



## **2017 Annual Report**

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	Website	Telephone
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	<a href="http://www.yuanta.com.tw">http://www.yuanta.com.tw</a>	(02)2718-1234
Yuanta Bank	1F~10F, No. 66 and 1F,2F,2F-1,7F,9F, No. 68, Sec. 1, Dunhua S. Rd., Taipei City	
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Yuanta Asset Management	10F-1, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
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Yuanta Securities Investment Trust	10F~11F, No. 219 and 6F, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
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Yuanta Securities Investment Consulting	4F, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	
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III. Name, Address, Website and Telephone of Institution for stock transfer

Institution for stock transfer	Yuanta Securities, Registrar & Transfer Department	Telephone	(02)2586-5859
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IV. Name, Address and Telephone of credit rating agencies

credit rating agencies	Address	Telephone	Companies for rating
Taiwan Ratings Corporation	49F., No.7, Sec. 5, Xinyi Rd., Taipei City (Taipei 101 Building)	(02)8722-5800	Yuanta Financial Holdings, Yuanta Securities, Yuanta Bank, Yuanta Life, Yuanta Securities Finance
Fitch Ratings Taiwan	Rm. 1306, 13F., No.205, Dunhua N. Rd., Taipei City	(02)8175-7600	Yuanta Financial Holdings, Yuanta Securities, Yuanta Bank

V. Name, Accounting Firm, Address, Website and Telephone of CPAs on the 2017 Financial Statements

Name of CPA	Ellen Kuo, Ming-Hui Chang	Telephone	(02) 2729-6666
Accounting Firm	PricewaterhouseCoopers Certified Public Accountants	Address	27F., No.333, Sec. 1, Keelung Rd., Taipei City
Website	<a href="http://www.pwc.com/tw/">http://www.pwc.com/tw/</a>		

VI. Overseas Listings and Access to the Listing Information: None.

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**Notice to readers**

This English-version annual report is a summary translation of the Chinese version and is not an official document of shareholders’ meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

## **One. Letter to Shareholders**

### **I. Domestic and international financial environment**

In 2017, with the world's leading economies adopting expansionary fiscal policies, as well as the effect of easy money monetary policies, the unemployment rates in advanced economies such as the U.S.A., Europe and Japan declined accordingly and thereby increased both consumer and business investment confidence. The global economic growth rate exceeded the 2.8% forecast set at the beginning of the year, and continued to increase stably. Domestically, benefiting from the global economic recovery, overseas market demand drove the growth of net exports from negative to positive figures, providing a concomitant boost to the economic growth rate. The Directorate-General of Budget, Accounting and Statistics forecast in November 2017 that the annual economic growth rate was expected to be 2.58%, surpassing the 2016 rate of 1.41%.

Looking forward to 2018, it is expected that the investment and consumption by advanced economies should be able to drive mild economic growth, allowing a normalization of monetary policy. Emerging markets are expected to continue recovering due to the stable raw material and supply prices and investments in infrastructure. IHS Markit forecast in December 2017 that the global economic growth rate would be roughly equivalent to that of 2017, at 3.2%. Economic downside risks include risks related to the fiscal revenue and expenditure structures in various countries as well as geopolitical risks. Meanwhile, it is necessary to keep observing that in the wake of the increase in financial asset prices resulting from the economic recovery in 2017, some regression and turmoil might hit the financial market if real economic performance is subpar in 2018. Domestically, despite raising the minimum wage and increasing worker salaries, demographic structure issues such as the low birth rate and an aging population will partially negate the growth in private consumption. Additionally, the trade surplus is expected to decrease. For these reasons, in November 2017 the Directorate-General of Budget, Accounting and Statistics forecast a 2.29% economic growth rate in 2018, lower than that of 2017.

As far as the domestic financial environment is concerned, the booming investment in domestic and overseas capital markets in 2017 benefited the overseas investment income generated by the financial industries domestically. The turnover and financing balance in the domestic stock market have experienced significant growth. Among the other things, the brokerage services of the securities industry benefited from the growth most, as the securities industry's profit grew remarkably. The life insurance industry was affected by FX losses and an increase in hedging costs, but its profit still grew upon adjustments to its investment positions. The banking industry's net interest and fee income showed stable growth, with income growth primarily driven by trading income.

Looking forward to 2018, it is expected that the U.S.A. will continue a policy of interest rate hikes, while Taiwan will raise interest rates by a relatively small amount and after the second half of the year. The life insurance industry's overseas investment income rate of new money is

expected to increase, but the interest spread between NTD and USD and foreign exchange hedging costs might increase, causing harm to overall investment income. The banking industry's foreign currency interest spread is expected to increase. Notwithstanding, as weak domestic private investment and excessive savings persist, it is difficult for the interest spread of NTD to recover in the near term. In order to achieve effective capitalization and increase yield rates, domestic banks have worked to expand their investment positions and high-interest-spread loans. Nonetheless, it is necessary to prevent related risks. The securities industry is earning revenue from new business lines; however, brokerage services are still the main source of revenue, and profits are still reliant on trading volume in the capital markets.

## **II. Changes in company organization**

The most significant change in the Company's organization in 2017 is as follows: The merger of Yuanta Bank and Ta Chong Bank was approved by the Financial Supervisory Commission ("FSC") via FSC approval letter under Ching-Kuan-Ying-Kong-Tze No. 10500320920, dated January 17, 2017. The surviving entity upon consolidation was Yuanta Bank and the record date for the consolidation was set as January 1, 2018. The most significant changes in the main subsidiaries' organizations are as follows:

### **(I) Yuanta Securities:**

1. Yuanta Securities acquired the equity of First Securities Joint Stock Company in Vietnam in part via Yuanta Securities Asia Financial Services and Yuanta Securities (HK) on December 7, 2017. After that, the shareholdings of Yuanta Securities Asia Financial Services increased from 44.68% to 50.76%; and the shareholdings of Yuanta Securities (HK) increased from 0% to 49.19%, giving the two companies a combined 99.95% equity stake. The company was renamed as "Yuanta Securities Vietnam Joint Stock Company" on February 13, 2018.
2. In order to develop its business overseas and simplify its overseas organizational structure, Yuanta Securities' subsidiary, Yuanta Securities Asia Financial Services, completed the disposition of Grand Asia Asset Management and Grand Asia Capital Services (Singapore) on December 28, 2017.

### **(II) Bank subsidiaries:**

1. Ta Chong Bank's board of directors resolved on March 10, 2017 to dispose of 34.87% of equity of Ta Chong Securities held by it at the price of NT\$11.2 per share and sell the same to Taishin Securities. The total trading value was NT\$1.475 billion, and the settlement was completed on August 28, 2017.
2. Ta Chong Bank's board of directors resolved on May 15, 2017 to consolidate Ta Chong International Finance and Investment Company. The record date for the consolidation was set as July 1, 2017.

In the future, the Company will continue to adjust the capital structures of its subsidiaries in line with business development needs and strengthen the entire Group's competitiveness

through organizational restructuring. In order to create operational synergies, the Company has adopted a joint channel strategy with its securities and banking operations located in the same premises. As of the end of December, 2017, a total of 49 securities and bank branches were operating out of the same locations, creating great synergy in terms of integrating resources.

### **III. Business achievements**

Despite a rapidly changing financial environment, the Company has maintained a stable attitude and taken every opportunity for business development, in order to increase shareholders' value. In 2017, the Company generated NT\$16.205 billion in net income. Meanwhile, in 2017, the Company was awarded the "Platinum Award in Corporate Governance, Corporate Social Responsibility and Investors Relations" by the internationally renowned financial magazine, The Asset. The Company also passed the Taiwan Corporate Governance Association's "CG6010 (2015) Corporate Governance System Evaluation - Excellence Certification" in January 2016, becoming the first company to receive this certification (effective from January 5, 2016 to January 4, 2018). In April 2017, the Company also ranked in the top 5% of listed companies in the 3rd annual "Corporate Governance Evaluation Operation" held by the TWSE, an honor it received for a third consecutive year.

The Company's subsidiary, Yuanta Securities, owned 147 branches as of the end of December 2017, with a brokerage market share around 12.4%, making it a leader among industry peers. In recent years, Yuanta Securities has continuously developed multiple businesses domestically and overseas, driven by an enterprising culture of pursuing innovation and teamwork, and was honored by domestic and foreign professional financial magazines. These honors, totaling 55 awards throughout the year, include the "Best Local Brokerage in Taiwan" from Asiamoney won by the Company for 11 consecutive years, the "Wealth Management Award (Wealth Magazine)" from Wealth Magazine, "Wealth Magazine Finance Award", and securities-related awards by various foreign organizations including Euromoney, The Asset, FinanceAsia and iichina.com. Honors awarded by the competent authorities included the "Best Warrant House Award", "Best Warrant Market Award in Warrant Trading Volume", the first place in "E-Trade Turnover Increase Award", the first place in the "API Promotion Award", the first place in "No. of Warrant Issuances", and the first place in "Warrant Value Excellence Award". Meanwhile, it received the "Excellent Enterprise Leadership Award - CEO Arthur Chen", "Excellent Financial Innovation Award - Yuanta WAN-SHIH-TUNG App", and the "Outstanding Talent Training Award". These awards demonstrate deep industry recognition for Yuanta Securities' efforts in developing business and working to protect the rights and interests of our customers.

Yuanta Bank has primarily engaged in "balancing its business structure, dispersing its profit-making sources and increasing the efficiency of its capital utilization" in 2017, in order to achieve the objectives of balanced development and financial strength. Yuanta Bank's overall performance was surpassed its industry peers, and its assets and business scale experienced stable growth. As of the end of December 2017, Yuanta Bank had assets worth NT\$872.3 billion,

a slight increase by 1% from 2016. In terms of profit performance, the Bank developed niche businesses such as international syndicated loans, its net fee income increased, and its interest spread showed consistent growth. The annual net income was NT\$6.743 billion, an increase by NT\$1.148 billion over 2016, with a growth rate of 21%, an EPS of NT\$1.58 and an ROE of 11.14%, setting company records for several profit indicators. Meanwhile, its capital adequacy rate increased to 14.45%, demonstrating that the Bank has achieved balanced business development. Moreover, the Bank's NPL ratio, NPL coverage ratio, and loan coverage ratio were 0.22%, 597% and 1.32%. Its overall asset quality was considered strong by industry standards, and exceeded the requirements set by the competent authorities.

In 2017, Ta Chong Bank continued to enhance its asset quality and risk management ability, reduce operating costs, maintain its interest spread for deposits/loans, manage customer groups, and utilize wealth management planning and consultation strategies to enhance the stickiness and contribution of customers in terms of customers' behavior and products. As of the end of December, Ta Chong Bank had assets worth NT\$431.7 billion, with an accumulated after tax net loss of NT\$660 million. Its asset quality remained superior with a 0.27% NPL ratio, 557% NPL coverage ratio, 1.49% loan coverage ratio and 16.23% capital adequacy ratio.

Upon transformation of its product strategy in 2016, Yuanta Life pursued the policy guidelines of "Persistent in target firmly, Deep-rooted in professionalism, Consolidate core business innovatively, Overcome difficulties and turn for the better", differentiated product development to meet the needs of channel development, and continued focusing on the promotion of protection-type and long-term paying products via internal and external channels. In 2017, the Annualized Premium Equivalent production from protection-type and long-term paying products were NT\$2 billion, a growth of 27%, the share of total new business increased from 32% to 37%. As all this makes clear, Yuanta Life was expanding its business scale for protection-type and long-term paying products stably to pursue long-term value of the Company and to practice the spirit of "Mutual Relief"

In implementing their respective 2017 business plans, our subsidiaries posted the following results:

Item		Total assets (NT\$1,000)	Revenue (NT\$1,000) [Note 1]	Net income (NT\$1,000)	EPS (NT\$)
Yuanta Securities	2016	293,985,203	14,975,352	7,440,723	1.35
	2017	349,534,180	18,866,538	8,025,674	1.47
Yuanta Bank [Note 2]	2016	863,650,633	13,772,326	5,594,955	1.31
	2017	872,295,232	14,742,757	6,743,007	1.58
Ta Chong Bank [Note 2, 3]	2016	473,718,659	9,855,388	1,480,455	0.45
	2017	431,681,325	5,742,971	(661,259)	(0.18)
Yuanta Life	2016	162,170,796	38,915,792	(628,042)	(0.77)
	2017	201,182,498	42,677,025	(159,195)	(0.15)



Item		Total assets (NT\$1,000)	Revenue (NT\$1,000) [Note 1]	Net income (NT\$1,000)	EPS (NT\$)
Yuanta Securities Finance	2016	21,895,351	550,841	310,489	0.70
	2017	27,423,118	730,947	2,089,011	5.22
Yuanta Venture Capital	2016	2,646,218	270,841	180,231	0.53
	2017	2,321,581	172,815	11,311	0.05
Yuanta Futures	2016	62,170,521	2,884,110	835,706	3.60
	2017	56,719,069	2,887,768	873,286	3.76
Yuanta Securities Investment Trust	2016	4,480,720	2,260,536	845,741	3.73
	2017	4,789,300	2,500,679	1,001,405	4.41
Yuanta Asset Management	2016	3,953,650	394,902	277,000	1.45
	2017	3,394,802	417,609	258,864	1.83
Yuanta Securities Investment Consulting	2016	425,953	216,945	1,288	0.04
	2017	241,407	206,688	489	0.03

Note 1: "Revenue" figures do not include non-operating revenue.

Note 2: "Revenue" figures for Yuanta Bank and Ta Chong Bank represent net revenue.

Note 3: Ta Chong International Finance and Investment Company was consolidated into the Ta Chong Bank on July 1, 2017. Because this was considered Yuanta Group organizational restructuring, the financial reports for the year 2016 were retroactively adjusted in accordance with regulations.

#### IV. Credit ratings' dates and results

Domestic and foreign credit rating organizations have recognized the Company's stable asset quality and business achievements. Taiwan Ratings Corporation confirmed on January 17, 2018 that the Company's outlook should remain as "stable", primarily because the Group possessed a strong capital level and was leading in the relevant securities markets in Taiwan. Fitch Ratings confirmed on July 18, 2017 that the Company's outlook should remain as "stable". The rating reflects the continual strengthening of the Group's market position. The Group diversified its operating revenue and funding sources through more regions and product development by virtue of multiple M&A projects, including Ta Chong Bank in 2016, and Tong Yang Securities and New York Life Insurance (Taiwan) in 2014.

According to the ratings given by the Taiwan Ratings Corporation on January 17, 2018, it maintained the long-term and short-term credit ratings of the Company as "twAA-" and "twA-1+", respectively, and rated the Company's outlook as "stable". According to Fitch Ratings' assessment on July 18, 2017, the Company's domestic long-term and short-term credit ratings remained at "AA-(tw)" and "F1+ (tw)", and international long-term and short-term ratings at "BBB+" and "F2", respectively, with a "stable" outlook.

The Company is committed to rigorous risk management and pragmatic business development with a focus on raising the level of asset quality, while continuing to pursue concrete implementation of good corporate governance practices. As of the end of 2017, the

Company's debt to equity ratio was 15.90%, the double leverage ratio was 113.32%, and the capital adequacy ratio was 133.19%, all highlighting the Company's sound financial structure.

The Company's recent credit rating results are summarized below:

Rating category	Rating agency	Credit rating		Outlook	Effective date
		Long-term	Short-term		
International rating	Fitch Ratings	BBB+	F2	Stable	2017/07/18
Domestic rating	Fitch Ratings	AA-(tw)	F1+(tw)	Stable	2017/07/18
	Taiwan Ratings	twAA-	twA-1+	Stable	2018/01/17

## V. Future business environment and development strategy

The Company's long-term and mid-term development strategy continued to maintain the overall growth development strategy valuing "solidification of cores and driving of growth". The Company should solidify the core businesses, continue developing its competitiveness, and also focus on the layout and management of growing businesses, markets and customers, as well as the effect of the Group's cross-industry or cross-border growth.

Looking forward to 2018, the Company will continue progressively solidifying its core competitiveness, comprehensively driving its growth, and enhancing overseas business income with its excellent asset quality and risk management ability as a backup. The development strategies of the Company's main subsidiaries for 2018 are summarized as follows:

- (I) Yuanta Securities: Balanced development of business lines and enhancement of layout and effectiveness in the Asia Region

Yuanta Securities will maintain a stable development policy. All of its brokerage channels have been transformed into wealth management channels. It will also continue to maintain traditional brokerage services, support innovation and cross-industry development, develop domestic and overseas brokerage services, wealth management and domestic/overseas futures thoroughly, and develop the private bank's wealth management services, in order to transform it from the leading domestic securities firm into a regional securities firm in the Asia Pacific Region.

In terms of overseas business, Yuanta Securities will focus on building its Hong Kong subsidiary as a competitive international platform, connected with regional markets including Taiwan, Hong Kong, Korea, London, Thailand, Indonesia and Vietnam, and will utilize the strength and characteristics of cross-border financial trading to provide customers with more diversified investment visions and professional financial services. It will enhance relevant cooperation and integration of resources in cross-border territories, provide comprehensive financial consultation services needed by customers at various growth stages, and aim to become the top regional investment bank in Asia. It will also continue observing related investment layout opportunities in Southeast Asia. This is done in hopes of reaching the Company's overall development strategies and profit

objectives, and to continue to follow up on the cross-Strait competent securities authorities' schedule for authorization of joint ventures and participation in investment to launch into the market of Mainland China in a timely manner.

(II) Yuanta Bank: Integrate and adjust business structure and increase synergies from merger

Yuanta Bank and Ta Chong Bank were officially merged on January 1, 2018. In order to deal with the environmental changes and highly competitive business challenges, the Bank will accelerate the integration of corporate cultures, and aim to maximize the Bank's strength and calibrate the orientations of organizations, systems and businesses to solidify the foundation for the Bank's long-term development. This will include:

1. Integration of organizations

The Bank's organization consists of the five major divisions including the Wholesale Banking Division, Retail Banking Division, Personal Financial Services Division, Financial Markets Division and International Business Division, which are in charge of planning and execution of their respective business development strategies, and enhance the close cooperation among various business divisions, integrate and employ the Group's resources, and provide comprehensive financial services.

2. Development of business locations

Upon the consolidation, the Bank will have 152 business locations domestically, distributed evenly throughout north, central and south Taiwan, giving the Bank a denser service network. Internationally, the Hong Kong Branch will serve as the location dedicated to developing business between Taiwan, Hong Kong, and Mainland China, as well as working with the existing Yuanta Savings Bank (Philippines) and Yuanta Savings Bank (Korea) to develop the business overseas. In the future, the Bank will strengthen business contacts and cooperation between its domestic and overseas business locations to provide customers with cross-border financial services and expand the contribution of its overseas businesses.

3. Complementation of businesses

In the future, the Bank will continue to adjust its business structure, increase the efficiency of its capital utilization and conduct post-merger balancing of its banking business and sources of revenue. Further, considering that Yuanta Bank's strengths have traditionally been in corporate banking for loans to mid-size and large-size enterprises, following the merger, it will be able to take advantage of Ta Chong Bank's experience in developing its SME and consumer banking business, in hopes of complementing businesses and enhancing post-merger synergies.

(III) Yuanta Life: Continue to develop and promote the "protection-type and long-term paying products" and "wealth management products" and to develop diversified channels

The main axle of product development of Yuanta Life is to continue developing products that meet customers' needs in retirement financing, retirement medicare, and

retirement nursing care. Product development focuses on developing “protection-type and long-term paying products” and “wealth management products” as the two major products lines. It will also develop products to meet customers’ needs and support channel development, and make use of the high-quality administrative support as the auxiliary to help promotion business promotion. Then, Yuanta Life will enter into work-site market by the way of the corporate insurance business of group annuity and group insurance to further extend the market of “protection-type and long-term paying product”. Meanwhile, in line with Fin-tech trends, Yuanta Life will continue to optimize the interface, structure and function of its e-commerce platform and enrich its online insurance product lines.

In terms of channels, Yuanta Life will continue to develop multiple channels in a stable and balanced way, and develop differentiated products according to characteristics of channels and diversified requirements of different target customers to meet the needs of channel development. Yuanta Life will adhere to the management philosophy of “Give a chance, help others, and help yourself meanwhile”, and continue to promote the protection-type and long term paying products to generate long-term stable profits and enhance the brand value of the Company.

(IV) Yuanta Securities Investment Trust and Yuanta Futures: Strengthen foundations, drive innovation, and connect with the world

Yuanta Securities Investment Trust has long been dedicated to innovation and promotion in ETFs (prototype/ leverage/ inverse ETF), and thus has become a market leader in public offering mutual funds; however, increased participation in ETF issuances by industry competitors has resulted in changes to the ETF market. Given these changes, Yuanta Securities Investment Trust will continue to develop the customer-oriented, diversified, innovative and new ETFs to maintain its leadership. Meanwhile, it will work with other institutions or channels on ETF strategic transactions and optimize its ETF AI platform to create a new ETF market environment. While developing its ETF business, it will also develop its diversified fixed-income product lines to increase new diversified investment choices available to high-net-worth customers and retired people. It will strive to develop professional technology and high-gross-profit products to expand its niche business areas.

Yuanta Futures will maintain its market share and the profitability of its domestic brokerage services. Meanwhile, it will continue to transform and optimize its traditional business lines and pursue breakthroughs and innovations for its new business lines, and launch into cross-border and cross-industry markets at the same time. With the integration of its overseas businesses and tangible economic services, it will keep growing stably with backing from its solid financial position.

In the future, the Company will continue to fulfill its culture of ethical management and enterprising spirit, and also implement business strategies driving overall growth, adopt business models that balance stock and flow, improve profit by establishing diversified businesses, to

upgrade the Company's asset scale and business performance. The Company will also steadily drive to stabilize and increase its earnings and continue to move forward toward its objective of being the "Best Financial Services Provider in the Asia Pacific Region".

## **Two. Company Profile and Corporate Governance Report**

### **I. Date of establishment: February 4, 2002.**

### **II. Corporate Milestones**

#### **(I) Milestones**

- Fuhwa Financial Holding Company (later renamed Yuanta Financial Holding Company) was formed on February 4, 2002 through a 100% equity swap between Fuhwa Securities Finance (later renamed Yuanta Securities Finance) and Fuhwa Securities (later renamed Yuanta Securities). This created a platform to leverage resources of the two business lines to enhance profitability and provide customers with more diversified products and services.
- In May 2002, Fuhwa Futures and Fuhwa Fuhwa Capital Management, both subsidiaries under Fuhwa Securities Finance (later renamed Yuanta Securities Finance) were later designated as direct subsidiaries of the parent company, on the same level as Fuhwa Securities Finance (later renamed Yuanta Securities Finance) and Fuhwa Securities (later renamed Yuanta Securities). This gave Fuhwa Financial Holding Company (later renamed Yuanta Financial Holding Company) better control over all four of its subsidiaries, providing a platform to leverage resources and enhance profitability.
- In August 2002, Fuhwa Bank (formerly known as Asia Pacific Bank, and later renamed Yuanta Bank) was acquired through a transfer of shares and Fuhwa Securities Investment Trust (formerly known as Asia Pacific Securities Investment Trust) was acquired as another subsidiary.
- In December 2002, Fuhwa Venture Capital (later renamed Yuanta Venture Capital) was established.
- In April 2003, Fuhwa Asset Management (later renamed Yuanta Asset Management) and Fuhwa Financial Consulting (later renamed Yuanta Financial Consulting) were established.
- On April 2, 2007, The Company acquired Yuanta Core Pacific Securities via conversion of outstanding shares, launching the Company into the top tier of financial holding companies in terms of capital, net value, and business scale.
- On September 23, 2007, the Company completed the merger of Yuanta Securities (formerly known as Fuhwa Securities) and Yuanta Core Pacific Securities, and Yuanta Securities was held as the surviving company, while Yuanta Core Pacific Securities was held as the extinguishing company. Meanwhile, the Company also completed the merger of Yuanta Futures and Fuhwa Futures, and Yuanta Futures was held as the surviving company, while Fuhwa Futures was held as the dissolved company.
- On September 27, 2007, the Company was officially named “Yuanta Financial

Holding Co., Ltd.”.

- On November 27, 2007, the Company’s Board of Directors resolved that the Company could subscribe for common stock totaling 80,000,000 shares and private placement common stock totaling 14,000,000 shares of Yuanta Futures as held by Yuanta Securities, so as to upgrade Yuanta Futures as a subsidiary wholly owned by the Company. The Board of Directors also resolved that the Company could subscribe for the whole common stock of Yuanta Securities Investment Consulting as held by Yuanta Securities, totaling 30,000,000 shares, so as to upgrade Yuanta Securities Investment Consulting as a subsidiary wholly owned by the Company.
- On October 2008, the Company disposed of all equity in Fuhwa Securities Investment Trust and sold it to Manulife Asset Management (Hong Kong) Limited of the Manulife Group.
- On November 2008, the Company’s subsidiary, Yuanta Financial Consulting, called a directors’ meeting acting on behalf of a shareholders’ meeting to resolve that Yuanta Financial Consulting should wind up and be dissolved.
- On October 3, 2011, the Company acquired a 100% shareholding in Polaris Securities through a share conversion.
- Yuanta Securities and Polaris Securities were merged on April 1, 2012, as were Yuanta Futures and Polaris MF Global Futures. The English names of the surviving companies are Yuanta Securities and Yuanta Futures.
- In May 2012, the Company completed the merger of Yuanta Securities Investment Trust and Polaris Securities Investment Trust, and renamed the new company as Yuanta Securities Investment Trust. Meanwhile, Yuanta Securities Investment Trust became a subsidiary in which Yuanta Securities held 72.18% shares directly.
- In June 2012, the Company’s Board of Directors resolved that the Company could subscribe for 72.18% of the equity of Yuanta Securities Investment Trust as held by the subsidiary, Yuanta Securities. Yuanta Securities Investment Trust canceled the 46,231 shares repurchased from the dissenting shareholders in the merger on July 16, 2012, and the capital reduction ratio was 0.0204%. Therefore, the proportion of equity of Yuanta Securities Investment Trust held by the Company upon the settlement in September 2012 was 72.20%.
- In August 2012, the Company’s Board of Directors resolved that 25.17% of the equity of Yuanta Futures as held by Yuanta Securities should be transferred to the Company. The Company and Yuanta Securities completed the transfer of 15.18% and 9.99% of the equity of Yuanta Futures respectively on the open market in October 2012. Upon completion of said transfer, the Company held 68.65% of the equity of Yuanta Futures directly.
- In May 2013, the Company’s subsidiary, Yuanta Financial Consulting, completed its

liquidation on May 31, 2013, and reported the same to Taiwan Taipei District Court on June 28, 2013. The liquidation was approved by the Taiwan Taipei District Court for record on July 5, 2013.

- The Company signed the equity purchase agreement with New York Life Insurance on June 25, 2013 and acquired 100% of the equity of New York Life Insurance Taiwan Corporation at the total price of NT\$100 million.
- On January 1, 2014, the Company completed the transfer of equity of New York Life Insurance, and launched into the life insurance business officially since then.
- In February 2014, the Company's subsidiary, New York Life Insurance, was renamed Yuanta Life Insurance Co., Ltd. and carried out business under the name of Yuanta Life officially on March 10, 2014.
- In June 2014, the Company's subsidiary, Yuanta Securities, completed the settlement to gain control of the equity of Tong Yang Securities. Tong Yang Securities subsequently became a subsidiary of Yuanta Securities Asia Financial officially, and was renamed as Yuanta Securities (Korea).
- In November 2014, Yuanta Securities (Korea) sold its subsidiary, TONGYANG Savings Bank, owned by it wholly, to Yuanta Bank.
- In April 2015, the Company's subsidiary, Yuanta Securities, completed the settlement of equity of PT AmCapital Indonesia and renamed the company into PT Yuanta Securities Indonesia (then renamed into PT Yuanta Sekuritas Indonesia) on July, 2015.
- On July 6, 2015, the Company's subsidiary, Yuanta Polaris Securities, was renamed "Yuanta Securities"; Yuanta Polaris Futures was renamed "Yuanta Futures"; and Yuanta Polaris Securities Investment Trust renamed "Yuanta Securities Investment Trust".
- On January 29, 2016, upon FSC's approval, the Company acquired a 100% share in Ta Chong Bank through share swap and consolidated Ta Chong Bank as a subsidiary wholly owned by the Company. The Company also set the record date of share swap at March 22, 2016.
- On April 25, 2016, the Company's subsidiary, Yuanta Bank, completed the settlement of equity of Hanshin Savings Bank, which was renamed into Yuanta Savings Bank Korea Co., Ltd. on February 13, 2017.
- On July 8, 2016, the Company's subsidiary, Yuanta Securities, completed the settlement of equity of KKTrade Securities Company Limited, which was renamed into Yuanta Securities (Thailand) Company Limited on September 1, 2016.
- On October 24, 2017, the liquidation of Shanghai Xinsheng Investment Consulting was completed.
- On December 7, 2017, Yuanta Securities' subsidiaries, Yuanta Securities Asia Financial Services and Yuanta Securities (HK), completed the acquisition of equity of



First Securities Joint Stock Company in Vietnam in part. After that, the shareholdings of Yuanta Securities Asia Financial Services was 50.76%. The shareholdings of Yuanta Securities (HK) was 49.19%. That is, both companies held a total of 99.95% shareholdings.

- On January 1, 2018, the Company completed the consolidation of Yuanta Bank and Ta Chong Bank. Yuanta Bank is identified as the surviving company, while Ta Chong Bank was identified as the extinguished company.

## (II) Awards and honors won in the most three years

### 1. 2015

- (1) The Company was awarded the most honorable level, A++ grade, under “the 12th Information Disclosure and Transparency Ranking System”, becoming the only financial holdings receiving such honor for four consecutive years.
- (2) The Company also ranked among the top 5% of listed company groups in the 1st term “Corporate Governance Evaluation Operation” held by TWSE.
- (3) In 2014, the Company’s corporate social responsibility report was awarded the certificate written in accordance with the “GRI G4” by BSI.
- (4) Awarded by The Asset – Platinum Award for Excellence in Governance, CSR, and Investors Relations Benchmarking.
- (5) Awarded by Corporate Governance Asia– Asia’s Best CEO (Investor Relations) – Chairman Rong Jou Wang, Asia’s Best CFO (Investor Relations) – CFO Connie Lin, Best Investor Relations Company in Taiwan, and Best Investor Relations Professional in Taiwan–Allen Wu.

### 2. 2016

- (1) The Company also ranked among the top 5% of listed company groups in the 2nd term “Corporate Governance Evaluation Operation” held by TWSE.
- (2) Passed the Taiwan Corporate Governance Association’s “CG6010(2015) Excellence Assessment Criteria for the Corporate Governance System”.
- (3) Passed “ISO 14001 environment management standard system certification”.
- (4) In 2015, the Company’s corporate social responsibility report was awarded the certificate written in accordance with the “GRI G4” by BSI.
- (5) Awarded 7th-term Taiwan Financial Award - “CSR Excellence Award”.
- (6) Awarded by The Asset - Platinum Award for Excellence in Governance, CSR, and Investors Relations Benchmarking.

### 3. 2017

- (1) The Company also ranked among the top 5% of listed company groups in the 3rd term “Corporate Governance Evaluation Operation” held by TWSE.
- (2) Passed “ISO 14001 environment management standard system” certification.
- (3) The Company and its nine (9) subsidiaries engaged in securities, banking, life insurance, investment trust, futures, securities finance, investment consulting, venture capital and asset management passed the “ISO 14001 Environment

Management Standard System Certification”, “ISO 50001 Energy Management System Certification” and “ISO 14064-1 Greenhouse Gas Investigation System Certification” altogether.

- (4) In 2016, ahead of the others in the same trade, the Company’s CSR report applied the latest GRI standards promulgated by the Global Reporting Initiative (GRI) in 2016. Meanwhile, the Company also introduced the spirit of Integrated Reporting (IR) at the first time to make the contents of the report more focused and transparent, and was awarded the certification by BSI.
- (5) Selected nominations by FTSE4Good Emerging Index.
- (6) Awarded 8th-term Taiwan Financial Award - “CSR Excellence Award for Financial Holdings” by Wealth Magazine.
- (7) Awarded the “Exercise Enterprise Certification Mark” by the Ministry of Education.
- (8) Awarded by The Asset - Platinum Award for Excellence in Governance, CSR, Investors and Relations Benchmarking.

### **III. Organization**

(I) Departmental duties and responsibilities

1. Secretariat Office: Responsible for matters related to the Board of Directors and audit committee.
2. Internal Auditing Department: Responsible for internal audits as well as oversight and integration of matters related to subsidiaries within the scope of its responsibilities.
3. Risk Management Department: Responsible for risk control as well as oversight and evaluation of matters related to subsidiaries within the scope of its responsibilities.
4. Corporate Planning Department: Responsible for handling the Company's merger and acquisition plans and annual/mid- and long-term development plans, setting operating goals and executing performance evaluations for the Company and its subsidiaries as well as managing the promotion of other important projects. Responsible for managing and coordinating the Company's combined reinvestment operations, promoting matters relating to corporate governance, planning and executing committee-related work, and leading special projects' research and analysis.
5. Institutional IR Department: Responsible for cultivating relations and strategically communicating with institutional investors, providing feedback on their suggestions, and maintaining relations with the international media.
6. Compliance Affairs Department: Responsible for planning, management and execution of the compliance system; establishment of various conveyance, consultation, coordination and communication systems for laws & regulations; confirmation of timely update of various operations and management regulations subject to laws & regulations; issuance or conclusion of the opinion which meets laws & regulations and internal regulations; analysis of deficiencies of various units in compliance or the causes thereof and opinion about corrective actions; performance appraisal of various units in compliance; assurance of effective operation of the compliance system; and, supervision and performance appraisal of the relevant functions assumed by subsidiaries.
7. Legal Affairs Department: Responsible for researching and drafting Company's contracts with others; audit and management; advising and processing of legal issues and non-litigious and litigious matters; and, supervision and performance appraisal of the relevant functions assumed by subsidiaries.
8. Financial Management Department: Responsible for the Company's fiscal management, allocation of funds, investment and financial management, market research and analysis, accounting, and oversight and evaluation of matters related to subsidiaries within the scope of its responsibilities.
9. Administrative Department: Responsible for general affairs, documents, shareholder services, security measures, and oversight and evaluation of matters related to

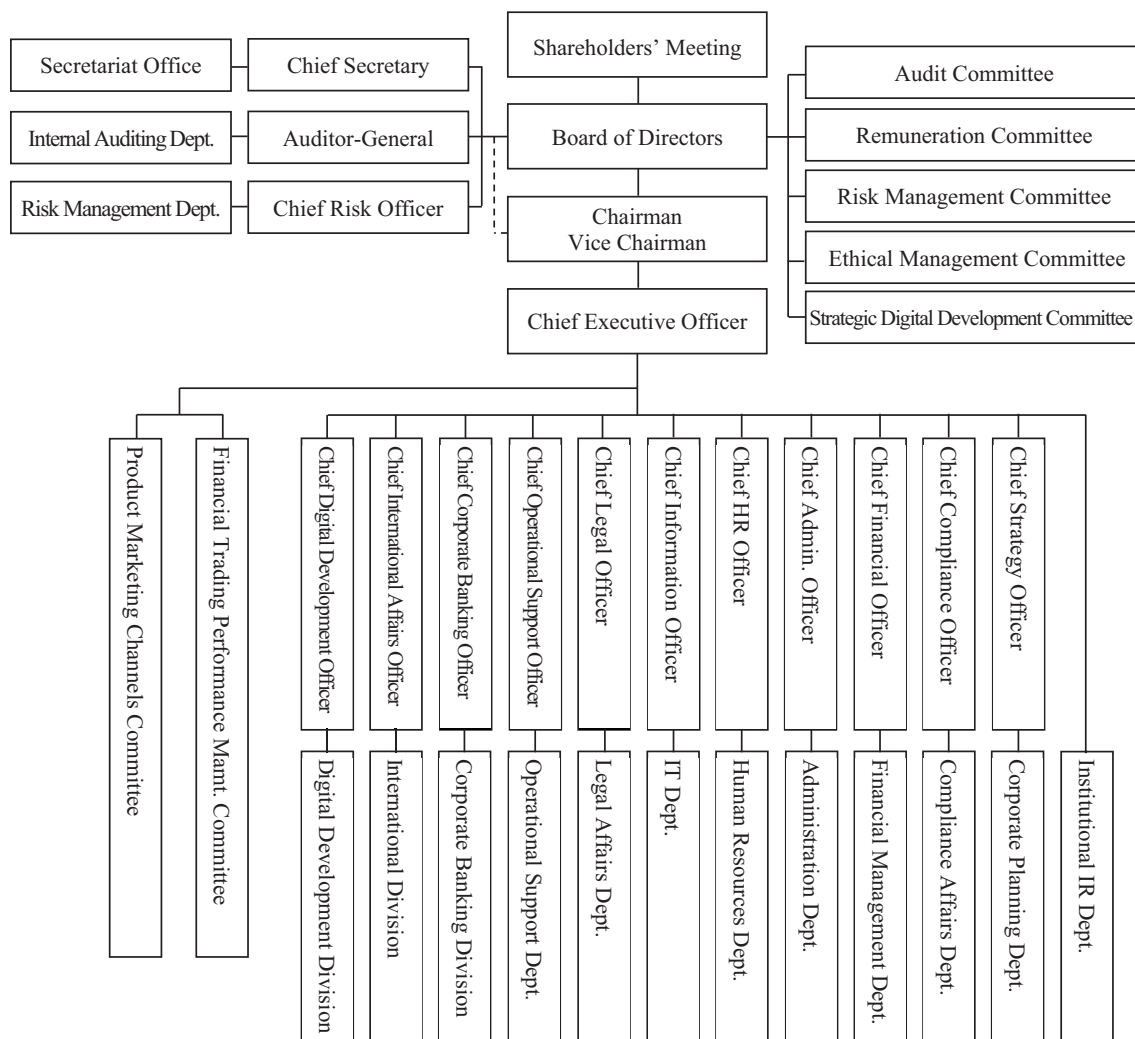
- subsidiaries within the scope of its responsibilities. Responsible for managing public relations, advertising and corporate identity system (CIS) affairs as well as oversight and evaluation of matters related to subsidiaries within the scope of its responsibilities.
10. Human Resource Department: Responsible for planning and implementation of recruiting and hiring, education and training, employee development, remunerations, benefits, labor-management relations, drafting and amending of personnel regulations as well as oversight and evaluation of matters relating to subsidiaries within the scope of its responsibilities.
  11. Information Technology Department: Responsible for the planning, design, and implementation all the Company's IT matters as well as oversight and evaluation of matters related to subsidiaries within the scope of its responsibilities.
  12. Operational Support Department: Responsible for raising efficiency of the operational support unit of each subsidiary company, including related operating systems and procedures, workforce optimization and upgrading of operational efficiency.
  13. Corporate Banking Division: Responsible for planning, management and execution of integrated effects of operations related to corporate banking of the Company and its subsidiaries.
  14. International Division: Responsible for planning, management and execution of integrated effects of operations related to international affairs of the Company and its subsidiaries.
  15. Digital Development Division: Responsible for planning, management and execution of integrated effects of operations related to Digital Development of the Company and its subsidiaries.

Chief functional officers and chief executive officers shall be appointed under supervision of the president, who are responsible for implementing various functional affairs, or executing the guidance and integration of departments.

For the functions of the chief functional officers and chief executive officers, the Chief Strategy Officer is responsible for oversight, integration, and implementation of matters within the Corporate Planning Department's sphere of responsibility. The Chief Compliance Affairs Officer is responsible for oversight, integration, and implementation of matters within the Compliance Affairs Department's sphere of responsibility. The Chief Financial Officer is responsible for oversight, integration, and implementation of matters within the Financial Management Department's sphere of responsibility. The Chief Administration Officer is responsible for oversight, integration, and implementation of matters within the Administration Department's sphere of responsibility. The Chief HR Officer is responsible for oversight, integration, and implementation of matters within the Human Resources Department's sphere of responsibility. The Chief Information Officer is responsible for oversight, integration, and implementation of matters within the Information Technology Department's sphere of

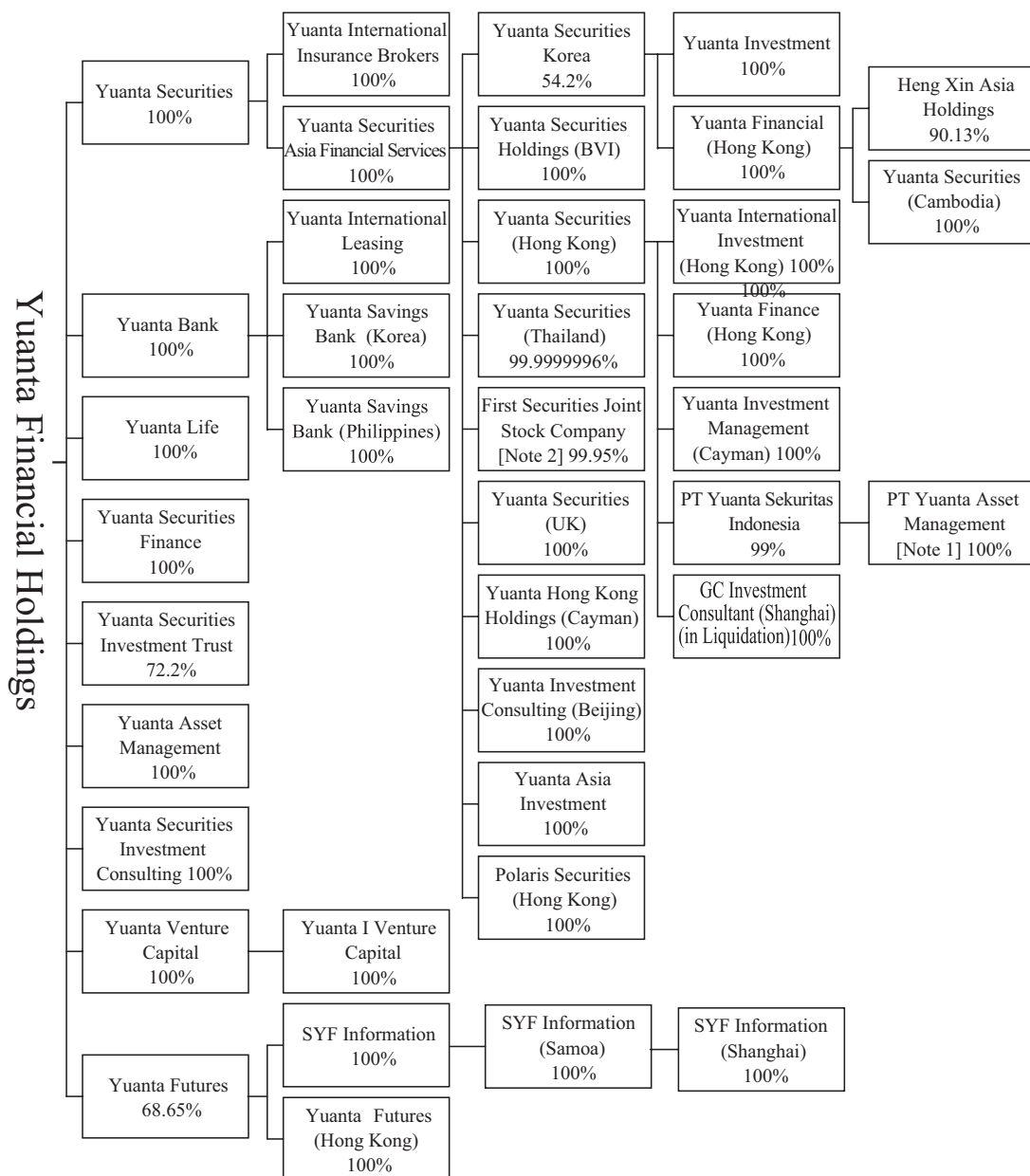
responsibility. The Chief Legal Officer is responsible for oversight, integration, and implementation of matters within the Legal Affairs Department’s sphere of responsibility. The Chief Operational Support Officer is responsible for oversight, integration, and implementation of matters within the Operational Support Department’s sphere of responsibility. The Chief of any other business divisions are responsible for oversight, integration, and implementation of matters within the various divisions’ sphere of responsibility.

(II) Organizational Chart



(III) Relationship between the Company and its subsidiaries

Data baseline date : 01/31/2018



Note 1: PT Yuanta Sekuritas Indonesia is a 99.998% owner of PT Yuanta Asset Management; Yuanta Securities (HK) is a 0.002% owner of PT Yuanta Asset Management. Yuanta Securities is an indirect 100% owner of PT Yuanta Asset Management.

Note 2: Yuanta Securities Asia Financial Services holds 50.76% of shares of First Securities Joint Stock Company in Vietnam. Yuanta Securities (HK) holds 49.19% of shares of First Securities Joint Stock Company in Vietnam. Yuanta Securities holds 99.95% of shares of First Securities Joint Stock Company in Vietnam indirectly. Further, First Securities Joint Stock Company in Vietnam was renamed into Yuanta Securities Vietnam Joint Stock Company on February 13, 2018 officially.

(IV) Mutual shareholding ratios, number of shares, and actual invested capital between affiliated enterprises

Data baseline date : 01/31/2018

Name of affiliated enterprise	Relationship with the Company	Invested capital (NT\$ 1,000)	Investment shares (1,000 shares)	Shareholding ratio (%)
Yuanta Securities	100%-held subsidiary	63,840,703	5,405,644	100
Yuanta Bank	100%-held subsidiary	97,071,284	7,394,039	100
Yuanta Securities Finance	100%-held subsidiary	2,775,335	400,000	100
Yuanta Venture Capital	100%-held subsidiary	2,460,000	246,000	100
Yuanta Asset Management	100%-held subsidiary	1,000,000	100,000	100
Yuanta Futures	68.65%-held subsidiary	3,421,065	159,467	68.65
Yuanta Securities Investment Trust	72.20%-held subsidiary	3,602,343	163,828	72.20
Yuanta Securities Investment Consulting	100%-held subsidiary	138,100	10,000	100
Yuanta Life	100%-held subsidiary	10,165,000	1,210,705	100
Yuanta Securities Asia Financial Services	100% held by subsidiary, Yuanta Securities	11,557,424	290,909	100
Yuanta International Insurance Brokers	100% held by subsidiary, Yuanta Securities	5,550	500	100
Yuanta International Leasing	100% held by subsidiary, Yuanta Bank	600,000	60,000	100
Yuanta Savings Bank (Philippines)	100% held by subsidiary, Yuanta Bank	780,287	1,000,000	100
Yuanta Savings Bank (Korea)	100% held by subsidiary, Yuanta Bank	4,079,836	13,516	100
Yuanta Futures (HK)	100% held by subsidiary, Yuanta Futures	495,999	16,000	100
SYF Information	100% held by subsidiary, Yuanta Futures	350,000	35,000	100
Yuanta I Venture Capital	100% held by subsidiary, Yuanta Venture Capital	537,261	85,000	100
Yuanta Securities (HK)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	9,151,651	2,268,133	100
Yuanta Securities Holdings (BVI)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	343	10	100
Polaris Securities (HK)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	38,872	9,910	100
Yuanta Hong Kong Holdings(Cayman)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	326,069	10,074	100
Yuanta Investment Consulting (Beijing)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	91,973	[Note 1]	100
Yuanta Asia Investment	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	926,950	30,000	100

Name of affiliated enterprise	Relationship with the Company	Invested capital (NT\$ 1,000)	Investment shares (1,000 shares)	Shareholding ratio (%)
Yuanta Securities (Korea)	54.20% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	8,495,956	108,162	54.20
Yuanta Securities (UK)	100% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	94,096	2,000	100
Yuanta Securities (Thailand)	99.9999996% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities	4,259,484	450,000	99.99
The First Securities Joint Stock Company	50.76% held by subsidiary, Yuanta Securities Asia Financial Services, a subsidiary of Yuanta Securities, 49.19% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities, and a total of 99.95% held by both.	813,033	29,986	99.95
SYF Information (Samoa)	100% held by SYF Information, a subsidiary of the subsidiary Yuanta Futures	184,857	5,800	100
SYF Information (Shanghai)	100% held by SYF Information (Samoa), a subsidiary of SYF Information, which is a subsidiary of the subsidiary Yuanta Futures	157,209	[Note 1]	100
GC Investment Consultant (Shanghai) (in liquidation)	100% held by Yuanta HK Holdings (Cayman), an indirect subsidiary of Yuanta Securities	24,806	[Note 1]	100
Yuanta Finance (HK)	100% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	204,189	50,000	100
Yuanta International Investment (HK)	100% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	204,189	50,000	100
Yuanta Investment Management (Cayman)	100% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	350,108	12,500	100
PT Yuanta Sekuritas Indonesia	99% held by Yuanta Securities (HK), an indirect subsidiary of Yuanta Securities	1,009,676	474	99
PT Yuanta Asset Management	99.998% held by PT Yuanta Sekuritas, an indirect subsidiary of Yuanta Securities	96,484	40	99
Yuanta Investment	100% held by Yuanta Securities (Korea), an indirect subsidiary of Yuanta Securities	900,810	3,469	54.20
Yuanta Financial (HK)	100% held by Yuanta Securities (Korea), an indirect subsidiary of Yuanta Securities	434,639	10,273	54.20
Yuanta Securities (Cambodia)	100% held by Yuanta Financial (HK), an indirect subsidiary of Yuanta Securities	204,421	6,775	54.20
Heng Xin Asia Holdings Limited	90.13% held by Yuanta Financial (HK), an indirect subsidiary of Yuanta Securities	22,478	745	48.85

Note 1: Said company refers to a limited liability company, and thus has only equity but no shares.



## IV. Information on Directors, Independent Directors and Managers

### (I) Directors'/Independent Director's information

Data base line date: 01/31/2018

Title	Name	Nationality or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Chairman	Representative of Modern Investment: Rong Jou Wang	Republic of China	Male	2013.11.04	2016.06.16	Three Years	Holds 81,685,335 shares with Director Tony Shen and Director Chieh Chiang Fan on behalf of Modern Investment	0.68%	Holds 106,685,335 shares with Director Tony Shen and Director Chieh Chiang Fan on behalf of Modern Investment and also individually holds 219,878 shares	0.90%	461,014	0.00%	—	—	Chairman of The Bankers Association of Taipei; Chairman of Chinese Tax Research Association; Chairman of Chinese (Taiwan) Society of International Law and Director of National Credit Card Center of R.O.C.; Director of Taiwan External Trade Development Council	—	—	—	
Director	Representative of Modern Investment: Tony Shen	Republic of China	Male	2009.04.16	2016.06.16	Three Years	Holds 81,685,335 shares with Chairman Rong Jou Wang and Director Chieh Chiang Fan on behalf of Modern Investment and also individually holds 3,230,871 shares	0.68%	Holds 106,685,335 shares with Chairman Rong Jou Wang and Director Chieh Chiang Fan on behalf of Modern Investment and also individually holds 4,391,177 shares	0.90%	—	—	Taipei High School of Commerce Chairman, Vice Chairman, President, Executive Vice President of Yuanta Financial Holdings; Chairman, President, Vice President and Executive Vice President of Yuanta Securities; Vice Chairman of Yuanta Securities Asia Financial Services; Chairman of Yuanta Securities (HK)	President of the Company; Director of Yuanta Securities; Director of Yuanta Foundation	—	—	—		
Director	Representative of Modern Investment: Chieh Chiang Fan	Republic of China	Male	2016.06.16	2016.06.16	Three Years	Holds 81,685,335 shares with Chairman Rong Jou Wang and Director Tony Shen on behalf of Modern Investment	0.68%	Holds 106,685,335 shares with Chairman Rong Jou Wang and Director Tony Shen on behalf of Modern Investment and also individually holds 163,214 shares	0.90%	1,081	0.00%	—	—	Chairman of Yuanta Bank Chairman of Board of Taiwan High Speed Rail; Chairman of Board of Taiwan Futures Exchange; Chairman of Board of Board of Ashkey Corporation; Chairman of Board of Yuanta Securities (formerly known as Fuhwa Securities)	—	—	—	

Title	Name	Nationality or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors who are or were related to the second degree of kinship		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	Representative of Tsan Chueh Investment: Michael Ma	Republic of China	Male	2013.06.01	2016.06.16	Three Years	Holds 404,220,950 shares with Director Jin Long Fang and Director Yueh Tsang Lee on behalf of Tsan Chueh Investment	3.34%	Holds 404,220,950 shares with Director Michael Ma and Director Yueh Tsang Lee on behalf of Tsan Chueh Investment	3.40%	—	—	—	Bachelor of Business, University of Southern California Executive Vice President of Yuanta Financial Holdings; Vice Chairman of Yuanta Bank; CEO of Syspower; Director of Yuanta Core Pacific Securities; Chairman of Chih Fu International; Special Assistant of Chairman of Yuanta Construction Development	Director of Yuanta Bank; Director of Yuanta Construction Development; Director of Yuan Hung Hsiang Investment; Chairman of Yuanta Foundation; Director of Yuanta Life; Director of Asia Modern Foundation; Director of International Taipei Trade Building, World Trade Center Co., Ltd.; Director of TWSE; Director of Reichorp International Limited; Director of Yuanta International Investment	—	—	—	
Director	Representative of Tsan Chueh Investment: Jin Long Fang	Republic of China	Male	2010.06.29	2016.06.16	Three Years	Holds 404,220,950 shares with Director Michael Ma and Director Yueh Tsang Lee on behalf of Tsan Chueh Investment and also individually holds 557,152 shares	3.34%	Holds 404,220,950 shares with Director Michael Ma and Director Yueh Tsang Lee on behalf of Tsan Chueh Investment and also individually holds 557,152 shares	3.40%	1,200,053	0.01%	—	National Chiayi Vocational High School Director of Yuanta Core Pacific Securities; Chairman of Li Ching Industry; Chairman of Yuanta United Steel, Chairman of Yuan Kun Development	Director of Yuanta Bank; Director of Yuan Kun Development	—	—	—	
Director	Representative of Tsan Chueh Investment: Yueh Tsang Lee	Republic of China	Male	2016.06.16	2016.06.16	Three Years	Holds 404,220,950 shares with Director Michael Ma and Director Jin Long Fang on behalf of Tsan Chueh Investment and also individually holds 2,854,972 shares	3.34%	Holds 404,220,950 shares with Director Michael Ma and Director Jin Long Fang on behalf of Tsan Chueh Investment and also individually holds 2,854,972 shares	3.40%	478,597	0.00%	—	Department of Applied Sociology, Toyo University (Japan) Chairman of Tiffi Securities; Director of Yuanta Financial Holdings	Director of Yuanta Futures; Chairman of Yuanta Securities; Chairman of Ever Tone Investment Limited	—	—	—	
Director	Representative of Hsu Tong Investment: Hsien Tao Chiu	Republic of China	Male	2005.06.29	2016.06.16	Three Years	Holds 2,512,126 shares with Director Ming Hong Ho and Director Chung Yuan Chen on behalf of Hsu Tong Investment and also individually holds 12,493,448 shares	0.02%	Holds 2,512,126 shares with Director Ming Hong Ho and Director Chung Yuan Chen on behalf of Hsu Tong Investment and also individually holds 12,493,448 shares	0.02%	141,249	0.00%	—	B.A. in Business Administration, Southwestern University Chairman of Taichung Securities; Managing Director of Asia-Pacific Bank; Director of Asia Pacific Securities Investment Trust; Chairman of Asia Pacific Leasing; Chairman of Fu An Insurance Agent	Director of Yuanta Bank; Director of Yuanta Futures; Chairman of Taiwan Yi He International; Chairman of Fiat International; Chairman of Kandle Trading, Chairman of Guan Ya Investment; Director of Cheng Lung Motors; Chairman of Yi Ho Motors; Director of Feng Lung Motors	—	—	—	
Director	Representative of Hsu Tong Investment: Ming Hong Ho	Republic of China	Male	2013.06.01	2016.06.16	Three Years	Holds 2,512,126 shares together with Director Hsien Tao Chiu and Director Chung Yuan Chen on behalf of Hsu Tong Investment	0.02%	Holds 2,512,126 shares with Director Hsien Tao Chiu and Director Chung Yuan Chen on behalf of Hsu Tong Investment and also individually holds 174,575 shares	0.02%	—	—	—	MBA, University of Washington Chairman of Yuanta Futures; Director of Polaris Securities; Chairman of 2nd term of Chinese National Futures Association; Supervisor and Director of Taiwan Futures Exchange; Director of Waterland Financial Holdings; Director of International Bills Finance Corporation	Director of Yuanta Securities Asia Financial Services; Chairman of Board of Yuanta Securities; Director of Lian An Health Business Co., Ltd.; Chairman of Yuanta Foundation; Director of Board of Ho's Foundation; Director of Kwong Feng Industries Corporation; Director of Pao Feng Asset Management Co., Ltd.	—	—	—	

Title	Name	Nationality or Place of Registration	Gender	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors who are one or relatives within the second degree of kinship		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	Representative of Hsu Tong Investment; Chung Yuan Chen	Republic of China	Male	2016.06.16	2016.06.16	Three Years	Shares: Holds 2,512,126 shares together with Director Hsien Tao Chiu and Director Ming Hong Ho on behalf of Hsu Tong Investment	Shareholding ratio (%): 0.02%	Shares: Holds 2,512,126 shares together with Director Hsien Tao Chiu and Director Ming Hong Ho on behalf of Hsu Tong Investment	Shareholding ratio (%): 0.02%	Shares: —	Shareholding ratio (%): —	Shares: —	Shareholding ratio (%): —	KanNan High School of Commerce and Industry Executive Yuan Political Adviser; Managing Director of Taiwan Power Company; Chairman of Taipei City Fire Buff Association; Supervisor of Chang Jia M&E Engineering Corp.	Director of Trilogy International Develop Co., LTD.; Director of Yuanta Bank; Responsible person of Xinyi Mansion Artwork; Chung-Yuan Chen; Chairman of Board of Taipei City Xiu Temple	—	—	—
Independent Director	Sou Shan Wu	Republic of China	Male	2016.06.16	2016.06.16	Three Years	—	—	—	—	2,433	0.00%	—	—	Doctor of Finance, University of Florida Chairman of Board of Taipei Exchange; Chairman of Board of Securities and Futures Institute; Professor and also Dean of College of Management of Chang Gung University; Professor of Department of Management Science, National Chiao Tung University; Professor and also Chair of National Chiao Tung University Institute of Management of Technology; Managing Supervisor of Hua Nan Commercial Bank; Supervisor of Hua Nan Financial Holdings; Managing Director of Taiwan Power Company	Independent Director of Yuanta Securities	—	—	—
Independent Director	Ming Ling Hsueh	Republic of China	Male	2016.06.16	2016.06.16	Three Years	—	—	—	—	—	—	—	—	Master, Soochow University Institute of Accounting, MBA, Bloomsburg University of Pennsylvania President of PwC Taiwan; Member of the Board of Examiners for Senior Professional and Technical Examination of the R.O.C.; Standing Director of Taiwan Corporate Governance Association	Independent Director of Yuanta Bank; Independent Director of Walsin Lihua Corp.; Independent Director of TTY Biopharm; Independent Director of Lite-On Technology Corporation	—	—	—
Independent Director	Lai Ping-Chi	Republic of China	Male	2014.05.27	2016.06.16	Three Years	—	—	—	—	—	—	—	—	Master of International Relations, University of Chicago; Bachelor of Arts in Economics, Columbia University President, Greater China of Sony Life Insurance CO., Ltd.; Vice President, International Dept. of MetLife Inc.; Managing Director of Sino-US MetLife Insurance CO., Ltd.; Chairman of Board of MetLife Hong Kong; President of MetLife Taiwan	Independent director of Yuanta Life; Chairman of Mazanin Asia Pacific; Independent Director of Airmate (Cayman) International Co., Ltd.	—	—	—

Title	Name	Nationality or Place of Registration	Date when first elected	Date elected	Term (years)	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Other concurrent positions in the Company or in other companies	Managers, directors or supervisors or spouses or relatives within the second degree of kinship	
						Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name
Independent Director	Yin Hua Yeh	Republic of China	2016.06.16	2016.06.16	Three Years	—	—	—	—	—	—	—	—	Doctor of Business, National Taiwan University Commissioner of Financial Supervisory Commission, Executive Yuan, R.O.C.; Committee Member of Special Committee on Corporate Governance Reform, Executive Yuan, R.O.C.; Vice-Head of The Valuation Division Financial Restructuring Fund, Executive Yuan, R.O.C.; Resident Supervisor of Taiwan Stock Exchange; Member of IPO Reviewing Committee, Taiwan Stock Exchange ; Director of Securities and Futures Investors Protection Center; Member of Central Deposit Insurance Corporation Advisory Committee; Vice Chairman of Financial Research and Development Fund; Director of Securities Investment Trust Association of R.O.C.; Vice Chairman of Taiwan Corporate Governance Association.	Independent Director of Yuanta Bank; Independent director of Yuanta Life; Member of National Financial Stability Fund; Member of Management Committee, National Development, Executive Yuan, R.O.C.; Director of Securities and Futures Institute, Supervisor of Taipei Exchange; Executive Director of Taiwan Corporate Governance Association; Professor, Institute of Finance, NCTU	—	—

Note 1: The contents above, including shares and shareholding ratios, were based on actual shareholdings on January 31, 2018. Shareholding ratios for institutional shareholders do not include the personal shareholdings of representatives.

Note 2: The date first elected is the date on which directors or representative first assumed their positions.

Note 3: Yuanta Financial Holdings had a total of 11,889,197,456 shares outstanding as of January 31, 2018.

(II) Major shareholders of institutional shareholders

Data baseline date: 01/31/2018

Institutional shareholder	Major shareholders of institutional shareholders	
Tsun Chueh Investment	Teng Ta Investment	19.69%
	Lian Ta Investment	19.84%
	Chiu Ta Investment	18.36%
	Lien Heng Investment	18.92%
	Hsing Tsai Investment	10.23%
	Victor Ma	8.27%
	Judy Tu	4.69%
Modern Investment	Lian Ta Investment	41.36%
	Lien Heng Investment	19.73%
	Teng Ta Investment	17.23%
	Judy Tu	5.01%
	Hsing Tsai Investment	16.67%
Hsu Tong Investment	Super Large Investment	100.00%

## (III) Major institutional shareholders of institutional shareholders, if any

Data baseline date: 01/31/2018

Major institutional shareholders of institutional shareholders	Major institutional shareholders of institutional shareholders Major Shareholders	
Teng Ta Investment	Lien Heng Investment	53.58%
	Mai Kao Venture Capital	45.87%
	Judy Tu	0.55%
Lian Ta Investment	Chiao Hua International Investment	45.79%
	Lien Heng Investment	37.14%
	Chiu Ta Investment	14.02%
	Hsing Tsai Investment	2.58%
	Judy Tu	0.47%
Chiu Ta Investment	Kai Wen Investment	46.06%
	Lian Ta Investment	33.26%
	Teng Ta Investment	14.27%
	Lien Heng Investment	4.72%
	Modern Investment	1.69%
Lien Heng Investment	Chang Lueh Investment	45.14%
	Hsing Tsai Investment	22.49%
	Teng Ta Investment	19.61%
	Lian Ta Investment	11.14%
	Modern Investment	1.25%
	Chiu Ta Investment	0.37%
Hsing Tsai Investment	Lien Heng Investment	48.93%
	Wei Teh Investment	46.19%
	Chiu Ta Investment	4.88%
Super Large Investment	Hui Tung Investment	100.00%

(IV) Directors' independence status and has at least five years of their relevant working experience

Qualification  Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies (Note 2)
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Rong Jou Wang	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Tony Shen			✓			✓	✓	✓	✓	✓	✓	✓		0
Chich Chiang Fan			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Michael Ma			✓	✓		✓			✓	✓	✓	✓		0
Hsien Tao Chiu			✓	✓			✓	✓	✓	✓	✓	✓		0
Yueh Tsang Lee			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Jin Long Fang			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Ming Hong Ho			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Chung Yuan Chen			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Sou Shan Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ming Ling Hsueh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Lai Ping Chi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yin Hua Yeh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: A "✓" is marked in the space beneath a condition number when a director has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the company or an affiliate.
- (2) Not a director or a supervisor of the company or an affiliate (this restriction does not apply, however, when the person is an independent director appointed by the company, its parent company, or a subsidiary pursuant to Securities and Exchange Act or the local laws and regulations).
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with the Regulations on the Establishment of Remuneration Committees in Article 7 by TWSE/TPEX Listed Companies and their Exercise of Powers.
- (8) Is not the spouse or relative within the second degree of kinship of another director.
- (9) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
- (10) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

Note 2: Independent Director Sou Shan Wu is concurrently serving as an independent director of Yuanta Securities. Independent Director Ming Ling Hsueh is concurrently serving as an independent director of Yuanta Bank. Independent Lai Ping Chi is concurrently serving as an independent director of Yuanta Life. Independent Director Yin Hua Yeh is concurrently serving as independent directors of Yuanta Bank and Yuanta Life respectively. However, based on Letter Jin-Guan-Cheng- E-Tzu No. 0960010070 of March 19, 2007, the Financial Supervisory Commission made the interpretation that when an independent director of a financial holding company concurrently serves as the independent director at one of its 100% owned subsidiaries, such circumstances will be considered as serving in one company, and hence will not be counted in the "Others" category.

- (V) Directors' independence status and has at least five (5) years of their relevant working experience

The Company has established the "Procedure for Election of Directors", in which Article 3 expressly defines that the overall composition of the Board of Directors shall be taken into consideration in the selection of the directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operation, business type, and development needs. It is advisable that the policy shall include, without being limited to, the following two (2) general standards:

1. Basic requirements and values: Gender, age, nationality, and culture, et al.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skills, and experience to perform their duties. The abilities that must be present in the board as a whole are as follows:

1. Ability to make judgments about operations
2. Accounting and financial analysis ability
3. Business management ability (including ability to manage subsidiaries)
4. Crisis management ability
5. Knowledge of the industry
6. An international market perspective
7. Leadership ability
8. Decision-making ability
9. Risk management knowledge and ability

The Company's fulfillment of the board member diversity policy is summarized as following:

Name \ Diversity Core Item	Ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Crisis management ability	Knowledge of the industry	An international market perspective	Leadership ability	Decision-making ability	Risk management knowledge and ability
Rong Jou Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tony Shen	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chich Chiang Fan	✓	✓	✓	✓	✓	✓	✓	✓	✓
Michael Ma	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hsien Tao Chiu	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yueh Tsang Lee	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jin Long Fang	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ming Hong Ho	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chung Yuan Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sou Shan Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ming Ling Hsueh	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lai Ping Chi	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yin Hua Yeh	✓	✓	✓	✓	✓	✓	✓	✓	✓



(VI) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers

Data baseline date: 01/31/2018

Title [Note 1]	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions [Note 2]	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship	
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name
President	Republic of China	Tony Shen	Male	2014.07.23	4,391,177	0.04%	—	—	—	—	Taipei High School of Commerce Chairman and Vice Chairman of Yuanta Financial Holdings; Vice Chairman of Yuanta Securities Asia Financial Services; Chairman of Yuanta Securities; Chairman of Yuanta Securities (HK)	Director of Yuanta Securities; Director of Yuanta Foundation	—	—
Compliance Affairs Dept. Executive Vice President (Chief Compliance Officer)	Republic of China	Yu De Chuang	Male	2014.07.01	1,413,854	0.01%	—	—	—	—	M.A. in Finance, National Chengchi University Director of Yuanta Financial Holdings; Director of Yuanta Bank; Chairman, President of Yuanta Securities Finance; Supervisor of Yuanta Life Insurance Agent; Director of Ta Chong Bank	Executive Vice President of Yuanta Bank; Director of Yuanta Foundation; Director of Yuanta Securities Finance; Supervisor of Yuanta International Leasing	—	—
Executive Vice President (Chief Strategy Officer)	Republic of China	Hsu Wei Chen	Male	2016.07.01	213,844	0.00%	—	—	—	—	B.A. in Law, National Chung Hsing University (Beijing); Director, Executive Vice President of Yuanta Securities; Director of Yuanta Venture Capital; Director of Yuanta I Venture Capital; Director of Yuanta Securities Asia Financial Services; Supervisor of Yuanta Asset Management	Chairman, Director of Yuanta Asset Management; Director of Yuanta Asia Investment; Director of Yuanta Futures; Director of Yuanta Foundation; Supervisor of SYF Information; Supervisor of SYF Information (Shanghai)	—	—
Internal Auditing Dept., General Auditor	Republic of China	Ming Hsui Tsai	Male	2016.07.01	834,094	0.01%	—	—	—	—	MBA, National Chung Hsing University President, General Auditor, CFO, and Chief Risk Management Officer of Ta Chong Bank	None	—	—
Corporate Banking Division Senior Vice President (Chief Corporate Banking Officer)	Republic of China	Frank Kuo	Male	2014.07.21	396,455	0.00%	—	—	—	—	MBA, the University of Texas at Arlington Director/President of Yuanta I Venture Capital; Director/President of Yuanta Asia Investment; Chairman of Board of Yuanta Asia Investment; Director of Yuanta Bank, Independent Director of TSH Biopharm; Director of e-Ray Optoelectronics Technology Co., Ltd.; Director/Chairman of Board/President of Grand Asia Capital Services Pte. Ltd. (Singapore); Director/Chairman of Board/President of Grand Asia Asset Management; Director of TSC Venture Capital Corp.; PT Yuanta Sekuritas Indonesia Commissioner	Director of WI Harper Group; Director of Yuanta Asia Investment; Director of Yuanta Securities (HK); Director of CDB BioScience Ventures I, Inc.; Director of TSC BioVenture Capital Corporation; Director of Top Taiwan III Venture Capital Co., Ltd.; Director of Top Taiwan II Venture Capital Co., Ltd.; Director of Kun Ji II Venture Capital Co., Ltd.; Director of Grand Cathay Venture Capital III Co., Ltd.; Director of Qi Ding Venture Capital Co., Ltd.; Director of Parawin Venture Capital Capital Corp.; Director of China Power Venture Capital Co., Ltd.; Director of Hua-Lin Venture Capital Corp.; Director of Rong Man Industrial Company; Director of De Yang Biotechnology Venture Capital Corp.; Director of Director of Harbinger Venture Capital Corp.; Director of Lian Ding Venture Capital Corp.; Executive Vice President of Yuanta Securities; Director of Yuanta Venture Capital; Director of Yuanta I Venture Capital; Director of Yuanta Securities Asia Financial Services.	—	—
Institutional IR Dept. Senior Vice President International Division (Chief International Operation Officer)	Republic of China	Allen Wu	Male	2008.09.23 2017.01.01	423,039	0.00%	—	—	—	—	MBA, Mississippi State University Executive Vice President of Yuanta Securities; Director of Yuanta Securities Asia Financial Services; Director of Yuanta Securities (HK); Director of Yuanta Investment Consulting (Beijing); Director of Yuanta Life Insurance Agent; Director of Yuanta International Insurance Brokers; Director of GC Structured Products; Director of First Securities Joint Stock Company (Vietnam)	Executive Vice President of Yuanta Bank; Director/Chairman of Board of Director of Yuanta Savings Bank (Philippines)	—	—

Title [Note 1]	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions [Note 2]	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Digital Development Division Senior Vice President (Chief Digital Development Officer)	Republic of China	Cheeh Wu	Male	2017.04.05	—	—	—	—	—	—	MBA of Waseda University Director of Yuanta Financial Holdings; Director of Yuanta Securities; Vice Chairman of Yuanta Securities Finance; Chairman of Board of Taiwan Political and Economic Development Cultural and Education Foundation; Supervisor of Shuang Lai Technologies Co., Ltd.	Director/Senior Vice President of Yuanta Life	—	—	—
Secretariat Office Senior Vice President	Republic of China	Lawrence Lee	Male	2017.09.01	75,850	0.00%	890,207	0.01%	—	—	Master in Law, Soochow University Senior Vice President of Yuanta Securities; Chairman of Yuanta Asset Management; Chairman of Ta Chong Securities	Executive Vice President of Yuanta Securities	—	—	—
Risk Management Dept. Senior Vice President (Chief Risk Officer)	Republic of China	Hsuan Min Kuo	Male	2014.07.01	138,119	0.00%	—	—	—	—	M.A. in International Business Administration, National Taiwan University Senior Vice President of Yuanta Securities; Assistant Vice President of Chinatrust Bank; Manager of MasterLink Securities	Supervisor of Yuanta Securities Investment Consulting; Director of Yuanta Securities Finance; Senior Vice President of Yuanta Life; Supervisor of Yuanta Venture Capital; Supervisor of Yuanta I Asia Financial Service	—	—	—
IT Dept. Senior Vice President (Chief Information Officer)	Republic of China	Hsu Mei Chen	Female	2014.09.01	138,563	0.00%	7,503	0.00%	—	—	MBA, National Taiwan University Director of Yuanta Futures; Vice President of Yuanta Bank; Manager of Taipei Fubon Commercial Bank	Senior Vice President of Yuanta Bank	—	—	—
Human Resources Dept. Vice President (Chief HR Officer)	Republic of China	Hsiao Keng Chang	Female	2014.07.01	293,063	0.00%	—	—	—	—	Master of Professional Accounting, National Taiwan University Senior Assistant Vice President of Yuanta Bank; Manager of Syspower Corporation; Senior Vice President of Yuanta Life	Senior Vice President of Yuanta Bank	—	—	—
Administration Dept. Vice President (Chief Admin. Officer)	Republic of China	Ching Sun Yang	Male	2014.07.21	153,847	0.00%	—	—	—	—	Doctor of Philosophy in News & Mass Communication, Jhian University Assistant Vice President of Yuanta Securities; Director/President of Jing Zhan Consulting Co., Ltd.	None	—	—	—
Legal Affairs Dept. Vice President (Chief Legal Officer)	Republic of China	Wen Chang Chiu	Female	2016.07.01	160,835	0.00%	—	—	—	—	Bachelor in Law, National Chengchi University Senior Assistant Vice President of Yuanta Financial Holdings; Senior Vice President of Yuanta Securities; Director of Yuanta Asia Investment	Senior Vice President of Yuanta Bank; Supervisor of Yuanta Asset Management; Supervisor of Yuanta Securities Finance	—	—	—
Financial Management Dept. Vice President (Chief Financial Officer)	Republic of China	Hsu Shu Mai	Male	2017.07.01	395,544	0.00%	—	—	—	—	Master degree in Finance, National Taiwan University Senior Vice President of Yuanta Securities	Director of Yuanta Securities Asia Financial Service; Senior Vice President of Yuanta Bank	—	—	—
Operational Support Dept. Vice President (Chief Operational Support Officer)	Republic of China	Ming Lang Liu	Male	2017.09.01	195,151	0.00%	—	—	—	—	Bachelor in Business Administration, Tamkang University Vice President of Yuanta Securities Finance; Senior Vice President of Yuanta Securities	Director of Yuanta Life; Director of Yuanta Securities Finance; Executive Vice President of Yuanta Securities	—	—	—
Legal Affairs Dept. Vice President (Vice CLO)	Republic of China	Cheng Hua Sun	Female	2017.10.02	—	—	—	—	—	—	Master of Graduate Institute of National Development, National Taiwan University Prosecutor of Shilin District Prosecutors Office; Judge/Presiding Judge of Taipei District Court	Senior Vice President of Yuanta Securities	—	—	—
Corporate Planning Dept. Vice President	Republic of China	Wen Chi Chou	Female	2014.07.01	57,111	0.00%	—	—	—	—	MBA, National Chengchi University Senior Assistant Vice President of Yuanta Financial Holdings	None	—	—	—

Title [Note 1]	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions [Note 2]	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship	
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name
Vice President	Republic of China	Tai Yang Hsiung	Male	2013.12.01	34,951	0.00%	—	—	—	—	Bachelor in Cooperative Management, National Chung Hsing University Vice President of Hui Nan Financial Holdings; Chief Secretary of Board of Directors of Mega Financial Holdings	Senior Vice President of Yuanta Bank	—	—
Financial Management Dept. Assistant Vice President	Republic of China	Wen Chang Hsu	Male	2012.11.01	56,789	0.00%	—	—	—	—	Master of Financial Management, National Sun Yat-sen University Assistant Vice President of Yuanta Securities	Senior Assistant Vice President of Yuanta Securities; Director of Yuanta Securities Holdings (BVI); Director of Yuanta Securities (HK)	—	—
Financial Management Dept. Assistant Vice President	Republic of China	Wei Ning Chang	Female	2016.06.01	—	—	—	—	—	—	Master of Business Administration, National Chengchi University Assistant Vice President of Yuanta Securities; Senior Manager of Yuanta Securities Finance; Assistant Vice President of DBS BANK (Taipei); Assistant Vice President of PwC; Director of Ta Chong Securities	Assistant Vice President of Yuanta Futures	—	—
Administration Dept. Senior Assistant Vice President (Deputy Chief Admin. Officer)	Republic of China	Po Ching Li	Male	2013.07.01	199,168	0.00%	—	—	—	—	Department of Electronic Engineering, You De High School Senior Assistant Vice President of Yuanta Securities	Vice President of Yuanta Securities; Manager of Chengde Building	—	—
Administration Dept. Assistant Vice President	Republic of China	Chen Chun Lin	Male	2011.07.01	63,812	0.00%	147	0.00%	—	—	Business Administration Department of National Taipei College of Business Assistant Vice President of Yuanta Securities; Assistant Vice President of Yuanta Securities Finance	Senior Assistant Vice President of Yuanta Bank	—	—
Administration Dept. Assistant Vice President	Republic of China	Hsin Tang Huang	Male	2012.04.16	—	—	—	—	—	—	Bachelor in Communication Arts, Fu Jen Catholic University Assistant Vice President of Yuanta Securities	Note	—	—
Administration Dept. Assistant Vice President	Republic of China	Hsien Chun Li	Male	2016.06.01	53,775	0.00%	—	—	—	—	Electronic Equipment Maintenance Department, Private Chih-Kwang Senior Vocational Business & Technology High School Senior Manager of Yuanta Securities	Assistant Vice President of Yuanta Securities	—	—
IT Dept. Senior Assistant Vice President	Republic of China	Yung Hsien Chang	Male	2010.05.01	34,245	0.00%	—	—	—	—	Bachelor in Applied Mathematics, National Chengchi University Assistant Vice President of Yuanta Securities; Assistant Vice President of OCBC Bank	Senior Assistant Vice President of Yuanta Securities	—	—
IT Dept. Assistant Vice President	Republic of China	Chun Ching Chang	Female	2010.05.01	11,308	0.00%	—	—	—	—	Master of Administration, National Taiwan University of Science and Technology Assistant Vice President of Yuanta Securities	Senior Assistant Vice President of Yuanta Securities; Assistant Vice President of Yuanta Securities Investment Trust	—	—
IT Dept. Assistant Vice President	Republic of China	Po Yi Wu	Male	2014.04.01	5,740	0.00%	—	—	—	—	Master of Administration, National Taiwan University of Science and Technology Senior Manager of Yuanta Securities	Assistant Vice President of Yuanta Securities	—	—

Note 1: Information for all persons holding a position equivalent to president, vice president, or assistant vice president must be disclosed, regardless of title.

Note 2: The work experience of anyone above relating to their current roles, e.g. previous employment in the auditor's firm or employment in a related company, must be addressed with detailed job titles and responsibilities.

Note 3: The "Shares" and "Ratio" columns above marked with "—" denote "0"; columns under "Managers who are spouses or relatives within the second degree of kinship" marked with "—" denote "None."

(VII) Remuneration to Directors (including Independent Directors), President, and Vice Presidents

1. Remuneration to Directors (including Independent Directors)

Data baseline date: 12/31/2017  
Unit: NT\$, %

Title	Name	Remuneration to directors				Remuneration from concurrently serving as employees				Sum of A, B, C, and D as percentage of net income		Sum of A, B, C, D, E, F, and G as percentage of net income		Remuneration from invested non-subsidary enterprises(s)									
		Wages (A)		Pension upon retirement (B)		Compensation (C)		Service Expenses (D)		Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)			Employee Compensation (G)								
		Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Cash	Stock		Yuanta Financial Holdings	Companies included into the financial statement	Cash	Stock					
Director	Representative of Modern Investment: Rong Jau Wang																						
Director	Representative of Modern Investment: Tony Shan																						
Director	Representative of Modern Investment: Chieh Chang Fan																						
Director	Representative of Tsun Chueh Investment: Michael Ma																						
Director	Representative of Tsun Chueh Investment: Jin Long Fang																						
Director	Representative of Tsun Chueh Investment: Yueh Tsang Lee																						
Director	Representative of Hsu Tong Investment: Hsien Tuo Chiu	37,500,000	93,660,645	0	0	132,223,210	132,223,210	3,381,525	8,328,625	1.07%	1.45%	35,309,865	35,309,865	0	0	122,991	0	122,991	0	1.29%	1.66%	245,600	
Director	Representative of Hsu Tong Investment: Ming Hong Ho																						
Director	Representative of Hsu Tong Investment: Chung Yuan Chen																						
Independent Director	Sou Shan Wu																						
Independent Director	Ming Ling Hsueh																						
Independent Director	Lai Ping Chi																						
Independent Director	Yin Hua Yeh																						

\* Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as an advisor other than employee in the most recent year. N/A.

## 2. Range of remuneration to directors (Including independent directors)

Breakdown of remuneration to directors (NT\$)	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	Yuanta Financial Holdings	Companies included into the financial statement (H)	Yuanta Financial Holdings	Companies included into the financial statement (I)
Below 2,000,000	Tony Shen, Michael Ma, Jin Long Fang, Hsien Tao Chiu, Ming Hong Ho, Chieh Chiang Fan, Yueh Tsang Lee, Chung Yuan Chen	Tony Shen, Michael Ma, Jin Long Fang, Hsien Tao Chiu, Yueh Tsang Lee, Chung Yuan Chen,	Michael Ma, Jin Long Fang, Hsien Tao Chiu, Ming Hong Ho, Chieh Chiang Fan, Yueh Tsang Lee, Chung Yuan Chen	Michael Ma, Jin Long Fang, Hsien Tao Chiu, Yueh Tsang Lee, Chung Yuan Chen
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	Sou Shan Wu, Ming Ling Hsueh, Lai Ping Chi, Yin Hua Yeh	Sou Shan Wu, Ming Ling Hsueh, Lai Ping Chi,	Sou Shan Wu, Ming Ling Hsueh, Lai Ping Chi, Yin Hua Yeh	Sou Shan Wu, Ming Ling Hsueh, Lai Ping Chi,
5,000,000 (inclusive) ~ 10,000,000 (exclusive)		Yin Hua Yeh		Yin Hua Yeh
10,000,000 (inclusive) ~ 15,000,000 (exclusive)				
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Rong Jou Wang	Rong Jou Wang, Ming Hong Ho, Chieh Chiang Fan	Rong Jou Wang	Rong Jou Wang, Ming Hong Ho, Chieh Chiang Fan
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Tsun Chueh Investment Modern Investment Hsu Tong Investment	Tsun Chueh Investment Modern Investment Hsu Tong Investment	Tsun Chueh Investment Modern Investment Hsu Tong Investment Tony Shen	Tsun Chueh Investment Modern Investment Hsu Tong Investment Tony Shen
50,000,000 (inclusive) ~ 100,000,000 (exclusive)				
Over 100,000,000				
Total	16	16	16	16

Notes: (1) This table summarizes the amounts of various payments made to directors. Payments are calculated from the date the directors were appointed during the year.

(2) Directors' remuneration and their remuneration for concurrently serving as employees were passed by the directors' meeting of the Company in the most recent year.

(3) Remuneration disclosed herein is different from the term "income" as defined in the Income Tax Act; this table is for information disclosure, and not for taxation purposes.

### 3. Remuneration to President, and Vice Presidents

Data baseline date: 12/31/2017  
Unit: NT\$. %

Title	Name	Wages (A)		Pension upon retirement (B)		Bonuses and special allowances (C)		Employee Compensation (D)				Sum of A, B, C, and D as percentage of net income (%)		Remuneration from invested non-subsidiary enterprises)	
		Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Cash	Stock	Yuanta Financial Holdings	Companies included into the financial statement	Cash	Stock		
President	Tony Shen														
Compliance Affairs Dept. Executive Vice President (Chief Compliance Officer)	Yu De-Chuang														
Executive Vice President (Chief Strategy Officer)	Hsiu Wei Chen														
Internal Auditing Dept. General Auditor	Ming Hsiu Tsai														
Corporate Banking Division Senior Vice President (Chief Corporate Banking Officer)	Frank Kuo														
Institutional IR Dept. and International Division Senior Vice President (Chief International Operation Officer)	Allen Wu														
Digital Development Division Senior Vice President (Chief Digital Development Officer)	Chieh Wu														
Securities Office Senior Vice President	Lawrence Lee														
Risk Management Dept. Senior Vice President (Chief Risk Officer)	Hsuan Min Kuo														
IT Dept. Senior Vice President (Chief Information Officer)	Hsiu Mei Chen	30,543,017	64,428,522	0	0	56,722,455	143,919,259	644,988	0	1,041,506	0	0	0.54%	1.29%	0
Human Resources Dept. Vice President (Chief HR Officer)	Hsiao Kang Chang														
Administration Dept. Vice President (Chief Admin. Officer)	Chang Sun Yang														
Legal Affairs Dept Vice President (Chief Legal Officer)	Wen Chang Chiu														
Financial Management Dept. Vice President (Chief Financial Officer)	Hsu Shu Mai														
Operational Support Dept. Vice President (Chief Operational Support Officer)	Ming Lang Lin														
Legal Affairs Dept Vice President (Vice CLO)	Chang Hua Sun														
Corporate Planning Dept. Vice President	Wen Chi Chou														
Former Financial Management Dept. Senior Vice President (Former CFO)	Tai Yung Hsiung Connie Lin														

\*Information for all persons holding a position equivalent to president, vice president (e.g. president, CEO, director and etc.) must be disclosed, regardless of title.

#### 4. Range of remuneration to president and vice presidents

Breakdown of remuneration to president and vice presidents (NT\$)	President and vice presidents	
	Yuanta Financial Holdings	Companies included into the financial statement (E)
Below 2,000,000	Yu Te Chuang, Allen Wu, Chieh Wu, Lawrence Lee, Hsiu Mei Chen, Hsiao Keng Chang, Wen Ching Chiu, Hsu Shu Mai, Ming Lang Liu, Cheng Hua Sun, Tai Yung Hsiung	
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	Hsiu Wei Chen, Frank Kuo, Wen Chi Chou, Connie Lin	Lawrence Lee, Ming Lang Liu, Cheng Hua Sun, Wen Chi Chou, Connie Lin
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Ching Sun Yang	Chieh Wu, Hsiao Keng Chang, Ching Sun Yang, Hsu Shu Mai, Tai Yung Hsiung
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Ming Hsiu Tsai, Hsuan Min Kuo	Yu De Chuang, Ming Hsiu Tsai, Allen Wu, Hsuan Min Kuo, Hsiu Mei Chen, Wen Ching Chiu
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		Hsiu Wei Chen, Frank Kuo
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	Tony Shen	Tony Shen
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over 100,000,000		
	Total	19

Notes: (1) This table summarizes the amounts of various payments made to presidents and vice presidents. Payments are calculated from the date the presidents and vice presidents were appointed during the year.

(2) Employee compensation for the most recent year was passed by the Board of Directors.

(3) Remuneration disclosed herein is different from the term "income" as defined in the Income Tax Act; this table is for information disclosure, and not for taxation purposes.

(4) Chief Digital Development Officer Chieh Wu served as of April 5, 2017.

(5) CFO Hsu-Shu Mai served as of July 1, 2017.

(6) Senior Vice President Lawrence Lee and Chief Operational Support Officer Ming-Lang Liu served as of September 1, 2017.

(7) Vice Chief Legal Officer Cheng-Hua Sun served as of October 2, 2017.

(8) Former CFO Connie Lin served until May 31, 2017.

## 5. Managers receiving employee compensation and state of distribution

Data baseline date: 12/31/2017

Unit: NTS; %

Title		Name	Stock	Cash	Total	The sum as percentage of net income (%)
Managers	President	Tony Shen	0	817,789	817,789	0.01%
	Executive Vice President, Compliance Affairs Dept.(CCO)	Yu De Chuang				
	Executive Vice President (CSO)	Hsiu Wei Chen				
	General Auditor, Internal Auditing Dept.	Ming Hsiu Tsai				
	Senior Vice President, Corporate Banking Division (Chief Corporate Banking Officer)	Frank Kuo				
	Institutional IR Dept. and International Division Senior Vice President (Chief International Operation Officer)	Allen Wu				
	Senior Vice President, Digital Development Division (Chief Digital Development Officer)	Chieh Wu				
	Senior Vice President, Secretariat Office	Lawrence Lee				
	Senior Vice President, Risk Management Dept. (Chief Risk Officer)	Hsuan Min Kuo				
	Senior Vice President, Information Dept. (CIO)	Hsiu Mei Chen				
	Vice President ,Human Resources Dept. (CHRO)	Hsiao Keng Chang				
	Vice President, Administrative Management Dept. (CAO)	Ching Sun Yang				
	Vice President, Legal Affairs Dept. (CLO)	Wen Ching Chiu				
	Vice President, Financial Management Dept. (CFO)	Hsu Shu Mai				
	Vice President, Operational Support Dept. (Chief Operational Support Officer)	Ming Lang Liu				
	Vice President, Legal Affairs Dept. (Vice CLO)	Cheng Hua Sun				
	Vice President, Corporate Planning Dept.	Wen Chi Chou				
	Vice President	Tai Yung Hsiung				
	Assistant Vice President, Financial Management Dept.	Wen Ching Hsu				
	Assistant Vice President, Financial Management Dept.	Wei Ning Chang				
	Senior Assistant Vice President, Admin. Management Dept. (Vice CAO)	Po Ching Li				
	Assistant Vice President, Admin. Management Dept.	Chen Chun Lin				
	Assistant Vice President, Admin. Management Dept.	Hsin Tang Huang				
	Assistant Vice President, Admin. Management Dept.	Hsien Chun Li				
	Senior Assistant Vice President, Information Dept.	Yung Hsien Chang				
	Assistant Vice President, Information Dept.	Chun Ching Chang				
Assistant Vice President, Information Dept.	Po Yi Wu					
Former Senior Vice President, Financial Management Dept. (Former CFO)	Connie Lin					

Note: Employee compensation to be distributed to managers for the most recent year was passed by the Board of Directors.



(VIII) An explanation on remuneration paid to directors (including independent directors), president, and vice presidents in the last two years

1. Ratio of directors' (including independent directors), presidents' and vice presidents' remuneration to net income after tax of the entity or individual financial report

Unit: NT\$1,000; %

Year / Item	Net income	Directors' remuneration		Ratio of directors' remuneration to net income		Remuneration of president and vice presidents		Ratio of president and vice presidents' remuneration to net income	
		Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement	Yuanta Financial Holdings	Companies included into the financial statement
2016	13,414,105	96,371	135,407	0.72%	1.01%	69,806	176,746	0.52%	1.32%
2017	16,204,948	173,165	234,212	1.07%	1.45%	87,910	209,389	0.54%	1.29%

2. Remuneration policies, standards and packages; procedures for determining remuneration and its connection with business performance and future risk exposure.

(1) Directors (including Independent Directors)

Except for independent directors, the other directors of the Company refer to corporate directors. According to Article 33 of the Company's Articles of Incorporation, for allocation of remuneration to directors, if the Company has profit at the year's final accounting, the remuneration to directors shall be no more than 0.9% of the remainder after the profit less accumulated loss, if any. The allocation of remuneration to directors shall follow the typical pay levels adopted by peer companies and take into consideration the reasonableness of the correlation with future risk exposure each year. The actual allocation shall be based on the self-appraisal result on the Board of Directors members and statistics of directors' attendance at meetings, continuing education and negative qualifications, and then the remuneration shall be allocated to the corporate directors on a pro rata basis subject to the number of days for which the directors hold the position.

In addition to the remuneration to directors, the salary of Chairman of Board shall be no more than 1.5 times the salary of the president, and the salary of Vice Chairman of Board shall be no more than 1.25 times the salary of the president, subject to the resolution by the Board of Directors. The other remuneration and benefits to Chairman of Board and Vice Chairman of Board shall follow the Company's related requirements or typical pay levels adopted by peer companies. The Board of Directors is authorized to resolve the severance pay/pension payable to the Chairman and Vice Chairman based on their participation in the Company's operation, contribution value and the typical pay levels adopted by peer companies.

The Board of Directors is authorized to resolve the remuneration to the Company's independent directors based on the typical pay levels adopted by peer companies. In order to avoid direct or indirect conflict of interest with the Company, the remuneration is paid at fixed amount on a monthly basis, excluded from the Company's allocation of remuneration to directors.

The transportation allowance and fees for attending meetings payable to directors shall be paid based on the typical pay levels adopted by peer companies.

(2) President and vice presidents

Enterprises pay remuneration to employees primarily in exchange for their work and to provide for their livelihoods. The goal of the enterprises' remuneration policy is to attract outstanding personnel, retain employees with good development potential, establish a team of talents, so as to achieve excellent corporate performance. The operating result would be rewarded to the employees in the form of the payment of remuneration. Given this, in order to closely align employees' personal work goals with the Company's operating objectives and shareholders' interests, and to attract outstanding talent, the Company's policy on remuneration is performance-oriented. The salaries provided are highly competitive and are allotted based on the Company's business results and individual performance. Hence, they create a three-way winning outcome for individuals, the Company, and shareholders.

Remuneration for the upper management is also based on the foregoing philosophy. Management pay packages are competitive and provide incentives for managers to do their best and achieve the best performance. Generally speaking, the Company utilizes several types of pay packages consisting of base salary, allowances, and various bonuses, accompanied by benefits such as annual leave and insurance, etc. Further, according to Article 33 of the Company's Articles of Incorporation, if the Company has profit at the year's final accounting, the remuneration to employees shall be allocated at the range from 0.01% to 0.5% of the remainder, if any.

The policy, system, standard and structure of the salary and remuneration to the Company's managerial officers shall be reviewed by Remuneration Committee and then submitted to the Board of Directors for resolution. When resolving the salary and remuneration to individual managerial officers, the Company shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.

## V. Status of Corporate Governance

### (I) Operation of the Board of Directors

1. The board held 14(A) meetings during 2017; the attendance of directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Representative of Modern Investment Co., Ltd.: Rong Jou Wang	14	0	100	
Director	Representative of Modern Investment Co., Ltd.: Tony Shen	14	0	100	
Director	Representative of Modern Investment Co., Ltd.: Chich Chiang Fan	13	1	93	
Director	Representative of Tsun Chueh Investment Co., Ltd.: Michael Ma	13	1	93	
Director	Representative of Tsun Chueh Investment Co., Ltd.: Jin Long Fang	13	1	93	
Director	Representative of Tsun Chueh Investment Co., Ltd.: Yueh Tsang Lee	14	0	100	
Director	Representative of Hsu Tong Investment: Hsien Tao Chiu	13	1	93	
Director	Representative of Hsu Tong Investment: Ming Hong Ho	14	0	100	
Director	Representative of Hsu Tong Investment: Chung Yuan Chen	14	0	100	
Independent Director	Sou Shan Wu	13	1	93	
Independent Director	Ming Ling Hsueh	14	0	100	
Independent Director	Lai Ping Chi	14	0	100	
Independent Director	Yin Hua Yeh	14	0	100	

Other items to be stated:

1. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

- (1) For resolution(s) passed pursuant to Article 14-3 of the Securities and Exchange Act: Not applicable, as the Company has established the Audit Committee and Article 14-5 of the Act shall apply.
- (2) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

2. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

- (1) 9th meeting of the 7th board of directors on January 23, 2017

The motion for amendments to the Company's "Articles of Incorporation" in part.

Resolution:

- A. Apart from Chairman Rong Jou Wang, Director Tony Shen, Director Chich Chiang Fan, Director Michael Ma, Director Jin Long Fang, Director Yueh Tsang Lee, Director Hsien Tao Chiu, Director Ming Hong Ho and Director Chung Yuan Chen, who were interested parties recusing themselves from the voting, Independent Director Sou Shan Wu acted as the chairperson at the time of the voting.
- B. Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.
- (2) 9th meeting of the 7th board of directors on January 23, 2017  
The motion for performance appraisal on the group performance bonus in 2016.  
Resolution:  
A. Chairman Rong Jou Wang, who was an interested parties, recused themselves from the voting, and Director Tony Shen acted as the chairperson at the time of voting.  
B. Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.
- (3) 9th meeting of the 7th board of directors on January 23, 2017  
The motion for performance appraisal on the group performance bonus of the Company's President, chief functional officers, chief of business divisions and Auditor-General in 2016.  
Resolution: Director Tony Shen, who was an interested party recusing himself, the remaining directors present agreed to pass the motions.
- (4) 10th meeting of the 7th board of directors on March 1, 2017  
Motion for the Company's plan to participate in subscription for the subsidiary Yuanta Life's 2017 plan to increase capital by NT\$4 billion in cash through the issuance of shares.  
Resolution: Director Michael Ma, Independent Director Lai Ping Chi and Independent Director Yin Hua Yeh, who were interested parties recused themselves, the remaining directors present agreed to pass the motions.
- (5) 11th meeting of the 7th board of directors on March 10, 2017  
The subsidiary, Ta Chong Bank, disposed of 34.87% of Ta Chong Securities equity held by it (totaling 131,725,844 shares).  
Resolution: Except Director Chich Chiang Fan, Director Jin Long Fang, Director Hsien Tao Chiu, Director Chung-Yuan Chen, Independent Director Ming Ling Hsueh, Independent Director Yin Hua Yeh, and Director Michael Ma acted by Director Jin Long Fang, who recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- (6) 12th meeting of the 7th board of directors on March 27, 2017  
Motion for allocation of remuneration to employees 2016  
Resolution: Except Director and President Tony Shen, who was interested party recusing himself, the remaining directors present agreed to pass the motions.
- (7) 12th meeting of the 7th board of directors on March 27, 2017  
Motion for allocation of remuneration to employees 2016.  
Resolution:  
A. Apart from Chairman Rong Jou Wang, Director Tony Shen, Director Chich Chiang Fan, Director Michael Ma, Director Yueh Tsang Lee, Director Hsien Tao Chiu, Director Ming Hong Ho, Director Chung Yuan Chen and Director Jin Long Fang acted by Director Hsien Tao Chiu, who were interested parties recusing themselves from the voting, Independent Director Sou Shan Wu acted as the chairperson at the time of the voting.  
B. Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.
- (8) 13th meeting of the 7th board of directors on April 26, 2017  
The Company and its subsidiaries renewed the volume license agreement with Microsoft Taiwan.  
Resolution: Except Director Tony Shen, Director Chich Chiang Fan, Director Michael Ma, Director Jin Long Fang, Director Yueh Tsang Lee, Director Hsien Tao Chiu, Director Ming Hong Ho, Director Chung Yuan Chen, Independent Director Sou Shan Wu, Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh, who recused themselves for conflict of interest, the motion was agreed by the remaining present directors.
- (9) 14th meeting of the 7th board of directors on May 3, 2017  
The Company's subsidiaries, Yuanta Bank, Yuanta Futures and Yuanta Securities Finance, acquired 1F and 7F of "Tatung Building" for business place and office premises.  
Resolution: Except Director Michael Ma, Director Jin Long Fang, Director Yueh Tsang Lee, Director Chung Yuan Chen, Independent Director Ming Ling Hsueh, Independent Director Yin Hua Yeh, Director Chich Chiang Fan acted by Director Chung-Yuan Chen, and Director Hsien Tao Chiu acted by Director Jin Long Fang, who recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- (10) 17th meeting of the 7th board of directors on July 26, 2017  
The motion for establishment of the Company's "Regulations Governing Appointment and Management of Managerial Officers" (Draft).

Resolution: Director Tony Shen, who was an interested party recusing himself, the remaining directors present agreed to pass the motions.

(11) 17th meeting of the 7th board of directors on July 26, 2017

The motion for allocation of remuneration to the Company's President, chief functional officers, chief of business divisions and Auditor-General in 2016.

Resolution: Director Tony Shen, who was an interested party recusing himself, the remaining directors present agreed to pass the motions.

(12) 17th meeting of the 7th board of directors on July 26, 2017

The motion for allocation of remuneration to the Company's directors (exclusive of independent directors) in 2016.

Resolution:

A. Apart from Chairman Rong Jou Wang, Director Tony Shen, Director Chich Chiang Fan, Director Michael Ma, Director Jin Long Fang, Director Yueh Tsang Lee, Director Hsien Tao Chiu, Director Ming Hong Ho and Director Chung Yuan Chen, who were interested parties recusing themselves from the voting, Independent Director Sou Shan Wu acted as the chairperson at the time of the voting.

B. Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.

(13) 17th meeting of the 7th board of directors on July 26, 2017

The Motion for allocation of remuneration to the directors and supervisors of invested enterprises appointed by the Company in 2016.

Resolution: Director Yueh Tsang Lee and Director Hsien Tao Chiu, who were interested parties recusing himself, the remaining directors present agreed to pass the motions.

(14) 18th meeting of the 7th board of directors on August 30, 2017

The motion for renewed appointment of the President.

Resolution: Except Director and President Tony Shen, who was interested party recusing himself, the remaining directors present agreed to pass the motions.

(15) 20th meeting of the 7th board of directors on October 25, 2017

In order to deal with the need for entire planning and business, the Company rented 6F of "Yuanta Financial Holdings Building" from the interested party, "Ta Chong Bank", in part.

Resolution: Director Chich Chiang Fan and Independent Director Yin Hua Yeh, who were interested parties recusing himself, the remaining directors present agreed to pass the motions.

(16) 21st meeting of the 7th board of directors on November 27, 2017

In order to deal with the need for entire planning and business, the Company rented the additional area at 6F of "Yuanta Financial Holdings Building" from the interested party, Ta Chong Bank, and terminated the lease of the office at 4F with "Yuanta Bank".

Resolution: Except Director Chich Chiang Fan, Director Michael Ma, Director Jin Long Fang, Director Hsien Tao Chiu, Director Chung Yuan Chen, Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh, who recused themselves for conflict of interest, the motion was agreed upon by the remaining present directors.

(17) 21st meeting of the 7th board of directors on November 27, 2017

The motion for amendments to the Company's "Performance Management Regulations".

Resolution: Director Tony Shen, who was an interested party recusing himself, the remaining directors present agreed to pass the motions.

3. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

(1) To prepare for the establishment of an audit committee, amendment was made to the company's Articles of Incorporation at the special shareholders' meeting held in 2006. During the 2007 annual shareholders' meeting, independent directors were elected with the establishment of the audit committee. Subsequently, a window for investor services and a suggestions & complaints mailbox were set up with the enactment of additional corporate governance rules and regulations. All information concerned had been made public on the Market Observation Post System (MOPS).

(2) In addition, information relating to directors'/independent directors' ongoing education and board meetings attendance as well as their remuneration was posted on the MOPS.

(3) Apart from regularly participating in audit committee meetings and board of directors meetings, since taking office the company's independent directors regularly meet with the company's top management, department managers, and staff to review matters related to corporate governance and business development, benefiting the company at all levels. In order to fully understand the organization of the company, its operational efficiencies, business plans and decision-making processes, the independent directors visit the company several times each week, investing considerable time reviewing meeting information, understanding the company's financial, accounting, auditing and risk control status so as to fulfill their duty to exercise the due diligence of a good administrator.

Note 1: The name and representative of the institutional shareholder of any director who is a corporation, if any, shall be disclosed.

Note 2: The Company's directors (including independent directors) of the 7th term were elected on June 16, 2016.

Note 3: (1) Where a specific director may be relieved from duties before the end of the fiscal year, specify the date of discharge in the "Remark" section. Actual attendance rate (%) was calculated based on the number of board meetings held during each director's term and the number of meetings actually attended by that director.

(2) Where a reelection may be held for filling the vacancies of directors before the end of the fiscal year, list both the new and the discharged directors, and specify if they are the former directors, or newly elected, re-elected and the date of the reelection in the "Remark" section. Actual attendance rate (%) was calculated on the basis of the number of board meetings held during each director's term and the number of meetings actually attended by that director.

## 2. Attendance of independent directors at various Board of Directors meetings in the most recent year (2017)

⊙: In person; ☆: By proxy; \*: Absent

2017	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Sou Shan Wu	⊙	⊙	⊙	⊙	⊙	⊙	⊙	☆	⊙	⊙	⊙	⊙	⊙	⊙
Ming Ling Hsueh	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Lai Ping Chi	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Yin Hua Yeh	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

(II) Operation and functions of the audit committee

1. The number of persons, term of office and authority of the Company's audit committee shall be subject to Article 3, Article 4, Article 5 and Article 6 of the Articles of Association for the Company's Audit Committee. The relevant regulations are disclosed in the "Corporate Governance Best-Practice Principles and related regulations" in the section of "Corporate Social Responsibility" on the Company's website.
2. The audit committee held 15 (A) meetings during 2017; the attendance of independent directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A] (Note 3)	Remarks
Independent Director	Sou Shan Wu	15	0	100	
Independent Director	Ming Ling Hsueh	15	0	100	
Independent Director	Lai Ping Chi	14	1	93	
Independent Director	Yin Hua Yeh	15	0	100	

Other items to be stated:

1. Where the operation of the audit committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, audit committee's resolution and the Company's resolution of audit committee's opinions:

(1) The circumstances referred to in Article 14-5 of the Securities and Exchange Act; (The motions related to the circumstances referred to in Article 14-5 of the Securities and Exchange Act shall be specified.)

A. 12th meeting of the 7th audit committee on January 17, 2017

The motion for evaluation on the CPA's independence according to the Company's corporate governance rules, and appointment of PwC Taiwan to certify the Company's 2017 financial statements and tax filings.

Resolution made by the Audit Committee: approved by all present members unanimously.

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 9th meeting of the 7th board of directors on January 23, 2017.

B. 13th meeting of the 7th audit committee on February 21, 2017

Motion for the Company's plan to participate in subscription for the subsidiary Yuanta Life's 2017 plan to increase capital by NT\$4 billion in cash through the issuance of shares.

Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 10th meeting of the 7th Board of Directors on March 1, 2017. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.

C. 14th meeting of the 7th audit committee on March 10, 2017

The motion for the plan of the subsidiary, Ta Chong Bank, to dispose of 34.87% of Ta Chong Bank equity held by it (totaling 131,725,844 shares) is submitted.

Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 11th meeting of the 7th Board of Directors on March 10, 2017. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.

D. 15th meeting of the 7th audit committee on March 21, 2017

Motion for the Company's consolidated financial statements 2016.

Resolution made by the Audit Committee: approved by all present members unanimously.

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 12th meeting of the 7th board of directors on March 27, 2017.

E. 15th meeting of the 7th audit committee on March 21, 2017

Motion for submission of the Company's 2016 Statement on Internal Control System.

Resolution made by the Audit Committee: approved by all present members unanimously.

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 12th meeting of the 7th board of directors on March 27, 2017.

- F. 15th meeting of the 7th audit committee on March 21, 2017  
 Amendments to certain articles of the Company's "Regulations Governing the Acquisition and Disposal of Assets"  
 Resolution made by the Audit Committee: approved by all present members unanimously.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 12nd meeting of the 7th board of directors on March 27, 2017.
- G. 16th meeting of the 7th audit committee on April 18, 2017  
 The Company and its subsidiaries renewed the volume license agreement with Microsoft Taiwan.  
 Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 13th meeting of the 7th board of directors on April 26, 2017. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- H. 17th meeting of the 7th audit committee on May 3, 2017  
 Motion for the acquisition by the Company's subsidiaries, Yuanta Bank, Yuanta Futures and Yuanta Securities Finance, of 1F and 7F of "Tatung Building" for business place and office premises.  
 Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 14th meeting of the 7th Board of Directors on May 3, 2017. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- I. 18th meeting of the 7th audit committee on May 16, 2017  
 The motion for transfer of the Company's manager.  
 Resolution made by the Audit Committee: approved by all present members unanimously.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 15th meeting of the 7th board of directors on May 24, 2017.
- J. 19th meeting of the 7th audit committee on June 20, 2017  
 Motion for appointment of the Company's managerial officers.  
 Resolution made by the Audit Committee: approved by all present members unanimously.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 16th meeting of the 7th board of directors on June 28, 2017.
- K. 20th meeting of the 7th audit committee on July 18, 2017  
 Motion for redemption of Class A registered preferred shares issued by the Company and annulment of capital stock upon capital reduction.  
 Resolution made by the Audit Committee: approved by all present members unanimously.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 17th meeting of the 7th board of directors on July 26, 2017.
- L. 21st meeting of the 7th audit committee on August 15, 2017  
 Motion for the Company's consolidated financial statements Q2 of 2017.  
 Resolution made by the Audit Committee: approved by all present members unanimously.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 18th meeting of the 7th board of directors on August 30, 2017.
- M. 21st meeting of the 7th audit committee on August 15, 2017  
 The plan of the Company's subsidiary, Yuanta Asset Management, to reduce capital by NT\$500 million, and the purpose and expected benefits upon the Company's acquisition of the fund upon capital reduction.  
 Resolution made by the Audit Committee: approved by all present members unanimously.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 18th meeting of the 7th board of directors on August 30, 2017.
- N. 23rd meeting of the 7th audit committee on October 17, 2017  
 The Company's annulment of 109,450,297 shares of treasury and capital reduction.  
 Resolution made by the Audit Committee: approved by all present members unanimously.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 20th meeting of the 7th board of directors on October 25, 2017.
- O. 23rd meeting of the 7th audit committee on October 17, 2017  
 In order to deal with the need for comprehensive planning and business, the Company plans to rent 6F of "Yuanta Financial Holdings Building" from the interested party, "Ta Chong Bank", in part.  
 Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.  
 The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 20th meeting of the 7th Board of Directors on October 25, 2017. Except those recused themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.
- P. 24th meeting of the 7th audit committee on October 25, 2017



In order to maintain the Company's creditability and shareholders' equity, the Company plans to repurchase the Company's stock for 17th time.

