estimated amount. This difference was incurred by changes in accounting estimations and has been counted towards profits or losses for the fiscal year 2018.

(9) Buying back shares of the Company: None

2. Corporate Bonds

(1) Issuance of Corporate Bonds

As of December 31, 2018 In thousands of NT dollars

Corporate bond type	E.SUN FHC 2012-1 Subordinated unsecured corporate bond	E.SUN FHC 2016-1 Senior unsecured corporate bond	E.SUN FHC 2016-2 Senior unsecured corporate bond
Issue date	2012.6.29	2016.9.22	2017.1.20
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\$3,800,000	NT\$900,000	NT\$1,100,000
Coupon rate	fixed rate of 1.80% per annum	fixed rate of 0.75% per annum	fixed rate of 1.10% per annum
Tenor	7 years Maturity:2019.6.29	5 years Maturity:2021.9.22	5 years Maturity:2022.1.20
Subordinated/senior ranking	Subordinated	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	N/A	Yuanta Securities	Yuanta Securities
Certified lawyer(s)	XU,ZHI-MING	GUO,HUI-JI	GUO,HUI-JI
CPA	CHEN,LI-QI, ZHANG,RI-YAN	HUANG,RUI-ZHAN, LAI,GUAN-ZHONG	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\$3,800,000	NT\$900,000	NT\$1,100,000
Terms of redemption or advance repayment	None	None	None
Restrictive clause	None	None	None
Included as eligible capital	Yes	No	No
Name of credit rating agency, rating date, rating of corporate bonds	Taiwan Ratings Corp Rating date: 2015.7.13 Credit rating: twA-	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
Transfer agent	None	None	None

(2) Convertible bonds: None

(3) Exchangeable bonds: None

(4) Shelf registration for issuing bonds: None

(5) Corporate bonds with warrants: None

3. Issuance of Preferred Share: None

4. Global Depositary Receipt

Date of Issue			Sept. 27, 2004 (1st issuance)	Oct. 17, 2012 (2nd issuance)
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 depositary may grant additional GDSs to GDS holders in proportion to the common shares represented by their GDSs on hand pursuant to provisions of the Deposit Agreements. If it is permitted by law, the depositary may also increase the amount of common shares represented by each GDS. The depositary 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 depositary should make available this right to GDS holders pursuant to provisions of the Deposit Agreements. The depositary may also sell the right in question on behalf of GDS holders and distribute the proceeds among GDS holders proportionally after subtracting related expenses and tax payments. But if neither option is feasible, the depositary may opt to waive its preemptive right pursuant to provisions of the Deposit Agreements.</p>	
Fiduciary			None	
Depositary			Citibank	
Custodian			Citibank Taiwan	
Unredeemed Balance (Number of GDSs)			675 (As of Dec. 31, 2018)	
Expenses for Duration of GDSs			<p>(1)Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, E.SUN Bank, lead underwriters and the depositary, 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>(2)Expenses Incurred After GDS Issue: Unless it is separately negotiated between E.SUN FHC and the depositary, 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>(1)Cost of GDS Issue: Unless it is separately negotiated among E.SUN FHC, lead underwriters and the depositary, 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>(2)Expenses Incurred After GDS Issue: Unless it is separately negotiated between E.SUN FHC and the depositary, 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. 20.2019	Highest	US\$18.900	
		Lowest	US\$16.300	
		Average	US\$17.506	
	2018	Highest	US\$18.500	
		Lowest	US\$16.706	
		Average	US\$14.888	

5. Status of Employee Stock Option Plan and Restricted Stock Awards

- (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
- (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
- (3) Status of offering restricted stock awards: None
- (4) Names and positions of the 10 employees holding employee subscription warrants authorizing purchase of the most shares: None

6. Merger and Acquisition

- (1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio for mergers & acquisitions or sale of banking institutions over the past year: Not applicable.
- (2) M&A or transfer of other financial institutions in past 5 years:
 - a. 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%.
 - b. 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.
 - c. 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.
- (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: Not applicable.

7. Fund Utilization Plans and Execution

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

V. Business Operation



CHEN HSIANG YIN

1. Business Scope

(1) Scope of Operations

a. 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	2018		2017	
	Amount	%	Amount	%
Interest Income	37,390,417	54.53	33,008,486	54.36
Fee Income	18,430,982	26.88	17,636,179	29.04
Others	12,746,903	18.59	10,081,601	16.60
Total	68,568,302	100.00	60,726,266	100.00

Note1: E.SUN FHC consolidated financial figures

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

b. E.SUN Bank

(a) Primary Operations

i. 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.

ii. 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.

iii. 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.

iv. 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	2018		2017	
	Amount	%	Amount	%
Interest Income	37,003,677	55.15	32,656,734	55.12
Fee Income	17,291,221	25.77	16,654,704	28.11
Others	12,799,667	19.08	9,940,466	16.77
Total	67,094,565	100.00	59,251,904	100.00

Note1: E.SUN FHC consolidated financial figures

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

c. E.SUN Securities

(a) Primary Operations

i Brokerage:

Provide consigned trading of local and foreign securities and domestic futures and options. The customers include general local and foreign investors, professional investors, and institution investors.

ii 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.

iii proprietary trading financial product sale, and other business approved by the regulator

(b) Composition of Operations

Unit NT\$ thousand

Item \ Year	2018		2017	
	Amount	%	Amount	%
Fee Income	1,143,985	72.26	986,893	66.24
Interest Income	381,069	24.07	347,587	23.33
Gains from Securities Trading	58,101	3.67	158,206	10.62
Other Operating Income	(81)	0.00	(2,725)	(0.19)
Total	1,583,074	100.00	1,489,961	100.00

d. E.SUN Venture Capital

(a) Primary Operations

- i Invest in domestic and foreign non-TWSE/TPEX-listed companies with development potentials.
- ii Provide management and industry consulting services, and provide assistance and guidance in fund solicitation, merger and acquisition, and strategic cooperation.
- iii Guide second-generation companies with core competitiveness to engage in transformation and restructuring

(b) Composition of Operations

Unit NT\$ thousand

Item \ Year	2018		2017	
	Amount	%	Amount	%
Investment Income	325	10.83	177,160	98.36
Interest and other operating income	2,675	89.17	2,955	1.64
Total	3,000	100.00	180,115	100.00

(2) Business Plan

Key business area	Annual business plan
Corporate banking services	To accomplish the vision, "First Choice for Businesses and Premier Cross border Platform", E.SUN Bank continues to attract customers of cross border services, follows the government's SME policies and the New Southbound Policy, supports returning Taiwanese businesses from overseas, and maintains asset quality. E.SUN Bank builds on IT and expert knowledge with the brand and the team at the center; utilizes integrated services and innovations to meet the demand for local financial services for international businesses; and helps businesses embrace cross border opportunities and ensure sustainable succession.
Consumer banking services	E.SUN Bank works to develop an omnichannel customer experience; builds up technological capacity of the channels; and improves the overall quality and efficiency of service. E.SUN Bank makes foreign deposit the focus of deposit services. Risk management is the top priority in consumer banking. E.SUN Bank achieves steady growth amid changing market conditions, implements O2O integration, and develops into the first consumer banking choice by providing professional advice and innovative digital services.
Wealth Management	To satisfy different customer needs, E.SUN Bank observes market trends and customers' risk attributes and selects suitable financial products. E.SUN Bank also builds up professional competencies of the financial planning teams on an ongoing basis, develops an overseas wealth management platform, introduces innovative digital financial tools, and provides one-stop wealth management services.
Credit card and payment services	E.SUN Bank works with strategic partners to raise market ability and expand the customer base. E.SUN Bank continues to explore and strengthen its presence in the channels and utilize new technologies and data to create a refined experience and increase customer loyalty. E.SUN Bank continues to develop its credit cards into the best choice for everyday spending and itself into consumers' favorite credit card brand.
Digital banking services	E.SUN Bank's progress in digital banking services focuses on scenario-based finance, financial inclusion, and smart banking. E.SUN Bank utilizes its technological capacity to lower the threshold for financial services users so that premium financial services can be enjoyed by more consumers. Furthermore, E.SUN Bank works with cross industry partners in making banking an integral part of the everyday life and creating a better living experience.
Securities	Brokerage business is focused on diverse products and digital applications. E.SUN provides digital services and engages in cooperation with other industries to expand its securities ecosystem, combine new customer service system, and integrate online and offline channels to increase the number of e-ordering customers. Underwriting business focus on hidden champion of every industry, providing financial advisory services for corporate customers and building E.SUN's underwriting brand.
Venture Capital Services	E.SUN Bank combines resources within E.SUN FHC and invests in emerging stock companies and other unlisted companies with growth potential. E.SUN Bank offers business management and industry consulting services and helps companies in which it invests implement sustainability measures and seek academia-industry collaboration. In addition, E.SUN Bank utilizes the resources of E.SUN FHC to help these companies enter the capital market and grow to be more competitive.

(3) Industry overview

Steady growth amid uncertainties in the global economy

- (a) The global economy is holding on to steady growth despite being riddled with uncertainties arising from the U.S.-China trade dispute, China's economic slowdown, and Brexit. The IMF forecast for economic growth is 3.5%.
- (b) Steady economic growth coupled with a strong job market in the United States has become the engine driving the global economic outlook. However, as the effects of the fiscal policy wear off, the economy has started slowing down in 2019. China is under a cloud of uncertainty from the trade war and exposed to potential threat of credit risk. However, a series of infrastructure projects and benchmark rate cuts introduced by the government to keep the markets stable have been showing success. The IMF forecast for economic growth is 6.2%.
- (c) The Fed is adjusting the monetary policy in the face of slowing global economic growth and mild inflation. It has halted rate hikes and planning to end balance sheet reduction. The Fed will be patient as it watches the economic data and decides the pace of rate hikes.

Modest economic growth in Taiwan

- (a) The 2019 economic outlook appears to be mildly optimistic amid unfavorable external conditions. The Directorate-General of Budget, Accounting, and Statistics has published a 2.27% economic growth forecast. While economic growth has been falling every quarter since Q2 2018, the domestic demand and investment are sufficient to support growth.
- (b) The exports growth forecast is down to 2.25% in 2019 given the U.S.-China trade war and a higher baseline in the previous year. Private spending continues modest growth at 2.18%. Private investment relies on investment in semiconductors and green energies. The growth forecast is 3.62%.
- (c) Caution is needed in viewing the economic outlook given the sheer number of external uncertainties. Certain industries may sustain a spillover effect from China's economic slowdown, but not the economy as a whole.

(4) Research and Development

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: An offshore wind farm project team is assembled to study extensively the offshore wind industry and project funding models in order to make E.SUN Bank better equipped to participate in project funding and be invited to be the local financial advisor for renewable energy developers.</p> <p>B. Innovations in cross border financing: E.SUN Bank offers loans to fund cross border investment, factory and office, and working capital as well as money services to handle trade collection and payment and cross border exchange. E.SUN Bank also assists domestic businesses explore opportunities created by the Southbound Policy. E.SUN gained recognition from the competent authority when it ranked first in the first “Program to Strengthen Domestic Bank Participation in New Southbound Policy Targeted Country Lending Plan” in 2018.</p>
Consumer banking services	<p>A. Mobile services: E.SUN Bank is first in Taiwan to provide a mobile banking service that allows customers to make foreign exchange transactions exceeding NT\$500,000. The service is available in 15 foreign currencies. With the E.SUN Bank mobile banking certificate, customers can sign an AML declaration and enjoy fast, secure digital services.</p> <p>B. Innovations in foreign currency ATMs: Foreign currency ATMs were installed in all branches in Taiwan in 2018. They offer foreign currency bills in USD, JPY, HKD, and CNY. These ATMs removes the time restriction for foreign exchange services, and add to a complete self-service banking experience.</p> <p>C. Combined innovation and customer need to launch the first facial recognition-enabled ATMs in the world, offering customers convenient financial service.</p> <p>D. Automated watchlist screening: In response to more stringent international AML regulations and risk management requirements, E.SUN Bank has automated watchlist screening in place to achieve more efficient system aided risk management. E.SUN Bank received The Banker’s Tech Projects Award in 2018. It is the only bank in Taiwan to win the award.</p>
Wealth Management	<p>A. Development of private banking and private wealth management services. E.SUN Bank has launched the “Ultimate Wealth Management” program which integrated with different business units and cross border service to provide total solution for high net worth customers.</p> <p>B. Regarding wealth management services in other countries, E.SUN Bank received approval to launch wealth management services in Singapore in 2018. Going forward, E.SUN Bank looks to develop Taiwan into a hub that connects Hong Kong and Singapore and meets the demand for international asset allocation.</p> <p>C. Different innovative products: E.SUN Bank places equal emphasis on the investment interest of its customers and environmental sustainability related issues. It introduced Taiwan’s first ESG-themed discretionary investment-linked insurance policy in 2018.</p> <p>D. Digital financial planning services: E.SUN Bank has launched E.SUN i-Insure mobile insurance service. It offers a better experience by enabling customers to sign policy applications and purchase policies on their financial advisors’ iPads.</p>
Credit card and payment services	<p>A. Instant card-linking: E.SUN Bank was first to support instant card-linking in 2018. The feature enables customers to add their cards to a mobile payment app as soon as they receive the approval text message. It offers a better experience by allowing cardholders to use their cards without having to wait for them to arrive in the mail. The instant card-linking service was granted the instant card-linking patent in 2018.</p> <p>B. E.SUN e-Wallet: The E.SUN Wallet is an e-Wallet developed in-house by E.SUN Bank. In addition to supporting payment by NFC and barcode scan, the app continues to have more online card application and inquiry related features added to it. These features include spending notification, transaction history, and bonus point redemption.</p> <p>C. Integrated payment processing: E.SUN Bank provides a merchant service that supports credit cards, stored value cards, and e-wallets. The Integrated e-Wallet Merchant Service acts as an interface between cash registers and e-wallets. Furthermore, E.SUN Bank has completed the network that allows the four leading convenience store chains to accept credit cards and customers to use self-checkout machines in staffless Carrefour stores. Hence, E.SUN Bank is able to provide merchant services and money services in one place.</p>
Securities services	<p>The Mobile CRM is the first mobile tool developed by a bank for its salespersons. It allows salespersons to be free from time and space constraints and still able to provide the latest investment news when they leave the office to visit customers.</p>

R&D progress and expenses

a. R&D expenses of recent 2 years

Unit: NT\$thousand

Year	2019	2018	2017
E.SUN Bank	444,659	283,736	345,841
E.SUN Securities	48,000	53,061	48,300

b. R&D projects and progresses

Projects	Estimated Time of Completion
Global Internet banking system	2019
Singapore Branch wealth management system project	2019
Technology Building network service framework implementation	2019
Intranet security monitoring platform	2019
Private banking project	2019
NTU Branch project	2019
E.SUN personal online banking system enhancement project	2019
Trade finance AML system project	2019
New electronic filing system	2020
Central operating system upgrade project	2020
New customer service center system project	2020
New foreign exchange system project	2021

Note 1: Ongoing R&D projects will require further investments of NTD\$ 890,836 thousand, which will be amortized over the years.

Note 2: 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.

(5) Short-term and Long-term business development plan

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.
Consumer banking services	Combine resources of domestic and overseas offices to provide professional consumer banking services; and connect real branches and digital banking services to create more value for customers and service.
Wealth management services	E.SUN uphold its core value of "Pure as Jade, Sturdy as Mountain", building on three foundations of team work, risk management and technology to enhance customers' value.
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.
Digital banking services	E.SUN digital banking services focus on three dimensions: Financial inclusion, scenario-based finance and smart digital platform to build FinTech ecosystem. By doing so, customers can access to convenient financial services such as payment, foreign currency exchange, wealth management and lending.
Securities services	With the power of Fintech and the cooperation with financial holdings, E.SUN can provide completely cross border transaction 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.

Short-term business development plan

Key business area	Short-term business development plan
Corporate banking services	Offer one-stop banking services for corporate accounts; provide succession planning, tax consulting, acquisition financing, share transfer and other services for businesses; and invest in retention of high value customers on an ongoing basis. Improve risk management mechanisms; strengthen cross border and international risk management capabilities; and help businesses develop sound business practices and achieving success.
Consumer banking services	Deploy O2O integration and build around an omnichannel experience to provide professional advice and innovative digital services as the best choice for consumer banking.
Wealth management services	In order to develop private banking, high-end wealth management service and overseas wealth management platform, E.SUN enhance the capability of financial consultant and service quality through the leverage of FinTech.
Credit card and payment services	E.SUN keeps developing digital service such as online credit card application and electric bill to provide customers convenient and timely financial experience. It will deepen customers' connections with us.
Digital banking services	Focus on developing Bank 3.0, facilitate payment services, invest in fintech, and complete step by step the infrastructures for financial inclusion, scenario-based finance, and smart banking.
Securities services	E.SUN Bank has been assisting customers to become winners of national awards such as "National Award of Outstanding Small and Medium Enterprises " and "Rising Star Award".
Venture Capital Services	Invest in undervalued public or emerging stock companies with growth potential; and adjust positions in response to changes in the capital market in order to maintain a steady profit. Strengthen interim management, optimize investment portfolios and build stronger customer relationships; and increase the position size as needed.

2. Cross Sector Integration and marketing

(1) VIP customer management

E.SUN Bank follows its core value, "Pure as Jade, Sturdy as a Mountain", and sets out to deliver the best overall performance and be one of the most respected companies. Teaming up on a shared value of giving back to the community, E.SUN Bank and trade associations of western and Chinese medical practitioners, dentists, accountants, architects, and lawyers co-organized blood drives in 2018. E.SUN Bank extends the reach of its influence through such co-organized events, and encourage more members of such associations or the public and customers and employees of E.SUN Bank to follow the banner "one simple act of love can inspire others to love". E.SUN Bank started discussing affinity cards with national associations of western and Chinese medical practitioners, dentists, architects, and accountants in the second half of 2018. Building on friendly relationships with local associations, E.SUN Bank was able to issue 16,000 cards by the end of 2018 and win the trust and recognition of customers for its charity work and business activities.



(2) Digital consumer management

Being a digital banking leader is one of the key strategies for E.SUN Bank. Following trends in mobile payment tools, E.SUN teamed up with Pi Mobile Technology, a subsidiary of PChome Online, in launching E.SUN Bank Pi cobranded card in August 2018. E.SUN Bank was also first to introduce an instant card-linking feature that created a better mobile payment experience by allowing customers to add their Pi cards to the Pi app and start shopping without having to wait for the cards to arrive in the mail. The drive for constant innovation is always improving the mobile payment experience for customers. The card proves popular with consumers with a total of 130,000 cards issued by the end of 2018.



3. Market and business competitive landscape

(1) Key business area

Key business area	Region
Corporate banking services	E.SUN Bank operates the services primarily in Taiwan. To meet the demand of 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, including the United States, Japan, Australia, Singapore, Hong Kong, China, Vietnam, Myanmar, and Cambodia, and offers services for Taiwanese businesses and local consumers.
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, Singapore and other overseas branches to satisfy the needs of cross border banking customers.
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.
Digital banking services	E.SUN Bank operates the services primarily in Taiwan. Cooperated with global partners such as PayPal, Ant Finance, Tencent and NTT Data to provide cross border financial service.
Securities services	E.SUN Bank operates the services primarily in Taiwan.

(2) Future opportunity of market

Taiwanese manufacturers are tied closely to the global supply chain. They have built up a massive network of production facilities in China and Southeast Asia over the years. They have also created a large demand for financing, factory development, and mergers and acquisitions in foreign markets. To provide cross border banking services for cross border Taiwanese businesses, many financial institutions in Taiwan set up offices overseas to offer a complete range of cross border services, such as cross border syndicated loans, cross border financial planning, derivatives for hedging purposes, and cash management. The wrestle for dominance among regional economies around the world are prompting Taiwanese businesses to re-evaluate their international business strategies. The new wave of relocating Taiwanese businesses brings new challenges in resource re-allocation on a global scale. The companies and regions that can take control and create advantages will be the driver of the next wave of growth momentum.

Development in information technology, consumer behavior, and regulation is shaping the new face of financial services. Digital banking is advancing in three directions: (1) Scenario-based finance: making banking services a part of the everyday life - Taking the customer's perspective, E.SUN Bank applies design concepts to digital marketing, eliminate pain points for customers, and create a new experience and scenario-based finance. (2) Smart banking: interactive and customized services through AI and social network - E.SUN Bank engages customers through AI and social network and identifies the needs of each customer in order to provide individually tailored financial services. (3) Financial inclusion: lower threshold for online users and improved efficiency and ease of use - E.SUN Bank adopts digital transformation and breaks away from traditional banking approaches. It utilizes the digital experience and design to reduce waiting time and the time cost of funds. Hence, customers are able to receive the most suitable financial services that they need the most anytime, anywhere.

(3) Objective

Business	Objective
Corporate Banking	Building the most recognizable brand to corporations and the most reliable platform for cross border business.
Consumer Banking	The development of branches integrates Fintech and big data analysis to predict customers' needs. E.SUN aims to provide the best customer experience by integrating online and offline networks and to become the best bank for customers. The mortgage loan service continues to grow at a steady pace. Strengthened risk management helps E.SUN Bank remain a leader in personal loans. The focus of small business services is turning to the consumer goods sector. The introduction of financial inclusion prompts E.SUN Bank to fulfill its corporate social responsibility and help customers gain access personal loan services with more ease.
Wealth Management	E.SUN Bank offers services for high net worth customers in asset management, succession planning, and cross border financial planning. It aims to become the most trusted wealth management bank.
Digital Banking	E.SUN Bank integrate online to offline system to attract new customers and then use big data analysis on digital marketing, providing customers tailor made financial serviceto meet their demand.
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 and cross border services. 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	The brokerage services offer best domestic and foreign financial products for customers around the world. E.SUN creates a unique securities dealer by combining a digital platform and securities and banking channels. Underwriting business focus on IPO and SPO cases on hidden champion of every industry, providing financial advisory services for corporate customers and building E.SUN's underwriting brand.

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

Challenges in the future and in the external environment
<ol style="list-style-type: none"> 1.The rising popularity of fintech, new technologies, and new business models are rapidly changing the borders between industries and fueling coepetition between industries. 2.Economic development around the world is exposed to the prevailing volatility, changes in cooperation and competition relationships among major economies, and geopolitical risks. 3.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.
Countermeasures and E.SUN's competitive advantages
<ol style="list-style-type: none"> 1.Training banking professionals sharing the same vision, and develop long term core values 2.Increase the degree of differentiation in service, expertise, and technology, and incorporate speed and flexibility into execution 3.Develop sound corporate governance and strong risk management, and increase investment in technologies.

4. Human Resources



E.SUN adheres to upright, attentive management, and focuses on enhancing overall performance, fulfilling corporate social responsibilities, and laying a foundation for sustainable development. We believe that human resources are the most important factor in corporate competitiveness. In this fast-paced era, with technology, laws and regulations, and markets in a constant state of flux, apart from hiring the graduates of business administration departments, we are also vigorously recruiting specialists with expertise and professional licenses in such areas as information technology, financial engineering, digital finance, big data analysis, money-laundering control, legal compliance and legal affairs, information security risk control, etc. We will continue to realize the core values of our corporate culture, formulate a correct attitude toward work, service, and life, and train even more financial professionals.

Human resources are a leading indicator and a key barometer of corporate competitiveness. E.SUN has long emphasized the cultivation and development of human resources, and hopes every E.SUN person will have far-reaching vision. Based on our culture of teamwork and mentorship system, as well as our comprehensive training framework and career development blueprint, and our 3E (Education, Exposure, Experience) development approach, we look forward to every E.SUN person using their own hands to shape their future. Facing a fast-evolving financial ecology, E.SUN provides colleagues with diversified learning opportunities via job rotation, thereby training even more personnel with interdisciplinary skills. On top of growing first-priority competences, E.SUN implements an internal recruiting program each year to seek candidates for rotation among all available positions at headquarters and branches so that they can cultivate strengths outside their original areas of specialization and gain overseas exposure. With regard to those individuals who are willing to tackle the challenges of overseas work, we assign selected personnel to overseas positions for long-term development and learning of all-round professional skills needed for serving overseas customers.

Human resources make E.SUN's most important asset, and the cultivation of outstanding professionals is one of E.SUN's essential responsibilities. We continue to provide a wide range of learning and career development opportunities, and strive to create top-notch interdisciplinary people capable of innovative thinking, while enabling all employees to benefit from systematic, well-organized, and meticulously planned learning, so that they can create a resplendent future together with E.SUN.

(1) Employee statistics at E.SUN subsidiaries:

E.SUN FHC and its subsidiaries

Item \ Year		2019/3/20	2018	2017
No. of Employees		8,827	8,923	9,021
Average Age		33.2	33.1	32.3
Average Years of Service		8	7.8	7.3
Educational Background(%)	Master's	25.2	25.1	23.8
	Bachelor's	69.7	69.7	70.8
	College	4.4	4.4	4.7
	High School	0.8	0.8	0.7
Number of Professional License	Bank	25,894	25,723	24,417
	Insurance	10,181	10,151	9,823
	Securities	8,128	8,199	8,246
	Others	1,271	1,268	920

E.SUN Bank

Item \ Year		2019/3/20	2018	2017
No. of Employees		8,278	8,314	8,442
Average Age		33	32.9	32.1
Average Years of Service		8	7.8	7.2
Educational Background(%)	Master's	25.6	25.6	24.2
	Bachelor's	69.3	69.3	70.6
	College	4.3	4.3	4.5
	High School	0.8	0.8	0.7
Number of Professional License	Bank	25,324	25,161	23,913
	Insurance	9,957	9,929	9,614
	Securities	7,031	7,109	7,239
	Others	1,202	1,200	873

E.SUN Securities

Item \ Year		2019/3/20	2018	2017
No. of Employees		535	554	534
Average Age		35	34.6	34.4
Average Years of Service		8.1	7.7	7.4
Educational Background(%)	Master's	15	14.6	15
	Bachelor's	79.3	79.8	79
	College	5	4.9	5.1
	High School	0.7	0.7	0.9
Number of Professional License	Bank	525	518	462
	Insurance	217	215	202
	Securities	1,084	1,077	994
	Others	63	62	42

E.SUN Venture Capital

Item \ Year		2019/3/20	2018	2017
No. of Employees		8	8	8
Average Age		38.3	38	36.9
Average Years of Service		11.9	11.6	10.6
Educational Background(%)	Master's	75	75	75
	Bachelor's	25	25	25
	College	19	18	18
	High School	5	5	5
Number of Professional License	Bank	6	6	6
	Insurance	1	1	1

(2) Status of acquisition of certificates designated by the competent authority by personnel connected with financial information transparency

- a. Chartered Financial Analyst (CFA) L1: 26 persons
- b. Chartered Financial Analyst (CFA) L2: 8 persons
- c. Chartered Financial Analyst (CFA) L3: 4 persons
- d. Certified Financial Planner (CFP): 21 persons
- e. Associate Financial Planner (AFP): 5 persons
- f. Certified Internal Auditor (CIA): 3 persons
- g. Financial Risk Manager (FRM): 29 persons
- h. Certified Information Systems Auditor (CISA): 5 persons
- i. Certified Financial Service Auditor (CFSA): 1 person
- j. Certified Anti-Money Laundering Specialist (CAMS): 289 persons
- k. Project Management Professional (PMP): 151 persons
- l. Registered Financial Consultant (RFC): 2 persons
- m. Certificate for Documentary Credit Specialist (CDCS): 21 persons
- n. Certified Business Analysis Professional (CBAP): 2 persons
- o. Personal insurance agent: 5 persons
- p. Property insurance agent: 3 persons
- q. Securities investment analyst: 49 persons
- r. Futures trading analyst: 9 persons
- s. CPA: 19 persons
- t. Attorney: 6 persons

(3) Continuing education and training for employees

- a. In accordance with its employee training implementation guidelines, the Company systematically plans and implements training in accordance with the annual training plan.
- b. In accordance with its employee continuing education, study, and observation guidelines, the Company sends colleagues for domestic and overseas continuing education, observation, and study after recommendation by their executive and selection by the dedicated unit.
- c. Human resources are the key to E.SUN's sustainable development. In order to strengthen its human capital, the Company has established a human resources development center. It is tasked with cultivating outstanding financial professionals by drawing from the Company's holistic training and development framework. E.SUN derives its annual education and training development directions and methods from the fusion of its business philosophy of professionalism, service, and responsibility with its annual development strategies. As such, E.SUN develops comprehensive short-, mid-, and long-term career development training mechanisms for all employees. We are strengthening our information service risk consciousness, which emphasizes our three internal control lines of defense, and rely on digital classes for all colleagues—from new hires to our management team—to complete information security risk awareness education throughout the Company. We have also strengthened awareness of correct concepts and thinking, including those concerning the Consumer Protection Act, and arrange self-management and personal development talks and classes. Accordingly, E.SUN people have plenty of opportunities for personal and career growth and development.
- d. During 2018, the Company and its subsidiaries held a total of 273 internal training classes, and sent selected personnel to participate in 870 training classes at external financial professional organizations; total number of participants reached to 111,413 person-times.
- e. Education and training expense accounted for 0.67% of its earnings.

(4) Number of non-managerial personnel, average yearly benefit expenditures per employee, and difference from the previous year.

E.SUN had 8,317 non-managerial employees in 2018, average benefit expenditures were 1.195 million per person, represented an increase of NT\$29,175 compared with 2017, and the benefit expenditure growth rate was 2.50%.

(5) Promotion and realization of employee conduct or ethics guidelines

- a. All of the Company's employees must sign and promise to implement the E.SUN employee service rules and code of conduct.
- b. The Company discloses the E.SUN employee service rules and code of conduct on the Company's internal and external websites for convenient reference and familiarization by employees.
- c. Each unit's legal compliance officer regularly and when needed instructs employees concerning rules of conduct and relevant guidelines, ensuring that all managers and employees have a correct understanding of on-the-job tasks and conduct, and faithfully uphold rules of conduct.
- d. The Company holds online examinations concerning the E.SUN employee service rules and code of conduct on an annual basis, and all employees must take part. Employees are also asked to read online class materials on the Company's system, and each unit's legal compliance examination participation rate, examination scores, and state of make-up examination implementation is included in legal compliance performance assessment score calculations.
- e. Responding to the Personal Data Protection Act and the Financial Supervisory Commission's personal information file security maintenance regulations for designated non-government-agencies, E.SUN have strengthened management mechanisms in an effort to ensure the protection of personal information and information security.

5. Corporate Responsibility and Ethics

Corporate social responsibility has been one of the top priorities for E.SUN for years. E.SUN 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 real action and makes constant progress in business, social, and environmental sustainability.

(1) Corporate Governance

- a.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 4 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, who occupy 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.
- b.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.

(2) Environmental aspect

- a.LEED Gold certified Dengfeng Building and Hope Building house the first green server room in Taiwan's banking sector. The E.SUN baby essential sharing platform has received BS8001 circular economy certification. Meanwhile, E.SUN continues to work on the green building project and build solar powered branches. At the end of 2018, a total of 7 branches (Yuanlin, Toufen, Changhua, Annan, Taiping, East Tainan, and Shalu Branches) have received green building certification. The Hope Building received the Gold Grade Green Architecture Certificate, and 13 branches (Toufen, Daya, Dali, Taiping, Shalu, Changhua, Yuanlin, Douliu, Chiayi, Rende, East Tainan, Annan, and Jinhua Branches) became solar powered branches.
- b.E.SUN continues to implement the ISO14001 environmental management system and the ISO50001 energy management system and complete taking inventory of ISO14064-1:2006 greenhouse gases, ISO 14046:2014 water footprint assessment, and ISO 14064-3:2006 carbon emission (from employee commuting and business travel) for the Taipei headquarter building, Boai Building, Technology Building, Dengfeng Building, E.SUN Securities, and all offices in and outside Taiwan.
- c.In support of the government's green industry policy, E.SUN Bank has issued green financial bonds, becoming the first green bond issuing bank in Taiwan to have established the price of green bonds and issued the highest number of green bonds. The Bank also responds actively to environmental protection events both at home and abroad by joining forces with the international community in the promotion of energy conservation and carbon reduction.