Resolution made by the Audit Committee: approved by all present members unanimously upon the amendments.

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 20th meeting of the 7th board of directors on October 25, 2017.

Q.25th meeting of the 7th audit committee on November 21, 2017

In order to deal with the need for entire planning and business, the Company rented the additional area at 6F of "Yuanta Financial Holdings Building" from the interested party, Ta Chong Bank, and terminated the lease of the office at 4F with "Yuanta Bank".

Resolution made by the Audit Committee: Apart from the interested party, who recused himself, the remaining directors present agreed to pass the motions.

The Company's action against the Audit Committee's opinion: Approved by all present directors unanimously at 21st meeting of the Board of Directors of 7th term on November 27, 2017. Except those recusing themselves due to their conflict of interest with the motion, the remaining directors present agreed to pass the motions.

(2) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the Board of Directors: None.

2. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

(1) 13th meeting of the 7th audit committee on February 21, 2017

Motion for the Company's plan to participate in subscription for the subsidiary Yuanta Life's 2017 plan to increase capital by NT\$4 billion in cash through the issuance of shares.

Resolution: Except Independent Director Yin Hua Yeh and Independent Director Lai Ping Chi acted by Independent Director Yin Hua Yeh, who recused themselves for conflict of interest, the motion was agreed upon by the remaining present independent directors and submitted to the Board of Directors for resolution. The motion was submitted to the Board of Directors for resolution.

(2) 14th meeting of the 7th audit committee on March 10, 2017

The motion for the disposition by the subsidiary, Ta Chong Bank, of 34.87% of Ta Chong Securities equity held by it (totaling 131,725,844 shares) was submitted.

Resolution: Except Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh, who recused themselves for conflict of interest, the motion was agreed by the remaining present independent directors and submitted to the Board of Directors for resolution.

(3) 16th meeting of the 7th audit committee on April 18, 2017

The Company and its subsidiaries renewed the volume license agreement with Microsoft Taiwan.

Resolution: Independent Director Sou Shan Wu, Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh recused themselves due to avoidance of conflict of interest. Independent Director Lai Ping Chi served as the chairperson at the time of voting. The motion was passed, and submitted to the Board of Directors for resolution.

(4) 17th meeting of the 7th audit committee on May 3, 2017

The Company's subsidiaries, Yuanta Bank, Yuanta Futures and Yuanta Securities Finance, acquired 1F and 7F of "Tatung Building" for business place and office premises.

Resolution: Except Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh, who recused themselves for conflict of interest, the motion was agreed by the remaining present independent directors and submitted to the Board of Directors for resolution.

(5) 23rd meeting of the 7th audit committee on October 17, 2017

In order to deal with the need for entire planning and business, the Company plans to rent 6F of "Yuanta Financial Holdings Building" from the interested party, "Ta Chong Bank", in part.

Resolution: Except Independent Director Yin Hua Yeh, who recused themselves for conflict of interest, the motion was agreed by the remaining present independent directors and submitted to the Board of Directors for resolution.

(6) 25th meeting of the 7th audit committee on November 21, 2017

In order to deal with the need for entire planning and business, the Company rented the additional area at 6F of "Yuanta Financial Holdings Building" from the interested party, Ta Chong Bank, and terminated the lease of the office at 4F with "Yuanta Bank".

Resolution: Except Independent Director Ming Ling Hsueh and Independent Director Yin Hua Yeh, who recused themselves for conflict of interest, the motion was agreed by the remaining present independent directors and submitted to the Board of Directors for resolution.

3. Communication between independent directors and internal auditing officers as well as CPAs on company finances and business situation (such as items discussed, means of communication and results, etc.):

(1) The Company has established the "Communication Procedures for Audit Committee and Internal Auditing Department" and "Communication Procedures for Audit Committee and Certified Public Accountants" to

govern all communications between the Audit Committee and internal auditors/accountants, which thus far have resulted in very good communication. At the same time, internal auditors and CPAs will be evaluated separately at the end of each year for their overall performance, and the results are reported to the Board of Directors.

- (2) The Company discloses the information about means of communication between independent directors and chief internal audit officers and CPAs in the “Audit Committee” in the section of “Corporate Social Responsibility” on the Company’s website: <http://www.yuanta.com/tw/IR02/IR0208/>.

Note 1: The Company’s independent directors were elected on June 29, 2007, and the audit committee was set up on the same day.

Note 2: The Company’s independent directors of the 7th term were elected on June 16, 2016.

Note 3: (1) Where a specific independent director may be relieved from duties before the end of the fiscal year, specify the date of discharge in the “Remark” section. Actual attendance rate (%) was calculated based on the number of board meetings held during each director’s term and the number of meetings actually attended by that director.

- (3) Where a reelection may be held for filling the vacancies of independent directors before the end of the fiscal year, list out both the new and the discharged independent directors, and specify if they are the former independent directors, or newly elected, re-elected and the date of the reelection in the “Remark” section. Actual attendance rate (%) was calculated on the basis of the number of meetings held by the audit committee during each independent director’s term and the number of meetings actually attended by that independent director.

### (III) Items disclosed in accordance with the Corporate Governance Best-Practice Principles for Financial Holding Companies

On the home page of the company’s website, the “Corporate Social Responsibility” section discloses information related to the operations of corporate governance at the company.

(<http://www.yuanta.com/tw/IR02/>)

(IV) Status of corporate governance, departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and reasons for such departures

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
<p>1. Equity structure and shareholders' rights of financial holding company</p> <p>(1) Whether the financial holding company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?</p>	V		There was no departure in this respect.
<p>(2) Whether the financial holding company controls the financial holding company's major shareholders and who are their ultimate owners?</p>	V		<p>(1) The Company has disclosed the ways to communicate with the Company in the "Investor Relations" Section of its website. Shareholders may put forward their comments via telephone, in person, in writing, or by fax or email, or via any other channels. The shareholders' suggestions, questions, disputes, and legal actions will be processed by the Company's agent of shareholder service in accordance with the "Operating Procedure for Shareholders' Service", and the unit personnel dedicated to receiving the same will judge the contents to determine whether the same shall be processed by themselves, or transferred to the responsible units to enable the units to verify the root cause, take appropriate responsive actions and provide feedback.</p> <p>(2) The Company controls the shareholdings of the Company's shareholders based on its roster of shareholders as at the book closure date, and the information about changes of equity reported to the Company internally on a monthly basis, and sets up the "Shareholder Structure" section under the "Shareholder Area" of the "Investor Relations" on the Company's website that provides relevant forms for download.</p> <p>(3) A. The company has established a "Risk Management Department" being responsible for supervising and implementing risk management measures. Each subsidiary has an independent risk management unit in place, depending on their respective sizes and risk attributes, to monitor the various risks involved.                      B. The Company has complied with Articles 44 and 45 of the Financial Holding Company Act, regarding credit and non-credit transactions with related parties.                      C. The Company has established the "Regulations Governing Operations Related to Financial Transactions with Affiliated</p>
<p>(3) Whether the financial holding company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?</p>	V		

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
<p>2. Composition and responsibilities of board of directors</p> <p>(1) Has the financial holding company established diversified policies about the members of the Board of Directors and discloses the fulfillment of such diversified policies at the Company's website?</p>	V		<p>Companies"; "Rules Governing Transactions with Related Parties"; "SOP for the General Power of Attorney Regarding the Non-Credit Transactions Between Yuanta Financial Holdings and Stakeholders Defined in Article 45 of the Financial Holding Company Act" and "Rules Governing the Transactions Between Yuanta Financial Holdings and Self-Disciplined Counterparts" for fulfillment of risk control and firewall mechanism.</p> <p>(1) The Company has established the "Procedure for Election of Directors", in which Article 3 expressly defines that the overall composition of the Board of Directors shall be taken into consideration in the selection of the directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operation, business type, and development needs. It is advisable that the policy shall include, without being limited to, the following two (2) general standards:</p> <p>A. Basic requirements and values: Gender, age, nationality, and culture, et al.</p> <p>B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.</p> <p>Each board member shall have the necessary knowledge, skills, and experience to perform their duties. The abilities that must be present in the board as a whole are as follows:</p> <p>A. Ability to make judgments about operations</p> <p>B. Accounting and financial analysis ability</p> <p>C. Business management ability (including ability to manage subsidiaries)</p> <p>D. Crisis management ability</p> <p>E. Knowledge of the industry</p> <p>F. An international market perspective</p> <p>G. Leadership ability</p> <p>H. Decision-making ability</p>
			There was no departure in this respect.

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
<p>(2) Is the financial holding company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?</p> <p>(3) Has the financial holding company assessed the independence of the external auditor periodically (at least once per year), and also disclosed the assessment procedure honestly?</p>	V		<p>I. Risk management knowledge and ability The information about diversified policies on the Board of Directors is disclosed in the "Board of Directors" in the section of "Corporate Social Responsibility" on the Company's website at <a href="http://www.yuanta.com/tw/IR02/IR0206/">http://www.yuanta.com/tw/IR02/IR0206/</a></p> <p>(2) The Company has established a remuneration committee and audit committee pursuant to laws. Other functional committees will be taken into consideration subject to the organization's operating needs.</p> <p>(3) According to the Company's "Corporate Governance Best-Practice Principles", the Company shall assess the independence of the external auditor in the duration of the audit committed by the external auditor, based on the following: A. Whether the auditor provides services that would affect the independence of the audit. B. Whether any financial relations exist between the auditor and the Company that would affect the independence of the audit. C. Whether the auditor provides services or products to the Company or charges contingent professional fees or commissions from the Company. D. Whether any actual or threatened legal actions exist between the auditor and the Company. E. Whether the auditor receives such gifts as goods or services of inappropriate value from the Company. F. Whether the auditor was the Company's employee once and resigned for no more than two (2) years. Said assessment report, together with the "Statement of Independent Audit", will be submitted to the audit committee and Board of Directors. The motion for employment will be subject to a resolution made by the Board of Directors. The Company assessed that Ellen Kuo and Maria Chen, CPAs of PricewaterhouseCoopers Certified Public Accountants met the Company's independence assessment criteria, and acquired the Statement of Independent Audit, which was approved at 2/7th meeting held by the audit committee of 7th term on</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
<p>(4) Have the regulations or procedures governing appraisal on performance of the Board of Directors established by the financial holding company is approved by the Board of Directors:</p> <p>A. Is the self-appraisal conducted at least once per year and the appraisal result is disclosed at the Company's website?</p> <p>B. Is it expressly stated that the external appraisal should be conducted at least once per three (3) years and within the time limit defined in the relevant regulations, and the implementation and appraisal results should be disclosed at the Company's website?</p>	V		<p>January 16, 2018 and 23rd meeting of the Board of Directors of 7th term on January 31, 2018.</p> <p>(4)The Company's "Regulations Governing Appraisal on Performance of the Board of Directors (Functional Committee)" have been resolved and approved at the 40th directors' meeting of 6th term on December 23, 2015. Further, the 6th directors' meeting of 7th term held on October 26, 2016 resolved and approved that the appraisal on performance of the Company's board of directors should be contracted to an external professional and independent organization, or external experts/scholars once per three (3) years.</p> <p>According to Article 3 of the Regulations, it is necessary to conduct the appraisal on performance of the Board of Directors (functional committee) at least once per year. Meanwhile, according to Article 6 of the Regulations, it is necessary to record the appraisal result and submit the same to the Board of Directors for discussion and correction.</p> <p>The self-appraisal result on performance of the Board of Directors (functional committee) and the board members (self or peer) 2017 has been reported to 23rd meeting of 7th board of directors on January 31, 2018. The result summarized that "No director (or independent director) has put forward any suggestions or supplementary notes against the self-appraisal result. Apparently, all of the directors (including independent directors) recognized the efficiency and operation of the Board of Directors (functional committee) and board members (self or peer) positively."</p> <p>The information about the regulations or procedures governing appraisal on performance of the Board of Directors is disclosed in the "Important Regulations" in the section of "Corporate Social Responsibility" on the Company's website at: <a href="http://www.yuanta.com/tw/IR02/IR0205/">http://www.yuanta.com/tw/IR02/IR0205/</a></p> <p>The information about the self-appraisal result on performance of the Board of Directors (functional committee) and the board members (self or peer) is disclosed in the "Board of Directors"</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
<p>(5) Has the financial holding company disclosed the connection between the appraisal on performance of the directors and remuneration to the directors?</p>	V		<p>in the section of "Corporate Social Responsibility" on the Company's website at <a href="http://www.yuanta.com/tw/IR02/IR0206/">http://www.yuanta.com/tw/IR02/IR0206/</a></p> <p>(5) Except independent directors, the other directors of the Company refer to corporate directors. According to the Company's Articles of Incorporation, the allocation of remuneration to directors shall follow the typical pay levels adopted by peer companies and take into consideration the reasonableness of the correlation with future risk exposure each year. The actual allocation shall be based on the self-appraisal result on the Board of Directors members and statistics of directors' attendance at meetings, continuing education and negative qualifications, and then the remuneration shall be allocated to the corporate directors on a pro rata basis subject to the number of days for which the directors hold the position. The Board of Directors is authorized to resolve the remuneration to the Company's independent directors based on the typical pay levels adopted by peer companies. In order to avoid direct or indirect conflict of interest with the Company, the remuneration is paid at fixed amount on a monthly basis, excluded from the Company's allocation of remuneration to directors.</p>
<p>(6) Has the financial holding company disclosed the information about means of communication between independent directors and related units (or executive officers) and CPAs (e.g. Means, item discussed and results of communication on the Company's financial report and business overview, et al.) at the Company's website?</p>	V		<p>(6) The Company discloses the information about means of communication between independent directors and Risk Management Dept., chief internal audit officers and CPAs, and item discussed and results, et al. in the "Audit Committee" in the section of "Corporate Social Responsibility" on the Company's website. <a href="http://www.yuanta.com/tw/IR02/IR0208/">http://www.yuanta.com/tw/IR02/IR0208/</a></p>
<p>3. Whether the financial holding company delegates the unit or personnel dedicated to (concurrently in charge of) corporate governance (including but not limited to, provision of information required by directors for carrying out business, organization of directors' meetings and shareholders' meetings, registration of incorporation and registration of changes, and production of directors' meeting and shareholders' meeting minute)?</p>	V		<p>3. The Company has delegated the unit and personnel dedicated to (concurrently in charge of) corporate governance:</p> <p>(1) The Company's Secretariat Office would be responsible for handling the affairs related to meetings held by the Board of Directors and audit committee, and designating the personnel dedicated to communicating and providing the relevant information required by directors for carrying out business.</p> <p>There was no departure in this respect.</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
4. Whether the financial holding company establishes communication channels with stakeholders (including but not limited to, shareholders, employees, and customers, et al.)?	V		There was no departure in this respect.
5. Information Disclosure (1) Establishment of a corporate website to disclose information concerning financial affairs and corporate governance?	V		There was no departure in this respect.
(2) Other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)?	V		There was no departure in this respect.
6. Other important information enabling a better understanding of the company's corporate governance (including but not limited to employee rights and interests, employee care,	V		There was no departure in this respect.



Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
<p>investor relations, stakeholders' rights and interests, continuing education of directors and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, purchase of liability insurance by the company for directors and supervisors, and donations to political parties, interested parties and public welfare groups):</p>			<p>requirements, safeguarded employees' legitimate rights and interests. The Company will call a labor and employer meeting periodically to urge the sufficient communication between both parties and gather the common consensus between both parties to make the relations between both parties more harmonious.</p> <p>(2)Employee care: The Company cares about the physical and mental health of its employees and undertakes education and training, group insurance, employee shareholding trusts, and health checkups. Meanwhile, it encourages employees to cultivate diversified hobbies, participate in various social clubs, and get used to having fun when working. The Company also strives to realize employees' potential, and trains and rewards excellent talents so as to enhance employees' on-the-job competitiveness and market value and create a diversified and friendly working environment by encouraging a positive attitude toward corporate sustainability.</p> <p>(3)Investor relations and stakeholders interests: In its "Corporate Governance Best-Practice Principles," the company has defined the contents of investor relations and stakeholders' interests. These principles are implemented in the company's day to day business and focus on the following aspects: A. The company maintains open channels of communication with investors, and respects and protects their legal rights. B. Taking advantage of the convenience of the Internet, the company has established a website, which carries information on financial affairs and corporate governance for the reference of shareholders and stakeholders. Taking into account the needs of foreign investors, the corporate website also provides an English version of corporate governance related information.</p> <p>(4)Continuing education of directors: See Pages 78 ~ 79.</p> <p>(5)Implementation of risk management policy and risk measurement criteria: A. In order to establish the Company's risk management standards and ensure the completeness, validity and</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
	Summary		
			<p>reasonableness of the risk management, the Company has had the Board of Directors approve the risk management policy and risk management criteria.</p> <p>B. The risk management policy refers to the Company's ultimate guidelines governing risk management. Various management risks shall be defined based on the policy, attributes of various risks, and effect to be produced by the risks to the Company's operating stability and capital safety.</p> <p>C. Subsidiaries shall establish the risk management systems that meet their business portfolio, business scale and capital scale, according to the Company's risk management policy, to measure and manage effectively the various risks to be borne by them.</p> <p>(6)Implementation of customer policy: The company protects customer privacy based on "Confidentiality Measures on Customer Information for Yuanta Financial Holdings and Its Subsidiaries", "Personal Data Protection Policy of Yuanta Financial Holdings" and "Personal Data Management Rules of Yuanta Financial Holdings". The company uses customer information in accordance with the forgoing measures and within the scope of the law so as to fulfill its obligations in maintaining the confidentiality of customer information and protect customer privacy.</p> <p>(7)Purchase of liability insurance by the Company for directors and managers: The Company continues to purchase the directors/supervisors and managers liability insurance for its directors (including independent directors) and managers, in order to pass on the Company's business risk and help establishment of a well-founded corporate governance mechanism.</p> <p>(8)Donations to political parties, interested parties, and non-profit organizations: A. Handled in accordance with the Company's guidelines governing public donations. Public donations mean those donations which comply with the following laws and regulations:</p>

Scope of Assessment	Status (Note 1)		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	NO	
			<p>(A) Donations to political parties, political groups and political candidates in accordance with Political Donations Act.</p> <p>(B) Donations to the public welfare groups and syndicates defined in the General Provisions of the Civil Code, or any other educational, cultural, public welfare or charity agencies or groups which are registered with the competent authorities or incorporated validly in accordance with other relevant laws and regulations.</p> <p>B. Where the donated subject is a related party, the donations shall be reported to the Board of Directors for resolution, regardless of the amount of the donations, and material information shall be announced in accordance with Paragraph 1.43 of Article 4 of the "Taiwan Stock Exchange Corporation's (TWSE) Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities".</p>
7. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies. The Company also ranked among the top 5% of listed company groups in the "Corporate Governance Assessment Operation" of the 3rd term held by TWSE, and was awarded presentation by TWSE on May 23, 2017. The Company has won this honor for three consecutive years. With respect to the indicators not awarded any mark in the "Corporate Governance Assessment Operation" of the 3rd term, the Company shall take corrective actions against the deficiencies in two indicators, namely the punishment rendered by the competent authority against the implementation of the internal control system and the Company's material violation of the internal control systems, as the first priority. Considering that the Company's subsidiary, Yuanfa Bank, was fined by the competent authority, the Company was not awarded any mark or the Company's marks were deducted therefor. Given this, the Company contacted the responsible unit immediately upon announcement of the rating result of the "Corporate Governance Assessment Operation" of the 3rd term and asked it to notify the subsidiary to fulfill and strengthen the function for three lines of defense about internal control to mitigate the risk over imposition of fine.			

Note 1: Regardless of "Yes" or "No", the status shall be stated in the "Summary" section.

(V) Describe the composition, duties and operations of the remuneration committee:

1. Information about remuneration committee members

Position Title (Note 1)	Qualification  Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 2)								Number of positions as a Remuneration Committee Member in other public listed companies (Note 3)	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Ming Ling Hsueh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	—
Independent Director	Sou Shan Wu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—
Independent Director	Lai Ping Chi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—
Independent Director	Yin Hua Yeh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	—

Note 1: Please specify director, independent director or others.

Note 2: "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the company or an affiliate.
- (2) Not a director or supervisor of the company or an affiliate. However, when the person is an independent director appointed by the company, its parent company, or a subsidiary pursuant to Securities and Exchange Act or the local laws and regulations).
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
- (8) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

Note 3: Information about the Company's Remuneration Committee Member acting as the remuneration committee member in other publicly listed companies concurrently:

- (1) Member Ming Ling Hsueh of the Company's Remuneration Committee is concurrently serving as the remuneration committee member of Walsin Lihwa Corp., Lite-On Technology Corporation, TTY Biopharm Company Limited and Yuanta Bank respectively.
- (2) Member Sou Shan Wu is concurrently serving as the remuneration committee member of Yuanta Securities.
- (3) Member Lai Ping Chi is concurrently serving as the remuneration committee member of Airmate (Cayman) International Co., Ltd.
- (4) Member Yin Hua Yeh is concurrently serving as the remuneration committee member of Yuanta Bank.

2. The Company's Remuneration Committee shall perform the following functions honestly with due diligence, and submit their motions to the Board of Directors for discussion:

- (1) Determine and periodically review the performance appraisal on the Company's directors and managers, and remuneration policy, system, standard and structure;

- (2) Periodically evaluate and determine the Company's remuneration to directors and managers.
3. Information concerning the remuneration committee
- (1) The Company's remuneration committee consists of 4 members.
- (2) 7th-term members' office: from June 16, 2016 to June 15, 2019; the 7th-term committee held 7(A) meetings during 2017, and the attendance of the committee members is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Ming Ling Hsueh	7	0	100	
Member	Sou Shan Wu	7	0	100	
Member	Lai Ping Chi	7	0	100	
Member	Yin Hua Yeh	7	0	100	
<p>Other items to be stated:</p> <p>1. If the Board of Directors does not adopt or amend the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company's handling of the remuneration committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the remuneration committee, please specify the deviation and reason): None.</p> <p>2. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.</p>					

(VI) Fulfillment of corporate social responsibility

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
<p>I. Exercising Corporate Governance</p> <p>(1) Does the Company define corporate social responsibility policies, systems, framework and related management policies, review the effect of implementation thereof, and disclose the same on the Company's website?</p>	V		There was no departure in this respect.
<p>(2) Does the Company periodically organize any corporate social responsibility education and training program?</p>	V	<p>(1)A. The Company has established its "CSR Best Practice Principles" in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies" and current practices. These principles were passed by the Board of Directors on October 26, 2010 to serve as guidance for the Company's social responsibilities principles. On December 28, 2010, the Board of Directors passed the "Corporate Social Responsibility Policy and Management Rules" to establish the Company's CSR policy and the organizational structure and functions of the units dedicated to promoting CSR.</p> <p>B. Amendments to the Company's CSR Best Practice Principles were made in accordance with Letter Tai-Zheng-Zhi-Li-Zi No.1050014103 issued by Taiwan Stock Exchange Corporation on July 28, 2016, and approved by the 18th meeting of the Board of Directors of 7th term on August 30, 2017.</p> <p>C. Considering that it has been more than six (6) years since the Corporate Responsibility Promotion Center was founded at the end of 2010, in order to precisely fulfill and follow up the effect of implementation of various functions, the board of directors ratified the amendments to the "Corporate Social Responsibility Policy and Management Rules" on October 26, 2016, so as to have the Center meeting organized once per quarter to upgrade the parliamentary efficiency and flexibility of the meeting.</p> <p>The CSR Best Practice Principles and Corporate Social Responsibility Policy and Management Rules are disclosed on the following website:  <a href="http://www.yuanta.com/tw/IR02/IR0205/">http://www.yuanta.com/tw/IR02/IR0205/</a></p> <p>(2) The Company holds regular CSR courses as means of promoting the employees' awareness toward CSR and introducing the overview of CSR promoted by the Company.</p>	

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
<p>(3) Has the Company established a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors and stating the operations and execution of such unit on the Company's website?</p>	V		<p>Through the online courses, the Company strengthens the employees' correct knowledge about CSR.</p> <p>(3)A. Article 4 of the Company's "Corporate Social Responsibility Policy and Management Rules" outlined the structure and duties of the Corporate Social Responsibility Promotion Center. A convener and a deputy convener were appointed on December 30, 2010. Meanwhile, on October 26, 2016, to deal with the adjustment in the Company's organization, the Company modified the structure and duties of the Center. The related amendments to the structure and duties were approved by the Board of Directors.</p> <p>B. The Corporate Responsibility Promotion Center sets the annual objective at the beginning of each year, and follows up the progress of each functional team. The meeting minutes are reviewed by the Chairperson.</p> <p>C. Operations and execution of the unit on the Company's website:  <a href="http://www.yuanta.com/tw/IR02/IR0211/">http://www.yuanta.com/tw/IR02/IR0211/</a></p>
<p>(4) Has the Company defined some reasonable compensation policy, integrated corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?</p>	V		<p>(4) In order to encourage and urge employees to work with due diligence, the Company has defined the reward &amp; punishment rules. Should an employee's conduct violate these norms, he/she will be required to correct the conduct, and the violation will be reported and punished depending on the severity of the circumstances. The reward and punishment results will be linked with the performance appraisal system and the remuneration policy. The employees are expected to comply with the relevant laws and internal control system when engaging in various operating activities, in order to fulfill the corporate social responsibility.</p> <p>(5) In order to inspire employees, the Company has established the performance appraisal and remuneration policy. Therefore, the Company's business results and personal performance may be reflected to the entire employees' remuneration adequately. Meanwhile, in order to recruit and retain talents, the Company established the "Permanent Remuneration Policy" in December 2008. The subjects to</p>
<p>(5) Has the Company defined some reasonable compensation policy, integrated corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?</p>	V		

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	
2. Fostering a Sustainable Environment (1) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	V		whom the Policy is applicable may be rewarded permanent remuneration in cash or in the form of the Company’s stock options, or another permanent remuneration portfolio decided by the Company.  (1)The Company’s measures to raise resource utilization efficiency and its use of renewable materials are explained below: A. We recycle and reuse energy-intensive articles. This includes advocating as well as promoting the recycling and reuse of paper products, the use of recycled paper and resource recycling as well as reporting on execution status. B. We properly dispose of waste. This includes advocating and promoting waste sorting and reduction, waste water treatment and reporting on the outcome. C. We adopt low-consumption and green OA appliances and devices. Since 2011, we have been awarded “Excellent Green Procurement Entity” by Department of Environmental Protection of Taipei City Government each year.  (2)The Company established the environmental management system exclusively applicable to the financial business based on ISO 14001 environment management standard systems, and acquired the BSI certification. Meanwhile, the Company also delivered the ISO 14064-1 Greenhouse Gas Investigation System into its nine subsidiaries in two steps successively, and delivered ISO 50001 Energy Management System into the subsidiaries, including Yuanta Bank, Yuanta Securities and Yuanta Securities Investment Trust, and all acquired the BSI certification. The on-going environmental management is stated as following: A. Environmental policies were drafted or amended per the Company’s operating policies, assessment result considered in terms of important environment or the management review resolution. B. The Company set internal management rules for indoor air conditioning temperature in office that follow Taipei City
(2) Has the Company established environmental policies suitable for the Company’s industrial characteristics?	V		There was no departure in this respect.



Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	
	Summary (Note 2)		
			<p>Government’s Self-Government Regulations Governing Energy Saving and Carbon Reduction of Industrial and Commercial Business.</p> <p>C. Review the result about consumption of such energy as water and electricity, on a year basis, in order to realize water conservation, energy conservation, and carbon and greenhouse gas reduction.</p> <p>D. Draft the environmental objective and action plans, set the manners in which various departments should set the objectives, and establish the plan to achieve the environmental objectives.</p> <p>E. Smoking is completely prohibited inside our offices. Smokers must use designated outdoor places. In order to meet regulations we regularly carry out disinfection, rodent and insect control.</p> <p>F. The headquarters building’s management committee functions as a dedicated environmental management unit to maintain the environment.</p> <p>(A) Global warming results in increasing frequencies of extreme weather events and thereby creates a threat to the infrastructure of the financial market. The Company not only pays close attention to the effect caused by changes of climate to operating activities, but also applies multiple tangible safety prevention measures to protect against risks of such changes of climate, including maintenance of fire insurance and additional insurance against the Company’s own assets and electronic insurance against information equipment, installation of watertight gates, and periodic maintenance of fire protection, monitoring and back-up supporting equipment, in order to control contingent climate risk and reduce the loss of the Company’s operation and equipment.</p> <p>(B) The Company is a financial service business, instead of a manufacturer who is used to discharging massive quantities of greenhouse gas. The primary sources of the Company’s emission of greenhouse gas refer to</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
			<p>power, water and fuel of transportation means. The Company has conducted an investigation into the emission of greenhouse gases by said energies, and has had the emission of greenhouse gases certified by some external organization since 2015.</p> <p>(C) The Company promotes environmental protection and fulfills the energy saving/carbon reduction measures as its strategies to manage greenhouse gas:</p> <ol style="list-style-type: none"> <li>a. Promote recycling and adopt green procurement;</li> <li>b. Permanently encourage staff to move by stairs instead of elevators if the length of distance is no more than two floors to save power and encourage the partaking of exercise. Elevators are categorized into those exclusive for floors of odd and even numbers separately, so that the energy used by the elevators to stop and open/close the doors may be saved.</li> <li>c. Require that the room temperature at the office premises shall be set as no less than 26°C.</li> <li>d. The areas of sun exposure shall be equipped with window shades to reduce radiant heat.</li> <li>e. Promote that the plugs of OA equipment shall be pulled out, if the equipment will remain inactive permanently, and staff shall turn off the lights immediately before leaving the office.</li> <li>f. Set the PCs in the manner that the screensavers will be activated automatically once the PCs are inactive.</li> <li>g. Reduce water yield of faucets comprehensively, and persuade colleagues to confirm that the faucet is turned off tightly after use.</li> <li>h. Promote videoconferencing to save the staff from consuming the energy used in commuting.</li> <li>i. Plan to replace traditional lighting with LED to save power.</li> <li>j. The communication of official letters, internal and external, has been replaced by an online approval system to save consumption of paper and carbon</li> </ol>

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	
<p>(3) Is the Company aware of how climate change impacts business operations, or conduct investigation into greenhouse gases, or defines some energy saving and carbon/greenhouse gas reduction, water consumption reduction or other waste management strategies?</p>	V		<p>powder.</p> <p>(3) In addition to dealing with the governmental energy saving/carbon reduction policies and promoting multiple related measures, the Company also defines the goal for energy saving in accordance with the “Regulations Governing Energy Subscribers’ Identification of Goals for Energy Saving and Implementation Plan”, promulgated by Ministry of Economic Affairs, in order to achieve the power saving rate more than 1% each year from 2015 to 2019 and also to achieve the average power saving rate more than 1% for the five years.</p> <p>The forecast yearly average power saving rates of Financial Holding Building were 2.67% in 2015 and 2016, while the actual power consumption and power saving rate was 6%.</p> <p>The actual power consumption and power saving rate was about 16.58% in 2017.</p> <p>The Group valued carbon risk very much. Since 2016, it has become a member of the Carbon Disclosure Project (CDP). The Company establishes the “Environmental Policy” dedicated to fulfilling environmental protection, environmental management and energy saving in 2016. Meanwhile, in order to deal with such issues as shortage of international energy and climate transformation, in 2017, the Company established the “Energy and Climate Transformation Management Policy” to respond to the energy saving and carbon reduction trend actively, and also defined the energy saving objectives and programs to include sustainable operation into the Company’s management and operation.</p> <p>(4) The Group has built the ISO 14064-1 system since 2015, and also conducted the investigation into greenhouse gases of the Company and the Group’s subsidiaries. From 2015 to 2017, following the increasing expansion of the investigation boundary, the data about the Group’s greenhouse gas emissions and primary energy consumption tend to be complete increasingly day by day.</p>
	V		
<p>(4) Has the Company disclosed the emissions of CO2 or other greenhouse gas in the past two (2) years?</p>	V		

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	
<p>(5) Has the Company received the certification from ISO14001, ISO50001 or any similar environment or energy management system, and discloses the same on the Company’s website or in its CSR report?</p>	V		<p>The total emissions of CO<sub>2</sub> were 3016.77 tons-CO<sub>2</sub>/year in 2015. The total emissions of CO<sub>2</sub> were 3043.09 tons-CO<sub>2</sub>/year in 2016. Note 1: The range of data in 2015 extended to the fuel consumed by Yuanta Financial Holdings Building and shuttle buses and company vehicles, and the greenhouse gas emissions referred to the related emissions of energy primarily. Note 2: The range of data in 2016 extended to all subsidiaries that built the ISO 14064-1 greenhouse investigation system.</p>
			<p>(5)The Company received the ISO 14001 certification in March 2016, and kept operating the system and passed the BSI certification in January 2017 and January 2018. The subsidiaries dedicated to banking, securities, investment trust and securities finance have introduced the ISO 50001 energy management system successively. All of them also received the BSI certification based on their annual plan. The Company discloses said information in the “CSR Report-Environmental Sustainability” section on the Company’s website: <a href="http://www.yuanta.com/tw/IR02/IR0205/">http://www.yuanta.com/tw/IR02/IR0205/</a></p>
<p>3. Preserving Public Welfare</p> <p>(1) Has the Company established any human rights protection policy in accordance with the relevant laws and international human rights conventions?</p> <p>(2) Does the Company disclose the identified interested parties’ identity, concerned issues, communication channels and responses on the Company’s website?</p>	V		<p>There was no departure in this respect.</p>
			<p>(1)Based on labor laws and regulations we have established work rules and related personnel management guidelines to prohibit discrimination toward job seekers or employees in terms of race, belief, religion, political party, native place, place of birth, gender, sex orientation, age and marriage, in order to establish an employment equality environment and protect employee rights. (2)The Company’s website set up the Stakeholder Engagement section. The interested parties identified by the Company are primarily categorized into seven groups, including shareholders and investors, customers, employees, governmental entities, suppliers, communities (including NPO and NGO) and the media. The CSR Promotion Center discusses and verifies said interested party groups, lists the</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
(3) Has the Company established any employee complaint mechanism and channel, and takes care of such complaints adequately?	V		<p>primary counterparts, issues, and ways and channels for reaching agreement, include the issues concerned by interested parties into the CSR routine operations management and annual plan, holds meetings to follow up the progress periodically, and makes amendment and adjustment if necessary. Website: <a href="http://www.yuanta.com/tw/IR02/IR0214/">http://www.yuanta.com/tw/IR02/IR0214/</a></p> <p>(3)A. The Company calls a labor and employer meeting periodically to establish a communication platform between laborers and employer to upgrade employees' participation and identification in the company's policies so as to form a positive interactive model and to create a win-win situation.</p> <p>B. The Company has established the employee complaints system. Employees may reflect their comments and suggestions via adequate channels, and may file the complaint with the internal/external appeal entity and responsible person in charge of processing complaints according to the claim and procedure stated in the public notice for employees' complaints. Meanwhile, the Company also installed a sexual harassment complaint hotline and email box dedicated to processing complaints against sexual harassment filed by any employee in the workplace, in order to establish a safe and friendly working environment.</p>
(4) Does the Company provide the existence of a safe and healthy work environment, and conducts regular health and safety training for employees?	V		<p>(4)The Company conducts the regular occupational safety and firefighting trainings and drills as required by law. Moreover, based on Article 16 of the "Regulations for Labor Safety and Health Education and Training" by the Council of Labor Affairs, Executive Yuan, providing that "The employer shall have new recruits receive necessary safety and health education and trainings applicable to their new posts", the Company would have its occupational safety business supervisor act as the lecturer in the educational trainings for new recruits on occupational health and safety to be organized by the Company each year, to teach about the labor, safety and health laws and regulations, safety &amp; health concept and</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
(5) Has the Company established a mechanism for periodic communication with employees, and notification to employees of the circumstances that might materially affect the operation in a reasonable manner?	V		<p>safety &amp; health work rules, in order to protect the employees' safety and health in work. Meanwhile, the training also teaches about the accident reporting and response action, rescue routes in the office and business place, usage of fire protection equipment, and knowledge about first aid, subject to the characteristics of the financial industry. Meanwhile, the Company will invite physicians, professional nurses or other healthcare professionals to organize health seminars for promotion of the employees' health and guidance to the employees about correct health knowledge and promotion of the employee's physical and mental health. The Company protects the safety and health of all employees in the workplace by means of such multiple measures as organization of periodic labor safety &amp; health education training, office environment sanitation, periodic fire protection safety inspection and health seminars.</p> <p>(5)A. The Company calls a labor and employer meeting periodically to establish a communication platform between laborers and employer to upgrade employees' participation and identification in the company's policies so as to form a positive interactive model and to create a win-win situation.</p> <p>B. The various regulations and systems and benefit information for employees are posted in the intranet to help employees understand their own interests and rights. Meanwhile, a dedicated unit posts important daily news of the company on the intranet for employees' easy access so as to understand updated industrial developments and the company's important messages.</p> <p>C. Material changes in the Company's operation will also be published via email from time to time, so that employees will have access to timely.</p> <p>D. The Company has made available on its website the "Important News" and also the "Important Messages" section to provide employees with the access to update information on line.</p>

Scope of Assessment	Status (Note 1)		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
(6) Has the Company established some effective career development training plan for employees?	V	<p>(6)A. The Group defines its annual training plan by taking into considering the Group's development strategies, annual operating highlights, training systems, and need for human resource development. The scope of training in 2017 covers management competency training of various employees, professional competency training of employees, application of digital financial technology, training about transformation of digital finance, training of international business administration talents, propagation of laws and regulations related to all employees, statutory training items, general education &amp; competency training, and seminars on healthy living, etc. The Company also introduced the "Common Wealth Innovation Academy." in 2017, and had the supervisor lead employees to study the relevant issues by integrating the excellent contents and digital programs of the Academy to move with the times. The supervisor of each unit may arrange employees to attend the courses offered by external professional training organizations, depending on the employees' personal needs, to enhance the employees' competency development and market competitiveness.</p> <p>B. Meanwhile, in order to enable employee training to meet the Group's enterprise culture and practical management needs and to signify senior employees' professional value and contribution, the Group has engaged in promoting the in-house trainer system based on the plentiful experience of in-house staff permanently, so as to fulfill the Company's internal knowledge management and experience transmission. It is also done to help enhance colleagues' general education and competency in the area of finance.</p> <p>C. The Group's employee training program 2017 offered a total of 3,243 courses, attended by a total of 306,194 trainees. The total training hours were 480,018 hours. The total employee training budget was NT\$48 million.</p>	
(7) Has the Company established the related consumer protection policies and complaints procedures toward the	V	(7) In order to fulfill the Company's responsibility to keep customer information confidential, the Company has set up	

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	
R&D, procurement, production, operation and service procedures?			the “Yuanta Financial Holding Co. Ltd. and Subsidiaries Customer Information Confidentiality Measures” and statement of privacy, and posted their contents on the Company’s website. Yuanta’s channel for consumer complaints is as follows: upon receiving a complaint, the Company immediately notifies the relevant units to attend to the matter, and maintain close contact with the complainant, the Company, and/or regulatory authorities, to ensure the effective and timely handling of the issue. Yuanta’s subsidiaries also adhere to the regulations of their respective industries in setting their complaint handling procedures, so that each case is appropriately handled and each complainant has their concerns addressed with a satisfactory response. For details on the customer complaint channels of Yuanta FHC and its subsidiaries, please see the Yuanta FHC website: Yuanta Homepage > Corporate Social Responsibility > Stakeholder Engagement > Stakeholder Contacts
(8) Does the Company market and label products and services in accordance with the related laws and international practices?	V		(8) Distribution, marketing and promotion of the Company’s financial instruments comply with the related laws and regulations.
(9) Does the Company has assessed the supplier’s record in environmental protection and society before trading with the supplier?	V		(9) A. The Company is dedicated to purchasing green products from suppliers to fulfill its responsibility for protecting the earth. In order to protect the Earth, the suppliers work hard to develop various green products. The Company will procure their products as the priority, subject to need. Since 2011, the green procurement has been awarded a certificate of gratitude by the Environmental Protection Administration and Taipei City Government for six (6) years consecutively. In order to fulfill the “green procurement”, the Company applies the green products bearing the green mark identified in positive listing, including the three types of environment protection product which renders less impact to the environment, namely, “the product which acquires the green mark granted by Environmental Protection Administration, Executive Yuan”, “the product which meets the requirements about recycling materials, low pollution,



Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	
(10) Does the contract between the Company and its main supplier include the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract?	V		<p>recycling and energy saving” and “the other product with identical or similar performance which may increase the social interest or reduce the social cost”.</p> <p>B. The Company asks the suppliers to comply with the integrity and ethical principles with the Company. For tangible product suppliers to enter into a procurement contract with the Company, as of June 2013, the Company will ensure they understand the Company’s integrity and ethical principles and corporate social responsibility strategies and approaches in accordance with “Ethical Management and Guidelines for Conduct”. The Company will also ask them to submit a written undertaking of integrity and ethical proof showing no record of corruption and bribery, in order to comply with the integrity and ethical principles and maintain corporate social responsibility.</p> <p>(10) The Company will ask suppliers to sign the “Written Undertaking for Human Rights and Sustainable Environment” to expressly undertake that they will comply with the Labor Standard Law and respect basic labors’ human rights, avoid endangering labors’ basic rights, comply with environment-related laws and regulations, and devote itself to sustain the environment, fulfill the enterprise culture upholding sustainable environmental development, care for the earth, cherish resources, protect the environment and save energy, and fulfill their obligations to protect society and environment, in the hope of exerting the Company’s influence and urging suppliers to fulfill the corporate social responsibility together.</p>
4. Enhancing Information Disclosure Enhancing Information Disclosure Whether the Company discloses relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?	V		There was no departure in this respect.
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: There was no departure in this respect.			The Company’s Corporate Social Responsibility Report has been disclosed on the Company’s website, and the Market Observation Post System.

Scope of Assessment	Status (Note 1)		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	
<p>6. Other information material to the understanding of the corporate social responsibility: Please view the “Corporate Social Responsibility” section on the home page of the Company’s website (<a href="http://www.yuanta.com/tw/IR02/">http://www.yuanta.com/tw/IR02/</a>).</p> <p>7. If the company’s corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below:  The Company’s corporate social responsibility report 2016 passed certification by the third organization, BSI, in May 2017. BSI has inspected the Inclusivity, Materiality and Responsiveness of the corporate social responsibility report in accordance with AA1000 AS: 2008 and GRI G4.  The Company’s corporate social responsibility report followed the “core” options under GRI G4 and met the AA1000 Type 1 medium guarantee and also acquired BSI’s exclusive written statement.  The Company’s corporate social responsibility report in both Chinese and English versions are available. The corporate social responsibility report of Yuanta Financial Holdings may be downloaded from the following website:  <a href="http://www.yuanta.com/tw/IR02/IR0112/">http://www.yuanta.com/tw/IR02/IR0112/</a></p>		Summary (Note 2)	

Note 1: Regardless of “Yes” or “No”, the status shall be stated in the “Summary” section.

Note 2: Where the Company has prepared a Corporate Social Responsibility Report, the summary thereof may not be required. Only if this report specifies to refer to the Corporate Social Responsibility Report will it be needed, or may be replaced by the index page number.

(VII) Fulfillment of ethical management

Scope of Assessment	Status (Note 1)		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	
<p>I. Enactment of ethical management policy and program</p> <p>(1) Does the Company expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents?</p>	V		<p>There was no departure in this respect.</p> <p>(1)A. On October 25 and December 27, 2011, the Board of Directors passed the creation of “Yuanta Financial Holdings Ethical Management Principles” and “Yuanta Financial Holdings Procedures for Ethical Management and Guidelines for Conduct” (“Guideline for Conduct”), respectively, based on Financial Supervisory Commission’s policies, and the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and “Procedures for Ethical Management and Guidelines for Conduct” published by Taiwan Stock Exchange Corporation. These rules are applicable to all subsidiaries, all foundations to which the Company has directly/indirectly donated more than 50% of operating funds, and other institutions or organizations in which the company exercises controlling interests.</p> <p>B. The Company’s Ethical Management Principles were published in accordance with Letter Tai-Cheng-Chi-Li-Zi No. 1030022825 issued by Taiwan Stock Exchange Corporation on November 7, 2014. The addition of Article 14, Article 15 and Article 16 thereto and amendments to 18 articles including Article 2, Article 6, Article 10 and Article 11, et al. thereof passed by the Board of Directors’ meeting in March 2015 and was then submitted to the shareholders’ meeting 2015.</p> <p>C. To enforce the “Ethical Management Principles”, the Company has assembled the “Ethical Management Committee” subordinated to the Board of Directors to supervise this matter and report regularly to the Board of Directors. Based on clean, transparent and responsible management philosophy, the Company will continue to promote a policy based on integrity. The Company will also establish good corporate governance</p>

Scope of Assessment	Status (Note 1)		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	
<p>(2) Has the Company defined the policy against unethical conduct, and expressly states the SOP, guidelines and reward and disciplinary &amp; complaining systems for misconduct, implements the policy precisely and discloses the same on the Company’s website?</p>	V		<p>and risk management mechanisms to create a sustainable business environment. The relevant ethical corporate management best practice principles are disclosed on the following website: <a href="http://www.yuanta.com/tw/IR02/IR0205/">http://www.yuanta.com/tw/IR02/IR0205/</a> The commitment to fulfill the management policy is disclosed on the following website: <a href="http://www.yuanta.com/tw/IR02/IR0217/">http://www.yuanta.com/tw/IR02/IR0217/</a></p> <p>(2)A. “YFH Ethical Management Principles” and “YFH Procedures for Ethical Management and Guidelines for Conduct”, outlines a list of dishonest behaviors and conflicting interests, and prohibits any bribery, illegitimate political contributions, and improper donations, sponsorships, gifts, treatments, or benefits. Regular training sessions are organized, and proper reporting systems and disciplinary policies have also been created.</p> <p>B. Any unethical conduct of the Company’s staff, the Company will render discipline pursuant to relevant laws or the Company’s regulations after verifying the same, and claim damages through legal action, if necessary, to maintain the Company’s goodwill and interest. The disciplined employee who disagrees with the discipline may apply for reconsideration under the complaint system. Upon verification of the case, the relevant unit will be delegated to review the internal control system and SOP and propose the corrective action to prevent the same from occurring again and fulfill the management philosophy of ethical management. The SOPs related to ethical corporate management is disclosed on the following website: <a href="http://www.yuanta.com/tw/IR02/IR0205/">http://www.yuanta.com/tw/IR02/IR0205/</a></p> <p>(3)The Company has defined the “YFH Procedures for Ethical Management and Guidelines for Conduct”, and already undertaken measures against bribery and illegal political donation with respect to operating activities with</p>
	<p>(3) Has the Company taken any preventative measures against the operating activities involving highly unethical conduct under Paragraph 2 of Article 7 of the “Ethical Corporate Management</p>	V	

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
Best Practice Principles for TWSE/TPEx Listed Companies" or within other operating areas?			higher risk of unethical conduct. All procurement projects of the company have to be conducted in accordance with the "YFH Procedures for Ethical Management and Guidelines for Conduct".
2. Implementation of ethical management (1) Has the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	V		(1) The Company has already drawn up the "Checklist for Signing of Procurement Contracts" and included an ethical management clause into the contract in accordance with the "Guideline for Conduct", to help the assessment when negotiating concluding contract with external procurement supplier involving the buyout/sellout of ownership of products. The "written undertaking for ethical management" attached to the checklist shall be signed by the external procurement supplier as proof. Furthermore, when concluding the procurement contract, the Company takes into consideration the supplier's compliance with the ethical management clause and Article 20 of the "Guideline for Conduct".
(2) Has the Company established a unit dedicated to (concurrently engaged in) promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors and stating the operations and execution of such unit on the Company's website?	V		(2) A. The Company submitted the motion for enactment of the "Regulations Governing the Establishment of an Ethical Management Committee" to establish the "Ethical Management Committee" subordinated to the Board of Directors and the motion was resolved and approved at 24th meeting of 6th-term Board of Directors on December 23, 2014. The Committee shall be dedicated to processing the related operations and reporting the status of implementation thereof to the Board of Directors periodically. The information about diversified policies on the Board of Directors is disclosed in the "Board of Directors" in the section of "Corporate Social Responsibility" on the Company's website at <a href="http://www.yuanta.com/tw/IR02/IR0217/">http://www.yuanta.com/tw/IR02/IR0217/</a> B. The Company has submitted the report on the overview of corporate governance and ethical management 2017 to the Board of Directors' meeting in March 2018 for approval.

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
(3) Has the Company defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	V		(3)The Company's "Code of Ethics" has expressly defined the conflict of interest policy stating that any directors shall recuse themselves from voting for any motions involving the interest of the directors or corporations represented by the directors, as submitted to a Board of Directors' meeting, or the directors shall declare any of their transactions or relations which might cause conflict of interest voluntarily, and shall deal with it or recuse themselves adequately. Meanwhile, the Company's staff shall not, in their own names or in another person's name, engage in any funding, transaction of substantial assets, offering of guarantees, or other transaction that might cause conflict of interest with the Company. The Company's staff shall perform their duties in accordance with laws and the Code.
(4) Has the Company fulfilled the ethical management by establishing an effective accounting system and internal control system, and had an internal audit unit conduct periodic audits, or appointed an external auditor to conduct audits?	V		(4)A. Under the "Ethical Management Principles", the Company has linked the other relevant internal control regulations intensively to help various departments comply with the internal control and SOPs, and to prevent any staff misconduct. For example, the Code of Ethics, Parliamentary Rules for Board of Directors' Meetings, Articles of Association for Audit Committee and Guidelines Governing Donations to the Public. Meanwhile, the Audit Department has included the related operations into the general business inspection carried out each year per the Company's Ethical Management Principles, and found no material deficiencies. B. The Company's accounting system was established in accordance with IFRSs and Regulations Governing the Preparation of Financial Reports by Financial Holding Companies. Unless otherwise provided in laws, the Company's related accounting affairs are all processed in accordance with the Company's accounting system. The quarterly financial statement would be audited (certified) by PricewaterhouseCoopers Certified Public Accountants. The operating result would also be

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	
(5) Has the Company organized internal/external education training program for ethical management periodically?	V		<p>reported to the Audit Committee and Board of Directors periodically. The Company will accept the internal audit, and audit by Financial Examination Bureau and the external auditor, in order to ensure that design and execution of the Company's accounting system still works.</p> <p>(5)A. The Company organizes the "Compliance and Anti-bribery &amp; Anti-corruption Promotion" training program on a yearly basis. All employees have to take part in the program and pass the test, to ensure that employees have correct knowledge and basic judgment of relevant laws and ethical conduct, and that the corporate ethical management policy may be fulfilled.</p> <p>B. Meanwhile, the Company has also urged the subsidiaries to boost the "Compliance and Anti-bribery &amp; Anti-corruption Promotion" training program as planned to continue enhancing our ethical management philosophy, and also established good corporate governance and risk management mechanisms to create a sustainable business environment.</p>
<p>3. Status of the Company's complaint system</p> <p>(1) Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p> <p>(2) Has the Company defined the standard operating procedure and nondisclosure mechanism toward the investigation of complaints as accepted?</p>	V		<p>There was no departure in this respect.</p> <p>(1) The Company has set up an exclusive area on the Internet and intranet to encourage employees, investors and other interested parties to submit any suggestions helpful for business development or any doubts about extraordinary circumstances. The Company assigns dedicated personnel to deal with the same and provide feedback in a timely manner. If the complaint filed by any employee is proven, the Company's dedicated unit will report the same to its supervisor, and the complainant will be rewarded in accordance with the Company's Guidelines Governing Reward and Punishment.</p> <p>(2) The complaints accepted by the Company will be treated as confidential and special cases. The certified documents provided by the informant or complainant shall be maintained with care. All of the team members shall also be obligated to keep the same confidential. If some</p>

Scope of Assessment	Status (Note 1)		Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	
(3) Has the Company adopted any measures to prevent the complainants from being abused after filing complaints?	V		misconduct is found upon investigation on the complaints, the Company will protect the complainant's interest and right, and will punish the offender or pursue their legal liability. If any suggestion is adopted upon thorough evaluation, the Company will extend commendation, praise or appreciation to the concerned party in a timely manner. (3) Upon receipt of any complaint, unless in order to meet the need for investigation or audit, the complainant's identity and the case shall be kept confidential before the complainant grants his/her consent, so that the complainant may be saved from any harassment or revenge.
4. Enhancing Information Disclosure Has the Company disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	V		The Company has disclosed its "Ethical Management Principles" and "Guideline for Conduct" in the "CSR" area of its website and on the Market Observation Post System. The effect of implementation thereof was also stated in the Company's annual report and CSR report disclosed on said websites.
5. If the Company has established ethical management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation: None.			There was no departure in this respect.
6. Other information material to the understanding of ethical management operation (e.g. discussion of an amendment to the ethical management best practice principles defined by the Company): The Company has enacted the "Checklist for the Signing of Procurement Contracts". When procuring products and before signing the contract, the Company will ask the supplier to issue a written undertaking for ethical management and will search whether the trading counterpart has any unethical management record, such as bribery or illegal political donations, and include the ethical management clauses and relevant matters into the contract.			

Note 1: Regardless of "Yes" or "No", the status shall be stated in the "Summary" section.



(VIII) Corporate Governance Best-Practice Principles and related regulations' search

Please view the "Corporate Social Responsibility" section on the home page of the Company's website (<http://www.yuanta.com/tw/IR02/IR0205/>).

(IX) Other information enabling better understanding of the Company's corporate governance:

1. For effective control of the company's internal handling of important information and its disclosure mechanisms, the 25th meeting of the 4th board of directors on January 21, 2009, approved the "Procedures for the Handling of Major Internal Incidents" and uploaded the Procedures to the company's intranet website. Management and all employees are required to abide by them and refrain from any insider trading activities.
2. Other information enabling better understanding of the Company's corporate governance: Please refer to the "Corporate Social Responsibility" section of the Company website: (<http://www.yuanta.com/en/IR02/IR0205/>) or the official website of the Market Observation Post System (<http://emops.twse.com.tw/server-java/t58query>; company code 2885).

## (X) Directors' continuing education

Data baseline date: 12/31/2017

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Chairman	Rong Jou Wang	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Chairman	Rong Jou Wang	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Chairman	Rong Jou Wang	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Director	Tony Shen	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Director	Tony Shen	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Director	Michael Ma	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Director	Michael Ma	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Director	Michael Ma	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Director	Hsien Tao Chiu	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Director	Hsien Tao Chiu	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Director	Hsien Tao Chiu	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Director	Jin Long Fang	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Director	Jin Long Fang	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Director	Ming Hong Ho	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Director	Ming Hong Ho	2017.06.08	2017.06.08	Taiwan Securities Association	Revolution and Challenge of Capital Market Development in Taiwan	3
Director	Yueh Tsang Lee	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Director	Yueh Tsang Lee	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Director	Yueh Tsang Lee	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Director	Chung Yuan Chen	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Director	Chung Yuan Chen	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Director	Chung Yuan Chen	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Director	Chich Chiang Fan	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Director	Chieh Chiang Fan	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Independent Director	Lai Ping Chi	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Independent Director	Lai Ping Chi	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Independent Director	Lai Ping Chi	2017.12.15	2017.12.15	Taiwan Corporate Governance Association	Analysis on Practice and Case About Business Merger and Acquisition	3
Independent Director	Sou Shan Wu	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Independent Director	Sou Shan Wu	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Independent Director	Sou Shan Wu	2017.07.26	2017.07.26	Taiwan Institute of Directors	Annual Meeting of Taiwan Institution of Directors 2017: Recall of Board of Directors Important Decision Making for Past Decade and Prospective	3
Independent Director	Sou Shan Wu	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Independent Director	Ming Ling Hsueh	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Independent Director	Ming Ling Hsueh	2017.03.28	2017.03.28	Taiwan Corporate Governance Association	How Business Administration Deal With International Risk - 《An Extra International Relationship Class》	1
Independent Director	Ming Ling Hsueh	2017.04.07	2017.04.07	Taiwan Corporate Governance Association	Business Operation Based on Industry 4.0	3
Independent Director	Ming Ling Hsueh	2017.04.28	2017.04.28	Taiwan Corporate Governance Association	Amendments to and Trend of Important Taxation Laws and Discussion of Prevention of Insider Trading (acting as a trainer)	1
Independent Director	Ming Ling Hsueh	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Independent Director	Ming Ling Hsueh	2017.08.04	2017.08.04	Taiwan Corporate Governance Association	Sharing of Knowledge Management Cases	3
Independent Director	Ming Ling Hsueh	2017.08.29	2017.08.29	Taiwan Corporate Governance Association	Backstage Planner of Corporate Governance - Unveil Mysteries of "Company Secretary"	1
Independent Director	Ming Ling Hsueh	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Independent Director	Ming Ling Hsueh	2017.09.20	2017.09.20	Securities and Futures Institute	Advanced Workshop for Practices of Directors and Supervisors (Including Independent Directors) 【Disclosure of Company's Important Information and Directors' Liability】	3
Independent Director	Yin Hua Yeh	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Independent Director	Yin Hua Yeh	2017.05.18	2017.05.18	Taiwan Corporate Governance Association	Group Governance (acting as a trainer)	1
Independent Director	Yin Hua Yeh	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3

(XI) Managers' participation in training and education programs related to corporate governance

Data baseline date: 12/31/2017

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Executive Vice President	Yu De Chuang	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Executive Vice President	Yu De Chuang	2017.04.07	2017.04.07	Securities and Futures Institute	2016 Corporate governance forums-insider trading and corporate social responsibility seminar	3
Executive Vice President	Yu De Chuang	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Executive Vice President	Yu De Chuang	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Executive Vice President	Hsiu Wei Chen	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Executive Vice President	Hsiu Wei Chen	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Senior Vice President	Frank Kuo	2017.06.08	2017.06.08	Taiwan Securities Association	Revolution and Challenge of Capital Market Development in Taiwan	3
Senior Vice President	Frank Kuo	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Senior Vice President	Chieh Wu	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Senior Vice President	Chieh Wu	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Senior Vice President	Hsuan Min Kuo	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Senior Vice President	Hsuan Min Kuo	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Senior Vice President	Hsuan Min Kuo	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Senior Vice President	Allen Wu	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Senior Vice President	Allen Wu	2017.08.29	2017.08.29	Taiwan Corporate Governance Association	Inevitable CSR and Sustainability Governance	3
Vice President	Ming Lang Liu	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Vice President	Ming Lang Liu	2017.06.08	2017.06.08	Taiwan Securities Association	Revolution and Challenge of Capital Market Development in Taiwan	3
Vice President	Ming Lang Liu	2017.06.14	2017.06.14	Taiwan Securities Association	Organizational Resilience - Challenge and Opportunity for Financial Digitalization	3
Vice President	Ming Lang Liu	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Vice President	Wen Ching Chiu	2017.03.07	2017.03.07	Taiwan Securities Association	Amendments to and Trend of Important Taxation Laws and Discussion of Profit-gaining Function of the Board of Directors	3
Vice President	Wen Ching Chiu	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3
Vice President	Hsu Shu Mai	2017.09.06	2017.09.06	Taiwan Securities Association	Insider Trading and Money Laundering Control	3

Title	Name	Course duration		Organizing agency	Course name	Course hours
		From	To			
Vice President	Hsu Shu Mai	2017.09.21	2017.09.21	Securities and Futures Institute	Advanced Workshop for Practices of Directors and Supervisors (Including Independent Directors) - Business Financial Information Analysis and Decision Making	3
Vice President	Hsu Shu Mai	2017.10.11	2017.10.11	Securities and Futures Institute	Advanced Workshop for Practices of Directors and Supervisors (Including Independent Directors) and Discussion of Functions of Board of Directors in Terms of Business Anti-Corruption	3
Vice President	Hsu Shu Mai	2017.12.01	2017.12.01	Taiwan Corporate Governance Association	Guide to Law About Business Merger and Acquisition	3

(XII) Implementation of the internal control system

1. Internal Control System Statement: See page 82.
2. CAP's report on special audit of internal control system: None.

## Statement on Internal Control System of Yuanta Financial Holdings

We hereby declare on behalf of Yuanta Financial Holding Co., Ltd. that, in accordance with “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries“, from January 1, 2017 to December 31, 2017, the Company had an internal control system, performed risk management, and was audited by an impartial and independent internal auditing department, which regularly reported to the Board of Directors and the audit committee. After a careful assessment, it was found that except for the matters identified in the attached schedule, all units were able to effectively implement internal control and legal compliance tasks during the year. This Statement shall be included among the chief contents of the Company’s annual report and prospectus, and shall be made public. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.

To:  
Financial Supervisory Commission

Stated by:  
Chairman: Rong Jou Wang

President: Tony Shen

General Auditor: Ming Hsiu Tsai

Head Office CCO: Wen Ching Chiu

Date: 2018/03/28

## Issues-to-be-improved and Improvement of Internal Control System of Yuanta Financial Holdings

(Basis date: 12/31/2017)

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>Yuanta Financial Holdings and Yuanta Securities: Yuanta Securities failed to report the operational risk, submit a report to the Board of Directors and have the dedicated department to control and follow the deficiencies to be improved by its foreign subsidiary in a timely manner, upon awareness of the significant sanctioned cases committed by the foreign subsidiary.</p>	<p>Yuanta Securities was already guided to establish the regulations governing overseas investees, expressly define the procedure for reporting and settlement of significant incidents, and carry out the relevant educational training. Meanwhile, Yuanta Securities has already designated its dedicated department to control and follow the deficiencies to be improved by its foreign subsidiary.</p>	<p>Improvement completed.</p>
<p>Yuanta Securities: 1. The consigned sales representative applied for loan as the customer's broker.</p> <p>2. Worked with customers to exchange convertible assets.</p> <p>3. Proprietary Trading Dept. bought the stock of Ta Chong Bank to evade the investment limit prescribed by FSC.</p> <p>4. Worked with customers when processing the operations about bookbuilding and, therefore, against the fairness of placement of securities by bookbuilding.</p> <p>5. Failed to define the range of authorized price in the process of making decision about transactions when concurrently engaging in proprietary trading of futures, and concluded the consigned transaction at the price deviating from the market value and thereby injured the fair value.</p> <p>6. Failed to apply with FSC for the approval of investment by the overseas investees in private venture.</p> <p>7. Some sales representative of the predecessor of Yuanta Securities (Thailand) Company Limited (Yuanta Securities (Thailand)), KK Trade, was suspected of inducing customers to transfer their fund to related accounts by fabricating false investment programs to seek customers' fund by fraud from 2013</p>	<p>1. (1) Already strengthened the propagation of cases against rules and relevant laws and regulations to the relevant personnel to enhance their awareness toward compliance. (2) Already checked the relevant sales representative and the transactions and funding via the accounts related to them, and no extraordinary circumstance was found.</p> <p>2. Already amended the "Guidelines Governing Control Over Exchange of Assets" in December 2016 as the basis for execution of business.</p> <p>3. Already amended the "Guidelines Governing Trading Decision Made by Proprietary Trading Dept." in November 2016 as the basis for execution of business.</p> <p>4. Already amended the "Enforcement Rules for Operations about bookbuilding" in March 2017 as the basis for execution of business.</p> <p>5. Already amended the "Guidelines Governing Operating Procedure for Control Over Proprietary Trading of Futures" in October 2017 as the basis for execution of business.</p> <p>6. Already applied for the approval in June 2017 and received the Approval Letter Jin-Guan-Zheng-Quan-Zi No. 10600201961.</p> <p>7. (1) With respect to the contingency incurring in the non-evaluation period, the possibility for abusing the company's account has been stopped upon amendments to the local laws and regulations since April 2016.</p>	<p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed in Q3 of 2017.</p>

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>to 2016. The victims have filed the complaint with Yuanta Securities (Thailand) successively since January, 2017.</p> <p>8. The overseas subsidiary, PT Yuanta Sekuritas Indonesia, still failed to build the AML checklist database.</p>	<p>(2) Considering that the fraud committed by the sales representative took place before the acquisition of KKTrade by Yuanta Securities Asia Financial Services (“Yuanta Asia Financial”), the seller of the original equity was likely to violate the obligation of guarantee-defined in the share purchase agreement. Therefore, Yuanta Securities (Thailand) filed a legal action against the sales representative, and Yuanta Asia Financial also claimed the damages against the seller of equity pursuant to laws within the time limit for exercise of the right to claim. Meanwhile, Yuanta Securities (Thailand) also implemented the educational training programs and provided the relevant operating procedures to the relevant employees and strengthened the employees’ awareness and ability to verify any suspicious transactions to prevent similar contingency.</p> <p>8. The AML screening database will be built soon.</p>	<p>Improvement scheduled to be completed in Q1 of 2018.</p>
<p>Yuanta Bank:</p> <p>1. Yuanta Bank failed to control the total amount of loans extended for residential construction and construction for business purposes referred to in Article 72-2 of the Banking Act correctly and categorized the case in error accordingly.</p> <p>2. When processing the financial derivatives transactions</p> <p>(1) Helped customers split the hedging transactions voluntarily;</p> <p>(2) Fail to review customers’ board meeting minute precisely;</p> <p>(3) Fail to fulfill the review on customers’ financial information;</p> <p>(4) Fail to complete the application form for financial transactions correctly.</p> <p>3. Yuanta Bank processed the loan to CHING FU SHIPBUILDING CO., LTD. and AML operations:</p> <p>(1)The relevant loaning system and management mechanism were held defective.</p> <p>(2) Fail to verify the suspicious transactions or retain the trace evidence for verification.</p> <p>4. Over-reported the costs by Yuanta Savings Bank (Philippines) for payment to the</p>	<p>Already established the control mechanism to fulfill the compliance with laws.</p> <p>Already amended related internal rules, and enhanced the control and review mechanism in order to prevent the similar situation from occurring; strengthened the internal control system and the employees’ training as well.</p> <p>(1)Already reviewed the procedure related to deficiencies in the loaning operations, amended the internal rules and added the control mechanism.</p> <p>(2)Already established, reviewed and periodically updated the control policy and procedure to identify suspicious money laundering or terrorism financing transactions and fulfill compliance with the relevant anti-money laundering requirements.</p> <p>Already established the relevant legal affairs and billing requirements in the Regulations</p>	<p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p>



Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>judicial police to serve the court's subpoena to the borrower.</p> <p>5. Ta Chong Bank failed to establish or execute the internal control system when processing the minute of board of directors meeting of the financial derivatives customer and review on the customer's application for loan and, therefore, was held violating Paragraph 1 of Article 45-1 of the Banking Act and fined by the competent authority NT\$4 million pursuant to the subparagraph 7 of Article 129 of the Act, and also ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Act.</p>	<p>Governing Legal Affairs and Collection of Payment, including the requirements and procedures for payment to judicial police officers.</p> <p>5.</p> <p>(1)The Bank issued a public notice demanding that various business units should never provide customers with template minute of the Board of Directors meeting for reference.</p> <p>(2)The Bank also issued a letter to restate fulfillment of the review on the minute of board of directors of financial derivatives customers to ensure genuineness of the minute.</p> <p>(3)In order to help colleagues verify the requirement about customers' board meeting minute, added the "Checklist for Items to be Noted in the Minute of Board of Directors Meeting".</p> <p>(4)The Bank amended the "Application Form for Loan" in format and added the "Application Form for Risk Limit Before Settlement of Financial Instruments with Corporate Customers" to prevent customers from misunderstanding the credit limit as the risk limit of financial derivatives.</p>	<p>Improvement completed.</p>
<p>6. According to FSC's general business inspection report on Ta Chong Bank (Report No.: 105B021), the Bank was held defective in processing financial derivatives trading and suspected of improper management and, therefore, was ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Banking Act.</p>	<p>6.</p> <p>(1)The Bank already amended the "Ta Chong Bank Guidelines Governing Sale of Financial Derivatives to Corporate Customers" to require that only TMO may conduct the evaluation based on the "Financial Derivatives Customer Attribute Data Sheet".</p> <p>(2)Added into the self-audit worksheet the audited item stating that "whether the important contents of trading conditions and related risks are advised to customers when offering complicate and high-risk financial derivatives to customers"; propagated and strengthened the requirement that when trading TMO, it should trade with the personnel authorized by the customer, note the skill of speech and advise the customer of all risks related to the trading.</p> <p>(3)Strengthened the propagation that TMO should verify whether customers undertake various instruments for the purpose of hedging and whether the customers' risk exposure and positions to be hedged are adequate.</p> <p>(4)In order to enhance the reasonableness of authorized limit, the Company expressly stated that any limit already granted by the others in the same trade should be deducted when authorizing the limit and with respect to the limit authorized for non-hedging trading, it is necessary to</p>	<p>Improvement completed.</p>

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>7. Ta Chong Bank was held defective in granting the loan to CHING FU SHIPBUILDING CO., LTD. and processing the remittance of funds to CHING FU SHIPBUILDING CO., LTD. And its affiliates.</p>	<p>expressly define that the total limit should be estimated based on the customer's net worth and the financial report should be audited or reviewed by a CPA.</p> <p>7.            (1) Reviewed and strengthened the related procedure for granting loan.            (2) Already strengthened the investigation and analysis of the trading monitoring system early warning and alarm, expressly stated the reasons for exclusion, and recorded the evaluation process and reasonableness, and enhanced the educational training.</p>	<p>Improvement completed.</p>
<p>Yuanta Life:</p> <p>1. Yuanta Life was held defective in processing compensation and against the subparagraphs 3(2) and 3(3) of Article 8, and Article 17 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" established under Paragraph 2 of Article 148-3 of the Insurance Act. Fined NT\$600,000 pursuant to Paragraph 5 of Article 171-1 of the Insurance Act.</p> <p>(1) With respect to the claim for the two compensation of hospitalization for the same incident, the Company only paid one compensation thereof.</p> <p>(2) The Company closed the case when the investigation on the incident was still pending and thereby resulted in incomplete payment of the compensation.</p> <p>2. If the complaining unit has been set up under the claim department, it should be held against Ministry of Finance Letter Tai-Cai-Bao-Zi No. 811764116 dated September 3, 1992 and thereby affecting the Company's well-founded operation. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act.</p> <p>3. The Company closed the case when the investigation on the incident was still pending and thereby resulted in incomplete payment of the compensation. Though it explained that the customer had been called to provide the certificate of transplant during the inspection period, it failed to retain the relevant record but closed the case immediately. Apparently, the claim review procedure and investigation should be held defective. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act, as the</p>	<p>1.            (1) Already completed the compensation payment plus the interest on overdue payment on July 7, 2017;            (2) Requested the improvement on the system requirements and completed the testing and go-live of the system in August 2016;            (3) Added into the claim handbook the provision requiring that "where the customer files two (2) claims or more on the same day for the same incident with different inpatient intervals, the system may only accept either one application when processing the compensation, but is not allowed to accept the two (2) applications at the same time. The personnel dedicated to compensation shall accept the other application(s) in order only upon conclusion of the first application". As the basis to be followed</p> <p>2. In consideration of the shortage of human resource suffered by Customer Service Dept. then, the Company had the unit subordinated to Claim Dept. for three months temporarily in order to avoid affecting the quality and progress of processing of the complaint. Notwithstanding, the unit was asked to be subordinated to Customer Service Department again after employment of additional human resources.</p> <p>3.            (1) Where the customer fails to provide the relevant receipts and thereby causes it impossible to complete the payment of full medical expense reimbursement insurance compensation, the Company will require or notify the customer to provide the same.            (2) Added into the claim handbook the provision requiring that "where the customer enrolled into the full medical expense reimbursement insurance compensation applies for inpatient compensation but fails to submit the</p>	<p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p>

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>case was held likely to affect the Company's well-founded operation.</p> <p>4. When managing the asset/liability risk, the Company failed to establish the standards for monitoring the risk over assets/liabilities. This was disadvantageous to the asset/liability risk management and against Article 21 and Article 23 of the "Risk Management Policy" established by the Company on June 18, 2014 and, therefore, likely to affect the Company's well-founded operation. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act.</p> <p>5. As the motions that should not serve as temporary motions were submitted as temporary motions, this was disadvantageous to fulfillment of risk control. Meanwhile, the general business inspection conducted before the meeting has already identified the similar deficiencies. Apparently, the Board of Directors' operating procedure should be held against internal rules. Fined NT\$600,000 pursuant to Paragraph 4 of Article 171-1 of the Insurance Act.</p> <p>6. When conducting the asset impairment test in June 2016, only the urban land price index in Taipei City, announced by Dept. of Land Administration, M. O. I. never declined. Therefore, the Company determined that all real properties should be exempted from the impairment test, and also failed to collect objective evidence case by case for the asset impairment test, thereby likely to affect the well-founded operation. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act.</p>	<p>relevant receipt together with the application form and, therefore, it is impossible for the Company to pay the insurance benefit, the personnel dedicated to compensation shall notify the customer to provide the receipt so as to apply for the insurance compensation pursuant to the "Operating Procedure for Notice for Payment of Compensation" upon completion of the payment for any other insurance benefit". As the basis to be followed.</p> <p>4.</p> <p>(1)Already held the discussion meeting in the duration of assets/liabilities in Q4 of 2016 on March 16, 2017 and submitted the meeting minute to the Board of Directors in April 2017.</p> <p>(2)In order to strengthen the asset/liability risk management mechanism, already held the discussion meeting in the duration of assets/liabilities on April 28, 2017 (ad-hoc meeting) to discuss and ratify establishment of the management indicators toward gap in the duration of assets/liabilities.</p> <p>5.</p> <p>(1) Already established Remuneration Committee in June 2016, and included the decision making about remuneration to directors and managerial officers into the functions of the Committee. Any motion about remuneration to the said personnel shall be proposed to the Remuneration Committee for review and then to the Board of Directors meeting for resolution. Therefore, the Company should be held completing the procedure to eliminate the doubt about the "special motion"</p> <p>(2) The motion for allocation of remuneration to the Company's high-rank management 2016 has been submitted to Remuneration Committee and approved by the Board of Directors meeting upon resolution. Therefore, it should be held complying with the internal rules.</p> <p>6. In order to enhance the objectiveness of real property impairment test, since 2016, the Company has retained certain external professional organization to conduct the evaluation periodically and issue the real property appraisal report as the basis for impairment test evaluation. Meanwhile, the real property appraisal report issued by the external professional organization has been included into the "Domestic Real Property Management Procedure" amended upon approval of the Board of</p>	<p>Improvement completed.</p> <p>Improvement completed.</p> <p>Improvement completed.</p>

Issues-to-be-improved	Improvement	Scheduled to Complete Improvement on
<p>7. Failed to review the adequacy of the educational training promotional materials provided to the insurance brokers for the educational training and, therefore, certain inadequate comparisons appeared in the teaching materials of the business promotion specialists and, therefore, held likely to affect the well-founded operation. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act.</p>	<p>Directors on March 27, 2017 as the basis to be followed.</p> <p>7. (1) Since April 2017, the teaching materials used by the Company's business promotion specialists for insurance brokers and external insurance brokers/agents should be applicable only upon internal review and approval. (2) Added the "Review Requirements" in the Broker and Agency Channel Business Dept. handbook.</p>	<p>Improvement completed.</p>

(XIII) Penalties imposed on the Company and its subsidiaries during the most recent two years and until the date of publication of the annual report for illegalities and major deficiencies, and improvements made.

1. Indictment of the Company's statutory responsible person or an employee by prosecutors for crimes committed on the job.

(1) Yuanta Securities

The former trader, Lin○○, of the Company's Song Shan Branch, and his team engaged in discretionary investment services without the FSC's permission and handled discretionary stock investments on behalf of customers and, therefore, violated Article 107(1) of Securities Investment Trust and Consulting Act and also breached the obligations to be borne by him toward the Company pursuant to laws and contract. The Company filed a complaint pursuant to relevant laws. Taipei District Prosecutors Office initiated an indictment against Lin○○ and the other defendants on the grounds of the discretionary investment service without valid permission and breach of trust on July 13, 2016. The case was examined by Taipei District Court and the co-defendants including Lin○○ confessed their offenses before the court. Accordingly, the court rendered the judgment holding them guilty on January 25, 2017.

Improvement:

A. The former trader was fired by the Company and to be noted and managed by TWSE.

B. Strengthen the propagation of cases against rules and relevant laws and regulations to the relevant personnel, and restated that sales representatives should not handle discretionary investment of securities on behalf of customers.

(2) Ta Chong Bank

The sales representative engaged in credit loan operations, Lin○○, was suspected of violating his duty of loyalty for failure to complete the counter guaranty operations and fabrication of the photocopied withholding statement jointly with the customer, Chen○○, which was submitted to Ta Chong Bank for review and, therefore, affected Ta Chong Bank loan operations approvers' evaluation and caused damages to Ta Chong Bank. The prosecutors initiated an

indictment against the case. Kaohsiung District Court rendered the criminal judgment against the case on June 30, 2016, holding that Lin○○ committed the offense against breach of trust referred to in Paragraph 1 of Article 125-2 of the Banking Act and should be sentenced to imprisonment of two (2) years. Notwithstanding, Lin○○ disagreed to the first-instance judgment and filed an appeal against the judgment. Taiwan High Court, Kaohsiung Branch rendered the criminal judgment on February 14, 2017, holding that Lin ○○ was not guilty.

Improvement: Taiwan High Court, Kaohsiung Branch rendered the criminal judgment holding that Lin○○ was not guilty. The Company has enhanced its internal control system and implemented the operating procedure for underwriting cases applicable to the sales representatives.

## 2. Fines imposed by the Financial Supervisory Commission for violations of laws and regulations:

### (1) Yuanta Bank

A. The Bank failed to establish or execute the internal control system when processing OBU account opening operations and financial derivatives operations and, therefore, was held violating Paragraph 1 of Article 45-1 of the Banking Act and fined by the competent authority NT\$4 million and ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Banking Act, and prohibited from underwriting financial derivative products that contain an embedded short option pursuant to Paragraph 1(2) of Article 61-1 of the Act. (FSC official letter under Jin-Guan-Yin-Kong-Zi No. 10560003706 dated September 12, 2016 and FSC written decision under Jin-Guan-Yin-Kong-Zi No. 10560003707 dated September 12, 2016)

B. The Bank failed to establish or execute the internal control system when processing the minute of board of directors meeting of the financial derivatives customer and review on the customer's financial information and, therefore, was held violating Paragraph 1 of Article 45-1 of the Banking Act and fined by the competent authority NT\$4 million and ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10660002222 of June 1, 2017)

Improvement: The Company has reviewed and amended the related operating procedures, established the adequate risk control mechanism, and settled the customer's complaint adequately.

### (2) Yuanta Securities

The Company failed to define the range of authorized price in the process of making decision about transactions when concurrently engaging in proprietary trading of futures. Therefore, it was held violating the Subparagraph 2 of Article 2 and Article 53 of the Regulations Governing Futures Commission Merchants and fined NT\$120,000 pursuant to Paragraph 1(2) of Article 119 of the Futures and Exchange Act (Jin-Guan-Zheng-Qi-Fa-Zi No. 10600354271 on September 6, 2017).

Improvement: The Company has established the operating procedure for controlling proprietary trading of futures and strengthened the propagation to traders reminding them to follow said operating procedure when carrying out transactions and avoid hampering the formation of fair value.

### (3) Yuanta Life

A. With respect to the claim for the two compensation of hospitalization for the same incident, the Company only paid one compensation thereof. Meanwhile, the Company closed the case when the investigation on the incident was still pending and thereby resulted in incomplete payment of compensation. The Company was held violating the Subparagraphs 3(2) and 3(3) of Article 8, and Article 17 of the “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises” and, therefore, was fined NT\$600,000 pursuant to Paragraph 5 of Article 171-1 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10602541322 of March 07, 2017)

Improvement: The payment of compensation was completed and the system was amended to control the relevant operations.

B. The motion that was not supposed to be proposed as a temporary motion was proposed at the Board of Directors meeting as a temporary motion. It was held violating Paragraph 1(8) of Article 5 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises and, therefore, was fined. NT\$600,000 pursuant to Paragraph 4 of Article 171-1 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10602544592 of August 10, 2017)

Improvement: The Company has established Remuneration Committee and complete procedures to include the decision-making about remuneration to directors and managerial officers into the functions of the Committee. Any motion about remuneration to the said personnel shall be proposed to the Remuneration Committee for review and then to the Board of Directors meeting for resolution.

### (4) Ta Chong Bank

The Bank failed to establish or execute the internal control system when processing the minute of board of directors meeting of the financial derivatives customer and review on the customer’s application for loan and, therefore, was held violating Paragraph 1 of Article 45-1 of the Banking Act and fined by the competent authority NT\$4 million pursuant to the Subparagraph 7 of Article 129 of the Act, and also ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10660002220 of June 1, 2017)

Improvement:

A. The Bank issued a public notice advising various business units never to provide customers with template minute of the Board of Directors meeting for reference.

B. The Bank also issues a letter to restate fulfillment of the review on the minute of

board of directors of financial derivatives customers to ensure genuineness of the minute.

C.The Bank added the “Checklist for Items to be Noted in the Minute of Board of Directors Meeting”.

D.The Bank amended the “Application Form for Loan” in format and added the “Application Form for Risk Limit Before Settlement of Financial Instruments with Corporate Customers” to prevent customers from misunderstanding the credit limit as the risk limit of financial derivatives.

(5)Ta Chong Securities

The Company’s internal control system failed to comply with the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets and, therefore, was held against Paragraph 1 of Article 2 of the Regulations Governing Futures Commission Merchants. Meanwhile, the employee of the Company’s Xinzhuang Branch worked with customers to handle, or handled on behalf of customers, the relevant investment and, therefore, was held against Paragraph 2 of Article 2 of the Regulations Governing Futures Commission Merchants. The Company was fined NT\$120,000 for twice pursuant to Paragraph 1(2) of Article 119 of the Futures Trading Act. That is, the Company was fined NT\$240,000 in total. (Letter Jin-Guan-Zheng-Qi-Fa-Zi No. 1050041834 of October 14, 2016)

Improvement:

A.Already adjusted the related internal control requirements and inspection procedures to ensure the result.

B.Already completed the propagation and educational training of laws & regulations and internal control requirements to each branch’s staff on October 31, 2016.

3. Deficiencies eliciting a warning from the Financial Supervisory Commission

(1)Yuanta Bank

A.The Bank failed to review the purpose of fund correctly and, therefore, categorized the case in error, and helped the customer engaged in the transaction for hedging voluntarily when processing sale business of complicated and high-risk commodities against the general hedging transaction practices and, therefore, was held suspected of improper management. The Bank was also ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10600039280 of April 20, 2017)

Improvement: The Bank has established the control mechanism, amended related internal rules, and enhanced the control and review mechanism, in order to prevent the similar situation from occurring again and strengthened the internal control policy and the employees’ training as well.

B.The Bank was held defective in granting the loan to CHING FU SHIPBUILDING CO., LTD. and processing money laundering control, and held suspected of

improper management. Therefore, it was ordered by the competent authority to make correction pursuant to Paragraph 1 of Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10660006100 of December 29, 2017)

Improvement: The Bank has discussed the related procedures based on the deficiencies in the loaning operation, amended related internal rules and enhanced the control mechanism. Meanwhile, it has established, reviewed and periodically updated the control policy and procedure to identify suspicious money laundering or terrorism financing transactions and fulfill compliance with the relevant anti-money laundering requirements.

## (2) Yuanta Securities

A. The Company was commissioned to act as the leading underwriter to report the offering and issuance of 1st unsecured ECB on behalf of TAIWAN SILERGY LIMITED. Notwithstanding, according to the evaluation report issued by the Company, the Company failed to guide and evaluate such important issues about the offering plan, transactions of substantial assets and percentage of investment by Mainland China. Meanwhile, before the report became effective, the Company also failed to settle the material issue about changes of the director seats amounting to one-thirds cumulatively. Therefore, the Company was held against Article 25(5) and Article 25(6) of the “Regulations Governing Securities Firms” and was ordered to make correction pursuant to Article 65 of the Securities and Exchange Act. (Letter Jin-Guan-Zheng-Fa-Zi No. 1050027009 of August 18, 2016)

Improvement:

(A) Already modified the standard operating procedures, added the evaluation procedures and contents.

(B) Carried out educational training programs and shared the relevant case studies with the relevant staff to enhance their expertise required under related laws and regulations and experience in reviewing cases.

B. The Company’s overseas subsidiaries (Yuanta Asia Investment, Yuanta Securities (Korea) and Yuanta Investment) invested in private venture capital without FSC’s prior approval, and the pre-evaluation and disclosure of information before investment in the trading with related parties were held defective. Therefore, the Company was held against Article 51 of the “Regulations Governing Securities Firms” and was ordered to make correction pursuant to Article 65 of the Securities and Exchange Act. (Letter Jin-Guan-Zheng-Fa-Zi No. 1050034954 of September 10, 2016)

Improvement:

(A) The investment project has been submitted to the Board of Directors for resolution, and the Company applied for correction with FSC.

(B) Amended the relevant internal control/internal audit policy.

C. The Company bought the stock of the financial organization to be acquired and merged by Yuanta Financial Holdings via proprietary trading and applied for the



share swap. Such investment policy lacked proper justifications and intended to evade the investment restrictions. It also worked with customers to exchange convertible bonds, and allowed the trader of its Hsinchu Branch to apply for loan as the customer's broker. Therefore, the Company was held against Paragraph 2 of Article 2, Article 18-1, Article 19-3 and Article 19-5 of the "Regulations Governing Securities Firms", and Paragraph 2(9) of Article 18 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Firms", and was warned pursuant to Article 66(1) of the "Securities and Exchange Act", and the trader was prohibited from performing duty for one year pursuant to Article 56 of the same Act. (Letter Jin-Guan-Cheng-Chuan-Zi No. 1050054147 dated January 4, 2017, and the written decision under No. 10500541471)

Improvement:

- (A) Amended the internal operations and related control guidelines.
- (B) The trader has been suspended from performing duty for one (1) year. The Company also strengthened the propagation of relevant laws and regulations to the relevant personnel.

D. The Company has worked with customers to engage in placement of securities to help the customers purchase CB, when processing the operations about bookbuilding and placement of securities for CB. Therefore, the Company was held against Paragraph 1 of Article 28 of the "Regulations Governing Securities Firms" and was ordered to make correction pursuant to Article 65 of the Securities and Exchange Act. (Letter Jin-Guan-Zheng-Quan-Zi No. 1060002398 of January 19, 2017)

Improvement: Amended the enforcement rules for operations of internal placement of securities, and asked the business unit to stop improper placement of securities and to fulfill the KYC.

E. The Company's application for investment by its overseas investees in private venture and for acting as the general partner was held defective. Therefore, the Company was held against Article 51 of the "Regulations Governing Securities Firms" and was ordered to make correction pursuant to Article 65 of the Securities and Exchange Act. (Letter Jin-Guan-Zheng-Quan-Zi No. 1060020196 of June 7, 2017)

Improvement:

- (A) The application for correcting the investment project has been filed with the FSC.
- (B) Already amended the related internal control policy.

### (3) Ta Chong Bank

A. Ta Chong Bank was ordered by the competent authority to correct its deficiency in processing the OBU account opening operations, pursuant to Paragraph 1, Article 61-1 of the Banking Act. Meanwhile, it was prohibited from underwriting financial derivative products that contain an embedded short option (including structured notes), other than the transactions with professional institutional investors and high-net-worth institutional investors and the stop-loss transactions with its existing customers, as of the effective date of the order pursuant to the Subparagraph 2 of Paragraph 1, Article 61-1 of the Banking Act. It may not underwrite the products until FSC approves that the deficiencies are corrected. (Jin-Guan-Yin-Kong-Zi No. 1056000370A of September 12, 2016)

Improvement:

- (A) The Bank already sent a written notice to restate that genuineness of the financial statement provided by the borrower/guarantor should be verified at first to enhance the investigation on financial position.
- (B) Verified the genuineness of the financial statement provided by the customer engaged in complex high-risk financial instruments thoroughly to verify that the customer meets the qualifications about professional institutional investors.
- (C) Completed the review on the related staff's negligence or competence, and rendered the related punishment against the staff.
- (D) Completed the professional training for the handlers, supervisors, and compliance officers concerned.
- (E) Settled the customers' complaint to protect the customers.

B. The Bank was held defective in processing financial derivatives trading and suspected of improper management and, therefore, was ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10600215360 of September 19, 2017)

Improvement:

- (A) The Bank amended the "Ta Chong Bank Guidelines Governing Sale of Financial Derivatives to Corporate Customers" to require that only TMO may conduct the evaluation based on the "Financial Derivatives Customer Attribute Data Sheet".
- (B) Added into the self-audit worksheet the audited item stating that "whether the important contents of trading conditions and related risk are advised to customers when offering complicate and high-risk financial derivatives to customers".
- (C) Strengthened the propagation that TMO should verify whether customers undertake various instruments for the purpose of hedging and whether the customers' risk exposure and positions to be hedged are adequate.
- (D) In order to enhance the reasonableness of authorized limit, the Company expressly stated that any limit already granted by the others in the same trade

should be deducted when authorizing the limit and with respect to the limit authorized for non-hedging trading, it is necessary to expressly define that the total limit should be estimated based on the customer's net worth and the financial report should be audited or reviewed by a CPA.

C. The loan granted to CHING FU Group and anti-money laundering operation were held defective and the Bank was held suspected of improper management. Therefore, it was ordered to make correction pursuant to Paragraph 1 of Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 1066000610Q of December 29, 2017)

Improvement:

(A) Reviewed and strengthened the related procedure for granting loan.

(B) Strengthened the investigation and analysis of the trading monitoring system early warning and alarm.

(4) Yuanta Life

A. When processing customers' applications for change of insurance contract or payment of claims, Yuanta Life failed to advise the customers of remaining claims to the customers and thereby prejudicing the protection of customers' interest and right, and was held to likely impair the Company's well-founded operation. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10502904572 of June 21, 2016)

Improvement: The Company has checked the survival benefit remaining due to customers voluntarily since June 2015, and searched the customers or contacted the customers via the relevant channel actively. Meanwhile, the Company established the "Yuanta Life Handbook for Processing Refund of Payment" and completed installation of the search operating system as the basis for compliance and control.

B. When engaging in telemarketing, Yuanta Life failed to advise the recipient of synchronization of audio recording and seek the recipient's prior approval and, therefore, was held likely to affect the Company's well-founded operation. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10502904572 of June 21, 2016)

Improvement: Already sent a written letter to the current telemarketing staff violating the requirements demanding that they should make correction, and their supervisor should enhance the supervision on cases concluded by telemarketing for three (3) months, and also retain the related records to ensure compliance with the sale practices. Already included the deficiencies into the teaching materials and enhanced the propagation and educational training to all telemarketing staff. Implemented 100% monitoring of cases concluded via telemarketing since April 2016 to enhance the

business quality control and ensure compliance with applicable laws.

C. The reason why Yuanta Life misstated the relevant accounting subjects when processing the deposit/withdrawal of investment-type insurance separate account reserve fund has not been verified at the end of the inspection (October 12, 2015), and, therefore, the Company's well-founded operation is likely to be affected. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10502904572 of June 21, 2016)

Improvement: Already completed the system settings with respect to the reclassification of accounts receivable for said accounting, and replaced the manual operation with the system to avoid the errors caused by manual operations; also enhanced the personnel's educational training to ensure accuracy of accounts.

D. The terms and conditions referred to in the policy failed to identify the waiting period with bold or significant fonts, and to disclose the clause stating that "the policy refers to a non-participating policy free from any distribution of bonus or bonus benefits" in the form of prominent characters and, therefore, should be considered inconsistent with Clause 67 of the "Notice to Review on Life Insurance Products" and Ministry of Finance's letter under Tai-Cai-Bao-Zi No. 0920012416 dated March 31, 2003. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10502904572 of June 21, 2016)

Improvement: Already amended the fonts of said policy terms and conditions, and completed the review on all marketed products. Already established the review and approval mechanism, and asked the signatory responsible for signing the policy terms and conditions to verify compliance with laws when researching and drafting the same.

E. When processing the sub-brokerage service for foreign stock via trading with related parties, Yuanta Life failed to submit the complete supporting information about whether the trading terms and conditions were not superior to those applicable to the same type of counterpart and, therefore, should be considered failing to comply with Paragraph 3 of Article 4 of the "Regulations Governing Insurance Enterprises and Related Persons Conducting Transactions Other Than Loans" authorized by Paragraph 3 of Article 146-7 of the Insurance Act. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10502904572 of June 21, 2016)

Improvement: Traders should check to make sure "the trading terms and conditions no more superior than those applicable to the same type of counterpart" before engaging in the foreign stock exchange (including sub-brokerage) with related parties, and have the other staff recheck the same.

F. Operations of the Board of Directors were found defective in the following matters: 1. Some of the resolutions made by the Board of Directors failed to comply with the internal rules and were considered against Article 7 of the “Regulations Governing the Acquisition and Disposal of Assets” established by the Company on January 15, 2014. 2. Some motions that should not serve as temporary motions were submitted as temporary motions. Therefore, the Company was considered failing to comply with Article 3 of the “Parliamentary Rules for Board of Directors’ Meetings” established on January 20, 2015. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10502904572 of June 21, 2016)

Improvement:

- (A) Check the number of voters for each topic before each directors’ meeting, and calculate the quorum after confirming of the number of present directors before the meeting.
- (B) The Board of Directors submitted a motion for implementation of the related internal rules, requiring that the motions that should not serve as temporary motions to be submitted as formal motions.

G. If the complaining unit has set up the claim department, it would be disadvantageous to settlement of dispute over claim of benefits. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10602541322 of March 07, 2017)

Improvement: In consideration of the shortage of human resource suffered by Customer Service Department then, the Company had the unit subordinated to Claim Department for three (3) months temporarily in order to avoid affecting the quality and progress of processing of the complaint. Notwithstanding, the unit was asked to be subordinated to the original department after employment of additional human resource.

H. The Company failed to require or notify the correction with the respect the defective application documents for payment of the full medical expense reimbursement insurance compensation. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10602541322 of March 07, 2017)

Improvement: With respect to the similar cases, the Company already asked Claim Department to send the notice for payment of benefit to demand that the customer should submit the complete application documents. The relevant requirements were already included into the claim handbook to help control over the claim.

I. The Company failed to establish the standards for monitoring the risk over assets/liabilities. This was disadvantageous to the asset/liability risk management. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of

Article 149 of the Insurance Act. (Jin-Guan-Bao-Shou-Zi No. 10602544592 of August 10, 2017)

Improvement: Already held the discussion meeting in the duration of assets/liabilities and established the management indicators toward gap in the duration of assets/liabilities.

J. The Company determined that all real properties should be exempted from the impairment test as the urban land price index didn't decline in Taipei City, and also failed to collect objective evidence case by case for the asset impairment test. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10600077132 of August 28, 2017)

Improvement: In order to enhance the objectiveness of real property impairment test, since 2016, the Company has retained certain external professional organization to conduct the evaluation periodically and issue the real property appraisal report as the basis for impairment test evaluation, and also included the policy into the "Domestic Real Property Management Procedure" as the basis to be followed.

K. The Company failed to review the adequacy of the educational training promotional materials provided to the insurance brokers and, therefore, certain inadequate comparison appeared in the teaching materials prepared by the business promotion specialists. Accordingly, it was ordered to make corrections pursuant to Paragraph 1 of Article 149 of the Insurance Act. (Letter Jin-Guan-Bao-Shou-Zi No. 10602548032 of December 18, 2017)

Improvement: Since April 2017, the teaching materials prepared by the business promotion specialists for insurance brokers or insurance agents should be applicable only upon internal review and approval. The related procedures were already included into the Broker and Agency Channel Business Department handbook.

#### (5) Yuanta Securities Finance

A. The FSC conducted a general business inspection on the Company and found the following three deficiencies to be corrected: The deficiencies in internal control operation against Paragraph 2 of Article 6 of the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" include:

(A) The loan operations failed to disclose the approved loans and the consolidated facility including this facility and, therefore, were considered failing to comply with the internal control policy operations. Furthermore, when the customer who has already opened the margin account re-applied for facility secured by securities, the Company failed to authorize the total facility based on the latest statement of financial position provided by the customer. Therefore, the Company's internal control was considered defective.

- (B) The loan was granted even though the seal affixed into the facility letter completed by the customer was inconsistent with the applicant's specimen seal. The subject of pledge referred to in the application form for loan secured by securities completed by the customer was inconsistent with the actual subject of pledge. Therefore, the Company's internal control was considered defective.
- (C) The limit of loans secured by securities should be authorized by the Chairman of Board. Notwithstanding, the Company logged the limit in the system without written approval from the Chairman of Board, and authorized the borrower's facility and allowed the borrower to draw down the fund first and then to supplement the certificate of financial position. Therefore, the Company's operating procedure for granting loan was considered defective. (Letter Jin-Guan-Zheng-Tou-Zi No. 1050025314 of August 3, 2016)

Improvement:

- (A) Add the "Statement of Facility to Customers / Related Parties for Various Operations" to fulfill the control over customers' facility at the time of account opening.
  - (B) Business Dept. will print out the "Statement of Report on Secured Loan" on a daily basis to have the handler and supervisor check the relevant forms each day.
  - (C) Identified as the key item to be checked during the monthly audit.
13. The Company's fund for operating the loan secured by securities was covered by issuance of promissory note in part and, therefore, the Company was held violating Paragraph 2 of Article 56 of the Regulations Governing Securities Finance Enterprises and should be ordered to make correction. (Letter Jin-Guan-Zheng-Tou-Zi No. 1060033831 of September 27, 2017)

Improvement:

- (A) The source of fund for operating secured loan was corrected per the relevant requirements.
- (B) Securities and Futures Bureau of FSC has given a prior written notice for amendments to the Draft on November 13, 2017 (Letter Jin-Guan-Zheng-Tou-Zi No. 1060041222 of November 13, 2017).

#### (6) Ta Chong Securities

- A. The Company was commissioned to handle the domestic 1st secured convertible bonds as the leading underwriter for Thunder Power EV. The evaluation report issued by the Company failed to update the contents of the institutional investors' conference held by Thunder Power EV and to evaluate whether said circumstances violated Article 5 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" about the quiet period and, therefore, was held violating Section 7 of the Chinese Securities Association's "Guidelines for Information to be Published in Assessments of Underwriters for Offering and Issuance of Securities by Securities Issuers". Furthermore, Thunder Power EV

was ordered to dispose of its stock, but the Company still submitted applications during the period in which the stock price fluctuated abnormally. The Company failed to meet the FSC's requirements about its profit growth stock trend and purpose of fund utilization and, therefore, was held against Paragraph 5(2) of Article 3 of said evaluation report. The Company was considered meeting the circumstances referred to in Article 25(4) of the Regulations Governing Securities Firms and, therefore, was ordered to make correction pursuant to Article 65 of the Securities and Exchange Act. (Letter Jin-Guan-Zheng-Fa-Zi No. 1050006604 of March 21, 2016)

Improvement: Asked the underwriting unit to remind the cases in which it acts as the leading underwriter and check with the issuers to make sure their compliance with the quiet period requirement, and to comply with the Guidelines for Information to be published in Assessments of Underwriters for Offering and Issuance of Securities by Securities Issuers strictly.

Ⓕ. Financial Examination Bureau of FSC conducted a general business inspection on the Company from June 13, 2016 to June 24, 2016, and found the following deficiencies to be corrected: 1. The motion for replacement of external auditors and motion in which the director had interest were submitted to the directors' meeting for resolution without Audit Committee's prior consent. Therefore, the Company was held failing to comply with Article 14-5 of the Securities and Exchange Act. 2. With respect to the suspected money laundering model, the Company has screened the information and output the report via the computer information system. Notwithstanding, the Company failed verify the customer's identity strictly, and also failed to ask the customer to provide documentary evidence or pay an on-site visit to the customer, if necessary, and prepare the related record for the visit. Therefore, the Company was held against Section 11 of the "Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing of Securities Firms", and violating Paragraph 2 of Article 2 of the Regulations Governing Securities Firms. Accordingly, the Company was ordered to make correction pursuant to Article 65 of the Securities and Exchange Act. (Letter Jin-Kong-Zheng-Juan-Zi No. 1050043276 of December 1, 2016)

Improvement:

(A) Already asked the related units to follow the rules when submitting motions to directors' meetings.

(B) Already followed the rules, and reported the improvement to Financial Examination Bureau.

4. Penalties imposed by the Financial Supervisory Commission in accordance with Paragraph 1, Article 54 of the Financial Holding Company Act: None.
5. Disclosure of losses exceeding \$50 million incurred during the year, whether individually or in total, as a result of conspiracy, material contingencies (including fraud, theft, misappropriation of assets, fictitious transactions, forgery of documents and securities, kick-backs, natural disasters, external forces, hackers' attacks, theft and



leakage of confidential information, disclosure of customers' details or other major events), or accidents arising from failure to comply with Safety and Maintenance Guidelines for Financial Institutions: none.

6. Other disclosures required by the Financial Supervisory Commission

(1) Yuanta Savings Bank (Philippines)

Over-reported the costs for payment to the judicial police to serve the court's subpoena to the borrower.

Improvement: Already established the relevant legal affairs and billing requirements in the Regulations Governing Legal Affairs and Collection of Payment, including the requirements and procedures for payment to judicial police officers.

(2) Yuanta Securities (HK)

Yuanta Securities (HK) failed to disclose the actual trading price and charges to customers and, therefore, was blamed by Securities and Futures Commission, Hong Kong and fined HK\$4 million (approx. NT\$16.8 million). The case was found arising when Yuanta Securities (HK) succeeded to Polaris Securities (HK).

Improvement: Already strengthened the internal control and disclosed the bond trading price and fees to customers

(3) Yuanta Securities (Korea)

A. The Company received the administration decision from the Financial Commission of Korea against Tong Yang Securities' improper sales practices which rendered the fine of 350 million won (approx. NT\$10 million) and ruled that the company was suspended from engaging in the non-discretionary money trust and offering of corporate bonds for one month. Furthermore, the Company received the administration decision from the Financial Services Commission of Korea against Tong Yang Securities' consolidated financial statements which failed to disclose the trading with related parties in notes thereto pursuant to the accounting standards, which held that the Company violated the Act of External Audit of Corporations, Financial Investment Services and Capital Markets Act and Enterprise Accounting Standard and rendered 2 billion won (approx. NT\$60 million), and ruled that the company should be audited by the auditor designated by Securities and Futures Commission of Korea in the fiscal years 2017~2018.

Improvement: The Company has enhanced internal controls and supervisory procedures and educational training of employees to fulfill corporate governance.

B. The Financial Commission of Korea held that the Company's staff had accepted the treatment for playing golf overseas offered by IM Investment & Securities for three times for the bond transactions and brokerage from January 22, 2010 to February 10, 2012. The unjustified enrichment gained therefor was equivalent to 4.7 million won. Therefore, the Company was held violating the subparagraph 7 of Article 71 of the Capital Markets Act and Paragraph 5(3) of Article 68 of the Enforcement Rules of said Act which prohibit the seeking of unjustified

enrichment from the relevant trading counterpart, and the Company was fined 12.5 million won (equivalent to NT\$337,050) pursuant to Paragraph 1(29) of Article 449 of the Capital Markets Act.

Improvement: Already amended the internal rules and continued conducting the educational training on employees about the code of conduct.

C. According to the CMA-MMW audit report issued by FSC, the Financial Commission of Korea will hold that: 1. No agreement on preferred interest should be concluded with KSFC; 2. The basis for calculation of tax payable by customer is incorrect; 3. No co-marketing activity should be engaged in together with KSFC, and that the Company should be held violating Paragraph 2(10) and 2(4) of Article 98 of the Financial Investment Services and Capital Markets Act (FSCMA) and should be punished accordingly. As a result, the Company was fined 50 million won (equivalent to NT\$1.4 million approximately) and asked to render discipline on the relevant personnel independently. As the Company paid the fine by June 1, 2017, the total fine reduced by 20% accordingly. Therefore, the actual fine was 40 million won (equivalent to NT\$1.04 million approximately).

Improvement:

(A) Already amended the agreement with KSFC per the competent authority's opinion.

(B) The basis for calculation of tax payable by the customer was adjusted per the requirement.

(C) Never engaged in the co-marketing activity referred to in the audit result.

(4) Yuanta Securities (Thailand)

Some sales representative of the Company's predecessor, KK Trade (from 2013 to 2016), was suspected of inducing customers to transfer their fund to related accounts by fabricating false investment programs to seek customers' fund by fraud. The victims have filed the complaint successively since January 2017. Notwithstanding, the related legal proceedings were still pending and no property loss was stated in 2017.

Improvement: Already amended the SOP for debit and credit, and also strengthened the control mechanism.

(XIV) Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report

1. Shareholders' meeting resolutions and their implementation:

Year	Date	Proposal	Resolution	Implementation status and Discussion
2017 General shareholders' meeting for common stock/Class A preferred stock	8 June 2017	To recognize the company's 2016 Business Report and Financial Statements. (Proposed by the Board of Directors)	Upon voting, there were 9,660,726,363 votes in favor of the motion, accounting for 88.35% of all votes; there were 3,217,847 votes opposing the motion; 1,270,114,219 votes waived/abstained; 2,026 votes invalid. The motion was approved accordingly.	Announced upon resolution of the shareholders' meeting.
		To recognize the company's 2016 earnings distribution plan. (Proposed by the Board of Directors)	Upon voting, there were 9,697,459,888 votes in favor of the motion, accounting for 88.68% of all votes; there were 2,430,203 votes opposing the motion; 1,234,268,155 votes waived/abstained; 2,026 votes invalid. The motion was approved accordingly.	According to the general shareholders' meeting resolution, the cash dividend distribution of NT\$0.44777 per share of Company stock was completed. The record date for distribution was set on July 22, 2017, and the dividend should be distributed on August 9, 2017.
		Request for approval of proposed amendment of certain articles of the company's Articles of Incorporation. (Proposed by the Board of Directors)	Upon voting, there were 9,150,685,350 common stock votes in favor of the motion, accounting for 83.68% of all votes; there were 355,833,295 votes opposing the motion; 1,428,317,473 votes waived/abstained; 2,026 votes invalid. The motion was approved accordingly. Class A preferred stock votes in favor of the motion: 50,000,156, accounting for 100% of the all votes represented during the meeting; vote opposing the motion: 0; vote invalid: 0. The motion was approved accordingly.	The registration of change was approved by Ministry of Economic Affairs on August 29, 2017 and disclosed on the Company's website.
		Request for approval of proposed amendment of certain articles of the Company's "Regulations Governing the Acquisition and Disposal of Assets". (Proposed by the Board of Directors)	Upon voting, there were 9,697,537,284 votes in favor of the motion, accounting for 88.68% of all votes; there were 1,080,223 votes opposing the motion; 1,236,218,611 votes waived/abstained; 2,026 votes invalid. The motion was approved accordingly.	Already disclosed on the Company's website on June 12, 2017, and applied the post-amendment procedures.

2. 9th meeting of the 7th board of directors on January 23, 2017

- (1) Approved the company's strategic direction and 2017 business plans.
- (2) Approved the motion for amendments to the Company's "Articles of Incorporation" in part.

3. 10th meeting of the 7th board of directors on March 1, 2017

- (1) Approved the motion for the Company's plan to participate in subscription to the subsidiary Yuanta Life's 2017 plan to increase capital by NT\$4 billion in cash through the issuance of shares.
- (2) Approved the motion for organization of the general shareholders' meeting 2017 (including Class A preferred stock) at 9:00AM on June 8, 2017 (Thursday).
- (3) Approved the enactment of review criteria and operating procedures for shareholders' motions accepted by general shareholders' meeting in 2017.

4. 11th meeting of the 7th board of directors on March 10, 2017

- (1) The subsidiary, Ta Chong Bank, disposed of 34.87% of Ta Chong Bank equity held by it (totaling 131,725,844 shares).

5. 12th meeting of the 7th board of directors on March 27, 2017

- (1) Approved the Company's 2016 business report.

- (2) Approved the Company's consolidated financial statements 2016.
  - (3) Approved the Company's 2016 earnings appropriation.
  - (4) Approved the 2016 Statement on Internal Control System.
  - (5) Approved the amendments to certain articles of the Company's "Regulations Governing the Acquisition and Disposal of Assets".
6. 13th meeting of the 7th board of directors on April 26, 2017
- Approved the motion for appointment of Allen Wu of International Division to act as the director of Yuanta Savings Bank (Philippines).
7. 14th meeting of the 7th board of directors on May 3, 2017
- The Company's subsidiaries, Yuanta Bank, Yuanta Futures and Yuanta Securities Finance, acquired 1F and 7F of "Tatung Building" for business place and office premises.
8. 15th meeting of the 7th board of directors on May 24, 2017
- (1) Approved the amendments to certain articles of the Company's "Yuanta Financial Holdings Corporate Governance Best-Practice Principles".
  - (2) Approved the amendments to the Company's Invested Enterprises Management Rules.
  - (3) Approved the amendments to certain articles of the Company's "Yuanta Financial Holdings Implementation Guidelines for Compliance System".
9. 16th meeting of the 7th board of directors on June 28, 2017
- (1) Approved the motion for setting July 22, 2017 as the record date for the Company's distribution of common stock cash dividend and preferred stock dividend, and August 9, 2017 as the record date for allocation of the same.
  - (2) Approved the motion for appointment of the Company's managerial officers.
10. 17th meeting of the 7th board of directors on July 26, 2017
- Approved the motion for redemption of Class A registered preferred shares issued by the Company and annulment of capital stock upon capital reduction.
11. 18th meeting of the 7th board of directors on August 30, 2017
- Approved the plan of the Company's subsidiary, Yuanta Asset Management, to reduce capital by NT\$500 million, and the purpose and expected benefits upon the Company's acquisition of the fund upon capital reduction.
12. 19th meeting of the 7th board of directors on September 27, 2017
- (1) Approved the amendments to certain articles of the Company's "Yuanta Financial Holdings Equity Investment Regulations".
  - (2) Approved the amendments to the Company's "Audit Committee's Articles of Association".
  - (3) Approved the amendments to the Company's "Parliamentary Rules for Board of Directors' Meetings".
  - (4) Approved the amendments to certain articles of the Company's "Work Rules".

13.20th meeting of the 7th board of directors on October 25, 2017

- (1)Approved the Company’s annulment of 109,450,297 shares of treasury and capital reduction.
- (2)Approved the amendments to the Company’s “Rules for Trading with Self-Regulated Subjects”.
- (3)Approved the amendments to the name and certain articles of the Company’s “Regulations Governing Functions Held by Responsible Person Concurrently in Subsidiary and Performance Appraisal Thereof”.
- (4)Approved the amendments to the Company’s “Regulations Governing Directors’ Continuing Education”.
- (5)Approved repurchase of the Company’s stock for 17th time.

14.21st meeting of the 7th board of directors on November 27, 2017

- (1)Approved the amendments to certain articles of the Company’s “Regulations Governing Financial Inspection Report”.
- (2)Approved the Company’s “Capital Adequacy Management Regulations”, “Market Risk Management Regulations”, “Financial Transaction Credit Risk Management Regulations”, “Market Liquidity Risk Management Regulations”, “Capital Liquidity Risk Management Regulations”, and “Large Exposure Management Regulations”.
- (3)Approved the amendments to certain articles of the Company’s “Yuanta Financial Holdings Self-Disciplined Regulations for Merger & Acquisition Information Disclosure”.
- (4)Approved the “Operating Procedure for Finance and Business Among Affiliates of Yuanta Financial Holdings” and the "Regulations Governing Exercise of Rights and Participation in Resolution by the Corporate Shareholders with Controlling Interest in Yuanta Financial Holdings".
- (5)Approved the amendments to the Company’s “Regulations Governing Functions of Independent Directors”.

15.22nd meeting of the 7th board of directors on December 27, 2017

- (1)Approved the amendments to certain articles of the Company’s “Accounting System” and “Regulations Governing Evaluation on Consistent Asset Quality and Categorization”.
- (2)Approved the amendments to the Company’s “Breakdown of Responsibilities” and “Level of Authority”.
- (3)Approved the motion for definition of the Company’s risk limits in 2018.
- (4)Approved the employment of the president of Yuanta Bank upon consolidation of Yuanta Bank and Ta Chong Bank.

16.23rd meeting of the 7th board of directors on January 31, 2017

- (1)Approved the amendments to certain articles of the Company’s “Yuanta Financial Holdings Corporate Governance Best-Practice Principles”.
- (2)Approved the amendments to the Company’s “Personnel Management Rules”.

- (3) Approved the amendments to the Company’s “Educational Training System and Operation Guidelines”.
- (4) Approved the motion for the purchase by Yuanta Life, the Company’s subsidiary, of the land at Land Nos. 769 and 769-1, 2nd Subsection, Jiling Section, Zhongshan District, Taipei City and the building thereon in order to perform the new construction project for its own office buildings thereon.
- (XV) The main contents of important resolutions passed by the Board of Directors regarding in which directors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of this annual report: None.
- (XVI) Summary of resignation or dismissal of personnel (including the Chairman, president, financial manager, accounting manager and internal audit manager) who are involved with the Company’s financial statements during the most recent year and up to the date of publication of this annual report:

	Name	Date of Appointment	Date of Discharge	Cause for resignation or discharge
CFO	Hsu Shu Mai	2017.07.01		
CFO	Connie Lin	2014.07.01	2017.06.01	Transferred to the subsidiary

## VI. Independent Auditor Fee Information

### (I) Independent auditor fee information and fee table:

Accounting firm name	Name of accountant		Audit period	Remarks
Pricewaterhouse Coopers Certified Public Accountants	Ellen Kuo	Ming-Hui Chang	From January 2017 to December 2017	

Amount range		Fee items	Audit Fee	Non-Audit Fees	Total
1	Less than NT\$2 million			✓	
2	NT\$2 million (inclusive) –NT\$4 million				
3	NT\$4 million (inclusive) –NT\$6 million				
4	NT\$6 million (inclusive) –NT\$8 million		✓		
5	NT\$8 million (inclusive) –NT\$10 million				
6	Over NT\$10 million (inclusive)				

### (II) Independent auditing firms, their subordinate offices, and their affiliates to which non-audit fees paid by the company exceed one-fourth of audit fees:

The company paid a total of NT\$1,610,000 in non-audit fees to independent auditing firms, their subordinate offices, and their affiliates in 2017. This constituted 24.42% of audit fees, which was less than 25%. See the following table for relevant non-audit services and fees:

Unit: NT\$1,000

Accounting firm name	Name of accountant	Audit Fee	Non-Audit Fees					Audit period	Remarks
			System Design	Business Registration	Human Resources	Others	Subtotal		
Pricewaterhouse Coopers Certified Public Accountants	Ellen Kuo	6,630	-	-	-	1,619	1,619	January 2017 - December 2017	Service fees for IFRS9 Project and information safety management system
	Ming-Hui Chang								

### (III) Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: None.

### (IV) Reduction in audit fees by more than 15% compared with the previous year: The increase in audit fees resulting from merger and acquisition of Ta Chong Bank in 2016 resulted in the decrease in the current audit fees by NT\$1,200 thousand from the previous period, namely by 15.33%.

**VII. Information on the Replacement of Independent Auditors: The Company has not, in the past two (2) years or the period thereafter, changed its auditors.**

**(I) About the former CPA**

Date of replacement	Approved by the Board of Directors on January 31, 2018.		
Cause and Notes	To be in line with the requirements about shift of CPA referred to Statements on Auditing Standards.		
To specify whether the client or CPA terminates or rejects the appointment.	Status	Counterpart	Ming-Hui Chang, CPA
	Terminate the appointment voluntarily		✓
	No longer accept (continue) the appointment		
Issuance of the audit report other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	None		
Disagree with the Company?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Others
	None	✓	
Notes			
Other disclosures (To be disclosed under the subparagraphs 6.1(4)-(7) of Article 10 of the Standards.)	None		

**(II) About the successor CPA**

Firm name	Pricewaterhouse Coopers Certified Public Accountants
Name of accountant	Hsien Yi Chen, CPA
Date of Appointment	Approved by the Board of Directors on January 31, 2018.
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	None
Written opinion from the successor CPA regarding the matters disagreed by the former CPA	None

**(III)** The former CPA's response to the items referred to in the subparagraphs 6(1) and (2)3 of Article 10 of the Standards: N/A.

**VIII. Name of Auditing Firm or Its Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year, His/Her Position and Employment Period: None.**



## IX. Equity Changes, Transfers, and Pledges of Directors, Managers and Major Shareholders

### (I) Changes in equity of directors, managers and major shareholders

Title	Name	2017		Ending January 31, 2018	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman (same person or same affiliated person)	Representative of Modern Investment: Rong Jou Wang				
Director (same person or same affiliated person)	Representative of Modern Investment: Tony Shen	—	—	—	—
Director (same person or same affiliated person)	Representative of Modern Investment: Chich Chiang Fan				
Director (same person or same affiliated person)	Representative of Tsun Chueh Investment: Michael Ma				
Director (same person or same affiliated person)	Representative of Tsun Chueh Investment: Jin Long Fang	—	—	—	—
Director (same person or same affiliated person)	Representative of Tsun Chueh Investment: Yueh Tsang Lee				
Director (same person or same affiliated person)	Representative of Hsu Tong Investment: Hsien Tao Chiu				
Director (same person or same affiliated person)	Representative of Hsu Tong Investment: Ming Hong Ho	—	—	—	—
Director (same person or same affiliated person)	Representative of Hsu Tong Investment: Chung Yuan Chen				
Independent Director	Sou Shan Wu	—	—	—	—
Independent Director	Ming Ling Hsueh	—	—	—	—
Independent Director	Yin Hua Yeh	—	—	—	—
Independent Director	Lai Ping Chi	—	—	—	—
President	Tony Shen	191,281	—	—	—
Executive Vice President	Yu De Chuang	30,052	—	—	—
Executive Vice President	Hsiu Wei Chen	63,027	—	—	—
Senior Vice President	Frank Kuo	168,674	—	—	—
Senior Vice President	Allen Wu	60,854	—	—	—
Senior Vice President	Hsuan Min Kuo	53,727	—	—	—

Title	Name	2017		Ending January 31, 2018	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Senior Vice President	Hsiu Mei Chen	52,019	—	—	—
Senior Vice President	Chieh Wu (onboard since 04/05/2017)	—	—	—	—
Senior Vice President	Lawrence Lee (onboard since 09/01/2017)	33,333	—	—	—
Vice President (Financial manager)	Hsu Shu Mai (onboard since 07/01/2017)	277,904	—	—	—
Auditor-General	Ming Hsiu Tsai	22,006	—	—	—
Vice President	Hsiao Keng Chang	38,475	—	—	—
Vice President	Ching Sun Yang	40,653	—	—	—
Vice President	Wen Ching Chiu	66,865	—	—	—
Vice President	Ming Lang Liu (onboard since 09/01/2017)	62,604	—	—	—
Vice President	Cheng Hua Sun (onboard since 10/02/2017)	—	—	—	—
Vice President	Wen Chi Chou	22,279	—	—	—
Vice President	Tai Yung Hsiung	17,960	—	—	—
Senior Assistant Vice President	Yung Hsien Chang	(5,000)	—	2,000	—
Senior Assistant Vice President	Po Ching Li	55,512	—	—	—
Senior Assistant Vice President	Yi Liang Su	31,265	—	—	—
Senior Assistant Vice President	Chun Liang Lin (onboard since 01/01/2018)	—	—	—	—
Assistant Vice President	Chun Ching Chang	—	—	—	—
Assistant Vice President	Chen Chun Lin	12,493	—	—	—
Assistant Vice President	Hsin Tang Huang	—	—	—	—
Assistant Vice President	Wen Ching Hsu	36,090	—	—	—
Assistant Vice President	Po Yi Wu	—	—	—	—
Assistant Vice President	Hsien Chun Li	—	—	—	—
Assistant Vice President (Chief Accountant)	Wei Ning Chang	—	—	—	—
Professional Assistant Vice President	Li Yun Chen	23,943	—	—	—
Professional Assistant Vice President	Chia Hsiung Lu	—	—	—	—
Professional Assistant Vice President	Ho Hsing Pan	—	—	—	—
Professional Assistant Vice President	Li Hua Yang (onboard since 10/01/2017)	39,444	—	—	—

Title	Name	2017		Ending January 31, 2018	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Professional Assistant Vice President	Shih Chiang Li (onboard since 11/01/2017)	41,952	—	—	—
Same person or same affiliated person	Yu Yang Investment	—	—	—	—
Same person or same affiliated person	Yuan Hung Investment	—	—	—	—
Same person or same affiliated person	Lian Ta Investment	—	—	—	—
Same person or same affiliated person	Yuan Hsiang Investment	—	—	—	—
Same person or same affiliated person	Teng Ta Investment	2,000,000	—	—	—
Same person or same affiliated person	Hsing Tsai Investment	—	—	—	—
Same person or same affiliated person	Lien Heng Investment	3,600,000	—	—	—
Same person or same affiliated person	Richcorp International Limited	—	—	—	—
Same person or same affiliated person	Chiu Ta Investment	—	—	—	—
Same person or same affiliated person	Yuanta Construction and Development	—	13,000,000	—	—
Same person or same affiliated person	Ta Ta Investment	—	—	—	—
Same person or same affiliated person	Zhao Yuan Investment Co., Ltd.	—	—	—	—
Same person or same affiliated person	Hui Tung Investment	—	—	—	—
Same person or same affiliated person	Judy Tu	—	—	—	—
Same person or same affiliated person	Yuanta Foundation	—	—	—	—
Same person or same affiliated person	Trust property account at Cathay United Bank commissioned by Yuanta Foundation	—	—	—	—
Former Senior Vice President (Financial manager)	Connie Lin (resigned on 06/01/2017)	—	—	—	—
Former Professional Assistant Vice President	Wen-Yi Chang (resigned on 11/01/2017)	—	—	—	—
Former Professional Assistant Vice President	Shih Huan Chang (resigned on 04/16/2017)	—	—	—	—

(II) Equity transfer information: None.

(III) Equity pledge information: None.

## X. Information of the Top Ten Shareholders Being Related Parties

Data baseline date: 07/18/2017

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using other's name		Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and Name relationships		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Representative of Tsun Chueh Investment: Chen Kuo Huang	404,220,950	3.34%	—	—	—	—	Yu Yang Investment	1. Tsun Chueh Investment and Yu Yang Investment constitute a parent company and subsidiary respectively. 2. The same person serves as chairman of both companies.	—
Representative of Yuan Hung Investment: Ming Chiu Kao	352,374,319	2.91%	—	—	—	—	—	—	—
Representative of Yuan Hsiang Investment: Yung Tsang Lin	297,159,176	2.46%	—	—	—	—	Lian Ta Investment	1. Investor that accounts the company using the equity method 2. Company director	—
Representative of Yu Yang Investment: Chen Kuo Huang	290,578,457	2.40%	—	—	—	—	Tsun Chueh Investment	1. Tsun Chueh Investment and Yu Yang Investment constitute a parent company and subsidiary respectively. 2. The same person serves as chairman of both companies.	—
Mega International Commercial Bank Co., Ltd. Acting as Custodian for The Investment Account of Beevest Securities	288,310,441	2.38%	—	—	—	—	—	—	—
Representative of Bank of Taiwan: Chu Cheng Lu	251,251,206	2.08%	—	—	—	—	—	—	—
Representative of Lian Ta Investment: Hsin Chen Pao	237,459,822	1.96%	—	—	—	—	Yuan Hsiang Investment	Investor appraised by the equity method.	—
Representative of Cathay Life Insurance: Tiao Kuei Huang	232,351,837	1.92%	—	—	—	—	—	—	—
Dedicated trust property account managed by Yuanta Bank	220,193,416	1.82%	—	—	—	—	—	—	—
Standard Chartered Bank Acting as Custodian for ETF Account of Vanguard FTSE Emerging Markets Index ETF	194,527,634	1.61%	—	—	—	—	—	—	—

Note: 1. The Company has a total of 12,098,647,753 shares outstanding (including common stock and preferred stock) on the data baseline date (07/18/2017).

2. Data relating to the top ten shareholders are based on those as of the latest book closure date (07/18/2017).

## XI. Total Shareholding Ratio in Each Invested Enterprise

Units: 1000 shares; %  
Data baseline date: 01/31/2018

Invested enterprise	Investment made by the company		Investment by directors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Yuanta Securities	5,405,644	100	-	-	5,405,644	100
Yuanta Bank	7,394,039	100	-	-	7,394,039	100
Yuanta Securities Finance	400,000	100	-	-	400,000	100
Yuanta Venture Capital	246,000	100	-	-	246,000	100
Yuanta Asset Management	100,000	100	-	-	100,000	100
Yuanta Futures	159,467	68.65	-	-	159,467	68.65
Yuanta Securities Investment Trust	163,828	72.20	-	-	163,828	72.20
Yuanta Securities Investment Consulting	10,000	100	-	-	10,000	100
Yuanta Life	1,210,705	100	-	-	1,210,705	100

### Three. Financing Status

#### I. Corporate Capital and Shares

##### (I) Types of share

Unit: shares

Data baseline date: 01/31/2018

Types of shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	11,889,197,456	610,802,544	12,500,000,000	

Note: Common stock totaling 11,889,197,456 shares were issued on January 31, 2018. Minus the treasury stock totaling 15,621,000 shares, which were bought back from the dissenting shareholders in December 2015, and upon repurchase of the treasury stock totaling 68,965,000 shares of the Company's shares from October 26, 2017 to December 4, 2017, the outstanding common stock totaled 11,804,611,456 shares.

##### (II) Equity Capital sources

Unit: shares, NTD

Date	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Equity Capital sources	Others
2002.02	\$10	5,000,000,000	50,000,000,000	2,091,000,000	20,910,000,000	1,470,000,000 shares of Fuhwa Securities Finance (renamed Yuanta Securities Finance) common stock and 621,000,000 shares of Fuhwa Securities (renamed Yuanta Securities) common stock were converted into shares of Fuhwa Financial Holdings (renamed Yuanta Financial Holdings)	Note 1
2002.08	\$10	5,000,000,000	50,000,000,000	2,964,477,742	29,644,777,420	873,477,742 new shares were issued for swapping 1,211,513,628 shares of common stock of Asia-Pacific Bank (renamed Yuanta Bank)	Note 2
2002.09	\$10	5,000,000,000	50,000,000,000	2,939,829,359	29,398,293,590	Fuhwa Financial Holdings (renamed Yuanta Financial Holdings) simultaneously reduced capital by 24,648,383 shares in conjunction with the annulment by Fuhwa Securities (renamed Yuanta Securities) of shares held by dissenting shareholders	Note 3

Date	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Equity Capital sources	Others
2002.12	\$10	5,000,000,000	50,000,000,000	2,826,829,359	28,268,293,590	Annulment of a total of 113,000,000 shares of treasury stock from the 3rd, 4th and 5th buybacks by Fuhwa Financial Holdings (renamed Yuanta Financial Holdings)	Note 4
2003.08	\$10	5,000,000,000	50,000,000,000	2,894,444,460	28,944,444,600	Capital increase of 67,615,101 shares out of additional paid-in capital	Note 5
2004.09	\$10	5,000,000,000	50,000,000,000	3,006,444,460	30,064,444,600	Capital increase of 40,000,000 shares out of additional paid-in capital and capital increase of 72,000,000 shares out of earnings	Note 6
2005.09	\$10	5,000,000,000	50,000,000,000	3,161,761,593	31,617,615,930	Capital increase of 155,317,133 shares out of earnings	Note 7
2007.04	\$10	10,000,000,000	100,000,000,000	8,312,114,476	83,121,144,760	Capital increase through issue of 5,150,352,883 new shares and swap with all shares of Yuanta Core Pacific Securities	Note 8
2008.01	\$10	10,000,000,000	100,000,000,000	8,353,043,686	83,530,436,860	Application for conversion of overseas convertible corporate bonds to 40,929,210 shares of common stock	Note 9
2008.12	\$10	10,000,000,000	100,000,000,000	8,102,105,686	81,021,056,860	Annulment of 250,938,000 shares of treasury stock from the 11th and 12th buybacks	Note 10
2011.01	\$10	10,000,000,000	100,000,000,000	8,102,610,736	81,026,107,360	Application for conversion of 1st domestic unsecured convertible bonds application to 505,050 shares of common stock	Note 11
2011.08	\$10	10,000,000,000	100,000,000,000	8,845,471,060	88,454,710,600	Capital increase of 742,860,324 shares out of earnings	Note 12
2011.10	\$10	12,500,000,000	125,000,000,000	10,016,310,506	100,163,105,060	Capital increase through issue of 1,170,839,446 new shares and swap with all shares of Polaris Securities	Note 13
2012.03	\$10	12,500,000,000	125,000,000,000	10,016,210,506	100,162,105,060	Annulment of 100,000 shares of treasury stock from 15th buyback	Note 14
2013.03	\$10	12,500,000,000	125,000,000,000	9,897,335,506	98,973,335,060	Annulment of 118,875,000 shares of treasury stock from 16th buyback	Note 15

Date	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Equity Capital sources	Others
2013.04	\$10	12,500,000,000	125,000,000,000	9,893,723,506	98,937,235,060	Annulment of 3,612,000 shares of treasury stock from 14th buyback	Note 16
2014.09	\$10	12,500,000,000	125,000,000,000	10,141,066,594	101,410,665,940	Capital increase of 247,343,088 shares out of earnings	Note 17
2015.08	\$10	12,500,000,000	125,000,000,000	10,439,151,709	104,391,517,090	Application for conversion of 1st domestic unsecured convertible bonds application to 298,085,115 shares of common stock	Note 18
2015.09	\$10	12,500,000,000	125,000,000,000	10,712,960,508	107,129,605,080	Capital increase of 273,808,799 shares out of earnings	Note 19
2016.03	\$10	12,500,000,000	125,000,000,000	12,098,647,753	120,986,477,530	Capital increase through issue of 1,385,687,245 new shares and swap with all shares of Ta Chong Bank (including 100,000,000 shares of Preferred stock)	Note 20
2017.11	\$10	12,500,000,000	125,000,000,000	11,989,197,456	119,891,974,560	Annulment of 109,450,297 shares of treasury stock upon capital reduction	Note 21
2018.01	\$10	12,500,000,000	125,000,000,000	11,889,197,456	118,891,974,560	Annulment of 100,000,000 shares of Class A preferred stock upon capital reduction	Note 22

Note 1: (2001) Tai-Tsai-Cheng-(4)-Zi No. 175847, December 31, 2001.  
Note 2: (2002) Tai-Tsai-Cheng-(4)-Zi No. 0910135271, July 2, 2002.  
Note 3: (2002) Tai-Tsai-Cheng-(4)-Zi No. 0910004872, September 19, 2002.  
Note 4: (2002) Tai-Tsai-Cheng-(4)-Zi No. 0910164534, December 6, 2002.  
Note 5: (2003) Tai-Tsai-Cheng-(4)-Zi No. 0920129910, July 4, 2003.  
Note 6: (2004) Tai-Tsai-Cheng-(4)-Zi No. 0930128919, June 30, 2004.  
Note 7: (2005) Jin-Guan-Cheng-(1)-Zi No. 0940130318, August 2, 2005.  
Note 8: (2007) Jin-Guan-Yin-(6)-Zi No. 09600022230, March 8, 2007.  
Note 9: Jing-Shou-Shang-Zi No. 09601321150, January 3, 2008.  
Note 10: Jing-Shou-Shang-Zi No. 09701313360, December 11, 2008.  
Note 11: Jing-Shou-Shang-Zi No. 10001094810, May 11, 2011.  
Note 12: Jing-Shou-Shang-Zi No. 10001213110, September 15, 2011.  
Note 13: Jing-Shou-Shang-Zi No. 10001213120, October 3, 2011.  
Note 14: Jing-Shou-Shang-Zi No. 10101064400, April 12, 2012.  
Note 15: Jing-Shou-Shang-Zi No. 10201064760, April 18, 2013.  
Note 16: Jing-Shou-Shang-Zi No. 10201087760, May 14, 2013.  
Note 17: Jing-Shou-Shang-Zi No. 10301189720, September 11, 2014.  
Note 18: Jing-Shou-Shang-Zi No. 10401171690, August 19, 2015.  
Note 19: Jing-Shou-Shang-Zi No. 10401192360, September 14, 2015.  
Note 20: Jing-Shou-Shang-Zi No. 10501039430, March 22, 2016.  
Note 21: Jing-Shou-Shang-Zi No. 10601154740, November 13, 2017.  
Note 22: Jing-Shou-Shang-Zi No. 10701001940, January 31, 2018.



### (III) Shareholder structure

#### 1. Shareholder structure

Face value \$10 per share

Data baseline date: 07/18/2017

Quantity \ Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign Institute and others	Total
Persons	12	16	760	288,353	1,165	290,306
Shares held	366,467,200	1,135,273,086	3,414,491,874	2,717,539,344	4,364,876,249	11,998,647,753
Shareholding ratio (%)	3.05%	9.46%	28.46%	22.65%	36.38%	100%

Note1: The data were based on the latest book closure date (07/18/2017).

Note2: The Company has a total of 11,998,647,753 shares of common stock outstanding on the data baseline date (07/18/2017).

#### 2. Class A preferred stock

Face value \$10 per share

Data baseline date: 07/18/2017

Quantity \ Shareholder structure	Government agencies	Financial institutions	Other institutions	Individuals	Foreign Institute and others	Total
Persons	0	3	1	1	0	5
Shares held	0	92,500,000	7,499,844	156	0	100,000,000
Shareholding ratio (%)	0%	92.50%	7.50%	0%	0%	100%

Note1: The data were based on the latest book closure date (07/18/2017).

Note2: The Company has a total of 100,000,000 shares of preferred stock outstanding on the data baseline date (07/18/2017).

#### (IV) Distribution of equity

##### 1. Common stock

Face value \$10 per share  
Data baseline date: 07/18/2017

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1 to 999	118,359	27,971,529	0.23%
1,000 to 5,000	93,796	218,877,441	1.82%
5,001 to 10,000	31,103	216,146,974	1.80%
10,001 to 15,000	16,141	190,689,662	1.59%
15,001 to 20,000	6,845	119,702,364	1.00%
20,001 to 30,000	8,247	198,120,393	1.65%
30,001 to 50,000	6,484	248,826,139	2.07%
50,001 to 100,000	4,716	325,023,463	2.71%
100,001 to 200,000	2,300	312,473,919	2.60%
200,001 to 400,000	1,057	285,301,132	2.38%
400,001 to 600,000	356	173,443,237	1.45%
600,001 to 800,000	190	131,246,616	1.09%
800,001 to 1,000,000	94	83,996,441	0.70%
Over 1,000,001	618	9,466,828,443	78.91%
Total	290,306	11,998,647,753	100%

Note 1: The Company has a total of 11,998,647,753 shares of common stock outstanding.

Note 2: The data were based on the latest book closure date (07/18/2017).

##### 2. Class A preferred stock

Face value \$10 per share  
Data baseline date: 07/18/2017

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1 to 999	1	156	0.00%
1,000 to 1,000,000	0	0	0.00%
Over 1,000,001	4	99,999,844	100.00%
Total	5	100,000,000	100.00%

Note 1: The Company has a total of 100,000,000 shares of preferred stock outstanding.

Note 2: The data were based on the latest book closure date (07/18/2017).

(V) List of major shareholders (top ten shareholders)

Data baseline date: 07/18/2017

Major Shareholders	Shares	Shares held	Shareholding ratio (%)
Tsun Chueh Investment		404,220,950	3.34%
Yuan Hung Investment		352,374,319	2.91%
Yuan Hsiang Investment		297,159,176	2.46%
Yu Yang Investment		290,578,457	2.40%
Mega International Commercial Bank Co., Ltd. Acting as Custodian for The Investment Account of Beevest Securities		288,310,441	2.38%
Bank of Taiwan		251,251,206	2.08%
Lian Ta Investment		237,459,822	1.96%
Cathay Life Insurance		232,351,837	1.92%
Dedicated trust property account managed by Yuanta Bank		220,193,416	1.82%
Standard Chartered Bank Acting as Custodian for ETF Account of Vanguard FTSE Emerging Markets Index ETF		194,527,634	1.61%

Note 1: The Company has a total of 12,098,647,753 shares outstanding (including common stock and preferred stock) on the data baseline date (07/18/2017).

Note 2: Data relating to the top ten shareholders are based on those as of the latest book closure date (07/18/2017).

## Key shareholders of major institutional shareholders

Data baseline date: 01/31/2018

Institutional shareholder	Major shareholders of institutional shareholders	
Tsun Chueh Investment	Teng Ta Investment	19.69%
	Lian Ta Investment	19.84%
	Chiu Ta Investment	18.36%
	Lien Heng Investment	18.92%
	Hsing Tsai Investment	10.23%
	Victor Ma	8.27%
	Judy Tu	4.69%
Yuan Hung Investment	Mei Jia Li Investment Company Limited	45.88%
	Lien Heng Investment	33.74%
	Teng Ta Investment	15.38%
	Judy Tu	5.00%
Yuan Hsiang Investment	Lian Ta Investment	44.38%
	Lien Heng Investment	19.00%
	Teng Ta Investment	18.69%
	Chiu Ta Investment	9.96%
	Judy Tu	5.01%
	Hsing Tsai Investment	2.96%
Yu Yang Investment	Tsun Chueh Investment	100.00%
Mega International Commercial Bank Co., Ltd. Acting as Custodian for The Investment Account of Beevest Securities	Not applicable	
Bank of Taiwan	Taiwan Financial Holdings	100.00%
Lian Ta Investment	Chiao Hua International Investment	45.79%
	Lien Heng Investment	37.14%
	Chiu Ta Investment	14.02%
	Hsing Tsai Investment	2.58%
	Judy Tu	0.47%
Cathay Life Insurance	Cathay Financial Holdings	100.00%
Dedicated trust property account managed by Yuanta Bank	Not applicable	
Standard Chartered Bank Acting as Custodian for ETF Account of Vanguard FTSE Emerging Markets Index ETF	Not applicable	

(VI) Market value, net value, earnings, and dividends per share during the most recent two years

Item		Year	2016	2017	Ending, January 31, 2018
Market price per share [Note 1]	Highest		12.20	14.15	14.45
	Lowest		9.97	11.85	13.70
	Average		11.06	13.14	14.12
Net worth per share [Note 2]	Before distribution		16.96	17.89	17.91
	After distribution		16.51	[Note 6]	[Note 7]
EPS	Weighted average number of shares (1,000 shares)		11,612,337	11,864,341	11,804,611
	EPS	Before adjustment	1.16	1.37	0.17
		After adjustment	1.11	[Note 6]	[Note 7]
Dividends per share	Cash dividend		0.45	[Note 6]	[Note 7]
	Stock dividends	Out of earnings	-	[Note 6]	[Note 7]
		Out of additional paid-in capital	-	[Note 6]	[Note 7]
	Accumulated, unpaid dividends		-	-	[Note 7]
ROI analysis	P/E ratio [Note 3]		9.53	9.59	[Note 7]
	P/D ratio [Note 4]		24.58	[Note 6]	[Note 7]
	Cash dividend yield [Note 5]		0.04	[Note 6]	[Note 7]

\* If shares are distributed in connection with a capital increase out of earnings or capital reserve, please also disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: Please identify the highest and lowest market price per share of common stock for each fiscal year and calculate each fiscal year's average market price.

Note 2: Please apply the number of the outstanding issued shares at year-end as the basis and specify it based on the distribution resolved by the shareholders' meeting next year.

Note 3: P/E ratio = Average closing price per share for the year/Earnings per share.

Note 4: P/D ratio = Average closing price per share during the current fiscal year/Cash dividend per share.

Note 5: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note 6: Distribution of earnings in 2017 had not yet been resolved by the shareholders' meeting up to the date of publication of this annual report.

Note 7: Not applicable to 2018 reporting.

(VII) Dividend policy and implementation

1. Company dividend policy:

If the Company has a profit at the year's final accounting, it shall first pay profit seeking-enterprise income tax and make up any losses from past years, and then make contributions to the statutory reserve and provide or reverse special reserve in accordance with law. The Board shall draft a distribution proposal for the remaining balance together with undistributed earnings from past years. The distribution of shareholder bonuses shall be implemented upon resolution of the shareholders' meeting. Where said statutory reserve amounts to the Company's total paid-in capital, it is not necessary to provide such reserves again.

In order to continue expanding scale and increasing profitability, the Company adopted a residual dividend policy in accordance with its long-term financial planning and the relevant laws and regulations. According to the dividend allocation principle, allocable earnings are determined based on the earnings at the end of the fiscal year, if any, in the manner referred to in the preceding Article, and the working capital required by the Company's operations is reserved from the allocable earnings according to the Company's operational planning. The remainder, if any, shall be allocated as cash dividend, provided that the cash dividend shall be no less than 40% of the allocable earnings of that year.

2. Implementation: The Company's allocated earnings 2017 based on 40% of the earnings after tax for the then year. The Company proposed a cash dividend distribution of NT\$0.55 per share of Company stock. The total cash dividend allocated to shareholders was about NT\$6.493 billion, while the total stock dividend was 0 share. The motion for allocation of earnings is pending resolution by the shareholders' meeting.

(VIII) The effects of stock grants proposed at this shareholders' meeting on business performance and EPS: N/A, as the Company did not publish 2018 financial forecast.

(IX) Employee and directors' remuneration

1. The percentages or ranges with respect to remuneration to employees and directors, as set forth in the Company's Articles of Incorporation:

According to the Company's Articles of Incorporation, if the Company has profit at the year's final accounting (namely, the earnings before tax prior to deduction of remuneration to employees and directors), it shall reserve the amount sufficient to cover accumulated losses, if any. The remuneration to employees is allocated at the range from 0.01% to 0.5%, and the remuneration to directors no more than 0.9%, from the remainder, if any. When the remuneration to employee is distributed in the form of stock or in cash, it shall also be distributed to employees of affiliated companies that meet certain conditions.

The certain conditions referred to in the preceding paragraph shall be decided by the Board of Directors.

2. The basis for estimating the amount of remuneration to employees and directors, for calculating the number of shares to be distributed as the remuneration to employees,

and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The remuneration to employees/directors was estimated based on the Company's net profit before tax in the given year (namely, the earnings before tax prior to distribution of the remuneration to employees and directors) multiplying by the allocation ratio referred to in the Company's Articles of Incorporation. If there is any discrepancy between the amount allocated actually and the estimated amount for the fiscal year, it shall be identified as a change in estimation and stated as the income for next year.

3. The motion for allocation of remuneration passed by the Board of Directors:

(1) Remuneration to employees and directors allocated in cash or in the form of stock bonus:

(2) The Company's Board of Directors resolved to allocate the remuneration to employees, NT\$2,977,038, and the remuneration to directors, NT\$132,223,210, both in cash in 2017.

(3) Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus remuneration to employees in the entity financial statement for the current period: not applicable.

4. Actual allocation of remuneration to employees and directors in the previous year:

The Company's allocation of earnings as the remuneration to employees and directors for 2016 as approved by the Board of Directors and reported to the shareholders' meeting did not differ from the allocation proposed by the Board of Directors. Specifically, NT\$2,720,324 was allocated as the remuneration to employees and NT\$60,556,815 as the remuneration to directors.

## (X) Financial holding company's buyback of company shares

Data baseline date: 01/31/2018

Time of buyback	17th
Purpose of buyback	Maintain company's credit standing and shareholders' equity
Buyback period	10/26/2017 ~ 12/04/2017
Buyback price range	NT\$ 12-14.50
Types and numbers of bought-back shares	68,965,000 common stock
Value of shares bought back	NT\$ 939,347,306
Group's capital adequacy ratio before buyback	Record date: 09/30/2017 Ratio: 128.73%
Number of annulled and transferred share	Record date: 09/30/2017 Ratio: 127.89%
Cumulative number of company shares held	-
Cumulative number of company shares held	84,586,000 shares
Ratio of cumulative number of company shares held to total outstanding shares (%)	0.71%
State of transfer to employees of bought-back shares	-
Adoption of restrictive measures by the Board due to failure to complete transfer of bought-back shares within three (3) years of buyback	-



## II. Corporate Bonds

### (I) Corporate bonds issued and outstanding

Data baseline date: 01/31/2018

Bond type	2015 1st unsecured bonds	2016 1st unsecured bonds	2016 2nd unsecured bonds
Date issued	24 July 2015	27 May 2016	1 August 2016
Face value	NT\$1 million	NT\$1 million	NT\$1 million
Place of issuance and exchange [Note]	Not applicable	Not applicable	Not applicable
Issue price	The bond is issued at full face value	The bond is issued at full face value	The bond is issued at full face value
Total amount	NT\$1.3 billion.	NT\$15 billion. Of which: Class A bonds: NT\$3 billion. Class B bonds: NT\$4 billion. Class C bonds: NT\$8 billion.	NT\$3.45 billion. Of which: Class A bonds: NT\$1.85 billion. Class B bonds: NT\$1.6 billion.
Interest rate	Annual coupon rate of 1.67%.	Class A bonds: Annual coupon rate of 0.6%. Class B bonds: Annual coupon rate of 0.8%. Class C bonds: Annual coupon rate of 1.0%.	Class A bonds: Annual coupon rate of 0.63%. Class B bonds: Annual coupon rate of 0.85%.
Duration	Term: 7 years	Class A bonds: Term: 2 years Class B bonds: Term: 5 years Class C bonds: Term: 7 years	Class A bonds: Term: 3 years Class B bonds: Term: 6 years
Priority of repayment	Not applicable	Not applicable	Not applicable
Guaranteeing institution	None	None	None
Trustee	Bank Sino Pac	Taipei Fubon Commercial Bank	Taipei Fubon Commercial Bank
Underwriting institution	Not applicable	Yuanta Securities is the leading underwriter.	Yuanta Securities is the leading underwriter.
Certifying attorney	Yi Cheng Law Firm	Yi Cheng Law Firm	Yi Cheng Law Firm
Independent auditing firm	Pricewaterhouse Coopers Certified Public Accountants	Pricewaterhouse Coopers Certified Public Accountants	Pricewaterhouse Coopers Certified Public Accountants
Repayment method	1. Method of interest computing and payment: For the corporate bonds, simple interest is calculated based on the coupon rate and paid once a year starting on the date of issuance. Interest for every NT\$1 million worth of bonds is paid in a full New Taiwan Dollar amount and rounded to the nearest NT\$1.0. If the date of payment for principal or interest falls on a non-business day at the place of payment, principal, or interest will be paid on the	1. Method of interest computing and payment: For the corporate bonds, simple interest is calculated based on the coupon rate and paid once a year starting on the date of issuance. Interest for every NT\$1 million worth of the corporate bonds is paid in a full New Taiwan Dollar amount and rounded to the nearest NT\$1.0. If the date of payment for principal or interest falls on a non-business day at the place of payment, principal, or interest will be paid on	1. Method of interest computing and payment: For the corporate bonds, simple interest is calculated based on the coupon rate and paid once a year starting on the date of issuance. Interest for every NT\$1 million worth of the corporate bonds is paid in a full New Taiwan Dollar amount and rounded to the nearest NT\$1.0. If the date of payment for principal or interest falls on a non-business day at the place of payment, principal, or interest will be paid on

	next business day, while no additional interest shall be paid. No additional interest shall be paid either when interest or principal are collected after maturity. 2. Principal repayment method: Principal for the corporate bonds shall be repaid once at maturity.	the next business day, while no additional interest shall be paid. No additional interest shall be paid either when interest or principal are collected after maturity. 2. Principal repayment method: Principal for the corporate bonds shall be repaid in full at maturity.	the next business day, while no additional interest shall be paid. No additional interest shall be paid either when interest or principal are collected after maturity. 2. Principal repayment method: Principal for the corporate bonds shall be repaid in full at maturity.
Outstanding principal balance	NT\$1.3 billion.	NT\$15 billion.	NT\$3.45 billion.
Terms for redemption or early repayment	None	None	None
Restrictive terms	None	None	None
Whether included in qualifying capital	No	No	No
Name of credit rating organization, rating date, bond rating results	None	None	None
Other rights	Amount of the bonds already converted into (exchanged into or subscribed for) common shares, overseas depository receipts, or any other securities until the date of publication of the annual report	None	None
	Issuance and conversion (traded or subscribed) regulations	None	None
Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms	None	None	None
Name of commissioned custodial institution for objects exchanged	None	None	None

Note: Not required in the case of a non-overseas corporate bond

- (II) Convertible bonds: None.
- (III) Exchangeable bonds: None.
- (IV) Shelf registration for corporate bond issues: None.
- (V) Information on corporate bonds with attached warrants: None.

### **III. Issuance of Preferred Shares: None.**

### **IV. Issuance of Overseas Depository Receipts: None.**

### **V. Issuance of Employee Stock Option Certificates: None.**

### **VI. Information about new restricted employee shares: None.**

### **VII. Mergers or Acquisitions**

- (I) CPA opinions on share exchange ratio for mergers and acquisitions or transfers to other financial institutions for the most recent year

#### **1. Consolidation of Yuanta Bank and Ta Chong Bank:**

The merger of the Bank and Ta Chong Bank was resolved by both parties' boards of directors on September 14, 2016 (exercising the duty and power of the shareholders' meeting). The existing entity upon the merger should be Yuanta Bank. Meanwhile, this merger acquired approval from FSC with Letter Jin-Kuan-Yin-Kong No. 10500320920, dated on January 17, 2017. Therefore, Yuanta Bank and Ta Chong Bank were officially consolidated on January 1, 2018 (the record date for the merger).

The share conversion proportion was, on the record date, one share of Ta Chong Bank's common stock for 0.8602 share of Yuanta Bank's common stock, and one share of Ta Chong Bank's series C registered preferred stock for 1.0625 shares of Yuanta Bank's series A registered preferred stock. Yuanta Bank and Ta Chong Bank respectively appointed Mr. William Yu of Ken Will United CPAs Firm and Ms. He-Ying Jian of Chun Yue Accounting Firm to issue the fairness opinion on share exchange ratio for merger and acquisition that the accountants have regard reasonable and fair. Furthermore, in order to deal with the expiration of Ta Chong Bank's series C preferred stock on September 30, 2017, both parties' boards of directors resolved to enter into the second amendment to the merger agreement on August 17, 2017, and canceled the conversion of preferred stock at the time of consolidation.

- (II) Mergers and acquisitions with other financial institutions over the past five years

#### **1. Yuanta Financial Holdings:**

##### **(1) New York Life Insurance (TW)**

The Company signed the equity purchase agreement with New York Life Enterprises, LLC on June 25, 2013 and acquired 100% of the equity of New York Life Insurance (TW) at the total price of NT\$100 million, upon FSC's approval letters under Jin-Guan-Ying-Kong-Zi No. 10200288800 and Jin-Guan-Po-Shou-Zi No. 10202557682. Then, both parties agreed to complete the transfer of equity on January 1, 2014, and New York Life Insurance (TW) was renamed Yuanta Life on March 10, 2014.

## (2)Ta Chong Bank

The motion for swap of shares between the Company and Ta Chong Bank was resolved by both parties' special shareholders' meeting on October 13, 2015, and pursuant to Letter Jin-Guan-Yin-Kong-Zi No. 10500017770 dated January 29, 2016, the Company merged with Ta Chong Bank as a subsidiary wholly owned by the Company by swap of shares. The record date for swap was set on March 22, 2016.

## 2. Subsidiaries of Yuanta Financial Holdings:

### (1)Yuanta Securities

#### A.TONGYANG Securities Inc.

Yuanta Securities announced on February 25, 2014 that Yuanta Securities Asia Financial Services would participate in the public bidding for controlling equity of TongYang Securities Inc. by the Korean court, and acquired the right related to the public bid on February 27, 2014. Both parties entered into the share trading agreement and share subscription agreement on March 13, 2014. Meanwhile, it fulfilled the conditions for settlement according to the agreements and acquired 53.10% of the controlling equity of TongYang Securities Inc. at a price of about NT\$8.04 billion upon approval via the FSC's approval letter under Jin-Guan-Cheng-Chuan-Zi No. 1030012748 dated April 24, 2014, Fair Trade Commission of Korea on May 20, 2014 and Financial Services Commission of Korea on May 21, 2014. The settlement was completed on June 11, 2014, and TongYang Securities Inc. was renamed as Yuanta Securities (Korea) on October 1, 2014.

#### B.PT AmCapital Indonesia

Yuanta Securities published on September 30, 2014 that it acquired 99% of the equity of PT AmCapital Indonesia via Yuanta Securities (HK). Meanwhile, pursuant to FSC's letter under Jin-Guan-Cheng-Chuan-Zi No. 1030044286 dated December 12, 2014 and upon approval of Otoritas Jasa Keuangan (OJK) on February 25, 2015, the settlement was completed pursuant to the agreement signed on April 22, 2015 and 99% of the equity of PT AmCapital Indonesia were acquired at the price of NT\$210 million. The capital increase in cash by US\$15 million on April 23, 2015, pursuant to the letter under Jin-Guan-Cheng-Chuan-Zi No. 1040001723 dated March 13, 2015, and the company name was changed into PT Yuanta Securities Indonesia on July 21, 2015 (now known as PT Yuanta Sekuritas Indonesia).

#### C.KKTrade Securities (Thailand)

Yuanta Securities' Board of Directors resolved on April 27, 2016 to acquire 99.99% of the equity of KKTrade Securities Company Limited in Thailand via its subsidiary, Yuanta Securities Asia Financial Services. Meanwhile, pursuant to FSC's letter under Jin-Guan-Cheng-Chuan-Zi No. 1050020901 dated June 14, 2016 and upon approval of the competent authority in Thailand, SEC, via its letter No. 1118/2559 dated June 23, 2016, the settlement was completed pursuant to the agreement signed on July 8, 2016 and KKTrade's capital increase in cash by BHT1 billion was completed on August 30, 2016. The common stock as acquired

therefor totaled 149,999,998 shares, i.e. 99.99% of KKTrade's common stock. The total investment amount was BHT1.691 billion, approximately equivalent to NT\$1.554 billion. KKTrade was renamed into Yuanta Securities (Thailand) Company Limited on September 1, 2016.

#### D.The First Securities Joint Stock Company

The Board of Directors of Yuanta Securities resolved on November 26, 2015 that Yuanta Securities Asia Financial Services and Yuanta Securities (HK) should jointly acquire the equity of First Securities Joint Stock Company in Vietnam in whole. Meanwhile, pursuant to FSC's letter under Jin-Guan-Cheng-Chuan-Zi No. 1050000837 dated January 30, 2016 and upon approval of the competent authority in Vietnam, SSC, via its letter No. 7860/UBCK-PTTT dated November 20, 2017, the settlement was completed pursuant to the agreement signed on December 7, 2017. The common stock as acquired therefor totaled 16,581,900 shares. The total investment amount was NT\$450 million and the Bank held 99.95% of the equity of First Securities Joint Stock Company in Vietnam. First Securities Joint Stock Company in Vietnam was renamed Yuanta Securities Vietnam Joint Stock Company on February 13, 2018 officially.

#### (2)Yuanta Securities Investment Trust

##### A.MF Global Futures Trust

Yuanta Securities Investment Trust signed the fund transfer agreement with MF Global Futures Trust on May 30, 2013 to succeed to the MF Global Multi-Strategy Futures Trust Fund (hereinafter referred to as the "MF Global Multi-Strategy Fund") without consideration. The assignment baseline date should be October 14, 2013.

#### (3)Yuanta Bank

##### A.TONGYANG Savings Bank Inc.

Yuanta Bank and Yuanta Securities (Korea) signed the equity purchase agreement on December 23, 2014, under which Yuanta Bank acquired 100% of the equity of TONGYANG Savings Bank Inc. at the price of KRW\$12.2 billion. Upon approval of FSC on February 2, 2015 (Jin-Guan-Ying-Kong-Zi No. 10300349460) and of the Central Bank of Philippines on July 1, 2015, the settlement was completed on August 5, 2015. Furthermore, Yuanta Bank also completed the capital increase in cash of TONGYANG Savings Bank Inc. by PHP640 million pursuant to FSC's letter under Jin-Guan-Ying-Kong-Zi No. 10400252830 dated October 26, 2015 on December 7, 2015. TONGYANG Savings Bank Inc. was renamed Yuanta Savings Bank (Philippines) on September 26, 2016.

##### B.HanShin Savings Bank

With reference to the acquisition of 100% of equity of HanShin Savings Bank by the Company's subsidiary, Yuanta Bank, from AON BGN Limited Liability Company, both parties signed the equity purchase agreement on February 3, 2016, and received approval from Taiwan's FSC (Jin-Guan-Ying-Kong-Zi No. 10500026760) and the financial supervisory commission of Korea

on March 17, 2016 and April 14, 2016 respectively. The settlement was completed on April 25, 2016 at the total price of KRW\$143.426 billion, equivalent to approximately NT\$4.082 billion. Meanwhile, HanShin Savings Bank was renamed Yuanta Savings Bank Korea Co., Ltd., Yuanta Savings Bank (Korea) in short, on February 13, 2017.

(III) Issuance of new shares for mergers and acquisitions with other financial institutions approved by the Board of Directors in 2017 and until January 31, 2018

1. Yuanta Financial Holdings: None.

2. Subsidiaries of Yuanta Bank:

The merger of the Bank and Ta Chong Bank was resolved by both parties' boards of directors on September 14, 2016 (exercising the duty and power of the shareholders' meeting). The existing entity upon the merger should be Yuanta Bank. Meanwhile, this merger acquired approval from FSC with Letter Jin-Kuan-Yin-Kong No, 10500320920, dated on January 17, 2017. Therefore, Yuanta Bank and Ta Chong Bank were officially consolidated on January 1, 2018 (the record date for the merger).

The share conversion proportion was, on the record date, one share of Ta Chong Bank's common stock for 0.8602 share of Yuanta Bank's common stock, and one share of Ta Chong Bank's series C registered preferred stock for 1.0625 shares of Yuanta Bank's series A registered preferred stock. Yuanta Bank and Ta Chong Bank respectively appointed Mr. William Yu of Ken Will United CPAs Firm and Ms. He-Ying Jian of Chun Yue Accounting Firm to issue the fairness opinion on share exchange ratio for merger and acquisition that the accountants have regard reasonable and fair. Furthermore, in order to deal with the expiration of Ta Chong Bank's series C preferred stock on September 30, 2017, both parties' boards of directors resolved to enter into the second amendment to the merger agreement on August 17, 2017, and canceled the conversion of preferred stock at the time of consolidation.

On the record date of merger, Yuanta Bank has issued 3,128,754,439 new shares at par value of NT\$10 per share for conversion, namely each share of common stock of Ta Chong Bank for 0.8602 share of common stock of Yuanta Bank. After the merger, Yuanta Bank's paid-in capital has amounted to NT\$73,940,389,820.

(1) Information on the financial institution involved in merger and acquisition

Name of Financial Institute	Ta Chong Commercial Bank Co., Ltd.
Address of Financial Institute	6F-9F, No. 66 and 2F, 2F-1, 7F and 9F, No. 68, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City 10557, Taiwan (R.O.C.)
Responsible Person	Chien Ping Chen
Paid-in capital (NT\$)	36,372,406,880
Main Business/Product Items	Commercial Bank

Financial Information for 2017 (Unit: NT\$1,000)	Total Assets	431,681,325
	Total Liabilities	389,198,334
	Total Shareholders' Equity	42,482,991
	Operating Income [Note]	5,744,571
	Gross Profit	Not applicable
	Operating Gains and Losses [Note]	5,744,571
	Current Profit and Losses	(761,512)
	Earnings Per Share	(0.18)

Note: In banking industry, "operating income" and "operating gains and losses" mean "net revenue."

- (1) The implementation of new share issuance for undertaken merger and acquisition activities involving other financial institution and the effect (of new share issuance) on shareholders' equity:

This merger is beneficial to the future business development of Yuanta Bank and helps upgrade its competitiveness in the market and, therefore, favors the shareholders' equity.

### VIII. Implementation of Capital Utilization Plan

- (I) Any negotiable securities offering or private placement that has not yet been completed up to the last quarter before the publication of this annual report: None.
- (II) Plan(s) completed within the most recent three (3) years but without significant benefits as yet: None.

## Four. Overview of Operations

### I. Operations

#### (I) Yuanta Financial Holdings

##### 1. Scope of business

###### (1) Main business services

Yuanta Financial Holdings is a financial holding company. According to Financial Holding Company Act, the scope of Yuanta Financial Holdings' business is limited to investment and management of enterprises in which it has invested. The business services which a financial holding company may invest include financial holding companies, banking, bill finance, credit card, trust, insurance, securities, futures, venture capital, foreign financial organizations allowed to be invested upon approval of the competent authority, and other enterprises determined by the competent authority to be related to financial services.

###### (2) Revenue breakdown

Unit: NT\$1,000; %

Item	Year	2016		2017	
		Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Investment income recognized under the equity method		15,610,065	98.99%	17,800,029	99.71%
Others		158,538	1.01%	51,754	0.29%
Total		15,768,603	100%	17,851,783	100%

##### 2. Business plan for the year

Despite the rapidly-changing financial and operating environment, the Company has aimed to increase shareholders' value permanently. Looking forward to 2018, the Company will continue progressively solidifying its core competitiveness, comprehensively driving its growth, and enhancing overseas business income with its excellent asset quality and risk management ability as a backup. The development strategies of the Company's main subsidiaries for 2018 are summarized as follows:

###### (1) Yuanta Securities: Integration, Innovation, and Restructuring of Overseas Business

Yuanta Securities continues to develop stock commodities and wealth management services, update the CRM, and develop professional investors and new customers by virtue of customer information analysis and precision marketing to increase the proportion of wealth management and new services in brokerage business. Meanwhile, the Company provides customers with stable and convenient e-trading platform and tools. The new generation mobile order placing systems will go live successively in Taiwan and Hong Kong. The Company's overseas business work hard to keep expanding business to upgrade their operating performance year by year.

###### (2) Yuanta Bank: Adjust asset structure and upgrade profitability

The merger of Yuanta Bank and Ta Chong Bank was completed on January 1, 2018. The Bank focuses its strategies on integration of various resources including



finance, business, personnel and information, reduces the short-term business attrition rate as possible as it can. In addition, the Bank develops and deepens the scope and degree of transactions with customers through integration and analysis of customers' information, in hopes of accelerating recovery of the business and profit-seeking sources and exerting the synergy of consolidation step by step.

(3) Yuanta Securities Investment Trust: Develop overseas niche-based products actively

Yuanta Securities Investment Trust continues to well found the ETF product lines, provides diversified futures trust ETF, and helps investors allocate ETF assets by means of automated and interactive smart investment platform. Meanwhile, the Company releases income products as an alternative option available to protection of investors' assets.

(4) Yuanta Futures: Innovate, optimize, and connect with the world

Yuanta Futures continues to develop new services and innovation & optimization, strengthen upgrading of transformation of strategies and business development. Meanwhile, the Company controls the trend of cross-business through the overall expansion of overseas business, and fulfill the opportunities for development of tangible economic services, strengthens the development of brokerage channels, IB service, corporate client, futures consulting and leverage transaction merchants. Meanwhile, it also optimizes competitiveness in IT platform, risk control, interactive marketing service and R&D. Insofar as it is permitted by the competent authority and laws, the Company will layout the Asian market to integrate the ability to innovate and develop FinTech, so as to move forward toward the best futures business in the Asia-Pacific Zone.

(5) Yuanta Life: Stable growth

By controlling the financial and business plans, Yuanta Life adjusts its product strategy in a flexible manner to deal with the market environmental changes. It continues to promote the protection-type and long-term paying products and also strengthens the USD product lines at the same time to reduce the hedging cost. Further, it releases the wealth management products which meet the needs of the Group's customers adequately, and accelerates accumulation of asset scale adequately, in hopes of achieving the objective for breakeven point as early as possible.

### 3. Industry overview

In 2017, with the world's leading economies adopting expansionary fiscal policies, as well as the effect of easy money monetary policies, the unemployment rates in advanced economies such as the U.S.A., Europe and Japan declined accordingly and thereby increased both consumer and business investment confidence. The global economic growth rate exceeded the 2.8% forecast set at the beginning of the year, and continued to increase stably. Domestically, benefiting from the global economic recovery, overseas market demand drove the growth of net exports from negative to positive figures, providing a concomitant boost to the economic growth rate. The Directorate-General of Budget, Accounting and Statistics forecast in November 2017

that the annual economic growth rate was expected to be 2.58%, surpassing the 2016 rate of 1.41%.

Looking forward to 2018, it is expected that the investment and consumption by advanced economies should be able to drive mild economic growth, allowing a normalization of monetary policy. Emerging markets are expected to continue recovering due to the stable raw material and supply prices and investments in infrastructure. IHS Markit forecast in December 2017 that the global economic growth rate would be roughly equivalent to that of 2017, at 3.2%. Economic downside risks include risks related to the fiscal revenue and expenditure structures in various countries as well as geopolitical risks. Meanwhile, it is necessary to keep observing that in the wake of the increase in financial asset prices resulting from the economic recovery in 2017, some regression and turmoil might hit the financial market if real economic performance is subpar in 2018. Domestically, despite raising the minimum wage and increasing worker salaries, demographic structure issues such as the low birth rate and an aging population will partially negate the growth in private consumption. Additionally, the trade surplus is expected to decrease. For these reasons, in November 2017 the Directorate-General of Budget, Accounting and Statistics forecast a 2.29% economic growth rate in 2018, lower than that of 2017.

As far as the domestic financial environment is concerned, the booming investment in domestic and overseas capital markets in 2017 benefited the overseas investment income generated by the financial industries domestically. The turnover and financing balance in the domestic stock market have experienced significant growth. Among the other things, the brokerage services of the securities industry benefited from the growth most, as the securities industry's profit grew remarkably. The life insurance industry was affected by FX losses and an increase in hedging costs, but its profit still grew upon adjustments to its investment positions. The banking industry's net interest and fee income showed stable growth, with income growth primarily driven by trading income.

Looking forward to 2018, it is expected that the U.S.A. will continue a policy of interest rate hikes, while Taiwan will raise interest rates by a relatively small amount and after the second half of the year. The life insurance industry's overseas investment income rate of new money is expected to increase, but the interest spread between NTD and USD and foreign exchange hedging costs might increase, causing harm to overall investment income. The banking industry's foreign currency interest spread is expected to increase. Notwithstanding, as weak domestic private investment and excessive savings persist, it is difficult for the interest spread of NTD to recover in the near term. In order to achieve effective capitalization and increase yield rates, domestic banks have worked to expand their investment positions and high-interest-spread loans. Nonetheless, it is necessary to prevent related risks. The securities industry is earning revenue from new business lines; however, brokerage services are still the main source of revenue, and profits are still reliant on trading volume in the capital markets.

#### 4. Research and development

##### (1) Project completed in 2017

###### A. Yuanta Group

- (A) Group financial accounting system
  - a. Group e-invoice project - Yuanta Investment Trust implementation
  - b. Financial statement consolidation system - Yuanta Financial Holdings / Yuanta Bank / Yuanta Securities / Yuanta Futures implementation
  - c. Budget system (Business Planning consolidation) - Yuanta Bank implementation
- (B) HR system project
  - a. Consolidation of Yuanta Bank / Ta Chong Bank implementation
  - b. Amend the attendance and salary modules per the labor insurance laws and regulations
  - c. Bonus operating platform-Yuanta Financial Holdings implementation
- (C) Group infrastructure and information security
  - a. Server performance upgrading - Replacement of the servers and storage devices of financial accounting system, HR information system, and backup system, etc.
  - b. Yuanta Financial Holdings and Yuanta Bank ISMS (Information Security Management System) re-certified of ISO 27001:2013 per three years, and Yuanta Life passed the review and received certification.
  - c. PRTG system optimization project
  - d. Cyber Security-introducing DDoS protection (flow cleaning) service and DNS analysis outsourcing service

Ⓔ. Yuanta Securities

- (A) Replacement of Yuanta Securities account management information system
- (B) Securities borrowing/lending B2B project
- (C) Deferral of income tax payable for shares under the Statute for Industrial Innovation about shareholders service
- (D) New generation CRM and EIS system construction
- (E) Sales representative order placing and settlement platform optimization and integration
- (F) e-Channel after trading hours stock selection chip analysis construction
- (G) Online trading revision Html5
- (H) Replacement of software and hardware of securities brokerage system
- (I) Securities emerging stock trading server upgrading
- (J) Yuanta Securities sub-brokerage traders Japan stock order placing automation construction
- (K) Digital securities STP project construction
- (L) Insurance brokerage and property insurance sale platform project construction
- (M) Securities lending 2.0 project construction
- (N) SN3 structured note platform project construction

- (O) Global fixed-income platform construction
- (P) TDCC e-passbook (over-the-counter service/App) application, cancellation and re-issuance construction
- (Q) Warrant market-making & hedge speed up R&D
- (R) Warrant defensive strategy R&D
- (S) Foundation of infrastructure-Banjiao data center/TWSE and TPEX co-location service
- (T) Backup system replacement project

#### C. Yuanta Bank

- (A) CTI system construction-2nd stage
- (B) O2O Alipay collection system business function optimization
- (C) New bank's official website construction
- (D) Supplier financing system construction
- (E) Foreign exchange system upgrading-1st stage
- (F) Foreign currency collection and payment service adjustment
- (G) Yuanta Saving Bank (Philippines) core-banking system construction
- (H) Credit card issuance accounting and authorization system upgrading
- (I) Wealth management system upgrading
- (J) New insurance agency system construction
- (K) BPM (Business Process Manager) cross-system integration platform upgrading
- (L) Data warehouse system upgrading and new OLAP tool introduction
- (M) New bill management and remittance system construction
- (N) Bank computer system information security assessment project (Class I and Class III)
- (O) Yuanta Bank e-payment system security assessment project
- (P) Yuanta Bank ISMS (Information Security Management System) re-certified of ISO 27001:2013
- (Q) Yuanta Bank tapeless backup management system construction (1st stage)
- (R) Yuanta Bank renovation of computer center infrastructure project

#### D. Yuanta Life

- (A) Life insurance e-commerce system construction - 2nd stage
- (B) Telemarketing system upgrade
- (C) Yuanta Life investment and traditional new product development
- (D) New life group insurance system construction
- (E) Yuanta Life's proposal input system offline version development
- (F) Information security infrastructure
  - a. Server record system implementation
  - b. DDoS security attack and defense drill

- c. Internal firewall construction
    - (G)ISO 27001 implementation and computer system information security assessment project
  - E. Yuanta Futures
    - (A)Manage TAIFEX 2017 project
    - (B)Program development for foreign market with Options products and TAIFEX Futures & Options products in Yuanta Futures Genius system
    - (C)Program development of query function in middle-office system
    - (D)Yuanta Futures (HK) trading system construction project
    - (E)Leverage transaction merchant trading system construction project
  - F. Yuanta Securities Investment Trust
    - (A)Yuanta Securities Investment Trust borrowing system development project
    - (B)Yuanta Securities Investment Trust backup framework adjustment project
    - (C)Information security enhancement: DDoS protection implementation
    - (D)Compliance and audit self-assessment system implementation
    - (E)Yuanta Securities Investment Trust ETF-AI smart investment platform construction project
- (2)Future development plans
- A. The Company will continue the ISO 27001:2013 Information Security Management System and BS 10012 PIMS Personal Information Management System Standard Certification, implement the APT (Advanced Persistent Threat) defense mechanism and strengthen information security control.
  - B. The Company will continue the innovation and R&D of Yuanta Securities mobile App to provide a smarter mobile App order placing platform. Based on the best practice benchmark over the world and the R&D team's inspiration, it creates the next generation mobile App order placing platform of Yuanta Securities. The platform is going to be released soon, which is expected to create strengths for Yuanta brand and profitability.
  - C. Over-the-counter financial instrument online service, the supplementary value-added e-services besides securities and futures trading keep upgrading. The Company has started the migration plan of offline services to online services for the over-the-counter financial instruments since 2017. For example, the orders or services for transactions of structured notes, outright purchases/sales of bonds, RP/RS and asset swap will be handled via e-channels instead of phone as used traditionally.
  - D. It is expected that the real-time information transmission volume will increase drastically after the continuous matching mechanism is launched. As the matching priority and the elapsed time of order sending to the exchange are highly correlated, it is relatively more important to upgrade the system's processing speed and loading capacity. In addition to modifying the program, the Company needs to perform optimization in all respects including programs,

system structures, software & hardware and circuit bandwidth, etc. to improve the performance. The related systems are also included such as real-time market data, order reply, brokerage front-end, e-trading, instructional trading, VIP trading, proprietary trading and warrant market-making, etc.

- E. In order to gain the advantage on high-speed trading, Yuanta Securities deployed and launched the co-location service in TWSE/TPEX at the same time and keep up with the progress of TAIFEX.
- F. In order to consolidate the safety of the foreign exchange system and meet the needs of flexibilities of business development, Yuanta Bank reforms the system database structure, prepare the 24-hour service framework, and continues to develop new functions as per business needs.
- G. In order to attune to the market's trend, Yuanta Bank builds a new financial instrument trading platform which integrates front, middle and back ends and provides the one-stop operating procedures. Therefore, Yuanta Bank may control the real-time positions and income, simplify the accounting operations and increase efficiencies.
- H. In order to deal with the structured notes business, Yuanta Bank builds the products trading platform dedicated to providing the branch booking operations, trading management, product management, trading automation and management report to enhance the derivatives trading operation management, simplify the back-end operating procedure and increase the work efficiencies.
- I. To comply with BASEL IV, Yuanta Bank introduces the new capital requirement system to calculate the Bank's related value at risk (VaR).
- J. In order to adapt to customers' behaviors and to provide smoother and safer digital services, Yuanta Bank continues to enhance the digital financial systems' functions and processing flows to maintain customers' loyalty and satisfactions.
- K. Yuanta Bank builds the merchant acquiring system to maintain the existing customers and bring in cash inflow, so the branches can sell new products to customers and increase the Bank's income.
- L. Yuanta Life continues to develop the online insurance products and online service APPs to provide customers with diversified opportunities to select insurance products and real-time online services. Meanwhile, it strengthens the functions of access by customers via mobile devices, upgrade and revise the customer relationship Web system, and provide the optimal convenient services.
- M. Yuanta Life builds the channel service platform, integrates the agency sales, finance, brokerage and telemarketing channels, and provides sales representatives with a mobile and digital system platform to upgrade the business service.
- N. Yuanta Life builds MIS, establishes an integrated database, compiles information and provide analysis and forecast as the basis for big data application in the future.
- O. According to the new data center in Banqiao construction project, Yuanta Futures will build a new financial data center in Chung-Hwa Telecom data center

which located in Banqiao area of New Taipei City. This will keep Yuanta's trading advantage with newest of technical skills and highest trading speed as well to ensure the leadership among competitors.

- P. Yuanta Futures will upgrade in-house system continues to following up TAIFEX's policies. TAIFEX is planning to establish a new system of Dynamic Price Banding on Jan 2018 for FX Futures of GBP and AUD products. Additional that they will release more trading policies in Q2 and Q4 2018.
- Q. Yuanta Futures will research and develop in Smart Futures trading platform which deal with the business development, plan and integrate in current e-platforms to make a new generation one.
- R. Yuanta Futures will continues research and development a kind of digital Options trading platform which will cooperation as well with leverage transaction merchant's new business promotion and sale to the different customers who has traditional client and trading on derivative market.
- S. For Smart Futures trading system, Yuanta Futures will research and develop smart order sending system in cloud environment and provide it to customers which includes Stop-Loss order, Take-Profit order and Good-till-Cancelled (GTC) and thereby help customers trade more conveniently and maintain Yuanta Futures' competitive strength in the e-trading platform on the market.
- T. Yuanta Securities Investment Trust continues to engage in issuance of new funds, ETF-AI smart investment platform, and automated order placing for domestic stock, etc.

(3)R&D expenditure for the most recent two years: A total of about NT\$544,055 thousand for the Group's subsidiaries.

#### 5. Long and short-term business development plans

The Company's long-term and mid-term development strategy continued to adopt the overall growth development strategy valuing "solidification of cores and driving of growth". The Company should solidify the core businesses, continue developing its competitiveness, and also focus on the layout and management of growing businesses, markets and customers, as well as the effect of the Group's cross-industry or cross-border growth. The Company will adopt business models that balance stock and flow, and stabilize profit by establishing diversified businesses to upgrade the Company's asset scale and business performance. The Company will move forward stably toward its objective of being the "Best Financial Services Provider in the Asia Pacific Region".

According to the short-term business development plan, the Company will continue to enhance the organic growth within the Company by means of integration of the Group's resources, and take the chance to increase its business scale and business locations through external M&As. Yuanta Securities will continue the development of wealth management services and seek to expand business by overseas investment in order to become a regional securities firm. Yuanta Bank will create synergies of the consolidation, and develop and deepen the scope and level of transactions with customers to upgrade its ability to seek profit. Yuanta Securities Investment Trust will continue its complete ETF and income product lines and upgrade the active investment

performance. Yuanta Futures will engage in running overseas business actively to achieve the objective for a regional futures firm. Yuanta Life will control the financial and business plans, and achieve the objective for breakeven point as early as possible by the stable growth of asset scale and adjustment on the assets allocation.

(II) Business services of subsidiaries

1. Yuanta Securities

(1) Main business services

- A. Brokerage of securities listed on Taiwan Stock Exchange (TWSE)
- B. Proprietary trading of TWSE-listed securities
- C. Brokerage of securities listed on Taipei Exchange (TPEX)
- D. Proprietary trading of TPEX-listed securities
- E. Margin trading and short sale for the trading of securities
- F. Underwriting of securities
- G. Securities transfer services
- H. Introducing brokerage for futures trading
- I. Proprietary trading of securities-related futures
- J. Consigned trading of foreign securities
- K. Short-term notes and bills
- L. Trust Businesses
- M. Securities investment consulting services
- N. Other operations approved by the Financial Supervisory Commission of Taiwan

(2) Revenue breakdown

Unit: NT\$1,000; %

Business	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Brokerage	8,318,005	55.54%	11,506,613	60.99%
Proprietary	5,805,328	38.77%	5,998,976	31.80%
Underwriting	852,019	5.69%	1,360,949	7.21%
Total	14,975,352	100.00%	18,866,538	100.00%

(3) New financial products and services in development

Yuanta Securities will be in line with the relevant business lines allowed by the competent authority and continue developing new option instruments. Meanwhile, the Company plans to apply for the qualification as foreign exchange securities firm with the Central Bank in 2018 in order to engage in the spot foreign exchange transactions and issue foreign exchange derivatives. Then, upon receipt of the qualification as foreign exchange securities firm, the Company plans to apply for the qualification for foreign currency sub-account operations with the Central Bank to provide customers with more services and options and to increase the Company's benefits at the same time.



Furthermore, Yuanta Securities will continue enriching its wealth management product lines so that customers are presented with wider options in asset allocation. Yuanta Securities also strives to enhance brokerage, securities borrowing and lending, securities loaning, international financial business, investment banking, proprietary trading, bonds, and financial derivatives trading practices and to connect Yuanta Securities' overseas trading platforms, in order to become a professional wealth management organization able to provide customers with the opportunities to control the global financial investment.

(4) Business plan for the year

A. Balanced business development

(A) Brokerage services:

To be in line with the changes of securities market structure, all of the brokerage channels have been transformed into wealth management channels and, therefore, the brokerage and wealth management double engines were fulfilled. Yuanta Securities will maintain market share of its traditional core brokerage services. Meanwhile, it will support development and growth of innovative business and attend the operations balancing stock and flow to exert the synergy of business performance of channels. Yuanta Securities will also implement the financing risk control mechanism for related business and stably create more diversified operating revenue sources.

Additionally, Yuanta Securities continues to develop new generation young investors and boosts the “systematic investment plan for stock”, to solicit more retail investors to participate in investment. It continues to work with various colleges/universities domestically under the industry-academic cooperation and campus enhancement plan to encourage and train young students' correct investment value. In addition to enhancing Yuanta Securities' brand image in the young people's mind, Yuanta Securities also continuing to create value-added services in lieu of price war to maintain its competitiveness in the market.

(B) Wealth management services:

Yuanta Securities applied for “Employee Benefit Trust” as one of its business lines with the competent authority in 2017. It is expected that Yuanta Securities will be allowed to offer the relevant service in 2018. Due to the fact that the wealth management service has been transformed from sale of wealth management product into supply of family wealth management planning and Total Solution. In the future, the Company will continue to pass on the wealth management service to help customer complete inheritance of wealth and develop the new milestone as a securities firm engaged in asset management.

(C) International Financial Business:

To continue enhancing the promotion of domestic/foreign corporate banking business, developing the channels of professional investment organizations,

banks and professional securities firms. To continue adding the trading markets and overseas products that comply with laws, and providing professional investment organizations' customers with wider DSU and OSU trading platforms.

(D) Securities borrowing and lending:

Yuanta Securities will continue developing the matured foreign fund borrowing/lending market and also be dedicated to developing the securities borrowing and lending sources from various supply ends to reduce the borrowing/lending cost effectively and expand the interest spread for securities borrowing/lending and upgrade the market share thereof, increase the revenue from the relevant commission and create more opportunities to seek profit, in order to become the securities borrowing/lending business center in the same trade ultimately.

(E) Proprietary trading:

To establish the criteria for identifying the bull and bear index trend in the market and adjust the position accordingly to upgrade the efficiency of fund utilization and stabilize the profit-seeking sources. To increase the proportion of overseas securities investment through ETF. To continue developing Index Arbitrage trading and develop more diversified trading strategies; to expand the market-making scope, and upgrade participation of various products listed in TWSE and TAIEX.

TAIEX built the after-hours trading system and extended the trading hours for stock and index products in May 2017. Accordingly, the Company will continue to develop the after-hours trading products and trading of various overseas products, exert the synergy of cross-market trading, develop the market-making business for various overseas products and exert the synergy of cross-market trading to enable the market shares of various products to rank 1st place, and move forward toward an international market maker. To continue optimizing efficiency of execution of the related trading systems, and perform the training plan for related traders to solidify the existing business competitiveness and future ability to expand business.

(F) Investment banking business:

To continue implementing the large-sized investment bank's operating model, enhance the cooperation of the cross-border platforms, recommend the opportunities for business cooperation between the Group and affiliates, integrate related business resources. To develop the customers of the Group's existing overseas operations, be oriented toward quality and business development and conduct the business by weighing quality and quantity equivalently.

By means of the innovative cooperative model and continuous activation of the energy driving capital market, Yuanta Securities provides customers with the omnibus financial services (Total Solution) as a Sector Banker so as to enhance the customers' loyalty, and seeks opportunities for such financial consulting businesses actively.

(G) Bond business:

The Central Bank amended the “Regulations Governing Foreign Exchange Business of Securities Enterprises” in 2017. Yuanta Securities plans to apply for the qualification as foreign exchange securities firm with the Central Bank in 2018 and identify the “foreign exchange spot and related derivatives” as the point of its business development. Meanwhile, it will also upgrade its service and design of related foreign currency financial instruments. In order to cut the related foreign currency fund procurement cost, the Company will continue to requesting the competent authority to allow securities firms to trade in Taipei Foreign Exchange Market.

Additionally, by acquiring the qualification for trading of “Bond Connect” from Mainland China, the Company participates in the bond trading with local banks of Mainland China actively. Yuanta Securities will participate in the underwriting of related bonds, further develop the offering market, and maintain the market position of offering domestic bonds. Via the cross-border bond issuance platform mechanism and the overseas subsidiaries, the Company recommends local enterprises to issue international bonds or Formosa bonds in Taiwan. Help overseas subsidiaries with the proprietary trading in the local bond market.

(H) Derivatives service:

Solidify the market leadership of Yuanta Securities to, continue investing related resources to organize various marketing campaigns aimed at raising customers’ brand recognition toward Yuanta Securities.

Apply for the “foreign exchange spot and related derivatives” business lines with the Central Bank to upgrade the depth of related foreign currency financial instruments and width of business of Yuanta Securities. Continue to develop the design and sale of structured notes of Yuanta Securities. To deal with the lifting of laws and regulations by the competent authority, scheduled to offer the “ETN” (Exchange Traded Note).

(I) Development of e-commerce:

Work hard to upgrade the related innovative application of the omnibus financial App service and FinTech and provide customers with a one-stop financial product platform; scheduled to have the new trading App go live in 2018 to provide investors with more well-founded experience in investment; continue upgrading the digital mobile service of “Yuanta Know-it-All” and e-counter electronic documents to fulfill the e-financial services.

B. Promote the effect of layout in Asia

(A) Hong Kong:

Continue to construct Yuanta Securities (HK) to be the major platform for “offering of bonds in Asia” and the international trading platform center of Yuanta Securities and the Group; utilize the strength and characteristics of the cross-border financial trading to provide customers with more

diversified financial products and financing services to develop the new global domain of Yuanta Securities in Asia.

(B) Korea:

To exploit the resources of Yuanta Securities and the Group in their subsidiaries located in the territories of Asia to carry out referral of IPO to each other, financial consultation and integration of distribution channels, and deepen overseas IPO and private equity fund. By upgrading the self-made trading systems including tRadar (home trading system) and tRadar M (mobile trading system) (smart stock screening network trading platform), increase the market share of channels and revenue from the brokerage commission, and work with the local Yuanta savings bank (Korea) to create the consolidated effects for the Group.

(C) Mainland China:

Though the relation across the strait is cooling now, Yuanta Investment Consulting (Beijing) Co., LTD. (including its branch company in Shanghai), as reinvested by Yuanta Securities, will continue to provide enterprises across the strait and three regions with the needs for integration of investment, financing and resources, and create the employment opportunities for financial consulting service providers.

Besides, Yuanta Securities has successfully acquired the QFII qualification and the limit of US\$80 million in Mainland China ahead of the others in the same trade, and already remitted the investment fund in part. It will keep adjusting the fund to be remitted subject to the circumstances in Mainland China. Meanwhile, Yuanta Securities will, by investing the “Bond Connect” offshore, participate in the bond trading with local banks of Mainland China actively to enhance the convenience for inward/outward remittance of the investment fund of related bonds.

(D) Other overseas markets:

Vietnam: Continue the acquisition of the equity of “The First Securities Joint Stock Company”, which was renamed into “Yuanta Securities Vietnam Joint Stock Company” on February 13, 2018, in whole externally.

Thailand: Develop the brokerage service locally as the first priority and accelerate development of consolidated effects for the Group; Yuanta Securities will also help Yuanta Securities (Thailand) develop such new business as financial derivatives (e.g. Warrants, etc.), wealth management and investment banking to create the related business partnership opportunities across the strait.

Indonesia: Continue the referral and development of related businesses, and dedicated to optimizing the existing businesses.

Meanwhile, Yuanta Securities will continue to enhance the consolidated effect of the inter-group overseas platforms’ cooperation. In the future, Yuanta Securities will keep concerning the chances to layout its investment in South East Asia and plan capital increase subject to the business

expansion of its overseas subsidiaries, in hopes of achieving the overall development strategies and profit-seeking objectives of Yuanta Securities and its overseas subsidiaries.

#### (5) Industry overview

##### A. Industry status and development

Recalling 2017, the global bulks price bounced back from a slump and economy in such countries as the U.S.A., Eurozone and Japan, etc. was getting better. The increasing demand for import drove the international economic growth and thereby the economy of advanced countries, developing countries and emerging economies was recovering simultaneously. OECD and IHS Markit predicted a 2017 worldwide economic growth rate of between 3.6% and 3.2%. Domestically, the entire performance was beyond the expectation in consideration of the stable global economic recovery and growth of trade. In January 2018, the Directorate General of Budget, Accounting and Statistics adjusted the economic growth rate in 2017 as 2.84% upward, higher than 1.41% in 2016. For stock market, TWSE weighted index dropped after the closing index reached 10,000 points on May 11. Notwithstanding, it reached 10,000 points again on May 23 until 10,642.9 points, the historical record for TWSE's finishing above 10,000 points on the closing day of the year. During said-noted period, the index once reached 10,882 points, the highest, and increased by 1,389 points in total throughout the year. The increase range was 15.01%. The daily turnover of NT\$138 billion in 2017, an increase by NT\$38.7 billion, the increase range 38.97%, from NT\$99.3 billion in 2016. The averaged financing balance in the market serving as the private investors' indicator was increased from NT\$187.7 billion in 2016 to NT\$215.3 billion in 2017, i.e. an increase by NT\$27.6 billion, the increase range 14.70%. According to the statistics gathered by TWSE, the profit sought by the whole securities firms was NT\$39.7 billion in 2017, i.e. a yearly decrease rate of 104.64%, from NT\$19.4 billion in 2016. Yuanta Securities sought the profit amounting to NT\$8.026 billion, i.e. 20.22% of the whole securities industry.

Looking forward to 2018, the global economy will keep growing stably under the tax reform in the U.S.A. and the growth strength in emerging economies. OECD and IHS Markit predicted that the global economic growth rate will be 3.7% and 3.3%, respectively, in 2018. Notwithstanding, it is still necessary to keep watching such disadvantageous factors as the risk over geopolitics, increasing political uncertainty, growth of the Protectionism, and emerging market's capital outflow resulting from the tight monetary policy adopted by certain leading countries. For Taiwan's entire economic strength, following the global trading volume expected to keep increasing and simmering opportunities for innovative APP, the Government accelerates the boosting of domestic economic development by stimulating private consumption, expanding infrastructure, driving private investment, rewarding private participation in infrastructure and fulfilling economic transformation and upgrading. Meanwhile, the Government takes the initiative to provide a raise,

optimize the taxation system, solicit for investment in Taiwan, promote lifting of laws and regulations, accelerate the boosting of the Forward-looking Infrastructure Development Program, and continue promoting the “5+2 Industrial Transformation Plan”. The Directorate General of Budget, Accounting and Statistics forecast that the economic growth will be 2.29% in Taiwan in 2018. In order to develop the securities market in 2018, the Government continues to open new business lines and advantageous policies, including reduction of the exchange tax for day trade of stock to be 1.5/1000, and also researches the applicable scope thereof, adds the provision that the proprietary traders engaged in trading or hedging may apply the same policy, enforces the FinTech Development and Innovative Experiment Act, boosts the policy for continuous trading of stock and ETF, allows securities firms to issue ETN and futures warrants, and allows co-organization of large-scale investment presentations by TWSE and TPEx to solicit for domestic/foreign investment. Said policies will boost the liquidity in the market and securities firms are able to provide more complete investment and wealth management services.

### 13. Business development trends and competitiveness

#### (A) Brokerage services

In 2017, the competent authority boosted the policies for cutting securities exchange tax by 50% and systematic investment plan for stock. Upon recovery of TWSE stock in the second half of the year, Yuanta Securities continued to solidify its development of brokerage services, effectively controlled return of accredited investors and medium-sized investors, developed external new securities accounts, activated dormant accounts and increased the day trade turnover. Yuanta Securities will continue to develop its wealth management channels, and deepen and expand the permanent relationship between the channels and customers by integrating brokerage services, wealth management, and innovative business to create diversified operating revenue from the channels.

Yuanta Securities owns the most diversified customers and the largest scale managed assets in the market, which serves to be its solid base for development of various channel businesses and well-founded business development. Yuanta Securities provides wealth management services by level and group, subject to its customers’ attributes and needs for investment. In addition to the securities brokerage, Yuanta Securities also provides tailored securities loans for indefinite purpose, wealth management trust and insurance, trust and two-way securities lending with natural persons, overseas sub-brokerage and futures & options trading to activate customers’ assets and create diversified revenues, in order to meet the customers’ need.

Meanwhile, Yuanta Securities works hard to train the human resource of the channels, continue to recruit the new generation sales representatives dedicated to wealth management service, upgrade the competency for various businesses, optimize the sales representatives’ structure and develop diversified customers. Yuanta Securities will, with mobile devices, promote

diversified marketing activities, expand digital social communities, and solicit new young customers via its channels. By offering the systematic investment plan for stock in 2017, Yuanta Securities provided the stripping investment credit program, tied with specific projects and digital marketing tools, to solicit students and young retail investors effectively, create value-added services and deepen Yuanta Securities' leading brand identity.

Yuanta Securities continues to support innovation and develops the securities loans for indefinite purpose and wealth management operations. It has sought the loan balance amounting to NT\$11.07 billion until the end of 2017, ahead of the others in the same trade. Based on the brokerage services, Yuanta Securities engages in creating diversified wealth management businesses and revenues to solicit for and develop innovative business types. A total of 147 branch companies owned by Yuanta Securities are identified as the best model for transformation of securities firms' channels. In the future, Yuanta Securities will continue to probe into new business opportunities, build new business models, exert the complimentary effect of brokerage and wealth management, create the double engines seeking profit of Yuanta Securities' channels and become a securities entity with strength in channels.

#### (B) Proprietary Trading business

Given the iPhone upgrading in 2017, all of the global analysts agreed to the outbreak of phone replacement wave in 2017. Besides, the increased in proportion of the supply chain in Taiwan resulted in sharing of profit by the upstream supplier, the semiconductor industry, with spare parts and EMS assembly suppliers. TWSE stock index finally hit 10,000 points after so many years. The world also set for the risk-weighted assets upon next move of fund before QE exits the market gradually. The correction range for TWSE stock index was less than 5%, the historically lowest.

Proprietary Trading Dept. takes the cooperation in research of resources as the important objective this year, in hopes of creating new and more excellent investment portfolio. Proprietary Trading Dept. owns the best stock investment team, insists on pursuing absolute rate of return under strict risk control, controls the investment trend and opportunity precisely, and continue developing toward diversified layout and investment in the world's markets.

Proprietary Trading Dept. is concentrated on the voluntary trading of stock selected in terms of fundamentals and technologies, and looks for the opportunity for investment in potential companies. We aim to pursue excellence and outperform the others in the same trade, in order to establish an investment team with insightful global views and excellent investment ability.

(C) Quantitative trading services

Quantitative Trading Dept. has primarily engaged in various ETF, futures and options market making services at TWSE and TAIEX, and dedicated to provide the market with reasonable quotations and trading liquidities.

Despite the increasing TWSE weighted index price in the first half of 2017, investors still lacked confidence. The entire market's turnover remained low as it did in 2016 and the average daily turnover was below NT\$100 billion in 2017. As a result, the turnover of TAIEX futures and options declined relatively (the average monthly turnover of the TAIEX options from January to May in 2017 decreased by 12% from that in 2016). Meanwhile, the implied volatility of TAIEX options stayed low constantly (about 8%~11.5%), and the rounding opportunity was limited. Therefore, in order to maintain a stable profit level in the first half of 2017, instead of seeking the leading market positions on all of the market making products it had been involved, Quantitative Trading Dept. put more efforts to improve trading systems and strategies. Given that TWSE weighted index attained 10,000 points and the market turnover was increasing (the average monthly turnover of the TAIEX options from June to December in 2017 increased by 44% from that in January to May), Quantitative Trading Dept. took the chance to engage in trading actively and sought more profit. It developed new strategies and improved systems step by step after the profit ability increased in the second half of 2017, and it believes those efforts will gain the market shares in 2018. Quantitative Trading Dept. has made a profit of NT\$290 million in 2017.

For the market competition, Quantitative Trading Dept. has ranked 1st place as the ETF liquidity provider permanently. It also ranked 1st place of futures products among all futures proprietary trading departments. However, it lost the 1st place of the market share on TAIEX options, because it was under the adjustment of systems and traders in the most recent two years. It still stayed the 3rd place. Quantitative Trading Dept. will gain its market share of TAIEX options in the second half of 2018, after the improvements of the trading systems and strategies in 2017, and new system online in the first half of 2018.

After TAIEX launched the after-hour trading market for 11 products in May 2017, Quantitative Trading Dept. also started to engage in the after-hour trading business. The market shares sought by it also ranked top of the list for various after-hour trading products. The after-hour trading market is not only the innovative breakthrough in the futures and options markets of Taiwan but also a channel connecting the domestic market and international market. Looking forward to 2018, Quantitative Trading Dept. will continue developing the after-hour trading business; will work hard to develop various trading strategies for overseas products to exert consolidated effect of the cross-market trading. In all, Quantitative Trading Dept. will achieve its goal as an omnibus international market maker.



#### (D) Investment banking business

The investment banking business of Yuanta Securities is guided by the needs of customers and assists in providing long-term development strategies and financial consulting from the customer's perspective. Our core business includes IPO, SPO, FA and other services. We insist on regarding every case in a consistent manner and provide customers comprehensive financial services. Also, we actively search for various financial advisory business opportunities, such as: listing (TWSE and TPEX), mergers, splits, acquisitions, and private placement, etc., to help customers get abundant aid from the capital market.

During 2017, Domestic IPO/SPO market totaled 153 cases of underwriting, and the total underwriting amount was NT\$80.7 billion. Among them, Yuanta Securities has participated in the bookrunner and joint bookrunner with a total of 32 cases, with a market share of 15.18% and a total underwriting amount of NT\$12.3 billion. In 2017, Yuanta Securities Investment Banking Department assisted with multiple IPO and SPO cases, including transfer from TPEX listing to TWSE listing of JPP-KY (5284), TPEX listing of Aaeon (6579), and we completed CB issue of APAQ (6449), Elite Material Co., Ltd. (2383), Laster Tech Corporation Ltd. (3346) and SINTRONIC Technology (3536), CI issue of Chunghwa Precision Test Tech. Co., Ltd. (6510) and TSEC (6443), domestic distribution and sale of ECB by Nanya Technology (2408) and Green River Holding Co. Ltd.-KY (8444), issuance of preferred stock by Cathay Holdings (2882) and Union Bank of Taiwan (2838), and submission of GDR by Global Wafers (6488) and TPK-KY(3673), etc.

In the pre-IPO market, there were 274 companies listing on Emerging Stock Board in Taiwan until December 31, 2017. There have been a total of 54 companies registered to TPEX this year. In the pre-IPO market, Yuanta Securities integrates resources such as securities channels, foreign-funded legal persons, and venture capital, plus powerful trading assistance system and trading personnel with analysis capabilities, to create Yuanta Securities as a leader in Taiwan pre-IPO market. In 2017, with 28.53% transaction market share in pre-IPO market, we continue the glory of the top ranking in 2016.

With integrating Yuanta Group's resources and overseas channels, Yuanta Securities assisted Nanya Technology Corporation in offering US\$500 million aggregate principal amount of Euro-Convertible Bond. The offering was priced at 10% premium and targeted specific investors, successfully attracting over 140 institutional investors crossing Europe and Asia bringing about 4 times overbooking. The top five institutional investors subscribed for nearly 40% and long-term investors subscribed for up to 66.5%, proving that Yuanta Securities' efforts on foreign investors and overseas operations were effective. Yuanta Securities' placing strategy took liquidity and stability of equity structure into account,

once again proving we had sufficient capacity in implementing large-scale overseas SPO deals.

Under Yuanta's strong channel integration efforts, Yuanta Securities Investment Banking Department combined with "securities loans" business, completed assisting Cathay Financial Holding issuing NT\$49.99 billion Preferred Stock in January, 2017, which was the largest size of Preferred Stock in the history of capital market in Taiwan. Yuanta Securities was responsible for 86% share allotment that attracted local investors and institutional investors to subscribe eagerly. The highlight of this case was the capability of Yuanta Securities' channels of distribution. Meanwhile, it caught the public eyes in the market for underwrote the issuance of preferred stock of Union Bank of Taiwan (2838) totaling NT\$10 billion, and the subscription rate attained 121.62%.

Aaeon (6579), one of the leading industrial computer manufacturers in Taiwan, appointed Yuanta Securities as its financial advisor after the merger of the business of medical cloud and IoT applications with the Asus Group assisting AAEON to re-list on August 21<sup>st</sup>, 2017. Through Yuanta Securities strategy of market making, it strongly attracted the institutional legal person's attention on AAEON IPO. The participating bid ratio of AAEON was 22.83%, and was listed at NT\$88 per share. Due to the success of Yuanta Securities, the stock price rose 28% on the day of listing.

Benefited from the implementation of new global automotive safety regulations and new energy policies, the penetration rate of LED lights in vehicle sector has continued to increase. Yuanta Securities successfully completed listing the LED lamp module manufacturer Laster Tech (3346) in 2016. In this case, under the teamwork and integration within Yuanta Group, we successfully created excellent results for our customers and received deep recognition from them that they continued to select us as their SPO lead underwriter in 2017 issuing NT\$700million CB.

In September 2017, Yuanta Securities successfully completed the CI case with the highest price in the history of Taiwan stock market- CHPT (6510) CI. Under Yuanta's strong channel integration efforts, we created a record which legal person won up to 63.94% of the bid.

In financial advisory business, Yuanta Securities has been actively expanding its financial advisory business for cross-border mergers and acquisitions. Whether it is investment from foreign capital to Taiwan or overseas investment by Taiwanese companies, we have accumulated numerous outstanding cases. In 2017, the representative cases include the acquisition of the electrical appliance assemblies business of LEONI, the acquisition of Airoha Technology by MediaTek, the merger of the Asia Pacific Securities and Taishin Securities, Toppan Prining's acquisition of Giantplus, the public acquisition of Crowell by Yuan An Investment, and the public acquisition of the DSM by DRIPTAR. In addition to the Private Placement (PP) aspect, Yuanta Securities provides stock offering and block

trade services. We design improvement plan for corporate customers on equity structure and lead in multiple financial and strategic investors. In 2017, Yuanta Securities completed block trade for Nanya Technology (2408), Voltronic Power (6409), Roo Hsing (4414) and MACAUTO (9951) and stock offering and capital injection for Fusheng, Deluxe-KY, LCY Tech (4989). In Fusheng block trade case, Yuanta Securities designed a two-stage venture to optimize the company's corporate structure and its equity structure. Successfully introducing well-known foreign capital as a strategic investor, and strengthening the company's shareholder structure, which increased the exposure before the IPO in the market, and strengthen the financial capabilities of the company.

Considering of innovation and integration shown, Yuanta Securities Investment Banking Department has received multiple international professional financial and economic organizations' awards and honors in 2017. Meanwhile, it was selected by Asiamoney, Euromoney and FinanceAsia as the "Best Investment Bank in Taiwan", and by FinanceAsia as the "Best ECM House in Taiwan". Yuanta Securities investment bank's ability to boost and execute business was also recognized by the domestic competent authority and awarded the Best Partner Boosting TWSE/TPEX Listing of Overseas Enterprises by TPEX in 2017, and the Excellence Award for Guiding Companies' TWSE/TPEX Listing in 2017. Also, it was awarded as 3rd place of the IPO Fund-raising Amount Award and 3rd place of IPO Market Value Award by TWSE in 2017.

Whether Yuanta partook in IPO, SPO or FA cases, we upheld the principles of risk control, carefully selected cases, and deepened the integration of resources within as well as our competitive advantage. Through our integration platform of Taiwan, Shanghai, Beijing, Hong Kong, South Korea, Indonesia, Vietnam and Thailand investors from various locations have access and increases participation and scope of the market. By cultivating overseas markets and expanding synergies, Yuanta is providing customers with a full range of capital resources and strategic planning options.

(E) Fixed income business

2017 was the first year in which Trump performed his duty of president. In 2017, he started to realize his political views including tax reform, infrastructure and American Made. The economy in the U.S.A. was growing stably in the past year. After Powell confirmed to hold the position of the Fed Chairman, the interest escalation plan was expected to remain unchanged. The plan to reduce purchase of bond also commended successfully in October. In Eurozone, despite unstable political condition in the leading country, Germany, the European ECB officials still mentioned the possibility to reduce QE and, therefore, the European bond price was likely to bottom up. Globally, the bond markets in the U.S.A. and Europe turned to be disadvantageous in 2017. The central banks of emerging

markets disagreed with the U.S.A. and Europe. As a result, the bond performance in the emerging markets was stable. Yuanta Securities Bond Division adjusted the bond positions in NTD and foreign currency at floating rate, and traded futures for hedging. Though the interest rate trend was disadvantageous to the bond market, Yuanta Securities still outperformed in the market.

In terms of offering, the Bond Division continued to play the role as a leader in the domestic NTD bond market and enlarge the gap between it and the underwriter ranking 2nd place in the market share by about 10%, and sought profit in the international bond market at the same time. Given the US FED has escalated interest for five times and escalation of interest for 3 times is expected this year, and its and European ECB were likely to reduce fund, multiple foreign financial organizations and enterprises were expected to take the chance of low interest rate to offer the international bonds denominated in foreign currencies to solicit for low-cost fund. The Bond Division has participated in the NTD and foreign currency markets actively. In 2017, the market share of the NTD bonds offered by it was 21.45%, ranking 1st place, and its participation rate in foreign currency bonds ranked 2nd place in the market.

Looking forward to 2018, it is expected that the Fed will maintain the progressive interest escalation policy, and the interest spread of long-term and short-term bond dividend yield will be narrowed continuously; ratification of the reduction of balance sheet and tax reform motions will result in expansion of financial deficit and increase in supply of bonds. Besides, the European ECB and Japanese BOJ will face the turning point for QE. The difficulty in operating foreign bonds will be increased definitely. Therefore, Yuanta Securities will need to maintain the specific yielding income and also trade futures for hedging and adjust positions to enhance the flexibility in the entire operation. Meanwhile, it will seek to increase the proportion of short-swing trades and develop such new business as high-income bonds and real property investment trust to increase income. Given this, the Bond Division will continue to arrange the layout from the global point of view and look for the markets which are more likely to gain profit (bond, commodity, foreign exchange and ETF, etc.) and trading strategies.

#### (F) Derivatives service

Yuanta Securities is a leading securities firm in the warrant market of Taiwan. With its plentiful experience in warrant market making and hedging transactions, excellent trading and product development personnel, fair trading systems and efficient operating procedures at front, middle and back ends, as well as the warrant marketing activities and management of brand identity, it has received various awards and honors domestically and overseas. In 2017, Yuanta Securities continued to be awarded the honor of A-class securities firm in the warrant issuer evaluation. Meanwhile, it was awarded by TWSE the 1st place in the “No. Of issuing warrants” and

“Warrant Value Excellent Award” at the same time, the 1st place by TPEx in the “Warrant Issuance Hero Award” and the “Warrant Sale Elite Award” and 3rd place by TPEx in the “Warrant Circulation Elite Award”. It also selected by The Asset as the “Best Equity Derivatives House” again.

In 2017, there were a total of 5,355 warrants issued by Yuanta Securities accumulatively, and the issuing value attained NT\$51.7 billion, ranking the first place in the market. Under the economy of scale, Yuanta Securities continued to make progress in its operations, analyze and price per the market demand, and keep pursuing improvement on the trading system and hedging efficiency. Therefore, it outperformed the others in the same trade in the business performance. In terms of marketing efforts, Yuanta Securities will continue organizing seminars and extend to campus, root the investors’ education, provide more well-founded order interface and site information, help investors understand warrant products, and enhance recognition of Yuanta Securities’ brand, thereby securing market leadership.

In 2017, under the circumstance that Yuanta Securities continued to promote the business of structured notes, the trading volume of the structured notes other than PGN still led that of the others in the same trade in the whole year. Meanwhile, Yuanta Securities has started to trade with the institutional investors who held a large number of TWSE market stock for the structured notes since 2016. In 2017, it continued to develop its trading counterparts from institutional investors. It is expected that the market fluctuation will be increased in 2018 and, therefore, may bring the chance of development for the structured notes market.

Asset swap services derive from convertible bonds. In 2017, Yuanta Securities retained the largest market share of outstanding balance of asset swap services. Notwithstanding, following the remarkable declination in the market in the second half of 2016, it was expected that the asset swap market would remain unchanged or decline in 2017 from 2016, and the balance of the entire asset swap market declined 8% until 2017. Therefore, the operations became more difficult. Looking forward to 2018, the asset swap market might remain unchanged or decline from 2017. Yuanta Securities will continue to keep its market position with its strength in brand, funding cost and scale of capital, and pursue profit on an on-going basis under the strict control over asset quality.

#### (G) Wealth management services

In order deepen the customer services, provide complete products, Yuanta Securities sought the approval from the competent authority in March 2011 to run the wealth management business under the trust framework, and played the important role as a pioneer in the market of wealth management run by securities firms.

Yuanta Securities’ wealth management business has matured after several years of development. The customers’ needs became more and more diversified, while the depth and width of services needed by the clientele

were high. In order to deal with more and more special and professional customers' needs, Wealth Management Dept. continued to include various wealth management products. Meanwhile, in order to meet customers' need more and serve high-asset customers, enable different customers to enjoy financial services and cooperate with related departments, Yuanta Securities designed and developed the self-made products, and its AUM grew from NT\$902 million at the end of 2016 to NT\$9.9 billion at the end of 2017. FSC permitted securities firms to underwrite the employee benefit trust in December 2016. Yuanta Securities applied for the license of "Employee Benefit Trust" with the competent authority in 2017. Upon receipt of the license and reporting of the offering, Yuanta Securities will move forward toward a new age for asset management as a securities firm and will fulfill its corporate social responsibilities with due diligence.

Since Yuanta Securities offered the securities wealth management trust business, it has led the others in sale and management of funds. Therefore, since 2012, the total assets of customers under its non-discretionary money trust business has ranked 1st place in the market, far ahead of the others in the same trade. This primarily resulted from mass business locations of Yuanta Securities' subsidiaries and intensive relationship between it and customers, as well as the quality of its study report ranking 1st place in the same trade. Meanwhile, its fund platform has selected 25 domestic trust investment companies and 16 overseas fund companies so far, offered more than 2,000 products, and owned the most complete network interface and order placing system in the same trade. For customers, they may deserve such strengths as professionalism, completeness of portfolio and convenience, if they choose Yuanta Securities to manage wealth on behalf of them.

Statistics of the money trust balance managed by the wealth management department until the end of December 2017 (NT\$ million)

AUM	2015	2016	2017
Yuanta	27,530	36,805	42,608
KGI	8,458	10,319	12,773
Mega	4,665	19,100	12,730
Capital	7,346	8,275	11,626
Sino Pac Securities	2,119	3,788	10,181
Total Amount	64,553	94,090	105,692

Source of data: Trust Association of R.O.C

Statistics of the accumulated accounts opened for money trust managed by the wealth management department until the end of December 2017

Number of opened accounts	2015	2016	2017
Yuanta	96,382	105,043	116,105
Sino Pac Securities	8,002	30,380	45,994
KGI	21,659	28,655	35,655
Capital	20,768	27,257	35,650
Master Link	11,865	13,881	17,226
Total	190,089	245,813	298,734

Source of data: Trust Association of R.O.C

Though Yuanta Securities launched into the securities trust market late, founding the largest asset pool for Taiwan stock should not be a hard work for it. Notwithstanding, in consideration of the efficiency of discretionary management of assets, Yuanta Securities built the asset pool for the stock which was most likely to be lent and pursued the efficiency of lending as its business development policy. Until December 2017, the market share of the total assets managed by Yuanta Securities on behalf of securities trust customers has reached 20%, and the lending rate about 45%, higher than the average in the market and outperforming the others in the same trade.

Statistics of the securities trust balance managed by the wealth management department until the end of December 2017 (NT\$ million)

AUM	2015	2016	2017
KGI	16,086	14,767	14,281
Yuanta	11,638	10,046	7,529
Fubon	8,497	6,522	6,113
Mega	17,825	3,588	3,813
Hua nan	1,293	1,175	1,453
Total	59,542	39,833	36,311

Source of data: Trust Association of R.O.C

#### (H) Consigned trading of foreign securities operations

To pursue extensive development and innovation of financial services, expand the scope of business and upgrade customers' service quality, given that domestic financial products cannot satisfy consumers' need for diversified investment in new products, the investment service for foreign securities demanded by the market was expanded. Since 2009, the market share of the recon signed foreign securities exchange underwritten by Yuanta Securities has ranked 3rd in the market, and was still increasing. Meanwhile, Yuanta Securities participated in various business symposiums and policy-making procedures conducted by the competent authority.

In November 2014, the competent authority approved the Shanghai-Hong Kong Stock Connect, and approved professional investors to participate in foreign securities IPO at the beginning of 2015. Meanwhile, the competent authority schedules to research the important policies, such as allowance of foreign currency financing business. Yuanta Securities will maintain its leadership in the same trade, and continue providing customers with the services beyond the standard applicable in the same trade to comply with government policy.

Since 2017, Yuanta Securities has recruited the sale representatives with the experience in dealing with high-asset net value customers to engage in the direct marketing. It set up offices in North, Central and South Taiwan dedicated to developing the private wealth management services for exclusive clientele and planning the tailor-made service needed by the exclusive clientele, in hopes of creating a new age for itself in the securities private wealth management market.

Market share of recon signed trading in 2017	
Cathay Securities Corporation	18.95%
Sino Pac Securities	15.66%
Yuanta Securities	15.55%
Fubon Securities	9.77%
KGI Securities	9.59%

Source of data: Taiwan Securities Association

(I) Securities borrowing and lending

At the end of 2017, a total of 15 Securities & Securities Finance Companies offered products & services of Securities Borrowing & Lending (SBL), a highly competitive OTC marketplace. Lending balance from above-mentioned companies increased substantially from TWD 77 billion at the end of 2016, to TWD 105.4 billion at the end of 2017, proving a solid 37% growth of the market. With its excellent and savvy business conducts, Yuanta Securities concluded its SBL market share at close to 40%, gapping followers of industry with a huge distance. Besides, deregulations and new scopes opened in the SBL environment allow Yuanta Securities to start the retails two-way lending in February 2015, as well as inter-brokers lending in 2016. The company's SBL practices in above areas efficiently introduced resources from new perspectives, successfully enhanced liquidity and flexibility of SBL operations, and created additional revenue to all parties involved. SBL in the company is expected to leap further, and better market-making capability as well as profitability are expected.

(J) International institutional business

Foreign investors accounted for 21.8% of the market turnover in 2017 - a decline compared to the past two year - and more than 90% of that turnover was traded at foreign securities houses as passive and program



trading flows continued to grow consistent with global trends. However, by offering differentiated services, Yuanta Securities had a stellar year in regards to its international institutional business as we not only further increased our market share but also further solidified our position amongst the top 3 local brokers doing foreign institutional business.

Looking forward to 2018, Yuanta Securities remains committed to providing high quality and differentiated services to our clients. We are also prepared for the new regulatory changes including MiFiD2 and TWSE co-location service as we have been engaged with clients very early on. We also believe that by further integrating the Group's resources with Yuanta Securities' underwriting, bond, securities borrowing/lending, investment trust, futures and custodian banking services, so we can continue to enhance our business in Taiwan and further extend our reach in Asia.

(K) Shareholders service agency

Yuanta Securities will continue to expand the scale of agency to upgrade the performance, and enhance the relationship with customers, integrate customers' resources and exert the Group's consolidated effect by providing the differentiated services and financial holding resource services.

(L) International services

For the time being, Yuanta Securities is the leader in the securities market of Taiwan. Notwithstanding, it is not only satisfied with its leadership in the domestic securities market but also highly values the internationalized business development, in order to pursue the diversification of profit-making sources and structural upgrading of profit-making model while based in Taiwan and aiming at the international markets. Yuanta Securities is dedicated to developing overseas operating locations. It has founded "Yuanta Finance (HK)", "Yuanta International Investment (HK)" and "Yuanta Securities (UK)", and also acquired 99% of the equity of PT AmCapital Indonesia (now known as PT Yuanta Sekuritas Indonesia), and PT AMCI Manajemen Investasi (now known as "PT Yuanta Asset Management") successfully. In 2016, Yuanta Securities acquired KKTrade, a Thailand-based securities firm (now known as "Yuanta Securities (Thailand)"), via Yuanta Securities Asia Financial Services. In December 2017, Yuanta Securities successfully acquired 99.95% of the First Securities Joint Stock Company via Yuanta Securities Asia Financial Services and Yuanta Securities (HK). In order to simplify overseas organizational framework and effectively apply the Group's resources, GC Structured Products, Polaris Capital (Asia) Limited, Bright Nominees and Shanghai Xinsheng Investment Consulting have completed the liquidation. Yuanta Securities completed the disposition of Grand Asia Asset Management and Grand Asia Capital Services (Singapore) in the second half of 2017.

Yuanta’s overseas layout has been extended from Korea in North East Asia to South East Asia, including Thailand, Indonesia and Vietnam, by integrating its strength in funding sources and product niche in Mainland China, Hong Kong, and Taiwan. It deepened the local business of various subsidiaries and utilized the market characteristics and funding strengths everywhere to form characteristic products and link the synergies of various overseas subsidiaries to build a Pan-Asian trading platform. This was done in hopes of providing customers with more diversified options in investment, more complete product lines and more diversified investment visions, so as to maximize the value of Yuanta Securities, which will ultimately be rooted in Taiwan, and complete the multi-national and global layout of Yuanta Securities.

(6) Research and development

Securities is a licensed industry, for which Yuanta Securities will continue to work hard to start new business lines to satisfy investors’ need, according to the competent authority’s policy, regulations and license to the securities industry. Meanwhile, Yuanta Securities will keep providing the competent authority with suggestions about policies to seek the approval for offering of more new securities business lines and new products and the opportunity for underwriting business.

Additionally, Legislative Yuan has passed the “FinTech Development and Innovative Experiment Act” (namely Regulatory Sandbox) after the third reading at the end of 2017. Therefore, Yuanta Securities will respond to the Regulatory Sandbox policy boosted by the Government actively by boosting the proposals and experiments for related new financial instruments to satisfy customers’ need for innovative financial instruments and create a win-win-win situation among the Government, customers and Yuanta Securities.

(7) Long and short-term business development plans

A. Short-term business development plans

(A) Yuanta Securities will also plan and adjust the branches’ business models in a timely manner to be line with the competent authority’s lifting of the policy to optimize securities firms’ business locations. Make good use of FinTech marketing to solicit for external customers.

(B) Develop the needs of wealth management customer bases per grade and hierarchy, and promote the systematic investment plan for fund; organize promotional events to solicit retail investors and new customers and activate dormant accounts; enrich the products available on the wealth management product platform. Continue to promote the household wealth management services, provide customers with consulting services for diversified financial product investment, and fulfill wealth inheritance and asset management. Scheduled to obtain the qualification for managing the “Employee Benefit Trust” and apply for offering the service.

(C) Continue to implement the diversified marketing model integrating loaning, develop different customer structures and complement its financing

activities effectively. Strengthen the ability to make market for securities borrowing/lending service, well utilize the source of securities obtained from the natural person, reduce the company's borrowing/lending cost effectively, and increase the revenue from related commission. Continue to promote overseas sub-brokerage, amplify width of customer bases, and add the trading markets and overseas instruments that comply with laws and regulations.