(3) Social aspect

- a.As part of its commitment to education, E.SUN continues to promote the E.SN Gold Seedling Program. It has made contributions and donated more than 330,000 books to 137 E.SUN Libraries by the end of 2018. More than 80,000 students have benefited from the program. More than 180,000 E.SUN World Card holders have made contributions to the project. E.SUN will be moving on to building its next 100 E.SUN Libraries. The 14th Outstanding Management Talent Scholarship was rewarded to 112 outstanding students. The E.SUN Bank ASEAN Scholarship was rewarded to 5 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. 26 teachers have received the award so far. For 4 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.
- b.In the area of sports, in order to promote the development of youth baseball in Taiwan, we have used systematic approach to establish the "E.SUN Youth Baseball Development Fund" and have planned a series of E.SUN Cup youth baseball development activities, including the E.SUN Cup National Youth Baseball Championship for the

12th consecutive year, E.SUN Youth Baseball Training Camp, E.SUN High School Baseball Camp on Sports Injury Prevention and Rehabilitation, and Caring for Baseball Teams in Remote Areas. These activities have helped provide young baseball players in Taiwan with a stage on which they can strive to realize their dreams. c. In addition, we are continuing to hold regular "One simple act of love can inspire others to love" blood donation drives and hold 12 "Accompanying Kids as the Grow" young child concern activities. 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.

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.

7. IT Facilities

E.SUN Financial Holdings employs the IT facilities of its subsidiary E.SUN Bank. The content is described below.

(1) Major information system deployment

The operating systems used in E.SUN Bank's primary business activities (accounting, deposits, loans, remittance, foreign exchange, wealth management, treasury service, credit card service, and e-commerce service) and IT systems for managing customer relations, risks, and business intelligence are configured on z/OS, OS/400, UNIX, Linux, Windows, and other operating platforms according to the characteristics of business operations and the optimal system framework. Virtual platform framework and private cloud environment are provided for business applications. System hard/software maintenance agreements are signed to ensure the availability of the IT systems and satisfy the service standards of each business unit.

(2) Future development and purchase plans

In wake of global competitions, changes in the industrial environment, technical innovations, and the evolution of international management standards and business philosophy, E.SUN Bank will stay committed to system integration, e-commerce services, and digital banking development, play an active role in overseas expansion, and strengthen its information security management mechanism and financial supervisory technologies. The Bank will utilize big data integration and employ smart decision-making in depth to incorporate new information technologies and innovative FinTech applications, thereby gaining a deeper and broader insight into customer services. In 2019, E.SUN Bank engaged in the following projects to develop and setup IT systems:

a. Information system integration

- (a) Corporate Banking, Consumer Banking, Wealth Management, Treasury, and Digital IT System Refinement
- (b) IT Infrastructure and Virtual Platform Extension
- (c) OA Platform Conversion

b. e-Commerce and digital channel

- (a) Global Internet Banking System
- (b) Mobile Banking Function Improvement
- (c) Customer Service System Upgrade
- (d) Private Bank Project

c. Overseas Related

- (a) Overseas Branch IT System Integration, Expansion, and Setup
- (b) Overseas Warehouse Improvement

d. Data Use and Smart Decision Making

- (a) Information Service and Analysis Engineering
- (b) Smart Service Infrastructure Engineering and Building Machine Learning as a Service

e. Regulation Technology

- (a) Trade Based Money Laundering Detection and Monitoring System

(3)Emergency Backup and Security Protection Measure

- a. The physical environments of E.SUN Bank's IT systems, including access control, fire safety, power supply, air conditioning, Internet, information security, obfuscated code operating procedure, and system information backup, comply with the ISO27001 and the IT System Security Requirements for Financial Institutions of the Bankers' Association.
- b. With respect to measures for continuing business operation, 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.
- c. 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, anti-spam system, APT intrusion detection and defense system, online behavior management, and Internet management systems. The structure centralizes control over the operating systems and loophole repairs, regularly performs vulnerability scanning, penetration test, and social engineering rehearsals, and classifies information assets according to their level of importance and degree of influence. Furthermore, computer system information security evaluation is regularly conducted to ensure the stability and security of the IT systems.
- d. The operation of information security management in 2018 emphasized the following 3 aspects:
 - (a)Improvement of information security management at overseas units: Consistent assessment methods were employed in conjunction with regular contact, tracking of improved progress, and on-site information security inspection visits to effectively boost information security defense capacity at overseas units.
 - (b)Development of information security technology: The Bank has been using new technology such as big data to establish forecasting models that are able to uncover potential threats and achieve advance prediction.
 - (c)Training of professional information security talents: Monthly Information Security awareness bulletins, specialized classes, and information security workshops are boosting our colleagues' information security awareness within the Company and its subsidiaries.
- e. In the construction of the network architecture in 2018, E.SUN Bank continued to focus on the Hope Building and Technology Building to achieve the goal of providing uninterrupted 24-hour service in the dual center to comprehensively enhance internet availability. In addition, under the rapidly developing information requirements, SDN (Software Define Network) deployed in a software-defined network for automatic deployment is continuously implemented and the network environment can be completed more quickly and flexibly.
- f. Adoption of the international ISO27001 Information Security Management System: The Bank's Information System Division and Information Security Management Division completed a three-year review of ISO/IEC 27001: 2013 in May 2018, and passed BSI's half-year on-site review in November 2018. The Bank's credit card acquisition system received PCI DSS certification in August 2018. To ensure that customers enjoy the optimal protection of their data when using services, we will continue to perform verification on an annual basis.

8. Labor-Management Relations

(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 offer better family care leave and paternity leave than prescribed by the law 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 twice 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.

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:

In its written sanction issued on September 19, 2018, the Taoyuan City Government drew on its labor inspection findings and slapped a fine of NT\$20,000 on the Company's subsidiary E.SUN Bank for violating Article 24 of the Labor Standards Act. For its part, E.Sun Bank immediately implemented remedial measures.

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 labor health and safety management plans and health and safety work rules, held labor 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.

VI. Financial Information



YEH FAN JUNG

1. Condensed Financial Statements from 2014 to 2018

(1) Condensed Balance Sheet(Consolidated)

Unit: NT\$1,000

Item	Year	Financial data for the most recent five years from 2014 to 2018(Note 1)				
		2018(Note 3)	2017(Note 3)	2016(Note 3)	2015(Note 3)	2014(Note 3)
Cash and cash equivalents, due from the central bank and call loans to other banks		132,443,937	131,175,124	99,544,974	104,112,647	89,637,708
Financial assets at fair value through profit or loss		475,506,677	408,918,355	366,689,364	349,603,244	292,870,111
Available-for-sale financial assets		-	170,745,924	141,645,924	131,281,637	86,030,495
Financial assets at fair value through other comprehensive income		183,846,186	-	-	-	-
Debt Instrument Investments Measured at Amortized Cost		8,165,004	-	-	-	-
Derivative financial assets for hedging		-	-	-	-	-
Securities purchased under resell agreements		-	-	173,470	896,844	152,758
Receivables, net		93,450,521	94,083,377	83,935,869	78,562,234	73,087,654
Current tax assets		11,790	5,054	33	104	335,260
Assets held for sale, net		-	-	-	-	-
Discounts and loans, net		1,333,277,269	1,211,071,275	1,118,148,669	1,021,944,720	934,613,524
Reinsurance assets		-	-	-	-	-
Held-to-maturity financial assets		-	3,078,813	3,616,960	5,289,839	5,915,792
Investments accounted for using equity method, net		-	-	-	-	-
Restricted assets		-	-	-	-	-
Other financial assets, net		13,694,947	13,571,397	31,009,269	43,697,797	52,810,267
Properties and equipment, net		32,604,520	28,209,309	26,439,666	26,792,354	21,106,105
Investment properties, net		1,948,418	1,960,511	2,033,334	461,799	421,270
Intangible assets, net		6,116,132	6,222,969	6,241,852	5,953,922	5,683,483
Deferred tax assets, net		1,098,436	954,988	438,264	500,739	123,932
Other assets		5,623,195	4,391,191	4,382,542	6,136,051	3,631,499
Total assets		2,287,787,032	2,074,388,287	1,884,300,190	1,775,283,931	1,566,419,858
Due to the Central Bank and other banks		72,223,020	66,652,215	52,516,006	71,170,130	58,199,621
Funds borrowed from the Central Bank and other banks		-	-	-	-	-
Financial liabilities at fair value through profit or loss		50,315,163	43,439,501	42,145,098	35,875,595	26,081,873
Derivative financial liabilities for hedging		-	-	-	-	-
Securities sold under repurchase agreements		12,526,789	12,200,468	8,881,723	8,034,391	13,117,523
Commercial paper issued		2,669,356	4,895,219	2,557,414	2,279,200	2,828,518
Payables		28,969,420	31,332,005	27,503,039	21,441,650	21,740,276
Current tax liabilities		1,523,828	1,948,106	1,636,966	1,144,949	853,016
Liabilities directly associates with assets held for sale		-	-	-	-	-
Deposits and remittances		1,886,693,981	1,712,278,637	1,557,116,388	1,456,393,949	1,280,691,771
Bonds payable		42,650,000	42,550,000	48,950,000	50,750,000	49,600,000
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		25,019,142	5,519,631	6,903,561	1,319,959	2,583,420
Provisions		860,739	505,300	442,271	499,097	337,069
Deferred tax liabilities		1,338,393	697,535	925,546	1,288,004	816,112
Other liabilities		2,867,101	3,421,239	5,540,820	3,426,109	1,909,313
Total liabilities	Before distribution	2,127,656,932	1,925,439,856	1,755,118,832	1,653,623,033	1,458,758,512
	After distribution	(Note 2)	1,931,679,331	1,759,764,494	1,657,042,264	1,461,932,362
Equity attributable to owners of the Company		160,014,288	148,842,216	128,524,475	120,927,106	106,876,393
Capital stock	Before distribution	108,289,000	101,855,000	87,654,000	79,517,000	70,530,000
	After distribution	(Note 2)	108,094,800	94,666,320	87,468,700	77,030,496
Capital surplus		24,710,706	24,529,129	20,658,669	20,501,164	19,375,697
Retained earnings	Before distribution	26,627,780	22,012,117	19,802,447	18,253,944	15,139,336
	After distribution	(Note 2)	9,532,842	8,144,465	6,883,013	5,617,786
Other equity		386,802	445,970	409,359	2,654,998	1,831,360
Treasury stock		(Note 2)	-	-	-	-
Non-controlling interests		115,812	106,215	656,883	733,792	784,953
Total equity	Before distribution	160,130,100	148,948,431	129,181,358	121,660,898	107,661,346
	After distribution	(Note 2)	142,708,956	124,535,696	118,241,667	104,487,496

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

Note2: Earnings distribution of the year (ended December 31)2018 shall be resolved in the shareholders' meeting.

Note3: Based on financial statements that have been audited and certified by accountants for previous years.

(2) Condensed Statement of Comprehensive Income (Consolidated)

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

Item	Year	Financial data 2014-2018 (Note)				
		2018(Note)	2017(Note)	2016(Note)	2015(Note)	2014(Note)
Interest revenue		37,390,417	33,008,486	29,823,991	29,981,181	27,147,256
Less: Interest expense		17,079,102	12,758,870	11,239,320	12,507,553	11,662,630
Net interest		20,311,315	20,249,616	18,584,671	17,473,628	15,484,626
Total net revenues and gains other than interest		29,117,919	25,857,573	22,480,161	21,015,701	17,269,893
Total net revenues		49,429,234	46,107,189	41,064,832	38,489,329	32,754,519
Bad-debt expenses and provision for losses on guarantees		3,252,472	4,055,371	3,463,088	3,566,430	2,033,689
Net changes in insurance liability reserve		-	-	-	-	-
Operating expenses		25,839,405	25,178,945	22,396,072	20,137,768	17,949,763
Income before tax from continuing operations		20,337,357	16,872,873	15,205,672	14,785,131	12,771,067
Income tax expense		(3,254,589)	(2,218,434)	(2,222,490)	(1,906,172)	(2,165,739)
Net income from continuing operations		17,082,768	14,654,439	12,983,182	12,878,959	10,605,328
Net income (loss) from discontinuing operations		-	-	-	-	-
Net income		17,082,768	14,654,439	12,983,182	12,878,959	10,605,328
Other comprehensive income for the year (net of tax)		(526,762)	(70,657)	(2,476,343)	783,746	1,127,093
Total comprehensive income		16,556,006	14,583,782	10,506,839	13,662,705	11,732,421
Net income attributable to owners of the company		17,068,493	14,756,556	13,135,212	12,816,347	10,528,552
Net income attributable to non-controlling interests		14,275	(102,117)	(152,030)	62,612	76,776
Total comprehensive income attributable to owners of the company		16,541,559	14,721,101	10,673,795	13,567,419	11,610,154
Total comprehensive income attributable to non-controlling interests		14,447	(137,319)	(166,956)	95,286	122,267
Earnings per share (NT\$)		1.58	1.49	1.5	1.63	1.56

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.

(3) CPAs' Auditing Opinion from 2014 to 2018

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 2014 and 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 and 2018 ended on December 31, and issued an unqualified opinion report.

2. Financial data for the most recent five years

(1) Financial Analysis

Item		Year	Financial data for the most recent five years from 2014 to 2018				
			2018(Note 1)	2017(Note 1)	2016(Note 1)	2015(Note 1)	2014 (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) (%)		71.56	71.64	72.69	70.97	73.61
	NPL ratio (E.SUN Commercial Bank) (%)		0.23	0.23	0.19	0.13	0.18
	Average revenue per employee(NT\$ thousand)		5,227.29	4,898.25	4,583.13	4,617.24	4,266.02
	Average net income per employee(NT\$ thousand)		1,806.55	1,556.83	1,449.02	1,544.98	1,381.26
Profitability ratio	Ratio of return on total assets(%)		0.79	0.74	0.72	0.78	0.73
	Ratio of return on stockholders' equity(%)		11.05	10.54	10.35	11.23	11.11
	Profit margin ratio(%)		34.56	31.78	31.62	33.46	32.38
Financial structure(%)	Basic Earnings per share(NT\$)		1.58	1.49	1.50	1.63	1.56
	Ratio of debt to assets		93.00	92.82	93.14	93.15	93.13
	Ratio of debt to net worth		1,328.71	1,292.69	1,358.65	1,359.21	1,354.95
	Double Leverage Ratio		104.00	104.39	104.80	104.29	106.12
Leverage ratio(%)	According to Article 41 of Financial Holding Company Law		None	None	None	None	None
	Operating leverage ratio		1.16	1.24	1.23	1.24	1.16
Ratio of growing(%)	Financial leverage ratio		1.01	1.01	1.01	1.01	1.01
	Ratio of assets growing		10.14	10.09	6.14	13.33	13.42
Cash flow(%)	Ratio of income growing (Note 2)		20.53	10.96	2.84	15.68	25.03
	Cash flow ratio(Note 3)		5.95	14.72	0.18	14.14	6.12
	Cash flow adequacy ratio		136.64	127.66	86.80	178.85	106.18
Operating Scale(%)	Cash flow content ratio		(Note 5)	(Note 5)	(Note 5)	(Note 5)	(Note 5)
	Market share of assets		4.11	3.95	3.92	3.90	3.75
	Market share of equity		4.34	4.01	3.85	3.88	3.64
	Market share of deposit (E.SUN Commercial Bank)		4.67	4.37	4.15	4.42	4.13
	Market share of assets loans(E.SUN Commercial Bank)		4.43	4.25	4.00	4.26	4.03
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	E.SUN Commercial Bank (consolidated)	15.13	15.01	13.71	12.95	12.72
		E.SUN Securities Co., Ltd. (Note 4)	540.24	377.76	535.17	596.44	427.41
		E.SUN Venture Capital Co., Ltd.	98.88	99.63	98.16	99.49	98.89
		E.SUN Insurance Brokers Co., Ltd.	-	-	-	88.46	84.29
	Qualified capital of subsidiaries (NT\$ thousand)	E.SUN Commercial Bank	214,187,113	194,484,051	174,936,955	154,838,582	135,002,479
		E.SUN Securities Co., Ltd.	4,128,876	4,026,967	3,908,927	3,921,842	3,846,516
		E.SUN Venture Capital Co., Ltd.	3,280,563	3,406,334	3,589,935	3,819,566	3,189,199
		E.SUN Insurance Brokers Co., Ltd.	-	-	-	1,133,244	717,777
	Net Group qualified capital(NT\$ thousand)		195,921,649	177,161,990	156,549,604	140,989,432	124,594,422
	Legal requirement of subsidiaries' capital	E.SUN Commercial Bank	139,779,358	119,861,902	110,066,610	95,640,422	84,875,568
		E.SUN Securities Co., Ltd. (Note 4)	1,146,402	1,599,005	1,095,615	986,316	1,349,952
		E.SUN Venture Capital Co., Ltd.	1,658,795	1,709,548	1,828,567	1,919,557	1,612,505
		E.SUN Insurance Brokers Co., Ltd.	-	-	-	640,531	425,778
	Legal requirement of group capital(NT\$ thousand)		142,714,687	123,297,429	114,029,344	99,480,031	88,513,217
	Group Capital Adequacy Ratio		137.28	143.69	137.29	141.73	140.76
	Endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law (NT\$ thousand)		717,204,176	682,476,469	610,572,634	605,641,651	465,447,379

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

Note 2: The YOY profit growth is positive, mainly attributed to the company's steady growth in various areas.

Note 3: The cash flow ratio is lower in 2018 than in 2017. The decrease is mainly attributed to larger loans and advances in 2018 than in 2017 that led to a significant drop in the operating cash flow.

Note 4: The higher capital adequacy ratio and demand for regulatory capital are the result of a different calculation formula being used this year and a smaller volume of trade orders received.

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×(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 2014 to 2018)/from 2014 to 2018(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×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×Legal requirement of subsidiaries.
 - (3) Group Capital Adequacy Ratio=Net Group qualified capital÷Legal requirement of group capital.
-
1. Operating ratio
 - (1) Total assets turnover=Net revenues/Average total 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/ Average total assets
 - (2) Ratio of return on equity=Income after income tax/Average total 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 equity
 - (3) Double Leverage Ratio=Equity investment for subsidiaries/Total 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 agreements+Current portion of Payables).
 - (2) Cash flow adequacy ratio=Net cash provided by operating activities(from 2014 to 2018)/from 2014 to 2018(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 institutions which are qualified in deposit and loan business
 - (2) Market share of equity=Total stockholders' equity/Total stockholders' equity of all financial institutions which are qualified in deposit and loan business.
 - (3) Market share of deposit (%) (bank)=Total deposits/Total deposits held by all financial institutions which are qualified in deposit and loan business
 - (4) Market share of assets loans (%) (bank)=Total loans/Total loans granted by all financial institutions which are qualified in deposit and loan business.
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 - (1) Net Group qualified capital=Qualified requirement of Financial Holding Company Law+(Shares hold in ratio of Financial Holding Company Law×Qualified capital of subsidiaries)-Deduction.
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 - (3) Group Capital Adequacy Ratio=Net Group qualified capital÷Legal requirement of group capital.

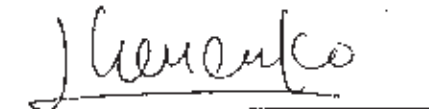
(2) Financial holding company and its subsidiaries should disclose the detail of impact when encounter financial difficulties for the latest complete financial year and year to date before the printing of annual report: None.

3. Audit Committees' Report

Audit Committee Report

To: E.SUN Financial Holding Company

The 2018 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 14, 2019

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



HUANG YU CHENG

1. Financial status

Unit: NT\$1,000

Item	Year	2018	2017	Difference	
				Amount	%
Cash and Cash Equivalents		55,755,562	55,095,081	660,481	1
Deposits at CBC and loans to peer banks		76,688,375	76,080,043	608,332	1
Financial assets at fair value through profit or loss		475,506,677	408,918,355	66,588,322	16
Available-for-sale financial assets-Net(Note 1)		-	170,745,924	(170,745,924)	(100)
Financial Assets Measured at Fair Value through Other Comprehensive Income		183,846,186	-	183,846,186	-
Debt Instrument Investments Measured at Amortized Cost		8,165,004	-	8,165,004	-
Investments in Notes and Bonds with Resale Agreement		-	-	-	-
Receivables - net		93,450,521	94,083,377	(632,856)	(1)
Current income tax assets (Note 2)		11,790	5,054	6,736	133
Loans and advances - net		1,333,277,269	1,211,071,275	122,205,994	10
Held-to-Maturity Financial Assets-Net (Note 3)		-	3,078,813	(3,078,813)	(100)
Other Financial Assets-Net		13,694,947	13,571,397	123,550	1
Investment property-Net		1,948,418	1,960,511	(12,093)	(1)
Property, plant, and equipment - net		32,604,520	28,209,309	4,395,211	16
Intangible assets-Net		6,116,132	6,222,969	(106,837)	(2)
Deferred tax assets		1,098,436	954,988	143,448	15
Other assets-Net (Note 4)		5,623,195	4,391,191	1,232,004	28
Asset and equity		2,287,787,032	2,074,388,287	213,398,745	10
Deposits from CBC and peer banks		72,223,020	66,652,215	5,570,805	8
Financial liabilities at fair value through profit and loss		50,315,163	43,439,501	6,875,662	16
Notes and Bonds Issued under Repurchase Agreement		12,526,789	12,200,468	326,321	3
Commercial papers payable - net (Note 5)		2,669,356	4,895,219	(2,225,863)	(45)
Payables		28,969,420	31,332,005	(2,362,585)	(8)
Current tax liabilities (Note 6)		1,523,828	1,948,106	(424,278)	(22)
Deposits and remittances		1,886,693,981	1,712,278,637	174,415,344	10
Bonds payable		42,650,000	42,550,000	100,000	-
Other loans (Note 7)		399,094	1,283,797	(884,703)	(69)
Liability provisions (Note 8)		860,739	505,300	355,439	70
Other financial liabilities (Note 9)		25,019,142	5,519,631	19,499,511	353
Deferred tax liabilities (Note 10)		1,338,393	697,535	640,858	92
Other Liabilities		2,468,007	2,137,442	330,565	15
Total Liabilities		2,127,656,932	1,925,439,856	202,217,076	11
Common Stock		108,289,000	101,855,000	6,434,000	6
Total capital surpluses		24,710,706	24,529,129	181,577	1
Total retained earnings (Note 11)		26,627,780	22,012,117	4,615,663	21
Other equity		386,802	445,970	(59,168)	(13)
Non-controlling shareholders		115,812	106,215	9,597	9
Total equity		160,130,100	148,948,431	11,181,669	8
Total liabilities and equity		2,287,787,032	2,074,388,287	213,398,745	10

Note 1: Mainly attributed to financial assets being classified differently after adoption of IFRS 9 for 2018.

Note 2: Mainly attributed to an increase in prepaid income tax.

Note 3: Mainly attributed to financial assets being classified differently after adoption of IFRS 9 in 2018.

Note 4: Mainly attributed to an increase in guarantee deposits.

Note 5: The decrease is mainly attributed to commercial paper repayment.

Note 6: Mainly attributed to a decrease in link taxes payable.

Note 7: Mainly attributed to a decrease in long-term borrowings.

Note 8: Mainly attributed to the provisions for loan commitments according to IFRS 9.

Note 9: Mainly attributed to additional principal collected on structured instruments.

Note 10: Mainly attributed to smaller temporary differences in financial assets at fair value through profit and loss.

Note 11: Mainly attributed to higher profitability in the current period compared to the previous period.

Note 12: The 2017 financial standing is based on the certified financial statements for the current year.

2. Financial Performance

Unit: NT\$1,000

Category \ Year	2018	2017	Change amount	Percentage (%) of change
Net interest income	20,311,315	20,249,616	61,699	-
Non-interest net revenue	29,117,919	25,857,573	3,260,346	13
Allowance for bad debt expenses and guarantee liabilities(Note 1)	(3,252,472)	(4,055,371)	802,899	(20)
Operating expenses	(25,839,405)	(25,178,945)	(660,460)	3
Net Profit before Tax for On-going Business Departments	20,337,357	16,872,873	3,464,484	21
Income Tax (Expense) Benefit(Note 2)	(3,254,589)	(2,218,434)	(1,036,155)	47
Net Profit after Tax for On-going Business Departments	17,082,768	14,654,439	2,428,329	17
Other comprehensive income (Note 3)	(526,762)	(70,657)	(456,105)	646
Total comprehensive income for the current period	16,556,006	14,583,782	1,972,224	14

Note 1: Mainly attributed to an increase in the amount of loans recovered subsequently after write-off.

Note 2: Mainly attributed to higher profitability in the current period and a higher income tax rate.

Note 3: Mainly attributed to adoption of IFRS 9 for the year and a larger change in comprehensive income with financial assets being measured at fair value instead.

3. Cash Flow

a. Analysis of change in cash flow for the past two years:

Unit: %

Category \ Year	2018	2017	Percentage (%) increase (decrease)
Cash flow ratio (%) (Note)	5.95	14.72	(59.58)
Cash flow adequacy ratio (%)	136.64	127.66	7.03
Cash reinvestments ratio (%) (Note)	0.42	2.72	(84.56)

Note: The cash flow ratio and cash re-investment ratio are lower in 2018 than in 2017. The decrease is mainly attributed to larger loans and advances in 2018 than in 2017 that led to a significant drop in the operating cash flow.

b. Cash liquidity analyses 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
59,773,671	10,949,542	10,765,719	59,957,494	-	-

1. Analysis of cash flow change for the year

(1) Operating activities: Expected annual net cash flow from operating activities was NT\$10,949,542 thousand dollars.

(2) Investing activities: Expected annual net cash flow was NT\$(8,681,417) thousand dollars.

(3) Financing activities: Expected annual net cash flow was NT\$ (2,084,302) thousand dollars.

2. Liquidity contingency plan and liquidity analysis: None.

4. Major Capital Expenditure Items

(1) Major Capital Expenditure Items and Source of Capital in the next five years: None

(2) Expected benefits: None

5. Causes of profits or losses incurred on investments in the last year, and any improvements or investments planned for the next year

(1) Investment 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.

(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".

(3) Investment Plan for the Next Year

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

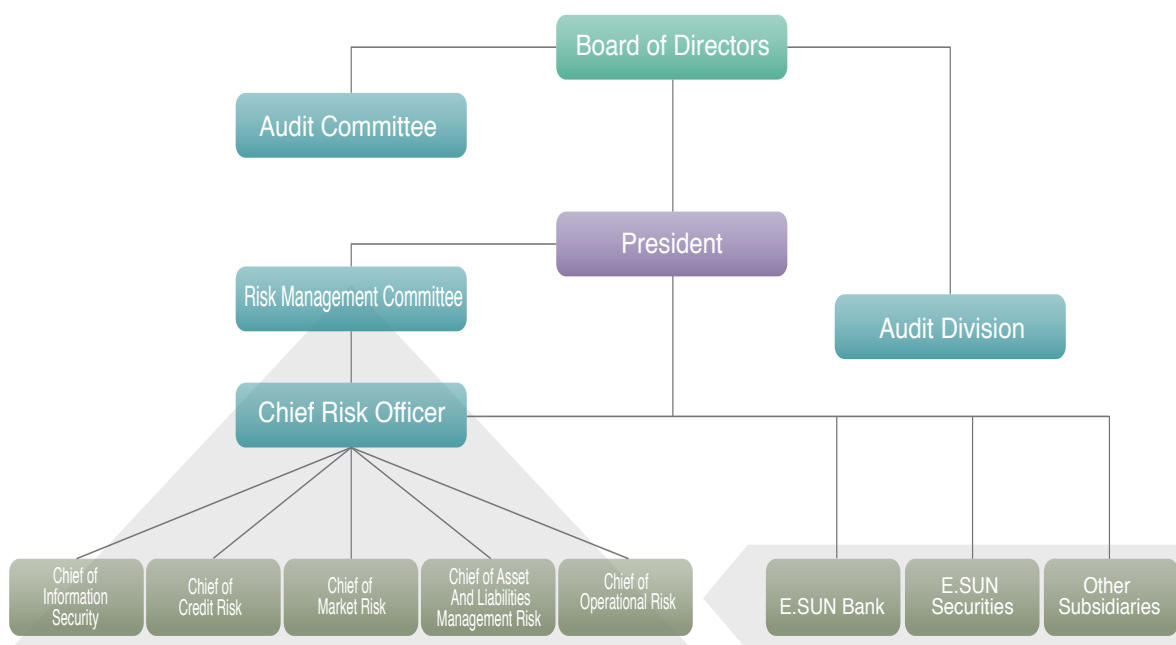
6. Risk Management

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.

(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 E.SUN, and supervising each business unit's compliance with international regulations. The committee is headed by the president, who serves as chairman, the chief risk officer, who serves as executive secretary, the general managers of subsidiaries and the executives of bank's business units are ex officio members. The committee appropriately manages credit risk, market risk, operational risk, money laundering risk, countering the financing of terrorism risk, liquidity risk, and other risk, and reports the state of risk management implementation to the board on a quarterly basis. At the same time, in accordance with the "E.SUN FHC Risk Management Policy and Guiding Principles," the Company and subsidiaries have determined relevant operational standards, which have greatly enhanced risk management quality by enabling the effective identification, assessment, supervision, and control of various risks.

At the same time, E.SUN 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 committed to enhance the accuracy of calculate risk-based capital charges under Pillar I. Furthermore, E.SUN 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 FHC's risk management organizational framework is shown in the following diagram.



E.SUN FHC's Risk Management Organizational Framework

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

a. Routine Disclosures

(a) Strategies and Procedures

i. Credit Risk Management

- (i) 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.
- (ii) 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.
- (iii) E.SUN abides by authorities stipulated by regulators regarding and establishes the standards to limit credit risk exposure for a single enterprise and group of affiliates.
- (iv) To appropriately diversify the risk exposure and to avoid over concentration risk. E.SUN 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.

ii. Market Risk Management

- (i) 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.
- (ii) 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.
- (iii) E.SUN sets various limits of market risk and ensures each risk level is under control. When there is overdraft of the limit, E.SUN will run the procedure to reduce the risk and recheck the tolerance is still available.
- (iv) After review of financial asset holdings under a regular basis. After review is done, the analysis report is submitted to E.SUN FHC'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.

iii. Operational Risk Management

- (i) 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 loss incident notification guidelines" and the risk management division continues to collect operational risk loss incidents of subsidiaries to assist in the improvement of operational risk management.
- (ii) 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.

- (iii) 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.

iv. Anti-money laundering and counter terrorist financing

- (i) 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.
- (ii) 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.
- (iii) 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.

The Company has put in place an internal control and regulatory compliance system. Setting out with the establishment of a sound operational system and promotion of operational risk awareness across the board, E.SUN FHC regards operational risk awareness as one of the point in corporate culture that gives priority to statutory compliance and enforce well- rounded internal control, thereby keeping operational risk in check. In addition to comprehensive on-the- job training, the Company has laid down a full range of regulations and guidelines that govern employee behavior, customer service (KYC included), product design, operational procedures, data security, system backup and emergency responses in order to prevent operational risk. In terms of risk deriving from external events, the Company is keen to stay alert to the latest changes in market environments, customer behavior, technologies, and laws and decrees to adapt in time and ensure the appropriateness of its internal regulations.

v. Information Security Risk

- (i) 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.
- (ii) 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 have 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 FHC to recognize the accuracy of risk assessment and to ensure that management methods conform to international standards.

(c) Scope and Feature of Risk Reporting and Measurement Systems – Applicable to all Subsidiaries

i. Credit Risk Management

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

ii. Market Risk Management

Relevant risk factors are included in the evaluation system for E.SUN's financial asset holdings, also reports are provided. We capture relevant risk factors in the evaluation system for E.SUN's financial asset holdings, 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.

iii. Operational Risk Management

Apart from regularly checking whether the implementation of business complies with operating guidelines, E.SUN 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 loss incident notification guidelines.", the risk management division regularly compiles the content of risk loss 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.

iv. Anti-money laundering and counter terrorist Financing

E.SUN Financial Holding 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 assistance 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.

v. Information Security Risk

- (i) 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.