- (D) Upon implementation of the continuous matching mechanism by TWSE, tally and adjust the order-placing, market-making and hedging systems, or upgrade or develop new systems to secure its competitive strength. Expand the scope of market making, and extend participation in various instruments listed on TWSE and TAIEX.
- (E) Participate in the underwriting of related bonds, and maintain the market position; develop the bond credit spread trading denominated in various currencies; continue increasing the proportion of revenue and market position of overseas bonds, and work hard to apply for the qualification as a foreign exchange securities firm.
- (F) Continue to proceed with the R&D, design and sale of structured notes of Yuanta Securities, and upgrade the asset management scale; continue organizing various marketing campaigns aimed at raising customers' brand recognition toward Yuanta Securities to secure market leadership; plan the ETN development, etc.
- (G) Take the chance of the growth and drive of the securities market in Mainland China actively, and engage in investment in related securities in the market of Mainland China through the QFII limit in Mainland China; participate in the bond trading with local banks of Mainland China actively by acquiring the qualification for trading of "Bond Connect" from Mainland China. Continue the acquisition of 100% the equity of "The First Securities Joint Stock Company", which was renamed into "Yuanta Securities Vietnam Joint Stock Company" on February 13, 2018, in whole externally.
- (H) Continue to enhance the cooperation of investment banks' cross-border platform, refer the opportunities for business cooperation to the Group and affiliates, integrate related business resources, provide customers with the Total Solution, and enhance the customers' loyalty. Develop the customers of the Group's existing overseas operations and be oriented toward quality and business development.
- (I) Build new trading App to provide investors with more well-founded experience in investment; set up the omnibus e-counter, provide the platform for marketing fine-quality products, upgrade the online service, strengthen the competitiveness in the same trade, and solicit new clientele.
- (J) Continue to strengthen investees' fund liquidity and financing risk management mechanism, and introduce proprietary trading position risk management system; strengthen the early warning system for risk and mechanism for reporting material contingencies.

### Ⓕ. Long-term business development plans

- (A) Have the channels develop wealth management services comprehensively, exert the brokerage and wealth management double engines completely, and stabilize customers' and sales representatives' revenue related to flow and inventory. Fulfill customers' position management, provide customers with premium wealth management services, deepen customers' loyalty and fulfill the development of more diversified operating revenue.
- (B) Work hard to develop onshore and offshore financial instruments actively, and help customers with the one-stop trading service. Integrate resources of the Group's domestic and overseas subsidiaries, upgrade the consolidated effects of domestic and overseas operations, create diversified business cooperation models and solidify its market leadership.
- (C) Train the professional talents for regional investment banks in Asia; enhance the cross-border cooperation and integration of resources, and provide customers with omnibus financial consulting services needed by customers at various stages of operation, in order to become the top regional international investment bank in Asia.
- (D) Build overseas ETF investment positions, accumulate the experience in and ability of making market for foreign investment portfolio (including futures, options and ETFs), and expand the market of overseas investment. Construct the secondary trading platform in foreign currency and increase the revenue from transactions related to foreign exchange. Work hard to develop the financial derivatives to corporate customers. Work hard to request the competent authority to allow securities firms to trade in Taipei Foreign Exchange Market.
- (E) Construct Yuanta Securities (HK) to be the international trading platform center to link the markets of Taiwan, Hong Kong, Korea, London, Thailand, Indonesia and Vietnam; utilize the strength and characteristics of the cross-border financial trading to provide customers with more diversified investment visions and professional financial services.
- (F) Deliver the basic requirements toward standard information security protection into overseas subsidiaries to ensure the safety of connection with multinational network systems. Keep concerning the opportunities for layout of investment in South East Asia and choose the optimal market to reproduce successful experience.

In conclusion, Yuanta Securities' business plans and development strategies 2018 aim to balance domestic and overseas business development, solidify its market leadership in various business types, layout its overseas investment and connect with related business types actively. It also intends to continue to expand its business domain in Asian market, in hopes of becoming the best securities service firm in the Asia.

## 2. Yuanta Bank

### (1) Main business services

- A. Deposit and remittance services
- B. Corporate banking services
- C. Consumer banking services
- D. Wealth management services
- E. Trusts services
- F. Foreign exchange services
- G. Financial operation and financial trading services
- H. Digital financial services
- I. Overseas services

(2) Revenue breakdown

Unit: NT\$1,000; %

Item	Year	2016		2017	
		Net profit	Percentage (%)	Net profit	Percentage (%)
Net interest income		8,597,599	61.40	9,212,330	60.89
Net service fee income		2,832,863	20.23	3,095,273	20.46
Income from financial assets and liabilities at fair value through profit or loss		1,700,479	12.14	1,861,290	12.30
Realized gain (loss) on available-for-sale financial assets, net		260,914	1.86	386,707	2.56
Exchange gain or loss		(76,776)	(0.55)	(285,874)	(1.89)
Gain on asset impairment (loss)		(763)	-	(166)	-
Share of the income from affiliates and joint ventures recognized under equity method		(300)	-	-	-
Net profit or loss other than other interests		73,682	0.53	228,531	1.51
Net investment income from debt instruments without active market		614,210	4.39	631,474	4.17
Total		14,001,908	100.00	15,129,565	100.00

(3) New financial products and services in development

A. Wealth management and trust service:

- (A) Add the concurrent securities investment consulting business to extend the scope of service to wealth management customers.
- (B) Set up the monetary trust platform for remittance of fund by foreign labors to pursue the business opportunity from foreign labors.
- (C) Package superficial trust products and develop securitization services.

H. Digital financial services

- (A) Introduce artificial intelligence technology to establish the smart customer service to upgrade the service efficiency.
- (B) Add the biometric identification (e.g. fingerprint, iris and gesture recognition) to identify customers when processing digital channel services.

- (C) Construct the corporate network banking system of Hong Kong Branch to help cross-border corporate customers manage their accounts.
  - (D) Construct the online insurance platform for simple insurance products.
- (4) Business plan for the year

The following is a summary of its business plans:

A. Business development:

- (A) In the deposit and remittance services, the Bank will adjust the deposit structure to reduce funding cost, and further develop the non-securities demand deposits, payroll transfers, proxy receipts and disbursements and digital deposit account. Through these developments, it will cultivate the deposit operations foundation to advance the development of the wealth management services.
- (B) In terms of the corporate banking operations, the Bank will adjust the loan structure, upgrade the rate of return on loan assets, actively participate in domestic large-sized syndicated loan projects and strive to act as the leading bank. Moreover, it will enhance the development of SME customers with underwriting SME Credit Guarantee Fund to increase income.
- (C) For the consumer banking mortgage, the Bank will target the needs of own occupiers for purchase of houses. In addition to targeting the collateral with higher liquidity, it will also amplify the promotion of mortgage for wealth management. For the credit loan business, it will utilize database to analyze and develop existing customers and enhance customers' loyalty and contribution. For promotion of credit cards, it will continue to develop the mid-and-high consumption groups and cardholders with high contribution through the segment marketing strategy to activate and optimize existing cardholders and products.
- (D) Customer needs is the guide of the wealth management business. The Bank constructs the omnibus wealth management service team, provides professional wealth management consulting, strengthens the ability to manage customers' assets and risk and optimizes the customers' asset allocation management (including region, currency and allocation of stock & bond) to upgrade the performance of customers' assets and penetration rate of wealth management products effectively.

B. Channel development:

- (A) The domestic tangible channels were set up subject to the status of industry & commerce and wealth. The Bank fulfilled the localization of branches, and had its Head Office upgrade the business performance of channels through periodic review on performance and guidance measures. Further, in order to deal with the development of FinTech and change of payment habits, the Bank has boosted the digital transformation, developed digital financial services, encouraged the Bank's existing customers to apply for digital accounts, guided customers to experience the digital channel's rapid and convenient services. Besides, and the Bank has worked with the cross-

industry proxy receipts and disbursements platforms to connect the various industrial platforms to provide the digital services which meet the customers' needs more.

(B) In the overseas market, via the related departments/ division of the Headquarters' help for evaluating and improving on the operating procedures, loan review and investment procedures, Yuanta Savings Bank (Philippines), Yuanta Savings Bank (Korea) and Yuanta Bank Hong Kong Branch (upon consolidation of Ta Chong Bank) will enhance the information system functions and establish the local operation model. With the resources invested by the Group, they will continue to expand various operations, strive for high-income international syndicated loan projects such as structural financing/ M&A financing projects, fulfill compliance and risk management of the Headquarters and branches and continue to establish the risk control mechanism which meets the local needs to maintain the Bank's proper management.

#### C. Risk management:

By means of establishment of a risk model and database, the Bank enhances its control ability in credit, market and operation, and better understand the risk trends in the industries and countries, and establish the risk earning warning system to mitigate risk effectively.

#### D. Employees' training:

Fulfill the orientation and on-the-job training programs, train talents with multiple competences via the shift system, and enhance training of international professional talents and digital financial talents, and found the Bank's sustainable development.

#### (5) Industry overview

In 2017, driven by the economic recovery in such leading countries as the U.S.A., Eurozone and Japan, the global economy recovered mildly from 2016. As forecast by the market, the Fed hiked the interest rate for three times in 2017, and the interest escalation policy is expected will be continued in 2018. This reflects optimistic economic prospective of the U.S.A. in 2018, which is also likely to drive the global economic growth. Notwithstanding, the U.S. President, Donald Trump, upholds the "America First" policy and thereby results in the trade protectionism prevailing globally. Meanwhile, the effect produced by Brexit and raising global populism will be the uncertainty risks affecting the economic prospective.

Domestically, benefited from the stable economic recovery in the leading countries, exports continued to grow in 2017, driving the economic performance to develop positively. However, the economic indicator has turned to be yellow-blue in Q4 from green representing stability. Therefore, the economic growth in Taiwan will primarily rely on whether the domestic demand market will recover or not.

Given the external economic changes and vague cross-strait policies, the domestic banks still have to execute the risk control carefully. The Central Bank terminated the circulation of interest rate cut in September 2016; however, it was

expected that the domestic loan market could not be relieved from the price competition because of the abusive capital utilization on the market. Therefore, the banks could only count on loaning in US dollars to increase the interest rate spread to raise the entire interest revenue. Further, given the booming development of mobile pay market, domestic banks actively invested in related R&D and thereby the marketing expenses were increased. Besides, the banks' cost were also increased due to establishment and improvement of the information security and compliance systems. It is expected that the banks' profitability growth in 2018 still face certain challenge.

#### (6) Research and development

##### A. Business R&D:

- (A) Research and evaluate electronic tickets platform to provide Yuanta Bank's existing customers with the experience in mobile payment by O2O online payment, and collect and analyze the behaviors of customers related to the commissioning plan to help following planning of e-purse and mobile payment.
- (B) The digital financial services utilize biometrics technology to identify customers, in order to seek customers' information rapidly and provide customers with personal financial services.
- (C) Develop the efficient investment method for fund integrating the strength of systematic investment plan and single investment plan to disperse risk (FOF of single investment plan) and increase profit (Sub-fund of systematic investment plan) at the same time.
- (D) Construct the platform service for customers' exchange of equity points to convert the revenue from commission contributed by customers into the equity points, upgrade the customers' omnibus exchange service experience and solidify the relationship between the Bank and customers.

##### B. Risk management:

- (A) To be in line with consolidation of the corporate banking and consumer banking credit operations, plan and adjust the corporate/consumer banking credit rating/scoring model risk grading analysis project, continue to follow up changes and monitoring of corporate/consumer banking operations, and research and draft the corporate/consumer banking credit risk mechanism improvement planning to keep it enhanced and adjusted.
- (B) Plan to control the total exposure in Mainland China and high-risk industries in Mainland China systematically, and continue to optimize the total exposure system function to complete the centralized risk control better.
- (C) Continue to improve the pressure testing calculation method and frequency, e.g. simulation of quantitative model, setting of pressure scenario, and selection and forecast of risk factors.
- (D) Continue to improve the operational risk management technologies, including classification and calculation of operational risk tolerance, and retrospect and testing of the validity of operational risk self-assessment.



- (E) Continue to plan, and close trial balance of, the management mechanism for maximization of economic value for the net interest revenue of day funding from banking book interest rate.
- (F) Continue to improve the liquidity risk management mechanism, and build the system to strengthen fund liquidity risk measurement and analysis (e.g. Stimulation of pressure testing scenario) and control the disclosure of information.

#### C. Information R&D plans:

The Bank will continue to develop its operation and business and also fulfill the information security management. The information system R&D and upgrading projects to be commenced include the upgrading of foreign exchange system, revision of OLAP multi-dimensional data analysis tool, BASEL4 accrual capital system, upgrading of credit card issuance accounting and authorization system functions, improvement of credit card review system function and procedure, merchant business system construction project, upgrading of BPM (Business Process Manager) cross-system integration platform, 2nd-stage construction of corporate banking collection system, inclusion of Ta Chong E-LOAN into consumer banking review system, upgrading of collateral system and consumer banking review system, addition of acceptance of application for loan in the OCR system, 2nd-stage wealth management system, new insurance agency system-online insurance (including electronic signature), real estate trust system, new image system construction project, collection and payment transfer platform upgrading project, construction of 2nd-stage CTI system consumer banking credit card and Ta Chong Bank function, Web ATM inter-browser safety control component construction, upgrading of WebSphere Application Server , revision of personal network bank-related systems and transformation of Tiberio database, new financial system construction project, NSI structured notes trading management system, TMU transaction management system, evaluation on computer system and information security (Class I), e-payment platform safety evaluation, tapeless back-up management system construction, intranet information security policy management platform construction, intra-bank online video conference system construction, Advanced Persistent Threat (APT) construction, Virtual Desktop Infrastructure (VDI) system construction, and Security Operation Center (SOC) construction project, etc.

#### (7) Long and short-term business development plans

##### A. Short-term business development plans

- (A) Complete the integration to upgrade the consolidated synergy.
  - a. Continue to execute the integration of systems, personnel, business, customers, and management orientations related to the consolidation project.
  - b. To deal with the drastic growth of business volume and trading volume upon the consolidation, continue to adjust and upgrade the system, optimize

- various systems' operating efficiency, and reduce human resource burden through design of the operating procedure.
  - c. Take an inventory of human resource, strengthen flexibility of human resource allocation and backup, enhance enterprising cultural integration through educational training, work shift system and intra-bank support, and upgrade the personnel's familiarity with their duty and competency rapidly.
- (B)Balanced business development to upgrade the utilization of capital.
  - a. Under the circumstance that risk is controllable, and in consideration of the Bank's funding cost, loan operations choose high-yield loan operations as the primary business lines and continue to adjust the business structure.
  - b. The wealth management operation upholds the One Banking philosophy, maintains diversified product lines and upgrades the competency and stability of wealth management, and expands the customers' base and source of revenue from commission.
  - c. Continue to focus on the target credit card clientele, release more marginal benefits to credit card customers and allow credit card customers to repay debt in installment to increase quantity of valid credit cards, amount of debt and revolving interest, and raise customers' loyalty and contribution through cross-sale to credit card customers.
  - d. Upgrade the stability of the yield from financial operations to utilize the earnings stably.
- (C)Control the banking business development trend, and invest e-channel development.
  - a. To be in line with the prevalence of mobile communication, continue to enhance the function and safety of mobile bank and e-payment to increase the number of customers and trading volume.
  - b. Take the chance of opening of e-payment business to solicit for merchants to become the best platform for customers' sale of products and cash management.
  - c. Evaluate provision of the smart customer service able to mitigate customer service attendants' pressure, so as to deal with the increasing expansion of the business scale and customers' inquiries.
- (D)Fulfill compliance with laws and risk management, and maintain stable asset quality.
  - a. According to the competent authorities' "Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers," the Bank will establish and amend its internal regulations and operating procedures, and also perform educational training and system adjustment, etc.
  - b. Enhance the risk control, compliance and internal audit/internal control of overseas subsidiaries.

- c. Collect update in the latest financial laws and regulations periodically, and amend the internal regulations in a timely manner; ensure the compliance with various laws and regulations through periodic execution of compliance self-assessment and appraisal.

#### Ⓕ. Long-term business development plans

- (A) Enhance operating performance and stably upgrade profitability
  - a. Upon consolidation with Ta Chong Bank, the Bank aimed to secure the market shares of deposit and loan operations at 3% or more, and upgrade the effect of scale expansion.
  - b. Enhance the wealth management investment consulting services and optimize the operating procedures adopted by business locations and e-channels to upgrade the Bank's specialty and identity in the market.
  - c. Integrate the resources of domestic/foreign business locations and the Group, provide omnibus financial service and customized financing program, and actively solicit for transactions with corporate customers.
- (B) Utilize FinTech to enhance products and services to make the Bank as the customers' first priority financial organization.
  - a. Develop big data analysis, and develop new financial instruments and adopt precision marketing based on customers' needs to upgrade their loyalty and contribution.
  - b. Comply with the government's digital finance policies, continue to work with financial information companies or governmental entities to develop such FinTech services as a block chain, P2P exchange platform, robo-advisor and mobile payment, etc.
- (C) Deepen the domestic market and develop the overseas market actively.
  - a. Upon the consolidation, the Bank will own 152 business locations domestically, which are integrated with such e-channels as ATM, network banks and mobile banks, helpful to improve convenience for customers and publicity of brand. Meanwhile, the Bank will integrate the Group's resources to provide diversified products and deepen the trading relationship between customers and the Company.
  - b. For the time being, the Bank owns the subsidiaries in Philippines and Korea, as well as Hong Kong Branch. Therefore, it has completed its preliminary overseas layout. In the future, the Bank will speed up establishment of the business development model applicable locally by transplanting the relevant experience and enhance the cooperation between domestic and overseas business locations to upgrade contribution to earnings year by year.
  - c. Enhance the talent training and assign the talents to the Bank's overseas business locations, and upgrade employees' foreign language ability and specialty to meet the need for international business human resources in the future.

### 3. Ta Chong Bank

#### (1) Main business services

The main business lines refer to Retail Banking Group (RBG), Wholesale Banking Group (WBG) and Financial Market Division (FMD), which are stated as following:

- A. The RBG operations cover the customer base of wealth management, deposit, Mortgages, personal loans and credit cards, and primarily consist of the six major core services, including wealth management, deposit, house loan, personal credit loan, credit card, and e-banking, etc.
- B. The WBG operations primarily cover the customer base of the local enterprises, overseas Taiwanese enterprises, enterprises by Hong Kong investment, enterprises by Mainland China investment and associates in the financial industry, and consist of the seven major core services, including loaning, deposit, cash management, trading service and trade finance, factoring, syndicated loan and corporate banking wealth management.
- C. The FMD operations primarily consist of financial marketing, structured notes, foreign exchange covering, proprietary trading in bond market and money market, etc.

The changes of proportions of net profit from various major services are stated as following:

Net profit	2016	2017
Retail Banking Business	67%	62%
Wholesale Banking Business	25%	27%
Financial Market Business	8%	11%
Total	100%	100%

## (2)Revenue breakdown

Unit: NT\$1,000; %

Item	Year	2016		2017	
		Net profit	Percentage (%)	Net profit	Percentage (%)
Net interest income		5,465,594	55	3,153,968	55
Net service fee income		2,639,356	27	2,268,588	39
Income from financial assets and liabilities at fair value through profit or loss		1,244,594	13	737,077	13
Realized gain (loss) on available-for-sale financial assets, net		193,155	2	77,633	1
Exchange gain or loss		151,125	1	(428,876)	(7)
Net profit or loss other than other interests		158,968	2	(63,819)	(1)
Total		9,852,792	100	5,744,571	100

FSC approved the consolidation of Ta Chong Bank with Yuanta Commercial Bank Co., Ltd. (“Yuanta Bank”) on January 17, 2017, and Yuanta Bank should be the existing bank. Ta Chong Bank was consolidated into Yuanta Bank officially on January 1, 2018. Therefore, please refer to Yuanta Bank’s information for Ta Chong Bank’s future business plans, business objectives and development strategies.

## 4. Yuanta Life

(1)Main business services: life insurance agency underwriting life insurance, medical insurance, accident insurance and investment-linked products.

## (2)Revenue breakdown

Unit: NT\$1,000; %

Business	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Life Insurance	32,300,963	83.00%	34,911,668	81.80%
Personal Accident insurance	166,040	0.43%	160,382	0.38%
Health insurance	2,421,936	6.22%	2,824,890	6.62%
Annuity insurance	43	0.00%	190,696	0.45%
Premium income	34,888,982	89.65%	38,087,636	89.25%
Less: Reinsurance premium ceded	(427,689)	-1.10%	(463,703)	-1.09%
Less: Net changes of premium ceded reserve	(4,555)	-0.01%	(17,262)	-0.04%
Commission reinsurance allowance	110,928	0.29%	109,029	0.25%
Handling fee revenue	29,103	0.07%	25,815	0.06%
Net income from investments	3,933,859	10.11%	4,443,233	10.41%
Other operating revenues	11,870	0.03%	6,587	0.02%
Separate Account on Investment-linked Insurance Products income	373,294	0.96%	485,690	1.14%
Total	38,915,792	100.00%	42,677,025	100.00%

### (3) New financial products and services in development

In order to deal with an aged society and low birth rate in Taiwan, the Company will be oriented toward the retirement life, retirement medical treatment and retirement care needs and then enrich its product lines. For the retirement life, the completeness of “protection-type and long-term” and “wealth management” products will be the first priority to enable the products to provide protection and meet the wealth management need throughout all life circles and to help financial channels develop more wealth management customers. Meanwhile, the Company will develop long-term increasing life insurance products in NTD and foreign currency, subject to the brokerage channels’ characteristics. Said products will tie with disclaimers to enhance the claim for retirement planning. For the retirement medical treatment, the Company will focus on upgrading of the protection program and help customers plan fine-quality protection program to ensure the future medical treatment quality. For the retirement care, the Company expects to provide long-term living subsidy to the disability and seriously injured and sickness by diversifying the protection-type and long-term products, so as to relieve some family from economic pressure and diversify the sources of business performance of the protection-type and long-term products.

To be going with FinTech trends, the Company will continue to optimize the interface, structure and function, enrich the online insurance product lines, and also plan the part-type time insurance products available for the young people to construct their personal protection program independently. The Company will also introduce the business model allowing customers to apply for insurance online and complete the relevant procedure offline to contact new customers of high potential to help remarketing.

### (4) Business plan for the year

Yuanta Life’s entire business strategy in 2018:

A. In terms of channels, Yuanta Life will continue to develop multiple channels stably, and according to the characteristics of channels and multiple needs of varied customer groups will develop diversified products to support channel development. Yuanta Life will adhere to the Company’s management philosophy: “give a chance, to help others and help yourself simultaneously”, to promote protection-type products comprehensively, generate long-term and stable profits for the Company, and enhance the Company’s brand value. The various major channels’ strategies are stated as following:

(A) Banca & Securities Insurance channels: Further develop the Group’s own channels, upgrade the Group’s own channels’ strength in sales by virtue of insurance license programs and cause-related marketing, and also further develop personal insurance policies by boosting the group annuity and group insurance to the corporate customers of the Group’s own channels. Meanwhile, the Company will promote the protection-type and long-term products by developing external channels to enable Yuanta Life to be the insurance company which they wish to work with for retirement planning.

- (B) Agency sales channels: In terms of organization, provide them with complete tool for recruitment of personnel and assistance to train an agency sales team accustomed to recruit personnel and develop stably. In terms of products, develop the “protection-type and long-term” and “wealth management” products as the two major product to help sale representatives achieve the monthly productivity objective.
  - (C) Diversified marketing channels: Solidify the own database channels, further develop existing partners, and develop new partners to seek the list of resources. Perform segment training subject to seniority and difference in productivity, and upgrade the sale skill and cross-sale ability by offering advanced training courses for products to help upgrade the productivity per capita and retention rate.
  - (D) Brokerage channel: Manage the existing brokerage channels by hierarchy, further develop the units capable of organizing personnel, and continue to look for fine-quality brokers and agents by weighing quality and quantity equivalently. Enhance area penetration, extend the marketing and acquire new customers via the brokerage channel.
  - (E) E-commerce: Upgrade prevalence rate and customers’ utilization rate and satisfaction of online insurance, and continue to promote the protection-type and long-term products and interest sensitive annuity.
8. Product strategy: Develop the “protection-type and long-term” and “wealth management” products as the two major product.
- (A) Enhance the completeness of wealth management product lines and focus on the USD insurance policy; aim to show a turn from loss to profit and orient, develop toward the need for sale via the Group’s own channels and the opportunities for partnership with external channels to upgrade the Company’s asset scale, reduce the expenses ratio and cut the hedging cost, and reflect the same to the pricing of future new products to produce the positive circulation.
  - (B) The protection-type and long-term products will be customized per important partners’ needs. The Company will deepen the partnership between both parties and build the alternative sale mechanism, and signify the product characteristics and competitiveness by differentiating the entire appeal for sale.
  - (C) Provide customized products per the target customers’ need to fulfill the segment marketing strategy for high-asset customers, retirement planning customers and young customers.

(5) Industry overview

According to the statistics of the Life Insurance Association, the insurance premium revenue based on new business in the life insurance business was NT\$1.26 trillion in 2017, a mild decrease from the same period in 2016 by 0.8%.

Statistics of insurance premium under new business in the life insurance business (insurance premium + liabilities)

Unit: million dollar

Item	2016	2017	Growth rate (%)
First Year Premium	1,270,480	1,260,724	-0.8

Source of data: Life Insurance Association

According to the analysis of insurance premium under new business by type of insurance, it is NT\$913.5 billion for life insurance, i.e. 72.5% of the revenue from insurance premium under new business, NT\$303.6 billion for annuity insurance, i.e. 24.1% of said revenue, NT\$31.4 billion for health insurance, i.e. 2.5% of said revenue, and NT\$12.3 billion for accident insurance, i.e. 1% of said revenue.

The sales of various products show two variation values to be concerned:

A. In terms of the life insurance products, the insurance premium for traditional life insurance declined by 21% from the same period of last year, primarily because that the liability reserve interest rate was cut and the regulations governing expense adequacy was implemented at the same time as of January 2017, and the sales of traditional life insurance other than variable one declined sharply. Though the variable life insurance sales grew mildly and the USD insurance policy was promoted as the point of sale, it was still impossible to fill the gap in the business performance of non-variable life insurance products.

B. The insurance premium under new business for investment-linked products amounted to 31.7%, greatly higher than the 15.5% from the same period of 2016. Among other things, the insurance premium for variable life insurance increased by 66.4% from the same period of the previous year, and the insurance premium for variable annuity increased by 148.8% from the same period of the previous year, primarily as a result of investors' confidence and the company policies of some others in the same trade. Meanwhile, the emerging of target day fund also helped intensify the sale, but no substantial benefit was produced on the growth of the insurance company's general account asset scale.

Statistics of insurance premium by insurance type in the life insurance business (insurance premium+liabilities)

Unit: million dollar

Insurance type		2016	2017	Growth rate (%)
Life insurance	Traditional	927,597	732,715	-21.0
	Investment-linked	108,658	180,814	66.4
	Subtotal	1,036,255	913,529	-11.8
Accident insurance	Traditional	11,719	12,261	4.6
Health insurance	Traditional	33,597	31,376	-6.6
Annuity insurance	Traditional	100,976	84,802	-16.0
	Investment-linked	87,934	218,757	148.8
	Subtotal	188,910	303,559	60.7



Insurance type		2016	2017	Growth rate (%)
Total	Traditional	1,073,888	861,153	-19.8
	Investment-linked	196,591	399,571	103.2
	Total	1,270,480	1,260,724	-0.8

Source of data: Life Insurance Association

According to the analysis of percentage of insurance premium by channel, the Bancassurance channel occupied for 52% of the insurance premium based on new business from 2017, life insurance company's own marketing system 41.6% thereof, and traditional broker channel 6.4%. Apparently, no significant changes took place in the proportions by channel from those in the previous period. Personal life insurance is primarily sold via Bancassurance channels. About 57.6% of the revenue from the personal life insurance premium was gained from the Bancassurance channel. Notwithstanding, the investment-linked insurance is primarily sold via Bancassurance channels and the Company's own marketing channels, which contribute 52.8% and 43.7% of the revenue from investment-linked insurance premium. The traditional accident insurance and health insurance are still primarily sold via the Company's own marketing channels.

Statistics from insurance premium in the life insurance business by source at the beginning of 2017 (insurance premium + liabilities)

Unit: million dollar

By source	Life insurance	Bank broker	Traditional broker	Total
Insurance premium	524,660	655,806	80,258	1,260,724
Rate (%)	41.6	52.0	6.4	100.0
Individual life insurance	250,898	420,350	58,547	729,795
Individual annuity	58,915	23,710	1,768	84,393
Investment-linked	174,750	211,152	13,669	399,571
Personal Accident insurance/health	27,964	436	3,514	31,914

Source of data: Life Insurance Association

Looking forward to 2018, the life insurance industry has basic confidence, as the liability reserve interest rate is confirmed to remain unchanged and customers are getting used to the existing sale terms and conditions. Besides, given the strength in foreign exchange rate for exchange of NTD to USD, it is expected that the USD variable products will remain hot items. Under the optimistic circumstance in the global capital market, there will be a space for the performance of investment-linked products too.

#### (6) Research and development

A.R&D expenditure for the most recent two years

Unit: Thousand

Year	2016	2017
R&D expenditure	64,782	88,953

#### B. R&D results for the most recent two years

Yuanta Life has kept researching and developing products that meet various customers' needs, developed diversified products and satisfied the market's need for insurance. The products researched and developed by it successfully for the most recent two years, including dismemberment or critical illness insurance that satisfies the need for long-term caring, travel insurance purchasable online and 1-year term life insurance, 18 group insurance products including accidental and medical treatment protection available to small-and-mid-sized corporate customers, senior cancer insurance for the aged people, specific critical illness insurance with Catastrophic Illness Card, long-term personal accidental insurance dedicated to providing specific accidental protection, surgery medical insurance with no claim bonus, and NTD or USD variable increasing life insurance or insurance with survival benefit for retirement wealth management planning. The Company also responded to the Government's policy and offered such new product as the OIU products available to foreigners. A total of 58 products were developed.

#### C. Future R&D development plan

In order to deal with an aged society and low birth rate in Taiwan, develop the related protection products that meet the needs for retirement life, retirement medical treatment, and retirement care as the point of the product strategy; develop the protection-type and long-term products and wealth management products evenly; satisfy various customer groups' need through diversified and customized product lines and logistic support service; attract external partners upholding the same management philosophy to promote the insurance together with the Company to achieve the Company's financial and business objectives and create and keep upgrading the Company's long-term value. Further, to be in line with the emerging FinTech trends, the Company will continue to optimize the e-commerce platform. It will continue to promote the travel insurance, term life insurance and interest sensitive annuity, and also keep developing products based on the unique characteristics of FinTech and provide online insurance services.

#### (7) Long and short-term business development plans

The Company will establish its product plan subject to various sale channels' characteristics and target customer groups' need to support the channels' business development, fulfill the customer group's management philosophy, and satisfy the customer groups' three major needs for retirement life, retirement medical treatment and retirement care. The completeness of wealth management product lines shall be identified as the first priority. The Company will further develop the Group's own channels and expand external channels' business, and also keep controlling the market condition to adapt. For the protection-type and long-term products, the Company will highlight the diversity of elements and upgrading of the contents of benefit, and continue to develop the protection-type and long-term product market relying on the contents of product and innovation of marketing issues.

The Company will continue to invest resources in educational training for channels, execute the talent training plan for marketing team and for the “protection-type and long-term product sale certification program”, and also build the marketing team’s sense of honor, mercy and belief of contribution, form Yuanta Life marketing team’s excellent culture, and continue to found the base for the Company’s promotion of the protection-type and long-term product. The channel management focuses on development of the Group’s own channels, development of external channels, differentiated management per the channel’s attribute, strive the list of excellent channels to upgrade turnover rate, optimize the system and operating procedure to upgrade the operating efficiency. Meanwhile, the Company will launch into work-site markets with group annuity or group insurance to provide the employees’ insurance program and retirement program for corporate customers of the Group’s own channels, thereby developing the Company’s personal insurance business scope. To be in line with the digital financial trend, the Company will continue to optimize the e-commerce interface, structure and function, enrich the online insurance product lines, and also plan the part-type time insurance products available for the young people to construct their personal protection program independently. The Company will also introduce the business model allowing customers to apply for insurance online and complete the relevant procedure offline to contact new customers of high potential to help remarketing.

The Company will continue to optimize the operating procedure for service and degree of digitalization to enhance the performance, and work hard to provide the channels with the support service for sale of the protection-type and long-term products to upgrade competitiveness and deepen the customers’ loyalty.

Financially, the Company will enhance risk management and financial ability as its core objective and conduct asset and liability management and risk management, maintain high-standard RBC, arrange diversified asset layout to upgrade the investment income, maintain stable financial structure and solvency, fulfill an insurance company’s obligation to manage assets, and ensure the Company’s financial safety and stable management to protect customers’ and shareholders’ maximum interest.

## 5. Yuanta Securities Finance

### (1) Main business services

- A. Margin trading and short sale for the trading of securities
- B. Refinancing to securities firms
- C. Cash replenishment and underwriting securities financing
- D. Securities underwriting financing
- E. Securities settlement financing
- F. Securities lending
- G. Loan secured by securities
- H. Other relevant operations approved by the competent authority

## (2)Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Margin trading and short sale	424,049	76.98	485,318	66.40
Refinancing	12,892	2.34	13,691	1.87
Securities lending	13,034	2.37	19,364	2.65
Secured loan	100,866	18.31	212,574	29.08
Total	550,841	100.00	730,947	100.00

## (3)New financial products and services in development

Seek the approval from the competent authority to include the “non-discretionary money trust” (managed by the securities finance industry) into the loan portfolios of securities secured loan and lift the restrictions imposed by laws and regulations.

## (4)Business plan for the year

A.Stabilize current agency firms: Continue to implement the franchise of an information platform and stage II cooperation program, and strengthen securities trader information services to ensure that Yuanta Securities Finance agent services are indirectly benefited. Rely on various seminars and service packages supporting agents to strengthen the competitiveness of agents, and consolidate relationships.

B.Track market information: Strengthen analysis of the market share, income, and costs of each business location, and flexibly adjust its competition strategy.

C.Promote two-way securities borrowing/lending operations: Promote securities borrowing/lending operations in a flexible manner; develop proprietary securities traders, foreign corporate investors, and corporations who need new arbitrage and hedging, and also looks for new sources of securities to be lent.

D.Development of secured loan operations: The highlights of Yuanta Securities Finance’s business development this year will include development of secured loan operations via both the intergroup and external channels, visit to major shareholders who require funds and also the general investors who hold securities and need short-term working fund badly, and simultaneous planning of pages on such mobile device (platform) as network or mobile phone to help customers with search and operation.

E.Exert Yuanta Financial Holdings’ synergy: Solicit for securities agents as channels, e.g. sub-brokerage, futures IB and co-marketing of funds, etc.

F.Save expenses: Save operating cost and operating expense to upgrade the operating income.

G.Strictly manage credit risk: Reinforce the implementation of risk control and quota mechanism, ensuring that risk control, and sales growth develop in parallel.

## (5) Industry overview

### A. Margin trading and short sale:

In 2017, the structure of the securities financial remained unchanged. Notwithstanding, the securities market capital kept increasing, the stock price and volume was booming at the same time. The margin trading balance in the market kept hitting record and the margin trading balance of Yuanta Securities Finance remained about NT\$9 billion still, and the market share of Yuanta Securities Finance in the professional securities firm agency market raised to 85% approximately.

Since securities firms were permitted to process margin trading and short sale operations, the market share of margin trading and short sale services provided by Yuanta Securities Finance has been declining year by year. Notwithstanding, the market was booming in 2017. The market share of Yuanta Securities Finance's margin trading and short sale operations was recovering. For the time being, the margin trading and short sale operations are still Yuanta Securities Finance's core business areas. It will continue to serve agents with a vigorous, reliable, and efficient attitude, and establish collaboration partnerships with agents, achieving a win-win outcome.

### B. Securities-secured financing business:

The major competitor of Yuanta Securities Finance in this business refers to the bank loan secured by stock. This business targets major shareholders who require funds and the general investors who hold securities and need short-term working fund badly. The Company also plans network or mobile phone (platform) to help customers with application for, sale and repayment of, and search for the stock, to provide customers with a more convenient and effective way to satisfy customers' need for fund. Besides, Yuanta Securities Finance's operations for this business became more convenient and competitive than applications for loan secured by stock with pledge. This reflects Yuanta Securities Finance's business competitiveness remarkably. Until December 2017, the balance of secured loans was NT\$13.103 billion. Secured loans will still be the first priority for business in 2018. It is expected that the proportion of business volume and gross operating profit will reach 50% or more in the future.

### C. Securities lending service:

Yuanta Securities Finance is still dedicated to managing securities lending operations. Notwithstanding, given that securities firms are allowed to offer wealth management services, a part of the securities lending customers turn to lend securities from the wealth management account which charges less commission. Notwithstanding, upon the competent authority's allowance of two-way securities lending, Yuanta Securities Finance was allowed to lend the securities serving as collateral in margin trading to TWSE securities lending center and, therefore, secured wider channels for securities lending and more sources of securities. Therefore, its securities lending operations will be more active.

(6) Research and development

Yuanta Securities Finance is continuing to implement an information platform and in-depth cooperation program, strengthen securities trader information services, and engage in diversified business through a franchise channel approach in conjunction with the group's diversified products, ensuring that Yuanta Securities Finance's agent services indirectly benefit.

(7) Long and short-term business development plans

Responding to fast-changing domestic and foreign economic and financial trends, and attempting to secure a competitive advantage in the securities finance market, Yuanta Securities Finance will focus on the following key services and development items in the future:

A. Short-term plans:

- (A) Solidify financing, upgrade margin trading balance and short sale market share, and achieve maximum benefit for the Company:

Take advantage of its nearly 85% market share of the agency market to embark on diversified operations including information and channel franchises, while blocking price cutting competition by rivals. This will boost Yuanta Securities Finance's share of the margin trading and short sale balance, and maximize performance of value-added services.

- (B) Stimulation of securities lending:

Upon the competent authority's allowance of two-way securities lending, TWSE securities lending center was added into Yuanta Securities Finance's channel for securities lending. Therefore, Yuanta Securities Finance secured wider channels for securities lending and more sources of securities. Therefore, its securities lending operations will be more active.

B. Long-term plans:

- (A) Develop secured loan operations:

Focus business on major shareholders, and investors who need access to funds. The sales objective is set as NT\$13 billion in 2018. It is expected that the objective will grow year by year.

- (B) Save operating expenses:

Save operating expenses to make such expenses stay less than 32% of the operating revenue, in order to stabilize the profit.

6. Yuanta Venture Capital

(1) Main business services

A. Provide capital directly to invested enterprises.

B. Provide corporate operation, management, and consulting services to investee enterprises.

C. Commissioned consultation on business administration.

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Equity in investee income recognized under the equity method	63,642	23.50	131,417	76.05
Income from disposition of available-for-sale financial assets	182,593	67.42	(13,420)	(7.77)
Income from disposition of financial assets measured at cost	-	-	(2,673)	(1.55)
Dividends revenue	24,606	9.08	50,368	29.15
Valuation gain on financial instruments	-	-	7,123	4.12
Total	270,841	100.00	172,815	100.00

(3) Business plan for the year

A. Achieve the annual budget objective

Yuanta Venture Capital has successively disposed of the investees of Yuanta Venture Capital and Yuanta I Venture Capital successively in 2017 to achieve the objective of budget.

B. Upgrade the ability to seek profit

The investment strategy in 2018 aims to upgrade the proportion of growing business year by year, in hopes of weighing core business and growing business equivalently. The investment strategies are stated as following:

Investment strategy	Selection strategy	Selected industry	Proportion in 2018	Proportion in 2019	Proportion in 2020
Core business (Core technology/matured market)	<ol style="list-style-type: none"> <li>1. Lower P/E ratio</li> <li>2. Reasonable dividend yield</li> <li>3. High liquidity (in the case of open trading market)</li> <li>4. Familiar with the company and the team</li> </ol>	<u>Internal</u> Electronic industry (software and hardware), manufacturing, automobile-related industry and chain restaurant <u>Overseas</u> Traditional industry: e.g. manufacturing (light assets primarily) Domestic demand: e.g. chain restaurant, consumer goods, recreational industry	70%	60%	50%
Growing business (Existing technology / pre-matured market)	<ol style="list-style-type: none"> <li>1. Leader in the field or scale of the technology</li> <li>2. Products or services have already been authenticated by the market.</li> <li>3. Lower risk</li> <li>4. Overseas market with higher P/E ratio</li> </ol>	e.g. AR, FinTech, e-commerce, Big Data, Internet of Vehicles, Smart Factory, Smart Family, high-rank medical devices, medical services, digital contents and management, and advanced materials, etc.	30%	40%	50%

C. Strengthen layout overseas and expand sources of profit

Integrate Yuanta Securities Finance's resources, actively develop investment projects, and raise the entire overseas investment proportions, and

prevent regional systematic risks. The areas planned to be invested within next three years are spread in the markets including Taiwan, Mainland China, Korea, and South East Asia. Please see the following:

Scope		2018(F) (Add)	2019(F) (Add)	2020(F) (Add)
Internal	Taiwan	35%	28%	20%
Oversea	China	32%	27%	20%
	Korea	10%	15%	20%
	South East Asia / others	23%	30%	40%
Total		100%	100%	100%
Projected total investment amount		NT\$700 million	NT\$700 million	NT\$700 million

#### (4) Industry overview

According to the 2016 questionnaire survey performed by Taiwan Venture Capital Association on the venture capitals in 2017, the overview of venture capital market in Taiwan is discussed in terms of domestic venture capital's financing status, investment status, invested industry, investment stages and invested territories:

##### A. Financing Status

In terms of the venture capital's financing status, 21 new venture capitals were founded in 2016, with the total capital amounted to NT\$6.866 billion. The number of new venture capitals increased by 3 from 18 in 2015, and the total capital increased by NT\$1.166 billion from NT\$5.7 billion in 2015. Apparently, the new venture capitals' total capital was increasing slightly in 2016, but has not yet recovered as usual.

##### B. Investment status

In terms of investment status, there were a total of 593 investment projects by venture capital in Taiwan in 2016, increasing by 67.51% from 354 projects in the previous year (2015). The total investment capital was NT\$15.85 billion in 2016, increasing by NT\$3.61 billion from the total investment capital, NT\$12.24 billion, in the previous year (2015). As far as the number of total investment projects is concerned, the number increased greatly in 2016 from 2015, and the investment capital increased too.

##### C. Invested industry

According to the statistics provided by the "Taiwan Venture Capital Association Yearbook", in 2016, the total invested value in the bio-tech and pharmaceutical industry became the largest (NT\$5.104 billion), and followed by the IT industry (NT\$4.293 billion), manufacturing industry (NT\$2.327 billion), culture and creative industry (NT\$1.493 billion), service industry (NT\$1.218 billion), venture capital industry (NT\$508 million), quality agriculture (including technology agriculture (NT\$454 million), and green energy and environmental protection (NT\$252 million). Compared with the invested industries in 2015 and 2016, apparently the bio-tech and pharmaceutical industry has been the primary industry invested by the venture capital business for two years consecutively. The



IT industry ranked 3rd place in 2015, while it was raised to 2nd place in 2016 and the investment capital thereof increased as NT\$2.423 billion (NT\$1.87 billion in 2015). The manufacturing industry ranked 2nd place in 2015. Though it ranked 3rd place in 2016, the investment capital was nearly no difference (NT\$2.27 billion 2015). Obviously, the venture capital business continued to invest in the bio-tech and pharmaceutical industry, IT industry and manufacturing industry primarily. Besides, the culture and creative industry, service industry and technology agriculture industry, which accounted for lower proportion of investment in the past, have been valued by the venture capital business in the recent years and the proportion of investment thereof increased year by year.

#### D. Investment stage

In terms of the investment stage, in 2016, the proportion of investment by the venture capital business at the following various stages is stated as following: Expansion (42.9%), Foundation (25.9%), Maturity (24.5%), Seed (6.5%) and Reorganization (0.2%). In 2016, the proportion of investment by domestic venture capital business at the earlier stages (Seed and Foundation) was about 32.4%, and that in 2012 was about 12% ~ 15%. Such consequence should result from the Government's policy dedicated to promoting the industrial innovation and creativity. To be in line with the creativity wave, the domestic venture capital business re-found the investment potential at earlier stages and, therefore, adjusted its investment model. As a result, the proportion of investment at the earlier stages increased until about 30% of the total investment capital.

#### E. Invested territories

According to said statistics, the investment behavior by territory in 2016 showed that the domestic investment was still the first priority, accounting for about 63.9% and almost equivalent to the proportion of investment in domestic business (65.9%) in 2015. For the territories outside Taiwan, the territories of Asia (including Mainland China, Hong Kong and Macao and other territories of Asia) ranked 2nd place, i.e. 14.9%, while Silicon Valley accounted for 0.4% declining from 2.9% in 2015. Notwithstanding, the territories of Europe accounted for 1.3% increasing from 0.7% in 2015. As, in the past, few capital or even no capital was invested in the territories of Europe, the increase in proportion of investment in Europe is observable.

#### (5) Research and development

##### A. Actively seek out and identify quality investment targets

Aside from seeking investment portfolio in Taiwan, Yuanta Venture Capital is also evaluating international opportunities.

##### B. Strengthen employee training

Yuanta Venture Capital will improve employee training and continue to refine its operational competence.

#### (6) Long and short-term business development plans

Under Yuanta Venture Capital's short-term business development plan, the Company will (1) upgrade its profitability; (2) increase the percentages of

investment in Mainland China, South East Asia and Korea; (3) focus investment primarily on such industries as IT industry, IoT industry, automobile-related industry, chain restaurant, consumer goods, high-rank medical device, medical service, AI, e-commerce and big data. Permanently, Yuanta Venture Capital will work hard to upgrade profit and achieve the objective for ROE more than 10%.

## 7. Yuanta Futures

### (1) Main business services

- A. Futures brokerage services
- B. Futures proprietary trading
- C. Futures consulting services
- D. Futures Settlement and Commissioned Settlement
- E. Concurrent engaging in proprietary trading of securities
- F. Concurrent engaging in securities trading supporting services
- G. Leverage transaction merchant trading system
- H. Other relevant operations approved by the competent authority

### (2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Brokerage service charge	2,733,061	93%	2,712,136	93%
Securities commission revenue	3,139	0%	4,425	0%
Fees from commissioned clearance and settlement services	82,514	3%	75,996	3%
Net gain from derivative instruments	59,338	2%	135,539	5%
Revenue from Management fee	49	0%	198	0%
Consulting fees revenues	15,826	1%	16,487	0%
Other operating revenues	39,448	1%	-23,780	-1%
Total	2,933,375	100%	2,921,001	100%

### (3) New financial products and services in development

#### A. Develop leverage transaction operations:

The Company offered foreign exchange margin trading (Forex) and the exclusive structured notes in the market and portfolios of TWSE stock options as of 2017 to make the differentiated market. With the strength residing in Yuanta Futures' leading brand, it provides customers and professional institutional investors with diversified channels for seeking profit and hedging.

#### B. Develop Hong Kong market:

The subsidiary in Hong Kong expanded its operations in May 2017, and was the first futures firm of Taiwan which acquired the 2nd-degree membership of Shanghai International Energy Exchange (INE) and launched into the investment

industry in Greater China. In 2018, it will continue to keep in line with Yuanta Financial Holdings' Asian Cup strategy to construct the subsidiary in Hong Kong to be the multinational, cross-market and diversified international trading platform dedicated to offering the product lines issued by the global exchanges in America, Europe, Australia, and Asia, deepen the financial market in Hong Kong, actively develop customers of Yuanta's overseas business locations, construct the multi-national trading platforms, fulfill the service entity economy, and provide investors with diversified options and satisfy their need for hedging.

#### (4) Business plan for the year

In 2017, Yuanta Futures continued its efforts in strengthening various management aspects, including upgrading of profitability of shareholders' equity, fulfillment of risk management, execution of proprietary services and brokerage objectives, and already achieved the various business objectives. In terms of financial performance, Yuanta Futures made a profit after tax of NT\$873 million in 2017, ranking 1st among professional futures firms, with an EPS of NT\$3.76 and an ROE of 11.92%. In terms of business performance, Yuanta Futures's futures brokerage market share was 21.71%, and options brokerage market share 14.61%. The market shares of said business lines all ranked 1st place in the market, leading in the same trade remarkably.

Looking forward to 2018, Yuanta Futures will still uphold the management philosophy "Transformation and Upgrading, Integration into Global Community". For innovation and optimization, Yuanta Futures will utilize FinTech to define new value of futures, and employ the integrated business including big data, AI and cloud computing and block chain technology, pursue breakthrough and innovation for new business lines, and continue to transform and optimize traditional business lines. It will also lead the others cross-border and cross-industry at the same time, with the aid from overseas business, integrate tangible economic service, and continue to grow stably with its solid financial position as back-up. The business plan to be boosted by Yuanta Futures in 2018 is highlighted as follows:

- A. "Secure market share and profit margin in the brokerage business", "Promote overseas futures sub-brokerage as the core business drive" and "Increase customers' margin AUM" to further develop domestic/foreign warrant products and secure the Company's market leadership in business and financial performance.
- B. Implement the "Asian Cup Hong Kong Futures Base Plan": The subsidiary in Hong Kong expanded its operations in May 2017, and was the first futures firm of Taiwan which acquired the 2nd-degree membership of Shanghai International Energy Exchange (INE) and launched into the investment industry in Greater China. In 2018, it will construct the subsidiary in Hong Kong to be the multinational, cross-market and diversified international trading platform dedicated to satisfying international investors' need for one-stop investment service.
- C. "Expand the scope of leverage transaction trading" to continue creating market differentiation service: The Company offered foreign exchange margin trading

(Forex) and the exclusive structured notes in the market as of 2017. With the strength residing in Yuanta Futures' leading brand, it provides customers and professional institutional investors with diversified channels for seeking profit and hedging, and leads the market based on its ability to develop products and innovate.

D. Boost the "Innovate financial development", including construction of Yuanta Advisor tied with AI to upgrade customers' service, and release of the universal smart resolution "Yuanta SMART API" to enable investors to invest based on the program language they were used to, irrelevant with platforms, in 2018. Meanwhile, develop the new APP and digital financial model ahead of the others in the same trade, and upgrade Yuanta Futures genius App's digital mobile service and integrate the domestic all trading systems and investment information.

E. "Optimize risk control" to deal with the changeable futures market, including enhancement of foreign subsidiaries' compliance and risk management, training of core sale representatives and upgrading of creative thinking ability, upgrading of the system performance to evade the risk and loss over the futures market disorder (loss of liquidity) and enhancement of information security to prevent hackers' invasion, etc.

#### (5) Industry overview

Unlike the Black Swan Events resulting in drastic turmoil in the market in 2016, the global economic environment was getting better and better in 2017, in which the futures market was considered stable. Notwithstanding, the international market trend was still affected by many contingencies. For the futures performance, the international crude oil price recovered stably in 2017 and the N1CL futures hit the highest record since the past one and a half year. For the metal futures, the livelihood metal price increased basically. Particularly, copper futures were booming as driven by electric scooters, in 2017. The opportunity for gold futures trading was also optimistic. Besides, the real-time information, such as stable supply and demand growth, also helped the trading increase.

Domestically, the total trading volume of TAIEX was NT\$265 million in 2017, also the historical record, and has been more than NT\$200 million for four years consecutively. There were a total of 1,739,050 futures accounts, higher than those in 2016. The most significant change should refer to the night trading offered by TAIEX as of May 15, 2017. Since then, the trading volume thereof already accounted for 10% throughout the whole year. It is expected that the futures market prospective should be optimistic and continue growing in 2018.

#### (6) Research and development

As the leading brand in the futures industry, Yuanta Futures has been dedicated to ethical, excellent, stable and creative management permanently. To be in line with the digital financial development trend, the Company also invested funds and human resources to upgrade the system and equipment, research and develop the customer-oriented "Yuanta Futures Smart Ecological Chain", offer multiple online

service functions, including the online subscribing securities investment consulting service agreement, online payment, cloud strategic platform, and online/offline program streaming, and tie with the “Yuanta futures genius APP” mobile order placing system self-developed by it to build the one-stop financial service and satisfy investors’ need for optimal financial experience. At the same time when Yuanta Futures developed FinTech, it paid more attention to risk management. The risk management information system constructed by it has already integrated different markets and financial instruments. Meanwhile, the risk model can satisfy various cross-market and cross-commodity complicated trading strategies as the strong back-up for the Company’s promotion of business development. Therefore, Yuanta Futures received the “Excellent Risk Management Award” and “Excellent Financial Innovation Award” of the SFI Award of 14th term in 2017, which signified the highly recommended achievement received upon its investment of resource and development result.

(7) Long and short-term business development plans

A. Short-term business development plans

- (A) Engage in the campus enhancement plan actively to train the talents dedicated to international business, and organize such large-sized projects as the international brokerage talent training class and “I.F. International Futures Elite Recruitment Campaign”.
- (B) Expansion and improvement of the brokerage service: Continue to improve and optimize various business indicators and create market differentiation service.
- (C) Support IB channel double-track promotion of domestic/overseas warrant operations, work hard to expand external partners, help subsidiaries deal with their customers through the program organized on its own, increase the market share, and exert the Group’s consolidated effect .
- (D) Work with TAIFEX to release new commodities, draft the business plan and adjust systems in order to provide investors with the most solid service.
- (E) Make the leveraged trading as the new engine for profit, employ the characteristics thereof in a flexible manner in the future, customize products, support development of industrial institutional investor business and provide customers with diversified channels for seeking profit and hedging.
- (F) Yuanta Futures’ futures consulting business owns the most excellent analyst team, which will communicate more excellent strategies to customers via such strategic platform as Yuanta futures genius APP to help the brokerage service grow stably and solidly.
- (G) Continue upgrading the Company’s management system: Integrate regulatory compliance, internal control & audit, corporate governance, and risk management framework to reduce operational risks.
- (H) Upgrade the existing strategic performance through such tools of AI of trading strategies, and utilize integration to build the AI trading strategic platform to satisfy the cross-market and cross-commodities risk management needs.

- (I) Utilize the trading technology related to proprietary trading to enhance asset management ability, and enhance the diversity and stability of investment portfolios based on multi-commodities and multi-strategies, and adjust the weight of strategy in a timely manner to mitigate market risk.

#### Ⓕ. Long-term business development plans

- (A) Construct Yuanta Futures (HK) to be the international trading platform and fulfill the service entity economy in Hong Kong as its hub to provide customers with more diversified investment visions and professional financial services.
- (B) The leveraged trading team works with Yuanta Futures (HK) to share the platform resources, and develop international business opportunities by developing customized products and providing differentiated services.
- (C) Extend and innovate the organization of the brokerage team, establish the i-Channel team integrating tangible and virtual channels by virtue of new products, new idea and new profit model and upgrade it to i-Channel 2.0, integrate multi-departmental resources to provide customers with highly interactive and active online service, and be dedicated to innovating and optimizing the team and business.
- (D) Utilize the risk management technology and specialty accumulated by Yuanta Futures, integrate resources of Taiwan, Hong Kong and Mainland China, develop the risk management information system, and develop the risk management technology consulting service and software sale operations. Legislative Yuan has passed the “FinTech Development and Innovative Experiment Act” after the third reading at the end of last year. Therefore, Yuanta Futures will research and develop FinTech products and services to integrate resources intensively, and be dedicated to developing new business lines.
- (E) Build excellent domestic / foreign talent pools and accumulate the Company’s human resource capital. Uphold the “Recruitment”, “Learning and Development”, “Performance management, compensation& benefit, motivation” and “Retention” policies, integrate various units’ strength and combine the Group’s resource and channel scale to become the international futures company.
- (F) Fulfill corporate social responsibility and feed back to the society actively; utilize the highly transparent financial and business status and strict corporate governance of a TPEX listed company to upgrade the internal management performance; continue optimizing service procedure and strengthen capital utilization, upgrade the operating and management ability, fulfill the Company’s internal control system and build the high-quality brand identity.

### 8. Yuanta Securities Investment Trust

#### (1) Main business services

##### A. Securities investment trust services

##### Ⓕ. Discretionary investment services

C. Securities investment consulting services

D. Futures Trust services

E. Other relevant operations approved by the competent authority

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Revenue from Management fees from Management fee	2,127,278	94.10	2,364,800	94.57
Revenue from service charges	7,410	0.33	3,724	0.15
Revenue from sale	99,919	4.42	108,601	4.34
Revenue from marketing reimbursement	25,246	1.12	22,001	0.88
Other operating revenues	683	0.03	1,553	0.06
Total	2,260,536	100.00	2,500,679	100.00

(3) New financial products and services in development

A. Product end:

(A) Apply the customer-oriented development and keep improving new products:

- a. Strengthen the fixed-income product lines and take the chance to offer substantial asset concept products.

Following the rapidly aged society in Taiwan, the fixed-income products became one of the most important investment products adopted by high-asset customers and (quasi-) retirement groups in the recent years. The related asset scale also grew by more than 10%. Therefore, Yuanta Securities Investment Trust will continue to enhance the development strength of fixed-income product lines. Looking forward to 2018, the investment research unit will carefully evaluate the global Macroeconomics and variables of interest and exchange rates, and take the chance to offer such quality products as high-interest/yield bonds and term bonds in Asia to perfect its fixed-income product lines and also enhance its fund scale and contribution to operating revenue. Further, the substantial asset product is one of the Company's niche-type products. Following the increasing global inflation, the substantial asset product lines, e.g. real property, infrastructure, agricultural products, gold and crude oil, are likely to be the highlights of product this year. Therefore, the Company will amplify the promotion of such products to be in line with investors' allocation need.

- b. Continue to improve and offer diversified index-type and ETF products (including futures trust):

Following the global economic recovery in 2017, which drove the raise of the global stock market, the Company still needs to carefully deal

with the market fluctuation resulting from the shift of risk-based assets in 2018. The index-type and ETF products consist of the two major products, namely “balance of stock and bond” and “interest/yield product”, in 2018. It raised the fund for offering the diversified bond ETF umbrella fund in January. Meanwhile, it offered the financial bond ETF of China Government as the first one domestically to extend the product lines to emerging market bond ETF and high-income bond ETF, or offer the preferred stock ETF to be in line with the need for asset allocation to satisfy the investors’ need for diversified fixed-income products. Meanwhile, in terms of stock ETF layout, the Company looks forward to the high concern and long-term fund investment upon inclusion of Class-A stock by MSCI and MSCI China A ETF is likely to be offered. Meanwhile, perfecting the Smart Beta product lines is also a point of the Company’s offering. The Company will continue to apply the stock screening high-quality factor emphasized by Smart Beta in 2017 and take the chance to compile the information about high-interest and low-fluctuation index in other regions together with Taiwan Index Plus Corporation.

(B) Weed out the weak and retain the strong to upgrade the operating effect:

At the same time of offering new products, Yuanta Securities Investment Trust also weeded out the weak and retained the strong among the old funds without delay. In 2018, it will target 5~10 weak funds which are less than the economy scale or for which the market demand is shrinking for consolidation by type and nature or other planning, in order to strengthen the competitiveness of existing products and upgrade the mid-end and back-end operating effect and output value per capita.

B. Mechanism end:

(A) Enrich ETF AI smart platform and develop new customers:

Yuanta ETF-AI smart investment platform is the first diversified ETF investment strategy platform in Asia. The assets traded on the platform cover stock, bond, commodity and foreign exchange. The investment orientations include the criteria to identify bull and bear index trend in the market, which may analyze the market more objectively and satisfy each investor’s risk attribute, trading preference and investment need. For the time being, Yuanta ETF-AI smart investment platform functions and the functions and mechanism to be added this year are stated as following:

Functions	Supply of services
ETF Investment strategy	Provide investors with suggestions about investment rapidly based on analysis on the market events, fundamentals and technologies
Index map	Compile the database about Macroeconomics, index and ETF upon optimization to provide



Functions	Supply of services
	investors with the environment available to independent research and inquiry
Educational columns	Write the educational copywriting about finance and ETF periodically and in a more direct way to continue deepening investors' education
Long-term investment portfolios (Not applicable yet)	Integrate the quantitative and machine learning algorithm technologies, provide the optimal investment portfolios per investors' risk attributes and trading preference, and adjust the investment portfolios from time to time
Backtesting of systematic investment plan (Not applicable yet)	Provide the backtesting of performance of the systematic investment plan for index and ETF
Others	Integrate the other e-commerce development plans of Yuanta Securities Investment Trust (e.g. Currency, salary, wealth management)

(B) Fund encashment application mechanism:

The Company will connect with ETF-AI smart investment platform to locate the “flow of people”, and launch into the “cash flow” mechanism by offering the monetary market fund which may be realized easily and generate stable return and integrating such applications as online account opening and e-pay. In 2017, the Company has successfully worked with the custodian bank to create the new product and acquired the invention patent for the “fund consumption system”. Upon lifting of the laws and regulations, the Company linked with the e-pay service providers to develop the new market in the new millennium century from the routine wealth management service. The official website platform also linked with the securities service supplier via its “salary management” service to provide active employees and existing customers with the APP to integrate the scenario in life, expand application areas, and upgrade the identity of differentiated services.

C. System end:

(A) Mobile network integration (including App revision):

Based on the mobile application platform and for the purpose of collecting data, construct customers' picture in terms of customers' behavior and fulfill KYC to provide the standard response and prevention mechanism; in 2018, the Company will particularly focus on the response by social communities and multi-media, and will analyze and compile the data of its own customers, introduce external data and response analysis step by step, construct the 360 degree analysis system for customers' basic label, participation in activity, purchase of product, interaction, asset status and tools to introduce each interactive circle into the KPI follow-up, and realize the precision marketing and execution of budget based on the mobile platform.

(B) Foreign currency debit mechanism:

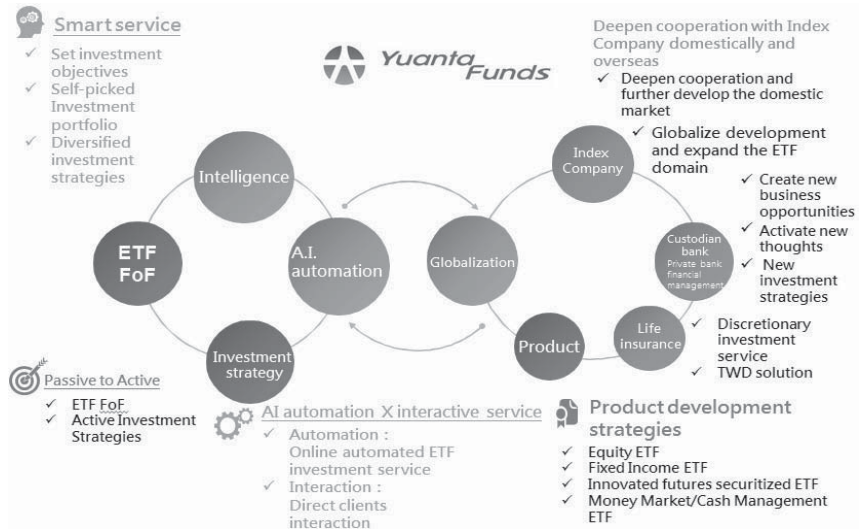
Develop the cross-border asset management as a notable doctrine, and also develop the foreign currency version for fund and currency operations by integrating the one-stop product lines including currency, bond, commodity and substantial assets, extending T+0 day to T+2 day and even T+5 day foreign currency application product line; therefore, the Company will work with Financial Information Service Co., Ltd. to offer the foreign currency debit mechanism in 2018, and then work with the custodian bank to create the cross-border pay application scenario, and then pursue the increase in cash and foreign exchange operations to upgrade the income of product lines in the monetary market and to strengthen customers' loyalty and differentiation.

(4) Business plan for the year

A. Diversified assets resolution:

Yuanta Securities Investment Trust's complete product lines consist of the general currency fund, bond fund, balanced fund and stock fund, in addition to stock ETF, bond ETF, commodity ETF and foreign exchange ETF for ETF and futures fund product lines, and it also invests in leverage/leverage inverse products and, therefore, to make its products diversified and more complete. Considering that investors' investment might be tied up or it was impossible for them to secure valid fund clearance motions due to the market factor or personal factor in the past, Yuanta Securities Investment Trust's diversified portfolios and multiple mechanism may provide investors with diversified asset resolutions to meet their investment need and purpose.

In order to exert the diversified asset resolutions more effectively, so far, the Company has owned FinTech interest/yield product family, fund and currency operations, salary and wealth management, ETF-AI smart investment platform, and the cross-industry cooperative Uni-life APP; following development of FinTech, the Company will be able to provide different groups with the fund utilization resolution by integration of products and various easy mechanisms and by AI, intelligence, diversified development of investment portfolios, globalization and expansion of cooperative width to upgrade the investors' profit opportunities and investment channels.



### B. New fund offering planning:

#### (A) Futures trust products:

Crude oil and gold futures trust products were offered in the past. Notwithstanding, the investors aim to trade futures as stock in the future after participating in the commodity market via ETF. In 2018, the future trust product will plan to offer white silver, or introduce new ETF types.

#### (B) ETF products:

The domestic ETF products have been getting saturated. Therefore, in addition to arranging complete product lines, the Company also needs to satisfy customers' need for investment. Considering that Taiwan nationals prefer income products, the Company will plan to offer diversified bond umbrella ETF, including China government bond, US government bond and investment-grade corporate bond. China stock market is one of the markets which the investors are familiar with and prefer to participate. MSCI included China Class-A stock into the index last year and, therefore, MSCI China Class-A stock ETF will be offered to meet the investors' need.

#### (C) Active product:

Given the optimistic evaluation on the global stock and bond markets and potentially accelerated inflation, such substantial asset stock as the REITs benefited from the inflation concept, infrastructure and commodity are held having a bright future. This year, the Company will offer substantial multiple asset fund, or take the chance to offer the excellent high-interest/yield bond and term bond in Asia to meet the investors' need for income.

### C. E-commercial (including ETF-AI smart investment platform) development:

(A) Introduction of the digital management mechanism will be the point of the e-commerce reformation this year. The Company will integrate and analyze the data of such channels as official website, mobile network, FB, Line@, email and customer service system, etc., and then combine them with the follow-up

and interactive record for marketing activities and product sale to build the new e-commerce ecology, fulfill the customers' management and build the e-commerce infrastructure.

(B) Yuanta ETF-AI smart investment platform will combine the O2O marketing model. In other words, it will combine the existing e-commerce resources, channel cooperation and external cooperation to promote its business:

Existing e-commerce resources	Yuantafund, FB fan page, FundTech App, and Line
Channel cooperation	Work with securities firms and banks across the platform to fulfill expansion of customers and tradability of ETF.
External cooperation	Colleges and universities, and other e-commerce platforms (e.g. cnYES, MoneyDJ and StockFeel)

D. Activate systematic investment plan:

The systematic investment plan is able to activate the source of long-term stable scale. Upon transformation of external channels into wealth management operations and consolidation of funds, the Company needs to develop new customers via digital platforms and also strengthen the relationship with the existing tangible customers and upgrade customers' debit amount and frequency as its first priority. Meanwhile, the Company will combine the ETF AI mechanism to introduce the smart asset management mechanism step by step, and then include the claim for cash management, retirement management and income/yield products to replace the business model recommended by the product with the need for function. Further, upon amendments to the investment trust and investment consulting laws, the investment trust platform will work hard to introduce the ETF systematic investment plan operations, build its ETF customers and recommend the integrated package of active and passive products to its own customers to distinguish its model from the model of performance and price competition with the others adopted in the same trade.

E. Guidance or maintenance of investees' business:

Continue to help CR Yuanta Fund Management Co., Ltd. reinvested by Yuanta Securities Investment Trust in Mainland China (hereinafter referred to as "CR Yuanta") operate and develop its business, follow up the business development and operating performance of CR Yuanta, and participate in CR Yuanta board of directors, shareholders' meeting and board of supervisors to fulfill the responsibility to supervise and manage as a shareholder. Meanwhile, in order to solidify the relationship with CR Yuanta, Yuanta Securities Investment Trust dedicated unit will hold the meeting for exchange of information about risk control laws and regulations periodically to proceed with the two-way exchange of opinion on risk events and significant sanctioned cases in Mainland China, so as to upgrade Yuanta Securities Investment Trust's awareness toward the market risk and control the information about development of the same trade in Mainland China. Yuanta Securities Investment Trust's related units also take advantage of its experience in asset management for so

many years to feedback related suggestions or opinion to supervise the risk management and compliance of CR Yuanta.

#### (5) Industry overview

- A. In 2017, the global stock market soared and the investors' preference risk increased. As a result, large fund flow into stock and assets and thereby drove the onshore fund scale amounting to NT\$2,318.5 billion, increasing by NT\$195 billion yearly, i.e. 9.18%, the second highest increase rate since 2010. Among other things, the stock increasing by more than NT\$10 billion yearly included multi-national stock (increasing by NT\$99.7 billion yearly), multi-national index stock (increasing by NT\$66.1 billion yearly), multi-national bond (increasing by NT\$40.6 billion yearly), high-income bond (increasing by NT\$34.9 billion yearly) and multi-national portfolio balanced stock (increasing by NT\$11.8 billion yearly). Notwithstanding, under the circumstance that Taiwan stock price hit the record, the domestic stock kept declining because the investors took profit or turned to adopt more conservative investment policies. Besides, some fund flow to domestic index stock. Therefore, the domestic stock increased by only NT\$7 billion yearly. Looking forward to 2018, the global economy and energy price are both recovering, and the inflation tends to be increasing. Given the upcoming inflation, the substantial multiple assets, raw materials and supplies of products or multiple asset layout are still investors' first priority.
- B. Benefited from the theme funds successively offered in the same trade (e.g. Preferred stock, sport and medical treatment, etc.), the scale of multi-national stock fund increased by 32.3% (by NT\$99.7 billion yearly). The scale of the rising star last year, term bond, also increased by NT\$25.1 billion. It is expected that the term bond will still be the most popular in the same trade. The domestic/foreign ETF scale increased by NT\$333.2 billion, also hitting the record historically. Therefore, it is expected that the scale will keep increasing in the same trade and a fierce competition period is inevitable. In 2018, it is expected that the US bond interest rate will increase and thereby render disadvantageous impact to the bond market. Instead, the stock market in Asia is expected to be growing optimistically, and the substantial asset or commodity market benefited from the inflation and economic recovery as well.

#### (6) Research and development

##### A. Growth of joint venture in Mainland China:

CR Yuanta Fund Management Co., Ltd. Jointly ventured by Yuanta Securities Investment Trust and China Resources SZITIC Trust owned the public fund management scale amounted to about RMB3.2 billion and the scale of its exclusive account and subsidiary dedicated to the operations amounted to RMB23.1 billion, until the end of December 2017. Its products covered equity, fixed income, index and structured types. This year, it will continue to promote the customer-oriented products and also plan to offer the seed fund, continue improving the active management performance, and re-build the small-sized fund optimization strategy. CR Yuanta plans to satisfy the need of related customers of China Resources Group by diversifying the sale channels to urge

its operating scale to grow. Meanwhile, it will reserve professional talents, reorganize the team structure, and strengthen the risk identification mechanism to create the asset management scale and stable profitability growth.

B. Upgrade active performance of Taiwan stock:

To upgrade the active performance of Taiwan stock, the Company will focus on the three major orientations, including “Selection of Excellent Target, Upgrading of Effect, and Mitigation of Risk”. Firstly, interview the target which controls the fundamentals and operation precisely, and then pay intensive team visits to the highlighted target again to research the fundamentals thoroughly and conduct in-depth discussion to precisely control the industrial trend variations and select excellent investment portfolios. Secondly, in order to avoid wasting resources, it will fulfill the target of the core investment portfolios precisely, including the team heavyweight stock and MP target management to make the team’s major investment thoughts consistent, upgrade the personal contribution and enhance the team’s capability. Thirdly, in order to mitigate investment risk, it will strictly control the investment target with poor liquidity, few market value and minimum Roe.

C. Planning for ETF innovation and export of ETF technology:

(A)ETF innovation:

Yuanta Securities Investment Trust led innovation of ETF products in Taiwan. It will take the chance to offer MSCI China A ETF and also try the diversified ETF including preferred stock and high-income bond, etc., if necessary. Perfecting the Smart Beta product lines is also a target to be developed this year. In consideration of the investors’ needs for allocation of dividend and high-dividend factor, the Company will compile the information about high-interest and low-fluctuation index in other regions together with Taiwan Index Plus Corporation. Meanwhile, futures trust ETF innovation is also a point of Yuanta Securities Investment Trust’s development. It will still plan to offer white silver, or introduce new ETF types in the future.

(B)Planning for export of ETF technology:

Yuanta Securities Investment Trust’s ETF asset management technology has transcended many countries in Asia. In addition to developing the market in Taiwan, Yuanta Securities Investment Trust index and quantitative asset management team keeps upgrading its ability to research and develop ETF investment, and expanding the market in Asia by exporting the ETF technology and constructing international platform.

Yuanta Securities Investment Trust hit the history of the fund industry in Taiwan for acting the ETF technology advisor of Thailand Asset Management Company since 2010. It has helped the offering of 8 ETFs in Thailand, accounting for 50% of the total 16 ETFs in Thailand. In 2016, the Company worked with the leading provider of index products in Korea, “Mirae Asset”, together with TWSE and Korea Stock Exchange (KSE) to

develop the “Taiwan-Korea Connection” Project. Both fund companies offered the ETF circulating in each other’s market. The Company continued to promote the ETF technology and successfully launched into the international market from Taiwan.

Additionally, Securities and Futures Commission, Hong Kong allowed the asset management service providers to offer leveraged and leveraged inverse ETF in 2016. At the beginning of 2015 when the Commission allowed the offering of leveraged/leveraged inverse ETF structured with Hong Kong index, the Company entered into the ETF technical consulting service agreement with E Fund (HK) Management Co., Ltd. immediately to act as E Fund’s ETF technical consultant for Hang Seng Leveraged 2X ETF and Hang Seng Leveraged Inverse 1X ETF. So far, the management scale has accounted for 10% of the total scale of 27 funds offered locally.

Yuanta Securities Investment Trust also extended its business to Hong Kong and worked hard to promote the ETF development performance, and attracted the competent authorities of the other countries in South East Asia to concern the ETF market development. Kuala Lumpur Stock Exchange/Bursa Malaysia (KLSE) also invited Yuanta Securities Investment Trust and the local asset management service providers to research related ETF consulting services, exchange opinion with each other and explore the possibility for ETF innovation and development. Yuanta Securities Investment Trust worked hard to layout its business in the market of South East Asia. In the future, it will extend its business to such leading countries in Asia as Indonesia and Malaysia. Then, when it just happens that way, the Company will become the focus again.

(C) Planning for investment consulting cross-industry cooperation:

In the past, the ETF was primarily sold by securities firms’ channels. In the future, the Company wishes to strengthen the cooperation with banks’ channels, and work with banks to achieve the following results via the existing ETF-AI smart investment platform and by combining the active and passive ETF development:

a. Work with important channels to create the new ETF strength altogether:

Considering that domestic banks have successively developed robo-advisor operations, the Company wishes to combine the banks’ robo-advisor operations to expand the business opportunities for sale of ETF via banks’ channels, so as to increase beneficial owners and also promote the scale growth again and create the new ETF growth strength.

b. Bring the new chance for ETF portfolio fund

The Company expects to promote the business opportunities for sale of ETF and also include the ETF portfolio fund. As the management expenses of such fund are higher than those for ETF, the incentives to banks for sale of such product will increase. Meanwhile, the role played by ETF in investment and wealth management and the planning for

allocation of assets help more potential customers understand the strength of investment in ETF and thereby help create more new chances.

(7) Long and short-term business development plans

A. Short-term business development plans: Integrate four flows and re-create a new situation

(A) Money flow integration: In order to expand the money flow to satisfy the wealth management, realize encashment of fund and fundization of cash, the Company may utilize the monetary market fund with fair liquidity, as such fund accrues interest on a daily basis and helps exert the effect of increase in cash. In order to enhance the strength of promotion, the Company needs to expand retail investors, or work with a third party payment platform to provide the channel with interest or solicit for small fund from banks, etc. Meanwhile, in addition to the interest spread, investment in foreign currency fund also has the strength for foreign exchange difference as the best channel for clearing idle fund. To be in line with the FinTech trend, Yuanta Securities Investment Trust provided the tailor-made “Currency App”. The investors may convert the assets denominated in USD, RMB and AUD easily via the simple interface, with lower trading cost and more convenient application than those of the foreign exchange by the investors at bank personally. The Company offered the first bond ETF, ahead of the others, in the same trade last year. In order to activate the participants of bond ETF, the bond ETF may serve as one of the targets for RP. Besides, the monetary market fund may be invested in RP and might create a new booming situation.

(B) Business flow: The marketing of a good fund needs assistance from a powerful channel. Therefore, the Company adopts the strategy to operate the channels externally and internally at the same time. That is, the Company deepens the cooperative relationship with the Group internally and strives for the chance to offer the fund externally at the same time, and may even target and work with strategic cooperative channels or custodian banks to engage in more diversified cooperative development (e.g. promotion of fund, systematic investment plan and ETF strategy, etc. as the major products). Via the powerful remarketing systems, the Company has the chance to transform characteristics funds to flagship funds. ETF portfolio funds refer to the unique product offered by Yuanta Securities Investment Trust. As the leading company engaged in ETF business, Yuanta Securities Investment Trust will enhance the performance of ETF portfolio funds with its solid specialty, and work with important channels to offer the product. Above all, the banks’ channels will fill the gap in ETF sale and may have the product compete with the others’ portfolio funds in the same trade, so that better products have the chance to be favored by the market.

(C) Logistic flow: Orient the products toward customers’ need, continue to develop innovative or new products; upon completion of the ETF components, the next step will focus on the investment application of ETF components, and provide ETF investment resolutions by researching and



drafting different strategies. The futures trust products combine active, passive and automated operating models to create diversified investment options. Last year, the Company offered the first foreign exchange ETF ahead of the others in the same trade. The product is traded via securities firms, closely related to Forex market quotation. Offering of the foreign exchange ETF can result in integration of Forex people, stock people, fund people and futures people. Therefore, the management philosophy about Forex may extend from the money flow and business flow to the logistic flow and solidify the investment structure to enable the investors to take responsive actions more rapidly and better the asset allocation and risk management. Besides, the stock and Forex markets of Mainland China outperform remarkably. Driven by such advantageous factor as inclusion of RMB into official reserve assets of Germany and France, the Company will research offering of the ETF to give the investors the chance to participate in the growing bull market.

(D)Information flow: The Company offered the ETF-AI omnibus smart investment platform as the first one in Asia in December last year. For the time being, it will perfect the service interface by strengthening the ETF smart platform. The next stage development point will combine the active and passive operations to provide the information and service related to well-founded logistic flow, in hopes of providing the logistic flow, information flow, money flow and business flow via the ETF-AI smart investment platform. Then, the investors' need for diversified investment may be satisfied via the one-stop service available on the platform, and the platform may provide customized investment strategies, helping customers and Yuanta Securities Investment Trust positively. Further, there are more than 260,000 beneficial owners of the investment in ETF. The Company may combine the business flow and logistic flow to promote good products to the right people and realize the purpose of devoting itself to provide customers with wealth management services.

Ⓕ. Long-term and mid-term business development plans:

(A)Upon completion of the establishment of ETF-AI smart investment platform, the Company may amplify the strength of promotion to have more retail investors or ETF beneficial owners join the platform to make the ETF-AI smart investment platform prevailing. Notwithstanding, the Company never stops meeting customers' need as its objective. In the future, the ETF-AI smart investment platform will combine intelligence, AI automation, interaction and globalization, etc. to become the best investment tool for members and also create a new revenue model for the Company. Then, the good service mechanism may work with life insurance business and custodian banks or other channels to create new investment opportunities, activate new product thoughts, provide new investment strategies and found the new ETF ecology.

(B)By building the omnibus ETF smart platform and locating “people” via the platform, the Company may build the member group with high loyalty through its long-term hardworking and provide value-added and differentiated premium services subject to investment banks. This will help growth of the ETF scale positively. The recommended products extend from ETF to such diversified types as cash management, stock, bond and ETF portfolio fund. Finally, the omnibus ETF smart platform may realize the idea about active+index one-stop trading service. Therefore, the Company can not only build its precious members but also upgrade the scale and even change the investment trust revenue ecology (management fee and fee splitting). Then, the Company may work with Yuanta Securities to place order for the ETF and, therefore, strengthen the close cooperative relationship between up-stream and mid-stream suppliers of the Group’s own channels.

(C)At the same time of business growth, Yuanta Securities Investment Trust also values the human resource training. Meanwhile, it hopes to break through the conventional standing. Therefore, in addition to product innovation, Company management, HR management and customer service, it will also find the way to innovate the operations under limited opportunities, limited resources and limited exposure of laws and regulations.

## 9. Yuanta Asset Management

### (1)Main business services

- A. Acquisition and disposition of secured NPL by financial institutions
- B. Acquisition and disposition of non-secured NPL by financial institutions
- C. Succession to and auction of real property
- D. Other relevant operations approved by the competent authority.

### (2)Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Disposition of NPL	368,190	93.24%	400,981	96.02%
Disposition and lease of real property	26,712	6.76%	16,628	3.98%
Total	394,902	100.00%	417,609	100.00%

### (3)New financial products and services in development

Considering that the competent authority has approved and adjusted some business lines that may be undertaken by AMC in 2017, the Company has started to research the relevant operating model. For the time being, Yuanta Asset Management still values the acquisition and integration of creditor’s right and right of things:

#### A. Acquisition and integration of creditor's rights

With Yuanta Asset Management's professional core competency, it will primarily proceed with the integration relying on the completeness of debt and single large debt to create the potential value of integration of credit and debit. For NPL management practical operations, debtors are frequently troubled and restricted by tremendous and complicated debts. If Yuanta Asset Management will, with its expertise and practical attitude, move in the direction of debt integration, under well-founded plan, professional negotiation, and sufficient funding.

#### B. Acquisition and integration of right of things

Yuanta Asset Management will start from the integration of creditors' rights secured by real estate valuable for development and make improvements on real estate where appropriate to create gains. Most of the collaterals required by financial organizations refer to real estate. However, it is frequently impossible to dispose of the same amicably subject to different banks or creditors and, therefore, the potential value cannot be exerted or the realized price depreciates drastically. Therefore, if by integrating creditor's rights and then integrating real estate, added value of the real property will be increased accordingly.

### (4) Business plan for the year

#### A. NPL plan

##### (A) Refine secured cases

Improve the existing traditional method, and flexibly utilize diversified approaches to seek income, and seek the most advantageous models after reviewing each case carefully. By means of court auction, sale of creditor's rights, bid and debt clearance negotiation.

##### (B) Fulfill the management of non-secured cases

Given the restrictions imposed by the competent authority on NPL released by financial organizations, there is almost no NPL bids offered in the market now. Yuanta Asset Management will move forward to delicate management to achieve the annual objective. Operate in coordination with objective management, warehousing management, performance management, and audit operation.

##### (C) Bidding and disposition of real estate

- a. Yuanta Asset Management will decide to take part in the bidding for real property in the auction market in a timely manner subject to the rate of return and increment value of the property.
- b. Yuanta Asset Management utilizes the decoration, lease income and value-added improvement.

#### B. Diversified business models

Yuanta Asset Management will be oriented toward multiple developments, transform the traditional one internally and turn to the model of diversified

income. Externally, it will strive for offering of domestic and foreign asset management services and research the operating model for new business lines.

#### (5) Industry overview

Due to the fact that the competent authority requires various banks that unless in the case of NPL more than 3%, sale of NPL will be forbidden. If it is the case, AMC will reduce the sources of acquisition of NPL sharply and the room for profitability will be reduced accordingly. Given this, the competent authority has approved (e.g. Investment in urban renewal service providers and public tender offer by government entities) and adjusted (allowed to act as the enforcer of urban renewal) the business lines, in part, for the future operation of AMC invested by Yuanta Financial Holdings and Yuanta Bank on December 29, 2017.

For the time being, the domestic leading AMCs are primarily engaged in the bidding for real property in the auction market. To deal with the yearly shrinkage of NPL release in the financial market as a whole, AMC will move in the direction of greater diversification in terms of business development in the future.

#### (6) Research and development

##### A. Research and evaluation of court-auctioned real estate

Yuanta Asset Management shall participate in the bid for court-auctioned properties and acquire collateral secured under NPLs in a timely manner, subject to the real property trend. It bid the court-auctioned properties with investment potential.

##### B. Research and evaluation of urban renewal cases

Evaluate the reconstruction or renovation required under the Urban Renewal Act and Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, or of unsafe buildings or sea-sand house; select the investable real property of which the owner requires integration within short time limit or reconstruction, or is willing to accept reconstruction.

##### C. Debt and collateral consolidation

Yuanta Asset Management will start from the integration of creditors' rights. It will expand into the improvement of right of thing and create potential value for creditors' rights and property rights so as to generate the best possible profits for the group.

##### D. Future plans

Yuanta Asset Management will continue developing bids for court-auctioned properties, public tender invited by government entities, urban renewal cases (including unsafe and old buildings) and NPL market, keep in touch and communicate with the competent authority fairly, and research any potential products and services as the Company's long-term and mid-term business development.

For the time being, it is researching extension of peripheral business based on NPL and court-auctioned properties, in hopes of enhancing the drive for new

products and services with its existing experience, technology and human resource and by integrating the Group's plentiful resources.

(7) Long and short-term business development plans

A. Short-term business development plans

(A) Achieve the annual financial budget objective

(B) Deepen disposition of existing assets

(C) Fulfill management of NPLs

(D) Expand disposition of the NPL, fulfill the effective management of contract of non-secured cases and centralized warehouse management, and increase the speed for access and number of cases executed by courts, in order to achieve the existing objective.

(E) Assessment on auctioned real property

B. Long-term business development plans

(A) Support the financial holding group's need, provide the assessment on real estate and select the best assessment report on real estate.

Yuanta Asset Management has engaged in processing secured NPLs primarily. Therefore, it is very experienced concerning assessment of real estate collateral and disposal of the collateral. With its experience in real estate, it expects to provide various subsidiaries of Yuanta Financial Holdings with a consultation platform for bidding, assessment and planning of real estate and activation and management of property, and then participate in development, improvement and addition of value of real estate together.

(B) Communicate with the competent authority to develop new business lines:

In the future, Yuanta Asset Management will continue to communicate with the competent authority to seek the new business lines, which meet AMC, so as to enable Yuanta Asset Management to manage more diversified business lines.

(C) Be in line with the Group's entire planning and help participation in new business lines:

In recent years, various financial organizations have been in line with the government's financial liberalized and internationalized policies and have provided assistance to meet the need for overseas development. Yuanta Asset Management will also be in line with the Group's internal business planning, help the Group with development of new business lines overseas, innovation and sale of financial instruments, and verification of the supervision highlights, related laws & regulations and risk control of the supervision authorities in various countries, in order to upgrade Yuanta Financial Holdings' competitiveness overseas.

10. Yuanta Securities Investment Consulting

(1) Main business services

A. Securities investment consulting services

Ⓕ. Other relevant operations approved by the competent authority.

(2) Revenue breakdown

Unit: NT\$1,000; %

Item \ Year	2016		2017	
	Operating revenues	Percentage (%)	Operating revenues	Percentage (%)
Consulting fees revenues	213,917	98.61	206,684	100.00
Periodical revenue	6	0.00	4	0.00
Revenue from discretionary investment	3,022	1.39	0	0.00
Total	216,945	100.00	206,688	100.00

(3) New financial products and services in development

Yuanta Securities Investment Consulting has secured the offshore fund consulting business and consulting business about securities traded in Hong Kong securities, Shanghai securities, Shenzhen securities, New York Securities, NASDAQ securities, and NYSE Amex markets. It will continue to expand the scope of research and analysis on individual securities in various exchange markets.

In order to deal with the FinTech development and diversify operations, Yuanta Securities Investment Consulting continues to develop mobile communication software to provide theme investment portfolios. Going forward, the investors may select the investment portfolios offered by Yuanta Securities Investment Consulting exclusively online for reference.

(4) Business plan for the year

A. Online signing of securities investment consulting service agreement

To be in line with the e-commerce development trend, FSC had allowed the customers of securities investment consulting services to sign the securities investment consulting service agreement online. In April 2017, Yuanta Securities Investment Consulting allowed customers to sign in writing and in an electronic form to help its business development.

Ⓕ. The research and analysis are precise and rigid, and provided in Chinese and English versions to offer domestic/foreign customers with more excellent services.

Yuanta Securities Investment Consulting aims to ensure that its industry and company research attain the international standards. It provides domestic/foreign customers with company reports, industry/topic reports, overseas stock comments and macroeconomic reports covering domestic TWSE/TPEX listed companies and targets traded in overseas securities markets in Chinese and English versions. In the future, the Company will continue to expand the scope of research on individual securities and expand securities consulting services overseas to be in line with the Group's overseas layout.

Meanwhile, Yuanta Securities Investment Consulting has built the asset allocation models and worked hard to upgrade new researchers' competency for analysis to meet different customers' needs. Yuanta Securities Investment

Consulting adjusts the format and contents of the research reports regularly to meet the need for business expansion from the Group's units and help the Group hedge against the risk over loan/stock lending to enhance loan quality.

C. Increase services provided to and communications with customers

Arrange for interactions with customers regularly through speeches, educational trainings, presentation conferences or industry forums, continue to increase services provided to and communications with customers, and actively organize seminars for high net worth investors or high- turnover customers per the customers' need.

D. Upgrading of the international publicity

In 2017, the Company was once again honored "No. 1 for Best Overall Country Research in Taiwan" by the internationally renowned financial and economic magazine, Asiamoney, and won 20 research analyst awards in the territories of Taiwan. Apparently, Yuanta Securities Investment Consulting's research team was recognized positively. The team's high-class research reports and quality were also well recognized by all sectors.

The Company hopes to maintain such honors as it moves forward. Notwithstanding, at the same time when further developing the market in Taiwan, the Company also expects to integrate with the Group's overseas business to upgrade the Company's publicity internationally through the multinational research cooperation following localization of the Group's overseas layout.

(5) Industry overview

Securities Investment Trust & Consulting Association of The R.O.C. has enrolled a total of 84 members only until the end of 2017, the lowest since 1997. Seventy-four members came from the investment trust industry, trust industry, securities firms, and futures securities concurrently engaged in securities investment consulting business. According to the analysis on operations, there were 19 investment consulting enterprises engaged in the general agent of offshore funds, and 18 investment consulting enterprises engaged in discretionary investment business.

Following the development of FinTech, the FSC will continue to encourage the FinTech in 2018. Yuanta Securities Investment Consulting will provide more personalized investment services to customers via the innovative FinTech platforms or systems.

(6) Research and development

A. Research team

Yuanta Securities Investment Consulting possesses numerous researchers experienced in the analysis of industries and individual stocks. Apart from continuing to pass on skills to assistant researchers, it will also keep upgrading the competency of the entire research team through asset allocation models. Meanwhile, Yuanta Securities Investment Consulting will continue to support the Group's related business and develop externally to seek customers other than

the Group and boost customized educational training programs and securities investment consulting services.

Ⓔ. Digital service

Following the mobile communication, big data and cloud technology trends, in order to upgrade consumers' convenience and satisfy customers' diversified needs, the Company will continue to build the mobile communication software dedicated to providing the real-time market information and combine the theme investment portfolios. Going forward, the investors may select the investment portfolios offered by Yuanta Securities Investment Consulting exclusively online for reference.

(7) Long and short-term business development plans

In order to be in line with the Group's financial digitalization, Yuanta Securities Investment Consulting will implement the following development plans in the future:

A. Digitalize the existing business to upgrade the efficiency of services provided to domestic/overseas customers.

Ⓔ. Design and develop the mobile App exclusive for Yuanta Securities Investment Consulting.

Looking forward to 2018, Yuanta Securities Investment Consulting will continue to provide customers with omnibus services. With respect to the TWSE/TPEX companies, industries, offshore fund consulting business and professional educational training programs, the Company will uphold the most professional and diligent attitude to secure real-time market information for customers, provide well-founded evaluation and fund planning, and create the maximum satisfaction and value for customers. In addition to the Group's existing clientele, the Company will also work hard to deal with other corporations to expand the targets of its service, enhance the quality of service to customers, and orient itself toward a diversified client base, in hopes of becoming a securities investment consulting company that the investment institutions will choose as their first priority.



## II. Cross-Selling and Joint Marketing

In order to increase the standards of management for joint marketing data in the Yuanta Financial Holdings Group, all subsidiaries must use and share information in accordance with the Confidentiality Measures for Customer Data of Yuanta Financial Holdings Group. The group relies on cross-selling between its marketing channels, sales offices, and personnel to achieve better integration, satisfy customers' varied needs, and increase the group's overall service and sales performance.

## III. Market and Business Overview

### (I) Territories where the main products (services) of financial market are sold (provided)

Main products (services) of financial market	Territories
Banking services (Including deposits, loaning, credit card, foreign exchange and trust business, etc.)	Taiwan, Hong Kong
Securities services (brokerage, proprietary trading, underwriting and financial instruments)	Taiwan, South Korea, Hong Kong, Thailand
Securities finance services	Taiwan
Futures services	Taiwan, Hong Kong
Investment trust business	Taiwan, Mainland China
Life insurance business	Taiwan

### (II) Future supply & demand in the market

Looking forward to 2018, it is expected that the investment and consumption by advanced economies should be able to drive mild economic growth, allowing a normalization of monetary policy. Emerging markets are expected to continue recovering due to the stable raw material and supply prices and investments in infrastructure. IHS Markit forecast in December 2017 that the global economic growth rate would be roughly equivalent to that of 2017, at 3.2%. Economic downside risks include risks related to the fiscal revenue and expenditure structures in various countries as well as geopolitical risks. Meanwhile, it is necessary to keep observing that in the wake of the increase in financial asset prices resulting from the economic recovery in 2017, some regression and turmoil might hit the financial market if real economic performance is subpar in 2018. Domestically, despite raising the minimum wage and increasing worker salaries, demographic structure issues such as the low birth rate and an aging population will partially negate the growth in private consumption. Additionally, the trade surplus is expected to decrease. For these reasons, in November 2017 the Directorate-General of Budget, Accounting and Statistics forecast a 2.29% economic growth rate in 2018, lower than that of 2017.

In 2018, the banking industry's foreign currency interest spread is expected to increase due to the U.S.A. continue a policy of interest rate hikes. Notwithstanding, as weak domestic private investment and excessive savings persist, it is difficult for the interest spread of NTD to recover in the near term. In order to achieve effective capitalization and increase yield rates, domestic banks have worked to expand their investment positions and high-interest-spread loans. The related credit and investment risks may affect the profit of banking industry.

The booming investment in the international capital market is expected to have TWSE's trading volume maintained preliminarily. Notwithstanding, when the e-order became the mainstream tool, the securities brokerage commission rate would decline inevitably. Therefore, development of wealth management services, development of diversified products and overseas layout investment to mitigate the declination of the brokerage service revenue are still identified as the highlights of the securities business development.

Given such changes of population structure as low birth rate and the aged society, and low-interest environment, the need for wealth management by savings, retirement life planning and long-term care market still remains. Notwithstanding, considering that the interest spread between NTD and USD expanded and foreign exchange hedging cost might increase relatively so as to harm the entire investment income of the life insurance business, it is expected that the life insurance business will focus the sale on foreign currency insurance policies and investment-linked insurance policies in order to reduce foreign exchange rate and interest rate risk in 2018.

### (III) Yuanta Financial Holdings' business strategies and objectives

Upon acquisition and merger of Polaris Securities, New York Life Insurance (Taiwan) and Ta Chong Bank, Yuanta Financial Holdings' business scale was upgraded remarkably. Meanwhile, the Company also transitioned from flow management in the securities market into a focus on balanced flow (securities) and stock (banking and insurance services) management. The Group's long-term and mid-term development strategy continued to adopt the overall growth development strategy valuing "solidification of cores and driving of growth". The Company should solidify the core businesses, continue developing its competitiveness, and also focus on the layout, deepen its operation, and upgrade the Group's effect of integrated growth.

In the future, Yuanta has a clear and focused vision to cultivate Taiwan and expand internationally, with the goal of becoming the best financial service provider in the Asia-Pacific region. By integrating Group resources, providing cross-industry and cross-border financial services, as well as satisfying customers' needs in wealth management, financing and fundraising planning and cash flow integration, Yuanta will achieve the concept of "local living, global financial management".

#### (IV) Yuanta Financial Holdings' development advantages and disadvantages

##### 1. Factors driving growth and competitive strengths:

- (1) The complete financial domain covers securities, banking, life insurance, securities finance, futures, investment trust, investment consulting, venture capital and asset management. The dense business locations and about ten thousand financial service attendants throughout the nation may provide customers with omnibus financial services.
- (2) Our industry-leading risk control is effectively managing risk throughout our group and our strict risk control system has the ability to face of market risk.
- (3) Recognized as the benchmark in corporate governance by foreign institutional investors and professional organizations: more than 30% of this Company's shares are held by foreign institutional investors, and it has received many corporate governance honors and recognitions to become the industry benchmark in corporate governance practices.
- (4) Balanced business and income structure: Yuanta Financial Holdings adopts the business model balanced flow (securities) and stock (banking and insurance services) management. Given the stable profit structure, Yuanta Financial Holdings would be affected less from single-industry events.
- (5) The leading securities brand: Yuanta Securities, Yuanta Investment Trust and Yuanta Futures all secure the relevant market leadership and own strong research teams as their backup. All of them are dedicated to providing customers with the value-added and trustworthy services through a close-knit channel with good execution ability.
- (6) Yuanta Securities has started its overseas layout in such capital markets as China, Hong Kong, Korea, Thailand, Vietnam, Cambodia and Indonesia. By integrating the financial services in the various capital markets, it may introduce more opportunities to promote the cross-border business.
- (7) Upon consolidation of Yuanta Bank and Ta Chong Bank, the Bank's asset scale amounted to more than one trillion NT dollars. The business carried out by the Bank also reached considerable economy of scale, helpful for the Bank to engage in long-term development and layout.

##### 2. Obstacles to development and competitive weaknesses

- (1) Yuanta Securities' operating revenue primarily depends on the brokerage business, closely related to the turnover in the capital market of Taiwan. It will make every endeavor to develop the wealth management business, increase overseas business operating revenue and control the opportunities brought by the opening of new business lines to mitigate the fluctuation in earnings.
- (2) Given that the cross-strait financial policy becomes sluggish, Yuanta Securities still has not yet made some breakthrough in the framework of laws and regulations and business restrictions, so that its Asia-Pacific layout has not yet extended to the capital market of China, and it is still impossible for Yuanta Securities to develop as the regional securities firm in Asia-Pacific region. Besides, Yuanta Bank has no

branch (subsidiary) in China and it is difficult to control the opportunity arising from the economic transformation and growth in China. It plans to launch into the market of Mainland China by means of the financial peripheral business at first, and reserve related human resources through the branch in Hong Kong to serve potential customers. After the laws and regulations are lifted, it will evaluate incorporation of securities and banking subsidiaries.

- (3) Yuanta Life's asset scale is too small to develop the economy of scale effect. Given the few life insurance tied agents and telemarketing specialists, the life insurance business primarily depends on the external channels (financial channels and traditional insurance brokers and agents channels). Therefore, the product strategy is limited in flexibility. Yuanta Life will expand the channels of traditional insurance brokers and agents, on-line policies, group insurance, and work hard to guide the financial channels to sell protection-type product to adjust the product structure.
- (4) To be in line with the development of FinTech and changes of customers' behavior, the financial industry is facing the financial disintermediation and cross-industry competitors and the financial industry's existing business model is likely to change. Yuanta Group will uphold the financial industry's core value, namely, scale, professionalism and reliability and be oriented toward customers' service, continue to increase the e-channel functions, optimizing customer service models and procedures, carefully evaluate the layout in the FinTech areas, and respond to any changes in the industry rapidly and flexibly.

## IV. Employee Information for the Most Recent Two Years Up to the Publication of this Annual Report

### (I) Information about the general employees

Data baseline date: 01/31/2018

Year		2016	2017	Ending January 31, 2018
Number of employees	Yuanta Financial Holdings	94	101	103
	Yuanta Securities	4,900	4,738	4,732
	Yuanta Bank	2,717	2,822	4,456
	Ta Chong Commercial Bank	2,358	2,327	-
	Yuanta Life	927	746	735
	Yuanta Securities Finance	44	43	44
	Yuanta Futures	358	374	376
	Yuanta Securities Investment Trust	314	310	310
	Yuanta Securities Investment Consulting	86	76	75
	Yuanta Asset Management	15	16	17
	Yuanta Venture Capital	15	15	15
	Total	11,828	11,568	10,863
Average age (Note 1)		42.21	41.53	41.53
Average years of service (Note 1)		8.65	8.89	8.88
Academic background (Note 1)	Doctorate	3.19%	1.98%	1.94%
	Master degree	48.93%	53.46%	53.39%
	University/college	39.35%	38.61%	38.82%
	Senior high school	6.41%	4.96%	4.88%
	Less than senior high school	2.12%	0.99%	0.97%
Professional certificate and license held by employees (Note 1)	Certified Public Accountants (CPA)	1	2	2
	Financial Risk Manager (FRM)	6	5	6
	Certified Financial Planner (CFP)	1	2	2
	Certified Internal Auditor (CIA)	3	2	2
	Associate of Society of Actuaries (ASA)	1	1	1
	Chartered Financial Analyst (CFA1)	-	-	1
	Certified Public Accountants (CPA)	-	1	1
	Certified Information System Auditor (CISA)	-	1	1
	Internal Auditor	3	2	2
	Financial Auditor	1	1	1
	Securities investment analyst	1	1	1
	Senior securities specialist	33	36	37
	Securities specialist	15	20	20
	Futures specialist	27	32	32
Sales representative of futures trust fund firm	-	1	1	

Year		2016	2017	Ending January 31, 2018
Professional certificate and license held by employees (Note 1)	Sales representative of structured notes	2	2	2
	Securities investment trust and consulting professional	19	20	21
	Trust operations personnel	28	36	35
	Trust supervising personnel	1	1	1
	Trust management personnel	1	1	1
	Bill finance specialist	3	2	2
	Financial planner	9	12	12
	Sales representatives of wealth management	2	3	3
	Corporate internal controller	1	2	1
	Bank internal controller and internal auditor	4	9	8
	Bank internal controller	17	14	15
	Sales representative of margin trading and short sale for the trading of securities	1	1	1
	Basic proficiency test for international banking personnel	4	5	6
	Basic proficiency test for banking lending personnel	4	7	7
	Life insurance representative	23	30	29
	Property insurance representative	5	12	11
	Investment-linked insurance product representative	10	10	10
	China futures trading personnel	1	1	1
	SAC securities exchange	1	1	1
	SAC securities investment fund	1	1	1
	SAC securities investment analyst	1	1	1
	SAC securities offering and underwriting	1	1	1
	Assets securitization basic ability	1	-	1
	Bond specialist	1	1	2
	Contracted debt collection personnel	1	1	1
	Stock affairs personnel	2	3	2
	Personal Information Management System Constructor (BSI10012)	-	2	2
Information Security Management Systems Auditor/ Lead Auditor (ISO 27001)	3	4	4	
Microsoft Certified Solutions Associate (MCSA)	1	2	2	
Microsoft Certified Systems Engineer (MCSE)	-	1	1	
Project Management Professional (PMP)	-	1	1	
Technician for labor safety and health management	1	1	-	

Note1 : Information on average age, average years of service, academic background, and professional credentials held by employees does not include data from Yuanta Financial Holdings' subsidiaries.

Note2 : In consideration of the special business attributes, the basis for calculation of the number of Yuanta Life's personnel was adjusted to exclude the telemarketing personnel and the sales representatives underwriting life insurance by special project.

(II) License/certificate acquired by the Company's personnel related to financial transparency

Data baseline date: 01/31/2018

Certificate Name	Persons	
	Financial Accounting	Auditing
Certified Public Accountants (CPA)	1	0
Financial Risk Manager (FRM)	0	1
Certified Internal Auditor (CIA)	1	1
Personal Information Management System Constructor (BSI10012)	1	0
Information Security Management Systems Auditor/ Lead Auditor (ISO 27001)	0	1
Internal Auditor	1	1
Financial Auditor	0	1
Senior securities specialist	4	6
Securities specialist	2	1
Futures specialist	3	5
Securities investment trust and consulting professional	4	2
Trust operations personnel	5	6
Trust management personnel	0	1
Financial planner	2	3
Sales representatives of wealth management	1	0
Bank internal controller	0	6
Bank internal controller and internal auditor	1	1
Basic proficiency test for international banking personnel	0	2
Basic proficiency test for banking lending personnel	0	4
Sales representative of margin trading and short sale for the trading of securities	1	0
Life insurance representative	2	6
Property insurance representative	1	3
Investment-linked insurance product representative	1	1

## V. Corporate Social Responsibilities and Ethics

Yuanta Foundation was involved in organizing 482 events in 2017. These included 113 independently-organized events, 194 events co-organized with others and 175 sponsored events. More than 10,000 volunteers participated in the events and the events benefited more than 100,000 participants. It worked with generous members of the community to build a public welfare platform dedicated to providing care and integrating various resources, setting an example for others to follow in undertaking good deeds, providing and creating opportunities for friends who need help to amplify the heartwarming events.

Since Yuanta Foundation was founded for 15 years, it has always upheld the philosophy about “public welfare” and “fulfillment” to help others make their dream come true, transform life and find the truth about happiness. For education, the “Yuanta Dreams Take Flight Program” is dedicated to helping disadvantaged children to learn. The Program has been running for seven years and has helped provide education to 57 excellent university students, and 774 students have also received Yuanta scholarships. The Foundation also organized the “Yuanta Poor-Family Excellent Talents Scholarship”, which was granted to a total of 116 excellent students from 16 senior high schools and 8 colleges, to enable many young excellent students to be concentrated on studies. The students who were awarded the scholarship at the first term also returned to the school to encourage junior students to be a “heartwarming” person and uphold the “good cycle” with their personal experience.

In order to fulfill its corporate social responsibility obligations, the Foundation also integrates its extensive channels and plentiful human resources to promote volunteer services, organizing such activities as the “Yuanta Happiness Day” and “Yuanta Volunteer Day”. These events involve thousands of disadvantaged children’s visit to exhibitions and experience in the programs including arts, science and music. Meanwhile, the Foundation implemented “Dream Big Yuanta Social Welfare Plan” to integrate related resources to build a public welfare platform integrating virtual and physical resources, helping 6 groups to be aided. It not only sponsored budget but also sent a large number of volunteer workers to participate the event, and contributed fund and human resource to call on the people to feed back to the society together.

Yuanta always spares no efforts to train financial human resources and preserving talents for enterprises and the society by allowing students to work in enterprises and receive scholarships, as partake in academic contests. For the past 11 years, the summer research program has trained 175 university graduate students specialized in finance and economy and producing the paper integrating practicing and learning experience. Meanwhile, it helps upgrade domestic financial academic and professional studies by sponsoring academic workshops and interchanges between industrial and academic circles, such as “Yuanta Cup” and “NTU and RUC Case Study Program”, in order to boost exchange between financial studies and industries. To boost social safety and public welfare, Yuanta supports special disadvantaged groups or the after-cared through the promotion of lawful and responsible living, involvement in anti-drugs events, women and child safety, and after-care protection to call on the public to value and



participate in the promotion of lawful and responsible living. This year, Yuanta Foundation was honored by Taiwan After-Care Association the “Meritorious Group in Prison Correction Education and Protection”.

Despite the evolving social development, Yuanta Foundation hopes to make the land where we are living “Be Better”! Our hopes and efforts will remain permanently. Yuanta Foundation will initiate physical actions of concern and care. By feeding back to the society physically, Yuanta Foundation would like to set an example for others to follow in undertaking good deeds. This is done in the hope of soliciting more love and empowerment, encouraging everyone to work together to create a more harmonious, equal and better society that is grounded on a concern for public welfare.

## (I) Build Dream and Root Education

### 1. Yuanta Dreams Take Flight

To fulfill our corporate social responsibility obligations, Yuanta Foundation adheres to the philosophy of “what is taken from the people is used in the interests of the people”, and participates in various cultural, educational and social welfare events. Adhering to the expectations represented by the slogan, People-Oriented, with the Wish that My Existence Be Another Person’s Blessing”, Fu Jen Catholic University worked with Yuanta Foundation to activate the “Yuanta Dreams Take Flight” program to make contribution to the society together. Fu Jen Catholic University has worked with Yuanta Foundation for almost seven years on “Yuanta Dreams Take Flight” initiative. Ministry of Education recognized Yuanta Foundation’s long-term concern about the disadvantaged groups in remote areas and extension of the charity events and awarded the Foundation the “Enterprise-Aided Charity and Education Business Crystal Prize” this year.

#### (1) Professional Training in remote areas

Yuanta Foundation worked with Fu Jen Catholic University to boost the “Yuanta Dreams Take Flight Scholarship” Program. A total of 220 students’ applications for the scholarship of college/university students, high school/high vocational school/5-year junior college students were approved in the second semester of the school year 2016 and the first semester of the school year 2017. The students came from 8 schools, including Taoyuan Municipal JieShou Junior High School, New Taipei Municipal Qinxian Junior High School, New Taipei Municipal Jian-shan Junior High School, Taitung County Zhongxiao Extensive Junior High School, Tzuchi Da-Ai Village, Shan-Lin District, Kaohsiung City, Chiayi Municipal Fu Jen Catholic High School, Keelung Fu Jen Sacred Heart Senior High School and National Jhuo-Lan Experimental Senior High School in Miaoli County. Until 2016, the “Yuanta Dreams Take Flight Scholarship” Program has trained 57 excellent university students, and a total of 774 persons have been awarded the scholarship.