(ii) 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 Information Technology division for the planning and implementation of information security matters in all business units.
- c. Financial Holding Company: E.SUN FHC has established the "E.SUN FHC Information Security Management Committee" to review information security management policies at subsidiaries. E.SUN FHC'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 E.SUN FHC'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, chief 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

E.SUN FHC and its subsidiaries seek collateral, third-party guarantees and trade credit derivative products to hedge against the risk. E.SUN will also use a trading counterparty's deposits to offset counterparty's liabilities. It also engages in asset securitization to transfer risk. E.SUN has set up internal risk control mechanisms and also complies with rules and systems set by regulatory agencies. E.SUN will adjust its measures 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.

b. Measurement and control methods, and exposure related quantitative information

(a) Credit Risk-based Capital Charge & Risk-weighted Assets

i. E.SUN Bank

2018.12.31 Unit : NTS thousand

Category of Exposure	Exposure after Risk Mitigation	Capital Charges
Sovereign	130,924,610	105,252
Public Sector (Non-central government)	4,191,216	67,059
Banks (including multilateral development banks)	200,564,406	7,020,394
Corporate (including securities and insurance companies)	583,988,642	44,707,365
Retail Bonds	581,275,858	37,748,750
Residential Real Estate	269,658,483	11,395,761
Equity Investments	176,827	14,146
Other Assets	56,266,978	2,837,437
Total	1,827,047,020	103,896,164

ii. E.SUN Securities

2018.12.31 Unit : NTS thousand

Item	December 31, 2018		December 31, 2017	
	Market value	Risk Equivalent	Market value	Risk Equivalent
Margin trading amount	5,263,897	131,649	7,552,252	188,811
Securities loan	1,461,211	36,530	1,569,309	39,233
Securities Brokerage	7,755,042	201,427	10,650,471	287,682
General transaction amount	381,035	30,483	342,615	27,409

(b) Market Risk-based Capital Charge & Risk-weighted Assets

i. E.SUN Bank

2018.12.31 Unit : NTS thousands

Risk Type	Capital Charged
Interest rate risk	2,345,681
Equity Securities risk	935,102
FX risk	121,726
Commodity Risk	6,131
Option based on simple method	0
Total	3,408,640

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

ii. E.SUN Securities

2018.12.31 Unit : NTS thousands

Risk Type	December 31, 2018		December 31, 2017	
	Market value	Risk Equivalent	Market value	Risk Equivalent
General positions				
Interest Rate risk	309,545	24,938	103,625	2,511
Equity Securities risk	462,976	110,379	714,192	115,787
FX risk	281,677	11,267	252,613	20,209
Subtotal	1,054,198	146,584	1,070,430	138,507
Optional positions				
Equity Securities risk (Simplified approach)	-	-	329,953	198,925
Equity Securities risk (Delta-plus approach)	63,287	17,752	-	-
Total	1,117,485	164,336	1,400,383	337,432

The capital charge for options positions of the Securities are calculated using sensitivity analysis (Delta-plus), for which E.SUN has been approved to do by the regulatory authority, from May 2018.

(c) Liquidity risk

E.SUN FHC 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 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 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.

i. E.SUN Bank

TWD Maturity Term Structure Analysis

2018.12.31 Unit:NT\$ thousands

	Total	Remaining Period to Maturity					
		0~10Days	11~30Days	31~90 Days	91~180 Days	181Days 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 figures refer to the amount of TWD position in the whole bank.

USD Maturity Term Structure Analysis

2018.12.31 Unit:USD\$ thousands

	Total	Remaining Period to Maturity				
		1~30Days	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)	494,955	(2,678,276)	(1,851,762)	(4,133,270)	4,058,403

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.

ii. E.SUN Securities

2018.12.31 Unit:NT\$ thousands

December 31,2018	Total	Remaining Period to Maturity				
		1~30Days	31~90 Days	91~180 Days	181 Days to 1 Year	Over 1 Year
Assets	12,680,328	4,809,459	457,712	720,323	1,808,043	4,884,791
Liabilities	12,680,328	5,671,392	51,759	96,817	91,177	6,769,183
Gap	-	(861,933)	405,953	623,506	1,716,866	(1,884,392)
Cumulative gap	-	(861,933)	(455,980)	167,526	1,884,392	-

(d) Operational risk

i. E.SUN Bank

2018.12.31 Unit:NT\$ thousands

Year	Gross Income	Capital Charged
2016	38,450,145	
2017	42,360,320	
2018	46,475,796	
Total	127,286,261	5,934,170

ii. E.SUN Securities

2018.12.31 Unit:NT\$ thousands

Year	Gross Income	Capital Charged
2016	914,138	
2017	1,345,379	
2018	1,419,405	
Total	3,678,922	220,735

(3) Effect on the Company's finances and operations of important policies adopted and changes in the legal environment at home and abroad, and measures taken in response:

a. 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 9, 2018. E.SUN Securities also revised internal regulations on December 17, 2018. 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.

b. Implementing the new amendment of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries."

(a) The Financial Supervisory Commission amended and announced the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" on March 31, 2018 to require banks to establish differentiated compliance risk management framework, establish an internal channel of whistleblowing mechanism of finance industries, and enhance the greater attention toward the security of intimation technology among banking industry.

(b) For establishing an effective compliance management, we have established a bank-wise compliance management and oversight framework, which entails a bank-wise

compliance management system, an independent status and power of the compliance unit, a thorough execution of compliance effectiveness reporting and monitoring systems. Besides, based on our corporate culture of integrity, transparency, as well as a whole-and-sound management, we hereby enacted the "E.SUN Bank Procedure for Handling Whistleblowing Reports", authorizing independent units to accept and investigate whistleblowing cases. Additionally, we also organized the department of information technology security to charge IT security, the oversight and control over IT risk, and relevant implementation measures, etc. As such, we strike to formulate a bank-wise, overall platform for IT security control so as to strengthen both our IT protection and IT security awareness.

c. Enforcement of the Dodd-Frank Act

In 2018, the U.S. government tweaked the threshold of reporting resolution plan up to US 1,500 billion, thus exonerating our duty to submit the plan thereafter. Under the current regulations, the Bank is not required to continue submitting the resolution plan anymore, except for any regulation change in the further by which the Bank will fall within the new lowered threshold. Prospectively, the Bank will keep a close eye on the development and change, as well as on our overall assets.

d. Hong Kong Recovery Plan

Hong Kong Monetary Authority announced its Supervisory Policy Manual RE-1 (SPM RE-1) in 2014, requiring authorized financial institutions to submit recovery plans within a limited period once receiving the HKMA notice. The HKMA divide the process into three phases. The first two phases of are suitable for the global systemically important banks (G-SIBs). HKMA announced the instructions for the third phases in July 2017, require the bank branches in Hong Kong and smaller-scale financial institutions to submit the recovery plans before the end of September 2018. We have engaged a consultant to assist us with establishing and implementing the recovery plan project. In detail, our recovery plan was approved by the board of directors last August and then immediately sent to HKMA with independent auditor's report. As to our operation system, the branch has successfully established a new mechanism to conduct monitoring on a daily basis.

e. 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 2020.

f. Common Reporting Standard, (CRS)

- (a) The Organization for Economic Cooperation and Development (OECD) has developed a mutually beneficial tax information exchange system and announced in July 2017. The countries which participate in the system are required to establish or amend their local regulations to regulate, their financial institutions to recognize account holders' tax identities and submit to local tax institutions in accordance with CRS's instructions, and to provide the tax institutions in other participating countries with their taxpayers' information.
- (b) Our overseas branch offices, including those in China, Hong Kong, Singapore, Japan, and Australia, have signed the tax agreement and employed consultants to help with organizing the programs. The branch offices in Hong Kong, Singapore, and Japan began the new account assessment process in January 2017 (the branch offices in Australia and China began in July 2017) and completed the assessment of the current high net worth accounts. Other account assessment will be completed before the end of 2018, and the first declaration will be carried out in May 2018.
- (c) 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 either new individual accounts or entity accounts since the beginning of 2019. Following, we earnestly strike to complete our due diligences to high asset individual accounts, lower asset accounts, as well as preexisting individual accounts and entity accounts from 2019 and by the end of 2020, and exchange information with other countries or region for the first time in 2020.

(4) Effect of technological changes and the industrial transformation on E.SUN FHC's financial services, and response measures

Information security is a crucial issue with the growing trend of FinTech development. In order to strength information security mechanism, the Company and its subsidiaries deploy multiple security systems such as Web Application Firewall (WAF), Data Loss Prevention (DLP), DDoS protection system, Advanced Persistent Threat (APT). Furthermore, we enhance employee's awareness through regular information security and social engineering training. Enhancement items and improvement plan will be presented to the board in order to ensure the implementation and monitor of information security governance. Multi-channel payment have become a new trend due to prosperous international e-commerce, causing complicated fraudulent uses to increase. E.SUN Bank uses artificial intelligence and machine learning to develop anti-fraud systems in combination with new technologies, through the system developed to improve the predictive ability of model calculation and risk grading, replacing traditional manual assessment of inspection transactions. E.SUN Bank received Taiwan Best Innovation Risk Management Award by "THE ASSET Magazine". E.SUN Bank can offering secured services, ensuring client rights, reduce the losses, providing a friendly and secure payment environment for our clients.

(5) Effect of reputation change on E.SUN FHC and subsidiaries' response measures

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 2018, E.SUN FHC was included as a constituent stock in the Dow Jones Sustainability Index (DJSI), won its 11th consecutive Taiwan's Excellence in Corporate Social Responsibility Award from Commonwealth Magazine, and won 5th consecutive Wealth Magazine's CSR Award in the financial holding company category, Brand Image Award (gold) in the banking category, and Customer Service and Product Award (gold) in the banking category. Both E.SUN Bank and E.SUN Securities received 3th consecutive after Wealth Magazine's newly-added Financial Technology Applications Innovation Award. In addition, the well-known The Banker, and Asiamoney magazines honored E.SUN Commercial Bank as "Taiwan's Best Bank" on the basis of its overall performance, cross-border development and financial innovation.

E.SUN Bank has been investing in O2O and integrating digital capability. Committed to providing quality services with friendliness, speed and accuracy. The Bank insists on starting from a customer's perspective. Bringing a welcoming brand experience to customers through excellent teamwork and ongoing financial innovation. Striving to refine service attitude, work efficiency, hardware environment and other basic elements. And combine the power of technology to increase the depth of its services. Providing friendly services and quality experiences in order to create best value for customers. Avoid the crisis of reputation change.

(6) Anticipated Benefits and Possible Risks Associated with Mergers and Acquisitions, and Countermeasures: None.

(7) Risks from Concentration of Operations, and Countermeasures

a. Business concentration

The Bank continue to pay attention to macroeconomic trends and changes in the financial industry and other industries, adjust its business development strategies as needed, and monitor both risk and profitability.

b. 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.

(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 2018, no directors, supervisors or major shareholders with a stake of over 1% transferred stakes to another party.

(9) Influence of Changes in Ownership of the FHC, Possible Risks and Countermeasures:

As of the end of 2018, there is no significant change in ownership.

(10) Litigious or Non-litigious Incidents: None.

(11) Other Major Risks and Countermeasures: None.

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. Staying alert all the time, they take a preemptive approach toward preventing occurrence of any crisis. In addition, drills are carried out regularly to ensure that the established crisis management measures are effective and to further enhance overall preparedness and responsiveness. A set of Operating Regulations for Emergency Responses to Personal Data Infringement is 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 is also imperative to ward off escalation of a given crisis. Equally important is consistent review and improvement to help reduce response costs and strengthen preventive and responsive capabilities.

8. Disclosure of Evaluation for Financial Products

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

9. Other Important Issues

Operational Procedures for Handling Material Information: The Company has adopted a set of Operational Procedures for Handling Material Information and made it known that this is meant to be observed by all employees and board directors alike.

VIII. Special Disclosure



JAN CHIN SHUI

1. Information Regarding Affiliated Companies

(1) Summary of Affiliated Companies

2018.12.31 Unit: Thousands of New Taiwan Dollars

Investee Company Name	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	86,370,000	Corporate Banking, Consumer 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 brokerage 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, No.158, Sec. 3, Minsheng E. Rd., Songshan District, Taipei, Taiwan	50,000	Security consulting
Union Commercial Bank Public Limited Corporation	1994.03.31	No. 61, Street 130, Phnom Penh, the Kingdom of Cambodia.	2,408,026	Corporate Banking, Consumer Banking, Foreign Exchange, Credit Card
URE Land Holding Co., Ltd.	2013.07.25	No. 61, Street 130, Phnom Penh, the Kingdom of Cambodia.	30	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		10,038,248	Deposit, Lending, and Remittance

(2) Operational Highlights of Affiliated Companies

2018.12.31 Unit: Thousands of New Taiwan Dollars

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Profit	EPS (NT\$)
E.SUN Commercial Bank, Ltd.	86,370,000	2,230,090,617	2,071,943,726	158,146,891	17,108,315	1.98
E.SUN Securities Co., Ltd.	4,000,000	12,665,538	7,558,737	5,106,801	347,612	0.87
E.SUN Venture Capital Co., Ltd.	3,093,000	3,318,677	38,114	3,280,563	(145,118)	(0.47)
E.SUN Securities Investment Consulting Co., Ltd.	50,000	68,481	10,515	57,966	695	0.14
Union Commercial Bank Public Limited Corporation	2,408,026	16,689,419	13,312,359	3,677,060	(11,859)	(148.24)
URE Land Holding Co., Ltd.	30	488,841	452,461	36,380	20,345	20,345
BankPro E-Service Technology Co., Ltd.	135,000	575,818	197,926	377,892	34,071	2.52
E.SUN Bank (China), Ltd.	10,038,248	47,845,752	38,697,004	9,148,748	35,387	-

2. Private Placement Securities in the Most Recent Years:

None

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

4. Other supplementary notes

(1) Accounting treatment for impairment of assets

a. Impairment of financial assets

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

The Company always recognizes lifetime expected credit loss (i.e. ECL) 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.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 does not reduce the carrying amount of the financial asset.

b. Fixed assets, goodwill, intangible assets, and other assets

The company performs an assessment on the balance sheet date to determine if there is any sign suggesting potential impairment of assets (primarily fixed assets, idle assets, assets leased to others, goodwill, and intangible assets). If the assessment shows signs of impairment are present, the company is to proceed promptly to estimate the recoverable amount of the assets or cash generating units. When the recoverable amount of the assets or cash generating units is smaller than the book value and shows material impairment,

the impairment is to be recognized as a loss. If the recoverable amount (excluding goodwill) increases afterwards, the amount of impairment recognized as a loss is to be reversed to a gain. Provided the value of the corresponding assets before impairment recognition is not exceeded, the impairment is to be recorded at depreciated or amortized book value. Impairment testing should be performed on goodwill and intangible assets with indefinite useful lives or not yet available for use, regardless of any sign of impairment, every year. When the recoverable amount shows material impairment against the book value, the impairment is to be recognized as an impairment loss. However, previously recognized impairment loss on goodwill cannot be reversed.

(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

(3) Endorsements by affiliates, lending/borrowing and other derivative transactions with others

a. Endorsement/guarantee provided: None.

b. Financing provided: None.

c. Derivative transactions: Appendix P.85 Financial instrument.

(4) The objectives and methods of hedge accounting: None.

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:

On Aug. 28. 2013, subsidiary E.SUN Bank has acquired 70% shares of Union Commercial Bank PLC. in Cambodia. E.SUN Bank increased its share to 75% of Union Commercial Bank PLC on Dec. 29. 2015. The remaining 25% share of Union Commercial Bank PLC was acquired by E.SUN Bank on Aug. 25. 2017, which increased E.SUN Bank's share from 75% to 100%.

Appendix

E.SUN Financial Holding Company, Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report**

Address: 14F, No.117 & 1F No.115, Sec.3, Minsheng E. Rd., Songshan District, Taipei, Taiwan
Telephone +8862 2175131

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, 2018 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 15, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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 of Financial Institutions by Certified Public Accountants, 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, 2018. 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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2018 are described as follows:

Allowances for Possible Losses on Loans

The Company is engaged principally in providing loans to customers. As of December 31, 2018, the net amount of discounts and loans of the Company is NT\$1,333,277,269 thousand, which represents approximately 58% of total consolidated assets, and is considered material to the consolidated financial statements as a whole. The Company's management performs loan impairment assessment through making judgements to measure the loss allowance at an amount equal to 12-month expected credit losses or the lifetime expected credit losses. Also, the allowance provision has to comply with relevant regulations issued by authorities. Impairment loss on loans is recognized by reducing its carrying amount through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. For accounting policies and relevant information about loan impairment assessment, please refer to Notes 4, 5, and 13 to the consolidated financial statements. We determined allowances for possible losses on loans to be a key audit matter for the year ended December 31, 2018 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

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

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Company's loan impairment assessment.
2. Perform test on the reasonableness of key assumptions for the expected credit loss model.
3. Perform test on the reasonableness of the calculation of expected credit losses for selected loans.
4. Test the classification of credit assets in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

Goodwill Impairment Assessment

The Company's management performs goodwill impairment assessment annually. When performing goodwill impairment assessment, the Company's management needs to determine the value in use of cash-generating units (CGUs) to which goodwill has been allocated. To determine value in use, the Company's management has to estimate the expected future cash flows generated from CGUs and applies the appropriate discount rate to those future cash flows. For accounting policies and relevant information about goodwill impairment assessment, please refer to Notes 4, 5, and 18 to the consolidated financial statements. We determined goodwill impairment assessment to be a key audit matter for the year ended December 31, 2018 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

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

1. Assess the methodology and assumptions used in goodwill impairment assessment applied by the Company's management.
2. Perform sensitivity analysis in order to assess the extent to which a change in the key assumptions could indicate the risk of an impairment.

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, 2018 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 15, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	\$ 55,755,562	3	\$ 55,095,081	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	76,688,375	3	76,080,043	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 39)	475,506,677	21	408,918,355	20
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 9 and 39)	-	-	170,745,924	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 10, 39 and 42)	183,846,186	8	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 11, 39 and 42)	8,165,004	-	-	-
RECEIVABLES, NET (Notes 4, 12 and 38)	93,450,521	4	94,083,377	5
CURRENT TAX ASSETS (Notes 4 and 35)	11,790	-	5,054	-
DISCOUNTS AND LOANS, NET (Notes 4, 13, 38 and 39)	1,333,277,269	58	1,211,071,275	58
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4, 14 and 39)	-	-	3,078,813	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 15 and 29)	13,694,947	1	13,571,397	1
INVESTMENT PROPERTIES, NET (Notes 4 and 16)	1,948,418	-	1,960,511	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	32,604,520	2	28,209,309	1
INTANGIBLE ASSETS, NET (Notes 4 and 18)	6,116,132	-	6,222,969	-
DEFERRED TAX ASSETS (Notes 4 and 35)	1,098,436	-	954,988	-
OTHER ASSETS, NET (Notes 4, 19 and 28)	<u>5,623,195</u>	<u>-</u>	<u>4,391,191</u>	<u>-</u>
TOTAL	<u>\$ 2,287,787,032</u>	<u>100</u>	<u>\$ 2,074,388,287</u>	<u>100</u>
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 20)	\$ 72,223,020	3	\$ 66,652,215	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 25)	50,315,163	2	43,439,501	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 11 and 21)	12,526,789	1	12,200,468	1
COMMERCIAL PAPER ISSUED, NET (Note 22)	2,669,356	-	4,895,219	-
PAYABLES (Notes 4, 23 and 38)	28,969,420	1	31,332,005	2
CURRENT TAX LIABILITIES (Notes 4 and 35)	1,523,828	-	1,948,106	-
DEPOSITS AND REMITTANCES (Notes 24 and 38)	1,886,693,981	83	1,712,278,637	83
BOND PAYABLES (Note 25)	42,650,000	2	42,550,000	2
OTHER BORROWINGS (Note 26)	399,094	-	1,283,797	-
PROVISIONS (Notes 4, 27 and 28)	860,739	-	505,300	-
OTHER FINANCIAL LIABILITIES (Note 29)	25,019,142	1	5,519,631	-
DEFERRED TAX LIABILITIES (Notes 4 and 35)	1,338,393	-	697,535	-
OTHER LIABILITIES (Note 30)	<u>2,468,007</u>	<u>-</u>	<u>2,137,442</u>	<u>-</u>
Total liabilities	<u>2,127,656,932</u>	<u>93</u>	<u>1,925,439,856</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF ESFHC				
Capital stock				
Common stock	<u>108,289,000</u>	<u>5</u>	<u>101,855,000</u>	<u>5</u>
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	21,328,222	1	21,146,645	1
From treasury stock transactions	<u>3,382,484</u>	<u>-</u>	<u>3,382,484</u>	<u>-</u>
Total capital surplus	<u>24,710,706</u>	<u>1</u>	<u>24,529,129</u>	<u>1</u>
Retained earnings				
Legal reserve	9,361,366	-	7,973,975	-
Special reserve	164,235	-	164,235	-
Unappropriated earnings	<u>17,102,179</u>	<u>1</u>	<u>13,873,907</u>	<u>1</u>
Total retained earnings	<u>26,627,780</u>	<u>1</u>	<u>22,012,117</u>	<u>1</u>
Other equity	<u>386,802</u>	<u>-</u>	<u>445,970</u>	<u>-</u>
Total equity attributable to owners of ESFHC	160,014,288	7	148,842,216	7
NON-CONTROLLING INTERESTS	<u>115,812</u>	<u>-</u>	<u>106,215</u>	<u>-</u>
Total equity	<u>160,130,100</u>	<u>7</u>	<u>148,948,431</u>	<u>7</u>
TOTAL	<u>\$ 2,287,787,032</u>	<u>100</u>	<u>\$ 2,074,388,287</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 31 and 38)	\$ 37,390,417	76	\$ 33,008,486	72	13
INTEREST EXPENSE (Notes 4, 31 and 38)	<u>(17,079,102)</u>	<u>(35)</u>	<u>(12,758,870)</u>	<u>(28)</u>	34
NET INTEREST	<u>20,311,315</u>	<u>41</u>	<u>20,249,616</u>	<u>44</u>	-
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee and commission income, net (Notes 4, 32 and 38)	16,371,015	33	15,775,972	34	4
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 8 and 33)	18,401,060	37	1,057,940	2	1,639
Realized gains on available-for-sale financial assets (Note 4)	-	-	725,045	2	(100)
Realized gains on financial assets at fair value through other comprehensive income (Note 4)	761,188	2	-	-	-
Foreign exchange gains (losses), net (Note 4)	(6,703,033)	(14)	7,950,203	17	(184)
Impairment losses on assets (Notes 4, 15 and 16)	(5,990)	-	(50,107)	-	(88)
Gains on financial assets carried at cost, net (Note 4)	-	-	132,493	-	(100)
Other noninterest gains, net	<u>293,679</u>	<u>1</u>	<u>266,027</u>	<u>1</u>	10
Total net revenues and gains other than interest	<u>29,117,919</u>	<u>59</u>	<u>25,857,573</u>	<u>56</u>	13
TOTAL NET REVENUES	<u>49,429,234</u>	<u>100</u>	<u>46,107,189</u>	<u>100</u>	7
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 13)	<u>(3,252,472)</u>	<u>(7)</u>	<u>(4,055,371)</u>	<u>(9)</u>	(20)

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 4, 16, 17, 18, 28, 34 and 38)					
Employee benefits	\$ (11,596,823)	(23)	\$ (11,228,792)	(24)	3
Depreciation and amortization	(2,028,751)	(4)	(1,874,027)	(4)	8
General and administrative	<u>(12,213,831)</u>	<u>(25)</u>	<u>(12,076,126)</u>	<u>(26)</u>	1
Total operating expenses	<u>(25,839,405)</u>	<u>(52)</u>	<u>(25,178,945)</u>	<u>(54)</u>	3
INCOME BEFORE INCOME TAX	20,337,357	41	16,872,873	37	21
INCOME TAX EXPENSE (Notes 4 and 35)	<u>(3,254,589)</u>	<u>(7)</u>	<u>(2,218,434)</u>	<u>(5)</u>	47
NET INCOME FOR THE YEAR	<u>17,082,768</u>	<u>34</u>	<u>14,654,439</u>	<u>32</u>	17
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 28 and 35):					
Remeasurement of defined benefit plans	45,125	-	(58,617)	-	177
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	78,430	-	(42,931)	-	283
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	(647,216)	(1)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(3,177)</u>	<u>-</u>	<u>34</u>	<u>-</u>	(9,444)
Items that will not be reclassified subsequently to profit or loss, net of income tax	<u>(526,838)</u>	<u>(1)</u>	<u>(101,514)</u>	<u>-</u>	419

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss (Notes 4 and 35):					
Exchange differences on the translation of financial statements of foreign operations	\$ 377,868	1	\$ (929,411)	(2)	141
Unrealized gains (losses) on available-for-sale financial assets	-	-	861,454	2	(100)
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	(365,278)	(1)	-	-	-
Impairment losses on investments in debt instruments at fair value through other comprehensive income	5,210	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(17,724)	-	98,814	-	(118)
Items that may be reclassified subsequently to profit or loss, net of income tax	76	-	30,857	-	(100)
Other comprehensive loss for the year, net of income tax	(526,762)	(1)	(70,657)	-	646
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 16,556,006</u>	<u>33</u>	<u>\$ 14,583,782</u>	<u>32</u>	14
NET INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$ 17,068,493	34	\$ 14,756,556	32	16
Non-controlling interests	14,275	-	(102,117)	-	114
	<u>\$ 17,082,768</u>	<u>34</u>	<u>\$ 14,654,439</u>	<u>32</u>	17
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of ESFHC	\$ 16,541,559	33	\$ 14,721,101	32	12
Non-controlling interests	14,447	-	(137,319)	-	111
	<u>\$ 16,556,006</u>	<u>33</u>	<u>\$ 14,583,782</u>	<u>32</u>	14

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 36)					
Basic	<u>\$ 1.58</u>		<u>\$ 1.40</u>		
Diluted	<u>\$ 1.57</u>		<u>\$ 1.40</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of ESFHC												Non-controlling Interests (Notes 4 and 37)	Total Equity
	Capital Stock (Note 37)						Retained Earnings (Notes 4, 10 and 37)			Other Equity				
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 37)	Legal Reserve	Special Reserve	Unappropriated Earnings	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 10)	Unrealized Gains on Available-for-sale Financial Assets (Note 4)	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)				
BALANCE AT JANUARY 1, 2017	8,765,400	\$ 87,654,000	\$ 20,658,669	\$ 6,677,949	\$ 164,235	\$ 12,960,263	\$ (145,236)	\$ -	\$ 509,713	\$ 44,882	\$ 656,883	\$ 129,181,358		
Appropriation of 2016 earnings	-	-	-	1,296,026	-	(1,296,026)	-	-	-	-	-	-		
Legal reserve	-	-	-	-	-	(4,645,662)	-	-	-	-	-	(4,645,662)		
Cash dividends	701,232	7,012,320	-	-	-	(7,012,320)	-	-	-	-	-	-		
Stock dividends	18,868	188,680	163,208	-	-	-	-	-	-	-	-	351,888		
Issuance of common stock from employees' compensation	700,000	7,000,000	3,500,000	-	-	-	-	-	-	-	-	10,500,000		
Capital increase	-	-	207,252	-	-	-	-	-	-	-	-	207,252		
Share-based payment for the subscription of new shares by employees	-	-	-	-	-	-	-	-	-	-	-	(8,730)		
Cash dividends distributed by subsidiary	-	-	-	-	-	-	12,160	-	1,477	-	(404,619)	(1,221,457)		
Acquisition of interest in subsidiary	-	-	-	-	-	(830,475)	-	-	-	-	-	-		
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	-	-	-	-	-	94	-	-	-	(94)	-	-		
Net income for the year ended December 31, 2017	-	-	-	-	-	14,756,556	-	-	-	-	(102,117)	14,654,439		
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(58,523)	(744,227)	-	810,226	(42,931)	(35,202)	(70,657)		
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	14,698,033	(744,227)	-	810,226	(42,931)	(137,319)	14,583,782		
BALANCE AT DECEMBER 31, 2017	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	-	-	-	1,387,391	-	(1,387,391)	-	-	-	-	-	-		
Legal reserve	-	-	-	-	-	(6,239,475)	-	-	-	-	-	(6,239,475)		
Cash dividends	623,980	6,239,800	-	-	-	(6,239,800)	-	-	-	-	-	-		
Stock dividends	19,420	194,200	181,577	-	-	-	-	-	-	-	-	375,777		
Issuance of common stock from employees' compensation	-	-	-	-	-	-	-	-	-	-	-	(4,850)		
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	192,465	-	-	-	-		
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(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		

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 20,337,357	\$ 16,872,873
Adjustments for:		
Depreciation expenses	1,386,414	1,271,592
Amortization expenses	642,337	602,435
Expected credit losses/bad-debt expenses	3,166,355	4,049,208
Gains on financial assets and liabilities at fair value through profit or loss	(18,401,060)	(1,057,940)
Interest expense	17,079,102	12,758,870
Interest revenue	(37,390,417)	(33,008,486)
Dividend income	(381,883)	(336,702)
Provision for losses on guarantees	85,605	6,163
Salary expenses on share-based payments	463,521	584,629
Losses (gains) on disposal of properties and equipment	(83,170)	29,876
Losses on disposal of intangible assets	602	-
Gains on disposal of investments	(379,305)	(557,629)
Impairment losses on financial assets	-	50,452
Impairment losses on non-financial assets	149	-
Reversal of impairment losses on non-financial assets	-	(345)
Unrealized losses on foreign currency exchange	-	1,870
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	476,628	(12,748,087)
Financial assets at fair value through profit or loss	(29,801,490)	(28,056,853)
Financial assets at fair value through other comprehensive income	(13,901,756)	-
Investments in debt instruments at amortized cost	(5,064,613)	-
Available-for-sale financial assets	-	(30,526,311)
Securities purchased under resell agreements	-	140,934
Receivables	1,617,162	(10,513,190)
Discounts and loans	(125,426,376)	(96,024,898)
Held-to-maturity financial assets	-	501,592
Other financial assets	(3,825,985)	17,182,628
Other assets	81,038	(36,147)
Due to the Central Bank and other banks	5,570,805	14,136,209
Financial liabilities at fair value through profit or loss	(20,206,138)	(16,505,702)
Securities sold under repurchase agreements	326,321	3,318,745
Payables	(3,834,963)	3,409,999
Deposits and remittances	174,415,344	155,162,249
Provision for employee benefits	(3,572)	(3,244)
Provision	-	(1,411)
Other financial liabilities	17,934,714	(1,475,778)
Other liabilities	408,331	25,946
Cash used in operations	(14,708,943)	(746,453)
Interest received	43,714,418	39,299,425
Dividend received	655,515	353,254

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E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Interest paid	\$ (16,828,651)	\$ (13,015,804)
Income tax paid	<u>(3,310,170)</u>	<u>(2,548,764)</u>
Net cash generated from operating activities	<u>9,522,169</u>	<u>23,341,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	(5,946,004)	(3,239,211)
Proceeds from disposal of properties and equipment	136,105	1,008
Decrease in operating deposits	15,000	30,000
Increase in settlement fund	(3,843)	(2,016)
Decrease in settlement fund	2,558	137
Increase in refundable deposits	(1,294,211)	(65,499)
Payments for intangible assets	(458,080)	(480,719)
Increase in other assets	<u>(1,240)</u>	<u>(4,346)</u>
Net cash used in investing activities	<u>(7,549,715)</u>	<u>(3,760,646)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	152	-
Repayments of short-term borrowings	-	(269,966)
Increase in commercial paper issued	-	2,338,841
Repayments of commercial paper	(2,226,888)	-
Proceeds from issue of corporate bonds	-	1,100,000
Repayments of corporate bonds	-	(2,000,000)
Proceeds from issue of bank debentures	5,100,000	-
Repayments of bank debentures	(5,000,000)	(5,500,000)
Proceeds from long-term borrowings	-	767,608
Repayments of long-term borrowings	(886,330)	(2,766,867)
Increase in financial liabilities designated as at fair value through profit or loss	5,880,000	-
Increase in guarantee deposits received	1,564,797	91,848
Cash dividends paid	(6,239,475)	(4,645,662)
Capital increase	-	10,500,000
Cash dividends paid to non-controlling interests	(4,850)	(8,730)
Changes in non-controlling interests (Note 47)	<u>-</u>	<u>(1,221,457)</u>
Net cash used in financing activities	<u>(1,812,594)</u>	<u>(1,614,385)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>1,563,195</u>	<u>905,286</u>

(Continued)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,723,055	\$ 18,871,913
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>58,050,616</u>	<u>39,178,703</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 59,773,671</u>	<u>\$ 58,050,616</u>
	December 31	
	2018	2017
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, 2018 AND 2017		
Cash and cash equivalents in the consolidated balance sheets	\$ 55,755,562	\$ 55,095,081
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"	<u>4,018,109</u>	<u>2,955,535</u>
Cash and cash equivalents at the end of the year	<u>\$ 59,773,671</u>	<u>\$ 58,050,616</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, 2018 AND 2017 (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. 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, 2018, 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 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, 2018 and 2017, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,761 and 8,733, respectively. For the years ended December 31, 2018 and 2017, the average number of employees of ESBC, UCB and BankPro was 695 and 680, respectively.

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 approved and authorized for issue of the consolidated financial statements in their meeting on March 15, 2019.

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, and the early adoption of the amendments to IFRS 9

Except for the following, whenever applied, 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 would not have any material impact on the Company's accounting policies:

IFRS 9 "Financial Instruments" and related amendments (including the amendment of early adoption)

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. As of January 1, 2018, the changes of the measurement categories and carrying values determined under IAS 39 and IFRS 9 for each category of financial assets are summarized as follows:

Financial Assets	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash and cash equivalents	Amortized cost (loans and receivables)	Amortized cost	\$ 55,095,081	\$ 55,095,081
Due from the Central Bank and call loans to other banks	Amortized cost (loans and receivables)	Amortized cost	76,080,043	76,080,043
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	408,918,355	408,918,355
Receivables, net	Amortized cost (loans and receivables)	Amortized cost	94,083,377	94,082,353
Discounts and loans, net	Amortized cost (loans and receivables)	Amortized cost	1,211,071,275	1,211,071,275
Available-for-sale financial assets, net	Fair value through other comprehensive income	Fair value through profit or loss	1,475,207	1,475,207
	Fair value through other comprehensive income	Fair value through other comprehensive income	169,270,717	169,270,717
Held-to-maturity financial assets, net	Amortized cost	Amortized cost	3,078,813	3,078,219
Other financial assets, net	Amortized cost (loans and receivables)	Amortized cost	9,024,818	9,024,818
	Financial assets measured at cost	Fair value through profit or loss	2,109,998	2,351,761
	Financial assets measured at cost	Fair value through other comprehensive income	982,397	1,430,436
	Amortized cost (debt instruments with no active market)	Fair value through other comprehensive income	596,960	667,353
Other assets, net	Amortized cost (refundable deposits)	Amortized cost	3,285,621	3,285,621

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 408,918,355			\$ 408,918,355			1)
Add: Reclassification from available-for-sale (IAS 39)	-	\$ 1,475,207	\$ -	1,475,207	\$ 147,292	\$ (147,292)	2)
Add: Reclassification from other financial assets (IAS 39)	-	2,109,998	241,763	2,351,761	241,763	-	2)
	<u>408,918,355</u>	<u>3,585,205</u>	<u>241,763</u>	<u>412,745,323</u>	<u>389,055</u>	<u>(147,292)</u>	
<u>FVTOCI</u>	-			-			
Debt instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	164,114,822	-	164,114,822	(55,976)	55,864	3)
Add: Reclassification and remeasurement from debt instruments with no active market (IAS 39)	-	596,960	70,393	667,353	(304)	70,697	3)
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	5,155,895	-	5,155,895	-	-	2)
Add: Reclassification and remeasurement from other financial assets (IAS 39)	-	982,397	448,039	1,430,436	105,428	342,611	2)
	<u>-</u>	<u>170,850,074</u>	<u>518,432</u>	<u>171,368,506</u>	<u>49,148</u>	<u>469,172</u>	
<u>Amortized cost</u>	-			-			
Add: Reclassification and remeasurement from held-to-maturity (IAS 39)	-	3,078,813	(594)	3,078,219	(594)	-	4)
	<u>-</u>	<u>3,078,813</u>	<u>(594)</u>	<u>3,078,219</u>	<u>(594)</u>	<u>-</u>	
Total	<u>\$ 408,918,355</u>	<u>\$ 177,514,092</u>	<u>\$ 759,601</u>	<u>\$ 587,192,048</u>	<u>\$ 437,609</u>	<u>\$ 321,880</u>	

- 1) The Company held debt instrument investments amounting to \$110,410,567 thousand, of which previously designated as at fair value through profit or loss. When transitioning to IFRS 9, the investments are classified at fair value through profit or loss on the basis of the Company's business model.
- 2) The Company elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. As a result, the related other equity - unrealized gains on available-for-sale financial assets was reclassified to increase retained earnings in the amount of \$147,292 thousand and to increase other equity - unrealized gains on financial assets at FVTOCI in the amount of \$358,917 thousand.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$448,039 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gains on financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$105,428 thousand in other equity - unrealized gains on financial assets at FVTOCI and an increase of \$105,428 thousand in retained earnings on January 1, 2018.

- 3) Investments in debt instruments previously classified as available-for-sale financial assets and debt instruments with no active market under IAS 39 were classified as at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result of retrospective application, the related adjustments comprised an increase in deferred tax liabilities of \$112 thousand, a decrease in retained earnings of \$56,280 thousand and an increase in other equity - unrealized gains on financial assets at FVTOCI of \$126,561 thousand on January 1, 2018.
 - 4) Investments in debt instruments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, the related adjustments comprised an increase in the loss allowance of \$594 thousand and a decrease in retained earnings of \$594 thousand on January 1, 2018.
- b. The Company had not yet applied 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 New IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 2)

(Continued)

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
	(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose underlying asset is of low value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company will present 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 will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be 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 will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

- a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

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

The anticipated impact on assets, liabilities and equity as of January 1, 2019 is set out as follows:

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 2,838,692	\$ 2,838,692
Other assets, net	\$ 5,623,195	(94,831)	\$ 5,528,364
Total effect on assets		\$ 2,743,861	
Lease liabilities	\$ -	\$ 2,768,411	\$ 2,768,411
Payables	\$ 28,969,420	(50,881)	\$ 28,918,539
Provisions	\$ 860,739	2,475	\$ 863,214
Other liabilities	\$ 2,468,007	(1,990)	\$ 2,466,017
Total effect on liabilities		\$ 2,718,015	
Retained earnings	\$ 26,627,780	\$ 25,846	\$ 26,653,626
Total effect on equity		\$ 25,846	

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company has performed an assessment and found no significant impact on the Company's financial position and financial performance due to the application of other standards and interpretations.

- 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 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: 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 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 standards above 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.

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

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. Every month-end, foreign currency income and expenses are translated into New Taiwan dollars 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 - at the average exchange rate for the period. 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

2018

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.

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

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.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale (AFS) financial assets, held-to-maturity financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i. Financial assets at FVTPL

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

A financial asset 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 asset 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 assets 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 dividend or interest earned on the financial asset.

ii. Available-for-sale (AFS) financial assets

AFS financial assets are nonderivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss. AFS financial assets are stated at fair value at each balance sheet date.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed or is determined to be impaired.

Cash dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of investee's shares held.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit or loss.

iii. Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intent and ability to hold to maturity.

After initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

iv. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables, debt instruments with no active market) are measured at amortized cost using the effective interest method less any impairment.

b) Impairment of financial assets

2018

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

The Company always recognizes lifetime expected credit loss (i.e. ECL) 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.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- i. Significant financial difficulty of the asset issuer and debtor;
- ii. The financial assets becoming overdue;
- iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Financial assets carried at amortized cost (loans and receivables) that are individually assessed had no objective evidence of impairment are further assessed collectively for impairment. Objective evidence of impairment for a portfolio of receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on financial assets.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows with consideration to the collaterals and guarantees, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

For AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For AFS debt instruments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

Impairment loss on financial asset is recognized by reducing its carrying amount using an allowance account. When financial assets are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

2018 and 2017

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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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 cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. Before 2018, the difference between the carrying amount allocated to the part that is derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, the difference between the carrying amount allocated to the part that is derecognized and the sum of the consideration received for the part derecognized 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 derecognized 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

2018

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.

2017

Financial guarantee contracts issued by the Company are not designated as at FVTPL and are subsequently measured at the higher of (a) the amount of the obligation under the contract, as determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; or (b) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with revenue recognition policies.

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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, 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 over the life of each agreement.

k. 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).

- l. 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.

- m. 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.

- n. Leasing

Leases are classified as finance leases whenever the terms of the 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 a lessor

Rental income from operating leases is recognized in revenues over the lease periods on a straight-line basis. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

Lease incentives offered in the 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 over the lease term.

- 2) The Company as a lessee

Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating lease, contingent rentals are recognized as expenses at current period.

Lease incentives received in the operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

t. 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.

u. 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.

v. 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.

w. 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 for the year

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.

x. 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.

y. 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.

a. Estimated impairment of loans - 2018

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 the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment losses on loans - 2017

The Company monthly assesses loans collectively. When determining whether an impairment loss should be recognized, the Company mainly seeks for observable evidence that indicates impairment. Objective evidence of impairment of a portfolio of loans and receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables. The management uses past loss experience on assets that have similar credit risk characteristics to estimate the expected future cash flows. The Company reviews the methods and assumptions of cash flow estimation regularly to eliminate the difference between expected and actual loss.

c. Impairment of goodwill

The assessment of impairment of goodwill requires the Company to estimate the value in use of the CGUs to which goodwill has been allocated. For calculating the value in use, management is required to estimate the future cash flows expected to arise from each CGU and the discount rate to be used in calculating present value. If the actual cash flow falls below expectation, an impairment loss might be incurred.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	\$ 14,394,143	\$ 11,906,639
Checks for clearing	8,685,830	10,495,503
Due from banks	32,644,555	32,590,752
Cash in transit	37,501	22,298
Cash equivalents	-	79,889
	<u>55,762,029</u>	<u>55,095,081</u>
Less: Allowance for possible losses	<u>(6,467)</u>	<u>-</u>
	<u>\$ 55,755,562</u>	<u>\$ 55,095,081</u>

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2018 and 2017 are shown in the consolidated statements of cash flows.

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

	December 31	
	2018	2017
Deposit reserves - account A	\$ 22,218,598	\$ 22,725,604
Deposit reserves - account B	39,784,413	38,287,417
Reserves for deposits - foreign currency deposits	460,995	423,842
Due from the Central Bank - other	9,613,040	8,360,993
Deposit in the Central Bank - deposits of government agencies	7,054	6,284
Call loans to banks	4,645,774	4,843,647
Trade finance advance - interbank	-	1,492,400
	<u>76,729,874</u>	<u>76,140,187</u>
Less: Allowance for possible losses	<u>(41,499)</u>	<u>(60,144)</u>
	<u>\$ 76,688,375</u>	<u>\$ 76,080,043</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	
	2018	2017
<u>Held-for-trading financial assets</u>		
Negotiable certificates of deposits	\$ -	\$ 237,642,004
Commercial paper	-	54,287,282
Currency swap contracts	-	3,038,019
Interest rate swap contracts	-	1,098,268
Currency option contracts	-	630,142
Forward contracts	-	443,540
Operating securities - hedging	-	422,860
Listed stocks	-	340,016
Futures exchange margins	-	219,884
Beneficial certificates	-	209,457
Bank debentures	-	88,659
Operating securities - underwriting department	-	30,420
Operating securities - dealing department	-	26,593
Non-deliverable forward contracts	-	17,135
Metal commodity swap contracts	-	11,441
Taiwan depositary receipts	-	1,918
Cross-currency swap contracts	-	148
Taiwan stock index option contracts	-	2
	<u>-</u>	<u>298,507,788</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Corporate bonds	-	59,110,659
Bank debentures	-	49,740,994
Overseas government bonds	-	1,558,914
	<u>-</u>	<u>110,410,567</u>
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>		
Negotiable certificates of deposits	280,550,446	-
Commercial paper	50,697,502	-
Corporate bonds	66,809,958	-
Bank debentures	66,773,345	-
Stock	2,920,498	-
Overseas mutual funds	327,368	-
Operating securities - dealing department	311,453	-
Operating securities - hedging	79,268	-
Operating securities - underwriting department	70,785	-
Beneficial certificates	69,030	-
Taiwan depositary receipts	1,328	-
Currency swap contracts	4,528,238	-
Interest rate swap contracts	1,144,186	-
Currency option contracts	635,170	-
Forward contracts	266,692	-
Futures exchange margins	267,446	-
Non-deliverable forward contracts	42,808	-

(Continued)

	December 31	
	2018	2017
Cross-currency swap contracts	\$ 10,697	\$ -
Metal commodity swap contracts	404	-
Credit default swaps contracts	54	-
Taiwan stock index option contracts	1	-
	<u>475,506,677</u>	<u>-</u>
	<u>\$ 475,506,677</u>	<u>\$ 408,918,355</u>

Held-for-trading financial liabilities

Interest rate swap contracts	\$ 2,735,167	\$ 926,432
Currency swap contracts	2,040,257	3,125,175
Currency option contracts	679,429	867,889
Forward contracts	268,393	296,093
Stock warrants issued liabilities, net	36,755	76,980
Cross-currency swap contracts	6,138	63,193
Non-deliverable forward contracts	40,813	16,793
Metal commodity swap contracts	-	4,854
Payable on borrowing securities - hedging	1,320	2,674
	<u>5,808,272</u>	<u>5,380,083</u>

Financial liabilities designated as at fair value through profit or loss

Bank debentures (Note 25)	44,258,039	37,773,748
Structured products	<u>248,852</u>	<u>285,670</u>
	<u>44,506,891</u>	<u>38,059,418</u>
	<u>\$ 50,315,163</u>	<u>\$ 43,439,501</u>

(Concluded)

The contract (nominal) amounts of derivative transactions by ESFHC as of December 31, 2018 and 2017 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, 2018 and 2017, respectively, were as follows:

	December 31	
	2018	2017
Currency swap contracts	\$ 577,726,058	\$ 471,503,214
Currency option contracts	106,997,086	93,223,864
Interest rate swap contracts	102,273,937	59,141,164
Forward contracts	26,179,084	26,408,762
Non-deliverable forward contracts	4,648,966	802,163
Cross-currency swap contracts	4,339,105	910,525
Metal commodity swap contracts	18,812	244,232
Credit default swaps	34,530	-

The open positions of futures transactions of E.SUN Bank as of December 31, 2018 and 2017, respectively, were as follows:

December 31, 2018					
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	Commodity future	Buy	30	\$ 139,384	\$ 138,042
	Commodity future	Sell	28	133,323	128,795
	Interest rate future	Buy	150	3,167,014	3,176,517
	Interest rate future	Sell	200	5,973,573	5,990,015
December 31, 2017					
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	Commodity future	Buy	12	\$ 24,903	\$ 26,507
	Commodity future	Sell	27	100,035	104,787

As of December 31, 2018 and 2017, the amounts of futures exchange margins receivable held by E.SUN Securities were \$213,844 thousand and \$184,321 thousand, respectively.

The open position of futures and option transactions of E.SUN Securities as of December 31, 2018 and 2017 were as follows:

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
	Taiwan Stock Index - Put Option	Buy	15	8	1

December 31, 2017					
Items	Products	Open Position		Contract Amounts or Premium Paid (Charged)	Fair Values
		Buy/Sell	Number of Contracts		
Futures contracts	Stock Index Futures	Buy	45	\$ 47,926	\$ 48,028
	Stock Index Futures	Sell	11	20,757	20,859
	Single Stock Futures	Buy	163	46,928	47,702
	Single Stock Futures	Sell	259	64,421	64,536
Options contracts	Taiwan Stock Index - Put Option	Buy	36	4	2

The gains or losses resulting from the futures and option contracts for the years ended December 31, 2018 and 2017 of E.SUN Securities were as follows:

	2018		2017	
	Gains (Losses) on Futures Contracts	Gains (Losses) on Option Transactions	Gains (Losses) on Futures Contracts	Gains (Losses) on Option Transactions
Realized - non-hedge	\$ 45,315	\$ 7,603	\$ (2,753)	\$ 2,225
Unrealized - non-hedge	(136)	(5)	142	(2)
Realized - hedged	(17,120)	-	(11,799)	(3)
Unrealized - hedged	<u>(619)</u>	<u>-</u>	<u>1,140</u>	<u>-</u>
	<u>\$ 27,440</u>	<u>\$ 7,598</u>	<u>\$ (13,270)</u>	<u>\$ 2,220</u>

The fair values of stock warrants issued and repurchased by E.SUN Securities were as follows:

	December 31	
	2018	2017
Stock warrants issued liabilities	\$ 779,444	\$ 2,157,039
Gains on changes in fair value of stock warrants issued liabilities	<u>(338,504)</u>	<u>(840,799)</u>
	<u>440,940</u>	<u>1,316,240</u>
Repurchase of stock warrants issued liabilities	618,158	1,563,307
Losses on changes in fair value of repurchase of stock warrants issued liabilities	<u>(213,973)</u>	<u>(324,047)</u>
	<u>404,185</u>	<u>1,239,260</u>
Stock warrants issued liabilities, net	<u>\$ 36,755</u>	<u>\$ 76,980</u>

The expected life of stock warrants issued by E.SUN Securities is about six to ten months from the date becoming listed on exchange and will exercise by cash settlement.

Gains (losses) on stock warrants issued by E.SUN Securities in 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Gains on changes in value of stock warrants issued liabilities	\$ 925,317	\$ 1,251,568
Losses on changes in value of stock warrants repurchased	(828,586)	(1,179,522)
Gains on exercise stock warrants before expired	998	108
Gains on stock warrants expired	6,382	1,291
Expense of issuing stock warrants	<u>(10,168)</u>	<u>(11,980)</u>
	<u>\$ 93,943</u>	<u>\$ 61,465</u>

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017
Bank debentures	\$ 84,110,009
Government bonds	58,640,004
Corporate bonds	20,110,812
Stocks and exchange traded funds	6,631,102
Overseas bonds	<u>1,253,997</u>
	<u>\$ 170,745,924</u>

As of December 31, 2017, the available-for-sale financial assets, which amounted to \$12,773,433 thousand, had been sold under repurchase agreements.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity instruments at FVTOCI	\$ 7,060,879
Investments in debt instruments at FVTOCI	<u>176,785,307</u>
	<u>\$ 183,846,186</u>

a. Investments in equity instruments at FVTOCI

	December 31, 2018
Listed shares and emerging stocks	\$ 5,881,516
Unlisted shares	<u>1,179,363</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. These investments in equity instruments were recognized as available-for-sale financial assets and other financial assets under IAS 39. Refer to Notes 3, 9 and 15 for information relating to their reclassification and comparative information for 2017.

In 2018, the Company sold shares of stocks for \$1,084,573 thousand for the return on investment positions and risk management. The related other equity - unrealized net loss on financial assets at FVTOCI of \$192,465 thousand was transferred to retained earnings.

Dividends income of \$381,883 thousand were recognized in profit or loss for 2018. The dividends related to investments held at the end of the reporting period were \$335,920 thousand.

b. Investments in debt instruments at FVTOCI

	December 31, 2018
Bank debentures	\$ 90,543,845
Government bonds	59,774,281
Corporate bonds	22,698,299
Overseas bonds	450,181
Negotiable certificates of deposit	2,293,744
Discounted note	<u>1,024,957</u>
	<u>\$ 176,785,307</u>

- 1) As of December 31, 2018, the investments in debt instruments at FVTOCI, which amounted to \$11,839,947 thousand, had been sold under repurchase agreements.
- 2) Refer to Note 42 for information relating to their credit risk management and impairment.
- 3) Refer to Note 39 for information relating to investments in debt instruments at FVTOCI pledged as security.

11. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST - 2018

	December 31, 2018
Overseas bonds	\$ 5,441,147
Bank debentures	2,339,671
Corporate bonds	308,244
Overseas certificates of deposits	<u>76,832</u>
	8,165,894
Less: Allowance for impairment loss	<u>(890)</u>
	<u>\$ 8,165,004</u>

- a. As of December 31, 2018, the investments in debt instruments at amortized cost, for which with repurchase agreement amounted to \$1,059,315 thousand.
- b. Refer to Note 42 for information relating to their credit risk management and impairment.

- c. Refer to Note 39 for information relating to investments in debt instruments at amortized cost pledged as security.

12. RECEIVABLES, NET

	December 31	
	2018	2017
Receivable on credit cards	\$ 64,606,766	\$ 60,787,798
Accounts receivable factored without recourse	13,442,092	15,036,201
Margin loans receivable	4,635,635	6,699,372
Accrued interest	4,523,915	3,820,477
Accounts receivable	1,805,276	2,202,215
Securities business money lending	1,461,641	1,569,309
Acceptances	1,440,849	2,051,400
Settlements receivable	1,280,232	1,817,533
Settlement consideration	555,870	692,325
Others	<u>1,760,643</u>	<u>1,623,459</u>
	95,512,919	96,300,089
Less: Allowance for possible losses	<u>(2,062,398)</u>	<u>(2,216,712)</u>
	<u>\$ 93,450,521</u>	<u>\$ 94,083,377</u>

Reconciliation of the balances of allowance for possible losses recognized under the incurred loss model of IAS 39 and under the expected loss model of IFRS 9 is stated below.

	Allowance for the Possible Losses under IAS 39	Remeasurement	Allowance for the Possible Losses under IFRS 9
Receivables	<u>\$ 2,216,712</u>	<u>\$ 1,024</u>	<u>\$ 2,217,736</u>

The allowance for possible losses on receivables assessed for impairment as of December 31, 2017 was as follows:

Items		December 31, 2017	
		Receivables	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$ 619,487	\$ 278,677
	Assessment for collective impairment	2,092,360	628,509
With no objective evidence of impairment	Assessment for collective impairment	91,133,884	1,309,526
Total		93,845,731	2,216,712

The changes in allowance for possible losses and gross carrying amount of receivables for the year ended December 31, 2018 were as follows:

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 current year						
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 current year	(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 write-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>

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 current year	(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	<u>(727)</u>	<u>252</u>	<u>147</u>	<u>(328)</u>
Balance at December 31, 2018	<u>\$ 92,283,510</u>	<u>\$ 196,948</u>	<u>\$ 3,032,461</u>	<u>\$ 95,512,919</u>

The changes in allowance for possible losses for the year ended December 31, 2017 were as follows:

	2017
Balance, January 1	\$ 1,859,245
Provision for possible losses	647,529
Write-offs	(728,890)
Recovery of written-off receivables	482,984
Effects of exchange rate changes and other changes	<u>(44,156)</u>
Balance, December 31	<u>\$ 2,216,712</u>

13. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Loans		
Short-term	\$ 297,266,947	\$ 288,611,551
Medium-term	331,187,808	300,039,994
Long-term	717,060,406	632,517,129
Overdue loans	2,390,377	2,433,082
Bills negotiated and discounts	<u>2,365,176</u>	<u>2,991,996</u>
	1,350,270,714	1,226,593,752
Less: Allowance for possible losses	(16,865,753)	(15,366,436)
Less: Adjustment of premium or discount	<u>(127,692)</u>	<u>(156,041)</u>
	<u>\$ 1,333,277,269</u>	<u>\$ 1,211,071,275</u>

As of December 31, 2018 and 2017, the loan and credit balances of E.SUN Bank, for which the accrual of interest revenues was discontinued, amounted to \$2,107,014 thousand and \$2,100,884 thousand, respectively. The unrecognized interest revenues on these loans and credits of E.SUN Bank were \$47,558 thousand and \$35,211 thousand for the years ended December 31, 2018 and 2017, respectively.

The allowance for possible losses of discounts and loans assessed for impairment as of December 31, 2017 was as follows:

Items		December 31, 2017	
		Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	\$ 3,326,059	\$ 1,153,393
	Assessment for collective impairment	4,677,777	1,668,516
With no objective evidence of impairment	Assessment for collective impairment	1,218,589,916	12,544,527
Total		1,226,593,752	15,366,436

The changes in allowance for possible losses and gross carrying amount of discount and loans for the year ended December 31, 2018 were as follows:

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 current year						
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 current year	(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	<u>(1,104)</u>	<u>59</u>	<u>(747)</u>	<u>(1,792)</u>	<u>50,305</u>	<u>48,513</u>
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>

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 current year	(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	<u>103,718</u>	<u>1,493</u>	<u>441</u>	<u>105,652</u>
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 changes in allowance for possible losses are summarized below:

	2017
Balance, January 1	\$ 14,730,154
Provision for possible losses	3,348,067
Write-offs	(3,304,151)
Recovery of written-off credits	678,507
Effects of exchange rate changes and other changes	<u>(86,141)</u>
Balance, December 31	<u>\$ 15,366,436</u>

The bad-debt expenses and provision for losses on commitments and guarantees for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Provision for possible losses on due from banks	\$ 6,353	\$ -
Provision (reversal of provision) for possible losses on call loans to other banks	(19,164)	53,655
Provision for possible losses on receivables	378,891	647,529
Provision for possible losses on discounts and loans	2,747,003	3,348,067
Reversal of provision for possible losses on remittance	-	(43)
Provision for possible losses on guarantees	85,605	6,163
Provision for possible losses on financing commitments	<u>53,784</u>	<u>-</u>
	<u>\$ 3,252,472</u>	<u>\$ 4,055,371</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, 2018 and 2017, E.SUN Bank was in compliance with the FSC's provision requirement for both type of credit assets.

14. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31, 2017
Overseas bonds	\$ 1,871,918
Bank debentures	1,132,275
Overseas certificates of deposits	<u>74,620</u>
	<u>\$ 3,078,813</u>

In 2015, the Company disposed of some debt instruments because of the severe deterioration of debtors' credits and other concerns. However, the amount disposed of was only a small portion of the held-to-maturity financial assets, and the Company had no intention to reclassify the rest of these investments. As of December 31, 2017, the accumulated disposal amounts from the past three years was \$21,067 thousand, and the accumulated realized losses on disposal was \$2,154 thousand; the accumulated disposal amounts was 0.68% of held-to-maturity financial assets.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2018	2017
Due from banks	\$ 12,814,899	\$ 9,024,818
Guarantee deposits received on futures contracts	875,881	829,154
Financial assets carried at cost, net	-	3,092,395
Debt instruments with no active market - bank debentures	-	596,960
Others	<u>4,167</u>	<u>28,070</u>
	<u>\$ 13,694,947</u>	<u>\$ 13,571,397</u>

Financial assets carried at cost were unlisted stocks with no quoted market prices in an active market and with fair value that could not be reliably measured. Thus, these assets were measured at cost less accumulated impairment. Some investees had operating losses; thus, the Company recognized impairment losses of \$50,452 thousand on financial assets carried at cost in 2017.

Guarantee deposits received on futures contracts were as follows:

	December 31	
	2018	2017
Deposits in bank	\$ 540,148	\$ 385,836
Deposits held by futures commission merchants as a clearing member	<u>335,733</u>	<u>443,318</u>
	<u>\$ 875,881</u>	<u>\$ 829,154</u>
Guarantee deposits received on futures contracts	\$ 875,881	\$ 829,154
Less: Commission revenue	(511)	(594)
Futures transaction tax	(160)	(127)
Temporary receipts	<u>(244)</u>	<u>(526)</u>
Customers' equity accounts - futures (Note 29)	<u>\$ 874,966</u>	<u>\$ 827,907</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	
		2018	2017
Land		\$ 191,966	\$ 137,524
Buildings		<u>1,756,452</u>	<u>1,822,987</u>
		<u>\$ 1,948,418</u>	<u>\$ 1,960,511</u>
	Land	Buildings	Total
<u>Cost</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>
Balance, January 1, 2017	\$ 140,906	\$ 1,909,120	\$ 2,050,026
Net exchange difference	(1,553)	(17,809)	(19,362)
Reclassification	<u>(1,829)</u>	<u>(1,053)</u>	<u>(2,882)</u>
Balance, December 31, 2017	<u>\$ 137,524</u>	<u>\$ 1,890,258</u>	<u>\$ 2,027,782</u>
<u>Accumulated depreciation and impairment</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>
Balance, January 1, 2017	\$ (11)	\$ (16,681)	\$ (16,692)
Depreciation expenses	-	(50,642)	(50,642)
Reversal of impairment losses	11	334	345
Net exchange difference	-	(617)	(617)
Reclassification	<u>-</u>	<u>335</u>	<u>335</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ (67,271)</u>	<u>\$ (67,271)</u>

Investment properties (except for land) are depreciated through 36 to 50 years on a straight-line basis.

As of December 31, 2018 and 2017, the fair values of investment properties were \$2,769,177 thousand and \$2,767,750 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	
	2018	2017
Rental income from investment properties	\$ 65,935	\$ 48,120
Direct operating expenses of investment properties that generate rental income	(51,707)	(46,193)
Direct operating expenses of investment properties that do not generate rental income	<u>(574)</u>	<u>(15,314)</u>
	<u>\$ 13,654</u>	<u>\$ (13,387)</u>

17. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2018	2017
<u>Carrying amount</u>		
Land	\$ 14,743,743	\$ 14,338,561
Buildings	10,571,703	9,614,858
Computers	2,536,532	2,099,581
Transportation equipment	352,902	325,351
Miscellaneous equipment	1,367,523	1,175,027
Prepayments for properties and equipment	<u>3,032,117</u>	<u>655,931</u>
	<u>\$ 32,604,520</u>	<u>\$ 28,209,309</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
<u>Cost</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	<u>(33,231)</u>	<u>478,754</u>	<u>44,702</u>	<u>2</u>	<u>2,486</u>	<u>(634,390)</u>	<u>(141,677)</u>
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>
Balance, January 1, 2017	\$ 13,611,866	\$ 10,609,494	\$ 4,719,781	\$ 712,892	\$ 3,118,721	\$ 2,253,198	\$ 35,025,952
Addition	640,834	1,129,414	565,180	133,230	316,902	504,493	3,290,053
Disposal	-	-	(62,364)	(41,456)	(173,824)	-	(277,644)
Net exchange difference	(21,628)	(17,788)	(9,829)	(4,714)	(25,830)	(19,418)	(99,207)
Reclassification and others	<u>107,489</u>	<u>1,664,765</u>	<u>30,331</u>	<u>12,968</u>	<u>79,152</u>	<u>(2,082,342)</u>	<u>(187,637)</u>
Balance, December 31, 2017	<u>\$ 14,338,561</u>	<u>\$ 13,385,885</u>	<u>\$ 5,243,099</u>	<u>\$ 812,920</u>	<u>\$ 3,315,121</u>	<u>\$ 655,931</u>	<u>\$ 37,751,517</u>

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
<u>Accumulated depreciation and impairment</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	<u>-</u>	<u>(385)</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>(377)</u>
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>

(Continued)

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
Balance, January 1, 2017	\$ -	\$ (3,379,421)	\$ (2,720,074)	\$ (479,082)	\$ (2,007,709)	\$ (8,586,286)
Disposal	-	-	62,347	41,455	141,971	245,773
Depreciation expenses	-	(393,301)	(491,537)	(53,057)	(283,055)	(1,220,950)
Net exchange difference	-	2,029	4,946	3,115	8,699	18,789
Reclassification and others	-	(334)	800	-	-	466
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ (3,771,027)</u>	<u>\$ (3,143,518)</u>	<u>\$ (487,569)</u>	<u>\$ (2,140,094)</u>	<u>\$ (9,542,208)</u>

(Concluded)

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 22 years
Computers	3 to 8 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1 to 20 years

18. INTANGIBLE ASSETS, NET

	December 31	
	2018	2017
Goodwill	\$ 4,487,444	\$ 4,469,688
Computer software	1,047,338	1,139,299
Banking licenses	490,253	476,135
Core deposits	24,581	63,151
Developed technology	43,782	49,255
Customer relationship	<u>22,734</u>	<u>25,441</u>
	<u>\$ 6,116,132</u>	<u>\$ 6,222,969</u>

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
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>
Balance, January 1, 2017	\$ 4,518,463	\$ 998,648	\$ 514,915	\$ 126,950	\$ 54,727	\$ 28,149	\$ 6,241,852
Separate acquisition	-	481,560	-	-	-	-	481,560
Amortization expenses	-	(531,359)	-	(57,531)	(5,472)	(2,708)	(597,070)
Reclassification	-	194,589	-	-	-	-	194,589
Net exchange difference	<u>(48,775)</u>	<u>(4,139)</u>	<u>(38,780)</u>	<u>(6,268)</u>	<u>-</u>	<u>-</u>	<u>(97,962)</u>
Balance, December 31, 2017	<u>\$ 4,469,688</u>	<u>\$ 1,139,299</u>	<u>\$ 476,135</u>	<u>\$ 63,151</u>	<u>\$ 49,255</u>	<u>\$ 25,441</u>	<u>\$ 6,222,969</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	5 to 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.