#### (2) Summer and Winter High School Class in the rural area

Yuanta Foundation and Fu Jen Catholic University have worked with each other to offer summer and winter high school classes in the rural. By upholding and

respecting the core cultural value of each region, the Rural Area Education and Care Team of Fu Jen Catholic University was responsible for planning the professional and plentiful courses. The university students directed the children's lessons in the summer and winter high school class, so that the children would not ignore their work due to lack of guidance during the long vacation. The "community juvenile after-school guidance program" trained the children's identity and respect of their own life and other persons' life and also help them understand and cherish the learning resources to form their fair attitude and responsible sense, so as to keep the community children uninterrupted in their studies in the winter and summer vacation and also mitigated pressure of their parents, so that children in the rural area may enjoy the same chances to study. This year, a total of 1,190 trainees have attended the summer and winter high school classes.

### (3) Digital buddy

The Ministry of Education has boosted the "Digital Learning Partner" program since 2006, under which computers, networks, video devices and online teaching platforms were utilized to train university students on how to direct the learning of children from remote areas and interact with the children in daily life. Until December 2017, a total of 1,193 trainees have attended the urban area disadvantaged child student education guidance program as provided by Fu Jen Catholic University in 2017.

Yuanta Foundation has promoted digital care for remote areas over a long period of time. Yuanta Financial Holdings works hard to boost activation of assets and recycling of resources by integrating the enterprises' resources and having its subsidiaries extend digital care, including Yuanta Securities and Yuanta Asset Management, deliver used computers to the schools in remote areas to settle hardware and software resources and demonstrate its diversified cares.

## 2. Dream Big Yuanta Social Welfare Plan

In order to amplify the spirit of social welfare, Yuanta Foundation implemented the "Dream Big Yuanta Social Welfare Plan" in 2016 to integrate Yuanta Financial Holdings' resources to build a social welfare platform and realize the dream with 9 education and social welfare groups. The Foundation also called on more than 300 volunteer workers inside and outside the Company to participate in the event to build a social welfare platform and realize the dream with the education and social welfare groups to be aided. In 2017, the "Dream Big Yuanta Social Welfare Plan 2.0" was activated officially to help realize the 6 education dreams across all topics, age and gender and cities/countries, covering cram schools, environmental education, international volunteer workers and multi-generation service model. The Plan was diversified and innovative. The subjects aided by the Plan included Social Welfare Artist Association of the R.O.C., Taiwan Professional Boxing Association, Taoyuan Municipal JieShou Junior High School, Sisters Of the Sacred Heart of Mary (Saint Love Villa), National Erh-lin Industrial and Commercial Vocational High School (Wahaha Science Service Group) and New Taipei City Community Association, each of which received the fund, NT\$300,000. Meanwhile, the Foundation also called on volunteer workers to participate in the event to build a public welfare platform

integrating virtual and physical resources, and solicited for more than 7 million followers to amplify the power of showing mercy and enable each corner of the society to be full of positive energy.

## (II) Care for Disadvantaged and Social Welfare Cooperation

### 1. Caring for Children and Juvenile

#### (1) Yuanta Happiness Day

“Yuanta Happiness Day” has been running since 2012. In consideration of the passionate response from public welfare groups and volunteer workers, three events were organized in Northern Taiwan, Central Taiwan and Southern Taiwan, in order to benefit the children. More than 3,100 children have experienced the happiness day for the past six (6) years.

The three events for “Yuanta Happiness Day” 2017 were held at the National Taiwan Science Education Center, National Science and Technology Museum, and Asia University in Taichung, respectively. A total of 29 public welfare groups and schools and 657 children have attended the events. A total of 300 employees and their dependents worked as the charity volunteers on the Yuanta Happiness Day, who shared an unforgettable “happiness day” with children and also experienced the pleasure of devoted care.

#### (2) Taiwan Fund for Children and Families Commendation of Orphans

Taiwan Fund for Children and Families organized the “National Commendation for Orphans 2017” in Taipei City on March 26, 2017, and selected 23 strong, obedient, industrious and excellent children out of more than 50,000 economically disadvantaged children to accept the commendation. Yuanta Foundation exclusively sponsored the orphans by offering 23 children the fellowship and also the happiness gift package, as well as accommodation and meal expenses for their stay in Taipei, to give the parents and children who seldom traveled the chance to enjoy happy family hours.

### 2. Care for remote areas

#### (1) Volunteer Workers’ Stay With the Hualien Mennonite Christian Hospital Aged

Yuanta Foundation has worked with the Hualien Mennonite Foundation for 11 years to care the aged people residing in Hualien and Taitung, and help the permanently hospitalized patients who had no way to return home to have reunion with family members feel a heartwarming festival by providing donations of moon festival gifts and year-end parties. At each event, dozens of the Group’s co-workers will act as volunteer workers to help patients and their family members enjoy the happy festivals. A total 1,783 persons were benefited in 2017.

#### (2) Newspaper reading education program in Hualien and Taitung

Yuanta Foundation responded to the “Newspaper Delivery to Mountainous Regions” Plan organized by Mandarin Daily News, and worked with 18 elementary schools and junior high schools in Hualien and Taitung to boost newspaper reading education. A total of 485 trainees were enrolled into the newspaper reading experimental class this year, i.e. 33 classes in total. By promoting the newspaper

reading campaign, Yuanta Foundation upgraded child students' reading and writing comprehension, enhanced their awareness of current events, and thereby shortened the gap in education between urban and rural areas.

(3) Train Local Teachers by Kid's Bookhouse in Taitung

Kid's Bookhouse has set up 9 book houses in Taitung so far, in order to aid 300 children from economically disadvantaged families in Taitung and provide diversified learning services. Yuanta Foundation has sponsored Kid's Bookhouse in Taitung for six years consecutively to help it hire the local youth to act as the cram school teachers and encourage college graduates to return to their hometown to provide services. Yuanta Foundation also played the role of "public welfare platform" engaged in matching the Bookhouse with other enterprises and public welfare units for cooperation and integrating multiple resources to take care of children.

(4) Care Cup Baseball Game of Taiwan Aboriginal Baseball Development Association

Yuanta Foundation has sponsored the Care Cup Baseball Game of Taiwan Aboriginal Baseball Development Association for seven years consecutively. This year, a total of 48 teams attended the Game, including 24 little-league teams, 16 junior league teams and 8 senior-league teams, and participated in 86 games in Hualien. Yuanta Foundation boosted the "Care Cup" in order to enable the baseball teams of aboriginal schools to continue and to train disadvantaged aboriginal child students in education and sports. Through the exchange at the Game, the Foundation hopes to help children have fun playing baseball and to seek their own stage that is free from the pressures of winning or losing.

3. Care for Environment

(1) Start from Edison Plan - boosting of public welfare learning event

National Taiwan Science Education Center has organized the "Edison Public Welfare Learning Event" since 2011 to invite children from single parent families, parentless families, cross-generation families, new emigrant families, aboriginal families and poor families to experience science at the Center for a short term. Until now, it has helped more than 20,000 children. Because disadvantaged children lack resources, Yuanta Foundation continued to work with the Taiwan Science Education Center. Instead of inviting college/university teachers and children from remote areas to Taiwan Science Education Center, the Foundation allows the local schools to make their own planning and works with colleges/universities to better meet various schools' need this year.

4. Donation of Supplies and Resources

(1) Yuanta's Donation of Supplies and Resources for Charity

Yuanta Financial Holdings and Yuanta Foundation upheld the enterprise's feedback philosophy about care for the society and share of resources and took the initiative to contribute to the society physically. It not only donated food or supplies to the social welfare groups who needed help but also collected second-hand books, office furniture and computer assets to be allocated to adequate entities, so that the

entities could build a better working and learning environment and utilize the recycling of resources to create service functions.

## 5. NPO cooperation

### (1) Cake for Public Welfare

Yuanta has responded to the “Cake For Public Welfare” event for three years consecutively. NT\$100 will be donated to Agape House Christian Counseling Center per roll of the cake purchased. The money will be used to help delinquent juveniles transform their life positively through care and guidance. This year, the Foundation subscribed for a total of 800 rolls of cake and donated them to its long-term public welfare partners, such as the 8 entities including Chung Yi Social Welfare Foundation, Harmony Home Association, Liou-Guei Elementary School, Min Dao Elementary School, Taiwan Fund for Children and Families of Yunlin, Taiwan Fund for Children and Families of Hualien, Fu Jen Catholic University Hospital Social Worker Dept. and Boyo Social Welfare Foundation, and more than 200 children participating “Yuanta Happiness Day” also received such charity cake.

### (2) Donation of Invoice for Charity

Yuanta Group took the chance of Yuanta Employees Family Day to call on colleagues to donate invoices to help Huanshan Social Welfare Foundation promote the service for the aged. The event raised a total of 10 boxes and 8,219 invoices, all of which were donated to Huanshan Social Welfare Foundation, and expected to contribute more care and hope to the “care for the aged” by continuous contribution of resources and positive caring power.

### (3) Musical Seed Charity Educational Program

Yuanta has cared the disadvantaged groups in remote areas permanently. In order to enable the children in the remote areas where musical resources are insufficient to have the chance to learn music, Yuanta Foundation sponsored the “Musical Seed Charity Educational Program” initiated by Taipei Philharmonic Foundation for Culture and Education, invited musicians to engage in the social services and bring hope and chance to the school children in rural areas. As a result, a total of 120 children from 23 elementary schools and 4 junior high schools were benefited therefor, as their life was changed by the musical education and they were trained to recognize themselves and the positive power in life.

### (4) Exclusive Sponsorship of Maestro Art

For the purpose of training excellent talents in music and art in Taiwan, the Foundation exclusively sponsored the “first Music Fest Perugia in Taipei will made its debut in NTNU”, in hopes of helping excellent talents and new stars grow and find the tailor-made stage exclusive for them via the professional international platform. The Festival invited a total of 15 international masters to instruct 210 classes personally, and also organized 1 maestro concert, 5 seminars and 5 super new star concert and concerto competition to help Taiwan’s excellent musical talents make their dream come true by learning from the world.

### (III) Financial Talent Training Industry-academia exchange

#### 1. Professional Training

##### (1) Yuanta Poor-Family Excellent Talents Scholarship

Yuanta always spares no efforts to train human resources. According to the President Educational Award, Yuanta Foundation started to organize the “Yuanta Poor-Family Excellent Talents Scholarship” to encourage diligent students to be concentrated on studies without being affected by the poor economy of their families. This year, a total of 57 excellent students from 16 senior high schools and 8 colleges were awarded the scholarship of Yuanta Poor-Family Excellent Talents Scholarship in the amount of NT\$200,000 per person, the highest scholarship ever granted in the industry. The students who were awarded the scholarship at the first term were invited to share their recent school life with junior students and encourage the junior students to be thankful and make good use of the scholarship to finish their schooling, so that they may feed back to the society and create the “good cycle”.

##### (2) Summer-program students’ plan

Since 2007, the “College/University Graduate Students’ Summer Research Project Scholarship” co-organized by Yuanta Financial Holdings and Yuanta Foundation has selected about 20 outstanding students of financial and economic graduate schools from various colleges and universities in Taiwan to offer them the opportunity of internships at the Group’s subsidiaries, and for 11 years has never stopped boosting the cultivation of the human resource training project. Yuanta’s College/University Graduate Students’ Summer Research Project emphasized that classmates may be taught to have the theories they learned brought in line with practice. So far, 175 graduate students majored in finance and economics have been trained, who also produced the paper integrating practicing and learning experience. Some of the excellent students were recruited by the Group as reserve cadres of Yuanta.

##### (3) Yuanta Cup EMBA Analytical Challenge

It has been 11 years since “Yuanta Cup” was founded in 2007, which has become a very important event in the academic circle in Taiwan, as it integrates case method and competition, innovates academic value, and exerts the energy from enterprises and academic circle to the utmost. In 2017, the “Yuanta Cup” was organized at National Tsing Hua University and National Sun Yat-sen University. As a result, among the intensive competition of 9 national universities’ EMBA trainees throughout Taiwan, the “Yuanta Cup” championship was won by National Cheng Kung University for Chinese cases and by National Taiwan University of Science and Technology for international cases. The event integrated academic and public welfare. The winning team donated the prize to the designated public welfare entities. The prize awarded was donated to 9 public welfare groups, totaling NT\$320,000, and created the “win-win-win” situation for Yuanta, competitors and public welfare groups.

#### 2. Academic Research

##### (1) “Cooperative Framework for Chinese Enterprises” Program co-worked by National

Taiwan University and Renmin University of China

In order to facilitate the cross-straits business management development platform, Yuanta exclusively sponsored the “Cooperative Framework for Chinese Enterprises” Program, co-worked by the Management School of National Taiwan University and Business School of Renmin University of China, which has generated 81 study cases for the cross-strait enterprises’ operation for the past six years. As a result, more than 500 business operators could learn and inspire from each other. This year, with respect to the issues of enterprises’ growth strategies and organization in Greater China, a 8-day case study program was held in Business School of Renmin University of China and Management School of National Taiwan University respectively. The issues discussed in these programs provided valid model cases for the challenge encountered by Chinese enterprises, gathered elite to have a brainstorm about different thoughts and horizontal alliances.

(2) FinTech Research Center, National Chengchi University

In order to help the finance industry in Taiwan control the FinTech development trend more thoroughly and train professional talents, Yuanta, with its specialty in finance, sponsored the 3-year research project investigated by FinTech Research Center, National Chengchi University, and also sponsored the organization of “2017 FinTalks CEO Forum” this year, in order to boost the exchange of international financial experts on issues about the FinTech in Asia-Pacific region and Taiwan, and provide more support and assistance to the FinTech development in Taiwan by integrating the experience and resources of East and West, feedback to Taiwan’s society and help Taiwan’s talents in line with the international development.

3. Industry-academia exchange

(1) Develop International Finance Academic Workshop

Financial development is based on professional training. The Taiwan Finance Association Annual Assembly and International Academic Workshop organized by The Taiwan Finance Association and Department of Finance, NDHU and sponsored by Yuanta offered a 2-day international academic exchange workshop, with the theme “Financial Big Data and Society” in 2017. The workshop was held to discuss the existing financial (economic) issues and policies and provide adequate opinion. 160 top domestic and foreign scholars specialized in finance and elite from the industry were invited to attend the workshop to conduct the in-depth exploration on the important financial and economic issues based on the wise advice gathered from the industry, government and scholar.

(2) NTU Seminar

Yuanta has sponsored the “Cooperative Framework for Chinese Enterprises” Program, co-worked by the Management School of National Taiwan University and Business School of Renmin University of China for six years since 2011. The Management School of National Taiwan University showed its sincere appreciation to Yuanta Foundation’s support to the Program. In order to urge the exchange between enterprises and academic circle, it particularly invited Yuanta’s high-rank

management to attend the NTU Seminar entitled “New Experience - Chinese Case Study on Cross-Strait Enterprise”, hoping to conceive innovative and flexible approaches from the in-depth discussion with various experts based on Yuanta’s financial expertise and analysis of the innovation and reform of the cross-strait enterprise case by case.

### (3) Corporate Governance Summit Forum

The “13th Term Corporate Governance International Summit Forum” sponsored by Yuanta Foundation and organized by Taiwan Corporate Governance Association was held at the GIS NTU Convention Center this year, which invited domestic and foreign experts and scholars to share their experiences for reference by the corporate governance in Taiwan. The Forum entitled: “Upgrade Directors’ Function and Create Company Value” was held in hopes of training and passing on the awareness and concept about corporate governance, in addition to laws & regulations, from junior employees to high-rank management and thereby building the relevant culture. Among the other things, Yuanta Financial Holdings and its subsidiaries were recognized by domestic/foreign renowned organizations in their corporate governance and information transparency. It ranked in the top 5% of TWSE/TPEX listed companies in the 3rd annual “Corporate Governance Evaluation Operation”. This year, Yuanta Financial Holdings was awarded the 2017 Taiwan Financial Award - “CSR Excellence Award for Financial Holdings” by Wealth Magazine for the second year consecutively and, therefore, became the role model of financial business invoked by multiple experts and scholars on the Forum.

## (IV) Social Security and Law Education

### 1. Protection of Children and Juvenile

Yuanta and Taiwan Fund for Children and Families are long-term public welfare partners in the area of care for children and juvenile. Both have worked with each other for 11 years so far. Yuanta has continued to sponsor the “Child Protection Day” and other events organized and run the promotional materials and advertisements on magazines and media for 2 years, in order to enable the public to better understand the claim for protection of children and juvenile and aid of the disadvantaged and in hopes of enhancing the presence of child protection promotion and winning more attention from the public. Yuanta called on everyone to extend care for more than 10 thousand children who are still bearing suffering in life, have the disadvantaged children better feel the care from the society and care the abused children together with the Fund physically.

### 2. After-care

Yuanta Foundation participates in judicial protection, safety of women and children, and establishment of employment industry chain actively, in hopes of leading the public and enterprises to value judicial protection, and also devotes itself into the after-care operations to provide the after-care with a second chance and also hope. This year, Yuanta Foundation also helped organization of the bronze sculpture skill class, hoping that the after-care could own their own skill through the class and integrate into the society on their own. Yuanta Foundation was honored by Taiwan



After-Care Association as the “Meritorious Group in Prison Correction Education and Protection” this year.

### 3. Anti-drug Education

Based on the care for society and education, Yuanta Foundation worked with the Taiwan After-Care Association, Taipei District Prosecutors Office, Ministry of Education and county governments to boost the anti-drug education stage drama in campus and promote the anti-drug idea in campus in remote areas, hoping to educate students about the harm caused by drugs through the humorous, entertaining and educational drama. This year, the drama took place in 123 junior high schools and moved forward to its 5th year, which have been watched by the student and faculty audience more than 370,000 persons, in order to promote the correct concept and build the drug-free campus.

## (V) Participation by Volunteers and Feedback to Society

### 1. Volunteers’ Activity

Yuanta Foundation worked hard to construct and boost the charity volunteer workers platform. This year, volunteers’ participation in the public welfare events helped more disadvantaged groups to realize their dream and feel the true meaning of happiness. To respond to Yuanta’s public welfare activity, more than 10,000 Yuanta volunteers were dedicated to the public welfare affairs, an increase by three (3) times from last year, and more than 100,000 persons were benefited therefor. Among the other things, the “Yuanta Family Day” event organized by Yuanta Financial Holdings and co-organized by Yuanta Foundation called on colleagues to devote themselves to public welfare volunteer work, and also included environmental protection and public welfare functions and also set up the recycling station to enable Yuanta folks to value the action and meaning of environmental protection at the same time when all of them were gathered.

### 2. Social Participation

#### (1) Yuanta Public Welfare Musical Festival

In order to exert the public welfare strength, Yuanta Financial Holdings organized the charity musical concert “Love Medley Yuanta Public Welfare Musical Festival” which has persisted for more than two months since it was activated on November 17, 2017. A total of 10 public welfare musical concerts were held and 18 artists were invited to sing for love at Yuanta Bank, Huashan Branch. Each concert has raised public fund. The total public fund raised NT\$28.4 million, was donated to 10 public welfare groups, including Yuanta Foundation’s old friendly and new partners for public welfare, such as Chung Yi Social Welfare Foundation, Taiwan Alzheimer Disease Association and Bethany Children’s Home, etc. The event not only expanded the areas supported by the public welfare service but also integrated the strength of the finance industry and arts & culture sector to extend greeting by singing and broadcast the show live on each of Yuanta’s and its subsidiaries’ online platforms. The show accumulated about millions of hits and more than 440,000 views to demonstrate the finance industry’s heartwarming care

and also fulfill Yuanta's social participation required by the corporate social responsibility.

(2) Yuanta Public Welfare Movie

Yuanta Financial Holdings have organized 12 public welfare movie shows this year, and invited the social welfare entities close to Yuanta Foundation to watch 4 movies. The shows invited a total of 600 public welfare partners to the venue for fun. 200 Yuanta volunteers served and receives guests on the site. The children who seldom had chance to watch movie in cinema could enjoy themselves because of the shows, and the Company's philosophy of "what is taken from the people is used in the interests of the people" was fulfilled therefor.

(3) Yuanta Charity Blood Donation

"Yuanta Charity Blood Donation" has been organized since 2011, at the headquarters of Yuanta Financial Holdings on Dunhua S. Road, Taipei, Tatung Building of Yuanta Financial Holdings on Fuxing N. Road, Hongtai Building, Chengte Building on Ming Sheng E. Road and Changchun Blood Donation Station at the same time. Yuanta Foundation especially invited the colleagues from all of the subsidiaries and branches throughout Taiwan to donate blood at the blood donation stations in various counties/cities. More and more employees have donated their blood or become volunteer workers. This year, the Group contributed 3,259 bags of blood, an increase by 40% from last year. In the past seven (7) years, the Group has kept boosting the charity blood donation and donated more than 10,000 bags of blood, and was honored by the Ministry of Interior as a "Blood Donation Excellent Enterprise" for the second year consecutively, to help the society and save lives by blood donation.

## **VI. Number of employees in non-managerial positions, annual average employee benefit expenses, and difference in comparison with those of the preceding year**

According to TWSE RAFI® Taiwan High Compensation 100 Index, the Group had 13,852 employees in non-managerial positions and the annual average employee benefit expenses for the employees in non-managerial positions in the amount of NT\$1.42 million in 2017, increase by about NT\$250 thousand from the previous year.

## **VII. Information Technology and Facilities**

In order to utilize the information resources effectively, the financial holdings' Information Technology Department was established. The Chief Information Officer is responsible for oversight, integration, and implementation of matters within the Information Technology Department's sphere of responsibility. The Information Technology Department is responsible for the planning, design, and implementation of all the subsidiaries' IT matters as well as oversight and evaluation of matters related to the subsidiaries within the scope of its responsibilities. The entire IT team shall adhere to the Group's interest as the highest guiding principle, and help business development and improve up operating performance, increase

customers' and employees' satisfaction and strengthen the Group's competitiveness, subject to the business end's development.

(I) Construction and maintenance of main information system

The information systems of Yuanta Securities, Yuanta Bank and Yuanta Life are allocated in consideration of the system framework efficiency and business maintenance. In addition to the full-time IT staffs dedicated on system maintenance and operation, the companies also signed the maintenance contract with relevant software and hardware vendors to ensure the systems' availability. Stated as following:

1. Yuanta Securities

Yuanta Securities' main application systems, such as YesWin, EWinner, Sale Support Platform, web trading, e-trading, IVR, Sub-brokerage, official website, Performance Bonus, Wealth Management, GETS Proprietary Trading, Market Data, Shareholders Service, Securities Borrowing/Lending front-end and back-end, Emerging Stock, Proprietary Trading-Equity Securities Management, Proprietary Trading-Fixed Income Management, Over-The-Counter Derivatives-related, domain controller, email system, Brokerage Back-office System, are configured in the various operating system servers, such as AIX, Solaris, Linux and Windows.

2. Yuanta Bank

Yuanta Bank's application system, such as NTD deposit/loan, remittance, interbank service, foreign exchange, trust, accounting, data warehouse, wealth management and credit card authorization, are configured in the various operating system servers, such as IBM p-Series, IBM AS/400 i-Series, Oracle T7, EMC Greenplum and Windows x86.

3. Yuanta Life

Yuanta Life's main application systems, including the life insurance administrative core system (including the administrative support for new contract, security, renewal, benefit claim, accounting, finance, actuary and re-insurance) and business development system (including the business support for agency sales channels, Banca & Securities Insurance channels, brokerage channels, diversified channels and e-commerce), are equipped with the security, monitoring and hardware equipment of different level and the operating system servers including IBM i (AS400), AIX and Windows x86.

(II) Development and procurement projects in 2018

1. Yuanta Group

(1) Human Resources Information System (HRIS)

- A. Continue integration of Yuanta Life sales representatives' management system
- B. Bonus operating platform-Yuanta Investment Consulting/Yuanta Investment Trust implementation

(2) Group financial accounting system

- A. Group e-invoice project-Yuanta Securities/Yuanta Futures implementation



### 3. Yuanta Bank

- (1) Foreign exchange system upgrading-2nd and 3rd stage
- (2) BASEL IV capital requirement system construction project
- (3) Credit card issuance accounting and authorization system upgrading
- (4) Merchant acquiring system construction project
- (5) Collateral system and consumer credit review system upgrading project
- (6) Wealth management system-2nd stage
- (7) New insurance agency system - online insurance function implementation
- (8) Real property trust system construction
- (9) Digital channels related system revision and database conversion
- (10) New financial system construction project
- (11) NSI structured note trading management system replacement
- (12) TMU margin trading management system upgrading
- (13) Yuanta Bank computer system information security assessment project (Class I)
- (14) Bank e-payment security control assessment project
- (15) Yuanta Bank tapeless backup management system construction (2nd stage)
- (16) Yuanta Bank intranet information security policy management platform construction
- (17) Yuanta Bank online video conference system construction
- (18) Constructing the Yuanta Bank defense mechanism of APT attack
- (19) Yuanta Bank SOC information security monitoring center construction

### 4. Yuanta Life

- (1) Continuous Yuanta Life e-commerce system new product development
- (2) Yuanta Life investment and traditional new product development
- (3) Yuanta Life customer relationship web update and re-construction
- (4) Implement of POS system automatic transmission
- (5) Channel service platform system construction
- (6) Live learning system construction
- (7) OA e-workflow system construction
- (8) MIS information system construction

### 5. Yuanta Futures

- (1) Banqiao new data center construction project
- (2) Digital option trading platform R&D
- (3) TAIFEX 2017 IT project
- (4) Smart Futures trading platform R&D
- (5) Foreign futures risk control system R&D
- (6) Keyin system upgrading and revision project
- (7) Smart order sending system in cloud environment R&D

## 6. Yuanta Securities Investment Trust

- (1) Yuanta Securities Investment Trust ETF-AI smart investment platform construction project-2nd stage
- (2) Yuanta Securities Investment Trust new trading network project
- (3) Yuanta Securities Investment Trust storage equipment upgrading project
- (4) Yuanta Securities Investment Trust automated order placing for domestic stock project

### (III) Emergency Backup and Security Protection Procedure

In order to maintain the high security and availability of the information systems, Yuanta Financial Holdings and subsidiaries planned and created the emergency backup and security protection procedure based on their own business needs. The procedure is including following items:

1. Physical environment in the data center: The standard operating procedures for access control, fire protection, power supply, network and information security, equipment installation and removal, system monitoring, personnel control, system and data backup shall follow the guidelines and handbook of respective companies or the information security standards under ISO27001.
2. Business continuity: According to the property and importance of the applications, each company created their local and remote failover and backup procedures, perform the disaster recovery drill and stress test periodically and retain the relevant record to ensure validity of procedures.
3. Security protection: Build multi-layer defensive framework, install systems including network firewall, application firewall, intrusion prevention, anti-spam, email audit, employee Internet management, USB device control, anti-virus and network management system, and perform vulnerability scanning, penetration testing and social engineering and DDoS drill periodically to ensure the information security all systems.

## **VIII. Relations between laborers and employer**

### (I) Current major labor agreements and status of implementation

#### 1. Employee benefit measures

Yuanta Financial Holdings established an Employee Benefits Committee in March 2003, and makes monthly contributions to the Employee Benefit Fund. The Employee Benefit Fund is independently managed and utilized by the Employee Benefits Committee. Various subsidies are in place to encourage employees in organizing healthy social activities. In addition, the Employee Benefits Committee has reached agreements for discount and special offer benefits with contracting merchants and often provides employees with the most up-to-date information on special offers through Yuanta Financial Holdings' internal website, thus providing employees with greater convenience and quality of life.

To encourage employees to accumulate long-term savings, Yuanta Financial Holdings established an employee shareholders' association in September 2003. When employees set aside a certain amount of money each month for stock purchases, Yuanta Financial Holdings will match the employees' contributions, encouraging employees and to be shareholders of Yuanta Financial Holdings. Employee shareholding not only helps safeguard employees' lives after retirement or leaving Yuanta Financial Holdings, but also boosts solidarity between Yuanta Financial Holdings and employees, thereby enhancing their work participation and sense of value to share Yuanta Financial Holdings' operating results. According to the statistics gathered by Yuanta Financial Holdings and each of its subsidiaries in 2017, the number of employees participating in the employee shareholders' association was 8,380 persons, representing 227,258 thousand shares, an increase by 8.46% from 2016.

## 2. Pension system

In order to facilitate the harmonious relationship between labors and employer and to take care of the labors' retirement life, the Company established a Pension Fund Supervisory Committee in March 2003, which has already obtained the competent authority's approval. The Pension Management Guidelines were also formulated as the basis to be followed in the case of labor's requirement. Pursuant to laws, the Company shall make monthly contributions to the pension fund deposited in the exclusive account opened at Bank of Taiwan.

Furthermore, following the promulgation of the Labor Pension Act on July 1, 2005, the Company has made monthly payments, equivalent to 6% of the individual employee's monthly salary, into the employee's personal labor pension account for new employees and employees who choose to apply the new system under the Labor Pension Act, and continued to retain the seniority accrued under the old system for the employees who choose to apply the new system.

The seniority of the employees exchanged between the Company and its direct subsidiaries may be consolidated, in order to ensure the employees' interest and right and facilitate the successful inter-group personnel transfer, thereby achieving the purpose of maximizing the performance of human resource.

In order to enrich employees' retirement life, the Company worked with Yuanta Life to offer the group annuity insurance policy planned for the Group's employees exclusively, which should be paid by employees at their own expenses to save pension reserve for themselves and protect their life after retirement.

## 3. Other important agreements: None.

### (II) Losses as a result of labor disputes during the latest fiscal year up to the date of the publication of this annual report

Yuanta Financial Holdings has maintained good labor relations since it was established, and hence there have been no losses due to labor disputes. Yuanta Financial Holdings will continue its efforts in maintaining harmonious labor relations in the future.

### (III) Working environment and employee safety

Yuanta Financial Holdings has drafted various emergency response plans and notification measures based on government health and safety regulations, and its corporate goal of preserving employees' safety and welfare and achieving zero on-the-job accidents. Yuanta Financial Holdings also conducts personnel health and safety training sessions and awareness campaigns against its new employees and existing employees every year, and regularly monitors the hygiene and safety of facilities and equipment. For instance, Yuanta Financial Holdings performs regular safety inspections and upgrades of building management systems and regular inspections on the employees' drinking water and lights at the office and pays close attention to the maintenance and cleanliness of all public facilities. Smoking is strictly forbidden at all of the office premises, as Yuanta Financial Holdings is committed to providing employees with a comfortable and safe working environment.

Yuanta Financial Holdings prohibits smoking in offices and business places thoroughly. Yuanta Financial Holdings has already defined the "Workplace Sexual Harassment Prevention Measures and Guidelines Governing Complaints and Disciplines" to strictly prohibit any sexual harassment and all other discriminative or violent, threatening and intimidating and to build a friendly workplace of gender equality.

Apart from enrolling employees in labor and health insurance and allocating/contributing pensions in accordance with the law, Yuanta Financial Holdings also protects employees' health by offering group health insurance and health check-ups pursuant to laws.

#### (IV) Employee Code of Ethics

Yuanta Financial Holdings has drafted the "Guidelines on Prudent Procedures and Behaviors" and "Code of Ethics" in order to fulfill the integrity policy and prevent any unethical conduct. Meanwhile, Yuanta Financial Holdings has stepped up its ethics education programs and implementation in order to create a highly self-disciplined and trustworthy business climate.

Yuanta Financial Holdings has a comprehensive set of rules and regulation relating to ethics. It also emphasizes the need for professional skills and work ethic at all company's meetings and education and training programs.

#### (V) Employee continuing education and training

Yuanta Financial Holdings upholds the philosophy of "satisfying the finance industry and group business development needs" to continue training talents specialized in finance. The Company has established diversified development system for talents holding management function and professional function, and offered the training courses and provided learning resources by the four major frameworks including the management school, professional school, license school and life school. The various subsidiaries and supervisors find out and reserve the management and professional talents needed by the financial industry's and Group's development through talent identification, designated



continued education, work shifts, assignment of projects, and digital learning. Meanwhile, the Company also encourages its employees to access various financial areas of the Group and learn the diversified functions voluntarily to help the Company and employees in line with the rapid changes in the finance industry and also hold the knowledge, technology and competency keeping up with the time.

1. Perform training per annual training plan, and continue to provide the chance for on-the-job training

(1) Management's training objectives and development:

- A. Yuanta Financial Holdings invites elites from academia, industry and government to give keynote speeches and share their practical experience, so as to achieve the objectives of inspiring others and providing benchmarks in the industry. Keynote speeches and intellectual exchange can facilitate management knowledge and common sense about on a number of issues.
- B. Yuanta Financial Holdings selects and trains trans-disciplinary management talents, and provides training in business sensitivity, policy-making logic and management capacity through external programs, strategic case studies, visits and exchange.
- C. In order to meet the Group's need for overseas business development, Yuanta Financial Holdings offered the advanced programs for English language and basic programs for Thai language and also sent its personnel to pay a visit to overseas offices for exchange and negotiation for business in 2017, in order to further verify the overseas market and develop business opportunities locally. Meanwhile, Yuanta Financial Holdings sent its personnel to take business trip to overseas business locations or reside at the overseas business location for a short term, via the Group's international operation and management mechanism, to conduct and guide the inspection on financial and business risks, or helped the overseas business locations establish their own operation management mechanism. Meanwhile, the Group also trained overseas business administration talents, and sent potential personnel to reside locally for a short term and attend the training about continuous operations to train the Group's international business administration talents systematically.

(2) Professional competency training objectives, and execution thereof:

A. Group' strategy and annual key business objectives

The Company plans the promotion of financial laws and regulations, industrial development & vision, and professional financial training programs pursuant to the annual business development strategies and annual business objectives and financial supervision requirements, in order to enhance the employees' knowledge and expertise in the application of laws & regulations, provide customers with fine-quality and professional financial services and achieve the Group's annual business objectives.

In order to deal with the digital financial development and application trend, the professional talent training was oriented toward digital financial innovative talents and sales representatives' transformation in 2017. Yuanta Life worked with Yuanta Securities and Yuanta Bank to boost the "Protection-Type Insurance Rooting Plan" program, and offered the five major insurance-themed programs in various zones to help more than 2,000 securities traders, wealth management advisors, bank deposit/remittance operation personnel, wealth management personnel and consumer banking personnel provide customers with diversified investment commodities and protection-type insurance products by enhancing their expertise about insurance, so as to satisfy customers' need for financial investment and risk management.

#### Ⓔ. Financial instruments and general training

For professional function, the Company invites internal trainers to offer various educational training, operating procedure training, briefing skill, brief design and production, Excel basic and advanced application courses related to various financial instruments, compile the practical experience systematically and teach the same to employees, in order to achieve the mission and objective altogether and fulfill the Company's internal knowledge management and experience inheritance.

#### (3) Encourage diversified functions and financial license/certificate:

Yuanta Financial Holdings allows employees to access the professional financial courses provided by the Group's subsidiaries, and enhance their current functions or reserve the competency and financial license/certificate for future job, subject to their personal interest and career development. In order to encourage employees to acquire the domestic/foreign financial license/certificate actively, employees who attend the international finance professional certification examination may apply for reimbursement of expenses.

#### (4) Boosting the life style balanced physically and mentally

Yuanta Financial Holdings upholds its philosophy about corporate social responsibility. It not only leads employees to be in line with the industrial development trend, keep improving specialty and retain the competitiveness, but also organizes the life school programs including health seminars, physic fitness courses, parent-child communication seminar and artistic appreciation, integrated with 11 club activities of sport and study in nature and employees' family day event, to help employees develop the life style balanced physically and mentally. In 2017, Yuanta Financial Holdings was awarded the "Sport Enterprise Certification" by Sports Administration by virtue of the health seminar, sport seminar, physic fitness program, parent-child sport game and public welfare sponsorship.

## 2. Set up the digital training platform and boost life-time learning

The Company has provided self-made or purchased teaching materials, digital content such as knowledge base and quiz bank to organize the employees' on-the-job training and help employees' self-learning per the functionary need or select courses

interested by them via the digital training platform, “Yuanta e-Learning” permanently since 2003. The employees can select various digital courses provided by the Company and the Group’s subsidiaries and may learn about the practical experience shared by the senior, enrich the ability required by them to perform their duty, serve the purposes of internal knowledge sharing, diversified development of competency and employees’ self-learning.

To be in line with changes in the financial industry and personal annual development objectives, employees can utilize the characteristics of the digital training mantra, “anytime, anywhere, on-demand”, to arrange their personal training contents and schedule, and reserve their competitiveness for their future careers.

Given the rising of China rendering material impact to the global politics and economy in the Asia-Pacific area, Industry 4.0 and digital banking resulting from the progress in network and applied technology arousing the industrial revolution, and the impact to network native generation’s value toward the social development and business administration, the Group introduced the digital contents of “Commonwealth Innovation Academy” in June 2016, including the special report and systematic management courses well-founded in depth and width. This was done in order to show the Company’s officers and staff the world to help them control the global industrial trend and new knowledge about management in a timely manner. In June 2017, it granted the license of such contents to the Group’s employees domestically and overseas. Meanwhile, it releases the e-news each week to notify employees of the weekly focus topic to boost the e-learning and help the employees accumulate wide and in-depth knowledge. Yuanta Financial Holdings was awarded the “Best Learning Organization” by Commonwealth Innovation Academy in 2017 as it attained the “highest total reading scale on various courses and topics”.

3. Provide the chance for post transfer in the Group and encourage trans-disciplinary transfer to practice and seek experience

The Group makes good use of the strength in diversified financial industry of its subsidiaries and encourages employees to apply for internal post transfer, or intracompany post transfer subject to the operating need, so as to boost the exchange of talents in the Group and encourage employees to develop in a diversified manner, drive the reproduction of inter-company success and spread efficiency.

4. Encourage participation in seminar and training, and collect external knowledge and experience

In consideration of the current and future business development, the Company encourages employees to participate in workshops and training sessions organized by external entities to control the industrial development trend, technology and application experience. The Company will cover the full expenses for courses that are attended upon assignment or approval by the Company. Moreover, when employees enroll on their own initiative in related professional certification courses, the Company may provide subsidy for expenses based on the financial certificates and licenses.

Summary of Yuanta Financial Holdings’ implementation of education and training:

Disclosure	Year	2017
Total education & training spending		NT\$48 million
Total hours of education & training		480,018 hours
Total Number of education & training courses		3,243 items
Number of education & training trainees		306,194 persons

## IX. Important Contracts

### (I) Yuanta Financial Holdings

Data baseline date: 01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
Equipment room lease service contract	Data communications branch, Chunghwa Telecom Co., Ltd.	From December 1, 2009 to November 30, 2018	Provision of equipment room space and relevant equipment and services.	If either party to this contract fails to perform its contractual obligations due to a reason attributable to that party, and it fails to make corrections after being notified by the other party to do so within a limited time period, the non-defaulting party may notify the defaulting party in writing to terminate this contract after one month, and may request a penalty of NTS1,000,000.

### (II) Yuanta Securities

Data baseline date: 01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
Securities investment consultant appointment	Yuanta Securities Yuanta Securities Investment Consulting	Effective from January 1, 2017 to December 31, 2017.	To appoint Yuanta Securities Investment Consulting as the domestic and international issuer of equity securities, and for investment consulting services.	None
Securities investment consultant appointment	Yuanta Securities Yuanta Securities Investment Consulting	Effective from January 1, 2018 to December 31, 2018.	To appoint Yuanta Securities Investment Consulting as the domestic and international issuer of equity securities, and for investment consulting services.	None
Endorsement/guarantee contract	Yuanta Securities Yuanta Securities (Korea)	The Contract was signed on August 31, 2016 and indefinite (until Yuanta Securities (Korea) discharged all of its debts owed to Bank of China and all contracts are terminated).	Yuanta Securities provided the corporate guarantee toward all of the obligations derived from the limit of syndicated loan requested by Yuanta Securities (Korea) from Bank of China, within the limit of the principal, 100 billion won.	None
Endorsement/guarantee contract	Yuanta Securities PT Yuanta Sekuritas Indonesia	The contract was signed on January 3, 2017 and indefinite (until PT Yuanta Sekuritas Indonesia pays off all debts owed to PT Bank UOB Indonesia and all contracts concerned are terminated).	Yuanta Securities provides the guarantee only with respect to the debt arising from the facility sought by PT Yuanta Sekuritas Indonesia from PT Bank UOB Indonesia within the limit of the principal, IDR60 billion.	None
Endorsement/guarantee contract	Yuanta Securities Yuanta Securities (Thailand)	The contract was signed on July 25, 2017 and indefinite (until Yuanta Securities (Thailand) clears all debts owed to ANZ Bank (Thai) Public Company Limited and all contracts are terminated).	Yuanta Securities provides the corporate guarantee toward all of the obligations derived from the limit of the facility sought by Yuanta Securities (Thailand) from ANZ Bank (Thai) Public Company Limited within the limit the principal, USD10 million.	None
Lending agreement	Yuanta Securities Yuanta Securities Asia Financial Services	The Agreement was effective from December 30, 2016 to December 29, 2017.	Yuanta Securities offer the facility amounting to US\$100 million to Yuanta Securities Asia Financial Services to meet its need for working capital.	None
Stock purchase agreement	Yuanta Securities Yuanta Securities Finance	Effective from October 25, 2017 to December 31, 2017.	To subscribe for TDCC stock from Yuanta Securities Finance.	None

### (III) Yuanta Bank

Data baseline date: 01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
Equipment room lease service contract	Corporate Services Office, Chunghwa Telecom Co., Ltd.	Effective from December 1, 2009 to November 30, 2017. Unless either party notifies the other party not to renew the contract by giving a written notice at least 3 months prior to expiration of the contract, the contract shall be renewed for another year automatically, and so on.	Leasing of Xinyi equipment room.	If either party to this contract fails to perform its contractual obligations due to a reason attributable to that party, and it fails to make corrections after being notified by the other party to do so within a limited time period, the non-defaulting party may notify the defaulting party in writing to terminate this contract after one month, and may request a penalty of NTS1,000,000.
Advisor contract	M-Venture Investment, Inc.	From September 30, 2016 to September 29, 2018.	Provide the consulting services about the local business, law, taxation and investment information in Korea.	None
Business Cooperation Agreement	KuaiQian Payment and Settlement Service Company Limited	Effective from June 4, 2014 until the date when both parties agree to terminate the contract.	Create both parties' cash management cooperation business pursuant to laws.	To comply with the requirements defined by both parties' competent authorities and the related laws.
Business Cooperation Agreement	Alipay (China) Network Technology Co., Ltd.	Effective from January 23, 2015 until the date when both parties agree to terminate the contract.	Pursuant to laws, provide the buyer in Mainland China with the online multi-territorial payment services for purchase of products or services supplied by Taiwanese businessmen.	To comply with the requirements defined by both parties' competent authorities and the related laws.
Business Cooperation Agreement	Alipay (China) Network Technology Co., Ltd.	From December 1, 2015 to November 30, 2018.	Pursuant to laws, provide the buyer in Mainland China with the tangible payment services for purchase of products or services supplied by Taiwanese businessmen.	To comply with the requirements defined by both parties' competent authorities and the related laws.

### (IV) Ta Chong Bank

Data baseline date: 01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
Tenant agreement for the office (where the lessor is a related party and the deposit amounts to more than NTS10 million)	He Xin Construction Co., Ltd.	2015/08/01-2025/07/31	A. 4-8F., No.58, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City. B. 1-2F., No.218, Bo'ai 1st Rd., Sanmin Dist., Kaohsiung City.	None
	Ta Chong International Finance and Investment Company	2015/08/01-2019/12/31	Spaces at 7F., 7-1F., 7-2F., 7-3F., 7-4F., 7-5F. (in part) and 7-6F., No. 21, Ln. 583, Ruiguang Rd., Neihu Dist., Taipei City, and 14 parking lots at B1 and B2 thereof.	None
where the system maintenance contract amount amounting to NTS10 million or more.	IBM	2015/07/01-2018/06/30	Interbank information Technology and Facilities maintenance.	None
where the software license contract amount amounting to NTS10 million or more.	SYSTEX Corporation	2015/10/01-2018/09/30	Microsoft software license EA renewed for another three years.	None
where the hardware purchase contract amount amounting to NTS10 million or more.	High Performance Information Co. Ltd.	2017/01/09-2019/01/08	Purchase-end work station and OA PC.	None
where the system installation contract amount amounting to NTS10 million or more.	IBM	2017/01/01-2018/04/30	Installation of the network bank in Hong Kong.	None

## (V) Yuanta Life

Data baseline date: 01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
House lease agreement (Lessee)	Yuanta Life is referred to as the Lessee. Quan Yi Construction Co., Ltd. and Fu Tai Construction Co., Ltd. are referred to as the Lessor.	Both parties signed the Agreement on April 26, 2016. The lease shall be effective from September 1, 2016 until August 31, 2021 for five years.	Without the Lessor's prior consent, the premises shall not be subleased, sublet or assigned, or make available, to any third party, in whole or in part. The premises shall be occupied in accordance with laws and prohibited from being occupied for illegal purposes or accommodating any hazardous goods that affect the public safety.	General legal principles.
Purchase Agreement for Land Reserved for Utilities (land interest and right)	Yuanta Life was the buyer and Yuanta Construction and Development was the seller.	Both parties signed the Agreement on December 18, 2015.	1. Three lots of land used for road at Sub-section 2, Renai Section, Daan District, Taipei City, Sub-section 3, Fulin Section, Shilin District, and Sub-section 3, Haiguang Section, Shinlin District were purchased for transfer of development right. 2. The application for transfer of development rights of the land used for road was approved via Taipei City Government's official letter dated November 8, 2017.	General legal principles.
Equipment lease agreement	Data communications branch, Chunghwa Telecom Co., Ltd.	1. 2016/07/01~2017/06/30 2. 2017/07/01~2018/06/30	Lease agreement for control room (including the remote backup control room) and network equipment of CHT and maintenance thereof.	None
Re-insurance contract	Central Reinsurance Corporation	1992/10/1~	Life re-insurance services.	None
Re-insurance contract	Swiss Re-insurance Company	1992/10/1~	Life and health re-insurance.	None
Re-insurance contract	Reinsurance Group of America, Incorporated	1999/9/1~	Life reinsurance, health reinsurance and accident reinsurance.	None
Re-insurance contract	Hannover Reinsurance Company	2012/1/1~	Life reinsurance, health reinsurance, accident reinsurance and catastrophe reinsurance.	None
Re-insurance contract	Munich Reinsurance Company	2015/3/2~	Health reinsurance.	None

## (VI) Yuanta Securities Finance

Data baseline date: 01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
House lease agreement (lease)	Between Yuanta Securities Finance (Lessor) and the other party (Lessee)	No more than 10 years as of the date of lease referred to in the various contract.	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office or warehouse involving the relevant rights and obligations for the lease.	General legal principles.
House lease agreement (Lessee)	Between Yuanta Securities Finance (Lessee) and the other party (Lessor)	3-5 years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office or warehouse involving the relevant rights and obligations for the lease.	General legal principles.
Parking lot lease agreement (Lessor)	Between Yuanta Securities Finance (Lessor) and the other party (Lessee)	No more than 10 years as of the date of lease referred to in the various contract.	In the duration of the lease, Lessee shall not sublet, sublease or assign the premises, or make the premises available to any others. Temporary storage of any other goods at the premises, if any, shall be subject to approval by laws and notified to Lessor. The premises cannot be used for any purposes other than legal ones.	General legal principles.
Parking lot lease agreement (Lessee)	Between Yuanta Securities Finance (Lessee) and the other party (Lessor)	No more than 10 years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet, sublease or assign the premises, or make the premises available to any others. Temporary storage of any other goods at the premises, if any, shall be subject to approval by laws and notified to Lessor. The premises cannot be used for any purposes other than legal ones.	General legal principles.

## (VII) Yuanta Futures

Data baseline date: 01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
IT hardware maintenance agreement	IBM	From January 01, 2016 to December 31, 2018.	IBM hardware maintenance agreement.	None
Real estate lease agreement (Lessee)	Yuanta Securities	From April 1, 2015 to March 31, 2018.	Lease of 11F & 12F of Tatung Building for the futures head office, Taipei Business Dept., Sole Proprietary Dept. and related departments/offices.	General legal principles.
Software purchase contract	SYSTEX Corporation	From January 01, 2018 to December 31, 2020.	Procurement of Microsoft EA software.	None
Equipment lease agreement	Data communications subsidiary, Chunghwa Telecom Co., Ltd.	From November 1, 2012 to October 31, 2018.	Lease agreement for control room and network equipment of CHT and maintenance thereof.	None
Purchase and Sale contract	Shang-Zhi Asset Development Co., Ltd.	From May 25, 2017.	Purchase and Sale of real property.	None

## (VIII) Yuanta Asset Management

Data baseline date:  
01/31/2018

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
Document management service agreement	Recall Taiwan Ltd.	From December 29, 2017 to December 31, 2022.	Contracted to compile, tally, maintain and access related documents.	General legal principles.



## Five. Financial Status

### I. Summary Five-Year Balance Sheets and Consolidated Income Statement

#### (I) Summary Consolidated Balance Sheet of the Company and Its Subsidiaries

Unit: NT\$1,000

Item \ Year	Financial data (Note 1)					Financial information of current year ending 01/31/2018
	2013	2014	2015	2016	2017	
Cash and cash equivalents, due from the Central Bank and placement to other banks	112,848,376	126,511,651	122,544,804	200,028,956	118,398,520	(Note 2)
Financial assets at fair value through profit or loss	91,573,183	260,202,179	364,746,108	392,778,509	432,636,863	
Available-for-sale financial assets - net	43,612,700	114,343,183	136,286,218	277,420,469	395,516,795	
Investment in RS bills and bonds	250,724	17,643,207	27,052,332	36,499,146	34,827,960	
Receivables - net	98,302,239	120,663,442	118,698,145	146,219,693	175,314,970	
Income tax assets - current period	1,239,819	1,613,255	2,071,128	1,845,929	1,330,623	
Available-for-sale assets - net	1,309,054	33,096	-	36,265	-	
Discount and loan - net	397,268,743	451,629,582	485,843,127	791,673,242	762,319,040	
Re-insurance contract assets - net	-	368,588	389,969	415,679	435,887	
Financial assets held to maturity- net	7,204,646	51,295,128	83,479,054	116,136,617	143,810,470	
Investments under equity method - net	805,483	1,927,479	2,054,034	2,052,715	1,675,124	
Restricted assets - net	152,682	1,837,531	2,222,031	5,546,781	2,722,678	
Other financial assets - net	60,446,473	75,020,718	127,723,229	99,416,653	93,469,307	
Investment real estate - net	4,222,882	7,976,225	6,396,805	6,153,340	6,173,646	
Real property and equipment - net	12,417,996	13,379,104	17,311,422	20,885,538	22,630,593	
Intangible assets - net	25,497,006	27,042,475	26,198,945	36,600,681	35,935,777	
Deferred income tax assets - net	1,064,109	3,745,266	5,868,618	6,238,885	5,642,845	
Other assets-net	6,877,941	16,532,454	22,259,233	22,296,486	40,804,112	
<b>Total assets</b>	<b>865,094,056</b>	<b>1,291,764,563</b>	<b>1,551,145,202</b>	<b>2,162,245,584</b>	<b>2,273,645,210</b>	
Deposits by the Central Bank and other banks	13,072,480	5,681,005	32,744,363	28,846,322	13,520,162	
Financial liabilities at fair value through profit or loss	29,582,483	85,309,269	96,786,712	101,204,943	120,119,516	
Derivative Financial Liabilities for Hedging	-	-	-	220	-	
RP bill and bond liabilities	23,440,116	89,313,850	154,992,859	195,838,373	197,101,189	
Payable commercial paper-net	8,509,446	14,825,780	4,762,459	19,295,184	44,704,087	
Accounts payable	63,540,151	129,540,019	140,516,925	153,687,021	168,705,371	
Income tax liabilities - current period	4,593,107	3,146,491	3,626,180	4,732,529	5,667,788	
Deposit and remittance	470,505,829	555,769,170	625,561,930	1,050,062,790	1,056,024,289	
Bonds payable	31,002,148	54,683,089	58,044,635	78,197,495	65,890,879	
Other loans payable	1,106,179	9,250,609	29,166,061	45,821,349	71,754,771	
Special stock liabilities	-	-	-	3,896,505	-	
Reserve for liabilities	2,157,166	104,220,508	129,403,232	161,386,351	195,038,820	
Other financial liabilities	41,772,374	40,635,589	53,530,171	74,506,891	70,098,914	
Deferred income tax liabilities	1,020,822	1,838,207	4,150,542	3,879,175	3,518,474	
Other liabilities	13,159,292	12,512,579	20,495,083	21,095,871	33,403,394	

Item		Financial data (Note 1)					Financial information of current year ending 01/31/2018
		2013	2014	2015	2016	2017	
Total liabilities	Before distribution	703,461,593	1,106,726,165	1,353,781,152	1,942,451,019	2,045,547,654	(Note 2)
	After distribution	709,892,513	1,113,175,883	1,358,106,970	1,947,816,661	Note 3	
Total equity attributable to the owner of parent company		158,411,246	169,700,993	182,110,176	201,409,875	211,195,754	
Capital stock	Before distribution	98,937,235	101,410,666	107,129,605	119,986,478	118,891,975	
	After distribution	101,410,666	104,148,754	107,129,605	119,986,478	Note 3	
Additional paid-in capital		33,634,947	33,648,021	35,845,672	37,956,289	37,960,694	
Retained earnings	Before distribution	22,685,193	30,120,290	31,464,819	40,441,423	50,925,653	
	After distribution	13,780,842	20,932,484	27,139,001	35,075,781	Note 3	
Other equities		3,153,871	4,522,016	7,867,686	4,524,288	4,554,385	
Treasury stock		-	-	(197,606)	(1,498,603)	(1,136,953)	
Uncontrolled equity		3,221,217	15,337,405	15,253,874	18,384,690	16,901,802	
Total equity	Before distribution	161,632,463	185,038,398	197,364,050	219,794,565	228,097,556	
	After distribution	155,201,543	178,588,680	193,038,232	214,428,923	Note 3	

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

Note 3: Distribution of earnings in 2017 had not yet been resolved by the shareholders' meeting 2018 up to the date of publication of this annual report.

## (II) Summary Balance Sheet of Individual Entity

Unit: NT\$1,000

Item	Year	Financial data (Note 1)					Financial information of current year ending 01/31/2018
		2013	2014	2015	2016	2017	
Cash and cash equivalents		2,298,713	9,140	2,513,186	2,505,320	2,366,899	
Financial assets at fair value through profit or loss		3,542	-	-	4,029,195	-	
Available-for-sale financial assets - net		15,140	16,262	17,833	16,983	19,266	
Receivables – net		1,311,518	2,031,012	1,689,902	2,499,023	2,692,388	
Income tax assets - current period		977,977	957,846	1,348,765	1,138,997	327,604	
Investments under equity method -net		175,685,709	184,207,721	192,565,128	228,474,715	239,302,171	
Real property and equipment - net		47,798	37,718	26,962	29,863	26,516	
Intangible assets - net		3,255	4,763	5,883	6,066	4,453	
Deferred income tax assets - net		411,292	1,176	34,841	25,452	25,043	
Other assets-net		12,702	8,712	8,849	20,499	5,874	
<b>Total assets</b>		<b>180,767,646</b>	<b>187,274,350</b>	<b>198,211,349</b>	<b>238,746,113</b>	<b>244,770,214</b>	
Payable commercial paper-net		599,764	469,915	1,652,861	3,951,104	5,092,029	
Accounts payable		3,525,017	4,311,445	4,888,166	5,534,940	4,833,787	
Income tax liabilities - current period		2,139,859	2,145,884	2,234,608	3,146,411	3,851,645	
Bonds payable-net		16,002,148	10,624,562	5,800,000	19,750,000	19,750,000	
Other loans payable		-	-	1,500,000	1,000,000	-	(Note 2)
Special stock liabilities		-	-	-	3,896,505	-	
Reserve for liabilities		6,363	4,164	5,637	35,377	38,203	
Other liabilities		83,249	17,387	19,901	21,901	8,796	
Total liabilities	Before distribution	22,356,400	17,573,357	16,101,173	37,336,238	33,574,460	
	After distribution	28,787,320	24,023,075	20,426,991	42,701,880	Note 3	
Capital stock	Before distribution	98,937,235	101,410,666	107,129,605	119,986,478	118,891,975	
	After distribution	101,410,666	104,148,754	107,129,605	119,986,478	Note 3	
Additional paid-in capital		33,634,947	33,648,021	35,845,672	37,956,289	37,960,694	
Retained earnings	Before distribution	22,685,193	30,120,290	31,464,819	40,441,423	50,925,653	
	After distribution	13,780,842	20,932,484	27,139,001	35,075,781	Note 3	
Other equities		3,153,871	4,522,016	7,867,686	4,524,288	4,554,385	
Treasury stock		-	-	(197,606)	(1,498,603)	(1,136,953)	
Total equity	Before distribution	158,411,246	169,700,993	182,110,176	201,409,875	211,195,754	
	After distribution	151,980,326	163,251,275	177,784,358	196,044,233	Note 3	

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

Note 3: Distribution of earnings in 2017 had not yet been resolved by the shareholders' meeting 2018 up to the date of publication of this annual report.

(III) Summary consolidated income statement of Yuanta Financial Holdings and its subsidiaries

Unit: NT\$1,000

Item	Year	Financial data (Note 1)					Financial information of current year ending 01/31/2018
		2013	2014	2015	2016	2017	
Interest revenue		13,584,232	20,008,841	24,636,845	30,767,167	35,373,386	(Note 2)
Less: interest expenses		4,122,641	6,647,768	8,792,501	11,146,301	12,315,107	
Net interest income		9,461,591	13,361,073	15,844,344	19,620,866	23,058,279	
Net non-interest income		19,235,978	41,248,860	53,946,804	64,819,920	70,726,639	
Net profit		28,697,569	54,609,933	69,791,148	84,440,786	93,784,918	
Bad debt expenses and guarantee liability provisions		722,551	1,257,054	1,094,887	1,092,988	746,771	
Net changes of reserve for insurance liabilities		-	9,681,361	24,874,422	30,788,509	33,895,878	
Operating expenses		18,878,147	25,780,738	30,702,170	35,705,713	38,726,825	
Continuing departments net income before tax		9,096,871	17,890,780	13,119,669	16,853,576	20,415,444	
Income tax expense		1,019,550	1,463,407	1,119,115	2,478,983	2,559,332	
Profit or loss of discontinued operations (after tax)		-	-	-	(74,370)	(352,057)	
Net profit (net loss) - current period		8,077,321	16,427,373	12,000,554	14,300,223	17,504,055	
Other consolidated income (net after tax) - current period		(620,118)	1,449,128	2,458,531	(3,998,132)	177,608	
Total consolidated income – current period		7,457,203	17,876,501	14,459,085	10,302,091	17,681,663	
Net profit attributable to the owner of parent		7,709,994	16,474,314	10,817,624	13,414,105	16,204,948	
Net profit attributable to uncontrolled equity		367,327	(46,941)	1,182,930	886,118	1,299,107	
Net profit from total consolidated income attributable to the owner of parent		7,037,785	17,724,142	13,878,005	9,959,024	15,879,969	
Total consolidated income attributable to uncontrolled equity		419,418	152,359	581,080	343,067	1,801,694	
EPS		0.76	1.58	1.02	1.16	1.37	

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report

## (IV) Summary entity income statement of Yuanta Financial Holdings

Unit: NT\$1,000

Item	Year	Financial data (Note 1)					Financial information of current year ending 01/31/2018
		2013	2014	2015	2016	2017	
Share of the income from affiliates and joint ventures of subsidiaries recognized under equity method		8,413,948	17,537,368	11,469,459	15,610,065	17,800,029	(Note 2)
Realized gain on available-for-sale financial assets - net		306	339	417	428	439	
Net income (loss) from financial assets and liabilities at fair value through profit or loss		6,074	(3,542)	-	(799,737)	(190)	
Other revenue		1,875	17,636	8,526	158,110	51,315	
Operating expenses		434,554	545,087	451,243	596,175	613,416	
Other expenses and losses		322,127	285,930	163,776	506,487	664,948	
Continuing departments net income before tax		7,665,522	16,720,784	10,863,383	13,866,204	16,573,229	
Benefit (expense) from income tax		44,472	(246,470)	(45,759)	(452,099)	(368,281)	
Net profit - current period		7,709,994	16,474,314	10,817,624	13,414,105	16,204,948	
Other consolidated income (net after tax) - current period		(672,209)	1,249,828	3,060,381	(3,455,081)	(324,979)	
Total consolidated income – current period		7,037,785	17,724,142	13,878,005	9,959,024	15,879,969	
EPS		0.76	1.58	1.02	1.16	1.37	

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

(V) Independent auditors over the past five years and their audit opinions

1. 2013: James Huang, CPA, Ming-Hui Chang, CPA.

The independent auditors issued an audit report containing modified unqualified opinions in the 2013 financial statements.

2. 2014: Ellen Kuo, CPA, Ming-Hui Chang, CPA.

The independent auditors issued an audit report containing unqualified opinions in the 2014 financial statements.

3. 2015: Ellen Kuo, CPA, Ming-Hui Chang, CPA.

The independent auditors issued an audit report containing unqualified opinions in the 2015 financial statements.

4. 2016: Ellen Kuo, CPA, Ming-Hui Chang, CPA.

The independent auditors issued an audit report containing unqualified opinions in the 2016 financial statements.

5. 2017: Ellen Kuo, CPA, Ming-Hui Chang, CPA.

The independent auditors issued an audit report containing unqualified opinions in the 2017 financial statements.

## II. Financial analysis for the most recent five years

### (I) Financial analysis

Analysis Item (Note 2)		Year (Note 1)		Financial analysis					Financial information of current year ending 01/31/2018 (Note 3)
		2013	2014	2015	2016	2017			
Operational ability	Total asset turnover (times)		0.03	0.04	0.04	0.04	0.04	0.04	Not applicable
	Deposit to loan ratio of subsidiary bank (%)	Yuanta Bank	80.25	77.18	72.77	69.34	66.44		
		Ta Chong Bank	-	-	-	75.22	69.94		
	NPL ratio of subsidiary bank (%)	Yuanta Bank	0.31	0.19	0.20	0.21	0.23		
		Ta Chong Bank	-	-	-	0.22	0.27		
	Average revenues per employee (NT\$1,000)		3,208	4,643	6,032	5,695	6,408		
Average earnings per employee (NT\$1,000)		903	1,397	1,037	964	1,196			
Profitability	Return on assets (%)		0.96	1.52	0.84	0.77	0.79		
	Return on shareholders' equity (%)		5.01	9.48	6.28	6.86	7.82		
	Profit margin (%)		28.15	30.08	17.19	16.94	18.66		
	Earnings per share (NT\$)		0.76	1.58	1.02	1.16	1.37		
Financial structure	Ratio of liabilities to assets (%)		81.32	85.68	87.28	89.83	89.97		
	Ratio of liabilities to net value (%)		435.22	598.11	685.93	883.76	896.79		
	Double leverage ratio of financial holding companies (%)		110.91	108.56	105.75	115.45	113.32		
Leverage	Operating leverage		3.15	3.05	5.32	5.03	4.67		
	Financial leverage of financial holding companies		1.04	1.02	1.01	1.03	1.03		
Growth rate	Asset growth rate (%)		4.98	49.32	20.08	39.40	5.15		
	Profit growth rate (%)		4.21	96.67	(26.67)	27.89	19.57		
Cash flow	Cash flow ratio (%)		2.90	Note 4	Note 4	3.05	Note 4		
	Cash flow adequacy (%)		183.23	Note 4	Note 4	Note 4	Note 4		
	Cash flow coverage ratio (%)		389.04	Note 4	Note 4	2.39	Note 4		
Operating scale	Asset market share (%)		2.55	3.49	3.41	4.50	4.33		
	Net-worth market share (%)		6.83	6.85	6.30	6.54	6.14		
	Deposit market share of bank subsidiary (%)	Yuanta Bank	1.50	1.64	1.76	1.82	1.87		
		Ta Chong Bank	-	-	-	1.05	0.94		
	Loan market share of bank subsidiary (%)	Yuanta Bank	1.56	1.65	1.72	1.72	1.61		
Ta Chong Bank		-	-	-	1.08	0.91			

Analysis Item (Note 2)		Year (Note 1)	Financial analysis					Financial information of current year ending 01/31/2018 (Note 3)
			2013	2014	2015	2016	2017	
Capital adequacy	Capital adequacy of subsidiaries calculated according to capital adequacy regulations for the industry in question (%)	Yuanta Securities	499.28	449.31	416.87	360.47	300.54	
		Yuanta Bank	12.79	12.71	12.80	13.06	14.45	
		Ta Chong Bank	-	-	-	14.28	16.23	
		Yuanta Securities Finance	1,293.20	1,084.58	1,163.85	871.65	980.87	
		Yuanta Life	-	674.05	410.38	292.99	313.27	
	Authorized capital of each subsidiary (NT\$1,000)	Yuanta Securities	51,787,423	45,931,372	53,871,772	43,894,621	42,147,413	
		Yuanta Bank	54,362,129	66,305,713	76,966,190	79,546,520	81,546,814	
		Ta Chong Bank	-	-	-	48,275,862	45,291,675	
		Yuanta Securities Finance	12,966,508	11,230,778	11,999,616	9,831,981	10,136,339	
		Yuanta Life	-	8,844,389	7,041,803	6,269,936	9,253,636	
	Authorized net capital of group (NT\$1,000)		106,776,252	119,292,171	140,005,776	151,440,281	155,244,193	
	Statutory capital requirements of each subsidiary	Yuanta Securities	19,384,590	15,333,902	19,384,590	18,265,644	21,035,810	
		Yuanta Bank	34,015,664	41,718,938	48,111,621	52,541,093	52,183,505	
		Ta Chong Bank	-	-	-	29,148,619	25,811,954	
		Yuanta Securities Finance	1,504,008	1,553,241	1,546,545	1,691,969	1,550,103	
		Yuanta Life	-	2,624,254	3,431,858	4,280,014	5,907,844	
	Group's regulatory capital requirement (NT\$1,000)		71,815,176	81,340,990	98,685,303	117,685,232	116,559,976	
Group's capital adequacy ratio (%)		148.68	146.66	141.87	128.68	133.19		
Total amount (NT\$1,000) of loans, endorsements, or other transactions with the same individual, same related party, or same affiliate of all subsidiaries pursuant to Article 46 of the Financial Holding Company Act.		211,800,000	310,018,000	435,216,000	670,003,000	797,373,000		
Please explain the reasons for changes in each financial ratio during the most recent two years. (Analysis is not required if the magnitude of increase or decrease is less than 20%).								
1. The variation in the growth rate of assets of the two periods was a result of the merger and acquisition of Ta Chong Bank in the previous period which resulted in the increase in the asset scale more than that in the current period.								

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: The following calculation formulas must be listed at the end of the foregoing table:

1. Operational ability

- (1) Total asset turnover = net profit/total assets
- (2) Deposit to loan ratio of subsidiary bank = total loans made by subsidiary bank/total deposits.
- (3) NPL ratio of subsidiary bank = total value of NPLs at subsidiary bank/total value of loans.
- (4) Average revenues per employee = net profit/total number of employees.
- (5) Average earnings per employee = net earnings after tax/total number of employees.

2. Profitability

- (1) Return on assets = [after-tax income (loss) + interest expense × (1- tax rate)]/average total assets.
- (2) Return on shareholders' equity = after-tax income (loss)/average shareholders' equity.
- (3) Net profit margin = after-tax income (loss)/net profit.
- (4) EPS = (after-tax income (loss) - preferred stock dividends)/weighted average number of outstanding shares.

3. Financial structure

- (1) Ratio of liabilities to assets = total liabilities/total assets.



- (2) Ratio of liabilities to net value = total liabilities/shareholders' equity.
  - (3) Double leverage ratio of financial holding company = equity investment made in accordance with Article 36, Paragraph 2 and Article 37 of this Act/net value.
4. Leverage
- (1) Operating leverage = (net profit - variable cost losses) / pre-tax income (loss).
  - (2) Financial leverage of financial holding company = pre-tax income (loss) + interest expense/pre-tax income (loss).
5. Growth rate
- (1) Asset growth rate = (total assets during the current year - total assets during the previous year)/total assets during the previous year.
  - (2) Profit growth rate = (pre-tax income (loss) during the current year - pre-tax income (loss) during the previous year)/pre-tax income (loss) during the previous year.
6. Cash flow
- (1) Cash flow ratio = net cash flow from operating activities/(bank and interbank lending and overdrafts + payable commercial paper + financial liabilities stated as gain (loss) due to change in fair value + RP bill and bond liabilities + accounts payable with a maturity date within one year).
  - (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years/(capital spending + cash dividends during the most recent five years).
  - (3) Cash flow coverage ratio = net cash flow from operating activities/net cash flow from investment activities.
7. Operating scale
- (1) Asset market share = total assets/total assets of all financial holding companies.
  - (2) Net-worth market share = net value/total net worth of all financial holding companies.
  - (3) Market share of Bank subsidiary savings deposits = savings deposits total/the total amount of deposits for all financial institutions allowed to engage in savings deposits business.
  - (4) Market share of Bank subsidiary loans = loan total/the total amount of loans for all financial institutions allowed to engage in the lending business.
8. Capital adequacy
- (1) Net authorized capital of the group = authorized capital of the financial holding company + (financial holding company shareholding ratio × authorized capital of each subsidiary) - items to be subtracted in accordance with regulations.
  - (2) Total group statutory capital requirements = capital requirements specified in the Financial Holding Company Act + financial holding company shareholding ratio × each subsidiary's statutory capital requirement.
  - (3) Group capital adequacy = net value of the group's authorized capital/the group's statutory capital requirement.

Note 3: No financial information which has not yet been audited or reviewed by an independent external auditor before the date of publication of the annual report.

Note 4: This ratio was not calculated because the net cash flow from operating activities was negative.

### **III. Audit Committee's Report on the Latest Financial Statements**

#### **Yuanta Financial Holding Co., Ltd.**

#### **Audit Report from the Audit Committee**

In relation to Yuanta Financial Holdings' 2017 financial statements, and the business report and earnings distribution plan prepared and submitted by the Board of Directors, the financial statements have been reviewed and certified by accountants Ellen Kuo and Ming-Hui Chang of PricewaterhouseCoopers Certified Public Accountants, who gave an unqualified opinion on the audit report.

The Audit Committee, after completing the audit of the aforementioned reports and statements, believes that they are free of material misstatement, and thus has produced this report according to Article 219 of the Company Act after obtaining the consent of all Audit Committee members.

Submitted to:

2018 General Shareholders' Meeting of Yuanta Financial Holding Co., Ltd.

Audit Committee of Yuanta Financial Holding Co., Ltd.

Convener: Sou Shan Wu

Dated: March 28, 2018

- IV. The Latest Consolidated Financial Statements of the Company and Its Subsidiaries Audited and Certified by CPAs: See Appendix.**
- V. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company's Financial Status: None.**

## Six. Discussion and Analysis of Financial Status and Financial Performance, and Risk Management

### I. Comparative Analysis of Financial Conditions

#### (I) Consolidated Balance Sheet of the Company and Its Subsidiaries

Unit: NT\$1,000

Item	Year	12/31/2017	12/31/2016	Increase/Decrease	
		Amount	Amount	Amount	(%)
Cash and cash equivalents		64,007,570	62,625,574	1,381,996	2
Due from the Central Bank and placement to other banks		54,390,950	137,403,382	(83,012,432)	(60)
Financial assets		1,065,433,435	885,752,248	179,681,187	20
Investment in RS bills and bonds		34,827,960	36,499,146	(1,671,186)	(5)
Receivables – net		175,314,970	146,219,693	29,095,277	20
Discount and loan - net		762,319,040	791,673,242	(29,354,202)	(4)
Investments under equity method -net		1,675,124	2,052,715	(377,591)	(18)
Investment real estate - net		6,173,646	6,153,340	20,306	0
Real property and equipment - net		22,630,593	20,885,538	1,745,055	8
Intangible assets - net		35,935,777	36,600,681	(664,904)	(2)
Other assets-net		50,936,145	36,380,025	14,556,120	40
Total assets		2,273,645,210	2,162,245,584	111,399,626	5
Deposits by the Central Bank and other banks		13,520,162	28,846,322	(15,326,160)	(53)
Financial liabilities		190,218,430	175,712,054	14,506,376	8
RP bill and bond liabilities		197,101,189	195,838,373	1,262,816	1
Payable commercial paper-net		44,704,087	19,295,184	25,408,903	132
Accounts payable		168,705,371	153,687,021	15,018,350	10
Deposit and remittance		1,056,024,289	1,050,062,790	5,961,499	1
Bonds payable		65,890,879	78,197,495	(12,306,616)	(16)
Other loans payable		71,754,771	45,821,349	25,933,422	57
Special stock liabilities		0	3,896,505	(3,896,505)	(100)
Reserve for liabilities		195,038,820	161,386,351	33,652,469	21
Other liabilities		42,589,656	29,707,575	12,882,081	43
Total liabilities		2,045,547,654	1,942,451,019	103,096,635	5
Capital stock		118,891,975	119,986,478	(1,094,503)	(1)
Additional paid-in capital		37,960,694	37,956,289	4,405	0
Retained earnings		50,925,653	40,441,423	10,484,230	26
Other equities		4,554,385	4,524,288	30,097	1
Treasury stock		(1,136,953)	(1,498,603)	361,650	(24)
Uncontrolled equity		16,901,802	18,384,690	(1,482,888)	(8)
Total equity		228,097,556	219,794,565	8,302,991	4

Note: 1. Analysis of changes in financial assets

The increase in financial assets from 2016 was a result of:

- (1) The increase in financial assets at fair value through profit or loss - beneficiary certificates/securities, TWSE/TPEX listed stock, government bond and commercial paper by NT\$33.5 billion, NT\$10.5 billion, NT\$5.3 billion and NT\$4.5 billion respectively, and the decrease in overseas bond, term deposit certificate, convertible corporate bond and financial derivatives by NT\$5.2 billion, NT\$3.8 billion, NT\$3.7 billion and NT\$2.4 billion;

- (2) The increase in available-for-sale financial assets - negotiable term deposit certificate and corporate bonds by NT\$104.8 billion and NT\$24.4 billion, and the decrease in government bond and financial bond by NT\$6.9 billion and NT\$12.1 billion;
- (3) The increase in financial assets held to maturity - government bond and financial bond by NT\$16.9 billion and NT\$10 billion.
2. Other assets - analysis of changes in net  
Other assets - The increase in net from 2016 was a result of the increase in the margin for securities borrowing/lending by NT\$16.5 billion and decrease in the restricted assets by about NT\$2.8 billion.
3. Analysis of changes in other loans payable  
The increase in other loans from 2016 was a result of the increase in bank loans by about NT\$25.9 billion.
4. Analysis of changes in preferred stock liabilities  
The decrease in preferred stock liabilities from 2016 was a result of Class A registered preferred stock offered in 2016, which already expired in 2017.
5. Analysis of changes in reserve for liabilities  
The increase in reserve for liabilities from 2016 was a result of the increase in total insurance premium revenue of Yuanta Life and the increase in insurance liabilities to be reserved by NT\$33.6 billion.
6. Analysis of changes in other liabilities  
The increase in other liabilities from 2016 was a result of the increase in the guarantee deposit received for securities borrowing/lending and the guarantee deposit received-derivatives transaction by NT\$6.5 billion and NT\$3.7 billion, respectively.

## (II) Balance Sheet of Individual Entity

Unit: NT\$1,000

Item	Year	12/31/2017	12/31/2016	Increase/Decrease	
		Amount	Amount	Amount	(%)
Cash and cash equivalents		2,366,899	2,505,320	(138,421)	(6)
Financial assets at fair value through profit or loss		-	4,029,195	(4,029,195)	(100)
Available-for-sale financial assets - net		19,266	16,983	2,283	13
Receivables - net		2,692,388	2,499,023	193,365	8
Income tax assets - current period		327,604	1,138,997	(811,393)	(71)
Investments under equity method -net		239,302,171	228,474,715	10,827,456	5
Real property and equipment - net		26,516	29,863	(3,347)	(11)
Intangible assets - net		4,453	6,066	(1,613)	(27)
Deferred income tax assets - net		25,043	25,452	(409)	(2)
Other assets-net		5,874	20,499	(14,625)	(71)
Total assets		244,770,214	238,746,113	6,024,101	3
Payable commercial paper-net		5,092,029	3,951,104	1,140,925	29
Accounts payable		4,833,787	5,534,940	(701,153)	(13)
Income tax liabilities - current period		3,851,645	3,146,411	705,234	22
Bonds payable-net		19,750,000	19,750,000	0	0
Other loans payable		0	1,000,000	(1,000,000)	(100)
Special stock liabilities		0	3,896,505	(3,896,505)	(100)
Reserve for liabilities		38,203	35,377	2,826	8
Other liabilities		8,796	21,901	(13,105)	(60)
Total liabilities		33,574,460	37,336,238	(3,761,778)	(10)
Capital stock		118,891,975	119,986,478	(1,094,503)	(1)
Additional paid-in capital		37,960,694	37,956,289	4,405	0
Retained earnings		50,925,653	40,441,423	10,484,230	26
Other equities		4,554,385	4,524,288	30,097	1
Treasury stock		(1,136,953)	(1,498,603)	361,650	(24)
Total equity		211,195,754	201,409,875	9,785,879	5

Note: Explanation of significant changes:

1. Analysis of changes in investment in financial assets at fair value through profit or loss  
The decrease from 2016 was a result of expiry and redemption of Ta Chong Bank's private Class C registered convertible preferred stock in 2017.
2. Analysis of changes in equity investments recognized under equity method  
The increase in the equity investment under equity method at the end of 2017 from the previous year was a result of the increase in various subsidiaries' investment income recognized by the Company by about NT\$17.8 billion, and the decrease in the cash dividends distributed from the subsidiaries by about NT\$10.2 billion, the capital increase by Yuanta Life by NT\$4 billion, and the capital decrease by Yuanta Securities Investment Consulting and Yuanta Asset Management by NT\$200 million and NT\$500 million.
3. Analysis of changes in preferred stock liabilities  
The decrease from 2016 was a result of Class A registered preferred stock offered in 2016, which already expired in 2017.
4. Analysis of changes in capital stock  
The decrease in capital stock at the end of 2017 from the end of the previous year was a result of the Company's capital decrease by 109,450,296 shares in 2017, based on the shares refunded upon the capital decrease by Yuanta Securities.
5. Analysis of changes in treasury stock  
It refers to the treasury stock, totaling 68,965 thousand shares, repurchased in 2017. The Company has completed annulment of the 109,450,296 shares refunded by Yuanta Securities, upon capital decrease.

## II. Analysis of Financial Performance

### (I) Consolidated income statement of Yuanta Financial Holdings and its subsidiaries

Unit: NT\$1,000

Item	Year	2017	2016	Increase/Decrease	
		Amount	Amount	Amount	(%)
Net interest income		23,058,279	19,620,866	3,437,413	18
Net non-interest income		70,726,639	64,819,920	5,906,719	9
Net profit		93,784,918	84,440,786	9,344,132	11
Bad debt expenses and guarantee liability provisions		746,771	1,092,988	(346,217)	(32)
Net changes of reserve for insurance liabilities		33,895,878	30,788,509	3,107,369	10
Operating expenses		38,726,825	35,705,713	3,021,112	8
Continuing departments net consolidated income before tax		20,415,444	16,853,576	3,561,868	21
Income tax expense		2,559,332	2,478,983	80,349	3
Profit or loss of discontinued operations (after tax)		(352,057)	(74,370)	(277,687)	373
Net profit - current period		17,504,055	14,300,223	3,203,832	22
Other consolidated income		177,608	(3,998,132)	4,175,740	(104)
Total consolidated income – current period		17,681,663	10,302,091	7,379,572	72

Note: Explanation of significant changes:

1. Net changes of reserve for insurance liabilities  
The increase in business volume of Yuanta Life in 2017 resulted in the increase in insurance liabilities to be reserved by NT\$3.1 billion relatively.
2. Other consolidated incomes  
As a result of the exchange differences on translation of foreign financial statements and drastic decrease in unrealized evaluation on available-for-sale financial assets in 2017 from the previous period.

## (II) Entity income statement of Yuanta Financial Holdings

Unit: NT\$1,000

Item	Year	2017	2016	Increase/Decrease	
		Amount	Amount	Amount	(%)
Revenue					
Share of the income from affiliates and joint ventures of subsidiaries recognized under equity method		17,800,029	15,610,065	2,189,964	14
Realized gain on available-for-sale financial assets - net		439	428	11	3
Other revenue		51,315	158,110	(106,795)	(68)
Subtotal		17,851,783	15,768,603	2,083,180	13
Expenses and losses					
Loss from financial assets and liabilities at fair value through profit or loss.		190	799,737	(799,547)	(100)
Operating expenses		613,416	596,175	17,241	3
Other expenses and losses		664,948	506,487	158,461	31
Subtotal		1,278,554	1,902,399	(623,845)	(33)
Pretax income		16,573,229	13,866,204	2,707,025	20
Benefit (expense) from income tax		(368,281)	(452,099)	83,818	(19)
Net profit - current period		16,204,948	13,414,105	2,790,843	21

Note: Explanation of significant changes:

1. Analysis of investment income recognized under equity method

The increase in gains from investment under equity method in 2017 from the previous year was a result of the business growth of Yuanta Securities and Yuanta Bank.

2. Loss from financial assets and liabilities at fair value through profit or loss.

As a result of the related evaluation gain on Ta Chong Bank's private Class C convertible preferred stock and loss from disposition of Ta Chong Bank's convertible overseas bond recognized in the previous year.

## III. Analysis of Cash Flow

### (I) Analysis of liquidity in the previous two years

#### 1. Yuanta Financial Holdings and its subsidiaries

Item	Year	2017	2016	Increase/decrease %
Cash flow ratio (%)		(18.30)	3.05	(700.00)
Cash flow adequacy (%)		(439.75)	(246.30)	78.54
Cash reinvestment ratio (%)		(20.22)	2.36	(956.78)

Explanation of ratio changes:

1. The variance in cash flow ratios of the two periods was a result of the net cash flow from operating activities changing from positive figures to negative figures.
2. The variance in cash flow adequacy ratios of the two periods was a result of the drastic decrease in the net cash flow from operating activities in the most recent five years.
3. The variance in cash reinvestment ratios of the two periods was a result of the drastic decrease in (net cash flow from operating activities-cash dividend).

## 2. Yuanta Financial Holdings

Item	Year		
	2017	2016	Increase/decrease %
Cash flow ratio (%)	55.62	113.99	(51.21)
Cash flow adequacy (%)	210.26	235.04	(10.54)
Cash reinvestment ratio (%)	1.74	6.94	(74.93)
Explanation of ratio changes:			
1. The variance in cash flow ratios of the two periods was a result of the decrease in net cash flow from operating activities.			
2. The variance in cash reinvestment ratios of the two periods was a result of the decrease in the net cash flow from operating activities from the previous period.			

### (II) Analysis of liquidity in the coming year

#### 1. Analysis of liquidity of Yuanta Financial Holdings and its subsidiaries

Unit: NT\$1,000

Initial cash balance	Net cash flow from operating activities for the year	Cash flow for the year	Cash balance	Corrective measures against insufficient cash position	
				Investment plans	Financing plans
64,007,570	53,430,098	(34,161,786)	83,275,882	-	-

##### (1) Analysis of cash flow in the coming year:

A. Operating activities: 53,430,098

B. Investment activities: (7,256,393)

C. Financing activities: (26,905,393)

##### (2) Analysis of liquidity and corrective measures against projected insufficient cash position: Not applicable.

#### 2. Analysis of liquidity of Yuanta Financial Holdings

Unit: NT\$1,000

Initial cash balance	Net cash flow from operating activities for the year	Cash flow for the year	Cash balance	Corrective measures against insufficient cash position	
				Investment plans	Financing plans
2,366,899	10,967,867	(11,004,917)	2,329,849	-	-

##### (1) Analysis of cash flow in the coming year:

A. Operating activities: 10,967,867

B. Investment activities: 2,350,824

C. Financing activities: (13,355,741)

##### (2) Analysis of liquidity and corrective measures against projected insufficient cash position: Not applicable.



**IV. Major capital expenditures in the most recent year: Yuanta Financial Holdings did not have any major capital expenditures in the most recent year.**

**V. Investment strategies, causes for investment gains and losses, and planned improvements for the most recent year and the investment plan for the coming year**

(I) Investment strategies, causes for investment gains and losses, and planned improvements

Yuanta Financial Holdings will uphold the stable development policy to plan the Group's reinvestment policy. It will plan the Group's optimal investment strategies and portfolio by taking into consideration the growth potential and complementation of various business lines, as well as such financial factors as financial solidness, funding cost and rate of return on investment, insofar as it complies with related laws and regulations, in hopes of upgrading the Company's long-term profit and stability, increasing its ROE, and maximize shareholders' equity.

For the overview of operations and business plan for various subsidiaries of Yuanta Financial Holdings, please see "Four. Overview of Operations/1. Operations/(2) Business services of subsidiaries".

(II) Investment plan for the coming year

Upon completion of the acquisition and merger of Polaris Securities and Ta Chong Bank, Yuanta Securities and Yuanta Bank have attained considerable domestic business sales. In the future, the Group's investment plan will value construction and expansion of its overseas business in order to continue to move forward toward the objective for the "Best Financial Services Provider in the Asia Pacific Region". Yuanta Life will keep expanding its scale voluntarily, in principle. Notwithstanding, if some adequate object to be acquired and merged is verified, it will also consider expanding through merger and acquisition upon evaluation. The Group will keep concerning the development of FinTech and might control new technologies and business opportunities through investment or business cooperation.

**VI. Risk management**

(I) Risk management structure and policy of Yuanta Financial Holdings and each of its subsidiaries

1. Risk Management structure

Yuanta Financial Holdings' entire risk management structure covers the Board of Directors, the audit committee, risk management committee, management, risk management department, compliance affairs department, legal affairs department and other business departments.

The Board of Directors shall be the ultimate policy-making unit for the Company's risk management, whose functions include authorization of the Company's risk management policy and important risk management system, authorization of the annual risk limit and supervision of execution of the risk management system.

Audit Committee shall help Board of Directors perform the Board's responsibilities for risk management, whose functions include review of the Company's risk management

policy and important risk management system, review of annual risk limit and assistance in execution of the risk management system.

Risk Management Committee shall help the Audit Committee and Board of Directors, whose functions include review of the annual risk limit, review of risk management report, integration and coordination of common risk management issues between subsidiaries, and promotion and communication of important risk management motions, perform their responsibilities of risk management.

The management shall review all risks pertaining to operating activities and make sure that the Company's risk management system can be completely and effectively executed.

The Risk Management Department is subordinated to the Board of Directors. The Department's responsibilities include research and drafting of the risk management system, establishment of effective approaches to measure risk and the risk management system, monitoring and analysis of risk, and the provision of timely alerts and reports.

The Compliance Affairs Department shall execute compliance risk control to ensure that various units should execute the risk management system in accordance with the relevant regulations, and to help assess the compliance risk of various business lines.

The Legal Affairs Department shall execute legal risk control and help assess the legal risks potentially pertaining to various business lines, legal instruments, and contracts.

The Business Department's risk management functions include thorough reviewing of the management regulations governing various risks prior to carrying out various business lines, and compliance with the regulations governing various risks.

Each subsidiary has set up its own risk management organization by adequate level and scale, subject to its business portfolio, business scale and capital scale. The Company will continue to review each subsidiary's risk management organization to ensure that it may manage the various risks to be borne by it effectively.

## 2. Risk management policy

In order to establish the Company's risk management standards and ensure completeness, validity and reasonableness of the risk management, the risk management policy is defined as the Company's ultimate guidelines governing risk management. Various risk management systems shall be defined based on the policy, attributes of various risks, and effect to be produced by the risks to the Company's operating stability and capital safety.

The Company's risk management systems shall cover market risk, credit risk, market liquidity risk, capital liquidity risk, interest risk, insurance risk, operational risk, compliance risk and legal risk, and any other risks related to operation. The subsidiaries shall establish the risk management system which meets their business portfolio, business scale and capital scale according to the Company's risk management policy and the local competent authority's regulations, in order to manage the various risks to be borne by them effectively.

Each subsidiary has set up its own adequate risk management policy, subject to its business portfolio, business scale and capital scale. The Company will continue to review

each subsidiary's risk management policy to ensure that it may manage the various risks to be borne by it effectively.

(II) Methods of risk evaluation and control used by the Company and each of its subsidiaries, and risk exposure information

1. General periodic disclosures

(1) The Company's and subsidiaries' risk management principles are stated as follows:

Based on the board-approved risk management policies, the Company and each of its subsidiaries defined various risk management mechanisms. The Company's and subsidiaries' risk management principles are stated as follows:

A. Market risk:

Market risk refers to the risk over the loss on the Company losing its position due to the market price, fluctuation rate or related changes. The market price includes index, stock price, interest rate, foreign exchange rate, commodity or credit change. The Company's and subsidiaries' market risk management principles include set-up of effective early warning indicators, risk limits and values of risk based on the Company's risk tolerance level to accurately estimate potential losses and effectively control market risk. Under our value at risk (VaR) measurement model, the possible maximum potential loss over the exposure on the next trading day should be estimated at a 99% confidence level.

B. Credit risk:

Credit risk refers to the risk over loss resulting from the following circumstances:

(A) Where the bond (bill) issuer, lender, trading counterpart or custodian breaches contract, goes bankrupt or is liquidated and fails to perform its obligation pursuant to the terms and conditions as agreed and thereby causes risk.

(B) Where the bond (bill) issuer, lender, trading counterpart or custodian breaches contract, goes bankrupt or is liquidated and fails to fulfill its liability of warranty pursuant to the terms and conditions as agreed and thereby causes risk.

(C) Where the strength of the financial instrument-linked is weakened, credit rating is degraded, or there is any circumstance constituting breach of the financial instrument contract.

The Company and each of its subsidiaries shall define the credit risk management systems subject to attributes of risk:

(A) Loan credit: To manage the applications for loan by grade according to the credit rating or rating model, and enhance the quantitative mechanism of credit risk so as to upgrade the quality of loan assets. Apply an early warning mechanism integrated with the mid-term management platform to conduct the post-loan control over borrowers and take responsive measures to reduce the potential loss caused by credit risk.

(B) Financial trading credit risk: In order to effectively integrate the Company's and its subsidiaries' financial trading credit risk distribution and stay on top of changes in the Company's and its subsidiaries' financial trading credit risk

exposure, the Company has established an internal credit rating system to implement a credit risk level system to evaluate and control financial trading credit risk exposure effectively. Meanwhile, a credit early warning system has been established to implement reporting procedures so as to effectively improve the timeliness of our response to credit events.

C. Risk over concentration of large risk exposures:

Large risk arises when some business is concentrated on specific risk factors and the unexpected changes resulting from the specific risk factors, if any, might cause significant loss to the Company. The Company and each of its subsidiaries have set up the large risk exposure control systems to cover the risk over loan, investment and trading, and would also control the concentration of the overall risk exposure by the same person (enterprise), enterprise group, industry and country.

D. Market Liquidity risk:

Market liquidity risk arises when assets are sold or position is closed out because of consecutive shortages of trading volume in the market or disorder in the market resulting in a significant reduction of the trading volume, if any. To decrease the Company's and subsidiaries' market liquidity risk, the Company and subsidiaries have set up separate standards on market liquidity limits for different operations and different characteristics of financial products to ensure sufficient market liquidity for all positions.

E. Asset liability matching risk:

Asset and liability matching risk includes funding liquidity risk and interest rate risk. The funding liquidity risk means the risk arising from the inability to acquire sufficient fund by virtue of sale of assets or applying for loan with another banks and failure to repay the matured debt. The interest rate risk means the risk arising from the adverse changes of net interest income between assets and liabilities with interest caused by the fluctuation of market interest rate.

The Company and its subsidiaries have set appropriate funding liquidity risk control indicators depending on the nature of each operational sector, and evaluate in advance the potential capital gaps for various deadlines to effectively control overall liquidity risk. To enhance the ability to manage funding liquidity risk, the Company and each of its subsidiaries have also drawn up a capital allocation plan to cope with systemic risk events or react to abnormal capital flows.

The Company's and subsidiaries' interest rate risk management includes identification and measurement of interest rate re-pricing risk, yield curve risk, basis risk and option properties risk, and evaluate the warning value set up based on quantitative control indicator, so as to control the adverse effects caused by fluctuations in interest rate to the net interest income on the Company's entire assets and liabilities with interest effectively.

F. Insurance risk:

It means the risk over claims & benefits, payment or expenses made or provided pursuant to the contract higher than the insurance premium caused by unexpected risk changes before the underwriting after collecting insurance premium and assuming the specific risk transferred by the insured, in the process

of carrying out the insurance business. The insurance risk management shall cover the risk over product design, pricing, underwriting, reinsurance, catastrophe, claims and reserve fund.

G.Operational risk:

Operational risk refers to the risk of direct or indirect losses arising from negligence or errors in internal operations, staff or systems, or from external events. The Company and its subsidiaries' policy is to implement standard operating procedures and control points that have been set as standards in the internal control and audit systems, and to ensure the functioning and effectiveness of control points and check points through regular self-assessments of internal controls. We are also gradually building up an operational risk management mechanism that involves operational risk incident reporting, standard operating procedure review, operational risk measurement, risk control and self-assessment to strengthen operational risk management.

H.Compliance risk:

Compliance risk means the risk potentially punished by the competent authority for failure to comply with the related laws and regulations when carrying out various businesses. The Company and subsidiaries all have the Compliance Affairs Department responsible for planning, management and execution of the compliance system; establishment of various conveyance, consultation, coordination and communication systems for laws & regulations; confirmation of timely update of various operations and management regulations subject to laws & regulations; issuance or conclusion of the opinion which meets laws & regulations and internal regulations; analysis of deficiencies of various units in compliance or the causes thereof and opinion about corrective actions; performance appraisal of various units in compliance, and assurance of effective operation of the compliance system.

I. Legal risk:

Legal risk arises when a contract has no binding effect, or the contract involves any act beyond the authority, omits some provisions, or is defective in definitions of the contract and thereby makes the contract invalid, and risk over potential loss arises. The Company has the Legal Affairs Department responsible for researching and drafting Company's contracts with others; audit and management; and advising and processing of legal issues and non-litigious and litigious matters.

(2)Information covered in risk report and frequency & procedure of risk report

A. The level, contents and frequency of the Company's and its subsidiaries' risk report shall be adjusted subject to attributes of the risk and the impact rendered by the risk against the Company's business, income and net worth.

B. The Risk Management Department shall report the following risk management affairs to the management, Audit Committee or other functional committees dedicated to risk management and Board of Directors periodically:

(A)Overview of market risk;

(B)Overview of market liquidity risk;

- (C) Overview of credit risk;
- (D) Overview of funding liquidity risk;
- (E) Overview of interest rate risk;
- (F) Overview of insurance risk;
- (G) Overview of operational risk;
- (H) Overview of large risk exposure;
- (I) Overview of capital adequacy ratio;
- (J) Other significant risks.

(3) The policy for hedging and mitigation of risk, strategy, and procedure for monitoring the persistent effectiveness of the risk hedging and mitigation tools

The Company and each of its subsidiaries define the risk limit, hedging tools and hedging operation mechanism based on their risk acceptance, so as to effectively limit the risk to the extent as approved, via the reasonable hedging mechanism.

To execute the hedging, the risk structure and level for the entire position shall be adjusted until the risk is acceptance, by employing adequate financial instruments, subject to the market condition, business strategies, product characteristics, and risk management regulations. The Company will also periodically continue to measure and control the validity of the hedging tools dedicated to hedging and mitigating risk.

## 2. Quantitative information on risk exposure

(1) Yuanta Financial Holding Co., Ltd.

### A. Capital adequacy ratio

	2017/12/31	Average	Highest	Lowest
Capital adequacy ratio	133.19%	126.29%	133.19%	123.54%

### B. Value at risk over trading position

Unit: NT\$1,000

Risk category	2017			
	2017/12/31	Average	Lowest	Highest
Interest rate risk	101,509	126,841	90,333	155,881
Equity risk	190,007	260,444	171,953	347,005
Foreign exchange risk	323,081	245,580	192,063	352,967
Commodity risk	16,617	24,096	7,969	129,582
Less: Diversification benefit	(186,600)	(225,044)	-	-
Total VaR	444,615	431,917	333,092	503,713

Note: Under our value at risk (VaR) measurement model, the possible maximum potential loss over the exposure on the next trading day should be estimated at a 99% confidence level

(2) Yuanta Securities

A. Capital adequacy ratio

	2017/12/31	Average	Highest	Lowest
Capital adequacy ratio	301%	327%	375%	282%

B. Ratio of equivalent risk amount

Data baseline date:  
12/31/2017

Item	Ratio of equivalent risk amount
Market Risk	59.50%
Credit Risk	21.90%
Operational risk	18.60%
Total	100.00%

(3) Yuanta Bank

A. Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

Data baseline date: 12/31/2017  
Unit: NT\$1,000

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge
Sovereigns	163,846,760	0
Non Central -Government Public Sector Entities	0	0
Banks (Multilateral Development Banks included)	58,656,276	1,643,274
Corporates(Securities firms and insurance companies included)	299,762,283	22,287,105
Retail credit	97,340,602	6,604,745
Residential Property	165,370,620	7,846,274
Equity-securities investment	5,965	477
Other assets	15,251,280	841,963
Total	800,233,786	39,223,838

Note: The required capital refers to the exposure upon mitigation of risk multiplied by the statutory minimum capital adequacy ratio.

B. Market risk – accrual capital charge and risk weighted assets of market risk

Data baseline date: 12/31/2017  
Unit: NT\$1,000

Type of Risk	Accrued capital charge	Risk weighted assets (Note)
Interest rate risk	3,039,011	37,987,638
Equity risk	824,474	10,305,925
Foreign exchange risk	141,183	1,764,787
Commodity risk	0	0
Total	4,004,668	50,058,350

Note: The amount stated is the accrued capital charge multiplied by 12.5.

### C. Liquidity risk – asset liability maturity analysis

#### Structure analysis of time to maturity(NT\$)

Data baseline date: 12/31/2017

Unit: NT\$1,000

	Balance until maturity					Total
	0 – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 year	
Primary funds inflow upon maturity	211,591,507	41,907,392	41,623,009	65,150,225	376,992,907	737,265,040
Primary funds outflow upon maturity	111,920,564	132,378,180	122,772,728	200,465,802	336,430,461	903,967,735
Gap	99,670,943	(90,470,788)	(81,149,719)	(135,315,577)	40,562,446	(166,702,695)

Note: This table only includes NT\$ (not foreign currencies) held by the Head Office, domestic and overseas branches.

#### Structure analysis of time to maturity (US\$)

Data baseline date: 12/31/2017

Units: US\$1,000

	Balance until maturity					Total
	0 – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 year	
Primary funds inflow upon maturity	997,632	457,761	172,393	101,299	2,174,540	3,903,625
Primary funds outflow upon maturity	1,278,980	1,322,059	923,476	835,112	827,893	5,187,520
Gap	(281,348)	(864,298)	(751,083)	(733,813)	1,346,647	(1,283,895)

Note: The Form contains the total amount of the Head Office, domestic branches and OBU in the U.S. dollars.

#### (4) Ta Chong Bank

##### A. Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

Data baseline date: 12/31/2017

Unit: NT\$1,000

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge
Sovereigns	92,194,068	0
Non Central -Government Public Sector Entities	323,646	14,739
Banks (Multilateral Development Banks included)	34,835,214	1,270,217
Corporates(Securities firms and insurance companies included)	92,042,334	6,937,566
Retailed credit	66,394,650	4,702,224
Residential Property	117,973,242	5,753,285
Equity-securities investment	18,440	1,475
Other assets	9,751,295	575,983
Total	413,532,889	19,255,489

Note: The required capital refers to the exposure upon mitigation of risk multiplied by the statutory minimum capital adequacy ratio.



### B. Market risk –accrual capital charge and risk weighted assets of market risk

Data baseline date: 12/31/2017

Unit: NT\$1,000

Type of Risk	Accrued capital charge	Risk weighted assets (Note)
Interest rate risk	1,064,167	13,302,088
Equity risk	0	0
Foreign exchange risk	663,744	8,296,800
Commodity risk	0	0
Total	1,727,911	21,598,888

Note: The amount stated is the accrued capital charge multiplied by 12.5.

### C. Liquidity risk – asset liability maturity analysis

Data baseline date: 12/31/2017

Unit: NT\$1,000

#### Structure analysis of time to maturity(NT\$)

	Balance until maturity					Total
	0 – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 year	
Primary funds inflow upon maturity	122,921,735	48,692,105	45,599,554	32,344,994	168,349,087	417,907,475
Primary funds outflow upon maturity	66,038,430	85,392,334	93,443,444	96,583,227	177,331,780	518,789,215
Gap	56,883,305	(36,700,229)	(47,843,890)	(64,238,233)	(8,982,693)	(100,881,740)

Note: This table only includes NT\$ (not foreign currencies) held by the Head Office, domestic and overseas branches.

#### Structure analysis of time to maturity (US\$)

Data baseline date: 12/31/2017

Units: US\$1,000

	Balance until maturity					Total
	0 – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 year	
Primary funds inflow upon maturity	1,461,298	1,476,820	703,976	207,931	1,045,820	4,895,845
Primary funds outflow upon maturity	1,613,488	1,417,308	1,240,016	1,252,606	180,752	5,704,170
Gap	(152,190)	59,512	(536,040)	(1,044,675)	865,068	(808,325)

Note: The Form contains the total amount of the Head Office, domestic branches and OBU in the U.S. dollars.

## (5) Yuanta Life

### A. Capital adequacy ratio

	2017 first half of the year	2017
Capital adequacy ratio	414.26%	313.27%

B. Ratio of equivalent risk amount

Data baseline date: 12/31/2017

Risk Item	Percentage of total risk capital before adjustment
Asset risk	57.14%
Insurance risk	14.89%
Interest rate risk	20.85%
Other risks	7.12%
Total	100%

(6) Yuanta Securities Finance

A. Capital adequacy ratio

	2017/12/31	Average	Highest	Lowest
Capital adequacy ratio	980.87%	853.05%	1011.63%	775.71%

B. Ratio of equivalent risk amount

Data baseline date: 12/31/2017

Item	Ratio of equivalent risk amount
Market Risk	48.95%
Credit Risk	47.25%
Operational risk	3.80%
Total	100.00%

(7) Yuanta Futures

A. Alternative net capital (ANC)

	2017/12/31	Average	Highest	Lowest
Alternative net capital (ANC)	76.13%	73.59%	84.50%	65.88%

(III) Impact on the Company's financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures:

The relevant department staffs of the Company and its subsidiaries analyze all major changes to policies and laws at home and abroad before they occur and assess their impact on all business operations; relevant internal operational strategies and operating procedures are also adjusted in a timely way to respond to such changes.

(IV) Impact on the Company's financial standing due to technological or industrial changes, and corresponding countermeasures:

The Company serves as a financial holding company engaged in the operations covering securities, banking, insurance, securities finance, futures, investment trust, venture capital, investment consulting and asset management. The impact rendered by various subsidiaries' industrial changes on the Company has been balanced reasonably due to adequate industrial disperse and flexible business strategies. Accordingly, the impact on the

Company rendered by the various subsidiaries' industrial changes has been managed effectively via the maintenance of adequate disperse of the subsidiaries' business portfolio.

- (V) Impact of changes in the corporate identity of crisis management of the company and its subsidiaries, and corresponding countermeasures:

Yuanta Financial Holdings serves its corporate and individual customers under the banner of honesty and conducts all its business operations under the principles of "Security, Liquidity and Profitability". The company has long enjoyed the trust and support of its customers, and also looks forward to upholding these ideals in serving its customers in the future, while building a good corporate image based on sound and stable management. Should there be unfounded reports about the financial status or other related operations of the Group that are likely to severely affect the Group's corporate identity, the company will issue a press release or post important information on the website of the Market Observation Post System to clarify the situation and let the truth be known.

- (VI) Expected benefit(s), possible risk(s) and response action(s) of merger and acquisitions:

1. Yuanta Financial Holdings pursues mergers and acquisitions as part of its overall growth strategy and ultimately for achieving the following six (6) goals:

- (1) Leverage economies of scale;
- (2) Create competitive barriers;
- (3) Diversify operations;
- (4) Expand scope and territories of business;
- (5) Improve management performance.

2. Associated risks are detailed below:

- (1) Because asymmetric information, it might be difficult to control the real operating status of the merged and acquired prior to the merger & acquisition and to reflect the factors to the transaction price and thereby the company had to bear unexpected asset & liability risk;
- (2) The profitability and outlook of the merged and acquired are less than the expectation, and the value of merger & acquisition is overestimated;
- (3) The integration of enterprise culture and organizational framework results in loss of human resource and business and the declination or deferred production of merger & acquisition benefit.

Yuanta Financial Holdings has strictly followed the standard operating procedures for the decision-making process of mergers and acquisitions (Yuanta Financial Holdings' Notes to and SOP for Merger & Acquisition). During the valuation process, consultants and lawyers are retained to conduct due diligence and the knowledge and expertise of the Group is enlisted to ensure careful evaluation before the merger & acquisition. Upon merger and acquisition, the Group would reduce the potential risk and loss related to the merger & acquisition through well-founded integration plans and thorough execution to have the merger & acquisition benefit exerted fully. Therefore, the Group's control over the risk related to merger & acquisition shall be considered adequate.

(VII) Risk and response action from concentrated operations:

The Company's and each of its subsidiaries cover a wide range of activities including securities, banking, insurance, securities finance, futures, investment trust, venture capital, investment consulting, and asset management underlining our efforts to diversify business to reduce risks associated with over-concentration. Additionally, credit limits have been established for all investment positions held by each subsidiary in accordance with relevant laws and regulations and risk management mechanisms so as to appropriately diversify risk and the potential risks arising from excessive concentration of business.

(VIII) Impact or risk associated with large transfers or changes in shareholdings by directors or major shareholders holding over 1%:

The Company and each of its subsidiaries are run by professional managers, and have established a full set of regulations on the empowerment of managers as well as the scope of powers at each level of the managerial hierarchy to expressly define the division of labor and responsibilities. Therefore, there will be no significant impact on the Company in the event of transfers or changes in shareholdings by a director or major shareholder holding a stake of more than 1%.

(IX) Effect and risk caused by the changes of the right to manage to the Company, and the countermeasures thereof:

The Company and each of its subsidiaries are run by professional managers, and have established a full set of regulations on the empowerment of managers as well as the scope of powers at each level of the managerial hierarchy to expressly define the division of labor and responsibilities. Therefore, there will be no significant impact on the Company in the event of the changes of the right to manage.

(X) Litigation and non-litigation matters:

1. Major litigation, non-litigious or administrative legal action, convicted or pending, involving the Company or its subsidiaries:

Unit: Dollar (NT\$/KR\$/HK\$/US\$/THB\$)

Facts	Target Amount	Commencing Date of Litigation	Principle legal actions counterparty	Until the date of publication of the annual report Status	Remarks
Due to the dispute over transaction of stock, the customer of the extinguish company, Polaris Securities, filed a civil action against Yuanta Securities, claiming that Yuanta Securities should bear the damages jointly and severally with its employee.	NT\$ 39,769,051	June 2013	Yuanta Securities, Lin ○ Chi and Plaintiff Meng ○ Chiao.	The claimed value was NT\$25,718,846 on June 25, 2013, and increased to be NT\$40,310,002 on June 30, 2015 and decreased to be NT\$39,769,051 on August 12, 2015. Taipei District Court, Taiwan has rendered the judgment revoking the Plaintiff's claim on October 21, 2016. Notwithstanding, the Plaintiff filed an appeal against the judgment. The appeal is pending trial by Taiwan High Court now.	Upon evaluation, no material effect would be produced to Yuanta Securities' operation or shareholders' equity.
Seventy-Day Adventist Church Taiwan Conference and Taiwan Adventist Hospital applied for mediation against two (2) persons including Yuanta Securities, et al. to settle the dispute over the purchase and sale contract of land and parking lots.	NT\$ 952,511,840	January 2018	Yuanta Securities and the other person, and Seventy-Day Adventist Church Taiwan Conference and Taiwan Adventist Hospital	Seventh-Day Adventist Church and Taiwan Adventist Hospital initiated a mediation procedure against Yuanta Securities et al. on January 9, 2018. The plaintiff previously claimed \$574,000,000 for compensation (of which \$572,350,000 was subject to joint liability). On January 17, 2018, the compensation was raised to \$952,511,000 (of which \$950,861,000 was subject to joint liability). Yuanta Securities intends to hire experts and legal counsels to contest the case in court. Currently, the case is being pending with the Taiwan Taipei District Court.	Upon evaluation, no material effect would be produced to Yuanta Securities' operation or shareholders' equity.
Anbang Group Holdings Co. Limited and Anbang Life Insurance Co., Ltd. filed a counterclaim against Yuanta Securities (Korea) and other four entities in an arbitration proceeding.	About 698,000 million won	June 2017	Yuanta Securities (Korea) and the other four entities, and the petitioners for the counterclaim, Anbang Group Holdings Co. Limited and Anbang Life Insurance Co., Ltd.	Yuanta Securities (Korea) denied the allegations by Anbang Group Holdings Co. Limited and Anbang Life Insurance Co., Ltd. The arbitration is still pending according to the arbitration rules.	Upon evaluation, no material effect would be produced to Yuanta Securities (Korea)'s operation or shareholders' equity.
Yuanta Securities (Hong Kong) raised a litigation proceeding against the account executive as guarantor.	About HK\$ 135 million	June 2017	Yuanta Securities (Hong Kong) and the former account executive	Yuanta Securities (Hong Kong) has incurred receivables from margin loan, which were secured by a listed security that was suspended for trading. These margin clients were served by an account executive who entered into a guarantee with Yuanta Securities (Hong Kong) (the "Guarantee") under which the account executive agreed to guarantee all losses of Yuanta Securities (Hong Kong) in relation to the accounts of these margin clients. Yuanta Securities (Hong Kong) has raised a litigation proceeding against the account executive as guarantor. The account executive has denied its liability under the Guarantee. Currently, the case is pending with the court.	Upon evaluation, no material effect would be produced to Yuanta Securities (Hong Kong)'s operation or shareholders' equity.
The former employee of Yuanta Securities (Thailand) (formerly known as KKTrade Securities Co., Ltd.) was suspected of committing fraud. The clients filed a civil lawsuit against Yuanta Securities (Thailand) and the former employee for joint liability to pay the compensation.	About THB\$ 301 million	August 2017	Yuanta Securities (Thailand) and the other one (1) person, and Plaintiff Mr. Amnaj ○○ and the other four (4) persons.	As part of the claimed amount was not remitted to the company account of Yuanta Securities (Thailand), but rather directly to the former employee from the plaintiffs in relation to private transfer, the liability thereof is thereby denied by Yuanta securities (Thailand). Yuanta Securities (Thailand) has retained lawyers to proceed in subsequent proceedings for defense.	Upon evaluation, no material effect would be produced to Yuanta Securities (Thailand)'s operation or shareholders' equity.