19. OTHER ASSETS, NET

	December 31	
	2018	2017
Refundable deposits, net	\$ 4,579,832	\$ 3,285,621
Operating deposits and settlement funds	571,864	585,579
Prepayments	254,641	315,130
Collection of securities underwriting	2,517	101,523
Others	<u>214,341</u>	<u>103,338</u>
	<u>\$ 5,623,195</u>	<u>\$ 4,391,191</u>

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	2017
Call loans from banks	\$ 63,712,441	\$ 59,546,987
Due to banks	3,638,576	1,929,380
Deposits from Chunghwa Post Co., Ltd.	2,687,937	2,972,032
Call loans from the Central Bank	1,536,650	1,790,880
Banks overdrafts	374,082	387,339
Due to the Central Bank	<u>273,334</u>	<u>25,597</u>
	<u>\$ 72,223,020</u>	<u>\$ 66,652,215</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for \$12,526,789 thousand and \$12,200,468 thousand under repurchase agreements as of December 31, 2018 and 2017, respectively, would subsequently be purchased for \$12,572,637 thousand and \$12,243,835 thousand, respectively.

22. COMMERCIAL PAPER ISSUED, NET

The face values of commercial paper issued were \$2,670,000 thousand and \$4,897,000 thousand, and the annual discount rates were from 0.50%-0.72% and 0.40%-0.53%, as of December 31, 2018 and 2017, respectively. These financial instruments were accepted and guaranteed by financial institutions.

23. PAYABLES

	December 31	
	2018	2017
Checks for clearing	\$ 8,685,830	\$ 10,495,503
Accrued expenses	4,494,851	4,357,216
Accrued interest	3,607,778	2,440,501
Factored accounts payable	2,351,823	1,981,765
Settlements payable	1,833,924	2,492,126
Acceptances	1,482,874	2,074,754
Accounts payable	973,941	1,432,434
Payables for short-sale transactions	897,974	855,120
Deposits on short-sale transactions	831,394	795,837
Payable on credit cards	614,995	512,962
Collections payable	350,140	622,563
Tax payable	334,578	304,559
Others	<u>2,509,318</u>	<u>2,966,665</u>
	<u>\$ 28,969,420</u>	<u>\$ 31,332,005</u>

24. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	\$ 15,890,347	\$ 15,888,896
Demand	462,920,703	467,225,554
Savings - demand	508,532,868	488,482,280
Time	587,715,162	458,418,748
Negotiable certificates of deposits	11,219,755	1,856,070
Savings - time	288,840,651	269,859,324
Treasury deposits	10,765,922	9,444,465
Remittances	<u>808,573</u>	<u>1,103,300</u>
	<u>\$ 1,886,693,981</u>	<u>\$ 1,712,278,637</u>

25. BOND PAYABLES

	December 31	
	2018	2017
Bank debentures	\$ 36,850,000	\$ 36,750,000
ESFHC's unsecured corporate bonds - first issue in 2012	3,800,000	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	<u>1,100,000</u>	<u>1,100,000</u>
	<u>\$ 42,650,000</u>	<u>\$ 42,550,000</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	
	2018	2017
Subordinated bonds issued on May 24, 2011; 1.73% interest payable annually; principal repayable on maturity (7 years after the issue date).	\$ -	\$ 2,100,000
Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date).	-	2,900,000
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	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).	8,000,000	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).	1,500,000	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

(Continued)

	December 31	
	2018	2017
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
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	-
Bonds issued on April 24, 2018; interest rate at 0.66%; interest payable annually; principal repayable on maturity (2 years after the issue date).	<u>1,100,000</u>	<u>-</u>
	<u>\$ 36,850,000</u>	<u>\$ 36,750,000</u> (Concluded)

E.SUN Bank designated the bank debentures as at fair value through profit or loss, which are summarized below:

	December 31	
	2018	2017
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	\$ 3,065,878	\$ 2,884,604
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,353,576	2,430,415
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,250,454	2,158,563
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,239,340	1,310,496
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	8,323,252	8,134,900
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	6,711,081	6,777,596
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	2,979,170	2,799,052
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,704,771	2,719,679
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,677,115	2,786,618
Unsecured USD-denominated bonds issued on May 19, 2017	1,766,846	1,745,022
Unsecured USD-denominated bonds issued on November 21, 2017	4,026,898	4,026,803
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	<u>6,159,658</u>	<u>-</u>
	<u>\$ 44,258,039</u>	<u>\$ 37,773,748</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.

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 enhance E.SUN Bank's working capital and to strengthen its capital structure, E.SUN Bank applied for the issuance of unsecured bank debentures amounting to US\$200,000 thousand; and noncumulative perpetual subordinated bank debentures and long-term subordinated bank debentures amounting to NT\$10,000,000 thousand (or foreign currency equivalent). The applications were approved by the FSC on May 17, 2018 and December 11, 2017, respectively.

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.

As of the date of the consolidated financial statements were authorized for issue, debentures amounting to US\$190,000 thousand had not yet been issued.

26. OTHER BORROWINGS

	December 31			
	2018		2017	
	Amount	%	Amount	%
Short-term borrowings	\$ 30,000	1.34	\$ 29,848	1.97
Long-term borrowings	<u>369,094</u>	4.51-4.89	<u>1,253,949</u>	3.46-4.22
	<u>\$ 399,094</u>		<u>\$ 1,283,797</u>	

27. PROVISIONS

	December 31	
	2018	2017
Provision for losses on financing commitment	\$ 316,855	\$ -
Provision for employee benefits	287,291	345,809
Provision for losses on guarantees	218,541	129,547
Others	<u>38,052</u>	<u>29,944</u>
	<u>\$ 860,739</u>	<u>\$ 505,300</u>

The remeasurement of provision for losses on guarantees and financing commitments under IFRS 9 as of December 31, 2017 is summarized below:

	IAS 39	Remeasurement	IFRS 9
Provision for losses on guarantees	<u>\$ 129,547</u>	<u>\$ 3,005</u>	<u>\$ 132,552</u>
Provision for losses on financing commitment	<u>\$ -</u>	<u>\$ 261,249</u>	<u>\$ 261,249</u>

The changes in provision for losses on guarantees and financing commitments for the year ended December 31, 2018 are summarized below:

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	\$ 249,190	\$ 14,573	\$ 6,306	\$ 270,069	\$ 123,732	\$ 393,801
Changes of financial instruments recognized at the beginning of the current year						
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 current year	(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	<u>(75)</u>	<u>-</u>	<u>-</u>	<u>(75)</u>	<u>2,281</u>	<u>2,206</u>
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>

28. 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 \$342,263 thousand and \$373,105 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, 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 2018 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	
	2018	2017
Present value of defined benefit obligation	\$ 2,018,978	\$ 1,935,612
Fair value of plan assets	<u>(1,755,234)</u>	<u>(1,622,806)</u>
Deficit	263,744	312,806
Net defined benefit asset (part of other assets - other)	<u>23,547</u>	<u>33,003</u>
Net defined benefit liability (part of provision for employee benefits)	<u>\$ 287,291</u>	<u>\$ 345,809</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, 2017	<u>\$ 1,806,164</u>	<u>\$ (1,548,206)</u>	<u>\$ 257,958</u>
Service cost			
Current service cost	22,999	-	22,999
Net interest expense (income)	<u>30,346</u>	<u>(26,335)</u>	<u>4,011</u>
Recognized in profit or loss	<u>53,345</u>	<u>(26,335)</u>	<u>27,010</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(75,950)	(75,950)
Actuarial loss - changes in financial assumptions	93,979	-	93,979
Actuarial loss - experience adjustments	<u>40,588</u>	<u>-</u>	<u>40,588</u>
Recognized in other comprehensive income	<u>134,567</u>	<u>(75,950)</u>	<u>58,617</u>
Contributions from the employer	<u>-</u>	<u>(30,779)</u>	<u>(30,779)</u>
Benefits paid	<u>(58,464)</u>	<u>58,464</u>	<u>-</u>
Balance at December 31, 2017	<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>

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	
	2018	2017
Discount rate	0.75%-1.25%	1.00%-1.50%
Expected rates of return on plan assets	1.00%-1.25%	1.35%-1.50%
Expected rates of future salary increase	2.25%-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	
	2018	2017
Discount rate(s)		
0.25% increase	<u>\$ (65,833)</u>	<u>\$ (66,055)</u>
0.25% decrease	<u>\$ 68,749</u>	<u>\$ 69,089</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 66,398</u>	<u>\$ 66,977</u>
0.25% decrease	<u>\$ (61,632)</u>	<u>\$ (64,422)</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, 2018 and 2017, the expected contributions to the plan for the next year were \$30,038 thousand and \$29,858 thousand, respectively; the average durations of the defined benefit obligation were 6 to 18.11 years and 7 to 19 years, respectively.

29. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Principal of structured products	\$ 22,187,234	\$ 3,949,340
Guarantee deposits received	1,956,942	392,144
Customers' equity accounts - futures	874,966	827,907
Financial products	<u>-</u>	<u>350,240</u>
	<u>\$ 25,019,142</u>	<u>\$ 5,519,631</u>

30. OTHER LIABILITIES

	December 31	
	2018	2017
Advance receipts	\$ 1,795,168	\$ 1,466,166
Deferred revenue	662,574	554,529
Collection of securities underwriting	2,517	101,511
Others	<u>7,748</u>	<u>15,236</u>
	<u>\$ 2,468,007</u>	<u>\$ 2,137,442</u>

31. NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest revenue		
From discounts and loans	\$ 29,679,622	\$ 26,322,802
From investments	3,705,145	3,148,720
From revolving interests of credit cards	2,077,081	1,977,215
From due from other banks and call loans to banks	1,537,476	1,328,915
Others	<u>391,093</u>	<u>230,834</u>
	<u>37,390,417</u>	<u>33,008,486</u>
Interest expense		
From deposits	(13,921,654)	(10,248,071)
From due to the Central Bank and other banks	(1,820,803)	(1,299,786)
From issuing bonds payable	(752,949)	(808,895)
Others	<u>(583,696)</u>	<u>(402,118)</u>
	<u>(17,079,102)</u>	<u>(12,758,870)</u>
	<u>\$ 20,311,315</u>	<u>\$ 20,249,616</u>

32. SERVICE FEE AND COMMISSION INCOME, NET

	For the Year Ended December 31	
	2018	2017
Service fee and commission income		
From credit cards	\$ 6,077,629	\$ 5,732,714
From insurance	4,408,206	4,068,879
From trust business	3,388,090	3,429,709
From loans	1,388,528	1,440,767
From brokerage	1,137,289	972,666
Others	<u>2,031,240</u>	<u>1,991,444</u>
	<u>18,430,982</u>	<u>17,636,179</u>
Service charge and commission expenses		
From agency	(815,079)	(731,149)
From cross - bank transactions	(349,597)	(336,753)
From computer processing	(244,233)	(217,635)
Others	<u>(651,058)</u>	<u>(574,670)</u>
	<u>(2,059,967)</u>	<u>(1,860,207)</u>
	<u>\$ 16,371,015</u>	<u>\$ 15,775,972</u>

33. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	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>
	For the Year Ended December 31, 2017				
	Dividend Income	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Held-for-trading financial assets	\$ 49,344	\$ 1,452,057	\$ 14,967,697	\$ (1,006,885)	\$ 15,462,213
Financial assets designated as at fair value through profit or loss	-	4,204,392	158,375	3,183	4,365,950
Held-for-trading financial liabilities	-	-	(17,654,924)	1,070,494	(16,584,430)
Financial liabilities designated as at fair value through profit or loss	-	(1,622,662)	465	(563,596)	(2,185,793)
	<u>\$ 49,344</u>	<u>\$ 4,033,787</u>	<u>\$ (2,528,387)</u>	<u>\$ (496,804)</u>	<u>\$ 1,057,940</u>

34. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Employee benefit		
Salaries	\$ 9,842,926	\$ 9,458,849
Insurance	677,956	650,384
Excessive interest from preferential rates	182,367	176,596
Post-employment benefits	369,603	400,115
Others	523,971	542,848
Depreciation expenses	1,386,414	1,271,592
Amortization expenses	642,337	602,435

Under the Articles of Incorporation of ESFHC, ESFHC accrued employees' compensation and remuneration of directors at the rates 2.7% 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, 2018 and 2017, the employees' compensation were \$463,523 thousand and \$377,434 thousand, respectively; and the remuneration of directors were \$131,000 thousand and \$106,000 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, 2018 and 2017 that have been approved by ESFHC's board of directors on March 15, 2019 and March 16, 2018, respectively, were as follows:

	2018	2017
Employees' compensation - cash	\$ 1,999	\$ 1,654
Employees' compensation - stock	461,528	375,777
Remuneration of directors - cash	111,800	106,000

ESFHC announced the distribution of 20,650 thousand shares and 19,420 thousand shares as employees' compensation for 2018 and 2017, respectively, which were determined by the closing price (NT\$22.35 and NT\$19.35) 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, 2017 and 2016, respectively, were resulted from a change in the accounting estimate. The differences recognized in profit or loss for 2018 and 2017, respectively, were as follows:

	2017		2016	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved by ESFHC's board of directors	<u>\$ 377,431</u>	<u>\$ 106,000</u>	<u>\$ 353,091</u>	<u>\$ 99,000</u>
Amounts recognized in the consolidated financial statements	<u>\$ 377,434</u>	<u>\$ 106,000</u>	<u>\$ 353,147</u>	<u>\$ 99,000</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>).

35. 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	
	2018	2017
Current tax		
Current year	\$ 2,764,971	\$ 2,908,614
Additional 10% income tax on unappropriated earnings	4,309	1,870
Prior year's adjustments	(1,864)	(33,484)
	<u>2,767,416</u>	<u>2,877,000</u>
Deferred tax		
Current year	467,787	(649,925)
Prior year's adjustments	-	(8,641)
Effect of change in tax rate	19,386	-
	<u>487,173</u>	<u>(658,566)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,254,589</u>	<u>\$ 2,218,434</u>

A reconciliation of accounting profit and current income tax expenses was as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	<u>\$ 20,337,357</u>	<u>\$ 16,872,873</u>
Income tax expense at the statutory rate	\$ 4,067,471	\$ 2,868,388
Nondeductible expenses in determining taxable income	62,130	226,217
Tax-exempt income	(1,167,468)	(1,009,039)
Additional 10% income tax on unappropriated earnings	4,309	1,870
Unrecognized deductible temporary differences	181,734	68,323
Effect of different tax rate of overseas branches operating in other jurisdictions	87,192	104,800
Effect of change in tax rate	19,386	-
Adjustments for prior year's income tax	(1,864)	(42,125)
Others	<u>1,699</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 3,254,589</u>	<u>\$ 2,218,434</u>

In 2017, the applicable corporate income tax rate used by the Company in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the appropriation of 2018 earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ (32,025)	\$ -
Income tax relating to items that will not be reclassified subsequently to profit or loss		
Unrealized gain (loss) on investments in equity instruments at FVTOCI	3,390	-
Remeasurement of defined benefit plans	8	(34)
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	73,131	(149,638)
Unrealized gain (loss) on investments in debt instruments at FVTOCI	(23,603)	-
Unrealized gains on available-for-sale financial assets	<u>-</u>	<u>50,824</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ 20,901</u>	<u>\$ (98,848)</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Prepaid taxes	<u>\$ 11,790</u>	<u>\$ 5,054</u>
Current tax liabilities		
Income tax payable	<u>\$ 1,523,828</u>	<u>\$ 1,948,106</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, 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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
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>

Deferred tax liabilities

Temporary differences						
Financial instruments at fair value through profit or loss	\$ -	\$ 544,351	\$ -	\$ -	\$ -	\$ 544,351
Investments in equity instrument at fair value through profit or loss	-	-	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 revaluation 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)

For the year ended December 31, 2017

	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	\$ 133,661	\$ 159,708	\$ -	\$ -	\$ -	\$ 293,369
Allowance for possible losses	24,965	17,906	-	(1,873)	-	40,998
Available-for-sale financial assets	-	-	5,128	80	-	5,208
Other financial assets	6,922	(820)	-	-	-	6,102
Investment properties	57	(57)	-	-	-	-
Properties and equipment	4,205	2,104	-	(38)	-	6,271
Foreclosed collaterals	2,133	-	-	-	-	2,133
Other assets	107	-	-	-	-	107
Payable for annual leave	48,844	12,935	-	-	-	61,779
Other liabilities	26,285	5,029	-	-	-	31,314
Exchange differences on foreign operations	30,587	-	149,638	-	-	180,225
Deferred revenue	19	(3)	-	-	-	16
Defined benefit plans	1,414	4	34	-	-	1,452
Unrealized foreign exchange loss	-	332	-	-	-	332
Lease incentives	189	(152)	-	-	-	37
Payable for long-term compensation of employees	-	1,254	-	-	-	1,254
Others	2,550	717	-	(171)	-	3,096
	281,938	198,957	154,800	(2,002)	-	633,693
Unused loss carryforward	156,326	176,159	-	(11,190)	-	321,295
	<u>\$ 438,264</u>	<u>\$ 375,116</u>	<u>\$ 154,800</u>	<u>\$ (13,192)</u>	<u>\$ -</u>	<u>\$ 954,988</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	\$ 270,621	\$ (270,621)	\$ -	\$ -	\$ -	\$ -
Available-for-sale financial assets	19,607	170	55,952	(249)	-	75,480
Properties and equipment	3,994	(3,763)	-	(231)	-	-
Intangible assets	520,781	(8,105)	-	-	-	512,676
Unrealized foreign exchange gains	19,681	(779)	-	(33)	-	18,869
Provision of land revaluation increment tax	90,510	-	-	-	-	90,510
Gains on stock warrants issued	<u>352</u>	<u>(352)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 925,546</u>	<u>\$ (283,450)</u>	<u>\$ 55,952</u>	<u>\$ (513)</u>	<u>\$ -</u>	<u>\$ 697,535</u>

(Concluded)

e. Unrecognized deferred tax assets:

	December 31	
	2018	2017
Deductible temporary difference	<u>\$ 4,694,638</u>	<u>\$ 4,723,856</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
2013	2013	2013	Before 2013; 2016	2013

- 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 will file an administrative remedy or apply for tax authority's review and reassessment of the tax returns from 2010 to 2017 in view of the December 28, 2018 guidelines. While the final result 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.

36. 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, 2018</u>			
Basic earnings per share	\$ 17,068,493	10,824,963	<u>\$ 1.58</u>
Effect of dilutive common shares:			
Employees' compensation	<u>-</u>	<u>26,998</u>	
Diluted earnings per share	<u>\$ 17,068,493</u>	<u>10,851,961</u>	<u>\$ 1.57</u>
<u>For the year ended December 31, 2017</u>			
Basic earnings per share	\$ 14,756,556	10,528,611	<u>\$ 1.40</u>
Effect of dilutive common shares:			
Employees' compensation	<u>-</u>	<u>23,207</u>	
Diluted earnings per share	<u>\$ 14,756,556</u>	<u>10,551,818</u>	<u>\$ 1.40</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>\$ 1.49</u>	<u>\$ 1.40</u>
Diluted earnings per share	<u>\$ 1.48</u>	<u>\$ 1.40</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.

37. EQUITY

a. Capital stock

Common stock

	December 31	
	2018	2017
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>10,828,900</u>	<u>10,185,500</u>
Common stock issued	<u>\$ 108,289,000</u>	<u>\$ 101,855,000</u>

Common stock issued has a NT\$10 par value. Each share has one voting right and the right to receive dividends.

On March 1, 2017, the board of directors of ESFHC resolved to increase its capital by issuing 700,000 thousand shares at NT\$15.00 per share. The issuance was approved by the MOEA.

In 2017, the stockholders of ESFHC resolved to use \$7,012,320 thousand from the 2016 unappropriated earnings as stock bonus to stockholders and \$351,888 thousand from the compensation to employees by stock, and thereby resolved to increase authorized capital to \$150,000,000 thousand. The appropriations and compensation, which were a total of 720,100 thousand shares, were approved by the FSC. The issuance was approved by the MOEA.

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.

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, 2018, 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 20,680 thousand units (equal to 516,989 thousand shares). Therefore, the outstanding GDSs were 1 thousand units, which were equal to 17 thousand shares, or 0.0002% 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.

Under related regulations, capital surplus arising from equity investments under the equity method should not be distributed for any purpose.

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, 2018, 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	502,290
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>
	29,759,595

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>\$ 24,710,706</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 as of December 31, 2018.

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 2017 and 2016 approved in the board of directors and the stockholders' meetings on June 8, 2018 and June 16, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 1,387,391	\$ 1,296,026		
Cash dividends	6,239,475	4,645,662	\$0.6126	\$0.491
Stock dividends	6,239,800	7,012,320	0.6126	0.741

The appropriation of earnings for 2018 had been proposed by ESFHC's board of directors on March 15, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,706,849	
Cash dividends	7,688,367	\$0.710
Stock dividends	7,699,500	0.711

The appropriation of earnings for 2018 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	
	2018	2017
Balance, January 1	\$ 106,215	\$ 656,883
Cash dividends distributed by subsidiary	(4,850)	(8,730)
Acquisition of non-controlling interests of UCB (Note 47)	-	(404,619)
Attributable to non-controlling interests:		
Net income (loss)	14,275	(102,117)
Exchange differences on the translation of financial statements of foreign operations	82	(35,546)
Unrealized gains on available-for-sale financial assets	-	404
Remeasurement of defined benefit plans	<u>90</u>	<u>(60)</u>
Balance, December 31	<u>\$ 115,812</u>	<u>\$ 106,215</u>

38. 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, 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
For the year ended <u>December 31, 2017</u>				
Key management	\$ 248,822	\$ 221,517	\$ 2,871	
Others	<u>2,145,714</u>	<u>2,005,722</u>	<u>27,751</u>	
	<u>\$ 2,394,536</u>	<u>\$ 2,227,239</u>	<u>\$ 30,622</u>	1.36-2.10

b) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Ending Interest Rate (%)
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
For the year ended <u>December 31, 2017</u>				
Key management	\$ 1,156,291	\$ 478,610	\$ 1,745	
Others	<u>2,257,041</u>	<u>1,085,211</u>	<u>13,902</u>	
	<u>\$ 3,413,332</u>	<u>\$ 1,563,821</u>	<u>\$ 15,647</u>	0-6.62

Note: The sum of the respective highest balances of each account for the years ended December 31, 2018 and 2017.

- 2) There is no directors as credit guarantors as of December 31, 2018 and 2017, respectively.

	December 31	
	2018	2017
3) Interest receivable (part of receivables)		
Key management	\$ 97	\$ 105
Others	<u>1,395</u>	<u>1,286</u>
	<u>\$ 1,492</u>	<u>\$ 1,391</u>
4) Interest payable (part of payables)		
Key management	\$ 399	\$ 275
Others	<u>1,474</u>	<u>1,128</u>
	<u>\$ 1,873</u>	<u>\$ 1,403</u>
	For the Year Ended December 31	
	2018	2017

- 5) Donation (part of general and administrative expenses)

Others - E.SUN Volunteer & Social Welfare Foundation	<u>\$ 77,733</u>	<u>\$ 45,302</u>
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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 \$209 thousand and \$167 thousand (part of service fee and commission income, net) accordingly for the years ended December 31, 2018 and 2017, 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, 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
For the year ended <u>December 31, 2017</u>				
Subsidiaries	\$ 3,475,102	\$ 3,269,508	\$ 34,918	
Sister companies	479,500	-	20	
Key management	247,834	221,070	2,861	
Others	<u>2,106,260</u>	<u>1,967,374</u>	<u>27,200</u>	
	<u>\$ 6,308,696</u>	<u>\$ 5,457,952</u>	<u>\$ 64,999</u>	1.38-4.33

b) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Ending Interest Rate (%)
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
For the year ended <u>December 31, 2017</u>				
Parent companies	\$ 15,565,947	\$ 120,902	\$ 1,790	
Subsidiaries	80,688	38,535	70	
Sister companies	3,813,992	1,748,078	10,465	
Key management	1,151,377	477,484	1,741	
Others	<u>2,241,450</u>	<u>1,077,443</u>	<u>13,879</u>	
	<u>\$ 22,853,454</u>	<u>\$ 3,462,442</u>	<u>\$ 27,945</u>	0-6.62

Note: The sum of the respective highest balances of each account for the years ended December 31, 2018 and 2017.

		December 31	
		2018	2017
c)	Call loans to banks (part of due from the Central Bank and call loans to other banks)		
	ESBC	<u>\$ 7,875,534</u>	<u>\$ 8,222,552</u>
d)	Due to banks (part of due to the Central Bank and other banks)		
	Subsidiaries	<u>\$ 271,592</u>	<u>\$ 368,135</u>
e)	Directors' compensation payable (part of account payable)		
	ESFHC	<u>\$ 104,000</u>	<u>\$ 86,000</u>
f)	Consolidated tax return payable (part of current tax liabilities)		
	ESFHC	<u>\$ 566,329</u>	<u>\$ 1,202,813</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	
		2018	2017
g)	Interest revenue from banks and call loans to banks		
	ESBC	<u>\$ 222,838</u>	<u>\$ 150,233</u>
h)	Others (part of employee benefits and general and administrative expenses)		
	ESFHC	\$ 104,000	\$ 86,000
	Subsidiaries	12,172	14,626
	Sister companies	<u>14,618</u>	<u>14,539</u>
		<u>\$ 130,790</u>	<u>\$ 115,165</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, 2018 and 2017, respectively, were as follows:

	December 31	
	2018	2017
Deposits	<u>\$ 147,073</u>	<u>\$ 198,218</u>
Financial asset at amortized cost - current	<u>\$ 209,835</u>	<u>\$ -</u>
Deposits - futures exchange margins	<u>\$ 211,473</u>	<u>\$ 131,334</u>
Restricted assets - current	<u>\$ 214,000</u>	<u>\$ 209,000</u>
Operating deposits	<u>\$ 450,000</u>	<u>\$ 465,000</u>
Deposits - settlements	<u>\$ 107,030</u>	<u>\$ 35,578</u>
Deposits - collection of securities underwriting	<u>\$ 2,517</u>	<u>\$ 101,523</u>

- 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, 2018 and \$3,500,000 thousand as of December 31, 2017, 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, 2018 and 2017, 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, 2018	\$ 40,000	\$ -	-	\$ 12
For the year ended December 31, 2017	35,000	-	1.20	20

- d) Under cooperation arrangement for cross-selling transactions, E.SUN Bank paid E.SUN Securities amounting to \$65,396 thousand and \$102,109 thousand for the years ended December 31, 2018 and 2017, respectively.

3) ESVC

	December 31	
	2018	2017
Deposits - E.SUN Bank	<u>\$ 192,658</u>	<u>\$ 481,195</u>

d. Compensation of key management

The compensation of the directors and other key management for the years ended December 31, 2018 and 2017 are summarized as follows:

	For the Year Ended December 31	
	2018	2017
Salaries and other short-term employment benefits	\$ 328,912	\$ 278,061
Post-employment benefits	2,585	2,217
Interest arising from the employees' preferential rates in excess of normal rates	<u>414</u>	<u>383</u>
	<u><u>\$ 331,911</u></u>	<u><u>\$ 280,661</u></u>

39. PLEDGED ASSETS

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

	December 31	
	2018	2017
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)	2,175,927	-
Investments in debt instruments at fair value through other comprehensive income (face value)	1,118,976	-
Held-to-maturity financial assets (face value)	-	1,351,950
Available-for-sale financial assets (face value)	<u>-</u>	<u>1,173,454</u>
	<u><u>\$ 27,494,903</u></u>	<u><u>\$ 26,725,404</u></u>

As of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018	<u>\$ 26,000</u>	<u>\$ 18,199</u>
December 31, 2017	<u>\$ 35,860</u>	<u>\$ 23,816</u>

40. 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. As of December 31, 2018, refundable deposits on these leases totaled \$616,582 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	\$ 899,537	\$ 880,362
Over one to five years	1,676,012	1,957,136
Over five years	<u>66,429</u>	<u>25,766</u>
	<u>\$ 2,641,978</u>	<u>\$ 2,863,264</u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	\$ 805,806	\$ 728,705
Contingent rentals	<u>902</u>	<u>238</u>
	<u>\$ 806,708</u>	<u>\$ 728,943</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. As of December 31, 2018, refundable deposits on these leases totaled \$1,546 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	\$ 7,024	\$ 2,422
Over one to five years	<u>4,912</u>	<u>5,969</u>
	<u>\$ 11,936</u>	<u>\$ 8,391</u>

- 3) As of December 31, 2018, 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 \$8,391,329 thousand, and the remaining unpaid amount was approximately \$5,489,479 thousand.

b. Union Commercial Bank (UCB)

- 1) Lease agreements on premises occupied by UCB are operating lease. As of December 31, 2018, refundable deposits on these leases totaled \$13,861 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	\$ 20,485	\$ 15,419
Over one to five years	37,925	20,746
Over five years	<u>10,280</u>	<u>63,636</u>
	<u>\$ 68,690</u>	<u>\$ 99,801</u>

- 2) As of December 31, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately \$945,296 thousand, and the remaining unpaid amount was approximately \$138,450 thousand.

c. E.SUN Bank (China), Ltd (ESBC)

- 1) Lease agreements on premises occupied by ESBC are operating lease. As of December 31, 2018, refundable deposits on these leases totaled \$31,212 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	\$ 141,813	\$ 120,438
Over one to five years	288,252	292,746
Over five years	<u>155,398</u>	<u>218,121</u>
	<u>\$ 585,463</u>	<u>\$ 631,305</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. As of December 31, 2018, refundable deposits on these leases totaled \$10,966 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	\$ 49,347	\$ 42,073
Over one to five years	282,883	270,982
Over five years	<u>83,940</u>	<u>154,811</u>
	<u>\$ 416,170</u>	<u>\$ 467,866</u>

- 3) As of December 31, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately \$14,929 thousand, and the remaining unpaid amount was approximately \$14,929 thousand.

d. BankPro E-Service Technology Co., Ltd. (BankPro)

Lease agreements on premises occupied by BankPro are operating lease. As of December 31, 2018, refundable deposits on these leases totaled \$3,184 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	\$ 10,521	\$ 2,327
Over one to five years	<u>2,864</u>	<u>-</u>
	<u>\$ 13,385</u>	<u>\$ 2,327</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. As of December 31, 2018, refundable deposits on these leases totaled \$12,655 thousand. Minimum annual rentals were as follows:

	December 31	
	2018	2017
Within one year	\$ 53,413	\$ 56,762
Over one to five years	45,738	90,272
Over five years	<u>-</u>	<u>4,669</u>
	<u>\$ 99,151</u>	<u>\$ 151,703</u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	<u>\$ 54,522</u>	<u>\$ 59,019</u>

41. 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			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents and other financial assets - due from banks	\$ 35,590,177	2.33	\$ 33,091,645	2.10
Call loans to banks	19,466,197	2.02	18,723,291	1.42
Due from the Central Bank	39,075,569	0.33	37,493,521	0.33
Financial assets mandatorily classified as at fair value through profit or loss - bonds	125,630,547	4.37	-	-
Financial assets mandatorily classified as at fair value through profit or loss - bills	310,056,058	0.54	-	-
Held-for-trading financial assets - bonds	-	-	8,045	2.35
Held-for-trading financial assets - bills	-	-	274,604,774	0.53
Financial assets designated as at fair value through profit or loss - bonds	-	-	104,419,547	4.03
Securities purchased under resell agreements	-	-	24,967	2.28
Accounts receivable factored without recourse	9,143,584	2.84	8,551,049	2.05
Discounts and loans	1,254,514,140	2.21	1,158,314,793	2.13
Receivable on credit cards	27,510,313	7.50	26,008,972	7.55
Debt instruments at fair value through other comprehensive income	149,377,649	2.29	-	-
Available-for-sale financial assets - bonds	-	-	149,172,631	2.01
Investments in debt instruments at amortized cost	4,190,118	1.79	-	-
Held-to-maturity financial assets	-	-	2,036,053	1.31
Debt instruments with no active market	-	-	1,054,084	4.23
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	85,868,508	2.04	77,164,222	1.35
Financial liabilities at fair value through profit or loss	42,784,677	4.88	32,815,088	4.96
Securities sold under repurchase agreements	10,090,557	1.69	12,034,384	1.49
Demand deposits	451,223,036	0.19	430,230,545	0.14
Savings - demand deposits	507,287,591	0.20	482,632,186	0.20
Time deposits	491,669,116	1.82	406,098,117	1.40
Savings - time deposits	278,769,965	1.05	270,375,857	1.05
Negotiable certificates of deposits	4,658,660	1.07	2,655,807	0.92
Bank debentures	38,759,315	1.72	39,304,795	1.82
Principal of structured products	9,592,381	1.74	6,462,035	1.61

42. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

Except as detailed in the following table, the management considered the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or that the fair values cannot be reasonably measured.

	December 31			
	2018		2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ -	\$ -	\$ 3,078,813	\$ 2,960,498
Debt instruments with no active market	-	-	596,960	667,353
Investments in debt instruments at amortized cost	8,165,004	8,121,714	-	-

Financial liabilities

Bond payables	42,650,000	43,449,317	42,550,000	43,450,706
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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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Fair value hierarchy as of December 31, 2017

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity financial assets	\$ 2,960,498	\$ 2,960,498	\$ -	\$ -
Debt instruments with no active market	667,353	-	667,353	-
<u>Financial liabilities</u>				
Bonds payable	43,450,706	-	43,450,706	-

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, 2018 and 2017, the discount rates used ranged from 0.264% to 1.415% and from 0.184% to 1.655%, respectively, for the New Taiwan dollar and from 2.250% to 3.030% and from 1.400% to 2.531%, 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 with no active market, which are classified as other financial assets; 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, 2018 and 2017, were as follows:

	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	-

(Continued)

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<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	-
				(Concluded)

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks and exchange traded funds	\$ 778,793	\$ 778,793	\$ -	\$ -
Debt instruments	118,964	118,964	-	-
Others	292,138,743	209,457	291,929,286	-
Financial assets designated as at fair value through profit or loss	110,410,567	2,449,946	107,960,621	-
Available-for-sale financial assets				
Stocks and exchange traded funds	6,631,102	6,631,102	-	-
Debt instruments	164,114,822	130,456,416	33,658,406	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	38,062,092	2,674	38,059,418	-

Derivative financial instruments

<u>Assets</u>				
Financial assets at fair value through profit or loss	5,471,288	232,595	5,238,693	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	5,377,409	76,980	5,300,429	-

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, 2018 and 2017.

d. Reconciliation of Level 3 fair value measurements of financial instruments

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
Recognized in profit or loss	(18,058)	-
Recognized in other comprehensive income	-	(230,792)
Purchases	410,452	-
Sales	(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 transfers into Level 1 since the quoted price in active markets is available.

For the year ended December 31, 2017

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Issuance	Transfer to Level 3	Sale or Disposal	Transfer from Level 3	
<u>Assets</u>								
Available-for-sale financial assets	\$ 1,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,854	\$ -

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, 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 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 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 one parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current period are as follow:

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	
	2018	2017
Difference between carrying amounts and the amounts due on maturity		
Fair value	\$ 44,506,891	\$ 38,059,418
Amounts due on maturity	<u>47,372,532</u>	<u>38,956,926</u>
	<u>\$ (2,865,641)</u>	<u>\$ (897,508)</u>
		Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period		
For the year ended December 31, 2018		<u>\$ (78,430)</u>
For the year ended December 31, 2017		<u>\$ 42,931</u>
Accumulated amount of change		
As of December 31, 2018		<u>\$ (78,956)</u>
As of December 31, 2017		<u>\$ (1,857)</u>

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, 2018 and 2017, 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 90 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, 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:

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount at December 31, 2018
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:

	<u>Credit Rating</u> <u>Performing</u> <u>(12-Month</u> <u>ECL)</u>
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 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, 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>

December 31, 2017

Irrevocable loan commitments issued	\$ 96,299,743
Credit card commitments	357,259,135
Letters of credit issued and yet unused	9,527,165
Other guarantees	16,619,110

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, 2018

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
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

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Financial assets at fair value through profit or loss				
Held-for-trading financial assets - derivatives	\$ 1,796,421	\$ 1,919,496	\$ -	\$ 3,715,917
Receivables				
Credit cards	8,501	-	-	8,501
Accounts receivable factored	-	-	2,799,928	2,799,928
Acceptances	522,093	-	-	522,093
Discounts and loans	900,105,246	-	-	900,105,246
<u>Off-balance sheet items</u>				
Irrevocable loan commitments issued	45,604,349	-	-	45,604,349
Letters of credit issued and yet unused	1,762,976	-	-	1,762,976
Other guarantees	7,761,705	-	-	7,761,705
Credit card commitments	57,221	-	-	57,221

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. The Company 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			
	2018		2017	
	Amount	%	Amount	%
Natural person	\$ 656,316,326	48	\$ 594,148,968	48
Manufacturing	271,418,138	20	249,323,099	20
Wholesale, retail and restaurants	128,255,014	9	126,482,725	10

Credit Risk Profile by Regions	December 31			
	2018		2017	
	Amount	%	Amount	%
Domestic	\$ 1,152,581,148	85	\$ 1,058,755,015	86

Credit Risk Profile by Collaterals	December 31			
	2018		2017	
	Amount	%	Amount	%
Unsecured	\$ 361,993,163	27	\$ 334,576,667	27
Secured				
Real estate	859,586,036	63	785,800,905	64

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.

In addition to the above assets, credit quality analyses on other financial assets were as follows:

- i. The credit quality of discounts and loans evaluation on a 12-month expected credit loss basis.

	December 31, 2018
Credit rating	
Strong	\$ 667,463,737
Medium	617,982,739
Weak	<u>50,708,833</u>
Carrying value	1,336,155,309
Allowance for possible losses	<u>(821,079)</u>
	<u>\$ 1,335,334,230</u>

- ii. Credit quality analysis on discounts, loans and receivables

December 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	\$ 57,523,070	\$ 1,251,706	\$ 2,013,022	\$ 60,787,798	\$ 600,032	\$ 384,435	\$ 59,803,331
Others	23,819,581	38,128	508,532	24,366,241	116,862	922,852	23,326,527
Discounts and loans	1,212,221,079	6,368,837	8,003,836	1,226,593,752	2,821,909	12,544,527	1,211,227,316

- iii. Credit quality analysis on discounts and loans neither past due nor impaired (based on credit ratings of clients)

December 31, 2017	Neither Past Due Nor Impaired			
	Strong	Medium	Weak	Total
Consumer loans				
Residential mortgage	\$ 129,752,064	\$ 146,714,413	\$ 6,711,314	\$ 283,177,791
Petit credit	56,852,913	33,454,930	2,725,889	93,033,732
Others	96,677,813	109,316,401	5,000,576	210,994,790
Corporate loans				
Secured	148,880,172	148,838,682	15,063,437	312,782,291
Unsecured	212,837,167	90,364,198	9,031,110	312,232,475
Total	\$ 645,000,129	\$ 528,688,624	\$ 38,532,326	\$ 1,212,221,079

- iv. Credit quality analysis on securities

December 31, 2017	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	Above A+	A-BBB-	Below BB+	Subtotal (A)					
Available-for-sale financial assets									
Bonds	\$ 96,893,679	\$ 66,618,772	\$ 602,371	\$ 164,114,822	\$ -	\$ -	\$ 164,114,822	\$ -	\$ 164,114,822
Equities	852,811	2,973,154	2,263,851	6,089,816	-	-	6,089,816	-	6,089,816
Held-to-maturity financial assets									
Bonds	3,004,193	-	-	3,004,193	-	-	3,004,193	-	3,004,193
Others	-	74,620	-	74,620	-	-	74,620	-	74,620
Other financial assets									
Bonds	-	596,960	-	596,960	-	-	596,960	-	596,960
Equities	-	-	519,344	519,344	-	24,071	543,415	5,900	537,515

The processing delays by the borrowers and other administrative reasons may cause financial assets to become past due but not impaired. As defined in the internal rules governing E.SUN Bank and its subsidiaries' risk management, financial assets past due within 90 days are not deemed as impaired, unless there are other evidences that indicate impairment.

The vintage analysis of financial assets that are past due but not impaired was as follows:

Item	December 31, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	\$ 1,003,849	\$ 247,857	\$ 1,251,706
Others	21,959	16,169	38,128
Discounts and loans			
Consumer loans			
Residential mortgage	1,517,362	398,557	1,915,919
Petit credit	1,626,814	384,455	2,011,269
Others	745,044	147,918	892,962
Corporate loans			
Secured			
E.SUN Bank	947,185	219,951	1,167,136
Subsidiaries	-	127,134	127,134
Unsecured			
E.SUN Bank	221,350	33,062	254,412
Subsidiaries	-	5	5

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, 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>

For the year ended December 31, 2017

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2017
<u>By risk type</u>				
Currency	\$ 3,092,682	\$ 2,627,530	\$ 3,819,267	\$ 3,060,009
Interest	1,818,284	378,101	3,086,222	378,101
Equity	245,980	198,639	272,771	201,507
Risk diversification	<u>(1,982,887)</u>	-	-	<u>(497,068)</u>
Total risk exposure	<u>\$ 3,174,059</u>			<u>\$ 3,142,549</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, debt instruments at amortized cost, available-for-sale financial assets, held-to-maturity financial assets, and debt instruments with no active market, etc.

The liquidity reserve ratios of E.SUN Bank for December 31, 2018 and 2017 were 29.02% and 30.14%, 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, 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

December 31, 2017	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	\$ 31,491,209	\$ 29,607,999	\$ 3,343,548	\$ 2,209,459	\$ -	\$ 66,652,215
Nonderivative financial liabilities at fair value through profit or loss	-	507	-	406,112	38,550,307	38,956,926
Securities sold under repurchase agreements	9,736,682	1,633,753	873,400	-	-	12,243,835
Payables	22,175,932	545,392	384,229	996,148	1,981,449	26,083,150
Deposits and remittances	561,541,261	149,043,743	165,837,687	278,269,266	558,483,395	1,713,175,352
Bank debentures	-	-	2,100,000	2,900,000	31,750,000	36,750,000
Other items of cash outflow on maturity	3,989,496	114,488	-	195,597	1,650,158	5,949,739

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, 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	\$ 4,087	\$ 2,066	\$ 4,180	\$ 30,604	\$ -	\$ 40,937

December 31, 2017	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	\$ -	\$ -	\$ 15,979	\$ 821	\$ -	\$ 16,800

ii. Derivative financial liabilities to be settled at gross amounts

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)

December 31, 2017	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	\$ 172,197,830	\$ 141,828,519	\$ 81,518,742	\$ 98,429,982	\$ 2,557,970	\$ 496,533,043
Cash inflow	172,585,155	142,911,456	81,802,372	98,856,171	2,582,760	498,737,914
Interest derivatives						
Cash outflow	726,906	120,185	775,661	719,801	8,100,609	10,443,162
Cash inflow	1,315,405	30,779	808,527	377,520	8,104,394	10,636,625
Total cash outflow	172,924,736	141,948,704	82,294,403	99,149,783	10,658,579	506,976,205
Total cash inflow	173,900,560	142,942,235	82,610,899	99,233,691	10,687,154	509,374,539
Net cash outflow (inflow)	\$ (975,824)	\$ (993,531)	\$ (316,496)	\$ (83,908)	\$ (28,575)	\$ (2,398,334)

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, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 6,129,093	\$ 13,116,992	\$ 24,749,332	\$ 49,144,044	\$ 41,000,142	\$ 134,139,603
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

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 4,469,581	\$ 8,778,373	\$ 16,343,608	\$ 32,253,627	\$ 34,454,554	\$ 96,299,743
Credit card commitments	5,830,199	906,125	3,283,007	15,077,029	332,162,775	357,259,135
Letters of credit issued and yet unused	2,638,818	4,805,525	873,469	396,607	812,746	9,527,165
Other guarantees	2,105,513	3,248,890	5,969,419	3,569,925	1,725,363	16,619,110

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, 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

December 31, 2017					
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
Available-for-sale financial assets - securities sold under repurchase agreements	\$ 12,773,433	\$ 12,200,468	\$ 12,773,433	\$ 12,200,468	\$ 572,965

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, 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	29,692	(19,281)	10,411	-	-	10,411
	<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	52,453	(26,494)	25,959	-	-	25,959
	<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>

December 31, 2017

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	\$ 5,274,257	\$ -	\$ 5,274,257	\$ (1,919,496)	\$ (1,796,421)	\$ 1,558,340
Settlements	136,334	(71,956)	64,378	(15,626)	-	48,752
	<u>\$ 5,410,591</u>	<u>\$ (71,956)</u>	<u>\$ 5,338,635</u>	<u>\$ (1,935,122)</u>	<u>\$ (1,796,421)</u>	<u>\$ 1,607,092</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	\$ 5,300,429	\$ -	\$ 5,300,429	\$ (1,919,496)	\$ (1,661,175)	\$ 1,719,758
Repurchase agreements	12,220,125	-	12,220,125	(12,220,125)	-	-
Settlements	71,214	(29,538)	41,676	(15,626)	-	26,050
	<u>\$ 17,591,768</u>	<u>\$ (29,538)</u>	<u>\$ 17,562,230</u>	<u>\$ (14,155,247)</u>	<u>\$ (1,661,175)</u>	<u>\$ 1,745,808</u>

43. 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, 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>	
For the year ended <u>December 31, 2017</u>				
Broadcasting and security systems	\$ 72	\$ 72	\$ 144	50% each
Others	716	618	1,334	Utilities: 50% each Building maintenance fee - based on space actually occupied
	<u>\$ 788</u>	<u>\$ 690</u>	<u>\$ 1,478</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	
	2018	2017
Revenue	<u>\$ 4,224</u>	<u>\$ 5,388</u>
Expense	<u>\$ 65,396</u>	<u>\$ 102,109</u>

44. 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 540% and 378% as of December 31, 2018 and 2017, respectively.

Please refer to related information in Table 12 (attached).

45. 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, 2018				December 31, 2017		
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	\$ 10,923,358	6.91	Group A Ocean transportation	\$ 6,248,664	4.25
2	Group B Other activities auxiliary to financial service activities not elsewhere classified	9,762,558	6.17	Group B Real estate agencies activities	4,863,522	3.31
3	Group C Manufacture of computers	5,758,388	3.64	Group D Manufacture of computers	4,845,824	3.29
4	Group D Manufacture of computers	5,690,617	3.60	Group K Wholesale of computers, computer peripheral equipment and software	4,627,383	3.14
5	Group E Manufacture of liquid crystal panel and components	4,779,849	3.02	Group G Wired telecommunications activities	4,603,560	3.13
6	Group F Activities of head offices	4,761,637	3.01	Group F Activities of head offices	4,341,597	2.95
7	Group G Wired telecommunications activities	4,479,713	2.83	Group L Manufacture of liquid crystal panel and components	4,247,555	2.89
8	Group H Retail sale of computers, computer peripheral equipment and software	4,053,270	2.56	Group C Manufacture of computers	4,208,262	2.86
9	Group I Manufacture of computers	3,880,375	2.45	Group M Real estate development activities	4,155,897	2.82
10	Group J Manufacture of electric wires and cables	3,866,539	2.44	Group H Retail sale of computers, computer peripheral equipment and software	3,914,337	2.66

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

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

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

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

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

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

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,252,931,710	\$ 32,214,598	\$ 37,982,689	\$ 98,074,142	\$ 1,421,203,139
Interest rate-sensitive liabilities	304,988,151	791,160,851	72,759,219	38,196,622	1,207,104,843
Interest rate sensitivity gap	947,943,559	(758,946,253)	(34,776,530)	59,877,520	214,098,296
Net worth					137,499,335
Ratio of interest rate-sensitive assets to liabilities					117.74
Ratio of interest rate sensitivity gap to net worth					155.71

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, 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)

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 10,234,659	\$ 245,564	\$ 56,656	\$ 1,077,846	\$ 11,614,725
Interest rate-sensitive liabilities	12,859,330	1,535,050	1,477,999	1,259,171	17,131,550
Interest rate sensitivity gap	(2,624,671)	(1,289,486)	(1,421,343)	(181,325)	(5,516,825)
Net worth					234,112
Ratio of interest rate-sensitive assets to liabilities					67.80
Ratio of interest rate sensitivity gap to net worth					(2,356.49)

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, 2018	December 31, 2017
Return on total assets	Before income tax	0.93	0.85
	After income tax	0.78	0.74
Return on equity	Before income tax	13.14	12.13
	After income tax	11.04	10.54
Net income ratio		34.56	31.78

2) E.SUN Financial Holding Company, Ltd.

Unit: %

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	10.47	10.02
	After income tax	10.50	10.03
Return on equity	Before income tax	11.01	10.64
	After income tax	11.04	10.64
Net income ratio		98.46	97.86

3) E.SUN Bank

Unit: %

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.95	0.89
	After income tax	0.80	0.77
Return on equity	Before income tax	13.17	12.60
	After income tax	11.20	10.89
Net income ratio		36.68	34.91

4) E.SUN Securities

Unit: %

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	3.07	2.10
	After income tax	2.48	1.74
Return on equity	Before income tax	8.60	5.87
	After income tax	6.94	4.87
Net income ratio		22.54	15.70

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, 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)

December 31, 2017

	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	\$ 1,650,199,551	\$ 389,699,265	\$ 83,599,219	\$ 91,199,421	\$ 93,174,035	\$ 106,966,600	\$ 885,561,011
Main capital outflow on maturity	1,985,853,350	82,158,139	111,425,641	198,925,457	201,115,368	332,174,382	1,060,054,363
Gap	(335,653,799)	307,541,126	(27,826,422)	(107,726,036)	(107,941,333)	(225,207,782)	(174,493,352)

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, 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

December 31, 2017

	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	\$ 23,816,942	\$ 7,716,085	\$ 3,694,241	\$ 2,953,161	\$ 2,828,607	\$ 6,624,848
Main capital outflow on maturity	27,840,699	6,953,177	6,503,639	4,854,481	6,048,192	3,481,210
Gap	(4,023,757)	762,908	(2,809,398)	(1,901,320)	(3,219,585)	3,143,638

Note: The above amounts included only U.S. dollar amounts held by E.SUN Bank.

46. 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, 2018 and 2017

Trust Assets	2018	2017	Trust Liabilities	2018	2017
Cash in banks	\$ 4,520,486	\$ 6,467,320	Account payable		
Investments	228,445,903	212,142,200	on securities		
Receivables	-	1	under custody	\$ 389,009,330	\$ 263,371,825
Real estate	4,005,567	5,612,113	Other liabilities	4	-
Securities under custody	389,009,330	263,371,825	Trust capital		
			Cash	232,898,840	218,238,361
			Securities	1,787,807	1,963,495
			Real estate	3,608,130	5,217,391
			Reserves and accumulated deficit	(8,272,004)	(8,735,833)
			Net income	6,949,179	7,538,220
Total assets	\$ 625,981,286	\$ 487,593,459	Total liabilities	\$ 625,981,286	\$ 487,593,459

**Trust Property List
December 31, 2018 and 2017**

	December 31	
	2018	2017
Cash in E.SUN Bank	\$ 4,514,719	\$ 6,467,168
Cash in other banks	5,767	152
Stocks	6,811,210	6,195,188
Mutual funds	189,204,786	176,915,356
Bonds	27,135,778	24,808,927
Structured products	4,744,202	3,484,049
Beneficial certificates pending settlement	549,927	738,680
Receivables	-	1
Real estate	4,005,567	5,612,113
Securities under custody	<u>389,009,330</u>	<u>263,371,825</u>
	<u>\$ 625,981,286</u>	<u>\$ 487,593,459</u>

**Statements of Income on Trust Accounts
For the Years ended December 31, 2018 and 2017**

	For the Year Ended December 31	
	2018	2017
<u>Revenues</u>		
Interest	\$ 17,572	\$ 15,850
Cash dividend	7,654,572	6,012,912
Realized capital gain - common stocks	7,932	2,829
Unrealized capital gain - common stocks	12,221	17,479
Unrealized capital gain - funds	-	72
Property gain	2,687,509	3,553,717
Realized capital gain	2,035,467	1,744,408
Revenues from beneficial certificates	6,055	5,312
Revenues from rent for stocks	<u>1,247</u>	<u>1,433</u>
Total revenues	<u>12,422,575</u>	<u>11,354,012</u>
<u>Expenses</u>		
Management fees	262,354	239,189
Supervisor fees	60	105
Service fees	126	265
Property loss	4,727,962	3,465,945
Income tax	1,189	1,032
Tax expenditures	14,440	15,432
Other expenses	12,111	9,980
Realized capital loss	443,634	83,590
Unrealized capital loss	<u>11,520</u>	<u>254</u>
Total expenses	<u>5,473,396</u>	<u>3,815,792</u>
Net income	<u>\$ 6,949,179</u>	<u>\$ 7,538,220</u>

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

47. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 25, 2017, E.SUN Bank acquired from non-controlling interests for additional 25% shares of UCB, which increased its continuing interest from 75% to 100%.

The above transaction was accounted for as equity transaction, since E.SUN Bank did not cease to have control over the subsidiary.

	UCB
Cash consideration paid	\$ 1,221,457
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(404,619)
Reattribution of other equity from non-controlling interests	
Exchange differences on the translation of the financial statements of foreign operations	12,160
Unrealized gains on available-for-sale financial asset	<u>1,477</u>
Differences arising from equity transaction (reduced retained earnings)	<u>\$ 830,475</u>

48. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2018

			<u>Non-cash Changes</u>		
	Opening Balance	Cash Inflows (Outflows)	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
Bank debentures	36,750,000	100,000	-	-	36,850,000
Long-term borrowings	1,253,949	(886,330)	-	1,475	369,094
Financial liabilities designated as at fair value through profit or loss	37,773,748	5,880,000	(1,974,629)	2,578,920	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>\$ 81,094,908</u>	<u>\$ 4,431,731</u>	<u>\$ (1,974,629)</u>	<u>\$ 2,581,421</u>	<u>\$ 86,133,431</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 13 (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 15 (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 costs of at least NT\$300 million or 10% of the paid-in capital: None.
 - 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 9 (attached).
 - 11) Related information and proportionate share in investees: Table 14 (attached).
 - 12) Derivative transactions: Notes 8 and 42 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 10 (attached).
- d. Business relationship and significant transactions among the parent company and subsidiaries: Table 11 (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, 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>
	For the Year Ended December 31, 2017				
	Corporate Banking Unit	Individual Banking Unit	Overseas Branches and Subsidiaries	Others	Total
Net interest revenues (expenses)	<u>\$ 9,125</u>	<u>\$ 12,516</u>	<u>\$ 3,032</u>	<u>\$ (4,423)</u>	<u>\$ 20,250</u>
Total net revenues	\$ 17,463	\$ 21,594	\$ 4,532	\$ 2,518	\$ 46,107
Bad-debt expenses and provision for losses on guarantees	(926)	(998)	(1,570)	(561)	(4,055)
Operating expenses	<u>(3,884)</u>	<u>(11,417)</u>	<u>(1,965)</u>	<u>(7,913)</u>	<u>(25,179)</u>
Income (loss) before income tax	<u>\$ 12,653</u>	<u>\$ 9,179</u>	<u>\$ 997</u>	<u>\$ (5,956)</u>	<u>\$ 16,873</u>

TABLE 1

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

**CONSOLIDATED ENTITIES
DECEMBER 31, 2018 AND 2017**

Entities Included in the Consolidated Financial Statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)		Note
				December 31, 2018	December 31, 2017	
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	
Union Commercial Bank PLC.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	Note
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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Loans

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

December 31, 2017

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2017 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	150	\$ 85,507	\$ 54,641	\$ 54,641	\$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	322	1,577,896	1,299,269	1,299,269	-	Land and buildings	None
Other loans	Others	1,222,517	873,329	873,329	-	Land, buildings, and plant	None

Note: The sum of the respective highest balances of each account for the years ended December 31, 2018 and 2017.

TABLE 3**E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
DECEMBER 31, 2018 AND 2017****(In Thousands)**

	December 31					
	2018			2017		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
USD	\$ 17,077,979	30.7330	\$ 524,857,529	\$ 14,560,562	29.8480	\$ 434,603,662
CNY	14,693,635	4.4760	65,768,710	11,206,307	4.5795	51,319,282
AUD	3,131,603	21.6820	67,899,416	1,869,017	23.2610	43,475,204
HKD	5,350,264	3.9239	20,993,901	5,487,895	3.8189	20,957,721
JPY	41,968,938	0.2785	11,688,349	23,767,972	0.2650	6,298,513
EUR	227,952	35.2260	8,029,837	151,976	35.6740	5,421,608
SGD	217,522	22.4990	4,894,027	150,963	22.3310	3,371,155
NZD	7,291	20.6310	150,421	6,331	21.2070	134,262
GBP	97,744	38.9020	3,802,437	15,364	40.2170	617,894
CHF	3,514	31.2330	109,753	2,597	30.5600	79,364
ZAR	1,213,692	2.1292	2,584,193	1,571,245	2.4215	3,804,770
CAD	7,768	22.5890	175,471	9,434	23.7780	224,322
SEK	343	3.4251	1,175	8,829	3.6197	31,958
THB	33,601	0.9491	31,891	70,996	0.9157	65,011
MXN	86,000	1.5608	134,229	23,149	1.5151	35,073
VND	485,238,497	0.0013	630,810	534,225,677	0.0013	694,493
MMK	10,391,935	0.0200	207,839	7,194,410	0.0219	157,558
<u>Financial liabilities</u>						
USD	24,682,192	30.7330	758,557,807	19,832,468	29.8480	591,959,512
CNY	19,470,075	4.4760	87,148,056	15,778,691	4.5795	72,258,515
AUD	2,387,535	21.6820	51,766,534	1,290,870	23.2610	30,026,927
HKD	2,591,545	3.9239	10,168,963	3,558,981	3.8189	13,591,392
JPY	57,591,755	0.2785	16,039,304	58,914,811	0.2650	15,612,425
EUR	253,421	35.2260	8,927,008	197,925	35.6740	7,060,792
SGD	50,798	22.4990	1,142,904	57,243	22.3310	1,278,293
NZD	74,352	20.6310	1,533,956	187,956	21.2070	3,985,983
GBP	95,526	38.9020	3,716,152	55,567	40.2170	2,234,738
CHF	4,982	31.2330	155,603	5,846	30.5600	178,654
ZAR	3,466,387	2.1292	7,380,631	2,827,578	2.4215	6,846,980
CAD	90,298	22.5890	2,039,742	71,724	23.7780	1,705,453
SEK	40,343	3.4251	138,179	13,279	3.6197	48,066
THB	19,621	0.9491	18,622	23,919	0.9157	21,903
MXN	131,396	1.5608	205,083	39,970	1.5151	60,559
VND	503,966,060	0.0013	655,156	551,006,738	0.0013	716,309
MMK	8,559,257	0.0200	171,185	3,175,037	0.0219	69,533

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period		December 31, 2018					December 31, 2017				
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	\$ 869,455	\$ 332,158,212	0.26	\$ 3,833,811	440.94	\$ 907,153	\$ 305,278,205	0.30	\$ 3,387,901	373.47
	Unsecured	370,791	336,061,699	0.11	4,032,433	1,087.52	217,153	303,256,415	0.07	3,627,197	1,670.34
Consumer banking	Residential mortgage (Note 4)	610,348	323,664,541	0.19	4,694,128	769.09	568,475	285,657,415	0.20	4,115,717	723.99
	Cash card	47	2,102	2.24	896	1,906.38	72	2,769	2.60	1,175	1,631.94
	Small-scale credit loans (Note 5)	529,067	105,333,892	0.50	1,220,470	230.68	507,310	97,270,544	0.52	1,147,356	226.16
	Secured	679,717	225,240,618	0.30	2,331,802	343.05	581,049	205,747,555	0.28	2,145,817	369.30
Loan	Other (Note 6)	21,002	2,098,910	1.00	23,302	110.95	39,676	6,762,733	0.59	77,790	196.06
	Unsecured	3,080,427	1,324,559,974	0.23	16,136,842	523.85	2,820,888	1,203,975,636	0.23	14,502,953	514.13
		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		150,184	64,469,570	0.23	988,894	658.45	142,747	60,652,043	0.24	973,592	682.04
Accounts receivable factored without recourse (Note 7)		-	13,255,273	-	170,253	-	-	15,036,201	-	200,219	-
Amounts of executed contracts on negotiated debits not reported as nonperforming loans (Note 8)				13,322					17,631		
Amounts of executed contracts on negotiated debits not reported as nonperforming receivables (Note 8)				58,550					71,945		
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)				1,182,831					1,131,029		
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)				1,471,050					1,333,008		

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 debits 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, 2018 AND 2017**

1. ESFHC's financial statements

E.SUN Financial Holding Company, Ltd.**Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)**

Assets	2018	2017	Liabilities and Equity	2018	2017
Cash and cash equivalents	\$ 364,574	\$ 106,021	Payables	\$ 691,397	\$ 571,838
Financial assets at fair value			Current tax liabilities	1,210,669	1,768,490
through other comprehensive			Corporate bonds payable	5,800,000	5,800,000
income	56,606	-	Provisions	<u>27,690</u>	<u>22,468</u>
Receivables	106,484	89,114	Total liabilities	<u>7,729,756</u>	<u>8,162,796</u>
Current tax assets	648,854	1,271,565			
Investments under the equity			Equity		
method	166,536,131	155,472,333	Capital stock	108,289,000	101,855,000
Other financial assets	-	12,690	Capital surplus	24,710,706	24,529,129
Property and equipment, net	19,914	26,084	Retained earnings	26,627,780	22,012,117
Intangible assets	5,584	14,454	Other equity	<u>386,802</u>	<u>445,970</u>
Deferred tax assets	2,162	975	Total equity	<u>160,014,288</u>	<u>148,842,216</u>
Other assets	<u>3,735</u>	<u>11,776</u>			
Total	<u>\$ 167,744,044</u>	<u>\$ 157,005,012</u>	Total	<u>\$ 167,744,044</u>	<u>\$ 157,005,012</u>

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018	2017
Revenues and gains		
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 17,455,927	\$ 15,226,667
Other revenues and gains	<u>109,782</u>	<u>92,820</u>
Total revenues and gains	<u>17,565,709</u>	<u>15,319,487</u>
Expenses and losses		
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	144,624	-
Operating expenses	302,019	325,653
Other expenses and losses	<u>85,350</u>	<u>240,043</u>
Total expenses and losses	<u>531,993</u>	<u>565,696</u>
Income before income tax	17,033,716	14,753,791
Income tax benefit	<u>34,777</u>	<u>2,765</u>
Net income for the year	17,068,493	14,756,556
Other comprehensive loss	<u>(526,934)</u>	<u>(35,455)</u>
Total comprehensive income for the year	<u>\$ 16,541,559</u>	<u>\$ 14,721,101</u>
Earnings per share (New Taiwan dollars)		
Basic	<u>\$ 1.58</u>	<u>\$ 1.40</u>
Diluted	<u>\$ 1.57</u>	<u>\$ 1.40</u>

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Changes in Equity
For the Years Ended December 31, 2018 and 2017
(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				Capital Surplus	Retained Earnings			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	Legal Reserve	Special Reserve		Unappropriated Earnings						
BALANCE AT JANUARY 1, 2017	8,765,400	\$ 87,654,000	\$ 6,677,949	\$ 164,235	\$ 12,960,263	\$ (145,236)	\$ 509,713	\$ 44,882	\$ 128,524,475			
Appropriation of 2016 earnings	-	-	-	-	(1,296,026)	-	-	-	-			
Legal reserve	-	-	1,296,026	-	(4,645,662)	-	-	-	(4,645,662)			
Cash dividends	701,232	7,012,320	-	-	(7,012,320)	-	-	-	-			
Stock dividends	-	-	-	-	-	-	-	-	-			
Issuance of common stock from employees' compensation	18,868	188,680	-	-	-	-	-	-	-			
Capital increase	700,000	7,000,000	-	-	-	-	-	-	-			
Share-based payment for the subscription of new shares by employees	-	-	-	-	-	-	-	-	-			
Acquisition of interest in subsidiary	-	-	-	-	(830,475)	12,160	1,477	-	(816,838)			
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	-	-	-	-	94	-	-	(94)	-			
Net income for the year ended December 31, 2017	-	-	-	-	14,756,556	-	-	-	14,756,556			
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(58,523)	(744,227)	810,226	(42,931)	(35,455)			
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	14,698,033	(744,227)	810,226	(42,931)	14,721,101			
BALANCE AT DECEMBER 31, 2017	10,185,500	101,855,000	7,973,975	164,235	13,873,907	(877,303)	1,321,416	1,857	148,842,216			
Effect of retrospective application	-	-	-	-	172,331	-	(1,321,416)	-	494,211			
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	10,185,500	101,855,000	7,973,975	164,235	14,046,238	(877,303)	-	1,857	149,336,427			
Appropriation of 2017 earnings	-	-	-	-	(1,387,391)	-	-	-	-			
Legal reserve	-	-	1,387,391	-	(6,239,475)	-	-	-	(6,239,475)			
Cash dividends	623,980	6,239,800	-	-	(6,239,800)	-	-	-	-			
Stock dividends	-	-	-	-	-	-	-	-	-			
Issuance of common stock from employees' compensation	19,420	194,200	-	-	-	-	-	-	375,777			
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(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	\$ 9,361,366	\$ 164,235	\$ 17,102,179	\$ (540,844)	\$ 848,690	\$ 78,956	\$ 160,014,288			

(Continued)

E.SUN Financial Holding Company, Ltd.