Facts	Target Amount	Commencing Date of Litigation	Principle legal actions counterparty	Until the date of publication of the annual report Status	Remarks
The policy holder, Ma ○ Shan, claimed that about ten insurance policies were not signed by the insured personally and, therefore, the policies should be held invalid ab initio and Yuanta Life should refund the insurance premium already paid by him. He also claimed that Yuanta Life underpaid the surrender for another insurance policy.	NT\$39,301,197	March 2016	Plaintiff Ma ○ Shan	1. Financial Ombudsman Institution has resolved the case and rendered the decision in disfavor of the Plaintiff. 2. The suit has been withdrawn by the policyholder voluntarily at the end of March 2017. Therefore, the case was closed.	1. Yuanta Life has provided the allowance for said claimed value and, therefore, no material effect would be produced by the resolution to its operation or shareholders' equity. 2. The case was closed accordingly.
Yuanta Savings Bank (Korea), a subsidiary of Yuanta Bank, considered that the complaint filed by Defendant Trust Investment with Korean Financial Services Commission in March 2016 claiming that Yuanta Savings Bank (Korea) overcharged the Defendant in a loan project and should refund the Defendant ₩4 billion should be groundless. Accordingly, it filed on action with Seoul Central District Court for a declaratory judgment of non-existence of the obligation to settle the dispute.	Amount impact 4,024,468,690 won (about NT\$114,295,000)	September 2016	Defendant : Trust Investment	1. Yuanta Bank has reached agreement with the original shareholder of Yuanta Savings Bank (Korea) (formerly known as HanShin Savings Bank), AON BGN Limited Liability Company, in this regard, upon merger and acquisition of HanShin Savings Bank, agreeing that the original shareholder should pledge 5 billion won to Yuanta Bank to secure the damages to be caused by the action. Until December 23, 2017, it has stated the indemnification assets or contingent liabilities totaling 4,024,469 thousand won based on the claimed value, stated as "other assets-net" and "liability reserve". 2. Seoul Central District Court rendered the judgment in favor of the plaintiff, Yuanta Savings Bank (Korea), in the first instance on June 16, 2017. The defendant, Trust Investment, filed an appeal with Seoul High Court accordingly. The case is now pending trial by Seoul High Court.	Upon evaluation, no material effect would be produced to Yuanta Bank's operation or shareholders' equity.
SPM (BVI) CO., LTD. and its affiliate, HYC Co., Ltd., filed a civil action claiming revocation of the arbitration award dated September 8, 2017 rendered by the arbitration tribunal formed by the Chinese. Arbitration Association, Taipei against Ta Chong Bank.	US\$8,659,000 and interest thereon	October 2017	Plaintiff: SPM (BVI) CO., LTD. and HYC CO., LTD.  Defendant : Ta Chong Bank	1. The plaintiff engaged in the foreign exchange financial derivatives transactions with Ta Chong Bank from 2013 to 2015. Notwithstanding, the plaintiff suffered loss from the transactions and, therefore, filed a petition for arbitration with the Chinese. Arbitration Association, Taipei claiming that Ta Chong Bank should bear the damages, US\$8,659 thousand plus interest. The arbitration tribunal rendered the arbitration award dismissing the plaintiff's claim on September 8, 2017. The plaintiff filed the civil action claiming revocation of the arbitration award in October 2017. 2. The case is now pending trial by Taiwan Taipei District Court, Taiwan.	Upon evaluation, no material effect would be produced to Ta Chong Bank's operation or shareholders' equity.
Due to the dispute arising from the foreign exchange financial derivatives transactions between SINO UNITED INTERNATIONAL CO.,LTD. and PLOSA INTERNATIONAL CO.,LTD. and Ta Chong Bank, the two (2) companies filed a civil action claiming damages against Ta Chong Bank.	First claim: US\$3,123,399.47 plus interest Secondary claim: US\$1,445,000 plus interest	June 2016	Plaintiff: SINO UNITED INTERNATIONAL CO.,LTD. and PLOSA INTERNATIONAL CO.,LTD.  Defendant : Ta Chong Bank	1. Due to the dispute arising from the foreign exchange financial derivatives transactions with Ta Chong Bank, the plaintiffs had dispute over the loss of open positions for said transactions and, therefore, filed a legal action with the Taipei District Court, claiming that Ta Chong Bank should bear said loss. 2. The judgment was rendered in favor of Ta Chong Bank in the first instance on January 26, 2018.	Upon evaluation, no material effect would be produced to Ta Chong Bank's operation or shareholders' equity.

2. The subsidiary, Yuanta Securities Investment Trust, initially handled the discretionary investment under the domestic investment contract for Bureau of Labor Funds, Ministry of Labor (formerly known as LABOR PENSION FUND SUPERVISORY COMMITTEE, reformed as of February 17, 2014, hereinafter referred to as the “Bureau”). Because the manager surnamed Chu who handled the discretionary investment business before resigning from Polaris Securities Investment Trust committed misconduct with respect to the discretionary investment business from 2011 to 2012, the Bureau of Labor Funds has filed a criminal action with monetary claim against Yuanta Securities Investment Trust and the manager surnamed Chu with Taipei District Court on January 28, 2014 to claim joint and several damages. In order to prevent its interests and rights from being injured, Yuanta Securities Investment Trust has appointed its attorney-at-law to handle the case. Taipei District Court, Taiwan also rendered the judgment against the case involving the manager surnamed Chu in the first instance, ruling that the case should be transferred to the civil court for trial. The Bureau reduced the damages to be borne by Yuanta Securities Investment Trust and Chu jointly and severally as NT\$108,410,956 on September 5, 2016. After Taiwan High Court rendered its judgment against said case in the second trial, the Bureau reduced said damages as NT\$71,575 thousand on April 28, 2017. Upon evaluation, the attorney-at-law considered that Chu should be held breaching the trust of Yuanta Securities Investment Trust in said 1st instance and 2nd instance criminal judgment, while the Bureau should not be held the principal entrusting him to handle the case. Besides, the previous transactions damaging the Bureau’s right involving the offense against breach of trust referred to in the Criminal Code and the insider’s trading in violation of the Securities and Exchange Act, as stated in the letter of complaint, could not be proven. Therefore, the attorney-at-law determined that whether the Bureau may claim damages in the criminal action with monetary claim, and how to prove the cause-and-effect relation between the damages and offense and to calculate the damages should remain disputable, and the case may be evaluated more concretely only after the court renders its judgment.

(XI) Other significant risks and response actions: None.

## **VII.Crisis Management and Emergency Response**

The company has established policy and procedural rules for crisis management within relevant risk management mechanisms. Based on the said policy and procedural rules, a crisis emergency response task force is set up with the president or a vice president appointed by the president as its convener. Departmental supervisors then form a crisis management task force depending on the extent and nature of the incident, which analyzes and evaluates proposed response measures. Keeping abreast of the latest developments, the task force proposes or submits revised response plans to meet actual needs. In line with the policy and procedural rules, each subsidiary has also established a set of disaster emergency response measures for effective management.

## **VIII.Other Significant Events: None.**

## Seven. Special Items

### I. Information on Affiliates

- (I) Consolidated business reports of affiliated enterprises
1. Organizational chart of affiliates: See page 18.
  2. Basic information on affiliates

Units: \$1,000 (including NT\$, US\$, HK\$, CNY\$, KRW\$, PHP\$, GBP\$, IDR\$, THB\$, VND\$)  
Data baseline date: 01/31/2018

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Yuanta Securities	1996.06.26	13-14F., No. 225, Sec. 3, Nanjing E. Rd., Taipei City	54,056,442	See Yuanta Securities business scope in "Four. Overview of Operations".
Yuanta Bank	1992.01.14	1-10F., No. 66 and 1F., 2F., 2F.-1, 7F. and 9F., No. 68, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City	73,940,390	See Yuanta Bank business scope in "Four. Overview of Operations".
Yuanta Life	2002.03.29	17F., No.156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City	12,107,048	See Yuanta Life business scope in "Four. Overview of Operations".
Yuanta Securities Finance	1980.03.10	12F., No.66, Sec. 1, Dunhua S. Rd., Taipei City	4,000,000	See Yuanta Securities Finance business scope in "Four. Overview of Operations".
Yuanta Venture Capital	2002.12.13	10F., No.66, Sec. 1, Dunhua S. Rd., Taipei City	2,460,000	See Yuanta Venture Capital business scope in "Four. Overview of Operations".
Yuanta Futures	1997.04.09	11-12F., No. 225, Sec. 3, Nanjing E. Rd., Taipei City	2,322,763	See Yuanta Futures business scope in "Four. Overview of Operations".
Yuanta Securities Investment Trust	1992.08.14	6F., No. 225, and 10-11F., No. 219, Sec. 3, Nanjing E. Rd., Taipei City	2,269,235	See Yuanta Securities Investment Trust business scope in "Four. Overview of Operations".
Yuanta Asset Management	2003.04.16	10F.-1, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	1,000,000	See Yuanta Asset Management business scope in "Four. Overview of Operations".
Yuanta Securities Investment Consulting Services	1988.02.11	4F., No. 225, Sec. 3, Nanjing E. Rd., Taipei City	100,000	See Yuanta Securities Investment Consulting business scope in "Four. Overview of Operations".
Yuanta Securities Asia Financial Services	1996.06.11	Clarendon House 2 Church Street Hamilton HM11, Bermuda	US\$290,909	Investment holdings
Yuanta International Insurance Brokers	2001.07.05	2F.-1, No. 225, Sec. 3, Nanjing E. Rd., Taipei City	5,000	Insurance broker
Yuanta I Venture Capital	2002.12.19	10F., No.66, Sec. 1, Dunhua S. Rd., Taipei City	850,000	Venture capital services
Yuanta International Leasing	2012.11.15	7F., No.69, Baoqing Rd., Zhongzheng Dist., Taipei City	600,000	Leasing services



Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Yuanta Savings Bank (Philippines)	1997.11.05	Ground Floor, Chatham House Building, 116 Valero corner Rufino Streets, Saleedo Village, Makati City, Philippines	PHPS1,000,000	Deposit, loan and foreign exchange
Yuanta Savings Bank (Korea)	1988.06.20	542, Gangnam-daero, Gangnam-gu, Seoul, Korea	KRW\$67,580,120	Deposit and loan
Yuanta Securities (HK)	1992.10.22	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong	HK\$2,268,133	Securities exchange, futures contract trading, leveraged foreign exchange trading, advice on securities, advice on futures contract, advice on corporate finance, asset management
Yuanta Finance (HK)	2014.12.31	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, HK	HK\$50,000	Credit loan business
Yuanta International Investment (HK)	2014.01.12	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, HK	HK\$50,000	Offering of financial instruments
Yuanta Securities Holdings (BVI)	2002.11.06	Tropic Isle Building P.O.Box 438, Road Town, Tortola, British Virgin Islands.	US\$10	Investment holdings
Yuanta HK Holdings (Cayman)	1996.11.05	4F., Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands	US\$10,074	Investment holdings
Polaris Securities (HK)	1993.07.08	23F, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong	HK\$9,910	Securities exchange, futures contract trading, leveraged foreign exchange trading, asset management
Yuanta Investment Management (Cayman)	1994.01.14	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands	US\$12,500	Investment management
GC Investment Consultant (Shanghai) (in liquidation)	2001.09.10	Suite A & B, 12F., No. 138, Putong Avenue, Putong New District, Shanghai City	CNY\$ 4,138	Investment advisory services
Yuanta Investment Consulting (Beijing)	2013.06.17	Rm.706, 4F., Yinwang Center, No.113, Zhichun Rd., Haidien District Beijing 100080, China	CNY\$18,428	Investment management consulting, financial consultation, business management consultation, commercial information consultation, economic and trading consultation, merchandising, technical promotion, technical service
Yuanta Asia Investment	2014.04.10	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, VIRGIN ISLANDS, BRITISH	US\$30,000	Direct investment, venture investment fund, ventures investment fund raising and management, investment consulting and advice
Yuanta Securities (Korea)	1962.06.04	Yuanta Securities Bldg. #76, Euljiro (Euljiro 2-gu), Jung-gu, Seoul, Korea	KRW\$1,062,543,940	Securities exchange, advice on securities, advice on futures contract, underwriting business, asset management, financial consulting, futures contract trading
Yuanta Investment	1989.04.22	12F, #76 Euljiro (Euljiro 2-gu), Jung-gu, Seoul, Korea	KRW\$32,003,805	Investment business
Yuanta Financial (HK)	2009.04.29	Unit 1010, 10/F, Corporation Park, 11 On Lai Street, Shatin, Hong Kong	HK\$189,540	Investment holdings
Heng Xin Asia Holdings	2011.06.03	Unit 1010, 10/F, Corporation Park, 11 On Lai Street, Shatin, Hong Kong	US\$1,692	Investment holdings

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Yuanta Securities (Cambodia)	2010.02.24	4th Floor, Emerald Building, No. 64 (corner St. 178), Preah Norodom Blvd, Sangkat Chey Chumneah, Khan Daun Penh, Phnom Penh, Cambodia	US\$12,500	Guidance to underwriting, financial consulting
Yuanta Securities (UK)	2015.04.27	18 St Swithin's Lane, London EC4N 8AD	GBP\$2,000	Brokerage services for institutional investors
PT Yuanta Sekuritas Indonesia	1989.11.22	Equity Tower 10th Floor, Unit EFGH, SCBD Lot 9, Jl. Jendral Sudirman Kav 52-53 Jakarta 12190, Indonesia	IDR\$478,816,000	Securities exchange, and underwriting
PT Yuanta Asset Management	2011.02.02	Equity Tower 10th Floor Unit B, SCBD Lot 9, Jl. Jendral Sudirman Kav 52-53 Jakarta 12190, Indonesia.	IDR\$40,200,000	Investment management
Yuanta Securities (Thailand)	1988.10.27	127 Gaysorn Tower, 14th-16th Floor, Ratchadamri Road, Lumpini, Pathumwa, Bangkok 10330	THB\$4,500,000	Securities brokerage, proprietary trading, underwriting, investment advisor, mutual fund management, private fund management, securities borrowing/lending, venture capital fund management, financial derivatives brokerage, proprietary trading, investment advisor, financial derivatives fund management
The First Securities Joint Stock Company	1999.10.18	Level 4, Saigon Centre Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	VND\$300,000,000	brokerage, proprietary trading and underwriting
Yuanta Futures (HK)	2010.12.02	Unit 1304, 13th/F, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong	US\$16,000	2nd Type: Futures contract trading; 5th Type: Advice on futures contract
SYF Information	2012.11.09	7F-4, No. 181, Fuxing N. Road, Taipei City	350,000	IT management, IT software service, IT software wholesale & retail
SYF Information (Samoa)	2012.11.15	Portullis Chambers P. O. Box 1225, Apia, SAMOA	US\$5,800	Investment holdings
SYF Information (Shanghai)	1962.06.04	Room A113, 1F, Building 4, No. 88 North Zhangjiabang Road, Pudong New District, Shanghai City	CNY\$33,080	R&D and production of computer software, e-commerce software and financial software, sale of own products, and supply of the relevant technology consulting service; investment consulting services; wholesale, agency (other than auction) and import/export of metal materials (other than precious metals, rare metals and steel materials) and the products thereof, raw materials for chemical engineering (other than special chemicals and hazardous chemicals, etc.) and the products thereof, plastics and the products thereof, rubber products, mineral products (other than commodities under special control), wholesale of asphalt, commission agency (other than auction), and import/export. (Not involve state-run enterprise's trading management product but involve quota and products requiring license to be requested pursuant to the national requirements; for the scope approved pursuant to laws, the operating activities may be initiated upon approval of the related department.)

### 3. Information on shareholders presumed to have a controlling and dependent relationship: None.

#### 4. Information on business scope of the company's affiliates and division of labor

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
Yuanta Securities	Securities services	Yes	<ol style="list-style-type: none"> <li>1. Yuanta Bank and Yuanta Securities have established an integrated cross-marketing relationship.</li> <li>2. Yuanta Futures is an introducing broker for Yuanta Securities.</li> <li>3. Yuanta Securities is an introducing broker for Yuanta Futures.</li> <li>4. Yuanta Securities sells mutual funds issued by Yuanta Securities Investment Trust.</li> <li>5. Yuanta Securities sells insurance products of Yuanta International Insurance Brokers.</li> <li>6. Yuanta Securities Investment Consulting provides research analysis reports and consulting services to Yuanta Securities.</li> </ol>
Yuanta Bank	Commercial banking services	Yes	<ol style="list-style-type: none"> <li>1. Yuanta Bank has established a reciprocal cross-marketing relationship with Yuanta Securities, and acts as the primary bank for transaction settlement.</li> <li>2. Yuanta Bank sells mutual funds issued by Yuanta Securities Investment Trust.</li> <li>3. Yuanta Bank acted as the custodian bank of discretionary investment accounts and quasi-discretionary investment accounts for the Asian Market Bond of Yuanta Life.</li> <li>4. Yuanta Bank helps sell the insurance products of Yuanta Life.</li> </ol>
Yuanta Life	Insurance Services	Yes	<ol style="list-style-type: none"> <li>1. Yuanta Bank acted as the primary correspondent bank of Yuanta Life.</li> <li>2. Yuanta Bank acted as the custodian bank of discretionary investment accounts and quasi-discretionary investment accounts for the Asian Market Bond of Yuanta Life.</li> <li>3. Yuanta Bank helps sell the insurance products of Yuanta Life.</li> <li>4. Yuanta International Insurance Brokers helps sell the insurance products of Yuanta Life.</li> <li>5. Yuanta Securities handles the domestic stock trading for Yuanta Life.</li> <li>6. Yuanta Securities (HK) handles Hong Kong stock trading for Yuanta Life.</li> <li>7. Yuanta Securities Investment Consulting provides securities investment research and analysis reports and information services to Yuanta Life.</li> <li>8. Yuanta Securities Investment Trust manages discretionary investments in domestic stock, discretionary investments in foreign bond, and quasi-discretionary insurance policies on behalf of Yuanta Life.</li> <li>9. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Financial Holdings.</li> <li>10. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities.</li> <li>11. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Bank.</li> <li>12. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities Finance.</li> <li>13. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities Investment Trust.</li> <li>14. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Securities Investment Consulting.</li> <li>15. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Futures.</li> </ol>

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
			16. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Venture Capital. 17. Yuanta Life refers to the insurance company engaged in providing group annuity products for Yuanta Asset Management.
Yuanta Securities Finance	Securities finance services	Yes	1. Yuanta Securities provides securities financing services for Yuanta Securities Finance. 2. Yuanta Securities Investment Consulting provides securities investment research and analysis reports and information services to Yuanta Securities Finance.
Yuanta Venture Capital	Venture capital services	Yes	Yuanta Venture Capital is a subsidiary wholly owned by the Company, which is primarily engaged in investment and disposition of domestic and foreign technology enterprises, manufacturers, service providers, the general industry, and other venture capital companies.
Yuanta Asset Management	Financial services	None	None
Yuanta Futures	Futures services	Yes	1. Yuanta Futures is an introducing broker for Yuanta Securities. 2. Yuanta Securities is an introducing broker for Yuanta Futures. 3. Yuanta Futures is the trading broker for Yuanta Securities Investment Trust.
Yuanta Securities Investment Trust	Securities investment trust services	Yes	1. Yuanta Securities is the sales agent and trading broker for Yuanta Securities Investment Trust. 2. Yuanta Bank is the sales agent and trading agent for Yuanta Securities Investment Trust. 3. Yuanta Futures is the fund exchange futures firm and futures trust fund sales agent for Yuanta Securities Investment Trust. 4. Yuanta Securities Investment Consulting provides research analysis reports and consulting services to Yuanta Securities Investment Trust. 5. Yuanta Life provides the insured with fund & wealth management services to Yuanta Securities Investment Trust.
Yuanta Securities Investment Consulting	Securities investment consulting services	Yes	Yuanta Securities Investment Consulting provides securities investment research and analysis reports and information services to Yuanta Securities et al.
Yuanta Securities Asia Financial Services	Holdings	Yes	Yuanta Securities invested in Yuanta Securities Asia Financial Services in order to expand overseas operations and establish overseas branches.
Yuanta International Insurance Brokers	Insurance broker services Property insurance broker services	Yes	1. Yuanta Securities is an insurance services sales channel for Yuanta International Insurance Brokers. 2. Yuanta International Insurance Brokers helps sell the insurance products of Yuanta Life.
Yuanta I Venture Capital	Venture capital services	Yes	Yuanta I Venture Capital was established by Yuanta Venture Capital to handle development, assessment, investment, and disposal matters in relation to invested projects and wholly owned by Yuanta Venture Capital.
Yuanta International Leasing	Leasing services.	None	None
Yuanta Savings Bank (Philippines)	Banking services	None	None

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
Yuanta Savings Bank (Korea)	Banking services	None	None
Yuanta Securities (HK)	Securities services	Yes	1. Yuanta Securities handles domestic stock trading for Yuanta Securities (HK). 2. Yuanta Securities (HK) is the Group's securities firm in Hong Kong.
Yuanta Finance (HK)	Financial services	None	None
Yuanta International Investment (HK)	Financial services	None	None
Yuanta Securities Holdings (BVI)	Holdings	Yes	To develop its international business, Yuanta Securities invested in Yuanta Securities Holdings (B.V.I) to execute overseas investments, but is currently not operational.
Yuanta HK Holdings (Cayman)	Holdings	Yes	To develop its international business, invested in Yuanta HK Holdings (Cayman) to execute its overseas investments.
Polaris Securities (HK)	Securities services	None	None
Yuanta Investment Management (Cayman)	Financial services	None	None
GC Investment Consultant (Shanghai) (in liquidation)	Investment advisory services	None	None
Yuanta Investment Consulting (Beijing)	Investment advisory services	None	None
Yuanta Asia Investment	Investment management, Direct investment consulting	None	None
Yuanta Securities (Korea)	Securities services	Yes	1. Yuanta Securities (Korea) is the Group's securities firm engaged in trading securities in Korea. 2. Yuanta Securities handles domestic stock trading for Yuanta Securities (Korea).
Yuanta Investment	Financial services	None	None
Yuanta Financial (HK)	Securities services	None	None
Heng Xin Asia Holdings	Holdings	None	None
Yuanta Securities (Cambodia)	Securities services	None	None
Yuanta Securities (UK)	Brokerage services for institutional investors	Yes	Help develop the brokerage services for institutional investors of Yuanta Securities (HK)

Name of affiliated enterprise	Business scope	Business relationship	Description of business relationship (division of labor)
PT Yuanta Sekuritas Indonesia	Securities exchange Underwriting	Yes	1. PT Yuanta Sekuritas Indonesia is the securities firm appointed by the Yuanta Securities Investment Trust. 2. PT Yuanta Sekuritas Indonesia is the securities firm appointed by the Yuanta Securities (HK).
PT Yuanta Asset Management	Investment management	Yes	None
Yuanta Securities (Thailand)	Brokerage services for institutional investors	Yes	Yuanta Securities (Thailand) is the securities firm appointed by the Yuanta Securities (HK).
The First Securities Joint Stock Company	Securities services	None	None
Yuanta Futures (HK)	Financial services	Yes	Futures contract trading, futures contract consultation
SYF Information	Computer & IT management	None	None
SYF Information (Samoa)	Investment holdings.	None	None
SYF Information (Shanghai)	Software development, wholesale of computer, software and auxiliary equipment, wholesale of metal and metal minerals, wholesale of other chemical engineering products, trading agents, and other unspecified wholesale products	None	None

5. Information on directors, supervisors and presidents of the company's affiliates

Units: 1000 shares; %  
Data baseline date: 01/31/2018

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding (%)	Shares (1,000)	Shareholding (%)
Yuanta Securities	Chairman	Representative of Yuanta Financial Holdings: Ming Hong Ho	54,056,442	100%	-	-
	Director	Tony Shen				
	Director	Yung Ling Ma				
	Director	Yueh Tsang Lee				
	Director	Yu Chih Huang				
	Director	Ching Kuang Shen				
	Director	Lung Fan Lin				
	Director	Rui Chen Ma Chi-Chang Chen				
Independent Director	Chwo Ming Yu			-	-	
Independent Director	Ching Shan Hung			-	-	
Independent Director	Sou Shan Wu			-	-	
Independent Director	Kun Hong Lai			-	-	
Independent Director	Chuan Li Chang			-	-	
Independent Director	Nai Kuan Huang			-	-	
President	Chi Chang Chen			-	-	
Yuanta Bank	Chairman	Representative of Yuanta Financial Holdings: Chich Chiang Fan	7,394,039	100%	-	-
	Vice Chairman	Chien Ping Chen				
	Director	Song Er Chang				
	Director	Michael Ma				
	Director	Jin Long Fang				
	Director	Hsien Tao Chiu				
	Director	Chia Lin Chin				
	Director	Jin Sheng Duann Chung Yuan Chen Yu Feng Ko				
Independent Director	Ming Ling Hsueh			-	-	
Independent Director	Yin Hua Yeh			-	-	
Independent Director	Ching Shan Hung			-	-	
Independent Director	Chwo Ming Yu			-	-	
Independent Director	Kuang Hsi Hsu			-	-	
President	Chia Lin Chin			-	-	

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding (%)	Shares (1,000)	Shareholding (%)
Yuanta Life	Chairman	Representative of Yuanta Financial Holdings: Chao Kuo Chiang	1,210,704	100%	-	-
	Director	Michael Ma				
	Director	Connie Lin				
	Director	Chieh Wu				
	Independent Director	Lai Ping Chi				
Yuanta Securities Finance	Independent Director	Tu Mu Kuo	400,000	100%	-	-
	Independent Director	Yin Hua Yeh				
	President	Connie Lin				
	Chairman	Representative of Yuanta Financial Holdings: Ting Hsien Huang				
	Director	Rong Tin Hong				
Yuanta Venture Capital	Director	Yu De Chuang	246,000	100%	-	-
	Director	Hsuan Min Kuo				
	Director	Ming Lang Liu				
	Supervisor	Wen Ching Chiu				
	Supervisor	Shih Chen Huang				
Yuanta Futures	President	Rong Tin Hong	159,467	68.65%	-	-
	Chairman	Representative of Yuanta Financial Holdings: Chien Weng				
	Director	Yu Chang				
	Director	Frank Kuo				
	Supervisor	Hsuan Min Kuo				
Yuanta Futures	President	Yu Chang	-	-	-	-
	Chairman	Tien Fu Lin				
	Director	Hsiao Ling Chou				
	Director	Hsiu Wei Chen				
	Director	Shao Hsing Kung				
	Director	Hsien Tao Chiu				
	Director	Yueh Tsang Lee				
	Independent Director	Rong Sian Huang				
	Independent Director	Tu Mu Kuo				
Independent Director	Kun Hong Lai					
President	Hsiao Ling Chou	3.144	0%			



Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding (%)	Shares (1,000)	Shareholding (%)
Yuanta Securities Investment Trust		Representative of Yuanta Financial Holdings:	163,828	72.20%		
	Chairman	Ku Pin Huang			0	0%
	Director	Tsung Sheng Liu			2	0%
	Director	Yu Tse Chang			0	0%
	Director	Yueh Ching Tsao			135	0.06%
	Director	Nian Ci Ho			0	0%
	Supervisor	Hung Chuan Huang			0	0%
	Supervisor	I Lin Yang			0	0%
	President	Tsung Sheng Liu			2	0%
Yuanta Asset Management		Representative of Yuanta Financial Holdings:	100,000	100%	-	-
	Chairman	Hsiu Wei Chen				
	Vice Chairman	Ya Ping Chuang				
	Director	Sheng Hung Wang				
	Supervisor	Wen Ching Chiu			-	-
	President	Sheng Hung Wang			-	-
Yuanta Securities Investment Consulting		Representative of Yuanta Financial Holdings:	10,000	100%	-	-
	Chairman	Yi Cheng Peng				
	Director	Li Feng Chen				
	Director	Fu Jung Tu				
	Supervisor	Hsuan Min Kuo			-	-
	President	Li Feng Chen			-	-
Yuanta Securities Asia Financial Services	Chairman	Tien Yi Huang	-	-	-	-
	Vice Chairman	Pei Shan Chen				
	Director	Ming Hong Ho				
	Director	Chi-Chang Chen				
	Director	Hsu Shu Mai				
	Director	Wei Cheng Huang				
	Director	Frank Kuo				
	Director	Feng Hsiang Kuo				
	Director	Hsuan Min Kuo				
Yuanta International Insurance Brokers		Representative of Yuanta Securities:	500	100%	-	-
	Chairman	Liao Chin Lin				
	Director	Chun Cheng Cheng				
	Director	Yu Shun Yang				
	Supervisor	Ching Jen Chen			-	-
	President	Liao Chin Lin			-	-
Yuanta I Venture Capital		Representative of Yuanta Venture Capital:	85,000	100%	-	-
	Chairman	Chien Weng				
	Director	Yu Chang				
	Director	Frank Kuo				
	Supervisor	Hsuan Min Kuo			-	-
	President	Yu Chang			-	-

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding (%)	Shares (1,000)	Shareholding (%)
Yuanta International Leasing	Chairman	Representative of Yuanta Bank: Tsai Yu Chang	60,000	100%	-	-
	Director	Yung Chang Huang				
	Director	Yeong Jen Chen				
	Supervisor	Yu De Chuang				
	President	Yu Sheng Chen			-	-
Yuanta Savings Bank (Philippines)	Chairman	Representative of Yuanta Bank: Allen Wu	1,000,000	100%	-	-
	Director	Yu Sheng Tsai				
	Director	Regina V. Saga				
	Independent Director	PAULINO Y. TAN				
	Independent Director	ANNA-TERESA GOZON-VALDES				
	President	Yu Sheng Tsai			-	-
Yuanta Savings Bank (Korea)	Chairman of Board	Representative of Yuanta Bank: Tsai-Yu Chang	13,516	100%	-	-
	Representative director	JUNG, YOUNG-SEOK				
	External director	LEE, KI-YOUNG				
	President	JUNG, YOUNG-SEOK				
Yuanta Securities (HK)	Director	Representative of Yuanta Securities Asia Financial Services: Frank Kuo	2,268,133	100%	-	-
	Director	Wen Ching Hsu				
	Director	Miao Ju Chen				
	Director	Chi-Chang Chen				
	Director	Yi Ming Wang				
	Director	Pei Shan Chen				
	Director	Tsung Hsien Wen				
Director	Ya Yen Wen					
	Director	Feng Hsiang Kuo			-	-
	President	Miao Ju Chen			-	-
Yuanta Finance (HK)	Director	Ya Yen Wen			-	-
	Director	Miao Ju Chen			-	-
Yuanta International Investment (HK)	Director	Miao Ju Chen			-	-
	Director	Chia Fu Wu			-	-
	Director	Wu Kuang Yang			-	-
Yuanta Securities Holdings (BVI)	Director	Wen Ching Hsu			-	-
	Director	Tai Yuan Tai			-	-
Yuanta HK Holdings (Cayman)	Director	Yi Ming Wang			-	-
	Director	Tai Yuan Tai			-	-
Polaris Securities (HK)	Director	Yi Ming Wang			-	-
	Director	Ya Yen Wen			-	-
	Director	Shao Hsun Weng			-	-
	President	Miao Ju Chen			-	-

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding (%)	Shares (1,000)	Shareholding (%)
Yuanta Investment Management (Cayman)	Director Director Director	Miao Ju Chen Yi Ming Wang Tai Yuan Tai			-	-
GC Investment Consultant (Shanghai) (in liquidation)	Executive Director	Ku Pin Huang			-	-
Yuanta Investment Consulting (Beijing)	Executive Director Supervisor	Representative of Yuanta Securities Asia Financial Services: Wen Ping Shih Ming Jen Ku	-	100%	-	-
Yuanta Asia Investment	Director Director	Representative of Yuanta Securities Asia Financial Services: Frank Kuo Hsiu Wei Chen	30,000	100%	-	-
	Director Director President	Tai Yuan Tai Hsiao Tsui Yu Hsiao Tsui Yu			-	-
Yuanta Securities (Korea)	Director Director Non-executive Director	Myung Suk SUH Wei Cheng Huang Chi-Chang Chen			0 0 0	0% 0% 0%
	Independent Director	Seong Cheol GWEON			0	0%
	Independent Director	Woo Kyu PARK			0	0%
	Independent Director	Won Choon HWANG			0	0%
	Independent Director	Jhin Young SHIN			0	0%
	President President	Myung Suk SUH Wei Cheng Huang			0 0	0% 0%
Yuanta Investment	Director Director Director	Ki Seok YANG Young Soo CHOI Guen Woo LEE			-	-
	Supervisor	Sang Eun LEE			-	-
	President	Ki Seok YANG			-	-
Yuanta Financial (HK)	Director	Sang Eun LEE			-	-
Heng Xin Asia Holdings	Director	Sang Eun LEE			-	-
Yuanta Securities (Cambodia)	Director Director Director Director Director	Kyung Tae HAN Tae Sun JUN In Ho JUNG Guen Woo LEE Sim Dara			-	-
	President	Kyung Tae HAN			-	-
Yuanta Securities (UK)	Director Director Director Director CEO	Giles Walsh Sharon Sim Tien Yi Huang Pei Shan Chen Li Feng Chen Giles Walsh			-	-

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding (%)	Shares (1,000)	Shareholding (%)
PT Yuanta Sekuritas Indonesia	Director	Surya Widjaja			4	1%
	Director	Sesilia Widarto			0	0%
	Director	Helda Gunawan			0	0%
	Commissioner	Tien Yi Huang			0	0%
	Commissioner	Pei Shan Chen			0	0%
	Commissioner	Tung Tai Yu			0	0%
	CEO	Surya Widjaja			4	1%
President	Surya Widjaja			4	1%	
PT Yuanta Asset Management	Director	James Enoch	-	-	-	-
	Director	Herliyan Dewabrata				
	Director	Herdianto Budiarmo				
	Commissioner	Ai Khim Tay				
	Commissioner	Tsung Sheng Liu				
	CEO	James Enoch			-	-
PT Yuanta Asset Management	President	James Enoch			-	-
	Director	James Enoch			-	-
Yuanta Securities (Thailand)	Director	Charnsak Thanataecha			0	0%
	Director	Tien Yi Huang			0	0%
	Director	Pei Shan Chen			0	0%
	Director	Ai Khim Tay			0	0%
	Director	Chi-Chang Chen			0	0%
	Director	Chao Ching Wang			0	0%
	Director	Tai Yuan Tai			0.001	0.000000006%
	Director	Feng Hsiang Kuo			0	0%
	Director	Boonporn			0	0%
	Director	Boriboonaongsilp			0	0%
	Director	Pusit KaewmongKolsri			0	0%
Yuanta Securities (Thailand)	CEO	Boonporn			0	0%
		Boriboonaongsilp				
The First Securities Joint Stock Company	Director	Pei Shan Chen			0	0%
	Director	Le Minh Tam			0	0%
	Director	Feng Hsiang Kuo			0	0%
	Director	Chen Ming Lin			0	0%
	Director	Hsiang Fan Wang			0	0%
	Controller	Ong Cheow Keng			0	0%
	Controller	Ling Lan Chang			0	0%
	Controller	Huynh Nhat Hung			0	0%
	CEO	Le Minh Tam			0	0%
Yuanta Futures (HK)	Director	Hsiao Ling Chou			-	-
	Director	Chun Chieh Wang				
	Director	Chun Hsing Jen				
	Director	Lai E,O Yen				
	Director	Chun Hung Chen				
	Director	Chun Hao Chang				
Yuanta Futures (HK)	President	Chun Hsing Jen			-	-
	Commissioner	Chun Hung Chen				
SYF Information		Representative of Yuanta Futures:	35,000	100%	-	-
	Chairman	Chun Chieh Wang				
	Director	Hsiao Ling Chou				
	Director	Hsin Hsien Li				
SYF Information	Supervisor	Hsiu Wei Chen			-	-

Company name	Title	Name of individual or representative(s)	Shares held		Remarks (shareholding of individual or representative(s))	
			Shares (1,000)	Shareholding (%)	Shares (1,000)	Shareholding (%)
SYF Information (Samoa)	Director Director Director	Representative of SYF Information: Chun Chieh Wang Hsiao Ling Chou Lai E,O Yen	5,800	100%	-	-
SYF Information (Shanghai)	Chairman Director Director	Representative of SYF Information (Samoa): Chun Hsing Jen Hsiao Ling Chou Lai E,O Yen	-	100%	-	-
	Supervisor	Hsiu Wei Chen			-	-

## 6. Operating profile of affiliated companies

Unit: NT\$1,000  
Data baseline date: 12/31/2017

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profit	Net income (after tax) of current year	EPS (NT\$) (After-tax)
Yuanta Securities	54,056,442	349,534,180	258,403,200	91,130,980	18,866,538	6,041,533	8,025,674	1.47
Yuanta Bank	42,652,845	872,295,232	809,482,076	62,813,156	14,742,757 [Note 1]	7,451,226 [Note 1]	6,743,007	1.58
Ta Chong Commercial Bank	36,372,406	431,681,325	389,198,334	42,482,991	5,742,971 [Note 1]	280,713 [Note 1]	(661,259)	(0.18)
Yuanta Securities Finance	4,000,000	27,423,118	16,405,526	11,017,592	730,947	330,858	2,089,011	5.22
Yuanta Venture Capital	2,460,000	2,321,581	54,202	2,267,379	172,815	134,348	11,311	0.05
Yuanta Asset Management	1,000,000	3,394,802	1,411,107	1,983,695	417,609	300,349	258,864	1.83
Yuanta Futures	2,322,763	56,719,069	49,251,484	7,467,585	2,887,768	424,804	873,286	3.76
Yuanta Securities Investment Consulting	100,000	241,407	106,552	134,855	206,688	(821)	489	0.03
Yuanta Securities Investment Trust	2,269,235	4,789,300	701,862	4,087,438	2,500,679	1,330,640	1,001,405	4.41
Yuanta Life	12,107,048	201,182,498	189,473,172	11,709,326	42,677,025	(790,187)	(159,195)	(0.15)
Yuanta I Venture Capital	850,000	933,952	19,433	914,519	152,222	151,533	131,417	1.55
Yuanta International Leasing	600,000	577,902	3,812	574,090	12,828	(28,941)	(29,863)	(0.50)
Yuanta Savings Bank (Korea) [Note 3]	1,923,330	13,384,206	9,758,974	3,625,232	501,262 [Note 1]	241,982 [Note 1]	249,428	18.45
Yuanta Savings Bank (Philippines)	665,355	1,485,078	935,731	549,347	51,203 [Note 1]	(24,929) [Note 1]	(40,671)	(0.04)
Yuanta Futures (HK)	475,150	1,484,503	1,062,454	422,049	8,313	(41,733)	(32,450)	(0.93)
SYF Information	350,000	299,261	236	299,025	-	(1,925)	(7,664)	(0.22)
SYF Information (Samoa)	173,118	157,987	-	157,987	-	(75)	(6,980)	(1.20)
SYF Information (Shanghai)	151,474	133,566	(145)	133,711	27,288	(6,082)	(7,222)	-
Yuanta Securities Asia Financial Services	8,683,056	37,284,507	6,569,245	30,715,262	247,391	85,252	1,266,264	5.26
Yuanta International Insurance Brokers	5,000	425,775	117,536	308,239	968,311	358,309	297,658	595.32
Yuanta Securities Holdings (BVI)	298	6,645	18	6,627	8	(70)	978	97.80
Yuanta Securities (HK)	8,661,998	29,003,672	21,460,986	7,542,686	1,715,065	(82,411)	37,428	0.02
Polaris Securities (HK)	37,846	44,093	1,702	42,391	262	(630)	31	-
Yuanta Investment Consulting (Beijing)	84,384	35,789	926	34,863	(2,188)	(7,345)	(7,258)	-

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profit	Net income (after tax) of current year	EPS (NT\$) (After-tax)
Yuanta Asia Investment	895,440	970,223	126,942	843,281	28,329	(469)	(23,156)	(0.77)
Yuanta HK Holdings (Cayman)	300,676	423,868	1,200	422,668	(69)	(488)	6,844	0.68
Yuanta Securities (UK)	80,420	67,713	7,003	60,710	72,510	3,453	2,227	1.11
Yuanta Securities (Thailand)	4,118,850	15,394,940	11,212,165	4,182,775	852,731	(30,880)	8,088	0.03
The First Securities Joint Stock Company [Note 4]	394,500	622,031	164,153	457,878	51,650	(19,152)	(19,822)	(0.66)
Yuanta Securities (Korea)	29,642,306	325,067,755	294,393,658	30,674,097	51,877,371	1,572,765	1,901,863	9.27
Yuanta Investment	892,906	2,179,396	81,160	2,098,236	192,869	148,320	118,242	18.47
Yuanta Financial (HK)	723,853	477,006	95	476,911	5,094	1,858	3,694	0.19
Yuanta International Investment (HK)	190,950	341,440	122,774	218,666	18,641	13,531	9,537	0.19
Yuanta Finance (HK)	190,950	1,054,665	830,528	224,137	36,862	12,206	10,123	0.20
Yuanta Investment Management (Cayman)	373,100	6,125,845	5,773,400	352,445	179,207	170,786	90,193	7.22
PT Yuanta Sekuritas Indonesia [Note 5]	1,054,353	2,373,097	1,527,940	845,157	252,268	11,236	11,650	24.33
GC Investment Consultant (Shanghai) (in liquidation)	18,946	25,037	138	24,899	-	(162)	98	-
PT Yuanta Asset Management	88,520	20,049	4,073	15,976	1,739	(17,740)	(12,492)	(310.75)
Yuanta Securities (Cambodia)	373,100	334,740	1,556	333,184	19,925	(1,169)	(1,400)	(0.11)
Heng Xin Asia Holdings Limited	50,503	9,169	50	9,119	-	(67)	(40,724)	(24.07)

Note 1: Operating revenue for Yuanta Bank refers to net income, and operating profit refers to net profit before tax of the continuing operating departments.

Note 2: Foreign exchange rate on December 31, 2017

	(P Rate)	
	January~December	End of December
HKD-->TWD	3.906999	3.819000
SGD-->TWD	22.046276	22.330000
USD-->TWD	30.443955	29.84800
CNY-->TWD	4.509221	4.579000
KRW-->TWD	0.026907	0.027900
PHP-->TWD	0.603894	0.596000
IDR-->TWD	0.002276	0.002202
GBP-->TWD	39.213377	40.210000
VND-->TWD	0.001341	0.001315
THB-->TWD	0.897194	0.915300

Note 3: On February 13, 2017, HanShin Savings Bank Co., Ltd. was officially renamed into Yuanta Savings Bank Korea Co., Ltd., hereinafter called the Yuanta Savings Bank (Korea).

Note 4: The Board of Directors resolved that Yuanta Securities Asia Financial Services and Yuanta Securities (HK) should jointly acquire the external equity of The First Securities Joint Stock Company in whole. The settlement of equity was completed on December 7, 2017. After that, the shareholdings of Yuanta Securities Asia Financial Services, Yuanta Securities' subsidiary, was 50.76%. The shareholdings of Yuanta Securities (HK), Yuanta Securities' indirect subsidiary, was 49.19%. Both companies held a total of 99.95% shareholdings.

Note 5: PT Yuanta Securities Indonesia was renamed into PT Yuanta Sekuritas Indonesia on January 5, 2017.

(II) Consolidated financial statements of affiliates: See Appendix for details.

(III) Affiliation report

1. Relationship between the controlling company and its subordinates

Unit: shares; %

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and supervisors representing the controlling company	
		Shares held	Shareholding ratio (%)	Quantity of pledged shares	Title	Name
Modern Investment	Mr. Rong Jou Wang and Mr. Tony Shen are statutory representatives of Modern Investment, and serve as Chairperson, Director/President of Yuanta Financial Holdings. According to Paragraph 2 of Article 369-2 of the Company Act they are empowered to control personnel, financial, and operational activities.	106,685,335	0.90%	9,500,000 (Pledged ratio 8.90%)	Chairman Director / President	Rong Jou Wang Tony Shen

Note: Said data were based on those available until December 31, 2017. Yuanta Financial Holdings had a total of 11,889,197,456 shares outstanding as of December 31, 2017.

2. Information on transactions:

(1) Purchase (sales) transactions: None

(2) Property transaction: None.

(3) Capital financing: None.

(4) Assets leasing: None.

(5) Other important transactions: None.

3. Endorsements and guarantees: Not applicable to financial companies.

4. Other matters of financial or operational significance: None.



## **Declaration**

It is hereby declared that the Affiliation Report for 2017 (from January 1, 2017 to December 31, 2017) was prepared pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared by

Company Name: Yuanta Financial Holding Co., Ltd.

Chairman: Rong Jou Wang

Dated: March 28, 2018

## Independent Auditors' Review of the Affiliation Report

(107)Zi-Hui-Zong-Zi No. 17008449

To: Yuanta Financial Holding Co., Ltd.

You declare that the Affiliation Report for 2017 was prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and that there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

We have compared the Affiliation Report prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" with the notes to your financial statements 2017 and found that there were no significant inconsistencies in said declaration.

Pricewaterhouse Coopers Certified Public  
Accountants

Ellen Kuo

CPA

Ming-Hui Chang

Approval Letters from the Financial Supervisory  
Commission (formerly named) of the Executive  
Yuan:

Jin-Guan-Zheng-Shen-Zi No.1000035997

Approval Letters from the Securities and Futures  
Commission (formerly named) of the Ministry of  
Finance:

Approval Letter No.: (81) Tai-Cai-Zheng (6) No.  
79059

Dated: March 28, 2018

## II. Status of Securities in Private Placement: None.

## III. Shares of the Company Held or Disposed of by Subsidiaries:

Unit: NT\$1,000; shares; %

Subsidiaries	Paid-in capital (NT\$1,000)	Sources of funding	Financial Holdings' shareholding ratio	Date of acquisition or disposition	Shares acquired and amount [Note 1]	Shares disposition and amount [Note 1]	Investment income	Shares held and amount until the date of publication of the annual report	Pledge	
Yuanta Securities	54,056,442	-	100%	[Note 2]	109,450,296 shares NT\$1,291,513	-	-	-	-	
				[Note 3]	-	109,450,296 shares	-	-	-	-
				Until the date of publication of the annual report	-	-	-	-	-	-
Ta Chong Securities [Note 4]	-	-	-	[Note 2]	2,304,860 shares NT\$27,197	-	-	-	-	
				Until the date of publication of the annual report	-	-	-	-	-	-

Note 1: The amount refers to the amount of acquisition or disposition.

Note 2: Ta Chong Bank's shares initially held became the Company's shares upon completion of the swap of shares between the Company and Ta Chong Bank on March 22, 2016.

Note 3: Subject to the FSC's approval letter Jin-Guan-Yin-Kong-Zi No. 10600056440 dated June 13, 2017, the capital decrease by 109,450,296 shares, which were refunded to the Company, was completed. The Company has completed annulment of the shares refunded by the subsidiary upon capital decrease and registration of the change in capital on November 13, 2017.

Note 4: The Company has been consolidated with Taishin Securities Co., Ltd. The base date of consolidation was set as August 28, 2017.

## IV. Other Important Supplementary Information

### (I) Key performance indices: capital adequacy and double leverage ratios for the past 5 years

Unit: NT\$1,000; %

Item		Year				
		2013	2014	2015	2016	2017
Capital adequacy	Group's net authorized capital	106,776,252	119,292,171	140,005,776	151,440,281	155,244,193
	Group's regulatory capital requirement	71,815,176	81,340,990	98,685,303	117,685,232	116,559,976
	Group's capital adequacy ratio (%)	148.68	146.66	141.87	128.68	133.19
Double leverage ratio (%)		110.91	108.56	105.75	115.45	113.32

## (II) Financial information

### 1. Division (Business Unit)

2017

Unit: NT\$1,000

Business Unit Item	Banking services	Securities services	Futures services	Securities Finance services	Insurance services	Other service	Consolidated total
Net interest income	12,628,738	2,420,846	298,779	604,141	5,287,759	1,818,016	23,058,279
Net non-interest income	7,948,127	28,142,774	1,707,042	137,435	30,039,379	2,751,882	70,726,639
Net profit	20,576,865	30,563,620	2,005,821	741,576	35,327,138	4,569,898	93,784,918
Bad debt expenses and guarantee liability provisions	( 320,274)	(219,196)	-	(1,119)	(1,303)	(204,879)	(746,771)
Net changes of reserve for insurance liabilities	-	-	-	-	(34,056,172)	160,294	(33,895,878)
Operating expenses	( 12,611,213)	(21,469,568)	(991,019)	(145,536)	(1,179,880)	(2,329,609)	(38,726,825)
Continuing departments net income before tax	7,645,378	8,874,856	1,014,802	594,921	89,783	2,195,704	20,415,444
Income tax gains (expenses)	( 1,487,354)	(751,884)	(151,814)	(134,733)	635,112	(668,659)	(2,559,332)
Profit or loss of discontinued operations (after tax)	( 324,433)	-	-	-	-	(27,624)	(352,057)
Consolidated net profit after tax	5,833,591	8,122,972	862,988	460,188	724,895	1,499,421	17,504,055

### (III) Evaluation criteria and basis for assets and liabilities allowances

Net receivables: The Company's net receivables provision is calculated based on past collection experience and an assessment on the possibility of collection in the future. At the end of 2017, net receivables stood at approximately NT\$2,692,388,000, due primarily to the Group's use of linked filing of business income tax returns, which generated approximately NT\$1,785,854,000 in receivables from affiliates. Since there are no major abnormalities in the collectability of these receivables, an allowance was not made.

### (IV) Accounting for asset impairment

According to IAS 36 "Impairment of Assets" and IAS 39 "Financial Instruments: Recognition and Measurement", the Company had no assets that required impairment testing as of December 31, 2017.

### (V) Accounting of real property and equipment

The Company recognized the property and equipment at the initial cost, and subsequently measures the same according to the cost model. The book value should be the initial cost less accumulated depreciation and accumulated impairment. The cost includes any expenses attributable to the assets directly.

The useful life is defined as following:

House and building 3~60 years

Machine and computer devices 1~10 years

Traffic and transportation equipment 2~6 years

Leasehold improvement 3~6 years

Other equipments 1~21 years

(VI) Hedge accounting handling and objectives: the Company did not adopt hedge accounting, it was not applicable.

(VII) Earnings per share adjusted for employee stock bonuses (calculated based on market price):

Distribution of earnings for 2017 to be proposed in the upcoming shareholders' meeting does not include employee stock bonuses.

(VIII) Endorsements and guarantees from affiliated companies, lending funds to other parties and transaction information for financial derivative products

The said procedures have been disclosed in the appendix to the annual report, and in this year's consolidated financial reports page 539 to 540, and page 446 to 455.

## **Eight. Significant Issues Which Might Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Past Year and Up to the Publication of this Annual Report.**

### **I. Yuanta Financial Holding Co., Ltd.: None**

### **II. Subsidiaries of Yuanta Securities:**

Yuanta Securities resolved on December 7, 2017 to acquire the common stock of the First Securities Joint Stock Company in Vietnam, totaling 16,581,900 shares, via its subsidiaries including Yuanta Securities Asia Financial Services and Yuanta Securities (HK). The investment amount was about US\$15 million, equivalent to NT\$450 million approximately. Upon completion of the acquisition, the shareholdings of Yuanta Securities Asia Financial Services increased from 44.68% to 50.76% and the shareholdings of Yuanta Securities (HK) increased from 0% to 49.19%. That is, both companies held a total of 99.95% shareholdings. Meanwhile, the First Securities Joint Stock Company in Vietnam was renamed into Yuanta Securities Vietnam Joint Stock Company on February 13, 2018 officially.

### **III. Subsidiaries of Yuanta Bank:**

- (I) The motion for consolidation of the Company and Ta Chang Bank was resolved by both parties' boards of directors (acting on behalf of the shareholders' meeting) on September 14, 2016. The surviving entity upon the consolidation should be Yuanta Bank. Meanwhile, FSC also approved the motion pursuant to Letter Jin-Guan-Yin-Kong-Zi No. 10500320920 for consolidation on January 17, 2017. Therefore, Yuanta Bank and Ta Chong Bank were consolidated officially as of January 1, 2018 (the record date for consolidation).
- (II) Transfer of President:

Yuanta Bank's 39th meeting of the Board of Directors of 9th term resolved on October 26, 2017 to approve the motion for discharge of the president, Tsai-Yu Chang, and appointment of Chia-Lin Chin, formerly known as the Vice Chairman of Board of Ta Chong Bank, as the new president. The motion was approved via the FSC's Letter Jin-Guan-Yin-Kong-Zi No. 10600273610 dated December 21, 2017, and became effective as of January 1, 2018.

### **IV. Subsidiaries of Ta Chong Bank:**

Ta Chong Bank's 17th meeting of the Board of Directors of 10th term resolved on March 10, 2017 to dispose of 34.87% of equity of Ta Chong Securities held by it to Taishin Securities at the price of NT\$11.2 per share (totaling 131,725,844 shares). The total trading value was NT\$1,475,329,453.

**Appendix. The Latest Consolidated Financial Statement Audited and  
Certified by CPAs**

Yuanta Financial Holdings and Its Subsidiaries  
Consolidated Financial Report and Auditing Report  
2017 and 2016  
(Stock Code 2885)

Address: 6F., 10F., 12-13F., No.66, Sec. 1, Dunhua S. Rd., Songshan Dist., Taipei City  
TEL: (02) 2781-1999



PWCR17000289

To the Board of Directors and Shareholders of Yuanta Financial Holding Co., Ltd.

***Opinion***

We have audited the accompanying consolidated balance sheets of Yuanta Financial Holding Co., Ltd. (the “Company”) and subsidiaries (collectively “Yuanta Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 Yuanta Financial Holding Co., Ltd. and subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its 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 Securities Issuers”, “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”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***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” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Yuanta Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. These matters are as follow,

#### **Impairment evaluation of bills discounted and loans**

##### Description

For the accounting policy of the impairment evaluation of bills discounted and loans, please refer to Note 4(10); for critical accounting estimates and assumption uncertainty of impairment of bills discounted and loans, please refer to Note 5; for the details on bills discounted and loans, please refer to Note 6(8). Total bills discounted and loans and their allowance for credit losses, arising from banking subsidiaries of Yuanta Group, as at December 31, 2017, were NTD 739,827,113 thousand and NTD 10,130,777 thousand, respectively.

The impairment evaluation of bills discounted and loans arising from banking subsidiaries is conducted in accordance with International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' and relevant regulations for allowance of doubtful accounts promulgated by the competent authority. For the allowance of credit losses, management of the banking subsidiaries primarily evaluates parameters such as the borrower's future cash flows, loss rate, and collateral value. Because the amount of bills discounted and loans is material with respect to the total consolidated assets and impairment evaluation involves management's professional judgment and is highly uncertain, we have thus included the impairment evaluation of bills discounted and loans as one of the key audit matters.

##### How our audit addressed the matter

We obtained and understood the banking subsidiaries' policies, internal controls, and operation procedures in relation to the credit risk management and the impairment evaluation of bills discounted and loans and perform a sample test. We conducted the following procedures on the impairment of bills discounted and loans as at December 31, 2017: examined the classifications of bills discounted and loans on a sample basis; sample tested parameters calculation such as impairment occurrence rates; assessed documents regarding management's evaluation of future cash flows and collateral value on a sample



basis; and evaluated whether the provision for impairment losses complied with the competent authority's related regulations.

### **Fair value valuation of unlisted stocks**

#### Description

For the accounting policy of unlisted stocks (accounted under available-for-sale financial assets), please refer to Note 4(7); for critical accounting estimates and assumption uncertainty of the fair value of unlisted stocks, please refer to Note 5; for the details on unlisted stocks, please refer to Note 6(4). The carrying amount of available-for-sale financial assets – unlisted stocks as at December 31, 2017, was NTD 17,008,436 thousand.

Because there are no active market quoted prices for the available-for-sale financial assets – unlisted stocks held by Yuanta Group, valuation techniques are used to estimate the fair value. The valuation techniques used by Yuanta Group are primarily the market method and the discounted cash flow method. The market method's main assumption is determining similar and comparable companies in order to obtain its related parameters as a reference for calculations. The discounted cash flows method's main assumption is the financial forecast of unlisted companies in order to obtain their related parameters as a reference for calculations. Because models and parameters used in valuation techniques are made by management's professional judgments and estimates, such accounting judgments and estimates are highly uncertain; we have thus included the fair value valuation of unlisted stocks as one of the key audit matters.

#### How our audit addressed the matter

We obtained and understood management's valuation procedures for unlisted equity securities. We sample tested the authorization procedures for the fair value valuation reports of unlisted equity securities.

In addition, we and our valuation specialist discussed with management and sample tested Yuanta Group's valuation data for unlisted stocks, evaluated whether the valuation methods used by management were commonly used; we and our valuation specialist also evaluated the reasonableness of the comparable companies under the market method and sample tested related supporting documents regarding parameters used in the valuation techniques.



### **Impairment assessment of goodwill**

#### Description

For the accounting policy of the impairment assessment of goodwill (intangible assets), please refer to Note 4(12) and Note 4(19); for the critical accounting estimates and assumption uncertainty of impairment assessment of goodwill, please refer to Note 5; for the details on goodwill, please refer to Note 6(15). Goodwill after accumulated impairment as at December 31, 2017, was NTD 31,489,887 thousand.

Yuanta Group periodically performs impairment assessments on goodwill at the end of each year. Such assessments are based on cash generating units identified through operating segments and Yuanta Group engaged specialists to assist in measuring the recoverable amounts of cash generating units based on future cash flows. Because the amount of goodwill is material and the models and parameters used in calculating recoverable amounts are made by management's profession judgment and are critical accounting estimates, such as future cash flows, estimated growth rate and discount rate, we have thus included the impairment assessment of goodwill as one of the key audit matters.

#### How our audit addressed the matter

Our main audit procedures included obtaining asset impairment evaluation data prepared by management, sample testing the authorization procedures for impairment testing reports, and understanding and assessing management's estimation process for future cash flows. In addition, we and our valuation specialist reviewed the management's prior year operation plan execution result; assessed the reasonableness of key assumptions used in impairment testing models, such as estimated growth rates and discount rates; and sample tested the parameters and calculation formulas of impairment testing models.

### **Reserves for policy benefit and adequacy of insurance liabilities**

#### Description

For the accounting policy of reserve for policy benefit and adequacy of insurance liabilities, please refer to Note 4(28); for critical accounting estimates and assumption uncertainty of adequacy of insurance liabilities, please refer to Note 5; for the details on insurance liabilities, please refer to Note 6(24). Reserve for policy benefit under insurance liabilities as at December 31, 2017, was NTD 180,815,233 thousand.



For long-term insurance contracts, Yuanta Life Insurance Co., Ltd. recognised reserve for policy benefit in accordance with related insurance regulations, the life chart of annuity, and the specified interest rates prescribed within the insurance product statements as approved by the competent authority. The discount rates are the specified interest rates as approved by the competent authority. Liability adequacy testing is required to be conducted on insurance contracts at balance sheet date in accordance with IFRS 4, 'Insurance Contracts' in order to reflect the current estimate of future cash flows, which is made by management's professional judgment. Considering that the provision of policy reserves has a material impact on the financial statements, and if insurance liabilities are not adequate, the financial statements will be materially impacted, we have thus included the reserve for policy benefit and adequacy of insurance liabilities as one of the key audit matters.

How our audit addressed the matter

The audit procedures we performed include understanding and assessing the policies, internal controls, and procedures relevant to reserve for policy benefit; sample examining authorization documents for the configuration of new products in order to confirm the accuracy of configurations for the reserves system of new products; sample inspecting the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of the calculations for reserve for policy benefit; sample examining the consistency between policy information of new products and information in the policy system in order to confirm the accuracy of policy information for calculating reserve for policy benefit. Our actuarial specialists assisted us in sample testing representative new products in the current period in order to confirm that the method and results of provisioning reserves were consistent with those of the insurance product statement submitted to the competent authority; performing trend analysis (excluding new products) on each insurance type and performed roll analysis on each product type in order to assess the reasonableness of reserve for policy benefit on the balance sheet date.

We also used the work of actuarial specialist to assist in assessing the adequacy of insurance liabilities, comparing whether there were significant differences between the current period and the previous period for the mortality rate, morbidity rate, lapse rate, and expense rate. If there were significant differences, then related documents and explanations with regard to Yuanta Life Insurance Co, Ltd. were obtained; also, current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumptions. Furthermore, the actuarial specialist assisted us in referencing current market interest rate information to assess the reasonableness of the elected discount rate for



future cash flows from insurance contracts; confirming the accuracy of the cash flow model through independent sample testing; recalculating the current estimates of future cash flows using the overall cash flow and discount rates assumptions provided by Yuanta Life Insurance Co., Ltd.; comparing the carrying amount of insurance liabilities to the current estimate of future cash flows from insurance contracts.

***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 Securities Issuers”, “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”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 Yuanta Group’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 Yuanta Group 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 Yuanta Group’s financial reporting process.

***Auditor’s 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 auditor’s 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 ROC GAAS 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 ROC GAAS, 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 Yuanta Group'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 Yuanta Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Yuanta Group 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 appropriate audit evidence regarding the financial information of the entities or business activities within Yuanta Group 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Kuo, Puo-Ju

Chang, Ming-Hui

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2018

The consolidated accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 64,007,570	3	\$ 62,625,574	3
11500	Due from Central Bank and call loans to other banks	6(2)	54,390,950	2	137,403,382	6
12000	Financial assets at fair value through profit or loss	6(3)	432,636,863	19	392,778,509	18
12100	Available-for-sale financial assets – net	6(4)	395,516,795	17	277,420,469	13
12500	Investments in bills and bonds under resale agreements	6(5)	34,827,960	2	36,499,146	2
13000	Receivables – net	6(6)	175,314,970	8	146,219,693	7
13200	Current income tax assets		1,330,623	-	1,845,929	-
13300	Assets held for sale – net	6(7)	-	-	36,265	-
13500	Bills discounted and loans – net	6(8)	762,319,040	34	791,673,242	37
13700	Reinsurance contract assets – net	6(9)	435,887	-	415,679	-
14500	Held-to-maturity financial assets – net	6(10)	143,810,470	6	116,136,617	5
15000	Equity investments accounted for under the equity method – net	6(11)	1,675,124	-	2,052,715	-
15100	Restricted assets – net		2,722,678	-	5,546,781	-
15500	Other financial assets – net	6(12)	93,469,307	4	99,416,653	5
18000	Investment property – net	6(13)	6,173,646	-	6,153,340	-
18500	Property and equipment – net	6(14)	22,630,593	1	20,885,538	1
19000	Intangible assets – net	6(15)	35,935,777	2	36,600,681	2
19300	Deferred income tax assets	6(45)	5,642,845	-	6,238,885	-
19500	Other assets – net	6(16)	40,804,112	2	22,296,486	1
	<b>TOTAL ASSETS</b>		<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,162,245,584</u>	<u>100</u>

(Continued)



**YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY		Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
21000	Due to Central Bank and other banks	6(18)	\$ 13,520,162	1	\$ 28,846,322	1
22000	Financial liabilities at fair value through profit or loss	6(3)	120,119,516	5	101,204,943	5
22300	Derivative financial liabilities for hedging		-	-	220	-
22500	Bills and bonds payable under repurchase agreements	6(5)	197,101,189	9	195,838,373	9
22600	Commercial paper payable – net	6(19)	44,704,087	2	19,295,184	1
23000	Payables	6(20)	168,705,371	7	153,687,021	7
23200	Current income tax liabilities		5,667,788	-	4,732,529	-
23500	Deposits and remittances	6(21)	1,056,024,289	46	1,050,062,790	49
24000	Bonds payable	6(22)	65,890,879	3	78,197,495	4
24400	Other borrowings	6(23)	71,754,771	3	45,821,349	2
24500	Preferred stock liabilities	6(28)	-	-	3,896,505	-
24600	Liabilities reserve	6(24)(25)	195,038,820	9	161,386,351	8
25500	Other financial liabilities	6(26)	70,098,914	3	74,506,891	3
29300	Deferred income tax liabilities	6(45)	3,518,474	-	3,879,175	-
29500	Other liabilities	6(27)	33,403,394	2	21,095,871	1
	<b>TOTAL LIABILITIES</b>		<u>2,045,547,654</u>	<u>90</u>	<u>1,942,451,019</u>	<u>90</u>
31000	<b>Equity attributable to owners of the parent company</b>					
31100	<b>Share capital</b>					
31101	Common stock	6(28)	118,891,975	5	119,986,478	6
31500	<b>Additional paid-in capital</b>	6(29)	37,960,694	2	37,956,289	2
32000	<b>Retained earnings</b>					
32001	Legal reserve	6(30)	9,100,767	-	7,759,357	-
32003	Special reserve	6(30)	6,549,234	-	6,549,234	-
32011	Undistributed earnings	6(31)	35,275,652	2	26,132,832	1
32500	<b>Other equity</b>					
32500	Other equity interest	6(32)	4,554,385	-	4,524,288	-
32600	<b>Treasury shares</b>	6(33)	( 1,136,953)	-	( 1,498,603)	-
39500	<b>Non-controlling interests</b>		<u>16,901,802</u>	<u>1</u>	<u>18,384,690</u>	<u>1</u>
	<b>Total Equity</b>		<u>228,097,556</u>	<u>10</u>	<u>219,794,565</u>	<u>10</u>
	<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,162,245,584</u>	<u>100</u>

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

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	For the years ended December 31,				Changes Percentage (%)
		2017		(Reclassified) 2016		
		AMOUNT	%	AMOUNT	%	
41000	Interest income	\$ 35,373,386	38	\$ 30,767,167	36	15
51000	Less: Interest expense	( 12,315,107)	( 13)	( 11,146,301)	( 13)	10
49600	<b>Net interest income</b>	<u>23,058,279</u>	<u>25</u>	<u>19,620,866</u>	<u>23</u>	18
	<b>Net non-interest income</b>					
49800	Net service fee and commission income	20,441,508	22	17,401,417	21	17
49810	Net income from insurance operations	32,400,843	35	29,413,918	35	10
49820	Gain on financial assets and financial liabilities at fair value through profit or loss	16,569,800	18	8,983,823	11	84
49825	Gain on investment property	190,655	-	206,963	-	( 8)
49830	Realised gain on available-for-sale financial assets	3,445,892	4	4,819,431	6	( 29)
49840	Realised gain on held-to-maturity financial assets	193,133	-	44,318	-	336
49870	Foreign exchange losses	( 7,240,193)	( 8)	( 1,082,235)	( 1)	569
49880	Asset impairment losses	( 465,027)	( 1)	( 148,885)	-	212
49890	Share of the profit or loss of associates and joint ventures accounted for using the equity method	( 89,207)	-	154,027	-	( 158)
49921	Net gain on sale of non-performing loans	383,052	-	357,994	-	7
49945	Consultation service income	2,376,065	2	2,127,278	2	12
49999	Net other miscellaneous income	2,520,118	3	2,541,871	3	( 1)
49700	<b>Total net non-interest income</b>	<u>70,726,639</u>	<u>75</u>	<u>64,819,920</u>	<u>77</u>	9
	<b>Net profit</b>	93,784,918	100	84,440,786	100	11
58100	Provision for bad debt expenses and guarantee policy reserve	( 746,771)	( 1)	( 1,092,988)	( 1)	( 32)
58300	Net change in provisions for insurance liabilities	( 33,895,878)	( 36)	( 30,788,509)	( 37)	10
	<b>Operating expenses</b>					
58501	Employee benefit expense	( 23,081,525)	( 25)	( 19,145,958)	( 22)	21
58503	Depreciation and amortization	( 2,313,077)	( 2)	( 2,275,645)	( 3)	2
58599	Other business and administrative expenses	( 13,332,223)	( 14)	( 14,284,110)	( 17)	( 7)
58500	<b>Total Operating Expenses</b>	<u>( 38,726,825)</u>	<u>( 41)</u>	<u>( 35,705,713)</u>	<u>( 42)</u>	8
61000	<b>Consolidated income from continuing operations before income tax</b>	20,415,444	22	16,853,576	20	21
61003	Income tax expense	( 2,559,332)	( 3)	( 2,478,983)	( 3)	3
62500	Loss from discontinued operations (net of tax)	( 352,057)	-	( 74,370)	-	373
69005	<b>Consolidated net income</b>	<u>17,504,055</u>	<u>19</u>	<u>14,300,223</u>	<u>17</u>	22

(Continued)

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	For the years ended December 31,				Changes Percentage (%)	
		2017		(Reclassified) 2016			
		AMOUNT	%	AMOUNT	%		
<b>Other comprehensive income</b>							
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>							
69561		Losses on remeasurements of defined benefit plans	(\$ 403,465)	-	(\$ 174,313)	-	131
69565		Change in fair value of financial liability attributable to change in credit risk of liability	( 3,017)	-	( 47,380)	-	( 94)
69569	6(45)	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	65,212	-	52,001	-	25
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>							
69571		Exchange differences on translation of foreign financial statements	21,651	-	( 2,023,539)	( 3)	( 101)
69572		Unrealised gain (loss) on available-for-sale financial assets	418,406	-	( 1,649,465)	( 2)	( 125)
69573		(Loss) gain on effective portion of cash flow hedges	( 1,968)	-	1,968	-	( 200)
69575	6(11)	Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	( 13,999)	-	( 14,258)	-	( 2)
69578		Equity related to assets classified as held for sale	47,809	-	-	-	-
69579	6(45)	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	46,979	-	( 143,146)	-	( 133)
69500		<b>Other comprehensive income (loss) (net of tax)</b>	\$ 177,608	-	(\$ 3,998,132)	( 5)	( 104)
69700		<b>Total comprehensive income</b>	\$ 17,681,663	19	\$ 10,302,091	12	72
<b>Consolidated net income attributable to:</b>							
69901		Parent company	\$ 16,204,948	17	\$ 13,414,105	16	21
69903		Non-controlling interests	1,299,107	2	886,118	1	47
			\$ 17,504,055	19	\$ 14,300,223	17	22
<b>Consolidated comprehensive income attributable to:</b>							
69951		Parent company	\$ 15,879,969	17	\$ 9,959,024	12	59
69953		Non-controlling interests	1,801,694	2	343,067	-	425
			\$ 17,681,663	19	\$ 10,302,091	12	72
<b>Earnings per share (in New Taiwan Dollars)</b>							
70000		<b>Basic earnings per share</b>					
70001		Basic earnings per share from continuing operations	\$ 1.38		\$ 1.16		
70003		Basic loss per share from discontinued operations	(\$ 0.01)		\$ -		
71000		<b>Diluted earnings per share</b>					
71001		Diluted earnings per share from continuing operations	\$ 1.38		\$ 1.16		
71003		Diluted loss per share from discontinued operations	(\$ 0.01)		\$ -		

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

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
 (Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent							Total equity					
	Retained Earnings			Other equity interest									
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) on available-for-sale financial assets	Gains on effective portion of cash flow hedges	Change in fair value of financial liability attributable to change in credit risk	Equity related to assets classified as held for sale	Treasury shares	Non-controlling interests	
For the year ended December 31, 2016													
Balance, January 1, 2016	\$107,129,605	\$35,845,672	\$6,677,902	\$6,549,234	\$18,234,604	\$ 692,526	\$ 8,516,372	\$ -	\$ 46,919	\$ -	(\$ 197,606)	\$15,253,874	\$197,364,050
Effects of retrospective application and restatement					3,079		( 3,079)						
Balance, January 1, 2016 after adjustments	107,129,605	35,845,672	6,677,902	6,549,234	18,237,683	( 692,526)	8,513,293		46,919		( 197,606)	15,253,874	197,364,050
Appropriation of 2015 earnings:													
Cash dividend	-	-	1,081,455	-	( 1,081,455)	-	-	-	-	-	-	-	-
Due to recognition of equity component of convertible preference share issued	-	-	-	-	( 4,325,818)	-	-	-	-	-	-	-	( 4,325,818)
Consolidated net income for the year	-	78,000	-	-	13,414,105	-	-	-	-	-	-	886,118	14,300,223
Other comprehensive income (loss) for the year	-	-	-	-	( 111,683)	( 1,392,502)	( 1,905,118)	1,602	( 47,380)	-	-	( 543,051)	( 3,998,132)
Total comprehensive income (loss) for the year	-	-	-	-	13,302,422	( 1,392,502)	( 1,905,118)	1,602	( 47,380)	-	-	343,067	10,302,091
Shares issued pursuant to acquisitions	12,856,873	1,992,816	-	-	-	-	-	-	-	-	-	-	14,849,689
Acquisition of company's share by subsidiaries recognized as treasury shares	-	-	-	-	-	-	-	-	-	( 1,300,997)	-	-	( 1,300,997)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	39,801	-	-	-	-	-	-	-	-	-	-	39,801
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,787,749	2,787,749
Balance, December 31, 2016	\$119,986,478	\$37,956,289	\$7,759,357	\$6,549,234	\$26,132,832	\$ 2,085,028	\$ 6,608,175	\$ 1,602	\$ 461	\$ -	(\$ 1,498,603)	\$18,384,690	\$219,794,565
For the year ended December 31, 2017													
Balance, January 1, 2017	\$119,986,478	\$37,956,289	\$7,759,357	\$6,549,234	\$26,132,832	\$ 2,085,028	\$ 6,608,175	\$ 1,602	\$ 461	\$ -	(\$ 1,498,603)	\$18,384,690	\$219,794,565
Appropriation of 2016 earnings:													
Legal reserve	-	-	1,341,410	-	( 1,341,410)	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	( 5,365,642)	-	-	-	-	-	-	-	( 5,365,642)
Consolidated net income for the year	-	-	-	-	16,204,948	-	-	-	-	-	-	1,299,107	17,504,055
Other comprehensive income (loss) for the year	-	-	-	-	( 355,076)	( 443,005)	429,912	( 1,602)	( 3,017)	47,809	-	502,587	177,608
Total comprehensive income (loss) for the year	-	-	-	-	15,849,872	( 443,005)	429,912	( 1,602)	( 3,017)	47,809	-	1,801,694	17,681,663
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	( 939,347)	-	( 75,222)	( 1,014,569)
Retirement of treasury share	( 1,094,503)	( 197,010)	-	-	-	-	-	-	-	( 1,291,513)	-	-	( 2,486,016)
Disposal of company's share by subsidiaries recognised as treasury share transactions	-	148,750	-	-	-	-	-	-	-	9,484	-	-	158,234
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	49,009	-	-	-	-	-	-	-	-	-	-	49,009
Equity related to assets classified as held for sale	-	-	-	-	-	-	47,809	-	-	( 47,809)	-	-	-
Changes in ownership interest in subsidiaries	-	3,656	-	-	-	-	-	-	-	-	-	-	3,656
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	( 3,209,360)	( 3,209,360)
Balance, December 31, 2017	\$118,891,975	\$37,960,694	\$9,100,767	\$6,549,234	\$35,275,652	\$ 2,528,033	\$ 7,085,896	\$ -	(\$ 3,478)	\$ -	(\$ 1,136,953)	\$16,901,802	\$228,097,556

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

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2017	(Reclassified) 2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Consolidated income from continuing operations before tax	\$ 20,415,444	\$ 16,853,576
Loss from discontinued operations before tax	( 351,241 )	( 80,558 )
Consolidated income before tax	20,064,203	16,773,018
Adjustments		
Income and expense item		
Depreciation	991,845	983,594
Amortization	1,334,875	1,318,221
Provisions for bad debt expense	867,995	1,305,154
Interest expense	12,333,835	11,175,981
Interest income	( 35,483,501 )	( 32,563,583 )
Dividend income	( 2,359,861 )	( 1,785,249 )
Impairment loss on financial assets	415,729	129,183
Impairment loss on non-financial assets	49,298	19,702
Share of the profit or loss of associates and joint ventures accounted for using the equity method	89,207	( 154,027 )
Loss (gain) on disposal of assets held for sale	143,699	( 1,087 )
Gain on disposal of investment property	( 56,407 )	( 62,657 )
(Gain) loss from disposal or retirement of property and equipment	( 140,300 )	60,866
Loss on sale of intangible assets	1,860	15
Net change in insurance liabilities	33,194,629	30,469,450
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from Central Bank and call loans to other banks	( 2,557,162 )	( 9,495,520 )
Increase in financial assets at fair value through profit or loss	( 42,899,042 )	( 7,765,143 )
Increase in available-for-sale financial assets	( 118,048,844 )	( 62,316,220 )
(Increase) decrease in receivables	( 36,827,079 )	3,503,533
Decrease (increase) in bills discounted and loans	29,238,683	( 34,460,450 )
Increase in reinsurance contract assets	( 20,233 )	( 25,712 )
Increase in held-to-maturity financial assets	( 23,279,639 )	( 29,085,767 )
Decrease (increase) in restricted assets	2,779,103	( 3,315,844 )
Decrease in other financial assets	5,319,049	28,897,362
(Increase) decrease in other assets	( 18,722,569 )	6,170,978
Changes in operating liabilities		
Decrease in due to Central Bank and other banks	( 15,326,160 )	( 19,000,908 )
Increase (decrease) in financial liabilities at fair value through profit or loss	19,136,594	( 6,180,416 )
Increase (decrease) in payables	17,082,834	( 14,262,651 )
Increase in deposits and remittances	3,994,168	102,762,162
Increase (decrease) in liabilities reserve	422,600	( 39,709 )
(Decrease) increase in other financial assets	( 3,670,529 )	11,739,253
Increase in other liabilities	12,298,856	156,007
Cash outflow generated from operations	( 139,632,264 )	( 5,050,464 )
Interest received	35,010,969	31,941,488
Dividend received	2,407,790	1,866,730
Interest paid	( 12,238,506 )	( 10,812,915 )
Income tax paid	( 1,806,421 )	( 674,549 )
Net cash flows (used in) generated from operating activities	( 116,258,432 )	17,270,290

(Continued)

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2017	(Reclassified) 2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of investments accounted for using equity method	(\$ 159,637)	(\$ 311,961)
Proceeds from disposal, liquidation and capital reduction of investments accounted for using equity method	441,828	344,855
Acquisition of investment property	( 185,514)	( 272,055)
Proceeds from disposal of investment property	470,790	1,160,212
Acquisition of property and equipment	( 3,167,680)	( 1,278,759)
Proceeds from disposal of property and equipment	307,384	158,434
Acquisition of intangible assets	( 199,621)	( 270,333)
Proceeds from disposal of intangible assets	28,832	324
Proceeds from disposal of assets held for sale	4,366,353	14,955
Acquisition of subsidiaries (net of cash and cash equivalents received)	135,988	1,996,201
Net cash flows generated from investing activities	2,038,723	1,541,873
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase in bills and bonds sold under repurchase agreements	3,767,055	31,998,162
Increase in commercial paper payable - net	25,425,848	13,391,898
Proceeds from issuance of bonds	-	18,450,000
Repayments of bonds	( 6,114,500)	( 16,161,993)
Proceeds from issuance of bank debentures	-	5,000,000
Repayments of bank debentures	( 6,380,000)	( 3,610,000)
Increase in other borrowings	25,825,807	15,750,288
Repayments of preference share liabilities	( 4,000,000)	-
Cash dividends paid	( 5,365,642)	( 4,325,818)
Acquisition of treasury shares	( 1,056,634)	-
Decrease in non-controlling interests	( 3,467,471)	( 386,976)
Net cash flows generated from financing activities	28,634,463	60,105,561
Net effect of foreign exchange rate changes on cash and cash equivalents	( 267,701)	( 1,498,534)
Net (decrease) increase in cash and cash equivalents	( 85,852,947)	77,419,190
Cash and cash equivalents at beginning of year	211,532,170	134,112,980
Cash and cash equivalents at end of year	\$ 125,679,223	\$ 211,532,170
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 64,007,570	\$ 62,625,574
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	26,843,693	112,407,450
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	34,827,960	36,499,146
Cash and cash equivalents at end of reporting period	\$ 125,679,223	\$ 211,532,170

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

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars, Unless Otherwise Indicated)

1. History and organization

Yuanta Financial Holding Co., Ltd. (“Yuanta Financial Holdings” or the “Company”) was incorporated pursuant to the Financial Holding Company Act. In connection with the formation of the Company, the shares of Yuanta Securities Finance Co., Ltd. (“Yuanta Securities Finance”) and Yuanta Securities Co., Ltd. were exchanged for shares of the Company. The regulatory procedure for the share exchange was completed on the exchange date of February 4, 2002 and the Company was listed on the Taiwan Stock Exchange on the same date.

On August 1, 2002, Asia Pacific Bank became a wholly owned subsidiary of the Company and was renamed as Yuanta Commercial Bank Co., Ltd. (“Yuanta Bank”).

On December 28, 2006, both the Company and Yuanta Core Pacific Securities Co., Ltd. (“Yuanta Core Pacific Securities”) had resolved for Yuanta Core Pacific Securities becoming the Company’s subsidiary by share exchange as approved through the stockholders’ meeting effective from April 2, 2007, and merged with Yuanta Securities on September 23, 2007.

On June 28, 2011, both the Company and Polaris Securities Co., Ltd. (“Polaris Securities”) had resolved for Polaris Securities becoming the Company’s subsidiary by share exchange as approved through the stockholders’ meeting effective from October 3, 2011, and merged with Yuanta Securities on April 1, 2012.

On January 1, 2014, the Company acquired 100% of shares of New York Life with cash. New York Life officially became a wholly-owned subsidiary of the Company and was renamed as Yuanta Life Insurance Co., Ltd. (“Yuanta Life”) on February 12, 2014.

The share transfer plan between the Company and Ta Chong Commercial Bank Co., Ltd. (hereon referred to as “Ta Chong Bank”) was resolved by their respective shareholders at the special shareholders’ meeting on October 13, 2015, and was completed on March 22, 2016. Thereafter, Ta Chong Bank officially became a wholly-owned subsidiary of the Company.

The Company engages in the business of a financial holding company and its operations are limited to investing and investment management. According to the Financial Holding Company Act, the businesses in which the Company can invest in are securities, banking, bills finance, credit cards, trusts, insurance, futures, venture capital, foreign financial institutions that are authorized by the government authority, and other related financial businesses that are recognised by the government authority. Additionally, the Company was accredited by the Taiwan Corporate Governance Association with Corporate Governance Assessment Advanced Certification (CG6010) on January 5, 2016.

2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on March 28, 2018.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (FSC)

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016
The above standards and interpretations have no significant impact to the Company and its subsidiaries' (collectively referred herein as the "Yuanta Group") financial condition and financial performance based on the Yuanta Group's assessment.	

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC, but not yet adopted by the Company and its subsidiaries

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018



New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Yuanta Group's financial condition and financial performance based on the Yuanta Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'

To address the concerns about the different effective dates of IFRS 9, 'Financial instruments', and IFRS 17, 'Insurance contract', which may result in different bases for measuring assets and liabilities, this amendment allows insurers who meet specific requirements as set out in IFRS 4, 'Insurance contract' to adopt temporary exemption from IFRS 9, 'Financial instruments', or to use overlay approach under IFRS 9, 'Financial instruments' alternatively.

B. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Yuanta Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing';

while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

When adopting the new standards endorsed by the FSC effective from 2018, the Yuanta Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below.

1. In accordance with IFRS 9, the Yuanta Group expects to reclassify financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, financial assets at cost and investments in debt instruments without active market in the amounts of \$435,103,519, \$385,692,658, \$143,191,949, \$1,038,825 and \$49,012,388, respectively, by increasing financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, other equity interest and non-controlling interests in the amounts of \$438,112,140, \$288,615,721, \$289,256,729, \$2,210,176 and \$5,516, respectively, and decreasing retained earnings in the amount of \$270,441.
  2. In accordance with IFRS 9 and applying the overlay approach in accordance with IFRS 4 'Insurance Contract' for gain and loss from designated financial assets, Yuanta Group expects to reclassify available-for-sale financial assets in the amount of \$11,676,925 by increasing the financial assets at fair value through profit or loss in the amount of \$11,676,925.
  3. In accordance with IFRS 9, for the share of the profit or loss of associates and joint ventures accounted for using the equity method under the equity method of long-term equity investment, the Yuanta Group expects to increase equity investments accounted for under the equity method, retained earnings and non-controlling interests in the amounts of \$561, \$315, \$246, respectively.
  4. In accordance with IFRS 9, for the movement of fair value incident to the movement of credit risk for financial debts measured at fair value through profit or loss, the Yuanta Group expects to decrease retained earnings in the amounts of \$58,043, and to increase other equity interest in the amounts of \$58,043.
  5. In line with the regulations under IFRS 9 on provision for impairment, the Yuanta Group expects to increase loss allowance of bills discounted and loans, liabilities reserve, and loss allowance of related receivables in the amounts of \$2,697,619, \$325, \$319,652, respectively, and to decrease retained earnings and non-controlling interests in the amounts of \$3,023,123 and \$48,876, respectively.
  6. Due to initial adoption of IFRS 9, the Yuanta Group will have to recognise adjustments in the balance sheet which would result to temporary differences. Accordingly, the Yuanta Group expects to increase deferred tax assets/liabilities and retained earnings in the amounts of \$212,058, \$292,715, respectively, and to decrease other equity interest in amounts of \$80,657.
- (3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
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 International Accounting Standards Board

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
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
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Yuanta Group's financial condition and financial performance based on the Yuanta Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. IFRS 17, 'Insurance Contracts'

IFRS 17, 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall at initial recognition to disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

#### 4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the "Yuanta Group") 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 Securities Issuers”, “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”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (IFRSs) as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (B) Available-for-sale financial assets.
  - (C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
  - (D) Various insurance liabilities, reinsurance reserve assets, and foreign exchange reserves are set aside and recognised in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Yuanta Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

All subsidiaries are included in the Yuanta Group’s consolidated financial statements (including structured entities). Subsidiaries are all entities controlled by the Yuanta Group. The Yuanta Group controls an entity when the Yuanta Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Yuanta Group obtains control of the subsidiaries and ceases when the Yuanta Group loses control of the subsidiaries. The Yuanta Group acquired subsidiaries in accordance with the Acquisition Method. Acquisition costs are measured at fair value based on assets acquired, issued equity instruments and incurred or undertaking liabilities, along with directly attributable acquisition costs. Identifiable assets, liabilities and contingent liabilities that are acquired at business combinations are measured at original fair value, and shares of non-controlling interest are not considered. Acquisition costs that exceed fair value of identifiable assets recognised for shareholding ratio are recognised as goodwill; acquisition costs that are less than fair value of identifiable assets recognised for shareholding ratio are directly recognised in the consolidated statements of comprehensive income. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Yuanta Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Yuanta Group. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
The Company	Yuanta Securities	Securities brokerage, dealing, underwriting, financing and refinancing, futures business and raising and issuing derivative instruments	100.00	100.00	
"	Yuanta Bank	Commercial banking	100.00	100.00	
"	Yuanta Securities Finance	Securities financing and refinancing to securities firms and related business	100.00	100.00	
"	Yuanta Life Insurance Co., Ltd. ("Yuanta Life")	Life insurance business	100.00	100.00	
"	Yuanta Futures Co., Ltd. ("Yuanta Futures")	Futures, futures managers, futures consultant, securities, securities trading assistance	68.65	68.65	
"	Yuanta Securities Investment Trust Co., Ltd. ("Yuanta Securities Investment Trust")	Securities investment trust	72.20	72.20	
"	Yuanta Venture Capital Co., Ltd. ("Yuanta Venture Capital")	Venture capital investments	100.00	100.00	
"	Yuanta Asset Management Co., Ltd. ("Yuanta Asset Management")	Providing monetary debt management services for financial institutions	100.00	100.00	
"	Yuanta Securities Investment Consulting Co., Ltd. ("Yuanta Securities Investment Consulting")	Securities investment consultant	100.00	100.00	
"	Ta Chong Bank	Commercial banking	100.00	100.00	
Yuanta Securities	Yuanta Securities Asia Financial Services Limited ("Yuanta Securities Asia Financial Services")	Investment holding	100.00	100.00	
"	Yuanta International Insurance Brokers Co., Ltd. ("Yuanta International Insurance Brokers")	Insurance agency services	100.00	100.00	
Yuanta Securities Asia Financial Services	Yuanta Securities Holding (B.V.I) Co., Ltd. ("B.V.I.")	Investment holding	100.00	100.00	
"	Yuanta Securities (Hong Kong) Limited	Securities brokerage and related services	100.00	100.00	
"	Polaris Securities (Hong Kong) Limited ("P.S.H.K")	Securities brokerage and related services	100.00	100.00	Note 1
"	Yuanta Investment Consulting (Beijing) ("Yuanta Investment Consulting Beijing")	Investment consultation	100.00	100.00	
"	Yuanta Securities Korea Co., Ltd ("Yuanta Securities (Korea)")	Securities trading, providing opinions on securities and futures contract, underwriting services, asset management services, financial advisory services, and futures trading	54.20	54.20	
"	Yuanta Asia Investment Limited ("Yuanta Asia Investment")	Venture capital funds, venture capital fund raising management, and investment advisory services	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Yuanta Securities Asia Financial Services	Yuanta Hong Kong Holdings (Cayman) Ltd. (“Yuanta HK Holdings (Cayman)”)	Investment holding	100.00	100.00	
"	Yuanta Securities (UK) Ltd. (“Yuanta Securities(UK)”)	License in application	100.00	100.00	
"	Yuanta Securities Thailand Co., Ltd (“Yuanta Securities (Thailand)”)	Securities brokerage and related services	99.99	99.99	Note 2
"	Yuanta Securities Vietnam Joint Stock Co., Ltd. (“Yuanta Securities (Vietnam)”)	Securities brokerage, dealing in securities, and underwriting	50.76	44.68	Note 3
Yuanta Securities (Hong Kong)	Yuanta International Investment (Hong Kong) Ltd. (“Yuanta Investment (Hong Kong)”)	Issue financial instruments	100.00	100.00	
"	Yuanta Finance (Hong Kong) Ltd. (“Yuanta Finance (Hong Kong)”)	Credit loan business	100.00	100.00	
"	PT Yuanta Sekuritas Indonesia (“Yuanta Securities (Indonesia)”)	Securities trading, underwriting services	99.00	99.00	Note 4
"	PT Yuanta Asset Management	Investment management	0.002	0.002	
"	Yuanta Investment Management (Cayman)	Investment management	100.00	100.00	
"	Yuanta Securities (Vietnam)	Securities brokerage, dealing in securities, and underwriting	49.19	-	Note 3
"	Yuanta USD Fixed Income	Investment debt instrument	100.00	-	Note 5
PT Yuanta Securitas Indonesia	PT Yuanta Asset Management	Investment management	99.998	99.998	
Yuanta Securities (Korea)	Yuanta Investment Co.,Ltd (“Yuanta Investment (Korea)”)	Venture investment	54.20	54.20	
"	Yuanta Financial (Hong Kong) Limited (“Yuanta Financial (Hong Kong)”)	Investment holding	54.20	54.20	
Yuanta Financial (Hong Kong)	Yuanta Securities (Cambodia) Plc. (“Yuanta Securities (Cambodia)”)	Underwriting guidelines and financial advisory services	54.20	54.20	
"	Heng Xin Asia Holdings Limited (“Heng Xin Asia Holdings”)	Investment holding	48.85	48.85	
Heng Xin Asia Holdings	Shanghai Xinsheng Investment Consulting Co.,Ltd. (“Shanghai Xinsheng”)	Investment management consulting service, financial consulting service, business administration consulting service, business information consulting service, economic and trade consulting service, marketing and planning, technical promotion and services	-	48.85	Note 6
Yuanta Asia Investment	Yuanta Liquid Plus Money Market Mutual Fund	Investment debt instrument	100.00	-	Note 7
Yuanta Bank	Yuanta International Leasing Co., Ltd.(“Yuanta International Leasing”)	Agency and leasing business of real estate and movables	100.00	100.00	
"	Yuanta Savings Bank (Philippines) Inc. (Yuanta Savings Bank (Philippines))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	Note 8

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Yuanta Bank	Yuanta Savings Bank (Korea) Inc. (Yuanta Savings Bank (Korea))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	Note 9 Note 10
Yuanta Futures	Yuanta Futures (Hong Kong) Limited (“Yuanta Futures Hong Kong”)	Financial services	68.65	68.65	
"	SYF Information Limited (“SYF Information”)	Information service	68.65	68.65	
SYF Information	SYF Information (Samoa )Limited (“SYF Information (Samoa)”)	Investment holding	68.65	68.65	
SYF Information (Samoa)	SYF Information (Shanghai) Limited (“SYF Information (Shanghai)”)	Technical consultancy services	68.65	68.65	
Yuanta Venture Capital	Yuanta I Venture Capital Co., Ltd.(“Yuanta I Venture Capital”)	Venture capital investments	100.00	100.00	
Ta Chong Bank	Ta Chong Securities Co., Ltd. (“Ta Chong Securities”)	Securities brokerage, dealing, underwriting, and futures business	-	34.87	Note 11
"	Ta Chong International Finance and Investment Company	Leasing and installment sales	-	100.00	Note 12
Ta Chong Securities	Ta Chong Venture Capital Co., Ltd. (“Ta Chong Venture Capital”)	Venture capital investments	-	34.87	Note 11

Note 1: On December 27, 2016, the Board of Directors of Yuanta Securities resolved to dispose 100% of its held Polaris Securities (Hong Kong) Limited (“P.S.H.K”) shares, selling all common shares of Polaris Securities (Hong Kong) Limited (“P.S.H.K”). The approval was obtained from the Taiwan competent authority in April, 2017. Subsequent procedures will be commenced once approval from the Hong Kong competent authority is obtained.

Note 2: Yuanta Securities Asia Finance completed the settlement of Yuanta Securities (Thailand)’s (formerly KKTrade Securities Company Limited) shares on July 8, 2016 and obtained control over Yuanta Securities (Thailand).

Note 3: Controlled by a single major shareholder, Yuanta Securities (Vietnam) was recognised as financial assets at cost because the previous 44.68% of equity interest held by Yuanta Securities was immaterial. Yuanta Securities Asia Finance and Yuanta Securities (Hong Kong) acquire shares of the investee starting from the second quarter of 2017. On June 12, 2017, Yuanta Securities Asia Finance, Yuanta Securities (Hong Kong) and contracted individuals accounted for more than half of director positions collectively and hence became controlling shareholders. First Securities (Vietnam) was renamed “Yuanta Securities (Vietnam)” in February, 2017.

Note 4: In January, 2017, PT Yuanta Securities Indonesia was renamed PT Yuanta Sekuritas Indonesia.

Note 5: Founded in the first quarter of 2017.

Note 6: In October, 2017, Shanghai Xinsheng has been approved to cancel the registration by the Market Supervision Administration of Pudong New Area, Shanghai City.

Note 7: Founded in the fourth quarter of 2017.

Note 8: On September 26, 2016, Yuanta Savings Bank (Philippines) was renamed “Yuanta Savings Bank (Philippines)”.

Note 9: On April 25, 2016, Hanshin Savings Bank, Korea became the 100% owned overseas subsidiary of Yuanta Bank.

Note 10: On February 13, 2017, Hanshin Savings Bank, Korea was renamed “Yuanta Savings Bank (Korea) Inc.”

Note 11: On March 10, 2017, the Board of Directors of Ta Chong Bank resolved to dispose Ta Chong Securities, and the settlement was completed on August 28, 2017. For the effect of adopting IFRS 5 in restating the financial statements of prior periods, please refer to Note 6(7).

Note 12: On July 1, 2017, Ta Chong International Finance and Investment Company, held by Ta Chong Bank with 100% ownership, was merged into Ta Chong Bank.

C. Structured entities controlled by Yuanta Securities (Korea) are as follows:

December 31, 2017	
Structured entities	Services
YK LION Co., Ltd.	Asset-backing
FinalDS5th Co., Ltd.	Asset-backing
YK Sky Co., Ltd.	Asset-backing
TH 5th Co., Ltd.	Asset-backing
YK Edue Co., Ltd.	Asset-backing
YK Dway Co., Ltd.	Asset-backing
YK APT the 1st Co., Ltd.	Asset-backing
Y.K.S.W Second Co., Ltd.	Asset-backing
YK Park Co., Ltd.	Asset-backing
YK JP the 2nd Co., Ltd.	Asset-backing
New Star Power 1st Co., Ltd.	Asset-backing
Y.K New NC 1st Co., Ltd.	Asset-backing
YK Ceramic Co., Ltd.	Asset-backing
YK Halfmoon 2nd Co., Ltd.	Asset-backing
Y.K New NC Second Co., Ltd.	Asset-backing
YK Arena Co., Ltd.	Asset-backing
YK Hessen Co., Ltd.	Asset-backing
ELF 5th Co., Ltd.	Asset-backing
YK Hyomoon Haneulchae Co., Ltd.	Asset-backing
YK Echo Co., Ltd.	Asset-backing
YK Obong Co., Ltd.	Asset-backing
YK Marble Co., Ltd.	Asset-backing
YK Indus Co., Ltd.	Asset-backing
December 31, 2016	
Structured entities	Services
YK Newcity 1st Co., Ltd.	Asset-backing
YK Newcity 2nd Co., Ltd.	Asset-backing
YK World 1st Co., Ltd.	Asset-backing
Able Hyangnam 4th Co., Ltd.	Asset-backing
YK LION Co., Ltd.	Asset-backing
FinalDS5th Co., Ltd.	Asset-backing
YK Sky Co., Ltd.	Asset-backing
DW Songsan 3rd Co., Ltd.	Asset-backing
TH 5th Co., Ltd.	Asset-backing
ELF 3rd Co., Ltd.	Asset-backing
YK Camp Co., Ltd.	Asset-backing

Although Yuanta Group does not hold interests in structured entities, structured entities are included in the consolidated financial statements, taking into account the following: when the company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.



D. As of December 31, 2017, subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Yuanta HK Holdings (Cayman)	GC Investment Consultant (Shanghai) Co., Ltd.	Investment consultation	100.00	100.00	Note
Yuanta Securities	Polaris Insurance Agency Co., Ltd. (P.I.A. Co.)	Property insurance agency	-	100.00	Note

Note: GC Investment Consultant (Shanghai) Co., Ltd. resolved to file for liquidation and dissolution. P.I.A. Co. resolved to dissolve in August, 2016 and the liquidation has been completed in August, 2017. As Yuanta Securities has no control over these subsidiaries, they are not included as consolidated entities.

E. Adjustments for subsidiaries with different balance sheet dates:  
None.

F. Significant restrictions  
None.

G. Subsidiaries that have non-controlling interests that are material to the Yuanta Group:

As of December 31, 2017 and 2016, the non-controlling interest amounted to \$16,901,802 and \$18,384,690, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of Subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2017		December 31, 2016	
		Amount	Ownership(%)	Amount	Ownership(%)
Yuanta Securities (Korea)	Korea	\$ 13,622,036	45.80%	\$ 12,294,372	45.80%

The comprehensive income (loss) attributable to this non-controlling interest were \$1,325,112, and (\$115,745) for the years ended December 31, 2017 and 2016, respectively.

Summarized financial information for the aforementioned subsidiaries:

Consolidated balance sheets

	Yuanta Securities (Korea) and its subsidiaries	
	December 31, 2017	December 31, 2016
Current assets	\$ 304,775,649	\$ 257,771,020
Non-current assets	19,980,810	19,352,319
Current liabilities	( 288,989,774)	( 240,415,046)
Non-current liabilities	( 3,212,416)	( 7,001,829)
Total net assets	\$ 32,554,269	\$ 29,706,464

Consolidated statements of comprehensive income

	Yuanta Securities (Korea) and its subsidiaries	
	For the years ended December 31,	
	2017	2016
Revenue	\$ 12,923,089	\$ 11,401,779
Profit before income tax	2,158,183	989,684
Income tax expense	( 17,230)	( 47,392)
Net income	2,140,953	942,292
Other comprehensive income (loss) (net of tax)	1,090,053	( 981,865)
Total comprehensive income (loss) for the period	\$ 3,231,006	\$ 39,573

Consolidated statements of cash flows

	Yuanta Securities (Korea) and its subsidiaries	
	For the years ended December 31,	
	2017	2016
Net cash used in operating activities	(\$ 6,550,159)	(\$ 27,172,666)
Net cash provided by (used in) investing activities	531,736	( 574,530)
Net cash provided by financing activities	2,432,339	26,477,333
Effect of exchange rates on cash and cash equivalents	( 807,724)	( 297,518)
Decrease in cash and cash equivalents	( 4,393,808)	( 1,567,381)
Cash and cash equivalents, beginning of period	23,160,192	24,727,573
Cash and cash equivalents, end of period	\$ 18,766,384	\$ 23,160,192

(4) Foreign currency translation

Items included in the financial statements of each of the Yuanta Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Yuanta Group's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

(B) Assets denominated in foreign currency are translated at the closing exchange rate at the balance sheet date. When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Any translation difference is

recognised as gain and loss in the period.

(C) Non-monetary assets and liabilities denominated in foreign currencies:

- a. Assets and liabilities carried at cost are re-translated at the exchange rates prevailing at the original transaction date.
- b. Assets and liabilities held at fair value through profit or loss are re-translated at the exchange rates prevailing at the date at which the fair value is determined.

When the gains and losses on non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income, any translation difference included in the gains and losses are also recognised in other comprehensive income. When the gains and losses on non-monetary assets and liabilities denominated in foreign currencies are recognised as gains and losses, any translation difference included in the gains and losses are also recognised as gains and losses.

B. Translation of foreign operations

If an entity has a functional currency (not in an economy with high inflation) that is different from presentation currency in the consolidated statements, its operating results and financial position is translated into presentation currency by the following procedures:

- (A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- (B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
- (C) All resulting exchange differences are recognised in other comprehensive income.

(5) Cash and cash equivalents

“Cash and cash equivalents” within the consolidated balance sheet include cash on hand, demand deposits and 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. From the perspective of the consolidated statements of cash flows, cash and cash equivalents refer to cash and cash equivalents within the consolidated balance sheet, and cash and cash equivalents that conform to IFRS 7’s definition, as endorsed by the FSC, which are cash and cash equivalents due from Central bank and call loans to other banks, or bills and bonds purchased under resale agreements.

(6) Bills and bonds under repurchase or resale agreements

In relation to transactions of bills and securities with a condition of repurchase agreement or resale agreement, the interest expense and interest income are recognised as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognised at the date of sale or purchase.

(7) Financial assets and liabilities

All financial assets and liabilities of the Yuanta Group including derivatives are recognised in the consolidated balance sheet and are properly classified in accordance with IFRSs as endorsed by the FSC.

A. Financial assets

All financial assets held by the Yuanta Group are classified into the following four categories: “financial assets at fair value through profit and loss”, “available-for-sale financial assets”, “loans and receivables” and “held-to-maturity financial assets”.

- (A) Regular way purchase or sale

Financial assets held by the Yuanta Group are all accounted for using trade date accounting.

(B) Financial assets at fair value through profit or loss

- a. When the financial assets of the Yuanta Group are held to repurchase or resell or when the portfolio belongs to derivative instruments, or are held in a short-term profit seeking model, then they should be classified as financial assets held for trading and measured by fair value at initial recognition.
- b. Criteria to designate financial assets and financial liabilities as at fair value through profit or loss at initial recognition are as follows:
  - (a) The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
  - (b) The performance of financial instruments is assessed by fair value; or
  - (c) Hybrid (combined) instruments include embedded derivatives.
- c. Financial assets at fair value through profit or loss are recognised under “financial assets at fair value through profit or loss” in the consolidated balance sheet. Any change in fair value of financial assets at fair value through profit are recognised under “gain and loss of financial assets and liabilities at fair value through profit and loss” in the consolidated statement of comprehensive income.

(C) Available-for-sale financial assets

Available-for-sale financial assets are measured by fair value plus the trading cost of acquisition upon initial recognition, and are subsequently measured by fair value with changes in fair value recognised as other comprehensive income. The cumulative valuation gain or loss is recognised as gain and loss in the period when it is derecognised from the financial assets.

Financial assets that were not designated as available-for-sale on initial recognition but meet the definition of loans and receivables are reclassified as held-to-maturity financial assets and bond investments without active market when the Yuanta Group has intention or ability to hold such financial assets to the foreseeable future or maturity with the fair value on the reclassification date accounted for as new amortised cost. Those that have been recognised in other comprehensive income are amortised to the profit or loss at the financial asset’s effective interest rate within the remaining period.

(D) Loans and receivables

- a. Loans and receivables include both those that were originated and not originated by the entity. Loans and receivables originated by the entity refer to cash, products or services directly provided to debtors by Yuanta Group. Loans and receivables not originated by the entity refer to those other than whom were originated by the entity.
- b. Loans and receivables are measured at initial fair value as the transaction price, and are recognised on the basis of fair value plus significant transaction cost, expense, significant service fee charged, discount or premium factor. Subsequently, the loans and receivables shall be measured using effective interest rate method. However, short-term receivables without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(E) Held-to-maturity financial assets

Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest

method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(F) Other financial assets

a. Financial assets measured at cost

Equity instruments traded in a non-active market are initially recognised by fair value plus acquisition cost. If the variability in the range of reasonable fair value estimate on the consolidated balance sheet date could vary significantly, and the probabilities of the various estimates cannot be reasonably measured, the financial assets should be assessed by cost.

b. Bond investments in non-active markets

Bond investments in non-active markets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

c. Purchase of claim receivable

Non-performing loans of financial institutions are measured by fair value of financial asset on initial recognition when being obtained by the Yuanta Group and will be subsequently measured by fair value with changes in fair value recognised as profit and loss in the period.

B. Financial liabilities

Financial liabilities held by the Yuanta Group include financial liabilities at fair value through profit and loss (including financial liabilities designated at fair value through profit and loss) and financial liabilities carried at amortised cost.

(A) Financial liabilities at fair value through profit or loss

Financial liabilities held for trading purpose are designated as financial liabilities at fair value through profit and loss upon initial recognition.

A financial liability shall be classified as held for trading if it is incurred with a purpose of repurchasing or resale in a short period of time or on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivative instruments are also classified as held for trading, including the obligations of delivery of financial assets borrowed from short seller.

Criteria to designate financial liabilities as at fair value through profit or loss at initial recognition are as follows:

- a. The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or
- b. The performance of financial instruments is assessed by fair value; or
- c. Hybrid (combined) instruments include embedded derivatives.

Financial liabilities at fair value through profit and loss are recognised under financial liabilities at fair value through profit and loss in the consolidated statement of comprehensive income, and any change in fair value is recognised as “gain and loss on financial assets and liabilities at fair value through profit and loss” in the consolidated statement of comprehensive income. Except for the circumstances to avoid inappropriate accounting appropriation or except that lending commitments and financial guarantee

contracts must be recognised in profit or loss, fair value movements arising from credit risk for financial liabilities designated as at fair value through profit or loss should be recognised in other comprehensive income.

(B) Financial liabilities carried at amortised cost

Financial liabilities carried at amortised cost include liabilities not classified as financial liabilities at fair value through profit or loss, financial guarantee contracts, loan commitment with a lower-than-market interest rate and the financial liabilities incurred due to continuing engagement or that the transferring of a financial asset does not meet the requirement of derecognition.

C. Derecognition of financial assets

The Yuanta Group derecognises a financial asset when one of the following conditions is met:

- (A) The contractual rights to receive cash flows from the financial asset expire.
- (B) The contractual rights to receive cash flows from the financial asset have been transferred and the Yuanta Group has transferred substantially all risks and rewards of ownership of the financial asset.
- (C) Risks and rewards of ownership of the financial asset have not been substantially transferred or retained, however, the control over the financial assets have not been retained.