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities		
Income before income tax	\$ 17,033,716	\$ 14,753,791
Adjustments for:		
Depreciation and amortization expenses	16,222	14,435
Losses on financial assets and liabilities at fair value through profit or loss	-	133,123
Interest expense	85,350	102,030
Interest revenue	(639)	(1,792)
Dividend income	(1,949)	(878)
Salary expenses on share-based payments	4,506	4,119
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(17,311,303)	(15,226,667)
Unrealized losses on foreign currency exchange	-	1,870
Net changes in operating assets and liabilities		
Receivables	(17,370)	(8,427)
Other financial assets	-	900,000
Other assets	8,041	6,629
Financial liabilities at fair value through profit or loss	-	(161,067)
Payables	31,816	10,462
Provision for employee benefits	(1,455)	(1,276)
Cash generated from (used in) operating activities	(153,065)	526,352
Interest received	639	1,799
Dividend received	6,638,506	4,661,578
Interest paid	(85,350)	(127,250)
Income tax refund	98,480	126,086
Net cash generated from operating activities	<u>6,499,210</u>	<u>5,188,565</u>
Cash flows from investing activities		
Increase in equity investments under the equity method	-	(10,500,000)
Payments for properties and equipment	(1,182)	-
Payments for intangible assets	-	(2,806)
Net cash used in investing activities	<u>(1,182)</u>	<u>(10,502,806)</u>
Cash flows from financing activities		
Proceeds from issue of corporate bonds	-	1,100,000
Repayments of corporate bonds	-	(2,000,000)
Cash dividends paid	(6,239,475)	(4,645,662)
Capital increase	-	10,500,000
Net cash generated from (used in) financing activities	<u>(6,239,475)</u>	<u>4,954,338</u>
Effect of exchange rate changes on cash and cash equivalents	-	(1,870)
Net increase (decrease) in cash and cash equivalents	258,553	(361,773)
Cash and cash equivalents at the beginning of the year	<u>106,021</u>	<u>467,794</u>
Cash and cash equivalents at the end of the year	<u>\$ 364,574</u>	<u>\$ 106,021</u>

(Continued)

E.SUN Securities Co., Ltd.

Condensed Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

Assets	2018	2017	Liabilities and Equity	2018	2017
Current assets			<u>Liabilities</u>		
Available-for-sale financial assets	\$ 9,551,570	\$ 13,200,191	Current liabilities	\$ 7,552,349	\$ 10,479,657
Financial assets at fair value through profit or loss	-	141,368	Noncurrent liabilities	<u>6,388</u>	<u>5,958</u>
Financial assets at fair value through other comprehensive income	744,381	873,653	Total liabilities	<u>7,558,737</u>	<u>10,485,615</u>
Investments in debt instruments at amortized cost	393,434	-			
Investments under the equity method	756,125	-	<u>Equity</u>		
Properties and equipment	57,966	58,156	Capital stock	4,000,000	4,000,000
Intangible assets	381,035	342,616	Capital surplus	77,182	69,116
Deferred tax assets	65,158	69,954	Retained earnings	1,023,014	851,050
Other noncurrent assets	38,489	21,731	Other equity	<u>6,605</u>	<u>(2,314)</u>
	<u>677,380</u>	<u>695,798</u>	Total equity	<u>5,106,801</u>	<u>4,917,852</u>
Total	<u>\$ 12,665,538</u>	<u>\$ 15,403,467</u>	Total	<u>\$ 12,665,538</u>	<u>\$ 15,403,467</u>

E.SUN Venture Capital Co., Ltd.

Condensed Balance Sheets
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

Assets	2018	2017	Liabilities and Equity	2018	2017
Current assets			<u>Liabilities</u>		
Available-for-sale financial assets	\$ 108,162	\$ 101,560	Current liabilities	\$ 36,257	\$ 11,028
Financial assets at fair value through profit or loss	-	399,918	Noncurrent liabilities	<u>1,857</u>	<u>1,734</u>
Financial assets at fair value through other comprehensive income	2,887,748	74,240	Total liabilities	<u>38,114</u>	<u>12,762</u>
Other financial assets	195,205	-			
Properties and equipment	123,002	2,837,385	<u>Equity</u>		
Deferred tax assets	32	44	Capital stock	3,093,000	3,000,000
Other noncurrent assets	4,296	5,717	Capital surplus	79,993	79,444
	<u>232</u>	<u>232</u>	Retained earnings	435,287	241,943
			Other equity	<u>(327,717)</u>	<u>84,947</u>
Total	<u>\$ 3,318,677</u>	<u>\$ 3,419,096</u>	Total equity	<u>3,280,563</u>	<u>3,406,334</u>
			Total	<u>\$ 3,318,677</u>	<u>\$ 3,419,096</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, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Items	2018	2017
Interest revenue	\$ 35,064,333	\$ 30,996,842
Less: Interest expense	<u>(16,267,268)</u>	<u>(11,989,563)</u>
Net interest	18,797,065	19,007,279
Net revenues and gains other than interest	<u>27,844,073</u>	<u>23,638,129</u>
Total net revenues	46,641,138	42,645,408
Bad-debt expenses and provision for losses on commitments and guarantees	(3,023,936)	(2,605,817)
Operating expenses	<u>(23,488,690)</u>	<u>(22,811,076)</u>
Income before income tax	20,128,512	17,228,515
Income tax expense	<u>(3,020,197)</u>	<u>(2,341,645)</u>
Net income for the year	17,108,315	14,886,870
Other comprehensive income (loss)	<u>(416,738)</u>	<u>254,429</u>
Total comprehensive income	<u>\$ 16,691,577</u>	<u>\$ 15,141,299</u>
Earnings per share		
Basic	<u>\$ 1.98</u>	<u>\$ 1.78</u>

(Continued)

E.SUN Securities Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

Items	2018	2017
Income	\$ 1,583,074	\$ 1,489,961
Service charge	(127,104)	(108,829)
Employee benefit expenses	(551,558)	(496,897)
Share of profit of subsidiaries accounted for using equity method	695	1,783
Operating expenses	(516,881)	(713,169)
Other profits and losses	<u>42,864</u>	<u>109,828</u>
Income before income tax	431,090	282,677
Income tax expense	<u>(83,478)</u>	<u>(48,274)</u>
Net income for the year	347,612	234,403
Other comprehensive loss	<u>(1,678)</u>	<u>(2,759)</u>
Total comprehensive income	<u>\$ 345,934</u>	<u>\$ 231,644</u>
Earnings per share		
Basic	<u>\$ 0.87</u>	<u>\$ 0.59</u>

E.SUN Venture Capital Co., Ltd.

**Condensed Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)**

Items	2018	2017
Operating revenue	\$ 325	\$ 177,160
Operating costs	(131,315)	(50,452)
Operating expenses	<u>(15,103)</u>	<u>(16,946)</u>
Operating income (loss)	(146,093)	109,762
Non-operating income and expenses	<u>2,360</u>	<u>62</u>
Income (loss) before income tax	(143,733)	109,824
Income tax expense	<u>(1,385)</u>	<u>(4,694)</u>
Net income (loss) for the year	(145,118)	105,130
Other comprehensive loss	<u>(102,526)</u>	<u>(283,942)</u>
Total comprehensive loss	<u>\$ (247,644)</u>	<u>\$ (178,812)</u>
Earnings (loss) per share		
Basic	<u>\$ (0.47)</u>	<u>\$ 0.34</u>

(Concluded)

TABLE 6**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****BUSINESS SEGMENT FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

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

For the year ended December 31, 2017

Business Segment Items	Banking	Securities	Others	Consolidated
Net interest revenues (expenses)	\$ 20,026,866	\$ 324,799	\$ (102,049)	\$ 20,249,616
Net revenues and gains (losses) other than interest	24,818,490	1,054,053	(14,970)	25,857,573
Total net revenues (expenses)	44,845,356	1,378,852	(117,019)	46,107,189
Bad-debt expenses and provision for losses on guarantees	(3,868,941)	(186,430)	-	(4,055,371)
Operating expenses	(23,833,811)	(1,003,931)	(341,203)	(25,178,945)
Income (loss) before income tax	17,142,604	188,491	(458,222)	16,872,873
Income tax expense	(2,167,696)	(48,274)	(2,464)	(2,218,434)
Net income (loss)	14,974,908	140,217	(460,686)	14,654,439

TABLE 7

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018			Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value
E.SUN Venture Capital Co., Ltd.	Stock	-	Financial assets at fair value through profit or loss	424	\$ 70,172	0.17	\$ 70,172
	TaiMed Biologics Co., Ltd.	-	Financial assets at fair value through profit or loss	67	1,865	0.13	1,865
	Forcecon Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	195	2,563	0.58	2,563
	ShengHua Entertainment Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	477	33,319	0.79	33,319
	Turvo International Co., Ltd.	-	Financial assets at fair value through profit or loss	90	2,321	0.17	2,321
	Ledlink Optics, Inc.	-	Financial assets at fair value through profit or loss	856	14,900	1.60	14,900
	Xu Yuan Packing Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,220	190,934	0.70	190,934
	OBI Pharma, Inc.	-	Financial assets at fair value through profit or loss	751	19,526	0.76	19,526
	Enterex International Limited	-	Financial assets at fair value through profit or loss	1,009	10,591	1.13	10,591
	Uniflex Technology Inc.	-	Financial assets at fair value through profit or loss	2,255	140,947	0.93	140,947
	Tanvex BioPharma Inc.	-	Financial assets at fair value through profit or loss	363	17,751	1.43	17,751
	Kham Inc.	-	Financial assets at fair value through profit or loss	419	46,928	0.64	46,928
	Eurocharm Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	1,680	99,120	1.74	99,120
	TBI Motion Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500	34,350	1.85	34,350
	Chien Shing Harbour Service Co., Ltd.	-	Financial assets at fair value through profit or loss	1,889	74,522	5.55	74,522
	Epoch Chemtronics Corp.	-	Financial assets at fair value through profit or loss	1,891	7,564	2.84	7,564
	Wieson Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	249	7,286	1.58	7,286
	Jason's Entertainment Co., Ltd.	-	Financial assets at fair value through profit or loss	175	2,482	0.22	2,482
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	900	143,550	0.76	143,550
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	1,808	13,077	8.97	13,077
	Tekho Marine Biotech Co., Ltd.	-	Financial assets at fair value through profit or loss	388	43,647	0.32	43,647
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	506	4,598	2.32	4,598
	Remotek Corporation	-	Financial assets at fair value through profit or loss	81	4,121	0.32	4,121
	9splay Entertainment Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	7,224	217,880	3.97	217,880
	CHO Pharma Inc.	-	Financial assets at fair value through profit or loss	3,515	56,834	1.16	56,834
	Fountain Biopharma Inc.	-	Financial assets at fair value through profit or loss	1,562	57,950	1.00	57,950
	MOSA Industrial Corporation	-	Financial assets at fair value through profit or loss	600	6,030	0.74	6,030
	Twoway Communications Inc.	-	Financial assets at fair value through profit or loss	2,867	14,037	13.07	14,037
	Solidlite Co., Ltd.	-	Financial assets at fair value through profit or loss	1,220	12,621	2.23	12,621
	Orgchem Technologies Inc.	-	Financial assets at fair value through profit or loss	400	11,127	1.38	11,127
	Prince Pharmaceutical Co., Ltd.	-	Financial assets at fair value through profit or loss	10,000	99,542	2.86	99,542
	KHL IV Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500	38,651	8.36	38,651
	Taiwan Advanced Nanotech Inc.	-	Financial assets at fair value through profit or loss	500	6,521	1.04	6,521
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	2,305	43,835	4.88	43,835
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	643	4,692	8.25	4,692
	Arclite Optronics Corporation	-	Financial assets at fair value through profit or loss				

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Air-Bag Packing Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	\$ 4,412	4.00	\$ 4,412	
	Vizionfocus Inc.	-	Financial assets at fair value through profit or loss	2,500	61,501	6.80	61,501	
	Caremed Supply Inc.	-	Financial assets at fair value through profit or loss	1,418	40,749	5.21	40,749	
	Taiwan Silicones Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,880	22,385	9.84	22,385	
	ICP Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	706	10,066	2.53	10,066	
	Fashionguide Co., Ltd.	-	Financial assets at fair value through profit or loss	324	4,191	1.93	4,191	
	Excetek Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	301	2,001	2.05	2,001	
	Advanced Material Systems Corporation	-	Financial assets at fair value through profit or loss	1,164	14,818	4.20	14,818	
	XPEC Art Center Inc.	-	Financial assets at fair value through profit or loss	87	3,779	0.39	3,779	
	KHL Investment Advisors Ltd.	-	Financial assets at fair value through profit or loss	8,354	134,173	5.95	134,173	
	Brim Biotechnology, Inc.	-	Financial assets at fair value through profit or loss	1,100	38,286	1.87	38,286	
	3D Global Biotech Inc.	-	Financial assets at fair value through profit or loss	2,000	15,935	4.00	15,935	
	Amaran Biotechnology, Inc.	-	Financial assets at fair value through profit or loss	1,146	31,041	1.44	31,041	
	ACHB Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	333	8,548	3.63	8,548	
	KHL II Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss	5,000	53,413	5.00	53,413	
	Taishan Buffalo Investment Co., Ltd. (preferred stock)	-	Financial assets at fair value through profit or loss	50,000	45,422	2.15	45,422	
	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	-	3.88	-	
	Chuan Shih Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	2,250	-	5.79	-	
	Gloria Solar International Holding, Inc.	-	Financial assets at fair value through profit or loss	500	-	0.78	-	
	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	-	2.24	-	
	Win Precision Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,122	16,279	2.47	16,279	
	World known MFG (Cayman) Limited	-	Financial assets at fair value through profit or loss	1,500	74,403	5.00	74,403	
	IKALA Global Online Corp.	-	Financial assets at fair value through profit or loss	7,143	10,147	1.09	10,147	
	Natural Polymer International Corporation	-	Financial assets at fair value through profit or loss	591	12,610	2.36	12,610	
	TRANSOUND Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200	12,859	3.40	12,859	
	AMARYLLO INC.	-	Financial assets at fair value through profit or loss	290	2,606	1.98	2,606	
	VPON Ltd.	-	Financial assets at fair value through profit or loss	1,186	13,863	0.98	13,863	
	BioResource International, Inc. (preferred stock)	-	Financial assets at fair value through profit or loss	815	32,971	4.93	32,971	
	Gogogro Inc. (preferred stock)	-	Financial assets at fair value through profit or loss	1,429	214,974	0.65	214,974	
	Arrowspan Inc. (preferred stock)	-	Financial assets at fair value through profit or loss	264	-	1.36	-	
	KHL V Venture Capital Co., Ltd.	-	Financial assets at fair value through profit or loss	5,700	57,000	4.76	57,000	
	Acepodia, Inc.	-	Financial assets at fair value through profit or loss	3,204	49,766	10.58	49,766	
	Montlade Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	15,000	4.55	15,000	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,776	10,704	5.26	10,704	
	MCM Stamping Co., Ltd.	-	Investments in equity instruments at FVTOCI	600	4,690	1.90	4,690	
			Investments in equity instruments at FVTOCI					

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Crownintek Inc.	-	Investments in equity instruments at FV/TOCI	1,140	\$ 7,437	9.12	\$ 7,437	
	Fuho Technology Co., Ltd.	-	Investments in equity instruments at FV/TOCI	389	7,329	1.40	7,329	
	Mercury Electronic Industrial Co., Ltd.	-	Investments in equity instruments at FV/TOCI	3,000	17,141	12.18	17,141	
	Awin Diamond Technology Corporation	-	Investments in equity instruments at FV/TOCI	1,500	12,666	14.72	12,666	
	Chipsip Technology Co., Ltd.	-	Investments in equity instruments at FV/TOCI	148	4,014	0.93	4,014	
	Danotech Co., Ltd.	-	Investments in equity instruments at FV/TOCI	1,500	4,147	3.22	4,147	
	Biodenta Corporation	-	Investments in equity instruments at FV/TOCI	57	753	0.63	753	
	UUPON Inc.	-	Investments in equity instruments at FV/TOCI	4,000	25,848	11.14	25,848	
	allPay Investment Holdings Co., Ltd.	-	Investments in equity instruments at FV/TOCI	503	3,883	0.34	3,883	
	Procrystal Technology Company Limited	-	Investments in equity instruments at FV/TOCI	3,360	-	2.69	-	
	Life + Co., Ltd.	-	Investments in equity instruments at FV/TOCI	2,975	15,597	9.02	15,597	
	Asia Carbons & Technology Inc.	-	Investments in equity instruments at FV/TOCI	69	59	0.15	59	
	Vision Application Tech Corp.	-	Investments in equity instruments at FV/TOCI	782	4,604	5.28	4,604	
	Topray Mems Inc.	-	Investments in equity instruments at FV/TOCI	1,393	3,426	3.22	3,426	
	Gama Pay Co., Ltd.	-	Investments in equity instruments at FV/TOCI	4,286	28,108	7.14	28,108	
	Pet Pharm Biotech Co., Ltd.	-	Investments in equity instruments at FV/TOCI	627	3,196	2.59	3,196	
	Celestial Talent Limited	-	Investments in equity instruments at FV/TOCI	1,457	26,144	2.41	26,144	
	Shanghai Vpon Ltd.	-	Investments in equity instruments at FV/TOCI	38,615	9,975	8.93	9,975	
	Taiwan depositary receipts							
	Digital China Holdings Limited	-	Financial assets at fair value through profit or loss	200	1,328	0.01	1,328	
	Foreign fund							
	Delos Capital Fund	-	Financial assets at fair value through profit or loss	-	234,494	7.64	234,494	
	Delos Capital Fund 2	-	Financial assets at fair value through profit or loss	-	92,874	7.46	92,874	

(Concluded)

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, 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)	
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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			
Union Commercial Bank Plc.	Construction of new building for the operation of UCB's head office	2014.12.18 2018.07.04	US\$ 23,834 thousand (Note 1)	US\$22,472 thousand has been paid as of December 31, 2018	LBL International	-	-	-	-	Negotiation	For the operation of UCB's head office	None
E.SUN Commercial Bank, Ltd.	Construction of new building for Yiwen branch of E.SUN Commercial Bank, Ltd.	2015.06.12 2017.11.28	\$ 402,195 (Note 2)	\$402,195 has been paid as of December 31, 2018	Zhonglu Construction Co., Ltd., Mr. Lee, Mr. Lee	-	-	-	-	Appraisal	The new branch had been officially opened	None
	Construction of new building for Wen Hsin Branch of E.SUN Commercial Bank, Ltd.	2017.11.01 2018.09.21	421,380 (Note 3)	\$421,380 has been paid as of December 31, 2018	Chuan Mu Construction Development Inc.	-	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None
	Construction of new flagship building for the operation in Kaohsiung	2018.11.09	707,000	It has not been paid as of December 31, 2018	Chun Yuan Construction Co., Ltd.	-	-	-	-	Tender	For the operation of the branch of E.SUN Bank	None
	Head office of E.SUN Commercial Bank, Ltd.	2018.11.09	6,392,400	\$2,556,960 has been paid as of December 31, 2018	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\$1,999 thousand.

Note 2: The initial transaction amount was \$410,800 thousand and \$8,605 thousand was decreased due to the adjustment of actual construction area.

Note 3: The initial transaction amount was \$416,000 thousand and \$5,380 thousand was increased due to the adjustment of actual construction area.

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, 2018
(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	\$ 670,329 (Notes 1 and 2)	-	\$ -	-	\$ -	\$ -

Note 1: The receivables come from remuneration of directors and receivables related to consolidated tax returns.

Note 2: When preparing the consolidated financial statements, the receivables have been eliminated.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					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	\$ 35,387	\$ 9,148,748	\$ -

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
\$9,758,742 (Note 1)	\$9,758,742 (Note 1)	\$94,962,132

(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Transound Electronics (Dongguan) Co., Ltd.	Innovation, R&D, manufacture and selling in new electronic components, and establish R&D institution	\$ 232,519	Invest in Mainland China through the third-party company (Note 3)	\$ 30,000	\$ -	\$ -	\$ 30,000 (Note 1)	\$ 20,017	3.40	\$ -	\$ 12,859	\$ -
Shanghai Vpon Ltd.	Data analysis and developing software	208,276	Direct	38,615	-	-	38,615 (Note 1)	(38,425)	8.93	-	9,975	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 4)
\$68,615 (Note 1)	\$68,615 (Note 1)	\$1,968,338

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 11

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, 2018
(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	\$ 364,574	Note 4 0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Deposits and remittances	364,574	Note 4 0.02
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Receivable on consolidated tax returns	566,329	Note 4 0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Payable on consolidated tax returns	566,329	Note 4 0.02
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Receivable on remuneration of directors	104,000	Note 4 -
1	E.SUN Commercial Bank, Ltd.	E.SUN Financial Holding Company, Ltd.	b	Payable on remuneration of directors	104,000	Note 4 -
2	E.SUN Securities Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents, other financial assets	356,908	Note 4 0.02
1	E.SUN Commercial Bank, Ltd.	E.SUN Securities Co., Ltd.	c	Deposit and remittances	356,908	Note 4 0.02
3	E.SUN Venture Capital Co., Ltd.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents, other financial assets	192,658	Note 4 0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Venture Capital Co., Ltd.	c	Deposit and remittances	192,658	Note 4 0.01
1	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	c	Discounts and loans	2,157,341	Note 4 0.09
4	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	c	Other financial liabilities	2,157,341	Note 4 0.09
1	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	c	Due to the Central Bank and other banks	247,056	Note 4 0.01
4	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	c	Cash and cash equivalents	247,056	Note 4 0.01
1	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	c	Due from the Central Bank and call loans to other banks	7,875,534	Note 4 0.34
5	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	c	Due to the Central Bank and other banks	7,875,534	Note 4 0.34
0	E.SUN Financial Holding Company, Ltd.	E.SUN Commercial Bank, Ltd.	a	Other noninterest gains, net	104,000	Note 4 0.21

(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 Financial Holding Company, Ltd.	b	Employee benefit	\$ 104,000	Note 4 0.21
1	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	c	Interest revenues	222,857	Note 4 0.45
5	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	c	Interest expenses	222,857	Note 4 0.45

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 12**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****CAPITAL ADEQUACY RATIO
DECEMBER 31, 2018 AND 2017**

1. E.SUN Financial Holding Company, Ltd.'s capital adequacy ratio

Unit: In Thousands of New Taiwan Dollars, %

	December 31, 2018			December 31, 2017		
	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.		\$ 160,006,542	\$ 166,722,869		\$ 149,586,787	\$ 155,611,997
E.SUN Commercial Bank, Ltd.	100	214,187,113	139,779,358	100	194,484,051	119,861,902
E.SUN Securities Co., Ltd.	100	4,128,876	1,146,402	100	4,026,967	1,599,005
E.SUN Venture Capital Co., Ltd.	100	3,280,563	1,658,795	100	3,406,334	1,709,548
Deduction		(185,681,445)	(166,592,737)		(174,342,149)	(155,485,023)
Total		195,921,649	142,714,687		177,161,990	123,297,429
Group capital adequacy ratio		137.28			143.69	

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, 2018	December 31, 2017
Common stock	\$ 108,289,000	\$ 101,855,000
Capital instruments, which conform to the terms of bank's other Tier 1 capital	-	-
Other preferred stocks and subordinated debts	-	760,000
Capital collected in advance	-	-
Capital surplus	24,710,706	24,529,129
Legal reserve	9,361,366	7,973,975
Special reserve	164,235	164,235
Cumulative earnings	17,102,179	13,873,907
Equity adjustments	386,802	445,970
Less: Capital deduction	7,746	15,429
Total eligible capital	160,006,542	149,586,787

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, 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	
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

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

Items			Year	December 31, 2017	
				Standalone	Consolidated
Eligible capital	Common equity		\$	137,835,715	\$ 139,863,762
	Other Tier 1 capital			14,647,495	18,020,470
	Tier 2 capital			42,000,841	49,344,778
	Eligible capital			194,484,051	207,229,010
Risk-weighted assets	Credit risk	Standardized approach		1,185,638,241	1,232,233,279
		Internal ratings-based approach		-	-
		Securitization		-	-
	Operational risk	Basic indicator approach		-	-
		Standardized approach/alternative standardized approach		66,504,500	69,492,363
		Advanced measurement approach		-	-
	Market risk	Standardized approach		43,661,600	44,490,150
		Internal model approach		-	-
	Risk-weighted assets			1,295,804,341	1,346,215,792
Capital adequacy ratio (%)				15.01	15.39
Ratio of common equity capital to risk-weighted assets (%)				10.64	10.39
Ratio of Tier 1 capital to risk-weighted assets (%)				11.77	11.73
Ratio of leverage (%)				7.11	7.23

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) $\text{Eligible capital} = \text{Common equity} + \text{Other Tier 1 capital} + \text{Tier 2 capital}.$
- b) $\text{Risk-weighted assets} = \text{Risk-weighted asset for credit risk} + \text{Capital requirements for operational risk and market risk} \times 12.5.$
- c) $\text{Capital adequacy ratio} = \text{Eligible capital} \div \text{Risk-weighted assets}.$
- d) $\text{Ratio of the common equity to risk-weighted assets} = \text{Common equity} \div \text{Risk-weighted assets}.$
- e) $\text{Ratio of Tier 1 capital to risk-weighted assets} = (\text{Common equity} + \text{Other Tier 1 capital}) \div \text{Risk-weighted assets}.$
- f) $\text{Leverage ratio} = \text{Tier 1 capital} \div \text{Exposure measurement}.$

(Concluded)

TABLE 13**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**

**DISCLOSURE REQUIRED UNDER ARTICLE 46 OF
THE FINANCIAL HOLDING COMPANY ACT
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)**

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
Goldman Sachs International	9,483,193	5.93
Citi Bank	9,003,755	5.63
JP Morgan Structured Products B.V.	8,188,148	5.12
World Peace Industrial Co., Ltd.	8,101,818	5.06
BNP Paribas	8,064,765	5.04
Nomura Holdings, Inc.	7,552,127	4.72
Ansin Real Estate Management Company	7,107,558	4.44
Libretto Capital PLC	6,629,961	4.14
Morgan Stanley	6,021,775	3.76
Iris Spv Plc	5,872,815	3.67
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,602,284	3.50
National Australia Bank	5,548,292	3.47
Natixis Banques Populaires	5,543,980	3.46
UBS AG	5,064,330	3.16
Deutsche Bank	5,033,064	3.15
Royal Bank of Scotland	4,910,405	3.07
Industrial And Commercial Bank of China	4,720,961	2.95
Eva Airway Corporation	4,670,833	2.92
Nan Ya Plastic Co., Ltd.	4,363,805	2.73
YFG Shopping Centres Pty Ltd.	4,336,400	2.71
Pegatron Corporation	4,302,620	2.69
Export Import Bank	4,282,029	2.68

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
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.	\$ 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	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
3. Same affiliate		
Societe General and related parties Sinyi Realty Inc. and related parties Eva Airway Corporation and related parties WPG Holdings Limited and related parties Hon Hai Precision Co., Ltd. and related parties Fubon and related parties Formosa Plastics Corp., Ltd. and related parties Chicony Technology Co. and related parties Pegatron Corporation and related parties Mitac-synnex Group and related parties China Steel Corporation and related parties Quanta Computer Inc. and related parties Kinpo Co., Ltd. and related parties Qisda Technology Co., Ltd. and related parties Walsin Lihwa Corporation and related parties Roya Golden Eagle and related parties Far Eastern New Century Corporation and related parties Formosa Chemicals & Fibre Corporation and related parties Powertech Technology Inc. and related parties	14,410,698 11,170,153 10,923,358 9,331,136 7,313,563 7,093,762 5,673,529 5,470,171 4,366,588 4,364,263 4,329,924 4,181,292 4,053,270 4,050,151 3,871,621 3,828,401 3,683,872 3,598,253 3,468,746	9.01 6.98 6.83 5.83 4.57 4.43 3.55 3.42 2.73 2.73 2.71 2.61 2.53 2.53 2.42 2.39 2.30 2.25 2.17

(Continued)

December 31, 2017

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)	\$ 237,642,004	159.66
Ministry of Finance, ROC	56,755,179	38.13
Tai Power Co., Ltd.	15,763,792	10.59
Societe Generale	13,736,201	9.23
Corsair Finance Jersey (International), Ltd	11,430,309	7.68
CPC Corporation, Taiwan	10,783,243	7.24
Goldman Sachs International	10,437,954	7.01
Hong Kong & Shanghai Banking Corp.	10,412,607	7.00
Libretto Capital PLC	10,203,198	6.86
Morgan Stanley	10,034,186	6.74
Bank of China Taipei Branch	9,252,932	6.22
Citi Bank	8,525,396	5.73
Wells Fargo Bank	8,099,903	5.44
Credit Agricole CIB	7,328,318	4.92
Nomura Holdings, Inc.	6,803,109	4.57
Bank of America Corp.	6,702,758	4.50
Deutsche Bank	6,043,374	4.06
JP Morgan Chase Bank N.A	5,784,520	3.89
BNP Paribas	5,046,348	3.39
Hon Hai Precision Co., Ltd	4,971,612	3.34
JP Morgan Structure Products BV	4,520,674	3.04
Nan Ya Plastic Co., Ltd.	4,342,928	2.92
Iris Spv PLC	4,212,428	2.83
Mizuho Bank	4,210,593	2.83
Dragon Steel Corporation	4,110,087	2.76
Chong Hong Construction	4,026,728	2.71
China Steel Corporation	3,963,414	2.66
The Bank of Tokyo - Mitsubishi UFJ, Ltd.	3,845,220	2.58
Synnex Technology International Corporation	3,724,906	2.50
Clevo Co.	3,641,272	2.45

(Continued)

Name	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
Cathay Financial Holdings Co., Ltd. Royal Bank of Scotland Industrial and Commercial Bank of China Wealth Media Technology Co., Ltd.	\$ 3,586,923 3,467,030 3,152,610 3,072,509	2.41 2.33 2.12 2.06
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		
Li	15,776,692	10.60
Lin	10,901,001	7.32
3. Same affiliate		
Hong Kong & Shanghai Banking Corporation and related parties	11,413,743	7.67
Goldman Sach and related parties	11,042,344	7.42
Bank of China and related parties	10,869,752	7.30
China Steel Corporation and related parties	10,332,210	6.94
Citi Bank and related parties	8,527,521	5.73
Hon Hai Precision Co., Ltd. and related parties	7,369,149	4.95
Fubon and related parties	6,948,485	4.67
Eva Airway Corporation and related parties	6,267,654	4.21
Mitac-synnex Group and related parties	6,134,453	4.12
Deutsche Banking Co. and related parties	6,045,257	4.06
JP Morgan Chase Bank and related parties	5,924,893	3.98
Sinyi Realty Inc. and related parties	4,929,392	3.31
Chicony Technology Co. and related parties	4,642,037	3.12
Formosa Plastics Corp., Ltd. and related parties	4,592,153	3.09
Nan Ya Plastic Co., Ltd. and related parties	4,453,986	2.99
AUO Co., Ltd. and related parties	4,188,227	2.81
Chong Hong Construction and related parties	4,155,897	2.79
Cathay Co., Ltd. and related parties	3,956,325	2.66
Kinpo Co., Ltd. and related parties	3,914,401	2.63
Far Eastern New Century Corporation and related parties	3,753,546	2.52
Ruentex Industries Ltd. and related parties	3,635,405	2.44
Walsin Lihwa Corporation and related parties	3,397,481	2.28
WPG Holdings Co. and related parties	3,334,830	2.24
Powertech Technology Inc. and related parties	3,200,833	2.15
Uni-President Enterprises Co. and related parties	3,134,537	2.11

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEEES
DECEMBER 31, 2018
(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	\$ 158,146,891	\$ 17,108,315	8,637,000	-	8,637,000	100.00	3
	E.SUN Securities Co., Ltd.	Taipei	Dealing, underwriting, brokering securities and operating in brokerage of futures	100.00	5,106,801	347,612	400,000	-	400,000	100.00	3
	E.SUN Venture Capital Co., Ltd.	Taipei	Investment	100.00	3,282,439	(144,624)	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.