D. Derecognition of financial liabilities

- (A) A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.
- (B) The Yuanta Group derecognises an original financial liability and recognises a new financial liability if the terms of an existing financial liability have substantial modifications and such modifications make significant differences to the original terms. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(8) Margin loans, short sale stock loans, securities lending and security-based loans

- A. According to the “Rules Governing Securities Finance Enterprises” (RGSFE), margin loans primarily represent pecuniary financing to investors or refinancing to securities firms. The margin loans are accounted for as “Margin loans receivable” (recognised under “Receivables-net”) as incurred and such loans are secured by the securities purchased by the investors, and the Yuanta Group records these securities at par value under the memorandum accounts “securities held for collateral” and “liability for holding collateral securities”, and is not included in the balance sheets.
- B. According to Article 10 of the RGSFE, when providing margin loans to principals, the Yuanta Group shall obtain the margin pursuant to the ratio prescribed by the competent authority.
- C. Short sale stock loans represent securities financing affected by lending securities in custody that are received from margin loans, guarantee effects or borrowed securities, to investors. When the securities are lent to investors, the Yuanta Group records the par value of the securities lent under the memorandum account “short sale stock loans”. Additionally, according to Article 10 of the RGSFE, the investors need to deposit a regulated amount equal to a certain percentage of the proceeds from short sale stock financing or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Short sale stock deposits” (recognised under “Payables”). The Yuanta Group deals with these securities at par value under the memorandum account “Guarantee deposits”. The proceeds from sale of securities lent, less any dealer's commission, financing commission and securities exchange tax, are held by the Yuanta Group

as collateral and recorded under “Short sale proceeds payable” (recognised under “Payables”).

- D. In accordance with the regulations, when the securities financed by borrowers terminate trading, are delisted from the stock market, or are the securities of the borrowers’ credit accounts which are unable to be disposed of, these margin loans will be recorded as “Other receivables” or “Overdue receivables” according to the results of negotiation or collection. When the maintenance of secured accounts is less than the regulatory standard and the borrower does not pay a portion of the remaining loans after offsetting the proceeds from disposal of securities, the related margin loans shall be recorded as overdue receivables.
- E. Securities borrowed represent securities borrowed from one broker/dealer to another, who must eventually return the same security as repayment. When the securities are lent to investors, the Yuanta Group records the par value of the securities borrowed under the memorandum account “securities borrowed”. The borrower needs to deposit an amount equal to a certain percentage of the proceeds from securities borrowed or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Refundable deposits for securities lending” (recognised under “Other assets-net”). The Yuanta Group deals with securities at par value under the memorandum account “Refundable collaterals”. When the securities are lent to investors, the Yuanta Group records the par value of the securities lent under the memorandum account “Short sale stock loans”. Additionally, a lender needs to deposit an amount equal to a certain percentage of the proceeds from securities lent or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Deposits received for securities lent” (recognised under “Other liabilities”). The Yuanta Group deals with these securities at par value under the memorandum account “Collaterals received”.
- F. “Security-based loans” are loans provided to borrowers by Yuanta Group in accordance with “Regulations Governing Securities Finance Enterprises”. Upon the occurrence of a loan, “Security-based loans” is recorded (under “Bills discounted and loans – net”) and the borrower pledges securities from margin trading, central government bonds and treasury bills and others that are approved by the competent authority as collateral. For the collateral, Yuanta Group records it in its memorandum under “Securities in custody” and its converse account “Collateral received”, which is not recorded in the general ledger.

(9) Financial instruments offsetting

Financial assets and liabilities are offset in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(10) Impairment of financial assets

- A. The Yuanta Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Yuanta Group uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (A) Significant financial difficulty of the issuer or debtor;
  - (B) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (C) The Yuanta Group, for economic or legal reasons relating to the borrower’s financial difficulty granted the borrower a concession that a lender would not otherwise consider;
  - (D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

- (E) The disappearance of an active market for that financial asset because of financial difficulties from the issuer;
  - (F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
  - (G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
  - (H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
  - (I) Others shall be assessed based on the indicators of the Yuanta Group's internal policies.
- C. When the Yuanta Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (A) Financial assets measured at amortised cost

The Yuanta Group assesses whether objective evidence exists which indicates impairment losses of material individual financial assets and impairment losses generated individually or as a group from immaterial individual financial assets. If the Yuanta Group decides that there is no objective evidence exist for the financial asset individually assessed (no matter it is material or not), the asset should be included in the financial asset portfolios sharing similar credit risk characteristics before the group assessment. Financial assets that are assessed individually with impairment recognised or continually recognised need not be included in the group assessment.

If there is any objective evidence that the financial asset is impaired, the impairment amount is the difference between the financial assets' book value and the estimated future cash flow (exclusive of the unexisting future credit loss) discounted using the original effective interest rate. The asset's book value is decreased by adjusting the account of allowance for bad debt, and loss amount is recognised under "bad debt expense and reserve for guarantee liabilities" or "asset impairment losses" depending on the nature of financial asset. If a financial asset uses floating rate, then the discounting rate used to assess impairment loss shall adopt the current effective interest rate as decided by the contract.

No matter the collateral is provided or not, by calculating the pledged financial assets to estimate the present value of future cash flow, the cash flow that may occur from the collateral can be reflected. However, the acquisition or selling cost regarding the collateral should be deducted.

Financial asset are categorized on the basis of similar credit risk characteristics in relation to collective assessment for impairment. The credit risk characteristics refer to the capability of a debtor to pay all the amounts at maturities according to the contract term (for example, asset type, overdue status, assessing procedure or rating process of the relevant credit risk may all be put into consideration). The debtor with specific representative characteristics chosen, of whom the capacity to pay amounts due as required by the contract, is closely correlated to the future cash flow estimate of each



asset portfolio.

For financial assets assessed collectively, the estimate made on future cash flow is made on the basis of historical losses of the assets sharing similar credit risk characteristics within the assessment group. Historical loss experience is adjusted by the current observable information to reflect the effect on the current situation of the period in which the historical loss experience has not been reflected. Also, non-existing historical effects should be excluded.

The estimate of future cash flow movement reflects the movement in observable information of each period (such as change in real estate price, commodity price, payment status or the change in other factors giving rise to losses and loss amounts attributable to one or more events), and the two move in the same direction. The Yuanta Group regularly reviews the methods and assumptions used to estimate future cash flow to mitigate difference between the losses estimate and actual losses experience.

When a loan to other banks or clients is confirmed to be not recoverable, the book value and related allowance for bad debt should be written off. Once the Yuanta Group completes all the necessary legal procedures and the impairment amount is confirmed, the unrecoverable loans can be written off.

In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognised (for example, the upgraded credit rating of the debtor), the previously recognised impairment loss is reversed through the allowance for bad debt to the extent that the carrying amounts do not exceed the amortised cost that would have been determined had no impairment loss been recognised in prior years. The reversal is recognised as current profit and loss.

In addition, in accordance with Jin-Guan-Yin-Guo-Zi Order No. 10410001840, the provision ratio for Category One credit assets, allowance for doubtful accounts and guarantee reserve of credits provided to Mainland China should at least reach 1.5%.

In addition, in accordance with Jin-Guan-Yin-Guo-Zi Order No. 10300329440, the provision ratio for allowance for doubtful accounts of mortgage loans should at least reach 1.5% as of December 31, 2016.

Allowance for doubtful accounts for accounts receivable, loans, and claims recoverable from reinsurers and due from reinsurers and ceding companies of reinsurance contract assets should be assessed and recognised in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', IFRS 4, 'Insurance contracts' and 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'.

(B) Available-for-sale financial assets

When the reduction of fair value of available-for-sale financial asset has been recognised in other comprehensive income and at the same time with objective evidence indicating that the impairment has incurred, even if the financial asset has not been derecognised, accumulative evaluation losses recognised in other comprehensive income shall be reclassified into gain and loss.

For equity instruments classified as available-for-sale assets, the impairment loss cannot be reversed through gain and loss. Any subsequent increase in fair value should all be recognised in other comprehensive income. Debt instruments that are classified as available-for-sale assets, if the fair value increases in the subsequent periods which

can be objectively related to the incidence after the impairment loss has been recognised in gain and loss, can be reversed and recognised as gain and loss in the period.

(C) Financial assets measured at cost

If there is any objective evidence indicating impairment has been incurred on the financial asset carried at cost, impairment loss should be recognised as “asset impairment loss”, which is not reversible.

(11) Derivative financial instruments

Derivative instruments are recognised at fair value at the contract date and subsequently measured by fair value. The fair value includes the public quotation in an active market or the latest trade price, and evaluation techniques such as cash flow discounting model or option pricing model. All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Economic characteristics and risks of the embedded derivatives and the economic characteristics of the main contract should be examined for the embedded derivatives. If the two are not closely correlated and the main contract is not a financial asset or liability at fair value through profit and loss, the main contract and embedded derivatives should be respectively recognised unless the overall hybrid contract is designated as assets or liabilities at fair value through profit and loss. The embedded derivatives are the financial assets or liabilities at fair value through profit and loss.

(12) Impairment of non-financial assets

The Yuanta Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(13) Non-current assets (or disposal groups) held for sale

A. Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

B. The income (loss) of the subsidiaries is excluded from the consolidated statement of comprehensive income effective the date on which the subsidiaries meets the criteria to be classified as held for sale. The assets, liabilities and equity related to the subsidiaries classified as held for sale shall be presented separately in the consolidated balance sheet. The subsidiaries classified as held for sale shall be measured at the lower of carrying amount and fair value less costs to sell on the date which the subsidiaries meet the criteria to be classified as held for sale. The carrying amounts of the liabilities shall be measured in accordance with applicable

Statements of Financial Accounting Standards to determine the amounts of total assets.

- C. If the subsidiaries classified as held for sale meet the definition of discontinued operations, the results of their operations before being classified to the accounts relating to non-current disposal group classified as held for sale and the impairment loss recognised when being classified to the accounts relating to non-current disposal group classified as held for sale shall be combined to the net profit or loss after tax of discontinued operations.

(14) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Yuanta Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Yuanta Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Yuanta Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Yuanta Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Yuanta Group's ownership percentage of the associate, the Yuanta Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When overseas investments are valued under the equity method, exchange differences arising from the translation of the investee's financial statements are recognised in other comprehensive income and are cumulated under equity as "Exchange differences on translation of foreign financial statements" (and appropriately allocated to non-controlling interest).
- F. When Yuanta Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When Yuanta Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Investments accounted for under the equity method –Joint ventures

The Yuanta Group accounts for its interest in a joint venture using the equity method. Unrealised

profits and losses arising from the transactions between the Yuanta Group and its joint venture are eliminated to the extent of the Yuanta Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Yuanta Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Yuanta Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(16) Lease

The lease contract of the Yuanta Group includes operating lease and finance lease.

A. Operating lease

Payments that the Yuanta Group receives or charges under the operating lease are recognised as gain and loss on a straight-line basis during the contract term, which are recognised under "other business and administrative expenses" and "other net non-interest income", respectively.

B. Finance lease

(A) When the Yuanta Group is the lessee, the lower of fair value of lease assets or the lowest present value of the lease payment is capitalized. Rental payment is amortised to finance leasing liabilities and the interest expense is recognised. Interest expense is calculated based on the beginning balance of finance leasing liabilities of each period using the leasing embedded interest rate or incremental borrowing interest rate and recognised as gains and losses. Finance leasing liabilities are recognised under "other financial liabilities". Property and equipment acquired through finance leasing contract are measured by cost model.

(B) When the Yuanta Group is the lessor, the asset is derecognised when the finance leasing contract is signed and the finance lease shall be recorded in the balance sheet as lease receivables at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as unrealised interest income, which is calculated based on remaining lease receivables over the lease term and recognised as current gain and loss at the end of the period using the embedded interest rate or incremental borrowing interest rate.

(17) Investment property

The properties held by the Yuanta Group, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land rented in a form of operating lease.

Part of the property may be held by the Yuanta Group for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Yuanta Group can be sold individually, then the accounting treatment should be made respectively. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.

When the future economic benefit related to the investment property is highly likely to flow into the Yuanta Group and the costs can be reliably measured, the investment property shall be recognised as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of

the assets shall be capitalized. All maintenance cost are recognised as incurred in the consolidated statement of comprehensive income.

When there is certain replacement occurring onto the investment property, the replacement cost should be recognised in the carrying amount of the investment property given that the criteria of recognition can be met. The carrying amount of the replaced account should be derecognised.

An investment property is stated initially at its cost and measured subsequently using the fair value model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

The fair value of investment property is disclosed in the financial statements at each consolidated balance sheet date. Valuation of fair value is annually provided by an external valuer. The management department of the Company determines the fair value of investment property by examining the characteristics, location and status of investment property along with the external valuation report on each consolidated balance sheet date.

However, the fair value of investment property does not reflect future capital expenditures that improve or benefit the property, nor does it reflect future benefits associated from those expenditures in the future.

(18) Property and equipment

The property and equipment of the Yuanta Group are recognised on the basis of cost less accumulated depreciation and accumulated impairment. Cost includes any cost directly attributable to the acquisition of the asset.

If the future economic benefit generated from subsequent expenses of the asset can be measured reliably and is very likely to flow into the Yuanta Group, the subsequent expenses of property and equipment may be individually recognised as an asset or included in the carrying amount of the asset. Significant renewals and improvements incurred to increase the future economic benefits of the assets are capitalized. Routine maintenance and repairs are charged to expense as incurred.

The property and equipment of the Yuanta Group were initially recognised at the original cost and subsequently measured by cost model.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets till salvage value. Useful life is as follows:

Buildings (including auxiliary equipment)	3 ~ 60 years
Machinery and computer equipment	1 ~ 10 years
Transportation equipment	2 ~ 6 years
Leasehold improvements	3 ~ 6 years
Other equipment	1 ~ 21 years

On each consolidated balance sheet date, the Yuanta Group appropriately adjusts the salvage value and useful life of the assets.

Any gain or loss on disposal is calculated by the difference between the carrying amounts and proceeds on disposal, which is recognised in “Other non-interest income” in the consolidated statement of comprehensive income.

(19) Intangible assets

A. Operating rights are initially recognised at the acquisition cost. Intangible assets, with limited useful lives, and other intangible assets are amortised using the straight-line method.

- B. Pursuant to IFRS 3, 'Business Combinations' as endorsed by FSC, the excess of the consideration transferred in business combination over the net identifiable assets acquired and the net fair value of liabilities assumed shall be recognised as goodwill. Goodwill acquired in business combination shall be tested for impairment at least once a year. An impairment loss is recognised when the goodwill is impaired. Impairment loss of goodwill that has been recognised shall not be reversed.

(20) Customer margin deposit account and futures traders' equity recognised (under Other financial assets/ Other financial liabilities)

Customer margin deposit account receives margins, premiums and differences from daily market closing prices in accordance with "Regulations Governing Futures Commission Merchants", which are all included in the customer margin deposit account.

Futures traders' equity is the margin and premium customers pay for futures trading. The differences of daily market closing prices are accounted for as current liabilities. Accounts cannot be offset except for the same type of accounts of the same customer; if borrower's balance arises from futures traders' equity, the balance shall be recognised as futures trading margin receivable, which shall be recovered from the traders.

(21) Bonds payable/ Preferred stock liability

A. Bank debentures payable

Bank debentures payable issued by the Yuanta Group is carried at amortised cost using the effective interest rate.

B. Corporate bonds payable/ Preferred stock liability

(A) Ordinary corporate bonds issued by the Yuanta Group are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

(B) Convertible corporate bonds/ preferred stock liability issued by the Yuanta Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Yuanta Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Yuanta Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds/ preferred stock liability are accounted for as follows:

- a. Call options and put options embedded in convertible corporate bonds/ preferred stock liability are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on financial assets or financial liabilities at fair value through profit or loss.'
- b. Bonds payable of convertible corporate bonds/ preferred stock liability is initially

recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/ preferred stock liability and presented as an addition to or deduction from bonds payable/ preferred stock liability, which is amortised in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

- c. Conversion options embedded in convertible corporate bonds/ preferred stock liability issued by the Yuanta Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus — stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable — net' as stated above. Conversion options are not subsequently remeasured.
- d. Any transaction costs directly attributable to the issuance of convertible corporate bonds/ preferred stock liability are allocated to the liability and equity components in proportion to the allocation of proceeds.
- e. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable/ preferred stock liability' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus — stock warrants.

(22) Provisions, contingent liabilities and contingent assets

- A. The Yuanta Group recognises liabilities when all of the following three conditions are met :
  - (A) Present obligation (legal or constructive) has arisen as a result of past event.
  - (B) The outflow of economic benefits is highly probable upon settlement.
  - (C) The amount is reliably measurable.
- B. The Yuanta Group does not recognise provisions for the future operating losses. If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions should be recognised when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.
- C. When the time value may have a significant impact on a currency, the reserve is measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the liabilities.
- D. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Yuanta Group. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Yuanta Group did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.
- E. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Yuanta Group. The Yuanta Group did not recognise any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(23) Financial guarantee contracts

- A. The Yuanta Group initially recognises financial guarantee contracts at fair value on the date of issuance. The Yuanta Group charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortised through straight-line method during the contract term.
- B. Subsequently, the Yuanta Group should measure the financial guarantee contract issued at the higher of:
  - (A) the amount determined in accordance with IAS 37; and
  - (B) the amount initially recognised less, if appropriate, cumulative amortization recognised in accordance with IAS 18, “Revenue”.
- C. The best estimate of the liability amount of a financial guarantee contract requires management to exercise their judgement combined with historical loss data based on the similar transaction experiences.
- D. The increase in liabilities due to financial guarantee contract is recognised in “bad debt expenses and reserve for guarantee liabilities”.
- E. Assessment for above guarantee reserve is assessed and set aside according to “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets”.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments. Within the 12 months after the end of the reporting period when the services are rendered, the total undiscounted short-term pension benefits which the Yuanta Group needs to pay in the future are recognised as expenses.

(B) Defined benefit plans

- a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Yuanta Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Yuanta Group uses interest rates of government bonds (at the balance sheet date) instead.
- b. Remeasurement arising on defined benefit plans are recognised in other



comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Past service costs are recognised immediately in profit or loss.

C. Deposits

The Yuanta Group provides preferential interest rate for its employees, including flat preferential savings for current employees. The difference gap compared to market interest rate is deemed as employee benefits.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Yuanta Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Yuanta Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

E. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

(25) Classification of insurance contracts

A. Insurance product should be classified in accordance with IFRS 4, "Insurance contracts".

B. An insurance contract is a contract under which the Yuanta Group accepts significant risk transferred from the policyholder by agreeing to compensate the policyholder if a future insured event adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held by the Yuanta Group. Non-insurance contracts (also called investment contracts), denote to insurance contracts with a nature of financial instruments that are exposed to financial risks but without significant transferred insurance risks. The definition of significant transferred risks employed by the Yuanta Group here refers to any event or incident that leads to the Yuanta Group's additional significant payment.

C. Insurance policies which meet the definition of insurance contracts on initial recognition shall be classified as insurance contracts before all rights and obligations expire or mature, even if the insurance risks have been significantly reduced during the coverage period. However, insurance contracts with a nature of financial instruments shall be reclassified as insurance contracts, if significant insurance risks have been transferred to the Yuanta Group.

D. Insurance contracts and investment contracts will be further classified depending on the discretionary participation feature. The discretionary participation feature is a contractual right to receive additional benefits rather than guaranteed benefits, and this kind of right will need to meet the following criteria at the same time:

(A) additional benefits that are likely to be a significant portion of the total contractual benefits;

(B) the amount or timing of additional benefits is contractually at the discretion of the Yuanta Group; and

- (C) additional benefits are contractually based on the performance of specified investment portfolio of the Yuanta Group.
- E. All insurance products of the Yuanta Group meet the definition of insurance contracts, except for some investment-linked products.

(26) Insurance contracts

A. Recognition and measurement

For the Yuanta Group's insurance contracts and financial instruments with discretionary participation features, premium income and commission expense are recognised when premiums are collected and the underwritings are approved for initial policies, and when premiums are collected for renewal policies. Claim and policy benefits are recognised under profit and loss accounts as incurred. In addition, the Yuanta Group shall set aside various insurance liabilities. Please refer to valuation basis for various insurance liabilities set out. Even though certain insurance contracts of the Yuanta Group do have a participation discretion feature and guarantee element, the Yuanta Group did not separately recognise but categorize the whole contract as a liability.

B. Liability adequacy test

The Yuanta Group performs liability adequacy test in accordance with IFRS 4, 'Insurance contracts'. The liability adequacy test is performed using the gross premium valuation based on the overall contracts of the whole entity in compliance with relevant regulations of The Actuarial Institute of The Republic Of China. The test is based on the comparison between carrying amount of insurance liability and current estimate of its future cash flow on each balance sheet date. The aforementioned liability adequacy test is conducted under the best possible assumption and discount the reward of the Yuanta Group's investment portfolio. If the test result shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

C. Reinsurance

With the classification of reinsurance contracts, the Yuanta Group assesses the agreements under the deposit accounting given that the objective insurance risks of reinsurance agreements are not transferred to the reinsured. Calculation of reinsurance standards for inwards and outwards, reinsurance commissions, reinsurance payments and reinsurance premiums should be managed by reinsurance contracts signed by other reinsurance companies and stated on a monthly basis.

The Yuanta Group evaluates whether privileges of reinsured, including reinsurance assets, claims recoverable from reinsurers and due from reinsurance and ceding companies are impaired on a regular basis. When objective evidence indicates that such option being exercised after the initial recognition will possibly lead to the Yuanta Group being unable to collect all receivables on the contract, and the impact of the receivables from reinsured can be reliably measured with regard to the aforementioned event. The provision for impairment loss shall be recognised to the extent that the recovered amounts are no greater than the reinsurance reserve asset of the aforementioned rights. Also, allowance for doubtful debt should be appropriately made for the non-recoverable amounts of claims recoverable from reinsurers, due from reinsurers and ceding companies.

(27) Non-discretionary participation feature investment contracts

Except that processes for insurance contracts are applicable for “investment contracts with a discretionary participation feature”, for insurance contracts classified as investment contracts due to non-transferred objective risks, IAS 39, “Financial Instruments: Recognition and Measurement” should be applied to “investment contract with no discretionary feature” regarding any of its accrued financial assets and liabilities. The consideration received or paid accordingly should be recognised as financial assets or liabilities instead of income or expenses according to what is commonly called “deposit accounting”. If no financial assets or liabilities have been created, IAS 18, “Revenue” shall be applied.

(28) Provision basis for various insurance liabilities

All reserves of insurance contracts that the Yuanta Group recognised are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. The following various insurance liabilities reserves do not apply discount method other than reserve for policy benefit, liability adequacy reserve, and premium deficiency reserve with a coverage period over one year. Provision basis of various insurance liabilities reserves are as follows:

A. Unearned premium reserve

For effective contracts with a coverage period under one year and casualty insurance with coverage period over one year, unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period.

B. Claims reserve

Claims reserves for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Additionally, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance.

For claims reserves for health insurance, life insurance, and annuity insurance with a coverage period over one year for “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance.

C. Reserve for policy benefit

Long-term insurance contracts are recognised and calculated in conformity with related insurance regulations and based on the life chart of annuity specified within the calculation instructions when filing to competent authorities for each product, as well as the assumed interest rate for the calculation of policy reserves. The discount rate is based on the assumed interest rate for calculating policy reserves when filing to competent authorities for each insurance product.

D. Special reserve

(A) In particular for retention policies with coverage less than a year, special reserves include “catastrophe reserve” and “risk claim reserve”. Except for some reserves netting aside for regulatory purpose, special reserve, after deducting income tax, shall be recognised as special reserve under equity. Additional provision of special reserve and amounts written-off or recovered with respect to special reserve shall also be written-off or recovered from the special reserve which has been recognised under equity.

Risk claim reserve recovered from equity, net of tax (effective rate), shall all be set aside as special reserve following the resolution adopted at the shareholders’ meeting

in the following year. Such special reserve shall neither be distributed as dividends nor used in other ways without proper approval.

- (B) Profit and loss before tax (before dividends distribution) for the Yuanta Group's participating life insurance should be assessed at each annual closing date in compliance with "The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance". "Special reserve-dividend payment reserve" should be recognised and written off at dividend declaration date. With negative balance of "special reserve-dividend payment reserve of participating insurance", equal amount of "special reserve-dividend liability" should be recognised at the same time.

E. Premium deficiency reserve

Effective from 2001, if the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. In addition, potential claims and expenses are estimated for effective contracts yet to mature and injury insurance contracts with a coverage period over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

F. Liability adequacy reserve

In accordance with IFRS 4, 'Insurance Contracts' and the regulations of The Actuarial Institute Of The Republic Of China, liability adequacy test is performed using the gross premium valuation based on all contracts of the Company. At each balance sheet date, liability adequacy reserve is provided for all deficiency in net carrying amount and recognised in profit or loss, through comparison between the net carrying amounts of insurance liabilities less deferred acquisition cost and related intangible assets and the present value of estimated future cash flows of insurance contracts.

(29) Foreign exchange reserve

In accordance with the "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", the Yuanta Group set aside foreign exchange reserve under liabilities (recognised as provisions) with regard to the foreign investment assets held (excluding non-investment-linked life insurance product assets denominated in foreign currency). Treatments for accumulation limit of related reserves, method for provision or writing-off, and other binding matters shall be in compliance with "Guidelines for Foreign Exchange Reserve by Life Insurance Enterprises" and relevant regulations.

(30) Income tax

A. Current income tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where a company operates and generates taxable income. Except that the transactions or other matters are directly recognised in other comprehensive income or equity, and that related income taxes in the period are recognised in other comprehensive income or directly derecognised from equity, all the others should be recognised as income or expense and recorded as gain and loss in the period. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

B. Deferred income tax

- (A) Deferred income tax assets and liabilities are measured based on the tax rate of the

anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amounts and temporary differences of assets and liabilities included on the consolidated balance sheet are calculated using the balance sheet liability method and recognised as deferred income tax. The temporary difference of the Yuanta Group mainly occurs due to the setting aside and transferring of valuation and pension reserve of certain financial instruments (including derivatives).

- (B) The land revaluation appraisal due to the revaluation assessment in compliance with relevant regulations, deemed as taxable temporary difference, is recognised as deferred income tax liabilities.
  - (C) If the future taxable income is probable to provide unused loss carryforwards or deferred income tax credit which can be realised in the future, the proportion of realization is deemed as deferred income tax asset.
- C. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously. The Yuanta Group does not offset deferred income tax assets against liabilities taxed by different tax authorities.

(31) Share capital

If the date of dividends declared is later than the consolidated balance sheet date, common stocks are disclosed in the subsequent events.

(32) Interest income and expense

Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognised as “interest income” and “interest expense” in the consolidated statement of comprehensive income.

(33) Net service fee and commission income

Income is recognised when the economic benefits are probable to flow into the Yuanta Group and can be reliably calculated. Details are as follows:

- A. Brokerage fee income and other related expenses are recognised at the date of securities transaction.
- B. Underwriting service fee income and expenses are recognised on an accrual basis under the agreed terms.
- C. Stock agency income is recognised monthly based on the contract terms.
- D. Futures commission income is the commission charged to the assigned futures merchants for the assistance provided during futures trading and recognised on an accrual basis during the trading period.

(34) Investment-linked products

- A. In accordance with the Insurance Law and “Regulations Governing Investment-linked Products”, premiums from these products are deposited to a separate and independent account, net of expenses, and invested as stipulated under the contracts. This separate and independent account is managed independently from other assets of the Yuanta Group.
- B. The assets and liabilities of this independent account are classified under other assets and liabilities for investment-linked products, respectively, and revenues and expenses are classified under operating revenues and costs for investment-linked products, respectively. Revenues and expenses from investment-linked product, which meet the definition of insurance contracts under IFRS 4 should be recognised.
- C. The value of this independent account’s assets is determined based on the market price at the balance sheet date.
- D. The sales commission and fee income including pre-sale charge, policy and investment related charges received from the investment from the investment-linked life products are recognised as handling fee revenue. Service income derived from relevant expenses from policy holders, which belong to investment contracts and are classified as non-discretionary participation feature products, are the consideration of services provided by the Company during the specified period. If the service is not rendered during the period the premium is received, then the service income shall be recognised as “deferred handling fee income” and amortised using the straight-line method over the period the service is provided. Relevant additional costs, such as commission expenses and sales compensation, shall also be recognised as “deferred acquisition cost” and are amortised using the straight-line method to “Other non-interest income” based on the matching principle.

(35) Business combinations

- A. The Yuanta Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Yuanta Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity’s net assets in the event of liquidation at either fair value or the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(36) Operating segment report

The Yuanta Group’s operation segment reports are consistent with the internal reports provided to the chief operating decision-maker (“CODM”).

Inter-segmental transactions are arm's length transactions, and gain and loss arising from such transactions are eliminated by the Yuanta Group upon the preparation of consolidated financial statements. Profit and loss directly attributable to various segments have been considered when segment performance is being evaluated.

#### 5. Critical accounting judgement, estimates and key sources of assumption uncertainty

The accounting policies, accounting assumptions and estimates have an impact on Yuanta Group's consolidated financial statements. Thus, when applying significant accounting policies as described in Note 4, management needs to make appropriate judgements for the information that cannot be easily obtained through other sources and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Yuanta Group's assumptions and estimates are the best assumptions based on IFRSs, and are continually evaluated and adjusted based on historical experience and other factors. Certain accounting policies and management's judgements have significant impact on the recognised amounts in the consolidated financial statements are outlined below:

(1) Impairment loss on loans

When the banking subsidiaries determine whether an impairment loss has occurred, it primarily judges whether there are any observable evidence that indicate probable impairment losses. Such evidence may include observable data which indicate adverse changes in the debtor's payment status. When analyzing expected cash flows, management's estimates are based on past loss experiences of assets with similar credit risk characteristics. The banking subsidiaries also periodically reviews the methods and assumptions for the amount and timing of expected cash flow amount in order to mitigate the difference between estimated and actual losses.

(2) Fair value valuation of unlisted stocks

Financial instruments with no active market or quoted price use valuation techniques to determine the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in a market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to take only observable information as much as possible.

(3) Impairment assessment of goodwill

Yuanta Group assesses regularly the impairment of goodwill at the end of year. The recoverable amounts of related cash-generating units are determined based on value-in-use calculations. The calculations use estimate of expected future cash flows and discount rate. Please refer to Note 6(15) for details.

(4) Insurance contract liabilities

The Company evaluates long-term insurance contract liabilities in compliance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". The assumptions of mortality rate, lapse rate, and discount rate are as follows: The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The lapse rate are based on the Company's past experience, industry experience, and experience obtained from reinsurers. The discount rate is based on the interest rate of reserve for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products and relevant regulations as approved by the competent authority. The above assumptions are locked-in during price setting in accordance with related regulations. However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy testing is conducted by discounting the Company's overall return on investment under the best estimate on valuation date. If the test result shows that the liability is inadequate, the entire deficiency is

recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash	\$ 5,230,534	\$ 6,062,728
Deposits in banks	53,910,739	49,541,904
Futures excess margin and cash equivalents	2,162,651	4,649,135
Excess settlement reserve fund	74,811	-
Checks for clearing	<u>2,628,835</u>	<u>2,371,807</u>
Total	<u>\$ 64,007,570</u>	<u>\$ 62,625,574</u>

(2) Due from Central Bank and call loans to other banks

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Reserve for deposits - account A	\$ 18,741,857	\$ 14,903,402
Reserve for deposits - account B	27,221,590	24,937,548
Deposits by overseas branches to designated accounts of respective local central banks	1,803,495	4,719,456
Reserve for deposits	2,153,718	2,185,896
Time deposits	-	63,100,000
Call loans to banks	<u>4,470,290</u>	<u>27,557,080</u>
Total	<u>\$ 54,390,950</u>	<u>\$ 137,403,382</u>

Reserves due from Central Bank are calculated monthly at prescribed rates on the average daily balances of various deposit accounts and structured accounts and then lodged into reserve for deposits account of Central Bank. The reserve for deposits - account A is non-interest bearing and call on demand. Reserve for deposits - account B is interest bearing and its use is restricted to monthly adjustment in the reserve for deposits only according to relevant regulations.

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(3) Financial assets and liabilities at fair value through profit or loss

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets held for trading :		
Commercial paper	\$ 42,766,168	\$ 38,258,845
Time deposits	530,003	4,352,108
Beneficiary certificates / securities	42,483,289	12,973,439
Stocks of companies listed on TSE or OTC	27,559,376	14,530,781
Emerging stocks	1,200,434	1,020,621
Government bonds	22,208,904	20,494,881
Financial bonds	11,854,983	11,844,424
Corporate bonds	139,512,870	135,243,175
Overseas bonds	8,993,337	11,646,197
Convertible corporate bonds	38,987,494	47,107,448
Derivative financial instruments	14,627,356	20,793,499
Other marketable securities	667,414	654,390
Valuation adjustment of financial assets held for trading	<u>283,005</u>	<u>179,222</u>
Subtotal	<u>351,674,633</u>	<u>319,099,030</u>
Financial assets designated as at fair value through profit or loss on initial recognition :		
Foreign structured notes (Note 1)	\$ -	\$ 160,087
Structured products (Note 1)	7,546,973	3,596,834
Convertible corporate bonds (Note 1)	225,151	331,498
Reserve for claims of customers' deposits with KSFC (Note 2)	73,168,453	69,387,380
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	<u>21,653</u>	<u>203,680</u>
Subtotal	<u>80,962,230</u>	<u>73,679,479</u>
Total	<u>\$ 432,636,863</u>	<u>\$ 392,778,509</u>
Financial liabilities held for trading :		
Derivative financial instruments	\$ 21,970,257	\$ 22,064,482
Non-derivative financial instruments	19,272,313	10,660,091
Valuation adjustment of financial liabilities held for trading — non-derivative financial instruments	( 21,323)	( 115,375)
Financial liabilities designated as at fair value through profit or loss on initial recognition :		
Structured products (Note 1)	66,146,663	45,776,762
Bank debentures (Note 3)	3,203,872	7,114,721
Convertible bond asset swap not qualifying for derecognition (Note 1)	<u>9,547,734</u>	<u>15,704,262</u>
Total	<u>\$ 120,119,516</u>	<u>\$ 101,204,943</u>

Note 1: Financial instruments designated as at fair value through profit or loss on initial recognition is for hybrid instruments, and in order to eliminate accounting inconsistency.

Note 2: KSFC stands for Korea Securities Finance Corporation.

Note 3: Derivative instruments are used as an economic hedge against fixed-rate debt instruments issued by Yuanta Group to achieve Yuanta Group's risk management strategy. Derivative instruments are measured at fair value through profit or loss. In order to eliminate accounting inconsistency, Yuanta Group at initial recognition, has designated the above-mentioned financial debt at fair value through profit or loss. For the years ended December 31, 2017 and 2016, the accumulated movement of fair value incident to the movement of credit risk for financial debts measured at fair value through profit or loss are (\$3,017) and (\$47,380), respectively. The issuance terms are as follows:

(1) Yuanta Bank

	<u>First series of unsecured financial debentures in 2015</u>
Par value	CNY \$250,000 thousand dollars
Stated interest rate	Fixed interest rate at 4.60%
Period	Three years
Interest payment date	Payable semiannually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

(2) Ta Chong Bank

	<u>First series of financial debentures in 2011</u>
Par value	\$2,000,000
Stated interest rate	Fixed interest rate at 3%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

The details of Yuanta Group's financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2017 and 2016 is as follows:

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Net gain on financial assets and liabilities held for trading	\$ 15,801,570	\$ 8,507,531
Net gain on financial assets designated as at fair value through profit or loss	<u>768,230</u>	<u>476,292</u>
Total	<u>\$ 16,569,800</u>	<u>\$ 8,983,823</u>

A. Please refer to Note 8 for details of the above financial assets at fair value through profit or loss pledged as collateral.

B. In the case of warrants issued by the Yuanta Group, recognise "liabilities for issuance of call (put) warrants" prevailing at the issuance price prior to the expiration date or default. When warrants were repurchased from the market, the aggregate costs of repurchase were accounted for as "repurchase of issued call (put) warrants" a contra-account of "liabilities

for issuance of call (put) warrants". The agreement can be carried out by cash or stock delivery within three to twenty-four months from the vesting period of call (put) warrants to the trading date. The Yuanta Group retains the option to settle by either way.

- C. Yuanta Securities, in consideration of increasing capital return, invested in securities with a structural entity underlying, established and managed by an independent third party - Taipei City estate-backed beneficial securities. These investments are recognised at fair value through profit or loss. The afore-mentioned investments expired on June 25, 2017. As of December 31, 2016, the carrying value of investments in and maximum credit risk of unconsolidated structured entities was \$100,053. Additionally, the interest income from the investment of the structural entity for the years ended December 31, 2017 and 2016 were \$791 and \$4,847, respectively.

(4) Available-for-sale financial assets - net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Listed (TSE and OTC) stocks	\$ 10,962,072	\$ 6,581,679
Emerging stocks	452,971	604,558
Unlisted (TSE and OTC) stocks	6,994,615	6,889,445
Government bonds	49,160,909	56,893,463
Financial bonds	42,163,544	54,601,942
Corporate bonds	126,870,645	102,359,377
Negotiable certificate of deposit	142,418,923	37,556,802
Commercial paper	378,699	997,618
Beneficiary certificates/securities	<u>5,857,939</u>	<u>851,211</u>
Subtotal	385,260,317	267,336,095
Valuation adjustment of available-for-sale financial assets	11,895,103	11,763,026
Accumulated impairment-available-for-sale financial assets	( 422,525)	( 462,552)
Statutory deposits	<u>( 1,216,100)</u>	<u>( 1,216,100)</u>
Total	<u>\$ 395,516,795</u>	<u>\$ 277,420,469</u>

- A. As of December 31, 2017 and 2016, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$1,216,100 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.
- B. As of December 31, 2017 and 2016, for the above available-for-sale financial assets pledged as collaterals, please refer to Note 8.
- C. Reclassifications  
 (A) Because the Yuanta Group changed its intent to hold and was able to hold the following assets to maturity or foreseeable future, government bonds that were initially classified as available-for-sale financial assets were reclassified on September 30, 2013 in accordance with paragraph 50(e) of IAS 39. The fair value of the government bonds on the date of reclassification was as follows:

		Available-for-sale financial assets	Held-to-maturity financial assets	Bond investments without active market
At September 30, 2013	Before reclassification	\$ 28,651,530	\$ -	\$ -
	After reclassification	-	4,950,298	23,701,232

(B) Book value and fair value of reclassified financial assets that have not yet been disposed of are as follows:

	<u>December 31, 2017</u>	
	<u>Book Value</u>	<u>Fair Value</u>
Held-to-maturity financial assets	\$ 5,040,473	\$ 5,264,145
Bond investments without active market	<u>23,136,050</u>	<u>24,116,649</u>
	<u>\$ 28,176,523</u>	<u>\$ 29,380,794</u>
	<u>December 31, 2016</u>	
	<u>Book Value</u>	<u>Fair Value</u>
Held-to-maturity financial assets	\$ 5,018,716	\$ 5,175,183
Bond investments without active market	<u>23,036,975</u>	<u>23,681,639</u>
	<u>\$ 28,055,691</u>	<u>\$ 28,856,822</u>

(C) If above-mentioned government bonds were not reclassified to held-to-maturity financial assets and bond investments without active market on September 30, 2013, the gain on aforesaid government bonds that should be recognised in other comprehensive income (loss) for the years ended December 31, 2017 and 2016 were \$526,541 and (\$243,821), respectively.

(5) Bills and bonds purchased under resale or bills and bonds sold under repurchase agreements

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bills and bonds purchased under resale agreement	\$ 34,827,960	\$ 36,499,146
Interest rate range	0.31%~2.60%	0.30%~2.50%
Contract resale amount	<u>\$ 35,098,339</u>	<u>\$ 36,560,496</u>
Bills and bonds payable under repurchase agreement	\$ 197,101,189	\$ 195,838,373
Interest rate range	-0.1%~4.40%	-0.15%~9.20%
Contract repurchase amount	<u>\$ 201,715,121</u>	<u>\$ 200,722,698</u>

As of December 31, 2017 and 2016, the collateral obtained for retractable notes and investments in bonds are governmental bonds, corporate bonds and stocks with a combined fair value of \$26,042,055 and \$27,509,706, respectively.

(6) Receivables- net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Interest receivable	\$ 7,173,230	\$ 6,700,698
Refinance guaranty receivable	11,097,673	5,417,003
Acceptances receivable	1,247,595	1,867,669
Factoring receivable	6,283,483	5,958,741
Margin loans receivable	83,873,104	63,864,524
Spot exchange receivable	2,936,871	15,426,444
Credit card receivable	12,130,890	12,040,509
Trading securities receivable	957,908	787,920
Settlement price	16,254,834	5,194,892
Settlement price receivable	25,045,414	15,224,977
Securities sold receivable	5,116,490	5,946,811
Other receivables	4,617,182	9,129,435
Subtotal	<u>176,734,674</u>	<u>147,559,623</u>
Less: Allowance for doubtful accounts	( 1,419,704)	( 1,339,930)
Total	<u>\$ 175,314,970</u>	<u>\$ 146,219,693</u>

Margin loans receivable uses the securities purchased through financing as collateral. As of December 31, 2017 and 2016, the annual interest rates of Yuanta Securities were both 6.25%; the annual interest rates range of Yuanta Securities (Korea) were 7.25%~9.55% and 6.65%~9.55%; the annual interest rates range of Yuanta Securities (Hong Kong) were 1.94%~12.75% and 3%~12.75%; the annual interest rates range of Yuanta Securities (Indonesia) were 18% and 16%~18%; the annual interest rates range of Yuanta Securities (Thailand) were 5.15%~9.25% and 5.50%~9.25%. As of December 31, 2017, the annual interest rates range of Yuanta Securities (Vietnam) was 9.86%~11.68%.

(7) Non-current assets held for sale and discontinued operations

- A. As of December 31, 2017 and 2016, the properties held for sale, of the Yuanta Group, amounted to \$0 and \$36,265, respectively.
- B. The assets and liabilities related to Ta Chong Securities have been reclassified as held for sale and presented as discontinued operations as it has met the definition of discontinued operations following the approval of Ta Chong Bank's Board of Directors on March 10, 2017 to sell Ta Chong Securities, and the settlement was completed on August 28, 2017 (the date that control ceased). The assets and liabilities related to Ta Chong Securities have been derecognised, and gain or loss on disposal is recognised.
- C. The cash flow information of the discontinued operations is as follows:

	<u>For the period from</u> <u>March 22 to December 31, 2016</u>	
Operating cash flows	\$	1,013,161
Investing cash flows		81,109
Financing cash flows	(	1,181,410)
Total cash flows	(\$	<u>87,140</u> )

D. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	January 1 to August 28, 2017 <u>(Date on loss of control)</u>	For the period from March 22 <u>to December 31, 2016</u>
Net interest income	\$ 91,387	\$ 93,343
Net service fee and commission income	223,374	207,416
Gain on financial assets and financial liabilities at fair value through profit or loss	101	44,479
Foreign exchange loss	( 2,539)	( 2,654)
Other non-interest income	7,516	17,978
Net profit	<u>319,839</u>	<u>360,562</u>
Bad debt expense	-	( 105)
Operating expenses	( 525,602)	( 441,015)
Loss before tax of discontinued operations	( 205,763)	( 80,558)
Income tax (expense) benefits	( 816)	6,188
Loss after tax of discontinued operations	( 206,579)	( 74,370)
Pre-tax loss recognised on the actual disposal of disposal group	( 145,478)	-
Income tax	-	-
After-tax loss recognised on the remeasurement of assets of disposal group	( 145,478)	-
Loss on discontinued operations	<u>(\$ 352,057)</u>	<u>(\$ 74,370)</u>

H. Profit from continuing and discontinued operations attributable to owners of the parent:  
Please refer to Note 6(46)

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(8) Bills discounted and loans- net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bills discounted	\$ 203,290	\$ 214,721
Overdrafts	191,802	295,174
Short-term loans	68,540,281	105,297,712
Short-term loans secured	90,507,122	84,646,453
Medium-term loans	138,343,110	151,438,953
Medium-term loans secured	153,230,827	140,072,161
Long-term loans	8,857,060	8,572,634
Long-term loans secured	302,158,833	303,827,890
Import-export negotiations	64,446	122,539
Accounts receivable factoring	1,160,284	883,273
Automatic policy loans	1,161,810	1,067,216
Policy loans	4,369,658	3,888,081
Loans transferred to non-performing loans	<u>5,325,052</u>	<u>3,883,782</u>
Subtotal	774,113,575	804,210,589
Less: Allowance for credit losses	( 11,786,569)	( 12,406,962)
Less: Adjustment for discount	( 7,966)	( 130,385)
Total	<u>\$ 762,319,040</u>	<u>\$ 791,673,242</u>

The Yuanta Group recognised appropriate allowance for bad debts for the bills discounted, loans and receivables. For the years ended December 31, 2017 and 2016, details are as follows:

Changes in allowance for bad debts in relation to bills discounted and loans:

<u>Bills discounted and Loans</u>	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 12,406,962	\$ 9,063,755
Add : Acquisition through business combinations	-	5,434,631
Provision	809,403	960,831
Reversal of write-off of loans and advances	1,042,875	789,208
Transfers from other allowance for bad debts and provisions	-	3
Foreign exchange translation adjustment and others	106,166	-
Less : Disposal and reversal of allowance adjustment and others for bad debts	( 220,338)	( 1,047,501)
Write-off of loans and advances	( 2,358,499)	( 2,655,926)
Transfers to other allowance for bad debts and provisions	-	( 1,657)
Foreign exchange translation adjustment and others	-	( 136,382)
Ending balance	<u>\$ 11,786,569</u>	<u>\$ 12,406,962</u>

Changes in allowance for bad debts in relation to receivables and non-performing loans:

Receivables and non-performing loans	For the years ended December 31,	
	2017	2016
Beginning balance	\$ 1,835,764	\$ 1,334,244
Add : Acquisition through business combinations	14,060	761,885
Provision	626,985	1,037,916
Recovery	464,118	171,931
Transfers to other allowance for bad debts and provisions	21,303	1,657
Less: Disposal and reversal of allowance for bad debts	( 195,403)	( 36,195)
Write-off of allowance for bad debts	( 559,030)	( 1,333,961)
Transfers to other allowance for bad debts and provisions	( 21,303)	( 3,169)
Foreign exchange translation adjustment and others	( 85,809)	( 98,544)
Ending balance	\$ 2,100,685	\$ 1,835,764

Please refer to Note 12(3) for the impairment assessment made on bills discounted, loans and receivables of the Yuanta Group as of December 31, 2017 and 2016.

(9) Reinsurance contract assets

	December 31, 2017	December 31, 2016
Claims recoverable from reinsurers	\$ 55,822	\$ 59,006
Due from reinsurers and ceding companies	106,546	106,939
Reinsurance Reserve Assets		
Ceded unearned premium reserve	262,226	241,887
Ceded claims reserve	11,293	7,847
Total	\$ 435,887	\$ 415,679

(10) Held-to-maturity financial assets– net

	December 31, 2017	December 31, 2016
Government bonds	\$ 52,398,046	\$ 35,504,685
Financial bonds	38,341,696	28,380,535
Corporate bonds (Note)	53,749,712	52,332,098
Subtotal	144,489,454	116,217,318
Accumulated impairment- Held-to-maturity financial assets	( 78,984)	( 80,701)
Statutory deposits	( 600,000)	-
Total	\$ 143,810,470	\$ 116,136,617

As of December 31, 2017, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$600,000 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.



The Yuanta Group recognised interest income on held-to-maturity financial assets amounting to \$4,342,802 and \$3,574,942 in profit or loss for the years ended December 31, 2017 and 2016, respectively. The effective interest rate of the bonds held by the consolidated company as of December 31, 2017 and 2016, were 0.50%~10.18% and 0.503%~9.85%, respectively.

Note : The carrying value and maximum exposure of investments in securities with a structured entity underlying by Yuanta Life on December 31, 2017 and 2016 were \$397,812 and \$577,573, respectively.

As of December 31, 2017 and 2016, for the above held-to-maturity financial assets pledged as collaterals, please refer to Note 8.

Since Yuanta Life expected a changing market and higher credit risk in the future, the carrying amounts and gains and losses from disposals in relation to financial assets held to maturity are listed in the following table:

	For the years ended December 31,	
	2017	2016
Book value	\$ 3,637,040	\$ 842,858
Realised gain (loss)	182,180 (	38,261)

Additionally, the percentage of amounts of held-to-maturity investment disposed by the Yuanta Group in the following periods accounted for the years ended December 31, 2017 and 2016 were 2.53% and 0.73%, respectively.

(BLANK)

(11) Investments accounted for under the equity method– net

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Joint ventures:				
Grand Asia Asset Management Ltd.	\$ -	-	\$ 39,169	50.00%
Associates:				
CR Yuanta Fund Management Company Limited	203,156	49.00%	289,851	49.00%
GC Investment Consultant (Shanghai) Co., Ltd.	21,647	100.00%	23,593	100.00%
P.I.A. Co.	-	-	3,171	100.00%
TongYang Asset Management Corp.	678,839	27.00%	598,446	27.00%
Polaris Ocean Private Equity Fund	41,938	3.26%	169,882	3.26%
Yuanta SPAC I	-	-	1,251	0.40%
Yuanta SPAC II	1,306	0.37%	1,246	0.37%
TongYang 14th Early Stage Fund	-	-	18,686	14.17%
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	25,658	16.22%	60,839	16.22%
KoFC-KVIC Green Growth Venture Capital Fund	30,939	18.00%	50,226	18.00%
2011 KIF-TongYang IT Venture Fund	71,556	17.20%	79,574	17.20%
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	-	-	121,621	23.69%
Hyundai-TongYang Agrifood Private Equity Fund	5,844	9.84%	41,141	9.84%
TyCor 2013 Private Equity Fund	-	-	35,474	14.18%
TongYang Agri-Food Investment Fund-2nd	116,121	40.74%	113,819	40.74%
IBKC-TongYang Growth 2013 Private Equity Fund	67,683	10.71%	53,077	10.71%
KVIC-Yuanta 2015 Overseas Fund	240,694	44.00%	252,106	44.00%
TongYang China Paid in Capital Private Investment Trust 1	37,773	27.57%	99,543	27.57%
2016 KIF-Yuanta ICT Venture Fund	29,608	16.67%	-	-
Yuanta Secondary No.2 Fund	101,396	12.28%	-	-
Yuanta SPAC III	966	4.76%	-	-
	<u>\$ 1,675,124</u>		<u>\$ 2,052,715</u>	

The Yuanta Group's shares of the operating results in all individually immaterial associates are summarized below:

	For the years ended December 31,	
	2017	2016
Net (loss) income for the period from continuing operations	(\$ 89,207)	\$ 154,027
Other comprehensive loss (net of tax)	( 12,208)	( 14,988)
(12) <u>Other financial assets– net</u>		
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets carried at cost	\$ 1,395,010	\$ 1,818,645
Less: accumulated impairment	( 345,640)	( 292,625)
	<u>1,049,370</u>	<u>1,526,020</u>
Non-loans reclassified to non-accrual loans	818,104	500,762
Less: provision for credit losses	( 680,981)	( 495,834)
	<u>137,123</u>	<u>4,928</u>
Purchase of claim receivable	1,941,977	1,987,924
Valuation adjustment on purchase of claim receivable	( 49,678)	( 62,851)
	<u>1,892,299</u>	<u>1,925,073</u>
Bond investments without active market	49,012,388	52,270,736
Customer margin deposit account	38,854,613	39,304,930
Investment-linked product assets	1,967,642	1,836,712
Securities borrowing and lending refundable deposits	408,912	301,161
Others	146,960	2,247,093
Total	<u>\$ 93,469,307</u>	<u>\$ 99,416,653</u>

A. The Yuanta Group recognised interest income on bond investments without active market amounting to \$1,295,634 and \$1,412,548 in profit or loss for the years ended December 31, 2017 and 2016, respectively.

B. As of December 31, 2017 and 2016, details of the Yuanta Group's bond investments without active market pledged to others as collateral are provided in Note 8.

C. The Group's investment-linked insurance products mainly comprise investments in products in relation to beneficiary certificate, variable universal life insurance and variable deferred annuities. As of December 31, 2017 and 2016, as well as the periods for the years ended December 31, 2017 and 2016, details about the assets on insurance products, separated accounts were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Investment-linked insurance product assets		
Cash in bank	\$ 815	\$ 11,387
Financial assets at fair value through profit or loss	1,956,984	1,822,813
Other receivables	9,843	2,512
	<u>\$ 1,967,642</u>	<u>\$ 1,836,712</u>

	December 31, 2017	December 31, 2016
Investment-linked insurance product		
Reserve for investment-linked insurance product – insurance contract	\$ 1,947,981	\$ 1,824,056
Reserve for investment-linked insurance product – investment contract	9,993	10,118
Other payables	9,668	2,538
	<u>\$ 1,967,642</u>	<u>\$ 1,836,712</u>
	For the years ended December 31,	
	<u>2017</u>	<u>2016</u>
Revenue on investment – linked insurance products		
Premium income	\$ 307,885	\$ 292,497
Gain on financial assets at fair value through profit or loss	154,634	76,034
Exchange gain (loss)	6,802	( 332)
Inter-set income	2,583	93
Other income	13,786	5,002
	<u>\$ 485,690</u>	<u>\$ 373,294</u>
Expenses on investment – linked insurance product		
Claims and policy benefit payments	\$ 261,522	\$ 198,846
Net change in reserve for investment – linked insurance product – insurance contract	130,727	90,013
Administrative expenses and other expenses	93,441	84,435
	<u>\$ 485,690</u>	<u>\$ 373,294</u>

(13) Investment property- net

	December 31, 2017			
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 4,281,448	\$ -	(\$ 410,450)	\$ 3,870,998
Buildings	3,457,647	( 1,070,362)	( 84,637)	2,302,648
Total	<u>\$ 7,739,095</u>	<u>(\$ 1,070,362)</u>	<u>(\$ 495,087)</u>	<u>\$ 6,173,646</u>
	December 31, 2016			
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,971,245	\$ -	(\$ 348,594)	\$ 3,622,651
Buildings	3,617,654	( 1,003,447)	( 83,518)	2,530,689
Total	<u>\$ 7,588,899</u>	<u>(\$ 1,003,447)</u>	<u>(\$ 432,112)</u>	<u>\$ 6,153,340</u>

Change in investment property of the Yuanta Group:

	For the years ended December 31,	
	2017	2016
<b>Cost</b>		
At January 1	\$ 7,588,899	\$ 7,800,226
Additions	185,514	272,055
Disposals	( 443,945)	( 1,197,449)
Reclassifications	172,540	930,967
Foreign exchange adjustment	236,087	( 216,900)
At December 31	<u>\$ 7,739,095</u>	<u>\$ 7,588,899</u>
<b>Accumulated depreciation</b>		
At January 1	(\$ 1,003,447)	(\$ 958,311)
Depreciation	( 75,817)	( 91,323)
Disposals	29,562	94,981
Reclassifications	5,006	( 78,406)
Foreign exchange adjustment	( 25,666)	29,612
At December 31	<u>(\$ 1,070,362)</u>	<u>(\$ 1,003,447)</u>
<b>Accumulated impairment</b>		
At January 1	(\$ 432,112)	(\$ 445,110)
(Impairment) Recovery	( 3,306)	15,316
Disposals	-	4,913
Reclassifications	( 59,669)	( 7,231)
At December 31	<u>(\$ 495,087)</u>	<u>(\$ 432,112)</u>

A. The fair value of the investment property held by the Yuanta Group as of December 31, 2017 and 2016 were \$8,344,684 and \$8,119,308, respectively, according to the result of valuation by an independent valuation expert using the income method, comparison method, market approach and land development analysis approach. As of December 31, 2017, the fair value included the amount of \$4,588,816 and \$3,755,868 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively. As of December 31, 2016, the fair value included the amount of \$4,003,519 and \$4,115,789 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively.

B. For the years ended December 31, 2017 and 2016, rental income from the lease of the investment property was \$133,492 and \$143,219, respectively.

C. Please refer to Note 8 for details of the Yuanta Group's investment property pledged to others as collateral.

(14) Property and equipment- net

## Change in property and equipment of the Yuanta Group:

Cost	Machinery and					Total	
	Land and land improvements	Buildings	computer equipment	Transportation equipment	Miscellaneous equipment		Construction in progress
At January 1, 2017	\$ 13,652,110	\$ 7,369,708	\$ 3,385,286	\$ 214,869	\$ 1,869,198	\$ 295,054	\$ 26,786,225
Acquisition through business combinations	-	9,665	1,698	2,141	11,473	-	24,977
Additions	612,233	109,509	445,752	28,631	282,523	1,687,285	3,165,933
Disposals	( 135,043)	( 25,049)	( 235,974)	( 28,011)	( 398,611)	-	( 822,688)
Reclassifications	1,064,600	185,536	145,661	16,030	25,463	( 1,621,350)	( 184,060)
Assets reclassified as held for sale	( 66,419)	( 158,054)	( 122,371)	-	( 53,662)	( 33)	( 400,539)
Translation difference	( 60,740)	44,755	60,934	82	( 9,964)	( 42)	35,025
At December 31, 2017	\$ 15,066,741	\$ 7,536,070	\$ 3,680,986	\$ 233,742	\$ 1,726,420	\$ 360,914	\$ 28,604,873
Accumulated depreciation							
At January 1, 2017	\$ -	( \$ 2,069,547)	( \$ 2,358,972)	( \$ 109,086)	( \$ 1,169,941)	\$ -	( \$ 5,707,546)
Acquisition through business combinations	-	( 7,072)	( 1,698)	( 1,021)	( 11,471)	-	( 21,262)
Depreciation	-	( 177,812)	( 427,218)	( 29,099)	( 281,899)	-	( 916,028)
Disposals	-	7,656	220,602	19,611	389,349	-	637,218
Reclassifications	-	( 7,692)	10,970	-	2,535	-	5,813
Assets reclassified as held for sale	-	46,996	102,209	-	46,559	-	195,764
Translation difference	-	( 12,255)	( 53,035)	182	11,955	-	( 53,153)
At December 31, 2017	\$ -	( \$ 2,219,726)	( \$ 2,507,142)	( \$ 119,413)	( \$ 1,012,913)	\$ -	( \$ 5,859,194)
Accumulated impairment							
At January 1, 2017	( \$ 157,391)	( \$ 35,750)	\$ -	\$ -	\$ -	\$ -	( \$ 193,141)
Disposals	13,825	4,561	-	-	-	-	18,386
Reclassifications	59,060	609	-	-	-	-	59,669
At December 31, 2017	( \$ 84,506)	( \$ 30,580)	\$ -	\$ -	\$ -	\$ -	( \$ 115,086)
Net carrying amount	\$ 14,982,235	\$ 5,285,764	\$ 1,173,844	\$ 114,329	\$ 713,507	\$ 360,914	\$ 22,630,593

Cost	Land and land improvements		Machinery and			Construction in progress	Total
	Buildings	computer equipment	Transportation equipment	Miscellaneous equipment			
At January 1, 2016	\$ 9,684,655	\$ 6,468,324	\$ 3,086,642	\$ 1,777,314	\$ 1,797,795	\$ 1,182,923	\$ 22,397,653
Acquisition through business combinations	2,976,104	1,025,157	690,180	13,385	413,926	57,416	5,176,168
Additions	111,422	41,919	371,120	50,435	271,601	430,405	1,276,902
Disposals	( 38,321)	( 8,103)	( 791,759)	( 32,982)	( 660,891)	( 28,080)	( 1,560,136)
Reclassifications	953,196	( 86,560)	123,224	7,358	56,670	( 1,347,578)	( 293,690)
Translation difference	( 34,946)	( 71,029)	( 94,121)	( 641)	( 9,903)	( 32)	( 210,672)
At December 31, 2016	\$ 13,652,110	\$ 7,369,708	\$ 3,385,286	\$ 2,148,669	\$ 1,869,198	\$ 295,054	\$ 26,786,225
Accumulated depreciation							
At January 1, 2016	\$ -	\$ 1,441,967	\$ 2,274,187	\$ 95,449	\$ 1,132,834	\$ -	\$ 4,944,437
Acquisition through business combinations	-	( 495,752)	( 551,043)	( 10,414)	( 350,795)	-	( 1,408,004)
Depreciation	-	( 159,829)	( 400,324)	( 24,920)	( 307,198)	-	( 892,271)
Disposals	-	( 75,523)	781,186	21,343	613,830	-	1,340,836
Reclassifications	-	84,815	1,971	( 67)	( 191)	-	86,528
Translation difference	-	18,709	83,425	421	7,247	-	109,802
At December 31, 2016	\$ -	\$ 2,069,547	\$ 2,358,972	\$ 109,086	\$ 1,169,941	\$ -	\$ 5,707,546
Accumulated impairment							
At January 1, 2016	\$ 102,220	\$ 39,574	\$ -	\$ -	\$ -	\$ -	\$ 141,794
Acquisition through business combinations	( 58,578)	-	-	-	-	-	( 58,578)
Reclassifications	3,407	3,824	-	-	-	-	7,231
At December 31, 2016	\$ 157,391	\$ 35,750	\$ -	\$ -	\$ -	\$ -	\$ 193,141
Net carrying amount	\$ 13,494,719	\$ 5,264,411	\$ 1,026,314	\$ 105,783	\$ 699,257	\$ 295,054	\$ 20,885,538

Please refer to Note 8 for details of the collateral provided for above property and equipment.

(15) Intangible assets- net

	Cost	Goodwill	Operating rights	Computer software	Customer relationship	Others	Total
At January 1, 2017	\$ 31,669,655	\$ 386,318	\$ 4,485,922	\$ 5,585,107	\$ 2,205,004	\$ 44,332,006	
Acquisition through business combinations	134,312	-	11,881	-	190,805	336,998	
Additions	-	-	181,048	-	18,573	199,621	
Disposals	-	-	( 84,421)	-	( 37,602)	( 122,023)	
Reclassifications	-	-	69,731	-	-	69,731	
Assets reclassified as held for sale	-	-	( 65,628)	-	-	( 65,628)	
Translation difference	11,119	( 1,296)	138,247	-	22,900	170,970	
At December 31, 2017	\$ 31,815,086	\$ 385,022	\$ 4,736,780	\$ 5,585,107	\$ 2,399,680	\$ 44,921,675	
Accumulated amortization							
At January 1, 2017	\$ -	( \$ 365,514)	( \$ 3,406,911)	( \$ 2,564,906)	( \$ 1,058,069)	( \$ 7,395,400)	
Acquisition through business combinations	-	-	( 10,766)	-	-	( 10,766)	
Amortization	( 1,641)	( 486,766)	( 662,538)	( 62,564)	( 1,213,509)		
Disposals	-	-	72,303	156	72,459		
Reclassification	-	-	( 10,152)	-	-	( 10,152)	
Assets reclassified as held for sale	-	-	55,934	-	-	55,934	
Translation difference	-	381	( 122,235)	-	( 2,269)	( 124,123)	
At December 31, 2017	( \$ 366,774)	( \$ 3,908,593)	( \$ 3,227,444)	( \$ 1,122,746)	( \$ 8,625,557)		
Accumulated impairment							
At January 1, 2017	( \$ 309,106)	\$ -	\$ -	\$ -	( \$ 26,819)	( \$ 335,925)	
Impairments	( 18,458)	-	( 5,429)	-	( 22,105)	( 45,992)	
Disposals	-	-	-	-	18,872	18,872	
Translation difference	2,365	-	-	-	339	2,704	
At December 31, 2017	( \$ 325,199)	( \$ 5,429)	\$ -	( \$ 29,713)	( \$ 360,341)		
Net carrying amount	\$ 31,489,887	\$ 18,248	\$ 822,758	\$ 2,357,663	\$ 1,247,221	\$ 35,935,777	



Cost	Goodwill	Operating rights	Computer software	Customer relationship		Total
				Others	Others	
At January 1, 2016	\$ 22,914,344	\$ 386,711	\$ 4,076,002	\$ 3,432,975	\$ 1,898,509	\$ 32,708,541
Acquisition through business combinations	8,783,257	-	347,928	2,152,419	329,265	11,612,869
Additions	-	-	213,165	-	57,168	270,333
Disposals	-	-	(52,550)	-	(321)	(52,871)
Reclassifications	-	-	57,946	-	-	57,946
Translation difference	(27,946)	(393)	(156,569)	(287)	(79,617)	(264,812)
At December 31, 2016	\$ 31,669,655	\$ 386,318	\$ 4,485,922	\$ 5,585,107	\$ 2,205,004	\$ 44,332,006
Accumulated amortization						
At January 1, 2016	\$ -	(\$ 362,738)	(\$ 2,884,705)	(\$ 1,926,269)	(\$ 1,021,217)	(\$ 6,194,929)
Acquisition through business combinations	-	-	182,871	-	-	182,871
Amortization	-	(2,891)	(524,548)	(638,637)	(37,938)	(1,204,014)
Disposals	-	-	52,532	-	-	52,532
Reclassifications	-	-	(117)	-	-	(117)
Translation difference	-	115	132,798	-	1,086	133,999
At December 31, 2016	\$ -	(\$ 365,514)	(\$ 3,406,911)	(\$ 2,564,906)	(\$ 1,058,069)	(\$ 7,395,400)
Accumulated impairment						
At January 1, 2016	(\$ 286,565)	\$ -	\$ -	\$ -	(\$ 28,102)	(\$ 314,667)
Impairments	(22,943)	-	-	-	-	(22,943)
Translation difference	402	-	-	-	1,283	1,685
At December 31, 2016	(\$ 309,106)	\$ -	\$ -	\$ -	(\$ 26,819)	(\$ 335,925)
Net carrying amount	\$ 31,360,549	\$ 20,804	\$ 1,079,011	\$ 3,020,201	\$ 1,120,116	\$ 36,600,681

- A. Yuanta Group's goodwill all arose from business combination. In accordance with the accounting treatment under the Enterprise Merger and Acquisition Act, the excess of acquisition costs over the sum of the fair value of tangible and identifiable intangible assets less the liabilities assumed should be recorded as goodwill; of which goodwill arose from business combinations in 2017 and 2016, please refer to Note 6(47).
- B. Goodwill is allocated to cash generating units as identified by operating segments. Recoverable amounts are determined according to the value-in-use, which is calculated according to management's estimate of future cash flows for future periods. For cash flows that exceed the aforementioned future periods, the following estimated growth rates are used for calculations.

Goodwill of the Yuanta Group is tested annually for impairment at the end of each year. The recoverable amounts of Yuanta Securities' investee's (Yuanta Securities (Indonesia)) cash generating units were assessed to be lower than their carrying amounts. Thus, goodwill impairment of \$18,458 and \$22,943 were recognised in 2017 and 2016, respectively; the remaining cash generating units were assessed to have recoverable amounts higher than their carrying amounts. The main assumptions used in calculating value-in-use are as follows:

	Securities subsidiaries					
	Bank subsidiaries	Brokerage Segment	Investment Bank Segment	Investment Segment	Futures	Securities Investment Trust
2017						
Growth rate	0.00%~3.70%	2.00%	2.00%	3.00%	2.00%	2.00%
Discount rate	10.23%~11.90%	9.40%	9.40%	13.60%~19.30%	8.00%	14.80%
2016						
Growth rate	0.00%~3.90%	2.00%	2.00%	3.00%	2.00%	2.00%
Discount rate	8.81%~12.50%	10.30%	10.40%	13.60%~17.90%	8.00%	14.80%

(16) Other assets- net

	December 31, 2017	December 31, 2016
Refundable deposits	\$ 4,328,308	\$ 6,313,842
Refundable deposits for securities lending	21,292,145	4,775,348
Operating guarantee deposits and settlement fund	3,015,016	2,414,336
Prepaid expenses	817,834	659,534
Bank deposits- Amounts held for settlement	9,957,043	7,531,022
Others	1,393,766	602,404
Total	\$ 40,804,112	\$ 22,296,486

(17) Non-financial asset impairment losses

As of December 31, 2017 and 2016, accumulated impairments on various financial assets were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Investment property	\$ 495,087	\$ 432,112
Property and equipment	115,086	193,141
Intangible assets- goodwill	325,199	309,106
Intangible assets- other	35,142	26,819

(18) Due to Central Bank and other banks

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Due to other banks	\$ 10,054	\$ 12,289
Overdrafts from other banks	136,640	1,048,353
Call loans from other banks	7,682,577	22,008,021
Redeposit from the directorate general of postal remittance	5,690,891	5,777,659
Total	<u>\$ 13,520,162</u>	<u>\$ 28,846,322</u>

(19) Commercial paper payable- net

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Commercial paper payable	\$ 44,724,325	\$ 19,298,477
Less: Discount on commercial paper payable	( 20,238)	( 3,293)
Net	<u>\$ 44,704,087</u>	<u>\$ 19,295,184</u>

The annual interest rate of commercial paper payable as of December 31, 2017 and 2016 were 0.508%~2.00% and 0.01%~1.82%, respectively.

The guarantee and acceptance institutions for the above commercial paper payable were as follows:

<u>December 31, 2017</u>	<u>December 31, 2016</u>
CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.
Sunny Bank Ltd.	Sunny Bank Ltd.
Hua Nan Commercial Bank Co., Ltd.	China Bills Finance Corporation
Taiwan Finance Corporation	Hua Nan Commercial Bank Co., Ltd.
Union Bank of Taiwan Co., Ltd.	Taiwan Finance Corporation
Mega Bills Finance Co., Ltd.	Union Bank of Taiwan Co., Ltd.
International Bills Finance Corporation	Mega Bills Finance Co., Ltd.
Ta Ching Bills Finance Corporation	International Bills Finance Corporation
Taishin International Bank Co., Ltd.	Ta Ching Bills Finance Corporation
Dah Chung Bills Finance Corp.	Ta Chong Commercial Bank Co., Ltd.
Grand Bills Finance Corp.	Shin Kong Bank Co., Ltd.
HI Investment & Securities	Taishin International Bank Co., Ltd.
KGI Bank Co., Ltd.	SK Securities Co., Ltd.
Bank Of Taiwan	

(20) Payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts payable	\$ 85,965,415	\$ 71,642,010
Demand remittance payable	2,937,800	15,428,518
Bankers' acceptances payable	1,246,741	1,867,669
Interests payable	2,194,254	2,052,632
Accrued expenses	8,766,728	4,924,222
Taxes payable	273,497	267,360
Collections payable for customers	844,485	673,598
Proceeds payable from underwriting	891,398	1,673,655
Due to reinsurers and ceding companies	140,506	137,727
Collateralized proceeds payable from securities	9,079,481	8,510,304
Consigned securities payable	14,058,046	2,968,749
Settled price	1,544,600	2,303,557
Securities purchased payable	1,694,231	10,940,319
Settlement payable	26,653,012	14,129,439
Deposits received on securities lending	8,185,499	7,559,742
Checks for clearing	2,629,283	2,371,807
SBL Refund payable	133,234	40,646
Other payables	1,467,161	6,195,067
Total	<u>\$ 168,705,371</u>	<u>\$ 153,687,021</u>

(21) Deposits and remittances

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Checking deposits	\$ 5,077,820	\$ 4,996,187
Demand deposits	133,582,476	147,504,182
Time deposits	334,966,774	348,096,921
Negotiable certificates of deposit	44,209,000	38,842,500
Savings deposits	537,813,143	510,042,114
Remittances	375,076	580,886
Total	<u>\$ 1,056,024,289</u>	<u>\$ 1,050,062,790</u>

(22) Bonds payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial bonds	\$ 43,500,000	\$ 49,880,000
Unsecured corporate bonds	19,750,000	25,267,731
Convertible corporate bonds	2,640,879	3,049,764
Total	<u>\$ 65,890,879</u>	<u>\$ 78,197,495</u>

A. The details of financial debentures as of December 31, 2017 were as follows:

(A) Yuanta Bank

	<u>First issue of subordinate financial debentures in 2011</u>
Par value	\$2,450,000
Stated interest rate	Fixed interest rate at 1.75%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Second issue of subordinate financial debentures in 2011</u>
Par value	\$2,350,000
Stated interest rate	Fixed interest rate at 1.85%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Third issue of subordinate financial debentures in 2011(A)</u>
Par value	\$700,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Third issue of subordinate financial debentures in 2011(B)</u>
Par value	\$4,500,000
Stated interest rate	Fixed interest rate at 1.95%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>First issue of subordinate financial debentures in 2014(A)</u>
Par value	\$1,600,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	<u>First issue of subordinate financial debentures in 2014(B)</u>
Par value	\$4,700,000
Stated interest rate	Fixed interest rate at 2.00%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Second issue of subordinate financial debentures in 2014</u>
Par value	\$1,700,000
Stated interest rate	Fixed interest rate at 1.85%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Third issue of non-cumulative perpetual bonds for 2015</u>
Par value	\$5,550,000
Stated interest rate	Fixed interest rate at 4.10%
Period	Perpetual
Interest payment date	Payable annually
Term of principal payment	Perpetual
Issue price	Priced at face value on issue date
	<u>Fourth issue of subordinate financial debentures in 2015</u>
Par value	\$3,000,000
Stated interest rate	Fixed interest rate at 2.10%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Fifth issue of non-cumulative perpetual bonds for 2015</u>
Par value	\$1,450,000
Stated interest rate	Fixed interest rate at 4.10%
Period	Perpetual
Interest payment date	Payable annually
Term of principal payment	Perpetual
Issue price	Priced at face value on issue date
	<u>First issue of subordinate financial debentures in 2016</u>
Par value	\$5,000,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

(B)Ta Chong Bank

	<u>First issue of subordinate financial debentures in 2012</u>
Par value	\$1,000,000
Stated interest rate	Fixed interest rate at 2.15%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Second issue of subordinate financial debentures in 2012</u>
Par value	\$1,000,000
Stated interest rate	Fixed interest rate at 2.05%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Third issue of subordinate financial debentures in 2012</u>
Par value	\$1,500,000
Stated interest rate	Fixed interest rate at 1.9%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>First issue of subordinate financial debentures in 2014</u>
Par value	\$3,500,000
Stated interest rate	Fixed interest rate at 2.05%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Second issue of subordinate financial debentures in 2014</u>
Par value	\$900,000
Stated interest rate	Fixed interest rate at 2%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	<u>Third issue of subordinate financial debentures in 2014</u>
Par value	\$600,000
Stated interest rate	Fixed interest rate at 2%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>First issue of subordinate financial debentures in 2015</u>
Par value	\$2,000,000
Stated interest rate	Fixed interest rate at 2.08%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
B. The details of unsecured corporate bonds as of December 31, 2017 were as follows:	
The Company	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2015</u>
Par value	\$1,300,000
Stated interest rate	Fixed interest rate at 1.67%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(A)</u>
Par value	\$3,000,000
Stated interest rate	Fixed interest rate at 0.6%
Period	Two years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(B)</u>
Par value	\$4,000,000
Stated interest rate	Fixed interest rate at 0.8%
Period	Five years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date



	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(C)
Par value	\$8,000,000
Stated interest rate	Fixed interest rate at 1.0%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	Yuanta Financial Holdings second issue of local unsecured normal corporate bond in 2016(A)
Par value	\$1,850,000
Stated interest rate	Fixed interest rate at 0.63%
Period	Three years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	Yuanta Financial Holdings second issue of local unsecured normal corporate bond in 2016(B)
Par value	\$1,600,000
Stated interest rate	Fixed interest rate at 0.85%
Period	Six years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

C. Convertible corporate bonds

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Convertible corporate bonds	\$ 2,565,758	\$ 2,993,748
Add: Premium on convertible bonds payable	75,121	56,016
Total	<u>\$ 2,640,879</u>	<u>\$ 3,049,764</u>

The details of convertible corporate bonds as of December 31, 2017 were as follows:

	Tong Yang Securities 84th issue of unsecured subordinated convertible corporate bond
Par value	KRW 16,000,000 thousand dollars
Stated interest rate	Fixed interest rate at 2.0%
Issuance date	May 31, 2013
Maturity date	May 31, 2019
Issuance area	Korea

Tong Yang Securities 86th issue of unsecured subordinated  
convertible corporate bond

Par value	KRW 76,500,000 thousand dollars
Stated interest rate	Fixed interest rate at 1.0%
Issuance date	December 17, 2015
Maturity date	December 17, 2018
Issuance area	Korea

(23) Other borrowings

	December 31, 2017	December 31, 2016
Short-term borrowings		
Unsecured bank borrowings	\$ 21,275,909	\$ 10,057,624
Secured bank borrowings	1,549,568	908,104
KSFC secured borrowings	30,895,117	24,768,211
Issuance of short-term bond	15,244,177	7,405,025
Long-term borrowings		
Unsecured bank borrowings	2,790,000	2,682,385
	\$ 71,754,771	\$ 45,821,349
Interest rate-short-term (%)	0.60%~3%	0.60%~11%

The Yuanta Group has provided certain assets as pledged assets for the above loans, please refer to Note 8.

(24) Provisions for other liabilities

	December 31, 2017	December 31, 2016
Insurance liability	\$ 187,513,082	\$ 154,348,079
Reserve for foreign exchange fluctuation	510,241	480,615
Employee benefit liabilities reserve	6,190,491	5,091,558
Guaranteed policy reserve	275,664	492,159
Other reserves (Note)	549,342	973,940
Total	\$ 195,038,820	\$ 161,386,351

Note: A. For former TongYang Securities Inc.'s disputes with investors, incident to the sale of financial products issued by associates of the Tong Yang Group, for which investors have filed complaints with the competent authority of Korea, the competent authority of Korea, since July 31, 2014, has announced the results of the second mediation through the subsequent tenth mediation, concluding total disputed sales of ₩697,000 million (approximately NT\$19.4 billion); of which former TongYang Securities Inc. was liable for compensations totaling ₩67,678 million (approximately NT\$1.9 billion). Starting from the end of September 2014, other than a minority of customers who filed complaints, disagreeing with the above-mentioned mediated results by the competent authority, former TongYang Securities Inc. has commenced paying compensations.

In addition, As of December 31, 2017, there are 18 litigations filed against former TongYang Securities Inc. and its subsidiaries related to the above-mentioned dispute on sold financial products, demanding compensations totaling ₩547,069 million

(approximately NT\$15.3 billion); of which 2 were class actions, demanding a compensation of ₩492,565 million (approximately NT\$13.7 billion) and ₩50,000 million (approximately NT\$1.4 billion). For the ₩492,565 million class action, the Seoul Central District Court and the Seoul High Court have adjudged, on September 30, 2016 and August 4, 2017, respectively, that it does not qualify as a class action and therefore have rejected the action. The plaintiffs have filed an appeal, and the case is currently still under the assessment of the court of third instance. As for the other class action case, which Seoul Central District Court have rejected, involving ₩50,000 million of compensation, the plaintiffs appealed to the second instance court on January 12, 2018.

Former TongYang Securities Inc. has recognised a liability reserve of ₩93,400 million (approximately NT\$2.6 billion) on December 31, 2013 for the aforementioned sales dispute. Other than adjustments made for actual compensation payments, former TongYang Securities Inc., after comprehensively considering the status of litigations and compensations, has reversed ₩22,559 million (approximately NT\$620 million) in liability reserves on December 31, 2017. As of December 31, 2017, the balance of the liability reserve related to the aforementioned dispute on sales of financial products was ₩7,490 million (approximately NT\$210 million).

B. The reserve for litigation loss of Yuanta Bank is \$112,283, please refer to Note 6(47)B.(B).

A. The components of insurance liabilities are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unearned premium reserve	\$ 283,691	\$ 246,066
Claims reserve	306,349	264,393
Reserve for policy benefit	180,815,233	146,956,725
Premium deficiency reserve	1,810,269	2,390,230
Other reserves	4,297,540	4,490,665
Total	<u>\$ 187,513,082</u>	<u>\$ 154,348,079</u>

(A) Unearned premium reserve and ceded unearned premium reserve:

a. Details of unearned premium reserve and ceded unearned premium reserve are as follows:

	<u>December 31, 2017</u>		
	<u>Insurance contract</u>	<u>Financial instruments with discretionary participation features</u>	<u>Total</u>
Unearned premium reserve			
Personal life insurance	\$ 189	\$ -	\$ 189
Personal accident insurance	154,679	-	154,679
Personal health insurance	125,936	-	125,936
Group insurance	844	-	844
Investment-link insurance	2,043	-	2,043
	<u>\$ 283,691</u>	<u>\$ -</u>	<u>\$ 283,691</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 109,452	\$ -	\$ 109,452
Personal accident insurance	350	-	350
Personal health insurance	152,047	-	152,047
Investment-link insurance	377	-	377
	<u>\$ 262,226</u>	<u>\$ -</u>	<u>\$ 262,226</u>

	December 31, 2016		
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal accident insurance	\$ 140,949	\$ -	\$ 140,949
Personal health insurance	101,934	-	101,934
Group insurance	1,075	-	1,075
Investment-link insurance	2,108	-	2,108
	<u>\$ 246,066</u>	<u>\$ -</u>	<u>\$ 246,066</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 84,413	\$ -	\$ 84,413
Personal accident insurance	462	-	462
Personal health insurance	156,617	-	156,617
Investment-link insurance	395	-	395
	<u>\$ 241,887</u>	<u>\$ -</u>	<u>\$ 241,887</u>

b. Change in unearned premium reserve and ceded unearned premium reserve are as follows:

	For the years ended December 31,	
	2017	2016
Unearned premium reserve		
At January 1	\$ 246,066	\$ 229,888
Provision	283,691	246,066
Recovery	(246,066)	(229,888)
At December 31	<u>\$ 283,691</u>	<u>\$ 246,066</u>
Ceded unearned premium reserve		
At January 1	\$ 241,887	\$ 230,266
Increase	20,363	11,623
Loss on foreign exchange	(24)	(2)
At December 31	<u>\$ 262,226</u>	<u>\$ 241,887</u>

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(B) Claims reserve and ceded claims reserve are as follows:

a. Details of claims reserve and ceded claims reserve are as follows:

	December 31, 2017		
	Claims reported	Claims incurred	Total
	but not paid	but not reported	
Claims reserve			
Personal life insurance	\$ 216,623	\$ 13	\$ 216,636
Personal accident insurance	5,160	14,319	19,479
Personal health insurance	39,316	24,557	63,873
Group insurance	-	6,359	6,359
Investment link insurance	-	2	2
	<u>\$ 261,099</u>	<u>\$ 45,250</u>	<u>\$ 306,349</u>
Ceded claims reserve			
Personal life insurance	\$ 4,930	\$ -	\$ 4,930
Personal health insurance	6,363	-	6,363
	<u>\$ 11,293</u>	<u>\$ -</u>	<u>\$ 11,293</u>
	December 31, 2016		
	Claims reported	Claims incurred	Total
	but not paid	but not reported	
Claims reserve			
Personal life insurance	\$ 182,248	\$ -	\$ 182,248
Personal accident insurance	15,745	18,858	34,603
Personal health insurance	25,937	18,888	44,825
Group insurance	-	214	214
Investment link insurance	2,500	3	2,503
	<u>\$ 226,430</u>	<u>\$ 37,963</u>	<u>\$ 264,393</u>
Ceded claims reserve			
Personal life insurance	\$ 4,581	\$ -	\$ 4,581
Personal health insurance	3,266	-	3,266
	<u>\$ 7,847</u>	<u>\$ -</u>	<u>\$ 7,847</u>

b. Change in claims reserve and ceded claims reserve are as follows:

	For the years ended December 31,	
	2017	2016
Claims reserve		
At January 1	\$ 264,393	\$ 182,610
Provision	306,362	264,377
Recovery	( 264,393)	( 182,610)
(Gain) loss on foreign exchange	( 13)	16
At December 31	<u>\$ 306,349</u>	<u>\$ 264,393</u>

	For the years ended December 31,	
	2017	2016
Ceded claims reserve		
At January 1	\$ 7,847	\$ 5,241
Increase	3,447	2,606
Loss on foreign exchange	( 1)	-
At December 31	\$ 11,293	\$ 7,847

(C) Reserve for policy benefit:

a.Details of reserve for policy benefit are as follows:

	December 31, 2017		
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 162,172,149	\$ -	\$ 162,172,149
Health insurance	18,328,258	-	18,328,258
Annuity insurance	11,645	190,919	202,564
Investment-link insurance	58,841	-	58,841
	<u>\$ 180,570,893</u>	<u>\$ 190,919</u>	<u>180,761,812</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			3,138
Total			<u>\$ 180,815,233</u>

	December 31, 2016		
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 130,324,920	\$ -	\$ 130,324,920
Health insurance	16,507,135	-	16,507,135
Annuity insurance	12,817	-	12,817
Investment-link insurance	61,570	-	61,570
	<u>\$ 146,906,442</u>	<u>\$ -</u>	<u>146,906,442</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Total			<u>\$ 146,956,725</u>

b.Changes in reserve for policy benefit:

	For the years ended December 31,	
	2017	2016
At January 1	\$ 146,956,725	\$ 115,891,242
Provision	38,393,574	35,341,844
Recovery	( 3,802,384)	( 4,146,792)
Gain on foreign exchange	( 732,682)	( 129,569)
At December 31	\$ 180,815,233	\$ 146,956,725

For the years ended December 31, 2017 and 2016, the interest expense, representing the cost related with delaying payments on contract liabilities over a period of time, are \$4,887,235 and \$4,134,516, respectively.

(D) Premium deficiency reserve:

a. Details of premium deficiency reserve are as follows:

	December 31, 2017		
	Insurance contract	Financial instruments with discretionary participation features	Total
Personal life insurance	\$ 1,807,577	\$ -	\$ 1,807,577
Personal health insurance	2,687	-	2,687
Group insurance	5	-	5
Total	<u>\$ 1,810,269</u>	<u>\$ -</u>	<u>\$ 1,810,269</u>

	December 31, 2016		
	Insurance contract	Financial instruments with discretionary participation features	Total
Personal life insurance	\$ 2,390,124	\$ -	\$ 2,390,124
Personal health insurance	95	-	95
Group insurance	11	-	11
Total	<u>\$ 2,390,230</u>	<u>\$ -</u>	<u>\$ 2,390,230</u>

b. Change in premium deficiency reserve:

	For the years ended December 31,	
	2017	2016
Premium deficiency reserve:		
At January 1	\$ 2,390,230	\$ 2,694,805
Provision	( 559,407)	( 291,970)
Recovery	( 10,993)	( 9,530)
Gain on foreign exchange	( 9,561)	( 3,075)
At December 31	<u>\$ 1,810,269</u>	<u>\$ 2,390,230</u>

(E) Other reserves

Pursuant to IFRS 3, 'Business combinations', other reserves are set aside for reflecting the fair value of insurance policies assumed while recognising the individual identifiable assets acquired and liabilities assumed at fair value. Changes in aforesaid other reserves are as follows:

	December 31, 2017	December 31, 2016
At January 1	\$ 4,490,665	\$ 4,712,600
Recovery	( 193,125)	( 221,935)
At December 31	<u>\$ 4,297,540</u>	<u>\$ 4,490,665</u>

B. Reserve for foreign exchange fluctuation

(A) In accordance with the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Group set aside foreign exchange reserve under liabilities. Details are as follows:

	For the years ended December 31,	
	2017	2016
At January 1	\$ 480,615	\$ 648,101
Provision		
Compulsory provision	97,450	81,092
Additional provision	428,154	389,066
Subtotal	1,006,219	1,118,259
Recovery	(495,978)	(637,644)
At December 31	\$ 510,241	\$ 480,615

(B) Effect of accounts eligible or ineligible for the foreign exchange reserve on the consolidated financial statements of Yuanta Life of the Group for the years ended December 31, 2017 and 2016 is as follows:

	For the years ended December 31, 2017		
	Ineligible amount	Eligible amount	Impact
Net loss	(\$ 134,605)	(\$ 159,195)	(\$ 24,590)
Losses per share	(0.12)	(0.15)	(0.03)
Total liabilities	188,962,931	189,473,172	510,241
Total equity	12,132,826	11,709,326	(423,500)
	For the years ended December 31, 2016		
	Ineligible amount	Eligible amount	Impact
Net loss	(\$ 767,056)	(\$ 628,042)	\$ 139,014
Losses per share	(0.95)	(0.77)	0.18
Total liabilities	154,346,290	154,826,905	480,615
Total equity	7,742,802	7,343,892	(398,910)

(C) Changes in guarantee reserve are as follows:

	For the years ended December 31,	
	2017	2016
Beginning balance	\$ 492,159	\$ 401,251
Acquisition through business combination	-	225,392
Less: Recovery	(215,690)	(134,330)
Foreign exchange translation adjustment and others	(805)	(154)
Ending balance	\$ 275,664	\$ 492,159



(25) Employee benefit liabilities reserve

A. Defined benefit plans:

(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Yuanta Group also established a special retention bonus plan applicable to certain employees. Except for Yuanta Securities Finance contributing retirement fund by 8% of the employees' monthly salaries and wages, the Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March. Yuanta Securities (Korea) and its subsidiary have a defined benefit plan or a defined contribution plan in accordance with the relevant laws and regulations applied by the local Korean government.

(B) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 7,207,305	\$ 6,966,798
Fair value of plan assets	( 2,737,639)	( 2,732,146)
	4,469,666	4,234,652
Net defined benefit assets	<u>131,744</u>	<u>35,109</u>
Net defined benefit liability	<u>\$ 4,601,410</u>	<u>\$ 4,269,761</u>

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(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	\$ 6,867,725	(\$ 2,679,132)	\$ 4,188,593
Current service cost	370,206	-	370,206
Interest expense (income)	117,140	( 40,994)	76,146
Past service cost	( 184,490)	-	( 184,490)
	<u>7,170,581</u>	<u>( 2,720,126)</u>	<u>4,450,455</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	( 549)	14,455	13,906
Change in demographic assumptions	( 63,049)	-	( 63,049)
Change in financial assumptions	4,159	-	4,159
Experience adjustments	420,531	56	420,587
	<u>361,092</u>	<u>14,511</u>	<u>375,603</u>
Pension fund contribution	( 3,416)	( 304,190)	( 307,606)
Paid pension	( 398,671)	281,875	( 116,796)
Translation difference	77,719	( 9,709)	68,010
Balance at December 31	<u>\$ 7,207,305</u>	<u>(\$ 2,737,639)</u>	<u>\$ 4,469,666</u>

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	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	\$ 5,565,288	(\$ 2,010,332)	\$ 3,554,956
Current service cost	365,188	-	365,188
Interest expense (income)	118,890	( 45,462)	73,428
Past service cost	15,616	-	15,616
Settlement profit or loss	-	364	364
	<u>6,064,982</u>	<u>( 2,055,430)</u>	<u>4,009,552</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 13,021)	( 13,021)
Change in demographic assumptions	106,392	-	106,392
Change in financial assumptions	52,722	-	52,722
Experience adjustments	33,807	89	33,896
	<u>192,921</u>	<u>( 12,932)</u>	<u>179,989</u>
Pension fund contribution	-	( 167,674)	( 167,674)
Paid pension	( 319,498)	128,040	( 191,458)
Effect of employee transfers	5,394	( 1,823)	3,571
Effect of business combination	1,022,999	( 622,327)	400,672
Balance at December 31	<u>\$ 6,966,798</u>	<u>(\$ 2,732,146)</u>	<u>\$ 4,234,652</u>

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2017	2016
Discount rate	1.00%~2.89%	1.20%~2.52%
Future salary increase rate	2.00%~6.00%	2.00%~6.00%

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis of the Yuanta Group (except for Yuanta Securities (Korea)) was as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 133,717)	\$ 138,718	\$ 124,773	(\$ 121,080)
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 137,223)	\$ 143,601	\$ 132,445	(\$ 128,359)

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis of Yuanta Securities (Korea) was as follows:

	Discount rate		Future salary increase rate	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 228,331)	\$ 274,681	\$ 275,962	(\$ 233,360)
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 161,050)	\$ 189,345	\$ 189,361	(\$ 164,015)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(F) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2018 amounts to \$102,447.

B. Defined contribution plans:

(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) Effective July 1, 2005, a retirement plan was established by Yuanta Life, covering all its

telemarketing representatives. Under the retirement plan, Yuanta Life recognises monthly an amount equal to 7% of the employees' monthly incentive bonuses as retirement pay. The retirement plan is contributed till July 2016. Cumulated amounts will be retained until telemarketing representatives retire, after which it will be paid in lump-sum to each telemarketing representative according to their respective entitled proportions under the plan. Effective August 1, 2008, Yuanta Life established an "Incentive Award Plan", which covered its sales agents. Under the "Incentive Award Plan", Yuanta Life calculates monthly contributions based on the agent's service years and a monthly commission effective for the first year. Contributions are distributed in lump-sum to agents upon their retirement according to their respective entitled proportions under the plan.

(C) Termination provisions

Ta Chong Bank's share conversion agreement with the Company on March 22, 2016 includes the relevant terms guaranteeing the rights and interests of employees. After the approval of the FSC, Ta Chong Bank has accrued termination provisions of \$1,465,674 and \$735,792, respectively in 2017 and 2016 (recorded under termination provisions), and termination expenses \$792,882 and \$735,792, respectively in 2017 and 2016 (recorded under employee benefit expense) in response to the aforesaid event. The present value of the termination provision obligation was calculated by qualified actuaries. The principal assumptions used for the purpose of the actuarial valuations were as follow:

	December 31, 2017	December 31, 2016
Discount rate (%)	1.25	1.25
Expected rate of salary increase (%)	2.00	2.00
Total application rate (%)	80.00	33.50

(D) Under the defined contribution plan, the Company and its domestic subsidiaries recognised pension expense of \$440,069 and \$428,496 for the years ended December 31, 2017 and 2016, respectively.

(E) The pension plans for the consolidated foreign subsidiaries are as follows:

The pension plan for Yuanta Securities Asia Finance is in compliance with the regulations of each employee nationality. Yuanta HK Holdings (Cayman) Ltd., Yuanta Securities Holding (B.V.I) Ltd. and Yuanta Investment Management (Cayman) Ltd. do not have compulsory pension plans according to local regulations. The pension plans for other foreign subsidiaries are in compliance with local regulations.

Yuanta Securities Asia Finance, Yuanta Securities (Hong Kong), Yuanta Investment Consulting Beijing and Yuanta Securities (UK) recognised pension expense of \$19,063 and \$19,201 for the years ended December 31, 2017 and 2016, respectively, based on the abovementioned pension plan. Under the defined contribution plan, Yuanta Securities (Korea) and its subsidiaries recognised pension expense of \$13,221 and \$30,259 for the years ended December 31, 2017 and 2016, respectively.

In accordance with the above-mentioned pension plan, Yuanta Securities (Indonesia) and its subsidiaries recognised pension liabilities of \$20,158 and \$16,261 as of December 31, 2017 and 2016, respectively. For the year ended December 31, 2017 and 2016, pension expense were recognised amounting to \$4,644 and \$10,329, respectively.

In accordance with the above-mentioned pension plan, Yuanta Securities (Thailand) has recognised pension liabilities of \$61,290 and \$28,078, as of December 31, 2017 and 2016, respectively. For the year ended December 31, 2017 and for the period from July to December, 2016, pension expense were recognised amounting to \$9,551 and \$1,265,

respectively.

In accordance with the above-mentioned pension plan, Yuanta Savings Bank (Philippines) has recognised employee benefit liabilities of \$6,235 and \$4,762, respectively, as of December 31, 2017 and 2016, and recognised pension expenses \$1,862 and \$1,664 under other comprehensive income, respectively, for the years ended December 31, 2017 and 2016.

In accordance with the above-mentioned pension plan, Yuanta Savings Bank (Korea) has recognised employee benefit liabilities of \$4,745 and \$3,797, respectively, as of December 31, 2017 and 2016, and recognised pension expenses \$5,922 and \$5,020 under other comprehensive income, respectively, for the years ended December 31, 2017 and 2016.

(26) Other financial liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Futures traders' equity	\$ 51,868,129	\$ 58,113,711
Structured deposit	16,208,486	14,429,906
Investment-linked products liabilities	1,967,642	1,836,712
Appropriated loan fund	53,402	122,171
Lease payables	1,255	4,391
Total	<u>\$ 70,098,914</u>	<u>\$ 74,506,891</u>

(27) Other liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Guarantee deposit-in and margin deposits	\$ 24,185,238	\$ 17,644,474
Underwriting share proceeds collected on behalf of customers	582,238	91,280
Collections in advance	1,209,727	1,130,523
Retention bonus payable	1,077,342	902,180
Refundable deposits	1,786,291	544,551
Refundable deposits-derivative transactions	3,681,999	-
Others	880,559	782,863
Total	<u>\$ 33,403,394</u>	<u>\$ 21,095,871</u>

(28) Share capital/Preferred stock liability

As of December 31, 2017, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$118,891,975, respectively. The aforementioned total paid-in capital includes 11,889,198 thousand shares of common stock, each with a par value of \$10 dollars per share. As of December 31, 2016, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$120,986,478, respectively. The aforementioned total paid-in capital includes 11,998,648 thousand shares of common stock and 100,000 thousand shares of preferred stock, each with a par value of \$10 dollars per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	For the years ended December 31,	
	2017	2016
January 1, 2017	\$ 11,998,648	\$ 10,712,961
Shares issued pursuant to acquisitions	-	1,285,687
Retirement of treasury share	( 109,450)	-
December 31, 2017	\$ 11,889,198	\$ 11,998,648

On October 13, 2015, the Company's special shareholders' meeting resolved for Ta Chong Bank to become a subsidiary of the Company through the share transfer plan, which was approved by the competent authority pursuant to Jin-Guan-Yin-Kong-Zi Order No. 10500017770 on January 29, 2016.

Due to Ta Chong Bank became a 100% owned subsidiary, the Company issued 1,285,687 thousand shares of common stock with a par value of \$10 dollars per share and issued 100,000 thousand shares of non-cumulative privately-placed Class A registered preferred stock with a par value of \$40 dollars per share. The total issuance price was \$4 billion. The capital increase date was on March 22, 2016.

The above-mentioned Class A preferred stock may be converted to common stock, under a one preferred stock for one common stock conversion rate, after a full year since its issuance. Dividends of preferred stocks have a fixed annual dividend rate of 3.7% and are calculated based on \$40 dollars for each share. On the premise that dividends adhere to the stipulations within the Company's Articles of Incorporation, dividends may be distributed annually in cash. In addition, starting from December 21, 2017, the Company may redeem each Class A preferred stock for \$40 dollars. When the Company conducts a capital reduction, existing stockholders' equity specified in the original issuance terms of Class A preferred stock will be proportionally adjusted for compensation in order to maintain the stockholders' equity of the existing stockholders of Class A preferred stock. The Company conducted capital reduction by redemption of Class A preferred stock based on the approval from the Competent Authority, and the capital reduction date was set on December 21, 2017.

(29) Capital surplus

As required by the Company Law, capital reserve of premiums exceeding the face value on issuance or the donation is to be used to offset any accumulated deficit. Alternatively, it may be used to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership provided that the Company has no accumulated deficit. In addition, as required by Securities and Exchange Act, only 10% of the aforementioned paid-in capital reserve shall be capitalized annually in total. Unless the earnings reserve is insufficient to offset the deficit, the capital reserve shall not be used.

However, according to Securities and Futures Bureau (SFB) regulations, capital surplus resulting from undistributed earnings absorbed from subsidiaries after share exchange of the Company is permitted to be transferred to capital or used to distribute cash dividends in the current period. In addition, the amount of capital surplus to be transferred to capital or used to distribute cash dividends is not subject to the aforementioned limitations.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Post 1998	\$ 4,111,739	\$ 4,149,499

Source and details of the capital surplus of the Company are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Additional-paid-in capital	\$ 34,200,072	\$ 34,514,151
Treasury share transactions	3,723,522	3,409,686
Others	37,100	32,452
	<u>\$ 37,960,694</u>	<u>\$ 37,956,289</u>

(30) Legal reserve and special reserve

As required by the Company Law, 10% of the current year's earnings, after paying all taxes and offsetting any accumulated deficit, are set aside as a legal reserve until the reserve balance equals the total amount of capital. The legal reserve is to be used exclusively to offset any accumulated deficit or to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership and is not to be used for any other purposes. For legal reserve used in issuing new shares or distributing cash dividends, the amount of the legal reserve shall not exceed 25% of paid-in capital.

According to the SFB, upon the distribution of earnings, other than the setting aside of legal reserve, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative decrease in stockholders' equity of the prior period, the equal amount of special reserve set aside based on the undistributed earnings should not be distributed. If there is any reversal of the decrease in stockholders' equity, the earnings may be distributed based on the reversal proportion.

According to Jin-Guan-Zheng-Fa Letter No. 10310006310 dated December 30, 2014, in order to maintain the stability of the Company's financial structure, the retained earnings arising from bargain purchase benefits of the acquisition by financial holding company or its subsidiaries shall be set aside as special reserve, and shall not be reversed within one year. After a year, the value of acquired assets are certified to be in likelihood of value at acquisition date without any sign of unexpected impairment by a certified public accountant, and the special reserve could be used in recovering accumulated deficit, or increasing the Company's capital.

(31) Undistributed earnings

A. According to the Company's Articles of Incorporation, the annual net income will be distributed as follows:

- (A) Pay income tax;
- (B) Offset prior years' deficits;
- (C) Provide legal reserve and special reserve; and
- (D) The remaining amount and prior years' undistributed earnings shall be resolved by the stockholders during their meeting.

B. In order to continuously expand operation scale and enhance the profitability, the Company follows its long-term financial planning and relevant Articles of Incorporation to adopt a dividend surplus policy. In principle, the dividend appropriation is based on annual earnings calculated based on the above Articles of Incorporation. After the retention of capital required according to the operation scheme, the remainder shall be distributed in the form of cash dividends. However, the cash dividends shall not be less than 40% of the annual earnings to be distributed.



- C. The appropriation for Class A preferred stock's dividends of \$115,246 (the preferred stock is a liability, and the dividends are recognised as expense in the current period) and the earnings distribution for 2016 were resolved by the stockholders' meeting on June 8, 2017. The earnings distribution for 2015 of the Company has been resolved at the stockholders' meeting on June 16, 2016. Details are as follows:

	<u>2016 earnings</u>		<u>2015 earnings</u>	
	Dividendper share		Dividendper share	
	<u>Amount</u>	<u>(in dollars)</u>	<u>Amount</u>	<u>(in dollars)</u>
Legal reserve	\$ 1,341,410	\$ -	\$ 1,081,455	\$ -
Cash dividends	5,365,642	0.44777	4,325,818	0.36

The status of the distribution of earnings approved by the Board of Directors and resolved by stockholders is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange Corporation (TWSE).

- D. The earnings distribution for 2017 of the Company has been resolved by the Board of Directors on March 28, 2018. Details are as follows:

	<u>2017 earnings</u>	
	Dividendper share	
	<u>Amount</u>	<u>(in dollars)</u>
Legal reserve	\$ 1,620,495	\$ -
Cash dividends	6,492,536	0.55

- E. Please refer to Note 6(42) for the details of the bonus to employees and remuneration to directors and supervisors.

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(32) Other equity items

	Translation gain and loss on the financial statements of foreign operating entities	Available-for- sale financial assets	Gains (losses) on effective portion of cash flow hedges	Change in fair value of financial liability attributable to change in credit risk of the liability	Equities directly relating to assets held for sale	Total
Balance, January 1, 2017	(\$ 2,085,028)	\$ 6,608,175	\$ 1,602	(\$ 461)	\$ -	\$4,524,288
Equities directly relating to assets held for sale	-	47,809	-	-	( 47,809)	-
Available-for-sale financial assets						
Evaluation adjustment in the period	-	2,201,636	-	-	-	2,201,636
Realised gain and loss in the period	- ( 1,756,342)	-	-	-	47,809	( 1,708,533)
Changes in translation difference of foreign operating entities	( 426,169)	-	-	-	-	( 426,169)
Cash flow hedges						
Effect on fair value	-	- ( 15,382)	1,968	-	-	( 1,968)
Effects on income tax	( 16,836)	( 15,382)	366	-	-	( 31,852)
Evaluation of credit risk	-	-	-	( 3,017)	-	( 3,017)
Balance, December 31, 2017	<u>(\$ 2,528,033)</u>	<u>\$ 7,085,896</u>	<u>\$ -</u>	<u>(\$ 3,478)</u>	<u>\$ -</u>	<u>\$4,554,385</u>

	Translation gain and loss on the financial statements of foreign operating entities	Available-for- sale financial assets	Gains (losses) on effective portion of cash flow hedges	Change in fair value of financial liability attributable to change in credit risk of the liability	Total
Balance, January 1, 2016	(\$ 692,526)	\$ 8,513,293	\$ -	\$ 46,919	\$7,867,686
Available-for-sale financial assets					
Evaluation adjustment in the period	-	1,169,237	-	-	1,169,237
Realised gain and loss in the period	- ( 2,940,089)	-	-	-	( 2,940,089)
Changes in translation difference of foreign operating entities	( 1,384,718)	-	-	-	( 1,384,718)
Cash flow hedges					
Effect on fair value	-	-	1,968	-	1,968
Effects on income tax	( 7,784)	( 134,266)	( 366)	-	( 142,416)
Evaluation of credit risk	-	-	-	( 47,380)	( 47,380)
Balance, December 31, 2016	<u>(\$ 2,085,028)</u>	<u>\$ 6,608,175</u>	<u>\$ 1,602</u>	<u>(\$ 461)</u>	<u>\$4,524,288</u>

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(33) Treasury shares

The changes in the Company's treasury shares held by Yuanta Group was as follows (expressed in thousands of shares):

Reason for buyback of shares	For the year ended December 31, 2017				
	Beginning balance of shares	Share increase	Share decrease	Ending balance of shares	Ending balance amount
Buy-back rights of shareholders with objections (Note)	15,621	-	-	15,621	\$ 197,606
Subsidiary holds shares of the Company	110,254	-	( 110,254)	-	-
Maintenance for the Company's credit	-	68,965	-	68,965	939,347
Total	<u>125,875</u>	<u>68,965</u>	<u>( 110,254)</u>	<u>84,586</u>	<u>\$ 1,136,953</u>
Reason for buyback of shares	For the year ended December 31, 2016				
	Beginning balance of shares	Share increase	Share decrease	Ending balance of shares	Ending balance amount
Buy-back rights of shareholders with objections (Note)	15,621	-	-	15,621	\$ 197,606
Subsidiary holds shares of the Company	-	110,254	-	110,254	1,300,997
Total	<u>15,621</u>	<u>110,254</u>	<u>-</u>	<u>125,875</u>	<u>\$ 1,498,603</u>

Note : For the Company's share transfer acquisition plan with Ta Chong Commercial Bank Co., Ltd., shareholders with objections have demanded the Company to buy back their shares in accordance with Article 317 of the Company Act.