E.SUN SECURITIES CO., LTD.

FINANCIAL RATIOS OF FUTURES BUSINESS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Requirement: The Regulations Governing Futures Commission Merchants.

Rule No.	Formula	December 31, 2018		December 31, 2017		Standard	Status of Compliance with Standard (Met/Unmet)
		Formula	Ratio	Formula	Ratio		
17	Equities	1,087,172	20.66	1,061,679	22.59	≥ 1	Met
	Total liabilities minus customers' equity accounts - futures	(927,582-874,966)		(874,902-827,907)			
17	Current assets	1,740,493	1.98	1,661,813	1.99	≥ 1	Met
	Current liabilities	880,461		834,543			
22	Equities	1,087,172	116.28%	1,061,679	113.55%	≥ 60% ≥ 40%	Met
	Capital stock	935,000		935,000			
22	Adjusted net capital	1,051,919	666.34%	1,070,944	408.31%	≥ 20% ≥ 15%	Met
	Client and proprietary account	157,866		262,288			

SCHEDULE 1**E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES****DETAILED SCHEDULE OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Cash on hand	\$ 14,394,143
Checks for clearing	8,685,830
Due from banks	32,644,555
Cash in transit	<u>37,501</u>
	55,762,029
Less: Allowance for possible losses	<u>(6,467)</u>
	<u>\$ 55,755,562</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2018
(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	
Financial assets mandatorily classified as at fair value through profit or loss								
Negotiable certificates of deposits (Note)	2019.01.01-2020.12.17	-	\$ 279,795,000	0.1810-0.7050	\$ 279,795,000		\$ 280,550,446	-
Corporate bonds	2019.03.22-2028.12.10	-	66,553,400	0.2208-7.2500	66,550,337		66,809,958	-
Bank debentures	2021.01.25-2028.12.12	-	66,536,945	0.2208-7.8000	66,534,727		66,773,345	-
Commercial paper	2019.01.02-2019.05.08	-	50,732,000	0.4290-1.6400	50,667,894		50,697,502	-
Currency swap contracts		-	-	-	-		4,528,238	-
Stock		175,858	-	-	3,019,488		2,920,498	-
Interest rate swap contracts		-	-	-	-		1,144,186	-
Currency option contracts		-	-	-	603,140		635,170	-
Operating securities - dealing department		-	-	-	317,050		311,453	-
Overseas mutual funds		-	-	-	371,511		327,368	-
Forward contracts		-	-	-	-		266,692	-
Futures exchange margins		-	-	-	266,091		267,446	-
Operating securities - hedging		-	-	-	86,717		79,268	-
Beneficial certificates		-	-	-	70,829		69,030	-
Non-deliverable forward contracts		-	-	-	-		42,808	-
Operating securities - underwriting department		-	-	-	70,534		70,785	-
Cross-currency swap contracts		-	-	-	-		10,697	-
Taiwan depository receipts	200		-	-	6,076		1,328	-
Metal commodity swap contracts	-		-	-	-		404	-
Credit default swap	-		-	-	-		54	-
Taiwan stock index option contracts	-		-	-	1		1	-
					\$ 468,359,395		\$ 475,506,677	

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, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Short-term loans	
Short-term loans	\$ 144,718,385
Short-term secured loans	148,386,869
Secured overdrafts	2,937,719
Accounts receivable financing	324,936
Overdrafts	899,038
	<u>297,266,947</u>
Medium-term loans	
Medium-term loans	249,672,931
Medium-term secured loans	81,514,877
	<u>331,187,808</u>
Long-term loans	
Long-term loans	76,146,515
Long-term secured loans	640,913,891
	<u>717,060,406</u>
Overdue loans	<u>2,390,377</u>
Bills negotiated and discounts	
Export bills negotiated	1,844,425
Import bills negotiated	520,751
	<u>2,365,176</u>
	1,350,270,714
Less: Allowance for possible losses	(16,865,753)
Adjustment of premium or discount	<u>(127,692)</u>
Net amount	<u>\$ 1,333,277,269</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, 2018
(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		195,863			\$ 6,825,640	\$ -		\$ 7,060,879	
Negotiable certificates of deposit	Expire on 2019.04.09 to 2023.08.16		\$ 2,291,580	3.2080-3.4790	2,285,692	(809)		2,293,744	
Bank debentures (Note 2)	Expire on 2019.01.24 to 2046.02.03		90,219,333	0.6500-9.8690	90,226,835	(32,188)		90,543,844	
Government bonds (Note 3)	Expire on 2019.01.11 to 2032.01.20		57,324,600	0.3750-6.2500	59,580,120	-		59,774,281	
Corporate bonds	Expire on 2018.12.30 to 2047.04.05		22,612,322	0.7000-5.2830	22,641,071	(20,057)		22,698,299	
Discounted Notes	Expire on 2019.01.07 to 2019.11.15			3.6000-5.8000	1,023,435	(6,243)		1,024,958	
Overseas bonds (Note 4)	Expire on 2020.05.28 to 2022.12.04		447,600	3.1000-4.1000	446,050	-		450,181	
					<u>\$ 183,028,843</u>	<u>\$ (59,297)</u>		<u>\$ 183,846,186</u>	

Note 1: The book value that amounted to \$11,839,947 thousand had been sold under repurchase agreements.

Note 2: Among the bank debentures, face value of \$245,864 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 \$250,000 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 \$155,000 thousand had been lodged with the courts.

Note 4: Among the overseas bonds, face value of \$268,112 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, 2018
(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 2019.01.04 to 2020.11.30		\$ 5,458,105	0.0000-1.6250	\$ -	\$ (16,958)	\$ 5,441,147
Overseas certificates of deposits (Note 3)	Expire on 2019.01.30		76,832	2.8500	(70)	-	76,762
Bank debentures	Expire on 2023.02.15 to 2026.02.22		2,349,023	0.0000-3.5131	(737)	(9,352)	2,338,934
Corporate bonds	Expire on 2023.07.16		<u>307,506</u>	0.0000	<u>(83)</u>	<u>738</u>	<u>308,161</u>
			<u>\$ 8,191,466</u>		<u>\$ (890)</u>	<u>\$ (25,572)</u>	<u>\$ 8,165,004</u>

Note 1: The book value that amounted to \$1,059,315 thousand had been sold under repurchase agreements.

Note 2: Among the overseas bonds, face value of \$2,099,095 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, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount	Note
Due from banks (Note 1)	\$ 12,814,899	
Guarantee deposits received on futures contracts	875,881	
Others (Note 2)	<u>4,167</u>	
	<u>\$ 13,694,947</u>	

Note 1: The amount of \$3,133,200 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 \$1,271,415 thousand is due from banks with restricted use in compliance with the relevant regulations of business operation.

Note 2: 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 PROPERTIES AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ 14,338,561	\$ 465,502	\$ (34,862)	\$ (33,231)	\$ 7,773	\$ 14,743,743
Buildings	13,385,885	981,226	(38,009)	478,754	(12,768)	14,795,088
Computers	5,243,099	923,874	(149,880)	44,702	(740)	6,061,055
Transportation equipment	812,920	83,195	(20,812)	2	1,285	876,590
Miscellaneous equipment	<u>3,315,121</u>	<u>463,074</u>	<u>(110,582)</u>	<u>2,486</u>	<u>6,140</u>	<u>3,676,239</u>
Total cost	<u>37,095,586</u>	<u>\$ 2,916,871</u>	<u>\$ (354,145)</u>	<u>\$ 492,713</u>	<u>\$ 1,690</u>	<u>40,152,715</u>
Less: Accumulated depreciation and impairment						
Buildings	(3,771,027)	\$ 27,335	\$ (479,410)	\$ (385)	\$ 102	(4,223,385)
Computers	(3,143,518)	147,111	(527,455)	8	(669)	(3,524,523)
Transportation equipment	(487,569)	20,812	(55,725)	-	(1,206)	(523,688)
Miscellaneous equipment	<u>(2,140,094)</u>	<u>107,239</u>	<u>(272,576)</u>	<u>-</u>	<u>(3,285)</u>	<u>(2,308,716)</u>
Total accumulated depreciation and impairment	<u>(9,542,208)</u>	<u>\$ 302,497</u>	<u>\$ (1,335,166)</u>	<u>\$ (377)</u>	<u>\$ (5,058)</u>	<u>(10,580,312)</u>
Prepayments for properties and equipment	<u>655,931</u>	<u>\$ 3,010,430</u>	<u>-</u>	<u>\$ (634,390)</u>	<u>\$ 146</u>	<u>3,032,117</u>
Property and equipment, net	<u>\$ 28,209,309</u>					<u>\$ 32,604,520</u>

Note: Property and equipment had not been provided as collaterals.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF COMMERCIAL PAPER ISSUED

DECEMBER 31, 2018

(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.	Hua Nan Commercial Bank	2019.01.08	0.59	\$ 195,000	\$ 28	\$ 194,972
	Hua Nan Commercial Bank	2019.01.07	0.60	121,000	40	120,960
	Hua Nan Commercial Bank	2019.01.07	0.61	100,000	34	99,966
	Hua Nan Commercial Bank	2019.01.06	0.60	469,000	146	468,854
	Sunny Bank	2019.01.10	0.70	312,000	58	311,942
	Sunny Bank	2019.01.09	0.70	277,000	45	276,955
	Sunny Bank	2019.01.18	0.70	88,000	32	87,968
	Sunny Bank	2019.01.10	0.69	77,000	14	76,986
	Sunny Bank	2019.01.11	0.68	237,000	47	236,953
	KGI Bank	2019.01.08	0.70	200,000	29	199,971
	Taishin International Bank	2019.01.22	0.50	153,000	71	152,929
	Taishin International Bank	2019.01.18	0.50	241,000	87	240,913
	Union Bank of Taiwan	2019.01.04	0.72	200,000	13	199,987
				<u>\$ 2,670,000</u>	<u>\$ 644</u>	<u>\$ 2,669,356</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

DETAILED SCHEDULE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2018
(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						
Interest rate swap contracts					\$ 2,735,167	
Currency swap contracts					2,040,257	
Currency option contracts					679,429	
Forward contracts					268,393	
Non-deliverable forward contracts					40,813	
Stock warrants issued liabilities, net					36,755	
Cross-currency swap contracts					6,138	
Payable on borrowing securities - hedging					<u>1,320</u>	
					<u>5,808,272</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.	\$ 2,612,305	-	\$ 117.3629	3,065,878	\$ 26,975
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.	2,612,305	4.97	90.0958	2,353,576	(990)
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.	1,936,179	-	116.2317	2,250,454	5,799
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.	1,321,519	5.10	93.7814	1,239,340	(476)
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.	7,375,920	-	112.8436	8,323,252	(5,662)

(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.	\$ 7,375,920	5.10	\$ 90.9864	\$ 6,711,081	\$ 6,442
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.	2,919,635	-	102.0391	2,979,170	14,413
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.	2,919,635	4.41	92.6407	2,704,771	4,020
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.	2,765,970	4.85	96.7876	2,677,115	(3,439)
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.	1,843,980	-	95.8170	1,766,846	(10,212)
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.	4,148,955	-	97.0581	4,026,898	(33,300)
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.	6,146,600	4.75	100.2124	6,159,658	(84,457)
Structured products (Note)						
					44,258,039	
					248,852	2,292
					44,506,891	
					\$ 50,315,163	
Note: The amount of each individual item does not exceed 5% of the account balance.						(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF DEPOSITS AND REMITTANCES****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Checking deposits	
Cashier's checks	\$ 2,668,388
Checking deposits	<u>13,221,959</u>
	<u>15,890,347</u>
Demand deposits	
Demand deposits	232,391,289
Foreign currency demand deposits	230,519,495
Others (Note)	<u>9,919</u>
	<u>462,920,703</u>
Savings - demand deposits	
Savings - demand deposits	504,880,739
Bank employee demand savings deposits	<u>3,652,129</u>
	<u>508,532,868</u>
Time deposits	
Time deposits	175,344,986
Foreign currency time deposits	<u>412,370,176</u>
	<u>587,715,162</u>
Negotiable certificates of deposits	<u>11,219,755</u>
Savings - time deposits	
Withdrawals of interest savings	201,722,052
Round-amount savings	86,978,133
Others (Note)	<u>140,466</u>
	<u>288,840,651</u>
Treasury deposits	<u>10,765,922</u>
Remittances	
Remittances outstanding	805,987
Outward remittances	<u>2,586</u>
	<u>808,573</u>
	<u>\$ 1,886,693,981</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, 2018
(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 2012	Hua Nan Commercial Bank, Ltd.	2012.6.29	June 29 in each year	Fixed interest rate 1.75%	\$ 3,800,000	\$ -	\$ 3,800,000	Repay on the maturity date	Unsecured	
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	
					<u>5,800,000</u>	<u>-</u>	<u>5,800,000</u>			
Bank debentures										
Subordinated bonds - first issue in 2012 (matures after 7 years)	None	2012.4.27	April 27 in each year	Fixed interest rate 1.58%	2,280,000	-	2,280,000	Repay on the maturity date	Unsecured	
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	-	8,000,000	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	-	1,500,000	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	

(Continued)

Name	Trust Institutions	Issue Date	Interest Payment Date	Annual Interest Rate	Amount			Types of Collateral	Note
					Total Amount Issued	Amount Repaid	Carrying Amount		
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	Unsecured	Repay on the maturity date
					1,100,000	-	1,100,000		
Subordinated bonds - third issue in 2018	None	2018.4.24	April 24 in each year	Fixed interest rate 0.66%	<u>36,850,000</u>	<u>-</u>	<u>36,850,000</u>	Unsecured	Repay on the maturity date
					<u>\$ 42,650,000</u>	<u>\$ -</u>	<u>\$ 42,650,000</u>		

(Concluded)

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF INTEREST REVENUE****FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest revenue from discounts and loans	
From long-term loan interest	\$ 12,545,728
From medium-term loan interest	10,124,550
From short-term loan interest	6,549,539
Others (Note)	<u>459,805</u>
	<u>29,679,622</u>
Interest revenue from investments	
From financial assets at fair value through other comprehensive income	3,591,157
From investments in debt instruments at amortized cost	<u>113,988</u>
	<u>3,705,145</u>
Interest revenue from due from other banks and call loans to banks	
Interest revenue due from banks	1,100,714
Interest revenue due from the Central Bank	150,324
From call loans to banks	<u>286,438</u>
	<u>1,537,476</u>
Interest revenue from revolving interests of credit cards	<u>2,077,081</u>
Others (Note)	<u>391,093</u>
	<u>\$ 37,390,417</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, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Interest expense from deposits	
From time deposits	\$ 9,167,899
From withdrawals of interest savings	2,100,035
From savings - demand deposits	803,837
From round-amount savings	777,657
From demand deposits	997,596
Others (Note)	74,630
	<u>13,921,654</u>
Interest expense from issuing bonds payable	
From bank debentures	667,599
From corporate bonds	85,350
	<u>752,949</u>
Interest expense from due to the Central Bank and other banks	
From call loans from Central Bank and other banks	1,820,748
From banks overdrafts	55
	<u>1,820,803</u>
Interest expense from securities sold under repurchase agreements	<u>209,810</u>
Interest expense from deposits due to the Central Bank and other banks	
From deposits from Chunghwa Post Co., Ltd.	29,479
Others (Note)	40,206
	<u>69,685</u>
Others (Note)	<u>304,201</u>
	<u>\$ 17,079,102</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, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Service fee and commission income	
From credit cards	\$ 6,077,629
From insurance	4,408,206
From trust business	3,388,090
From loans	1,388,528
From brokerage	1,137,289
Others (Note)	<u>2,031,240</u>
	<u>18,430,982</u>
Service charge and commission expenses	
From agency	(815,079)
From cross - bank transactions	(349,597)
From computer processing	(244,233)
From service charge under custody	(168,642)
Others (Note)	<u>(482,416)</u>
	<u>(2,059,967)</u>
Service fee and commission income, net	<u>\$ 16,371,015</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, 2018
(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)	\$ (2,543)	\$ (269,792)	\$ (272,335)
Negotiable certificates of deposits (including interest income)	1,417,419	(85,672)	1,331,747
Commercial paper (including interest income)	248,504	19,128	267,632
Bank debentures (including interest income)	2,739,596	(105,142)	2,634,454
Corporate bonds (including interest income)	2,854,214	(71,981)	2,782,233
Currency swap contracts	27,817,311	1,416,589	29,233,900
Forward contracts	2,477,677	(186,574)	2,291,103
Non-deliverable forward contracts	78,777	24,692	103,469
Interest rate swap contracts	1,625,364	38,622	1,663,986
Selling securities - hedging	(107,771)	7,723	(100,048)
Others	(222,344)	326,227	103,883
	<u>38,926,204</u>	<u>1,113,820</u>	<u>40,040,024</u>
Financial liabilities at fair value through profit or loss			
Currency swap contracts	(18,190,754)	1,139,863	(17,050,891)
Forward contracts	(1,169,486)	35,343	(1,134,143)
Non-deliverable forward contracts	(73,187)	(23,079)	(96,266)
Interest rate swap contracts	(1,322,442)	(1,806,365)	(3,128,807)
Cross-currency swap contracts	(193,991)	57,055	(136,936)
Bank debentures (including interest expense)	(2,078,392)	1,893,741	(184,651)
Stock warrants issued liabilities	-	104,112	104,112
Others	(50,580)	39,198	(11,382)
	<u>(23,078,832)</u>	<u>1,439,868</u>	<u>(21,638,964)</u>
	<u>\$ 15,847,372</u>	<u>\$ 2,553,688</u>	<u>\$ 18,401,060</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, 2018
(In Thousands of New Taiwan Dollars)**

Items	Amount
Dividend income	\$ 381,883
Bank debentures	381,903
Government bonds	32,783
Corporate bonds	99
Overseas bonds	<u>(35,480)</u>
	<u>\$ 761,188</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 FOREIGN EXCHANGE GAINS (LOSSES)****FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
General exchange loss	\$ (6,707,458)
Exchange gain of regulatory capital	<u>4,425</u>
	<u>\$ (6,703,033)</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF IMPAIRMENT LOSSES ON ASSETS****FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Impairment losses on investments in debt instruments at fair value through other comprehensive income	\$ 5,533
Impairment losses on investments in debt instruments at amortized cost	308
Impairment losses on investment properties	<u>149</u>
	<u>\$ 5,990</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF OTHER NONINTEREST GAINS, NET
FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Net sales revenue	\$ 82,658
Rental revenue	65,932
Net gains on disposal of property	83,216
Others	<u>61,873</u>
	<u>\$ 293,679</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, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Provision for possible losses on due from banks	\$ 6,353
Reversal of provision for possible losses on call loans to other banks	(19,164)
Provision for possible losses on receivables	378,891
Provision for possible losses on discounts and loans	2,747,003
Provision for possible losses on guarantees	85,605
Provision for possible losses on financing commitments	<u>53,784</u>
	<u>\$ 3,252,472</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF EMPLOYEE BENEFITS EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount			Total	Note
	Employee Benefits Expenses	Other Noninterest Gains, Net	Other Operating and Administrative Expenses		
Salaries	\$ 9,818,780	\$ 175,634	\$ -	\$ 9,994,414	
Insurance	677,956	14,011	-	691,967	
Remuneration of directors	28,311	-	156,933	185,244	
Excessive interest from preferential rates	182,367	-	-	182,367	
Post-employment benefits	369,603	7,577	-	377,180	
Others (Note 1)	<u>519,806</u>	<u>5,364</u>	<u>-</u>	<u>525,170</u>	
	<u>\$ 11,596,823</u>	<u>\$ 202,586</u>	<u>\$ 156,933</u>	<u>\$ 11,956,342</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, 2018 and 2017, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,761 and 8,733, of which the average number of directors who did not concurrently act as an employee was both 12. For the years ended December 31, 2018 and 2017, the average number of employees of ESBC, UCB and BankPro was 695 and 680, respectively, of which the average number of directors who did not concurrently act as an employee was 7 and 6.

Note 3: For the year ended December 31, 2018, the average amount of employee benefits expenses and salary expenses of the Company was \$1,247 thousand and \$1,059 thousand, respectively.

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF DEPRECIATION AND AMORTIZATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Depreciation expense	
Property and equipment	\$ 1,335,166
Investment properties	<u>51,248</u>
	1,386,414
Amortization expense	<u>642,337</u>
	<u>\$ 2,028,751</u>

E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES**DETAILED SCHEDULE OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Items	Amount
Business marketing expenses	\$ 3,038,806
Tax expenditures	2,056,096
Software services expenses	894,043
Rental expenses	1,007,748
Research expenses on a consign basis	502,893
Insurance expenses	442,565
Others (Note)	<u>4,271,680</u>
	<u>\$ 12,213,831</u>

Note: The amount of each individual item does not exceed 5% of the account balance.



Gratefulness for Glorious Moments

E.SUN's glories and honors in 2018

- Listed in DJSI for the 5th consecutive year
- Third time winner of Best Bank in Taiwan (The Banker)
- Best Bank in Taiwan for the 4th consecutive year (The Asset)
- Fourth time winner of Best Bank in Taiwan (Asiamoney)
- Eleventh time winner of CSR Award and No. 1 in financial sector (Wealth Magazine)
- Corporate Awards – Platinum Award for Governance, CSR and Investor Relations for the 9th consecutive year (The Asset)
- The Most Prestigious Sustainability Awards- No.1 in Taiwan financial sector for the 4th consecutive year (Taiwan Corporate Sustainability Awards)
- Best CSR Bank in Taiwan for the 3rd consecutive year (Global Views Monthly)
- Fourth time winner of National Quality Award in Taiwan (Executive Yuan)

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Yung-Jen Huang

Chairman



March 20, 2019 Printed

E.SUN of Taiwan, as E.SUN of the World.

Service Network of E.SUN Bank

Branch	phone	Branch	phone	Branch	phone
Head Office Business Division	+886 2 2719 1313	Banhsin Branch	+886 2 8952 1313	Wurih Branch	+886 4 2260 8813
Customer Service Division	+886 2 2175 1313	SinBan District Branch	+886 2 2954 1313	Caotun Branch	+886 4 9238 1313
International Banking Department/IBU	+886 2 2175 1313	Guangfu Branch	+886 2 2957 1313	Changhua Branch	+886 4 728 1313
Trust Department	+886 2 2175 1313	Sanhe Branch	+886 2 2280 1313	Yuanlin Branch	+886 4 836 1313
Credit Card and Payment Division	+886 2 8512 1313	Sanchung Branch	+886 2 2984 1313	Douliou Branch	+886 5 532 1313
Nanching East Road Branch	+886 2 2760 1313	Er-Chong Branch	+886 2 2278 1313	Chiayi Branch	+886 5 223 1313
Chengjiong Branch	+886 2 2389 1313	East Sanchung Branch	+886 2 2971 1313	East Chiayi Branch	+886 5 216 1313
Chengtung Branch	+886 2 2504 1313	Tucheng Branch	+886 2 2274 1313	Puzih Branch	+886 5 379 1313
Hsinyl Branch	+886 2 8789 1313	South Tucheng Branch	+886 2 2267 1313	Tainan Branch	+886 6 241 1313
Nan Shan Plaza Branch	+886 2 2722 8913	Shulin Branch	+886 2 8675 1313	East Tainan Branch	+886 6 289 1313
Keelung Road Branch	+886 2 2378 1313	Hueilong Branch	+886 2 2689 1313	Jinhua Branch	+886 6 291 1313
Tienmu Branch	+886 2 2835 1313	Wugu Branch	+886 2 2290 1313	Annan Branch	+886 6 357 1313
Minsheng Branch	+886 2 2509 1313	Sindian Branch	+886 2 2916 1313	Chiali Branch	+886 6 721 1313
Songjiang Branch	+886 2 2562 1313	Beisin Branch	+886 2 8911 1313	Yanhang Branch	+886 6 253 1313
Fuhsing Branch	+886 2 2771 1313	Sanxia Branch	+886 2 8970 6613	Yungkuang Branch	+886 6 201 1313
Tunnan Branch	+886 2 2754 1313	Lujhou Branch	+886 2 2848 1313	South Yungkuang Branch	+886 6 313 1313
Changchun Branch	+886 2 2546 1313	Taishan Branch	+886 2 2297 1313	Rende Branch	+886 6 270 6613
Chungshan Branch	+886 2 2537 1313	Xizhi Branch	+886 2 2647 6613	Sinying Branch	+886 6 656 8813
Neihu Branch	+886 2 2659 1313	Taoyuan Branch	+886 3 332 1313	Kaohsiung Branch	+886 7 336 1313
Chenggong Branch	+886 2 2791 8813	South Taoyuan Branch	+886 3 337 1313	Dashun Branch	+886 7 727 1313
Songshan Branch	+886 2 3765 1313	Taoyin Branch	+886 3 375 1313	Lingya Branch	+886 7 716 1313
Heping Branch	+886 2 2362 1313	Linkou Branch	+886 3 396 1313	Cianjhen Branch	+886 7 761 1313
Mincyuan Branch	+886 2 2568 1313	Nankan Branch	+886 3 352 1313	Chihsien Branch	+886 7 235 1313
Jhonglun Branch	+886 2 2731 1313	Bade Branch	+886 3 367 1313	Zuoying Branch	+886 7 559 1313
Daan Branch	+886 2 2755 1313	Yiwen Branch	+886 3 357 1313	Nanzih Branch	+886 7 364 1313
Guting Branch	+886 2 2364 1313	Zhongyuan Branch	+886 3 428 1313	North Kaohsiung Branch	+886 7 350 1313
Beitou Branch	+886 2 2895 1313	Jhongli Branch	+886 3 427 1313	Dachang Branch	+886 7 341 1313
Donghu Branch	+886 2 2632 1313	Lisin Branch	+886 3 492 1313	Chengcing Branch	+886 7 386 1313
Xinhu Branch	+886 2 8791 6613	Yangmei Branch	+886 3 488 1313	Siaogang Branch	+886 7 807 1313
Shilin Branch	+886 2 2834 1313	Hsinchu Branch	+886 3 523 1313	Fongshan Branch	+886 7 743 1313
Mujha Branch	+886 2 2936 1313	Guanghua Branch	+886 3 533 1313	Gangshan Branch	+886 7 621 1313
Jhongsiao Branch	+886 2 8772 1313	Juke Branch	+886 3 564 1313	Linyuan Branch	+886 7 643 1313
Dongmen Branch	+886 2 2321 1313	JhuBei Branch	+886 3 554 1313	Houjhuang Branch	+886 7 702 1313
Jiancheng Branch	+886 2 2556 1313	Sinfong Branch	+886 3 557 1313	Pingtung Branch	+886 8 733 1313
Nangang Branch	+886 2 2789 1313	Lioujia Branch	+886 3 658 9013	Donggang Branch	+886 8 835 1313
Renai Branch	+886 2 2708 1313	Jhunan Branch	+886 3 746 1313	Keelung Branch	+886 2 2427 1313
Taipei Branch	+886 2 2507 1313	Toufen Branch	+886 3 766 3571	Luodong Branch	+886 3 957 1313
Ruiguang Branch	+886 2 2797 8813	Houlong Branch	+886 3 773 1313	Hualien Branch	+886 3 831 1313
Hsinchuang Branch	+886 2 2202 1313	Taichung Branch	+886 4 2254 1313	Taitung Branch	+886 8 936 1313
North Hsinchuang Branch	+886 2 2997 1313	Wunsin Branch	+886 4 2291 1313	Penghu Branch	+886 6 927 1313
Sinshu Branch	+886 2 2203 1313	Dadun Branch	+886 4 2320 1313	Los Angeles Branch	+1 626 810 2400
Shwangho Branch	+886 2 2923 1313	Nantun Branch	+886 4 2380 1313	Hong Kong Branch	+852 3405 6168
Yonghe Branch	+886 2 2949 1313	Siltun Branch	+886 4 2461 1313	Singapore Branch	+65 6533 1313
Jixian Branch	+886 2 8283 1313	Daya Branch	+886 4 2568 1313	Dong Nai Branch	+84 61 367 1313
Yung An Branch	+886 2 8921 1313	Fongyuan Branch	+886 4 2512 1313	Yangon Branch	+95 1 9345186~190
Jhonghe Branch	+886 2 2222 1313	Jhonggong Branch	+886 4 2350 8913	Sydney Branch	+61 2 9295 1399
Liancheng Branch	+886 2 8228 1313	Beitun Branch	+886 4 2241 6813	Brisbane Branch	+61-7-3033-8813
Nanshijiao Branch	+886 2 2942 8813	Shalu Branch	+886 4 2662 1813	Tokyo Branch	+81 3 6213 1301
Taihe Branch	+886 2 2242 1313	Dali Branch	+886 4 2418 1313	Hanoi City Representative Office	+84 4 35551313
Banciao Branch	+886 2 8257 1313	Wuquan Branch	+886 4 2377 1313	E.SUN Bank (China)	+86 755 8898 1313
Puchain Branch	+886 2 2963 1313	Taiping Branch	+886 4 2270 8813	Shenzhen Branch	+86 755 8360 1313
				Dongguan Branch	+86 769 2868 1313
				Guangzhou Branch	+86 20-6199-1313
				Dongguan Changan Sub-branch	+86 769 2330 8813
				Union Commercial Bank Plc.	+855 2391-1313

E.SUN Securities Co., Ltd.

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
Chengjiong 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

E.SUN Venture Capital Co., Ltd.

Headquarters	+886 2 2175 1313
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E.SUN Cultural and Educational Foundation

Headquarters	+886 2 2175 1313
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E.SUN Volunteer & Social welfare Foundation

Headquarters	+886 2 2175 1313
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