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(34) Net interest income

	For the years ended December 31,	
	2017	2016
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 18,971,426	\$ 16,608,756
Interest income from margin trade	4,611,741	4,161,608
Interest income on securities investment	8,982,222	7,151,814
Interest income from placement and call loan to other banks	1,127,794	1,542,838
Interest income on bills and bonds purchased under resale agreements	409,096	428,469
Recurring interest income from credit card	271,557	229,908
Other interest income	999,550	643,774
Subtotal	<u>35,373,386</u>	<u>30,767,167</u>
<u>Interest expense</u>		
Interest expense of deposit	( 6,762,987)	( 5,984,959)
Interest expense of Central Bank and other banks' deposit	( 193,073)	( 181,826)
Interest expense on due to the Central Bank and other banks' deposit	( 947,638)	( 680,964)
Interest expense on bills and bonds sold under repurchase agreements	( 2,106,848)	( 1,754,944)
Interest expense of structured instruments	( 146,194)	( 56,082)
Coupon rate of bank debenture	( 1,045,523)	( 1,107,506)
Coupon rate of corporate bonds	( 450,674)	( 813,940)
Coupon rate of commercial papers	( 194,114)	( 106,272)
Interest expense of margin purchase	( 27,547)	( 25,720)
Other interest expense	( 440,509)	( 434,088)
Subtotal	<u>( 12,315,107)</u>	<u>( 11,146,301)</u>
Total	<u>\$ 23,058,279</u>	<u>\$ 19,620,866</u>

(35) Net service fee and commission income

	For the years ended December 31,	
	2017	2016
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 16,136,408	\$ 12,933,893
Service fee income on insurance brokerage and stock register	2,418,324	2,946,001
Service fee on credit cards	1,747,832	1,400,089
Service fee income on trust business	2,401,278	1,661,356
Service income on credit extension	1,365,456	1,151,046
Underwriting service income	842,971	875,918
Service income on margin trade	109,529	110,955
Commission – reinsurance allowance	109,029	110,928
Service income on foreign exchange	119,558	75,092
Service fee income on consigned settlement	37,826	35,376
Deposits and remittance and other service income	1,103,422	1,419,433
Subtotal	<u>26,391,633</u>	<u>22,720,087</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	( 1,530,782)	( 1,649,129)
Service expense on trust business	( 19,477)	( 16,771)
Service expense on brokerage	( 1,548,496)	( 1,194,611)
Service expense on self-operation	( 98,604)	( 110,457)
Service charge – refinancing	( 461)	( 682)
Service fee expense on credit cards	( 1,250,097)	( 1,097,037)
Service expense on settlement	( 443,380)	( 433,684)
Futures commission expense	( 306,143)	( 312,115)
Underwriting service expense	( 8,012)	( 15,789)
Service expense on foreign exchange	( 30,313)	( 32,327)
Service expense on credit extension	( 15,642)	( 17,540)
Deposits and remittance and other service expense	( 698,718)	( 438,528)
Subtotal	<u>( 5,950,125)</u>	<u>( 5,318,670)</u>
Total	<u>\$ 20,441,508</u>	<u>\$ 17,401,417</u>

(36) Net income from insurance operations

	For the years ended December 31,	
	2017	2016
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 38,087,636	\$ 34,888,982
Less: Reinsurance premium ceded	( 463,703)	( 427,689)
Net changes of unearned premium reserve	( 17,261)	( 4,555)
Retention earned premium income	37,606,672	34,456,738
Investment-linked product income	485,690	373,294
Subtotal	<u>38,092,362</u>	<u>34,830,032</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 5,341,101)	(\$ 5,179,023)
Less: Claims recovered from reinsurers	<u>210,436</u>	<u>193,610</u>
Retention claims and policy benefits payments	( 5,130,665)	( 4,985,413)
Underwriting expenses	( 5,707)	( 3,883)
Expense from guaranty fund	( 69,457)	( 53,524)
Investment-linked product expenses	( 485,690)	( 373,294)
Subtotal	<u>( 5,691,519)</u>	<u>( 5,416,114)</u>
Total	<u>\$ 32,400,843</u>	<u>\$ 29,413,918</u>

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(37) Gain or loss on financial assets and liabilities at fair value through profit or loss

	For the years ended December 31,	
	2017	2016
<u>Realized gain or loss on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	\$ 223,832	\$ 193,974
Bonds	5,754,010	4,442,113
Stocks	4,626,078	1,016,398
Beneficiary certificates	1,974,426	802,498
Time deposits	103,009	11,405
Financial bonds payables	( 63,755)	( 112,141)
Interest-linked instrument	( 276,880)	250,604
Exchange rate-linked instrument	2,358,543	1,810,720
Equity-linked instrument	-	224,552
Other financial derivative instruments	2,543,446	1,847,722
Loss on covering of borrowed securities and bonds with resale agreements	( 1,505,149)	( 202,500)
Loss from issuing call (put) warrants	( 4,998,195)	( 6,507,565)
Issuing call (put) warrants expense	( 237,373)	( 169,497)
Others	52,510	( 1,493,274)
Subtotal	<u>10,554,502</u>	<u>2,115,009</u>
<u>Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	(\$ 3,847)	\$ 4,766
Bonds	84,340	247,566
Stocks	120,260	123,862
Beneficiary certificates	68,746	89,832
Time deposits	( 2,929)	9,099
Financial bonds payables	( 43,603)	67,397
Interest-linked instrument	( 2,083,246)	( 128,621)
Exchange rate-linked instrument	1,927,420	( 374,876)
Equity-linked instrument	7,123	10,249
Other financial derivative instruments	261,482	( 942,458)
Valuation gains on borrowed securities and bonds with resale agreements	( 144,608)	( 102,582)
Gains on issuance of call (put) warrants	5,916,706	7,310,070
Others	( 92,546)	554,510
Subtotal	<u>6,015,298</u>	<u>6,868,814</u>
Total	<u>\$ 16,569,800</u>	<u>\$ 8,983,823</u>

A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the years ended December 31, 2017 and 2016, including the gain (loss) on disposal, were \$5,072,406 and (\$815,699), and the issuing call (put) warrants expense, were \$237,373 and \$169,497, and the dividends income were \$1,366,171 and \$1,058,705, and the

interest income were \$4,353,298 and \$2,041,500, respectively.

B. Net income on the exchange rate instruments includes realised and unrealised gains and losses on forward exchange agreements, FX options, and exchange rate futures.

C. Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.

D. Any change in fair value of the derivatives together managed with the financial instruments designated at fair value through profit and loss is listed under “gain and loss of financial assets at fair value through profit and loss”.

(38) Realised gain on available-for-sale financial assets

	For the years ended December 31,	
	2017	2016
Stock dividend income	\$ 1,662,320	\$ 1,879,342
Gains on disposal		
Bonds	813,183	1,034,774
Stocks	1,171,222	2,441,528
Others	198,323	111,746
Subtotal	2,182,728	3,588,048
Loss on disposal		
Bonds	( 83,087)	( 115,350)
Stocks	( 305,760)	( 478,778)
Others	( 10,309)	( 53,831)
Subtotal	( 399,156)	( 647,959)
Total	\$ 3,445,892	\$ 4,819,431

(39) Asset impairment losses

	For the years ended December 31,	
	2017	2016
(Recovery) impairment loss on investment property	\$ 3,306	(\$ 15,316)
Impairment loss on intangible assets	45,992	22,943
Impairment loss on available-for-sale financial assets	357,982	127,793
Impairment loss on other financial assets	57,747	13,465
Total	\$ 465,027	\$ 148,885

(40) Net other miscellaneous income

	For the years ended December 31,	
	2017	2016
Borrowed stock revenue	\$ 874,603	\$ 639,477
Net gain on investments in debt instrument without active market	732,959	614,210
Net change of reserve for foreign exchange fluctuation	( 29,627)	167,486
Other net income	942,183	1,120,698
Total	\$ 2,520,118	\$ 2,541,871



(41) Provision for credit losses and reserve for guarantee liabilities

	For the years ended December 31,	
	2017	2016
Bad debt expense of accounts	\$ 594,142	\$ 1,040,971
Bad debt expense of bills discounted and loans	687,693	934,974
Recovery of reserve for guarantee liabilities	( 215,690)	( 134,330)
Recovery of bad debt expense	( 319,374)	( 748,627)
Total	\$ 746,771	\$ 1,092,988

(42) Employee benefit expense

	For the years ended December 31,	
	2017	2016
Wages and salaries	\$ 19,330,318	\$ 15,913,014
Labor and health insurance fees	911,707	868,639
Pension costs	756,194	919,602
Termination benefits	810,424	67,297
Other employee benefit expenses	1,272,882	1,377,406
Total	\$ 23,081,525	\$ 19,145,958

As of December 31, 2017 and 2016, the Yuanta Group had 14,636 and 14,828 employees, respectively.

A. After covering accumulated deficit with the year-end earnings (that is income before taxes less income before employees' compensation provisions), 0.01% to 0.5% was appropriated as employees' compensation and an amount less than 0.9% was appropriated as directors' and supervisors' remuneration.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at \$2,977 and \$2,720, respectively; directors' and supervisors' remuneration was accrued at \$132,223 and \$60,557, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors in 2016 was in agreement with those amounts recognised in the 2016 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange Corporation (TWSE).

(43) Depreciation and amortization

	For the years ended December 31,	
	2017	2016
Investment property depreciation	\$ 75,817	\$ 91,323
Property and equipment depreciation	904,792	873,096
Intangible asset amortization	1,211,102	1,197,584
Deferred assets amortization	121,366	113,642
Total	\$ 2,313,077	\$ 2,275,645

(44) Other business and administrative expenses

	For the years ended December 31,	
	2017	2016
Tax	\$ 2,996,049	\$ 2,872,010
Rental expense	1,836,530	1,794,201
Computer science expense	1,087,383	1,183,164
Commission expense	1,454,161	1,646,470
Professional expense	574,049	583,483
Postage and telephone costs	679,559	539,460
Miscellaneous expenses	672,113	889,371
Repairs and maintenance	519,130	473,049
Insurance	488,832	443,978
Security borrowing expenses	471,053	377,809
Advertising expenses	351,216	478,727
Others	2,202,148	3,002,388
Total	<u>\$ 13,332,223</u>	<u>\$ 14,284,110</u>

(45) Income tax

The details of the Yuanta Group's income tax expense are as follows:

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,	
	2017	2016
Current tax:		
Income tax from current income period	\$ 2,372,269	\$ 1,690,079
Income tax on unappropriated earnings	659,691	284,356
Adjustments in respect of prior years	( 845,092)	( 62,377)
Total current tax	<u>2,186,868</u>	<u>1,912,058</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>372,464</u>	<u>566,925</u>
Income tax expense	<u>\$ 2,559,332</u>	<u>\$ 2,478,983</u>

(B) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2017	2016
Translation gain and loss on the financial statements of foreign operating entities	(\$ 61,995)	\$ 7,784
Fair value gains on available -for- sale financial assets	17,173	134,266
Share of profit of associates and joint ventures accounted for using equity method	( 1,791)	730
Cash flow hedges	( 366)	366
Remeasurements of defined benefit obligation	( 65,212)	( 52,001)
Total	<u>(\$ 112,191)</u>	<u>\$ 91,145</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2017	2016
Income tax from pretax income calculated at regulated tax rate	\$ 6,854,101	\$ 6,285,377
Additional 10% tax payment levied on undistributed earnings	659,691	284,356
Alternative minimum tax effects	388,803	152,891
Effects of items not recognized under relevant regulations	724,412	188,991
Temporary differences not recognized under deferred tax	( 427,771)	( 19,762)
Adjustments in respect of prior years	( 845,092)	( 62,377)
Use of prior years' unrealized tax losses in the current year	( 374,517)	( 422,719)
Adjusted effects on income tax exemption and other income	( 4,422,176)	( 3,972,888)
Land value increment tax	1,881	45,114
Income tax expense	<u>\$ 2,559,332</u>	<u>\$ 2,478,983</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, tax losses and investment tax credit are as follows:

For the year ended December 31, 2017						
	January 1	Acquisition through business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Others	December 31
Temporary differences:						
-Deferred tax assets:						
Unrealised exchange loss	\$ 66,761	\$ -	\$ 934,119	\$ -	\$ -	\$ 1,000,880
Allowance for doubtful accounts in excess of tax limitation	526,415	-	( 374,126)	-	( 5,818)	146,471
Unrealized loss on litigation loss	11,730	-	-	-	-	11,730
Unrealized losses on financial instruments	10,740	-	-	1,530	( 5)	12,265
Employee benefit expense and actuarial gains and losses on defined benefit plans	528,283	-	251,985	65,263	( 6,653)	838,878
Deferred income on credit card	4,065	-	( 782)	-	-	3,283
Tax loss carryforwards	3,809,781	-	( 1,607,371)	-	2,539	2,204,949
Impairment of property	25,385	-	( 1,324)	-	-	24,061
Others	1,255,725	464	57,195	88,031	( 1,087)	1,400,328
Subtotal	6,238,885	464	( 740,304)	154,824	( 11,024)	5,642,845
-Deferred tax liabilities:						
Unrealised exchange gain	(\$ 149,354)	\$ -	\$ 149,354	\$ -	(\$ 19,321)	(\$ 19,321)
Unrealised valuation gain on derivatives	-	-	( 22,200)	-	-	( 22,200)
Reserve for land value increment tax	( 20,956)	-	-	-	-	( 20,956)
Employee benefit expense and actuarial gains and losses on defined benefit plans	( 5,833)	-	( 93)	( 51)	-	( 5,977)
Unrealized gain on financial instruments	( 1,049,124)	( 893)	102,811	( 42,215)	( 6)	( 989,427)
Goodwill amortization	( 1,980,010)	-	( 275,425)	-	56,677	( 2,198,758)
Others	( 673,898)	( 530)	413,393	( 784)	( 16)	( 261,835)
Subtotal	( 3,879,175)	( 1,423)	367,840	( 43,050)	37,334	( 3,518,474)
Total	\$ 2,359,710	(\$ 959)	(\$ 372,464)	\$ 111,774	\$ 26,310	\$ 2,124,371

For the years ended December 31, 2016						
	January 1	Acquisition through business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Others	December 31
Temporary differences:						
-Deferred tax assets:						
Unrealised exchange loss	\$ 197,544	\$ -	(\$ 157,671)	\$ -	\$ -	\$ 39,873
Allowance for doubtful accounts in excess of tax limitation	260,627	410,232	( 144,444)	-	-	526,415
Unrealized loss on litigation loss	12,461	-	( 731)	-	-	11,730
Unrealized losses on financial instruments	27,282	-	-	( 16,542)	-	10,740
Employee benefit expense and actuarial gains and losses on defined benefit plans	253,902	219,561	1,155	53,665	-	528,283
Deferred income on credit card	5,361	-	( 1,296)	-	-	4,065
Tax loss carryforwards	3,891,313	603,907	( 685,438)	-	( 1)	3,809,781
Impairment of property	24,664	-	721	-	-	25,385
Others	1,195,464	67,809	29,751	( 10,411)	-	1,282,613
Subtotal	5,868,618	1,301,509	( 957,953)	26,712	( 1)	6,238,885
-Deferred tax liabilities:						
Unrealised exchange gain	(\$ 430,858)	(\$ 699)	\$ 282,203	\$ -	\$ -	(\$ 149,354)
Unrealised valuation gain on derivatives	( 199,830)	( 1,954)	201,784	-	-	-
Gains on valuation of overseas taxable products	( 3,190)	-	3,190	-	-	-
Reserve for land value increment tax	( 20,999)	-	-	-	43	( 20,956)
Employee benefit expense and actuarial gains and losses on defined benefit plans	( 5,121)	-	( 905)	193	-	( 5,833)
Unrealized gain on financial instruments	( 1,161,125)	-	229,725	( 117,725)	1	( 1,049,124)
Goodwill amortization	( 1,521,905)	-	( 458,105)	-	-	( 1,980,010)
Others	( 807,514)	-	133,486	( 325)	455	( 673,898)
Subtotal	( 4,150,542)	( 2,653)	391,378	( 117,857)	499	( 3,879,175)
Total	\$ 1,718,076	\$ 1,298,856	(\$ 566,575)	(\$ 91,145)	\$ 498	\$ 2,359,710

D. Yuanta Group's expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows :

December 31, 2017					
Year incurred	Amount filed/assessed/ Estimated	Unused amount	Unrecognised deferred tax assets	Usable until year	
2008	Assessed	\$ 58,143	\$ 58,143	2018	
2009	Assessed	156,869	156,869	2019	
2012	Assessed	372,588	372,588	2022	
2013	Assessed	53,633	53,633	2023	
2014	Assessed	742,275	742,275	2024	

December 31, 2016

Year incurred	Amount		Unrecognised		Usable until year
	filed/assessed/ Estimated	Unused amount	assets	deferred tax	
2007	Assessed	\$ 1,651,842	\$ 908,752		2017
2008	Assessed	890,413	865,290		2018
2009	Assessed	2,191,307	2,191,307		2019
2010	Assessed	104,928	104,928		2020
2011	Assessed	22,090	22,090		2021
2012	Assessed	380,047	380,047		2022
2013	Assessed	57,357	57,357		2023
2014	Assessed	142,142	142,142		2024
2015	Filed	1,922,046	53,628		2025
2016	Estimated	12,194	12,194		2026

As of December 31, 2017 and 2016, Yuanta Securities (Hong Kong)'s unused tax losses was \$1,152,229 and \$1,227,427, respectively; of which unrecognised deferred tax assets was \$751,813 and \$722,916, respectively. There were no expiration dates for the tax losses pursuant to local laws. As of December 31, 2017 and 2016, Yuanta Investment Consulting Beijing's unused tax losses was \$49,455 and \$45,300, respectively; of which unrecognised deferred tax assets was \$49,455 and \$45,300, respectively. The validity period for the tax losses pursuant to local laws was before 2022. As of December 31, 2017 and 2016, Yuanta Securities (Korea)'s unused tax losses was \$8,332,379 and \$13,490,993, respectively; of which unrecognised deferred tax assets was \$3,674,486 and \$6,109,266, respectively. The validity period for the tax losses pursuant to local laws was before 2025. As of December 31, 2017 and 2016, Yuanta Securities (UK)'s unused tax losses was \$20,073 and \$24,673, respectively. There were no expiration dates for the tax losses pursuant to local laws. As of December 31, 2017, Yuanta Securities (Thailand)'s unused tax losses was \$25,550. The validity period for the tax losses pursuant to local laws was before 2022.

Yuanta Group has not estimated deferred tax liabilities for related taxes that may be payable due to Yuanta Securities Asia Financial Services' unrepatriated earnings, which as of December 31, 2017 and 2016, was \$3,379,909 and \$3,164,744, respectively. The above-mentioned unrepatriated earnings are expected to be used for reinvestment. As of December 31, 2017 and 2016, Yuanta Securities Asia Financial Services' unrepatriated earnings were \$19,881,816 and \$18,616,144, respectively. Yuanta Securities (Korea) also did not recognise deferred tax assets for foreign losses and liability reserves etc. accounted for under the equity method, which as of December 31, 2017 and 2016, was \$4,495,039 and \$6,663,868, respectively.

As of December 31, 2017, Yuanta Savings Bank (Philippines)'s unused loss deductions was \$89,827; the validity period for the loss deductions pursuant to local laws was before 2020. As of December 31, 2017, Yuanta Savings Bank (Korea)'s unused loss deductions was \$572,966; the validity period for the loss deductions pursuant to local laws was before 2026.

- E. As of December 31, 2017, the information on the Yuanta Group's income tax returns that have been assessed by the Tax Authority is as follows:

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	<u>Assessment Information</u>
Yuanta Financial Holdings	Assessed through 2013
Yuanta Securities	Assessed through 2013
Yuanta Bank	Assessed through 2013
Yuanta Securities Finance	Assessed through 2013
Yuanta Venture Capital	Assessed through 2013
Yuanta Asset Management	Assessed through 2013
Yuanta Securities Investment Consulting	Assessed through 2013
Yuanta Futures	Assessed through 2015
Yuanta Securities Investment Trust	Assessed through 2013
Yuanta Life	Assessed through 2013
Yuanta International Insurance Brokers	Assessed through 2015
P.I.A. Co.	Assessed through 2016 (Note)
Yuanta International Leasing	Assessed through 2015
Yuanta I Venture Capital	Assessed through 2015
Ta Chong Bank	Assessed through 2015

Note: P.I.A. Co. resolved to liquidate in August 2016 and received assessment notice of final report on total business income of 2016.

F. Unappropriated retained earnings

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Earnings generated in and after 1998	\$ <u>35,275,652</u>	\$ <u>26,132,832</u>

G. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed. As of December 31, 2016, the balance of the imputation tax credit account was \$2,825,964. The creditable tax rate was 12.86% for the year ended December 31, 2016. Accumulated undistributed earnings used to calculate creditable tax rate comprises the Company's capital surplus, which originated from amount of undistributed earnings prior to conversion of financial institution. Please refer to Note 6(29) for further information.

H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by \$319,629 and \$348,673, respectively, which will be adjusted in 2018.

I. Income tax assessments of the Yuanta Group are as follows:

(A) Yuanta Securities

- a. With respect to the income tax returns of Yuanta Securities for the fiscal years from 2007 to 2013, the Tax Authority assessed to increase income tax payable by \$1,140,775. However, Yuanta Securities disagreed with the assessments and had filed for an administrative litigation. For conservatism purposes, Yuanta Securities had recognised the income tax expense relating to the additional income tax payable.
- b. Yuanta Securities's income tax returns through 2004 to 2006 have been assessed to levy additional tax by the Tax Authority. However, Yuanta Securities availed of administrative remedy by applying for a review of the administrative action with the

Tax Authority, and was settled in the first half year of 2017. Yuanta Securities paid the additional tax amounting to \$360,744.

- c. With respect to the dissolved company in the merger from 2011 to 2012, Polaris Securities, the Tax Authority assessed to increase income tax payable by \$106,286. However, Polaris Securities disagreed with the assessments and had filed for administrative litigation. For conservatism purposes, Polaris Securities had recognised the income tax expense relating to the additional income tax payable.

(B) Yuanta Bank

For the income tax returns for the fiscal years from 2010 to 2013, Yuanta Bank disagreed with the assessments on the amortization of discounts/premiums for goodwill. Yuanta Bank, in accordance with the law, has filed for recheck and administrative remedies and accrued the related income tax effects.

(C) Yuanta Securities Investment Trust

Yuanta Securities Investment Trust's income tax returns through 2012 and 2013 have been assessed and approved by the Tax Authority which assessed additional duties amounting to \$73,288. Yuanta Securities Investment Trust disagreed with the assessment and applied for a recheck. Currently, the case is still under the assessment of the Tax Authority.

(D) Yuanta Venture Capital

For the income tax returns for the fiscal years from 2010 to 2013, Yuanta Venture Capital disagreed with the assessments on the expense distribution for gains derived from the securities transactions. Yuanta Venture Capital, in accordance with the law, has filed for administrative remedies. The Company was assessed to supplement tax amounting to \$40,852, which has been recognised.

(46) Earnings per share

	<u>For the year ended December 31, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 16,377,105	<u>11,864,341</u>	\$ 1.38
Loss attributable to discontinued operations of the parent	( 172,157)		( 0.01)
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,204,948</u>		<u>\$ 1.37</u>
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 16,377,105	<u>11,864,341</u>	\$ 1.38
Loss attributable to discontinued operations of the parent	( 172,157)		( 0.01)
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 16,204,948</u>		<u>\$ 1.37</u>



	For the year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 13,440,038	<u>11,612,337</u>	\$ 1.16
Loss attributable to discontinued operations of the parent	( 25,933)		-
Profit attributable to ordinary shareholders of the parent	<u>\$ 13,414,105</u>		<u>\$ 1.16</u>
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 13,440,038	<u>11,612,337</u>	\$ 1.16
Loss attributable to discontinued operations of the parent	( 25,933)		-
Profit attributable to ordinary shareholders of the parent	<u>\$ 13,414,105</u>		<u>\$ 1.16</u>

For the year ended December 31, 2016, the Company's convertible preferred stocks are anti-dilutive, and thus shall not be included in the calculation of diluted earnings per share.

(47) Business combinations

A. The Company

(A) On January 29, 2016, the Company's investment in Ta Chong Bank through the issuance of new common stock and paying cash in exchange for shares was approved by the FSC, making Ta Chong Bank a 100% owned subsidiary of the Company. The transfer of shares was completed on March 22, 2016.

(B) Information on the fair value of paid consideration, obtained assets and assumed liabilities for acquiring Ta Chong Bank on the acquisition date is as follows:

	March 22, 2016
Acquisition consideration	
Cash payments	\$ 22,730,990
Issued stocks	<u>14,849,689</u>
	<u>37,580,679</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Financial assets	414,871,584
Property and equipment	3,495,256
Intangible assets	2,591,759
Other assets	38,252,765
Financial liabilities	( 399,819,129)
Other liabilities	( 26,914,247)
Total identifiable net assets	<u>32,477,988</u>
Fair value of the non-controlling interest	( 3,174,725)
Goodwill	<u>\$ 8,277,416</u>

(C) Since Yuanta Group's consolidation of Ta Chong Bank on March 22, 2016, the net income and income before taxes would be \$7,598,708 and \$2,865,585, respectively.

B. The subsidiaries

(A) Yuanta Securities

A. Yuanta Securities completed the settlement of 99.99% of Yuanta Securities (Thailand)'s (formerly KKTrade Securities Company Limited) shares on July 8, 2016 and obtained control over Yuanta Securities (Thailand). The total transaction amount was THB 691 million.

B. July 8, 2016 was the valuation date for which the purchase price allocation analysis was conducted. Information on the consideration paid, fair values of assets obtained and liabilities assumed on the acquisition date, and the fair value of non-controlling interests on the acquisition date for acquiring Yuanta Securities (Thailand) are as follows:

	<u>July 8, 2016</u>
Acquisition consideration- cash paid	\$ 636,025
Fair value of the identifiable assets acquired and liabilities assumed	
Current assets	1,183,957
Non-current assets	145,192
Current liabilities	( 735,962)
Non-current liabilities	( 27,406)
Total identifiable net assets	<u>565,781</u>
Fair value of the non-controlling interest	<u>-</u>
Goodwill	<u>\$ 70,244</u>

C. In May 2017, Yuanta Securities Asia Finance and Yuanta Securities (Hong Kong) jointly acquired 18.12% shares of Yuanta Securities (Vietnam), and jointly hold a total of 62.80% shares including 44.68% shares that were originally held by Yuanta Securities Asia Finance. On June 12, 2017, Yuanta Securities (Vietnam)'s shareholders elected directors during their meeting as a result of Yuanta Securities Asia Finance and the person who has contractual relationship with Yuanta Securities Asia Finance jointly acquiring more than half of the directors positions of the company. Therefore, Yuanta Securities (Vietnam) is controlled by Yuanta Securities Asia Finance. In July 2017, Yuanta Securities (Hong Kong) acquired 37.15% shares of Yuanta Securities (Vietnam), and Yuanta Securities Asia Finance and Yuanta Securities (Hong Kong) jointly hold a total of 99.95% shares of Yuanta Securities (Vietnam).

D. June 12, 2017 was the valuation date for which the purchase price allocation analysis was conducted. Information on the consideration paid, fair values of assets obtained and liabilities assumed on the acquisition date, and the fair value of non-controlling interests on the acquisition date for acquiring Yuanta Securities (Vietnam) are as follows:

	<u>June 12, 2017</u>
Acquisition consideration- cash paid	\$ 147,839
Fair value of previous ownership on acquisition date	357,152
Fair value of the identifiable assets acquired and liabilities assumed	
Current assets	820,406
Non-current liabilities	( 145,646)
Total identifiable net assets	<u>674,760</u>
Fair value of the non-controlling interest	<u>304,481</u>
Goodwill	<u>\$ 134,712</u>

- E. Remeasuring the fair value of 44.68% ownership of Yuanta Securities (Vietnam) on consolidation date, Yuanta Securities Asia Finance recognised \$7,900 for loss on disposals of investments accounted under “net miscellaneous income (loss).”

(B) Yuanta Bank

- A. In pursuit of expanding its businesses and improving its operating performance, and with the approval by the Financial Supervisory Commission of R.O.C. (Jin-Guan-Yin-Kong-Zi Order No. 10500026760) on March 17, 2016 and the Financial Services Commission of Korea on April 14, 2016, Yuanta Bank has opted to invest in Yuanta Savings Bank (Korea) by paying cash in exchange for shares of Yuanta Savings Bank (Korea) to make it a 100% owned subsidiary. Yuanta Bank has completed the transfer of equity on April 25, 2016.
- B. Information on the fair value of paid consideration, obtained assets and assumed liabilities for acquiring Yuanta Savings Bank (Korea) on the acquisition date is as follows:

	<u>April 25, 2016</u>
Acquisition consideration	\$ 4,081,856
Fair value of the identifiable assets acquired and liabilities assumed	
Assets of the acquired company	6,930,199
Liabilities of the acquired company	( 3,283,940)
Total identifiable net assets	<u>3,646,259</u>
Goodwill	<u>\$ 435,597</u>

- C. Yuanta Bank and the seller (AON BGN Limited Liability Company) signed a share purchase agreement which had an indemnification clause stating that the seller must compensate and guarantee that the Company was free from any losses resulting from or related to Yuanta Savings Bank (Korea)’s litigations. As of April 25, 2016 (the acquisition date), Yuanta Bank recognised compensatory assets or contingent liabilities resulting from the litigation of ₩4,090,869 thousand, accounted respectively under “Other assets-net” and “liability reserves”:

- (a) In March 2016, Trust Investment (a borrower) petitioned to the Financial Services Commission of the Republic of Korea that Yuanta Savings Bank (Korea) overcharged expenses for prior loan cases and thus claimed Yuanta Savings Bank (Korea) should return ₩4 billion unjustly received fees. Because Yuanta Savings Bank (Korea) believed that such a claim had no merit, Yuanta Savings Bank

(Korea) filed a litigation with the Seoul District Court to confirm that obligations at issue lacked legal merit and to clarify related disputes in the petition. Upon the acquisition date of Yuanta Savings Bank (Korea), Yuanta Bank had reached an agreement with AON BGN Limited Liability Company that required AON BGN Limited Liability Company to pledge ₩5 billion to Yuanta Bank as a guarantee for losses related to the litigation. As of December 31, 2017, recognised compensatory assets or contingent liabilities resulting from the litigation were ₩4,024,469 thousand, accounted respectively under “Other assets-net” and “liability reserves”. On June 16, 2017, the aforementioned case was adjudicated in favor of the plaintiff, Yuanta Savings Bank (Korea), by the Seoul District Court, Korea; the defendant, Trust Investment, has submitted the pleadings to the Seoul High Court, Korea. As of December 31, 2017, the aforementioned litigation is still under the judicial proceeding of the Seoul High Court. Thus, subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders’ equity of Yuanta Group.

(b) After the loans of a borrower of Yuanta Savings Bank (Korea) was in arrears, the real estate pledge by the managing director of the borrower was foreclosed by Yuanta Savings Bank (Korea). Subsequently, the borrower announced bankruptcy and Korea Deposit Insurance Company (“KDIC”), one of the creditors of the borrower, claimed that the collateral should have been included in the liquidation proceeding. As a result, KDIC brought forth a litigation against Yuanta Savings Bank (Korea), claiming fraudulent infringement on creditor’s rights. Upon the acquisition date of Yuanta Savings Bank (Korea), Yuanta Bank has recognised ₩66,400 thousand compensatory assets and contingent liabilities in accordance with litigation amounts. The case was adjudicated in favor of KDIC in the second instance of the district court. Yuanta Savings Bank (Korea) has elected not to appeal the verdict and has paid the compensation of ₩66,400 thousand (equivalent to NT\$1,848 thousand). However, in accordance with Yuanta Savings Bank (Korea)’s equity transfer contract, the seller (AON BGN Limited Liability Company) has already indemnified Yuanta Bank for the above-mentioned compensation amount.

C. If Ta Chong Bank, Yuanta Savings Bank (Korea) and Yuanta Securities (Thailand) had been consolidated as of January 1, 2016, the Group’s operating revenue and profit before income tax for the years ended December 31, 2016 would be \$87,126,807 and \$15,791,105, respectively. If Yuanta Securities (Vietnam) had been consolidated as of January 1, 2017, the Group’s operating revenue and profit before income tax for the years ended December 31, 2017 would be \$93,807,539 and \$20,426,561, respectively.

(BLANK)

## 7. Related party transactions

Any related party transactions amongst the Yuanta Group are eliminated upon consolidation and therefore no disclosure is made. Except for Note 7(2) and other additional notes provided, significant transactions with the related parties and the relationships to the Company are summarized below:

### A. Names and relationship of related parties

Names of related parties	Relationship with the Group
Funds managed by Yuanta Securities Investment Trust	Security investment trust fund raised by the Yuanta Securities Investment Trust
Yuanta Construction Development Co., Ltd. (Yuanta Construction Development)	Related party in substance
Polaris Research Institute (Polaris Research)	"
Asia Carbons & Technology Inc. (Asia Carbons)	"
Modern Investment Co., Ltd. (Modern Investment )	Member of the Board
Hsu Tong Investment Co., Ltd. (Hsu Tong Investment)	"
Antay Securities Co., Ltd. (Antay Securities)	The spouse of a director in Yuanta Group holds a key managing position in the entity.
Mercuries Life Insurance Co., Ltd. (Mercuries Life Insurance)	Major stockholders of Yuanta Group
Yuanta Cultural & Education Foundation (Yuanta Foundation)	A director of Yuanta Group holds a key managing position
Yuan Kun Construction Co., Ltd. (Yuan Kun Construction)	"
He Xing Construction Co., Ltd. (He Xing Construction)	"
Yung Chin International Investment Co., Ltd. (Yung Chin International Investment)	"
He's Education Foundation	"
Sintronic Technology Inc. (Sintronic Technology)	"
M-Venture Investment., Inc. (M-Venture)	A director of Yuanta Group holds a key managing position (No longer a related party since March 23, 2017.)
Reuters Ltd. (Taiwan Branch) (Reuters)	The spouse of one of Yuanta Group's management holds a key managing position in the entity.
2011KIF-TongYang IT Venture Fund	Investments accounted for using equity method of Yuanta Securities (Korea)
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	"
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	"
TongYang Agri-Food Investment Fund-2nd	"
KVIC-Yuanta 2015 Overseas Fund	"
IBKC-TongYang Growth 2013 Private Equity Fund	"
Yuanta Secondary NO.2 Fund	"
Polaris Ocean Private Equity Fund	"

Names of related parties	Relationship with the Group
Yuanta SPAC II	Investments accounted for using equity method of Yuanta Securities (Korea)
Yuanta SPAC III	"
Yuanta SPAC I	"
	(No longer a related party since September 8, 2017.)
Other related parties	The Yuanta Group, related parties, major stockholders of affiliated entities, invested enterprises of key management and its close relatives, and the key management of the consolidated company.

B. Significant transactions and balances with related parties

(1) Deposits

December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 12,943,082	1.23	0.00~6.50

December 31, 2016			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 9,313,941	0.89	0.00~9.50

Apart from an interest rate limit on staff demand savings deposits of 6.065% and 6.065% to 6.25%, For the years ended December 31, 2017 and 2016, the range of interest rates on other related parties' demand savings deposits were 0.00% to 6.50% and 0.00% to 9.50%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2017 and 2016, interest expense on the above deposits were \$57,174 and \$58,478, respectively.

(2) Loans  
(A) Yuanta Bank and its subsidiaries

December 31, 2017

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	268	\$ 42,620	\$ 23,472	\$ 23,472	-	Credit loans, movables and deposits	None
Home mortgage loans	410	3,670,707	2,934,122	2,934,122	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	37,692	35,800	35,800	-	Real estate	None
Total	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
			3,187,423	3,187,423	-		

December 31, 2016

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	240	\$ 35,093	\$ 23,690	\$ 23,690	-	Credit loans and movables	None
Home mortgage loans	409	4,050,763	3,155,232	3,155,232	-	Real estate	None
Other loans	Yuan Kun Construction	573,000	573,000	573,000	-	Real estate	None
	Yung Chin International Investment	57,850	37,692	37,692	-	Real estate	None
Total	68	256,511	124,636	124,636	-	Stock, deposits, policy and real estate	None
			3,914,250	3,914,250	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.80%~2.05% and 1.80% to 2.18%, the interest rates on the remaining loans are ranging from 0.00% to 5.88% and 0.00% to 4.99% for the years ended December 31, 2017 and 2016, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2017 and 2016, interest income resulting from the above loans amounted to \$51,496 and \$61,888, respectively.

(B)Ta Chong Bank and its subsidiaries

December 31, 2017

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	23	\$ 13,601	\$ 9,400	\$ 9,400	\$ -	Credit loans	None
Home mortgage loans	46	334,624	289,821	289,821	-	Real estate	None
Other loans	Asia Carbons	3,000	2,083	2,083	-	Credit Guarantee	None
Total			301,304	301,304	-		

December 31, 2016

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	34	\$ 17,119	\$ 15,617	\$ 15,617	\$ -	Credit loans	None
Home mortgage loans	55	360,494	332,237	332,237	-	Real estate	None
Total			347,854	347,854	-		

For the years ended December 31, 2017 and 2016, interest income resulting from the above loans amounted to \$5,144 and \$5,469, respectively.

(BLANK)



(3)Property transactions

(A)The details of the Yuanta Group investments in open-end funds were as follows:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
Other related parties:				
Funds managed by Yuanta				
Securities Investment				
Trust	\$	2,460,316	\$	2,390,175
	For the years ended December 31,			
	<u>2017</u>		<u>2016</u>	
	<u>Unrealized gain</u>	<u>Realized gain</u>	<u>Unrealized gain</u>	<u>Realized gain</u>
Other related parties:				
Funds managed by				
Yuanta Securities				
Investment Trust	\$	406	\$	651,155
	\$	64,139	\$	814,800

(B)The Yuanta Group has bills and bonds transactions under repurchase agreements with the related parties (recorded as Bond sold under repurchase agreements).

a. Bonds transactions under repurchase agreements

	<u>For the year ended December 31, 2017</u>			
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Interest rate (%)</u>	<u>Notional amount</u>
Company's directors:				
Others	\$ 801,573	\$ 481,039	0.35	
Others	5,969	5,969	1.60~1.80(Note: USD)	USD 200
Other related parties:				
Funds managed by Yuanta				
Securities Investment				
Trust	483,904	442,253	3.00~4.31(Note: CNY)	CNY 96,800
Funds managed by Yuanta				
Securities Investment				
Trust	271,395	-	1.00~1.70(Note: USD)	USD -
Mercuries Life Insurance	2,720,315	1,330,191	0.31~0.33	
Hsu Tong Investment	21,007	21,007	0.35	
Others	739,544	724,786	0.35	
		<u>\$ 3,005,245</u>		

	For the year ended December 31, 2016			
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 826,593	\$ 701,537	0.35~0.42	
Other related parties:				
Funds managed by Yuanta				
Securities Investment Trust	352,507	-	2.50(Note: CNY)	CNY -
Modern Investment	40,007	-	0.35~0.40	
Hsu Tong Investment	15,535	-	0.35~0.40	
Others	750,998	<u>739,449</u>	0.35~0.40	
		<u>\$ 1,440,986</u>		

Note: For foreign currency repo trade.

	Interest expenses			
	For the years ended December 31,			
	2017		2016	
Company's directors:				
Others	\$	2,354	\$	1,598
Other related parties:				
Funds managed by Yuanta				
Securities Investment Trust		5,826		1,368
Others		<u>3,355</u>		<u>1,538</u>
	\$	<u>11,535</u>	\$	<u>4,504</u>

b. Bonds sold and purchased:

	For the years ended December 31, 2017		For the years ended December 31, 2016	
	Bonds purchased	Bonds sold	Bonds purchased	Bonds sold
Company's directors:				
Others	\$ -	\$ -	\$ -	\$ 4,948
Other related parties:				
Yuanta SPAC I	23,258	-	23,498	-
Yuanta SPAC II	21,650	-	20,815	-
Yuanta SPAC III	18,554	-	-	-
Mercuries Life Insurance	-	<u>3,872,245</u>	-	-
	<u>\$ 63,462</u>	<u>\$ 3,872,245</u>	<u>\$ 44,313</u>	<u>\$ 4,948</u>

The above bond transactions were matched by the Electronic Bond Trading System of GreTai Securities Market.

c. Bonds transactions under repurchase agreements

For the year ended December 31, 2017				
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 37,308	<u>\$ 37,308</u>	2.10~2.20(Note: USD)	USD 1,250
For the year ended December 31, 2016				
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 41,536	<u>\$ 41,536</u>	2.10~2.20(Note: USD)	USD 1,287

Note: For foreign currency repo trade.

		Interest income	
		For the years ended December 31,	
		2017	2016
Company's directors:			
Others		<u>\$ 620</u>	<u>\$ 336</u>
(C)Acquisition of property and equipment from related parties by Yuanta Group			
		December 31, 2017	December 31, 2016
Other related parties:			
Yuanta Construction Development		<u>\$ -</u>	<u>\$ 69,901</u>
(4)Structured notes			
		December 31, 2017	December 31, 2016
Company's directors:			
Others		\$ 108,439	\$ 43,947
Other related parties:			
Others		<u>43,899</u>	<u>67,335</u>
		<u>\$ 152,338</u>	<u>\$ 111,282</u>
(5)Equity of futures traders			
		December 31, 2017	December 31, 2016
Company's directors:			
Others		\$ 857,927	\$ 65,198
Other related parties:			
Funds managed by Yuanta Securities Investment Trust		13,888,715	19,395,680
Others		<u>14,889</u>	<u>25,527</u>
		<u>\$ 14,761,531</u>	<u>\$ 19,486,405</u>

(6) Refundable deposits for securities lending and refundable deposits receivable lending and security borrowing expenses

	<u>Refundable deposits for securities lending</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 125,605	\$ 100,258
	<u>Refundable deposits receivable lending</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 5,879	\$ 96,707
	<u>Security borrowing expenses</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 2,888	\$ 4,319

As of December 31, 2017 and 2016, borrowing expenses payable were \$1,779 and \$39, respectively.

(7) Receivables from loans to employees and the interest income generated

	<u>Receivables from loans to employees</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Company's directors:		
Others	\$ 25,396	\$ 10,146
Other related parties:		
Others	243,731	205,811
	<u>\$ 269,127</u>	<u>\$ 215,957</u>
	<u>Interest income on loans to employees</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Company's directors:		
Others	\$ 934	\$ 809
Other related parties:		
Others	8,551	9,082
	<u>\$ 9,485</u>	<u>\$ 9,891</u>

(8) Receivables from access service fees income and access service fees income

	<u>Access service fees income</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 758	\$ 516

As of December 31, 2017 and 2016, receivables from access service fees income were all \$0.  
(9)Commission receivables and Commission income

	Commission receivables	
	December 31, 2017	December 31, 2016
Other related parties:		
2011 KIF-TongYang IT Venture Fund	\$ 9,118	\$ 10,137
Yuanta Secondary No.2 Fund	8,747	-
KVIC-Yuanta 2015 Overseas Fund	5,231	5,029
IBKC-TongYang Growth 2013 Private Equity Fund	3,571	21,948
Polaris Ocean Private Equity Fund	1,362	2,765
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	-	8,884
Other	19,291	21,837
	<u>\$ 47,320</u>	<u>\$ 70,600</u>
	Commission income	
	For the years ended December 31,	
	2017	2016
Other related parties:		
Yuanta Secondary No.2 Fund	\$ 25,941	\$ -
KVIC-Yuanta 2015 Overseas Fund	20,180	20,895
IBKC-TongYang Growth 2013 Private Equity Fund	13,780	15,201
Polaris Ocean Private Equity Fund	9,360	11,423
2011 KIF-TongYang IT Venture Fund	8,793	10,529
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	-	9,227
Other	33,441	29,499
	<u>\$ 111,495</u>	<u>\$ 96,774</u>

(10)Receivable from stock custodian income and stock custodian income

	Receivable from stock custodian	
	December 31, 2017	December 31, 2016
Other related parties:		
Others	\$ 69	\$ 82

		Stock custodian income	
		For the years ended December 31,	
		2017	2016
Other related parties:			
Others	\$	841	\$ 696
(11)Investment refund receivable			
		December 31, 2017	December 31, 2016
Other related parties:			
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	\$	107,787	\$ 84,181
2011KIF-TongYang IT Venture Fund		36,448	34,551
TongYang Agri-Food Investment Fund-2nd		33,427	44,867
	\$	177,662	\$ 163,599
(12)Margin loans receivable and security financing interest revenue			
		Margin loans receivable	
		December 31, 2017	December 31, 2016
Other related parties:			
Others	\$	1,786	\$ 1,311
		Security financing interest revenue	
		For the years ended December 31,	
		2017	2016
Other related parties:			
Others	\$	73	\$ 63
(13)Security-based loans and security-based loan interest income			
		Security-based loans	
		December 31, 2017	December 31, 2016
Other related parties:			
Others	\$	29,121	\$ 28,888
		Security-based loan interest income	
		For the years ended December 31,	
		2017	2016
Other related parties:			
Others	\$	443	\$ 62
(14)Other receivables			
		December 31, 2017	December 31, 2016
Other related parties:			
Others	\$	120	\$ 271

(15) Other financial liabilities and Interest expense

Customers' deposits of Yuanta Securities recorded as Other financial liabilities were as follows:

	<u>Other financial liabilities</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Company's directors:		
Others	\$ 1,798	\$ 19,481
Other related parties:		
Others	<u>2</u>	<u>1</u>
	<u>\$ 1,800</u>	<u>\$ 19,482</u>
	<u>Interest expense</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Other related parties:		
Others	<u>\$ 1</u>	<u>\$ 1</u>

(16) Accounts payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related parties:		
Antay Securities	<u>\$ 242</u>	<u>\$ -</u>

(17) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Company's directors:		
Others	<u>\$ 296</u>	<u>\$ 174</u>

(18) Stocks issued by fellow subsidiary

	<u>Ending balance</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related parties		
Sintronic Technology	\$ 124,328	\$ -
Others	<u>1</u>	<u>-</u>
	<u>\$ 124,329</u>	<u>\$ -</u>
	<u>For the year ended December 31, 2017</u>	
	<u>Unrealized</u>	<u>Realized</u>
	<u>gain</u>	<u>gain (loss)</u>
Other related parties		
Sintronic Technology	\$ 6,057	\$ 5,860
Others	<u>-</u>	<u>( 15)</u>
	<u>\$ 6,057</u>	<u>\$ 5,845</u>

For the years ended December 31, 2017 and 2016, unrealized gain and realized gain from the investment of stocks issued by fellow subsidiary were all \$0.

(19)Credit transaction between the Yuanta Group and related parties:

		December 31, 2017		
		Balance of guaranteed price from		
	<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>	
Company's directors:				
Others	\$ 5,237	\$ 4,996	\$ 72,010	
Other related parties:				
Others	<u>2,431</u>	<u>4,698</u>	<u>38,498</u>	
	<u>\$ 7,668</u>	<u>\$ 9,694</u>	<u>\$ 110,508</u>	
		December 31, 2016		
		Balance of guaranteed price from		
	<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>	
Company's directors:				
Others	\$ 27,100	\$ 35,630	\$ 44,397	
Other related parties:				
Others	<u>3,695</u>	<u>5,200</u>	<u>29,707</u>	
	<u>\$ 30,795</u>	<u>\$ 40,830</u>	<u>\$ 74,104</u>	
		Security financing interest receivable		
		<u>December 31, 2017</u>	<u>December 31, 2016</u>	
Company's directors:				
Others		\$ 1,226	\$ 848	
Other related parties:				
Others		<u>663</u>	<u>400</u>	
		<u>\$ 1,889</u>	<u>\$ 1,248</u>	
		Security short-selling interest payable		
		<u>December 31, 2017</u>	<u>December 31, 2016</u>	
Company's directors:				
Others		\$ -	\$ 16	
Other related parties:				
Others		<u>-</u>	<u>6</u>	
		<u>\$ -</u>	<u>\$ 22</u>	



	For the years ended December 31,			
	2017		2016	
	Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:				
Others	\$ 32	\$ 1,270	\$ 53	\$ 2,976
Other related parties:				
Others	4	691	12	1,777
	<u>\$ 36</u>	<u>\$ 1,961</u>	<u>\$ 65</u>	<u>\$ 4,753</u>

(20) Prepaid expenses and consultant fees

	Prepaid expenses	
	December 31, 2017	December 31, 2016
Other related parties:		
M-Venture	\$ -	\$ 14,729

	Consultant fees	
	For the years ended December 31,	
	2017	2016
Other related parties:		
M-Venture	\$ -	\$ 4,910

(21) Futures commission expenses – futures introducing broker business and re-consignment business

	For the years ended December 31,	
	2017	2016
	Other related parties:	
Antay Securities	\$ 1,945	\$ -

(22) ETF redemption fees

	For the years ended December 31,	
	2017	2016
	Other related parties:	
Funds managed by Yuanta Securities Investment Trust	\$ 38,658	\$ 38,243

(23) Information technology expense

	For the years ended December 31,	
	2017	2016
	Other related parties:	
Reuters	\$ 11,384	\$ 5,635

(24) Operating expenses:

	Nature	For the years ended December 31,	
		2017	2016
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 50,000	\$ 50,000
Polaris Research	Donation expenditure	22,500	21,000
		<u>\$ 72,500</u>	<u>\$ 71,000</u>

(25) Rental expenses to leases and security deposits incident to leases from related parties by Yuanta Group. The circumstances of the transaction are as follows:

	Rental expenses	
	For the years ended December 31,	
	2017	2016
Other related parties:		
He Xing Construction	<u>\$ 4,930</u>	<u>\$ 4,930</u>
Security deposits		
	December 31, 2017	December 31, 2016
Other related parties:		
He Xing Construction	<u>\$ 250,000</u>	<u>\$ 250,000</u>

(26) The details of the service fees arising from brokerage commissions engaged by the Company and its related parties were as follows:

	For the years ended December 31,	
	2017	2016
Company's directors:		
Others	\$ 16,265	\$ 14,904
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	148,722	186,755
Others	24,371	15,710
	<u>\$ 189,358</u>	<u>\$ 217,369</u>

(27) Rental income incident to leases from related parties by Yuanta Group. The circumstances of the transaction are as follows:

	For the years ended December 31,	
	2017	2016
Other related parties:		
Polaris Research	\$ 2,195	\$ 2,196
Yuanta Construction Development	581	456
Yuanta Foundation	40	50
	<u>\$ 2,816</u>	<u>\$ 2,702</u>

(28) Deposits received incident to leases from related parties by Yuanta Group. The circumstances of the transaction are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related parties:		
Polaris Research	\$ 547	\$ 547
Yuanta Foundation	<u>11</u>	<u>11</u>
	<u>\$ 558</u>	<u>\$ 558</u>

(29) Other operating income

(a) Dividend Income

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	<u>\$ 11,098</u>	<u>\$ 5,621</u>

(b) Revenue from best-effort and underwriting

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	<u>\$ 4,116</u>	<u>\$ -</u>

(30) Information on remunerations to the Company's key management:

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 4,202,825	\$ 3,857,927
Termination benefits	27,785	35,173
Post-employment benefit	<u>142,537</u>	<u>125,443</u>
Total	<u>\$ 4,373,147</u>	<u>\$ 4,018,543</u>

(BLANK)

C. Transactions and balances with related parties exceeding \$100 million:

(1) Yuanta Bank and its subsidiaries

(A) Deposits

December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 38,859,035	5.26	0.00~6.50
December 31, 2016			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 41,877,535	5.87	0.00~9.50

Apart from an interest rate limit on staff demand savings deposits of 6.065% and 6.065% to 6.25%, for the years ended December 31, 2017 and 2016, the range of interest rates on other related parties' demand savings deposits were 0.00% to 6.50% and 0.00% to 9.50%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2017 and 2016, interest expense on the above deposits was \$203,496 and \$271,345, respectively.

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## (B)Loans

December 31, 2017

UNIT: In thousands of NT Dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	268	\$ 42,620	\$ 23,472	\$ 23,472	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	410	3,670,707	2,934,122	2,934,122	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	deposits	None
	Yung Chin International Investment	37,692	35,800	35,800	-	Real estate	None
Total	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
			3,187,423	3,187,423	-		

December 31, 2016

UNIT: In thousands of NT Dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	240	\$ 35,093	\$ 23,690	\$ 23,690	\$ -	Credit loans and movables	None
Home mortgage loans	409	4,050,763	3,155,232	3,155,232	-	Real estate	None
Other loans	Yuan Kun Construction	573,000	573,000	573,000	-	Real estate	None
	Yung Chin International Investment	57,850	37,692	37,692	-	Real estate	None
	Yuanta Securities	18,629	-	-	-	Real estate	None
Total	68	256,511	124,636	124,636	-	Stock, deposits, policy and real estate	None
			3,914,250	3,914,250	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.80% to 2.05% and 1.80% to 2.18%, the interest rates on the remaining loans are ranging from 0.00% to 5.88% and 0.00% to 4.99% for the years ended December 31, 2017 and 2016, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2017 and 2016, interest income resulting from the above loans amounted to \$51,496 and \$61,889, respectively.

(C) Service fee income

	For the years ended December 31,	
	2017	2016
Fellow subsidiary:		
Yuanta Life	\$ 339,618	\$ 308,133
Yuanta funds	13,172	10,805
	<u>\$ 352,790</u>	<u>\$ 318,938</u>

Resulting from the above-mentioned brokerage of funds, insurances, and trusts, the related receivables were as follows:

	December 31, 2017	December 31, 2016
Fellow subsidiary:		
Yuanta Life	\$ 23,197	\$ 13,042
Yuanta Securities Investment Trust	400	550
	<u>\$ 23,597</u>	<u>\$ 13,592</u>

(D) Rental expense

Name	Purpose	For the years ended December 31,	
		2017	2016
Fellow subsidiary:			
Yuanta Securities	Office rental/Venue rental	\$ 105,254	\$ 98,329
Yuanta Securities Finance	Office rental	2,537	2,538
		<u>\$ 107,791</u>	<u>\$ 100,867</u>

As of December 31, 2017 and 2016, the above-mentioned transaction payment terms are based on a mutually signed contract. The related security deposits were \$6,440 and \$4,594, respectively.

(E) Current income tax assets/liabilities

	December 31, 2017	December 31, 2016
Parent company:		
Yuanta Financial Holdings		
Consolidated income tax refundable	<u>\$ 2,230,339</u>	<u>\$ 2,608,784</u>
Consolidated income tax payable	<u>\$ 477,017</u>	<u>\$ 538,630</u>

(F)Property transactions

The details of Yuanta Bank and its subsidiaries engaging in outright purchase and sale transactions with affiliates in the open market were as follows:

		For the year ended December 31, 2017		
		Type	Purchase price	Selling price
Fellow subsidiary:				
Yuanta Securities		Bond	\$ 508,141	\$ 50,109
		For the year ended December 31, 2016		
		Type	Purchase price	Selling price
Fellow subsidiary:				
Yuanta Securities		Bond	\$ 113,350	\$ 553,629

(G)Payables

		December 31, 2017	December 31, 2016
Fellow subsidiary:			
Ta Chong Bank		\$ 8,546,018	\$ -

(2)Ta Chong Bank and its subsidiaries

(A)Deposits

December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Funds managed by Yuanta Securities Investment Trust	\$ 3,800,000	1.09	0.36~0.60
Deposits by each related party not over 1% of total deposits	\$ 4,611,252	1.32	0.00~6.25
December 31, 2016			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ 5,741,568	1.53	0.00~6.82

For the years ended December 31, 2017 and 2016 interest expense on the above deposits were \$35,144 and \$26,234, respectively.

Based on the Banking Act, except for consumer and government loans, credits extended by Ta Chong Bank to any related party were fully secured, and the other terms of these credits shall not be more favorable than those terms offered to other same category customer.

## (B) Loans

December 31, 2017

UNIT: In thousands of NT Dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions
				Normal loans	Overdue accounts		
Consumer loans	23	\$ 13,601	\$ 9,400	\$ 9,400	\$ -	Credit loans	None
Home mortgage loans	46	334,624	289,821	289,821	-	Real estate	None
Other loans	Asia Carbons	3,000	2,083	2,083	-	Credit Guarantee	None
Total			301,304	301,304	-		

December 31, 2016

UNIT: In thousands of NT Dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions
				Normal loans	Overdue accounts		
Consumer loans	34	\$ 17,119	\$ 15,617	\$ 15,617	\$ -	Credit loans	None
Home mortgage loans	55	360,494	332,237	332,237	-	Real estate	None
	Yuanta I Venture Capital	100,000	-	-	-	Credit loans	None
	Yuanta Securities (Hong Kong)	487,150	-	-	-	Credit loans	None
	Yuanta Securities Asia Financial Services	391,512	-	-	-	Credit loans	None
Total			347,854	347,854	-		

For the years ended December 31, 2017 and 2016, interest income resulting from the above loans amounted to \$5,144 and \$10,759, respectively.



(C) Insurance agency agreement

Ta Chong Bank entered into an insurance agency agreement with Yuanta Life. Ta Chong Bank provides related services of policy sales. For the years ended December 31, 2017 and 2016, commission income (shown as service fee income) were \$196,981 and \$52,131, respectively. As of December 31, 2017 and 2016, commission receivables (shown as receivables from related parties) were \$6,179 and \$12,256, respectively.

(D) Refundable deposits

Please refer to Note 7B(25).

(E) Property transactions

On August 1, 2016, Ta Chong Bank acquired property and equipment from Yuanta Securities. The total contract price was \$2,928,000, and was accounted as property and equipment – net.

(F) Other

- A. On June 24, 2016, the Ta Chong Bank ECB par value amounting to USD245 million held by Yuanta Financial Holding, was converted to 736,599 thousand common shares.
- B. In August, 2016, Yuanta Financial Holding, the owner of Ta Chong Bank ECB par value amounting to USD105 million, exercised the put right, which resulted in put gain of \$177,830 (recognised under other miscellaneous income); the transaction was settled on November 9, 2016.
- C. For the year ended December 31, 2016, Yuanta Financial Holdings paid \$39,980 for the interest of Ta Chong Bank's ECB. Yuanta Financial Holdings no longer held any Ta Chong Bank's ECB as at December 31, 2016.
- D. As of December 31, 2017 and 2016, Yuanta Financial Holdings held 0 thousand shares and 188,235 thousand shares of Ta Chong Bank's Class C registered convertible preferred stock, respectively. For the years ended December 31, 2017 and 2016, Ta Chong Bank recognised interest expense of \$2,364,620 and \$130,000 on the aforementioned preferred stock, respectively.
- E. On August 17, 2017, the Board of Directors of Ta Chong Bank on behalf of ordinary and preferred shareholders resolved to revise Ta Chong Bank's Articles of Incorporation in order to repurchase Series C convertible preferred shares. On September 30, 2017, Series C convertible preferred shares have been repurchased at maturity.
- F. On August 17, 2017, the Board of Directors of Ta Chong Bank approved to acquire 17,765,300 ordinary shares of Taiwan Depository and Clearing Corporation from Yuanta Securities Finance with a consideration totaled \$1,081,729 (shown as other financial assets - net). The stock acquisition was approved by the Competent Authority on September 27, 2017 and was settled on October 31, 2017.
- G. The balance in one of Ta Chong Bank's account was transmitted in one of Yuanta Bank's account in Central Bank following the merger of these two banks on January 1, 2018. As of December 31, 2017, \$8,546,018 was recorded as accounts receivable from related parties.

(3) Yuanta Securities and its subsidiaries

- (A) Futures commission income, futures trading guarantees – self capital, commissions receivable at period end (recorded under receivables) and service expense on self – operation arising from Yuanta Securities and its subsidiaries engaging in brokerage of futures transactions with affiliates and in concurrent operation of futures proprietary business were as follows:

		December 31, 2017		
		Futures trading guarantees		
		Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:				
Yuanta Futures		\$ 24,335	\$ 671,815	\$ 2,068,468
		December 31, 2016		
		Futures trading guarantees		
		Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:				
Yuanta Futures		\$ 17,173	\$ 838,829	\$ 1,445,036
		Settlement and clearing service fees payable		
		December 31, 2017	December 31, 2016	
Fellow subsidiary:				
Yuanta Futures		\$ 3,170	\$ 3,108	
		For the year ended December 31, 2017		
		Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:				
Yuanta Futures		\$ 246,221	\$ 38,170	\$ 76,842
		For the year ended December 31, 2016		
		Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:				
Yuanta Futures		\$ 249,677	\$ 47,138	\$ 92,249
(B) Bank deposits, interest income and interest receivable				
(a) Details of deposits of Yuanta Securities and its subsidiaries due from related parties are as follows:				
		December 31, 2017		
		Bank deposits ending balance	Other receivables – interests receivable (Note)	
Fellow subsidiary:				
Yuanta Bank		\$ 11,908,755	\$	1,313
Ta Chong Bank		328,481		131
		\$ 12,237,236	\$	1,444

		December 31, 2016	
		Bank deposits ending balance	Other receivables – interests receivable (Note)
Fellow subsidiary:			
Yuanta Bank	\$	12,642,616	\$ 1,175
Ta Chong Bank		1,031,309	340
	\$	<u>13,673,925</u>	<u>\$ 1,515</u>
For the years ended December 31,			
		2017	2016
		Other gains and losses – interest revenue (Note)	Other gains and losses – interest revenue (Note)
Fellow subsidiary:			
Yuanta Bank	\$	39,620	\$ 34,534
Ta Chong Bank		6,670	4,108
	\$	<u>46,290</u>	<u>\$ 38,642</u>

Note: Interests for demand deposits, time deposits and operating guarantee deposits were included.

- (b) Yuanta Securities and its subsidiaries provided certificates of deposit to a related party as performance bond of the lines of credit and structured notes (recognised under “Other current assets”) amounting to \$1,036,000 and \$546,000, respectively, as of December 31, 2017 and 2016.
- (C) Receivables/ payables - consolidated income tax return system (recorded as Current income tax assets/liabilities)

		December 31, 2017	December 31, 2016
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax return receivables	\$	<u>682,431</u>	<u>\$ 829,971</u>
Consolidated income tax return payables	\$	<u>1,108,346</u>	<u>\$ 1,604,197</u>

- (D) Operating guarantee deposits

Yuanta Securities and its subsidiaries provided certificates of deposit to a related party as operating guarantee deposits for engaging in securities and futures business. Details were as follows:

		December 31, 2017	December 31, 2016
Fellow subsidiary:			
Yuanta Bank	\$	<u>975,000</u>	<u>\$ 935,000</u>

- (E) Refundable deposits for securities lending, refundable deposits receivable lending and security borrowing expenses

	December 31, 2017		
	Refundable deposits for securities lending	Refundable deposits receivable lending	Borrowing expenses payable
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 125,605	\$ 5,879	\$ 1,779
	December 31, 2016		
	Refundable deposits for securities lending	Refundable deposits receivable lending	Borrowing expenses payable
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 100,258	\$ 96,707	\$ 39
	Security borrowing expenses		
	For the years ended December 31,		
	2017	2016	
Fellow subsidiary:			
Yuanta Securities Finance	\$ 1,301	\$ 329	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	2,888	4,319	
	\$ 4,189	\$ 4,648	

(F)Receivables from loans to employees and shareholders, and the interest income generated  
Please refer to Note 7B(7).

(G)Commission receivables and commission income

	Commission receivables	
	December 31, 2017	December 31, 2016
Fellow subsidiary:		
Yuanta Life	\$ 22,148	\$ 24,821
Yuanta Futures	252	-
Yuanta Savings Bank (Korea)	124	-
Other related parties:		
2011 KIF-TongYang IT Venture Fund	9,118	10,137
Yuanta Secondary No.2 Fund	8,747	-
KVIC-Yuanta 2015 Overseas Fund	5,231	5,029
IBKC-TongYang Growth 2013 Private Equity Fund	3,571	21,948
Polaris Ocean Private Equity Fund	1,362	2,765
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	-	8,884
Others	19,291	21,837
	\$ 69,844	\$ 95,421

	Commission income	
	For the years ended December 31,	
	2017	2016
Fellow subsidiary:		
Yuanta Life	\$ 350,979	\$ 273,827
Yuanta Futures	596	-
Yuanta Savings Bank (Korea)	438	-
Other related parties:		
Yuanta Secondary No.2 Fund	25,941	-
KVIC-Yuanta 2015 Overseas Fund	20,180	20,895
IBKC-TongYang Growth 2013 Private Equity Fund	13,780	15,201
Polaris Ocean Private Equity Fund	9,360	11,423
2011 KIF-TongYang IT Venture Fund	8,793	10,529
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	-	9,227
Others	33,441	29,499
	<u>\$ 463,508</u>	<u>\$ 370,601</u>

(H) Investment refund receivable

Please refer to Note 7B(11).

(I) Property transactions

(a) Bonds transactions under repurchase agreements:

Please refer to Note 7B(3)(B)a.

(b) Bonds sold and purchased:

	For the years ended December 31,			
	2017		2016	
	Bonds Purchased	Bonds Sold	Bonds Purchased	Bonds Sold
Parent company:				
Yuanta Financial Holdings	\$ -	\$ -	\$ 100,000	\$ -
Fellow subsidiary:				
Ta Chong Bank	50,387	-	49,651	49,617
Yuanta Bank	50,109	508,141	553,629	113,350
Ta Chong Securities	-	50,075	-	205,241
Company's directors:				
Others	-	-	-	4,948
Other related parties:				
Yuanta SPAC I	23,258	-	23,498	-
Yuanta SPAC II	21,650	-	20,815	-
Yuanta SPAC III	18,554	-	-	-
Mercuries Life Insurance	-	3,872,245	-	-
	<u>\$ 163,958</u>	<u>\$ 4,430,461</u>	<u>\$ 747,593</u>	<u>\$ 373,156</u>

The above bond transactions were matched by the Electronic Bond Trading System of GreTai Securities Market.

(c) Bonds transactions under repurchase agreements

Please refer to Note 7B(3)(B)c.

(d) Equity sold:

		For the years ended December 31,	
		2017	2016
	Underlying of transaction	Gross transaction amount	Gross transaction amount
Fellow subsidiary:			
Yuanta Securities Finance	Stocks of Taiwan Depository and Clearing Corporation	\$ 936,741	\$ -

(e) Real Estate Transactions:

		For the years ended December 31,	
		2017	2016
	Underlying of transaction	Gross transaction amount	Gross transaction amount
Fellow subsidiary:			
Ta Chong Bank	Land	\$ 36,569	\$ -
		For the year ended December 31, 2016	
	Underlying of transaction	Gross transaction amount	Gain (loss) on disposal
Fellow subsidiary:			
Ta Chong Bank	Land	\$ 2,488,800	\$ 2,036,081
Ta Chong Bank	Building	439,200	(121,798)
		\$ 2,928,000	\$ 1,914,283

Yuanta Securities did not sell real estate to related parties for the year ended December 31, 2017.

(J) Non- operating expenses - service fees

Service fees were arising from a related party that provided investment strategy and advice to Yuanta Securities and its subsidiaries. The transactions are as follows:

		For the years ended December 31,	
		2017	2016
Fellow subsidiary:			
Yuanta Securities Investment Consulting		\$ 183,748	\$ 194,936

Service fees are calculated based on mutual agreement.

(K) Structured notes

Please refer to Note 7B(4).

(L) Non-operating revenues - rental income

	For the years ended December 31,	
	2017	2016
Parent company:		
Yuanta Financial Holdings	\$ 29,432	\$ 30,709
Fellow subsidiary:		
Yuanta Futures	20,846	21,073
Yuanta Bank	20,664	26,375
Yuanta Securities Finance	10,519	10,536
Yuanta Securities Investment Consulting	5,815	6,120
Yuanta Venture Capital	3,819	3,735
Yuanta Life	3,371	32,314
Yuanta Asset Management	2,161	2,357
Ta Chong Bank	725	214
Yuanta Securities Investment Trust	509	14,159
Yuanta International Leasing	259	259
Yuanta Property Insurance Agency	-	350
Other related parties:		
Polaris Research	2,195	2,196
Yuanta Construction Development	581	456
	<u>\$ 100,896</u>	<u>\$ 150,853</u>

(M) Funds and beneficiary certificates managed by fellow subsidiary

	December 31, 2017		December 31, 2016	
	Unrealized gain	Realized gain	Unrealized gain	Realized gain
Other related parties:				
Fund managed by Yuanta Securities Investment Trust	\$ 323	\$ 657,041	\$ 65,852	\$ 806,454

## (N) Stocks issued by fellow subsidiary

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Parent company:		
Yuanta Financial Holdings	\$ -	\$ 1,313,404
Other related parties:		
Sintronic Technology	124,328	-
Others	<u>1</u>	<u>-</u>
	<u>\$ 124,329</u>	<u>\$ 1,313,404</u>

For the years ended December 31,

	<u>2017</u>		<u>2016</u>	
	<u>Unrealized gain (loss)</u>	<u>Realized gain</u>	<u>Unrealized gain (loss)</u>	<u>Realized gain (loss)</u>
Parent company:				
Yuanta Financial Holdings	(\$ 21,890)	\$ 147,727	\$ 21,890	(\$ 135)
Fellow subsidiary:				
Ta Chong Bank	-	-	( 840,744)	885,731
Other related parties:				
Sintronic Technology	6,057	5,860	-	-
Others	<u>- ( 15)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(\$ 15,833)</u>	<u>\$ 153,572</u>	<u>(\$ 818,854)</u>	<u>\$ 885,596</u>

## (O) Credit transaction

	<u>December 31, 2017</u>		
	Balance of guaranteed price from		
	<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>
Company's directors:			
Others	\$ 5,237	\$ 4,996	\$ 72,010
Other related parties:			
Others	<u>2,431</u>	<u>4,698</u>	<u>38,498</u>
	<u>\$ 7,668</u>	<u>\$ 9,694</u>	<u>\$ 110,508</u>
	<u>December 31, 2016</u>		
	Balance of guaranteed price from		
	<u>Margin of stock loan</u>	<u>securities borrower</u>	<u>Balance</u>
Fellow subsidiary:			
Yuanta Futures	\$ 195,357	\$ 216,214	\$ -
Company's directors:			
Others	27,100	35,630	44,397
Other related parties:			
Others	<u>3,695</u>	<u>5,200</u>	<u>29,707</u>
	<u>\$ 226,152</u>	<u>\$ 257,044</u>	<u>\$ 74,104</u>



	December 31, 2017	
	Security short-selling interest payable	Security financing interest receivable
Company's directors:		
Others	\$ -	\$ 1,226
Other related parties:		
Others	-	663
	<u>\$ -</u>	<u>\$ 1,889</u>
	December 31, 2016	
	Security short-selling interest payable	Security financing interest receivable
Fellow subsidiary:		
Yuanta Futures	\$ 121	\$ -
Company's directors:		
Others	16	848
Other related parties:		
Others	6	400
	<u>\$ 143</u>	<u>\$ 1,248</u>
	For the years ended December 31, 2017	
	Security short-selling interest expenditures	Security financing interest revenue
Fellow subsidiary:		
Yuanta Futures	\$ 285	\$ -
Company's directors:		
Others	32	1,270
Other related parties:		
Others	4	691
	<u>\$ 321</u>	<u>\$ 1,961</u>
	For the years ended December 31, 2016	
	Security short-selling interest expenditures	Security financing interest revenue
Fellow subsidiary:		
Yuanta Futures	\$ 168	\$ -
Company's directors:		
Others	53	2,976
Other related parties:		
Others	12	1,777
	<u>\$ 233</u>	<u>\$ 4,753</u>

(P) Others

As of December 31, 2017 and 2016, the lines of credit Yuanta Securities has drawn in order to acquire Yuanta Bank were all \$4,600,000. The carrying amounts of land and building amounting to \$3,678,840 and \$3,724,052, respectively, were designated as collateral.

(4) Yuanta Securities Finance

(A) Bank deposits

Details of deposits of Yuanta Securities Finance from fellow subsidiaries are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Fellow subsidiary:		
Yuanta Bank		
-Recognised in refundable deposits	\$ 100,000	\$ 100,000
-Recognised in cash and cash equivalents	3,092	2,496
Ta Chong Bank		
-Recognised in cash and cash equivalents	100	100
	<u>\$ 103,192</u>	<u>\$ 102,596</u>

For the years ended December 31, 2017 and 2016, interest income resulting from the above deposits amounted to \$1,038 and \$1,212, respectively.

(B) Transactions on open-end fund and money market instrument

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Parent company:		
Yuanta Financial Holdings	\$ 128,812	\$ 34,016

(C) Property transactions — Equity sold

		<u>For the years ended December 31, 2017</u>	
	<u>Underlying of transaction</u>	<u>Gross transaction amount</u>	<u>Gain (loss) on disposal</u>
Fellow subsidiary:			
Yuanta Securities Finance	Stocks of Taiwan Depository and Clearing Corporation	\$ 936,740	\$ 799,874
Ta Chong Bank	Stocks of Taiwan Depository and Clearing Corporation	1,081,730	923,679
		<u>\$ 2,018,470</u>	<u>\$ 1,723,553</u>

For the year ended December 31, 2016: None.

(5) Yuanta Futures and its subsidiaries

(A) Cash and cash equivalents / operating guarantee deposits / customer margin deposits / futures trading guarantees

		<u>December 31, 2017</u>			
				<u>Futures trading guarantees</u>	
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>	<u>Self capital</u>	<u>Balance of excess futures guarantee deposits</u>
Fellow subsidiary:					
Yuanta Bank	\$ 940,834	\$ 140,000	\$ 13,026,164	\$ -	-
Ta Chong Bank	180,496	-	-	-	-
	<u>\$ 1,121,330</u>	<u>\$ 140,000</u>	<u>\$ 13,026,164</u>	<u>\$ -</u>	<u>-</u>

December 31, 2016					
	Bank deposits	Operating guarantee deposits	Customer margin deposits	Futures trading guarantees	
				Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:					
Yuanta Bank	\$ 1,166,201	\$ 165,000	\$ 15,523,241	\$ -	\$ -
Ta Chong Bank	32,277	-	1,130,309	-	-
Yuanta Securities (Hong Kong)	-	-	41,516	-	19,037
	<u>\$ 1,198,478</u>	<u>\$ 165,000</u>	<u>\$ 16,695,066</u>	<u>\$ -</u>	<u>\$ 19,037</u>
(B)Refundable deposits for securities lending					
			<u>December 31, 2017</u>	<u>December 31, 2016</u>	
Fellow subsidiary:					
Yuanta Securities			\$ -	\$ 190,908	
(C)Equity of futures traders					
			<u>December 31, 2017</u>	<u>December 31, 2016</u>	
Fellow subsidiary:					
Yuanta Securities			\$ 2,315,602	\$ 2,065,821	
Yuanta Securities (Hong Kong)			446,634	259,549	
Yuanta Securities (Korea)			96,090	-	
Yuanta Bank			16,856	36,284	
Ta Chong Bank			-	48,801	
Ta Chong Securities			-	37,503	
Company's directors :					
Others			857,927	65,198	
Other related parties:					
Funds managed by					
Yuanta Securities					
Investment Trust			13,888,715	19,395,680	
Others			14,889	25,527	
			<u>\$ 17,636,713</u>	<u>\$ 21,934,363</u>	

(D) Brokerage service fee income

	For the years ended December 31,	
	2017	2016
Fellow subsidiary:		
Yuanta Securities	\$ 74,138	\$ 104,097
Yuanta Securities (Hong Kong)	2,928	5,132
Ta Chong Bank	1,766	2,809
Yuanta Securities (Korea)	970	-
Ta Chong Securities	437	3,171
Yuanta Bank	50	274
Company's directors :		
Others	2,931	4,479
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	117,429	158,401
Others	7,400	8,912
	<u>\$ 208,049</u>	<u>\$ 287,275</u>

(E) Futures commission expenses – futures introducing broker business and re-consignment business

	For the years ended December 31,	
	2017	2016
Fellow subsidiary		
Yuanta Securities	\$ 246,221	\$ 249,677
Yuanta Securities (Hong Kong)	4,792	8,612
Yuanta Securities (Korea)	642	458
Other related parties:		
Antay Securities	1,945	-
	<u>\$ 253,600</u>	<u>\$ 258,747</u>

Yuanta Futures entered into a contract with Yuanta Securities, Yuanta Securities (Hong Kong), Yuanta Securities (Korea) and Antay Securities for futures introducing broker business, providing brokerage services to customers for futures and options contracts. The commission paid and terms provided to the above related party were the same as the terms offered to non-related parties.

(F) Interest income

	For the years ended December 31,	
	2017	2016
Fellow subsidiary:		
Yuanta Bank	\$ 163,040	\$ 185,283
Ta Chong Bank	5,790	601
Yuanta Securities	342	116
	<u>\$ 169,172</u>	<u>\$ 186,000</u>

Interest income includes interest from demand deposits, time deposits, guarantee deposits to clients and operation guarantee deposits.

(6) Yuanta Securities Investment Consulting

(A) As of December 31, 2017 and 2016, Yuanta Securities Investment Consulting respectively deposited \$223,071 and \$405,558 to Yuanta Bank, amongst which, the operating guarantee deposits was \$5,000 and \$25,000, respectively, with annual interest rates of 1.035% and 1.035%~1.125%, respectively.

(B) Operating income

	For the years ended December 31,	
	2017	2016
Fellow subsidiary:		
Yuanta Securities	\$ 174,970	\$ 185,531
Yuanta Bank	9,314	9,314
Yuanta Securities Finance	5,829	5,829
Yuanta Securities Investment Trust	4,651	4,651
Yuanta Futures	3,497	3,497
Yuanta Life	2,857	2,857
Ta Chong Bank	2,857	-
Other	1,600	1,008
	<u>\$ 205,575</u>	<u>\$ 212,687</u>

The above operating income comprises income arising from consulting, periodical publications and lectures and was determined based on the contract agreed to by both parties. The above operating income was payable on a monthly basis.

(7) Yuanta Securities Investment Trust

(A) Bank deposits

	December 31, 2017	December 31, 2016
Fellow subsidiary:		
Yuanta Bank	<u>\$ 1,631,665</u>	<u>\$ 859,008</u>

(B) Management fee receivable and agent fee income

	Management fee receivable	
	December 31, 2017	December 31, 2016
Fellow subsidiary:		
Yuanta Securities	\$ 1,602	\$ 1,798
Yuanta Life	786	338
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	<u>201,467</u>	<u>198,452</u>
	<u>\$ 203,855</u>	<u>\$ 200,588</u>

	Agent fee income	
	For the years ended December 31,	
	2017	2016
Fellow subsidiary:		
Yuanta Life	\$ 8,408	\$ 3,955
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	2,328,547	2,107,482
	<u>\$ 2,336,955</u>	<u>\$ 2,111,437</u>
(C)Fund transactions		
Securities investment trust funds raised by the Yuanta Securities Investment Consulting which are held by Yuanta Securities Investment Consulting and its related parties are as follows:		
	December 31, 2017	December 31, 2016
Yuanta Securities Investment Trust	\$ 291,186	\$ 190,933
Fellow subsidiary:		
Yuanta Securities	2,149,321	2,092,952
Yuanta Life	277,735	58,320
Yuanta Securities Finance	19,809	9,499
Yuanta Futures	-	96,791
Other related parties:		
Yuanta Foundation	2,217	-
Yuanta Construction Development	-	280,470
	<u>\$ 2,740,268</u>	<u>\$ 2,728,965</u>
(8)Yuanta Life		
(A)Bank deposits		
	December 31, 2017	December 31, 2016
Fellow subsidiary:		
Yuanta Bank	\$ 361,048	\$ 259,602
Ta Chong Bank	201,347	2,365
	<u>\$ 562,395</u>	<u>\$ 261,967</u>
(B)Current income tax assets		
	December 31, 2017	December 31, 2016
Parent company:		
Yuanta Financial Holdings	\$ 1,452,397	\$ 1,325,474

The above represents consolidated income tax return receivable.

## (C)Commission expense

	For the years ended December 31,	
	2017	2016
Fellow subsidiary:		
Yuanta International		
Insurance Brokers	\$ 350,979	\$ 273,827
Yuanta Bank	321,489	123,843
Ta Chong Bank	200,429	20,248
Yuanta Life Insurance Agency	-	190,565
Ta Chong Life Insurance Agency	-	32,075
	<u>\$ 872,897</u>	<u>\$ 640,558</u>

8. Pledged assets

As of December 31, 2017 and 2016, the Yuanta Group's assets pledged as collateral are as follows:

Items	December 31, 2017	December 31, 2016	Purpose of pledge
Financial assets at fair value through profit or loss	\$ 160,607,163	\$ 153,727,323	Bonds under repurchase agreement, bid bonds for operating guarantee deposits and futures trading margin, collateral for securities lending and OTC trading
	-	422,180	Security of short-term financing and collateral for guarantee
	146,336,906	69,578,060	Merchant business
	-	1,996,135	Repurchase Agreement
	50,424	50,750	Guarantee deposits for notes
Available-for sale financial assets	2,737,764	2,917,922	Guarantees on asset disposal, OTC performance bonds, collateral for securities lending business and customer default fine
	2,096,356	1,216,100	Operating guarantee deposits
	29,473,729	34,708,399	Bonds under repurchase agreement
	164,200	181,700	Guarantee deposits with the courts
	60,000	60,000	Deposits for reserve of trust fund
	50,000	50,000	Deposits for guarantees in the Central Bank
	10,000	10,000	Operating guarantee deposits in Bank of Taiwan
	-	4,400	Deposits for transaction reserve in Financial Information Service Co., Ltd.
	-	70,000	Deposits for clearing reserve in the GreTai Securities Market
	5,500,000	5,500,000	Overdraft guarantee for foreign currency settlement
Held-to-maturity financial assets	801,354	800,073	Operating guarantee deposits and claim reserve from trust fund
	40,215	40,311	Stock borrowings
	64,362	55,382	Securities financing deposit in CBC
Other financial assets	88,298	87,928	Claim reserve from trust fund
	49,576	49,424	Deposit guarantees of bills merchants
	339,891	212,030	Collateral for provisional seizure
	39,661	39,539	Guarantee deposits from security underwriters
	9,915	9,885	Guarantee deposits from security dealers
	4,452	4,340	VISA international card payment reserves
	98,109	97,698	Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC

Items	December 31, 2017	December 31, 2016	Purpose of pledge
Other financial assets	10,126,382	10,680,612	Overdraft guarantee for foreign currency settlement
	445,694	366,736	Claim reserve from credit default loss
Restricted assets	2,279,915	4,582,695	Collateral for settlement limit, short-term loans, payable short-term bills and OTC derivative transactions
	37,284	641,181	Operating guarantee deposits-HKEx, structured notes, interest rate swap account and repo trade
	1,060	1,019	Overdraft guarantee
	279,000	321,886	Collateral for settlement limit and structured products
	125,419	-	Dividends payable arising from stock agency business
Other assets	349,911	219,451	Operating guarantee deposits
	300,000	100,000	Stock borrowings
	1,284,435	1,238,634	Performance bond and rental deposits
	140,000	170,000	Securities financing deposit in CBC
	204,170	73	Underwriting share proceeds collected on behalf of customers
Property and equipment and investment property	3,439,445	5,566,171	Collateral for settlement limit and short-term loans; and collateral for mortgage loans and leases
	-	269,786	Security of short-term financing and collateral for guarantee
Treasury share of Yuanta Securities (Korea)	743,089	580,240	Collateral for securities lending business

#### 9. Significant contingent liabilities and unrecognised contract commitments

(1) As of December 31, 2017 and 2016, capital expenditure contracted for at the balance sheet date but not yet incurred was \$453,178 and \$344,444, respectively.

(2) Stocks entrusted to custody

As of December 31, 2017 and 2016, the stocks entrusted to the custody of Yuanta Securities Finance by clients were all 7,483 thousand shares. The market value of these entrusted stocks was approximately \$77,550 and \$76,775, respectively.

(3) Operating leases

Please see Note 12(3)B(C)e.

(4) Transactions on behalf of customers

Yuanta Securities had several proxy delivery agreements with certain securities companies. In accordance with these agreements, these securities companies have agreed to be Yuanta Securities' first and second proxy. If Yuanta Securities is unable to fulfil its obligations to the TWSE, the proxies must then act pursuant to said obligations and responsibilities.

(5) Other lawsuits- Yuanta Securities

A. Due to Polaris Securities Co., Ltd., the dissolved company under the merger, having disputes with customers on trading of stocks, customers demanded Yuanta Securities, the surviving company, to bear joint responsibility for compensations under the grounds of employment. Originally, on June 25, 2013, the claimed compensation was \$25,718. From then on, the claims increased to \$40,310 on June 30, 2015 and reduced to \$39,769 on August 12, 2015. On October 21, 2016, the Taiwan Taipei District Court adjudicated to overrule the lawsuit brought forth by the plaintiffs (i.e. Yuanta Securities, the surviving company, obtained a favorable decision in the case). However, the clients have filed an appeal, and the case is currently under



judicial examination with the Taiwan High Court.

- B. As of December 31, 2017, of the total 28 litigations against Yuanta Securities (Korea) and its subsidiaries, 18 were related to unjust sales of former TongYang Securities Inc. (please refer to the explanations in Note 6(24)). The remaining 10, were unrelated to unjust sales with demanded compensation totaling ₩706,381 million (approximately NT\$19.7 billion) among which Anbang Group Holding Co., Ltd. and Anbang Life Insurance Co., Ltd. (collectively, “Anbang”) filed an arbitration counterclaim against Yuanta Securities (Korea) and other four companies claiming for an amount of ₩698,000 million (approximately NT\$ 19.5 billion). The allegations made by Anbang are denied. The arbitration will proceed and continue according to the arbitration rules. As of December 31, 2017, there was ₩2,807 million (approximately NT\$78 million) of provisions recognised for the abovementioned litigations unrelated to unjust sales. In addition, there were 8 litigations where Yuanta Securities (Korea) acted as a plaintiff with the claimed amount of ₩16,566 million (approximately NT\$460 million).
  - C. In August 2017, Yuanta Securities (Thailand) received a civil complaint with respect to the client claims that Yuanta Securities (Thailand) has joint liability for the former employee involving fraudulent action in operating under the name of KKTrade Securities Co., Ltd. amounting to ฿301 million (approximately NT\$280 million). As part of the claimed amount was not remitted to the company account of Yuanta Securities (Thailand), but rather directly to the former employee from the plaintiffs in relation to private transfer, the assertion made by the client is controversial, and Yuanta Securities (Thailand) has appointed lawyers to handle subsequent complaint proceedings.
  - D. With respect to the land and parking space sales dispute, Seventh-Day Adventist Church and Taiwan Adventist Hospital initiated a mediation procedure against Yuanta Securities et al. on January 9, 2018. The plaintiff previously claimed \$574,000 for compensation (of which \$572,350 was subject to joint liability). On January 17, 2018, the compensation was raised to \$952,511 (of which \$950,861 was subject to joint liability). Yuanta Securities intends to hire experts and legal counsels to contest the case in court. Currently, the case is pending with the Taiwan Taipei District Court.
  - E. As at December 31, 2017, Yuanta Securities (Hong Kong)’s receivables from margin loan amounting to HK\$141,436 thousand (approximately NT\$540,000 thousand), which were secured by a listed security that was suspended for trading. These margin clients were served by an account executive who entered into a guarantee with Yuanta Securities (Hong Kong) (the “Guarantee”) under which the account executive agreed to guarantee all losses of Yuanta Securities (Hong Kong) in relation to the accounts of these margin clients. Yuanta Securities (Hong Kong) has exercised its right of set-off under the Guarantee and transferred HK\$68,552 thousand (NT\$260,000 thousand) from the account executive’s assets and the remaining loss of HK\$72,884 thousand (NT\$280,000 thousand) has been recognised. Yuanta Securities (Hong Kong) has raised a litigation proceeding against the account executive for the full amount of the debt from those margin clients. The account executive has made defence that she has no liability to all losses in relation to the accounts of these margin clients. The High Court hearing in Hong Kong has been scheduled in April 2018. As at the date of the approval of the financial statements, Yuanta Securities (Hong Kong) has considered the external legal advice, and deemed that no provision in relation to the defence by the above account executive is necessary.
- (6) Other lawsuits- Banks
- A. Please see Note 6(47)B(B)C.a.

- B. Ta Chong Bank had conducted foreign exchange derivatives transactions with SPM (BVI) Co., Ltd. and its related party, HYC Co., Ltd., respectively. Subsequently, due to SPM incurring losses from the transactions, in February 2017, SPM and HYC jointly filed for arbitration to the Chinese Arbitration Association, Taipei (CAA) regarding the abovementioned transactions which occurred during 2013 to 2016, claiming a compensation of US\$8,659 thousand including interest. On September 8, 2017, the arbitration court dismissed the claims, which were made by SPM and HYC. In October 2017, SPM and HYC jointly filed a civil lawsuit to set aside the arbitral award, and the case is still pending with the Taiwan Taipei District Court.
- C. Ta Chong Bank had conducted foreign exchange derivatives transactions with Sino United International Co., Ltd. and Plosa International Co., Ltd. As Sino United International Co., Ltd. and Plosa International Co., Ltd. disputed the loss in Target Redemption Forward when closing position, they filed a complaint against Ta Chong Bank in June 2016 and alleged that Ta Chong Bank shall reimburse the loss in transactions (underlying claim: US\$3,123 thousand and its interest; secondary claim: US\$1,445 thousand and its interest). On January 26, 2018, the first instance court has ruled in favour of Ta Chong Bank.
- (7) Yuanta Securities Investment Trust entered into offshore funds master agent contracts with Mellon Global Investments Limited. According to the contracts, the Company receives commission based on sale units and scale. The contract shall be expired annually on June 30, and the contracts are subject to be auto-renewed for 1 year except if either party cancels the contract by written notification.
- (8) Yuanta Securities Investment Trust was commissioned to handle discretionary investment businesses of domestic investment contracts on behalf of its principal—the Bureau of Labor Funds, Ministry of Labor (formerly the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs, Executive Yuan, restructured as of February 17, 2014, herein referred to as the “Labor Pension”). Due to the now resigned manager of former Polaris Securities Investment Trust, surnamed Qu (herein referred to as “Manager Qu”), who was suspected of being involved in illegal activities from 2011 to 2012 for commissioned trading of stocks for government funds, the Labor Pension, in accordance with the indictment issued by the Special Investigation Division of the Supreme Prosecutor Office, has filed a litigation on January 28, 2014, indicting Manager Qu and Yuanta Securities Investment Trust with criminal charges, attached with civil charges, claiming joint and several liability for compensations. In order to protect its interests, Yuanta Securities Investment Trust has appointed a lawyer to assist in handling the case. After the aforementioned criminal charges against manager Qu was adjudicated by the first instance of the Taipei District Court and transferred to the civil court, on September 5, 2016, the Labor Pension decreased its joint and several liability claims to \$108,411 thousand. On April 28, 2017, the Labor Pension decreased the compensation claim to \$71,575 thousand after the Taiwan High Court rendered its decision for the aforementioned criminal case. Based on the appointed lawyer’s assessment, the aforementioned criminal lawsuit made by the first and second instance courts was adjudicated to be a breach of trust by Manager Qu against the Company, while the Labor Pension was concluded to not be the principal of Manager Qu’s commissioned services. Furthermore, anticipatory trading that is considered a criminal breach of trust offense and actions in violation of the Securities Exchange Act, which are alleged to have damaged the Labor Pension as illustrated in the indictment, are considered unverifiable crimes. Therefore, there is major doubt in whether the Labor Pension can claim damages, prove causation, and determine how damages are calculated; this case still requires further assessment by the court to render a substantive evaluation.
- (9) As of December 31, 2017, Yuanta Life Insurance still has several insurance claim litigations in process. Yuanta Life Insurance has appointed lawyers to handle these cases and has provisioned an appropriate amount of claims reserve.
- (10) As at December 31, 2017, Yuanta Securities (Korea) has entered into bonds purchase agreement

with the limit of ₩15.4 billion (approximately NT\$430 million) for Laketown 5th Co., Ltd. and another asset securitization company.

(11) On March 5, 2018, Yuanta Life, signed a construction drafted treaty for 'No. 769, 769-1 land of Two Ln., Jilin Sec., Zhongshan Dist., Taipei' with Chung-Lu Construction Co., Ltd. As of March 27, 2018, the formal contract has not been established, and the total drafted contract price was \$855,900.

(12) Others

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Commitment of the securities under a repurchase agreement	\$ 201,715,121	\$ 200,722,698
Commitment of the securities under a resale agreement	35,098,339	36,560,496
Unused loan commitments	41,025,752	46,642,782
Credit commitment on credit card	127,897,664	118,553,503
Unused L/C balance	4,863,673	3,728,557
Other guarantees	25,253,767	40,608,874
Consignment collection for others	21,727,077	22,945,394
Consignment loans for others	7,742,286	8,731,902
Consignment gross sales of bank travel checks	29,732	40,088
Guarantee notes payable	224,200	316,000
Trust assets	242,737,979	229,675,770
Items under custody	38,276,607	38,169,931

(BLANK)

(13) In accordance with Article 17 of the Trust Enterprise Act, the Yuanta Bank discloses its trust balance sheet, trust income statement and schedule of trust property as follows:

December 31, 2017			
Trust Balance Sheet			
Trust assets		Trust liabilities	
Bank deposits	\$ 4,327,748	Payable - Customers' securities under custody	\$ 28,251,052
Stocks	10,867,199	Pecuniary trust	74,225,332
Funds (Note)	51,946,329	Securities trust	5,238,734
Bonds	9,044,380	Real estate trust	11,086,038
Structured products	4,262,500	Movables trust	6,750,000
Real estate	10,765,544	Money market fund	-
Movables	6,750,000	Net income	324,744
Customers' securities under custody	28,251,052	Retained earnings	338,852
Total trust assets	<u>\$ 126,214,752</u>	Total trust liabilities	<u>\$ 126,214,752</u>

December 31, 2016			
Trust Balance Sheet			
Trust assets		Trust liabilities	
Bank deposits	\$ 4,492,403	Payable - Customers' securities under custody	\$ 33,245,696
Stocks	11,063,824	Pecuniary trust	67,944,002
Funds (Note)	48,186,918	Securities trust	5,292,434
Bonds	6,993,230	Real estate trust	10,249,108
Structured products	3,766,607	Movables trust	6,750,000
Real estate	9,947,526	Money market fund	258,055
Movables	6,750,000	Net income	70,709
Customers' securities under custody	33,245,696	Retained earnings	636,200
Total trust assets	<u>\$ 124,446,204</u>	Total trust liabilities	<u>\$ 124,446,204</u>

Note : Includes mutual funds in money market.

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Trust Income Statement

	For the years ended December 31,	
	2017	2016
Trust revenue:		
Interest income	\$ 10,615	\$ 13,197
Investment income (Stock)	306,200	2,728
Investment income (Fund)	3,858	1,355
Dividend income	54,738	99,583
Rental income	189	385
	<u>375,600</u>	<u>117,248</u>
Trust expenses:		
Management fees	( 19,795)	( 16,387)
Tax expense	( 25,398)	( 27,881)
Insurance expense	( 383)	( 511)
Loss on investment	( 5,223)	( 1,625)
	<u>( 50,799)</u>	<u>( 46,404)</u>
Income before income tax	324,801	70,844
Income tax expense	( 57)	( 135)
Net income	<u>\$ 324,744</u>	<u>\$ 70,709</u>

Schedule of Trust Property

Invested items	December 31, 2017	December 31, 2016
	Book value	Book value
Bank deposits	\$ 4,327,748	\$ 4,492,403
Stocks	10,867,199	11,063,824
Funds	51,946,329	48,186,918
Bonds	9,044,380	6,993,230
Structured products	4,262,500	3,766,607
Real estate- land	10,765,544	9,947,526
Movables	6,750,000	6,750,000
Customers' securities under custody	<u>28,251,052</u>	<u>33,245,696</u>
	<u>\$ 126,214,752</u>	<u>\$ 124,446,204</u>

Foreign currency pecuniary trust and foreign currency trust operated by the Offshore Banking Unit (OBU) as of December 31, 2017 and 2016 were included in the trust balance sheet and schedule of trust property.

(14) In accordance with Article 17 of the Trust Enterprise Act, the Yuanta Securities discloses its trust balance sheet, trust income statement and schedule of trust property as follows:

December 31, 2017			
Trust Balance Sheet			
Trust assets		Trust liabilities	
Bank deposits	\$ 1,434,114	Payables	\$ 41,101
Stocks	8,520,859	Income tax payable	717
Funds	24,311,791	Trust capital-pecuniary trust	40,179,568
Bonds	14,588	Trust capital-securities trust	7,528,735
Structured products	16,163,402	Net income	2,018,341
Accounts receivable	335,554	Retained earnings	1,589,769
Prepayments	252	Deferred carryforwards	( 577,671)
Total trust assets	<u>\$ 50,780,560</u>	Total trust liabilities	<u>\$ 50,780,560</u>
December 31, 2016			
Trust Balance Sheet			
Trust assets		Trust liabilities	
Bank deposits	\$ 1,741,633	Payables	\$ 247,528
Stocks	9,784,581	Income tax payable	911
Funds	23,700,446	Trust capital-pecuniary trust	35,289,894
Bonds	15,776	Trust capital-securities trust	10,045,963
Bonds sold under repurchase agreements	64,923	Net income	1,485,926
Structured product	11,592,427	Retained earnings	590,355
Accounts receivable	276,933	Deferred carryforwards	( 483,594)
Prepayments	264		
Total trust assets	<u>\$ 47,176,983</u>	Total trust liabilities	<u>\$ 47,176,983</u>

(BLANK)

Trust Income Statement

	For the years ended December 31,	
	2017	2016
Trust revenue:		
Interest income	\$ 420,102	\$ 359,827
Realised investment income	799,618	-
Unrealised	1,253,506	1,202,001
Rental income	92,981	170,187
Dividend revenue	267,044	300,221
	<u>2,833,251</u>	<u>2,032,236</u>
Trust expenses:		
Administrative expenses	( 38,370)	( 47,607)
Fees (Service charges)	( 84,316)	( 58,463)
Loss on investment	-	( 151,487)
Loss on translation	( 675,082)	( 276,169)
Insurance premium	( 3,587)	( 3,403)
Others	( 1,744)	( 5,322)
	<u>( 803,099)</u>	<u>( 542,451)</u>
Income before income tax	2,030,152	1,489,785
Income tax expense	( 11,811)	( 3,859)
Net income	<u>\$ 2,018,341</u>	<u>\$ 1,485,926</u>

Schedule of Trust Property

Invested items	December 31, 2017	December 31, 2016
	Book value	Book value
Bank deposits	\$ 1,434,114	\$ 1,741,633
Stocks	8,520,859	9,784,581
Funds	24,311,791	23,700,446
Bonds	14,588	15,776
Bonds sold under repurchase agreements	-	64,923
Structured products	16,163,402	11,592,427
Others	335,806	277,197
	<u>\$ 50,780,560</u>	<u>\$ 47,176,983</u>

(15) In accordance with Article 17 of the Trust Enterprise Act, the Ta Chong Bank discloses its trust balance sheet, trust income statement and schedule of trust property as follows:

December 31, 2017

Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 749,102	Cash trust	\$ 54,254,160
Funds	44,677,688	Real estate trust	11,488,507
Bonds	8,827,370		
Real estate	11,488,507		
Total trust assets	<u>\$ 65,742,667</u>	Total trust liabilities	<u>\$ 65,742,667</u>

December 31, 2016

Trust Balance Sheet

Trust assets		Trust liabilities	
Bank deposits	\$ 695,836	Cash trust	\$ 50,797,080
Funds	42,425,458	Real estate trust	7,255,503
Bonds	7,675,786		
Real estate	7,255,503		
Total trust assets	\$ 58,052,583	Total trust liabilities	\$ 58,052,583

Trust Income Statement

	For the years ended December 31,	
	2017	2016
Trust revenue:		
Interest income	\$ 1,275	\$ 915
Realised investment income	-	2,418
	1,275	3,333
Trust expenses:		
Management charges	( 32,091)	( 26,585)
Loss before income tax	( 30,816)	( 23,252)
Income tax expense	( 74)	( 28)
Net loss	(\$ 30,890)	(\$ 23,280)

Schedule of Trust Property

Invested items	December 31, 2017	December 31, 2016
	Book value	Book value
Bank deposits	\$ 749,102	\$ 695,836
Bonds	8,827,370	7,675,786
Funds	44,677,688	42,425,458
Real estate trust	11,488,507	7,255,503
	\$ 65,742,667	\$ 58,052,583

Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2017 and 2016 were included in the trust balance sheet and schedule of trust property.

10. Significant losses from disasters

A. The Company:

None.

B. Subsidiaries:

None.

11. Significant subsequent events

A. The Company:

1. On March 7, 2018, the Board of Directors approved the retirement of 68,965 thousand shares repurchased in the 17th share buyback.
2. Please refer to Note 6(45)8.

B. Subsidiaries:

1. The Board of Directors resolved the merger of the subsidiary, Yuanta Bank, and the fellow subsidiary, Ta Chong Bank, on September 14, 2016. The merger was approved by Financial



Supervisory Commission pursuant to Jin-Guan-Yin-Kong-Zi Order No.10500320920 dated January 17, 2017 and became effective on January 1, 2018. Yuanta Bank is the surviving entity de jure while Ta Chong Bank dissolved thereafter.

2. In February 2018, the subsidiary, Yuanta Futures reported the default from brokerage business clients amounted to NT\$120 million. Yuanta Futures continues to negotiate with brokerage business clients on repayments.
3. The second-tier subsidiary, Yuanta Securities Asia Financial Service, raised the loan limit for Yuanta Securities (Thailand) by US\$75 million on March 9, 2018. The loan limit is valid for one year after the contract is signed.
4. On March 22, 2018, the Board of Directors of subsidiary, Yuanta Securities, resolved that the second-tier subsidiary, Yuanta Securities Asia Financial Services, increase investment in Yuanta Securities (Vietnam) by VND 700 billion. The process will be executed after obtained the approval of the Authority.
5. Please refer to Note 9(5)D.
6. On March 22, 2018, the Board of Directors resolved to increase the investment of RP\$5 billion in PT Yuanta Asset Management through Yuanta Securities' second-tier subsidiary, Yuanta Securities (Indonesia). The investment proposal will proceed once the competent authority approves.
7. On March 23, 2018, the Board of Directors of Yuanta Securities (Thailand) resolved to issue unsecured subordinated corporate bond up to ₱5 billion or the equivalent in foreign currency.

## 12. Others

### (1) Capital risk management

#### A. The objectives of capital management of the Yuanta Group:

- (A) Meeting the minimum regulated capital adequacy ratio is the most basic objective for the qualifying self-owned capital of the financial group controlled by the Company. The calculation of qualifying self-owned capital and legal capital should be made in compliance with regulations of competent authorities.
- (B) In order to process sufficient capital to assume various risks, the Company assesses the required capital with consideration of the risk portfolio it faces and the risk characteristic, and manages risk through capital allocation to realise utilization of capital allocation.

#### B. Capital management procedure:

- (A) The Company regularly monitors the overall capital adequacy ratio, which is maintained and reported to the competent authorities every 6 or 12 months in compliance with the regulations from both competent authorities and internal requirements.
- (B) Calculation and control procedures related to capital adequacy of the financial group are all in compliance with “Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies” and “Regulations Governing the Capital Adequacy management for the Yuanta Financial Holding Company”.
- (C) The objective of capital management of the Company shall be agreed by the Board of Directors, of which an appropriate capital projection is scheduled by the finance management according to the long-term developing strategies, operating plan and characteristics of assets and liabilities. The consolidated capital adequacy ratio of the Yuanta Group is assessed and calculated by month. The risk management analyses changes in risky assets when necessary to evaluate if the Yuanta Group has sufficient capital for various risk and if it meets the objectives of capital management.

- (D) The Company also sets up warning indicator in relation to above managing objectives, that is, when the capital adequacy ratio drops to the warning indicator, the risk management shall call a meeting to discuss a responding solution which is handed to the finance management for the following executive operations.

(2) Fair value information of financial instruments

A. Information on fair value of financial instruments and fair value hierarchy

(A) Outline

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are initially recognised at fair value. For subsequent measurements, except for those measured at amortised cost, financial instruments are measured at fair value. For active markets, fair value is measured according to quoted prices. For non-active markets, Yuanta Group utilises valuation techniques or references quoted prices from Reuters, Bloomberg or counterparties to determine the fair value of financial instruments.

(B) Definition for the hierarchy classification of financial instruments measured at fair value

a. Level 1

Level 1 refers to quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date. An active market refers to market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the investments of the Yuanta Group, such as listed stocks investment, beneficiary certificates, popular Taiwan government bonds and the derivatives with a quoted price in an active market, are deemed as Level 1.

b. Level 2

Level 2 refers to prices in active markets other than quoted market prices that are observable, including direct (e.g. prices) or indirect (i.e. derived from prices) observable inputs from active markets. Investment of the Yuanta Group such as non-popular government bonds, corporate bonds, bank debentures, convertible corporate bonds, most derivatives and bank debentures issued by the Yuanta Group are all classified within Level 2.

c. Level 3

Level 3 refers to transaction information that is not readily available in the market for fair value measurement. For example, when utilizing historical volatility to value options, historical volatility is not an observable input because historical volatility does not necessarily represent the expected value of future volatility for overall market participants or the quoted prices of counterparties. Yuanta Group utilises this valuation method for a portion of investments in financial derivatives and financial instruments without an active market.

B. Financial instruments measured at fair value  
(A) Hierarchy of fair value estimation of financial instruments:

	December 31, 2017			December 31, 2016				
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Recurring fair value measurements</b>								
<u>Non-derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss								
Financial assets held for trading								
Stock investments	\$ 34,788,261	\$ 34,129,581	\$ -	\$ 658,680	\$ 20,277,543	\$ 20,012,967	\$ -	\$ 264,576
Bond investments	221,289,802	74,939,880	146,349,922	-	226,354,462	91,662,470	134,691,992	-
Others	80,969,214	34,580,366	46,388,848	-	51,673,527	8,927,763	40,508,239	2,237,525
Financial assets designated as at fair value through profit or loss	246,804	-	246,804	-	2,491,589	-	2,491,589	-
Available-for-sale financial assets (Note 1)								
Stock investments	28,146,015	11,123,502	14,077	17,008,436	24,327,993	6,778,693	-	17,549,300
Bond investments	219,639,019	56,711,912	162,102,912	824,195	215,182,552	58,563,811	155,284,238	1,334,503
Others	148,947,861	5,820,033	142,914,017	213,811	39,126,024	198,006	38,878,457	49,561
Other financial assets								
Purchase of claim receivable	1,892,299	-	-	1,892,299	1,925,073	-	-	1,925,073
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 22,454,862	\$ 19,250,990	\$ 2,057,532	\$ 1,146,340	\$ 17,659,437	\$ 10,544,716	\$ 4,776,406	\$ 2,338,315
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	\$ 95,342,782	\$ 4,211,759	\$ 78,134,240	\$ 12,996,783	\$ 91,981,388	\$ 8,232,974	\$ 74,618,419	\$ 9,129,995
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 97,664,654	\$ 2,750,459	\$ 23,731,768	\$ 71,182,427	\$ 83,545,506	\$ 954,904	\$ 30,508,277	\$ 52,082,325
Financial derivative instruments for hedge	-	-	-	-	220	-	220	-
<b>Non-recurring fair value</b>								
Assets								
Assets held for sale (Note 2)	\$ -	\$ -	\$ -	\$ -	\$ 35,451	\$ -	\$ 35,451	\$ -

Note 1: Including the statutory deposits of \$1,816,100 and \$1,216,100, respectively, of Yuanta Life of the Yuanta Group as of December 31, 2017 and 2016.

Note 2: In accordance with the requirements of IFRS 5, when the fair value of an asset classified as held for sale is lower than its carrying amount, it should be measured at fair value less cost to sell.

(B) Financial instruments measured at fair value

When quotes of financial instruments are obtained from the Stock Exchange, Reuters, Bloomberg, dealers or competent authorities and the prices represent arm's length transactions with sufficient frequency, the financial instruments are regarded as active market quotes. If the aforementioned requirements are not met, then the financial instruments are regarded as quotes without an active market. Large bid-ask spreads or low trade volumes are features of quotes without an active market.

Whenever the financial instruments held by Yuanta Group have active market quotes, the active market quotes are regarded as fair value. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market quotes as the basis of fair value.

Excluding the above-mentioned financial instruments with active market quotes, the fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the balance sheet date, and utilises the fair values derived from the calculations of financial valuation models (for example referencing the yield curve from the Taipei Exchange, Reuters' average commercial paper interest, etc.).

(C) Fair value adjustment

a. Limits and adjustments of financial valuation models

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial instruments held by Yuanta Group. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. For example, adjustments on model risk or adjustments on liquidity risk etc. In accordance with Yuanta Group's financial valuation model management policy, management believes in order to fairly present the fair value of financial instruments within the consolidated balance sheet, valuation adjustments are pertinent and appropriate.

b. Credit risk valuation adjustment

The credit risk valuation adjustment is included in the computation of fair value of financial instruments in order to reflect counterparty's credit risk and the Yuanta Group's credit quality.

(D) Transfer between Level 1 and Level 2

A portion of government bonds denominated under NTD held by the Company was determined to be non-active bond instrument investments in accordance with the Taipei Exchange's active securities standard. For the year ended December 31, 2017, \$1,093,452 has been transferred from Level 1 to Level 2. For the year ended December 31, 2016, there were no transfers between Level 1 and Level 2.

- (E) Movements of financial instruments classified into Level 3 of fair value are as follows:  
a. Movements of financial assets classified into Level 3 of fair value are as follows:

Items	December 31, 2017						Ending balance		
	Beginning balance	Acquisition through business combinations	Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3		Sold, disposed or settled	Transferred from Level 3
Financial assets at fair value through profit or loss	\$ 11,632,096	\$ -	\$ 2,362,185	\$ -	\$ 23,267,367	\$ 411,092	\$ 19,074,895	\$ 218,012	\$ 13,655,463
Available-for-sale financial assets	18,933,364	-	1,564,163	( 1,032,680)	2,005,677	272,997	( 2,874,919)	( 822,160)	18,046,442
Other financial assets- purchase of claim receivable	1,925,073	-	13,173	-	-	-	( 45,947)	-	1,892,299
Total	\$ 32,490,533	\$ -	\$ 784,849	\$ 1,032,680	\$ 25,273,044	\$ 684,089	\$ 21,995,761	\$ 1,040,172	\$ 33,594,204

Items	December 31, 2016						Ending balance		
	Beginning balance	Acquisition through business combinations	Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3		Sold, disposed or settled	Transferred from Level 3
Financial assets at fair value through profit or loss	\$ 6,778,086	\$ 5,409,788	\$ 2,482,756	\$ -	\$ 7,701,475	\$ 2,097,659	\$ 6,747,796	\$ 1,124,360	\$ 11,632,096
Available-for-sale financial assets	18,523,762	2,405,591	( 36,890)	531,112	664,791	107,880	( 2,777,222)	( 485,660)	18,933,364
Other financial assets- purchase of claim receivable	1,964,349	-	314,148	-	-	-	( 353,424)	-	1,925,073
Total	\$ 27,266,197	\$ 7,815,379	\$ 2,205,498	\$ 531,112	\$ 8,366,266	\$ 2,205,539	\$ 9,878,442	\$ 1,610,020	\$ 32,490,533

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. As of December 31, 2017 and 2016, the gains (losses) on assets were \$2,081,636 and (\$607,342), respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of December 31, 2017 and 2016, the losses on assets were \$290,041 and \$273,483, respectively.

b. Movements of financial liabilities classified into Level 3 of fair value are as follows:

Items	December 31, 2017					
	Beginning balance	Acquisition through business combinations	Gain and loss on valuation	Addition	Reduction	Ending balance
Financial liabilities at fair value through profit or loss	\$ 54,420,640	\$ -	(\$ 1,425,207)	\$ 2 \$ 199,956,164	\$ - (\$ 180,622,904)	\$ 72 \$ 72,328,767
			Other comprehensive income	Purchased or issued	Transferred to Level 3	Transferred from Level 3 (Note)

Items	December 31, 2016					
	Beginning balance	Acquisition through business combinations	Gain and loss on valuation	Addition	Reduction	Ending balance
Financial liabilities at fair value through profit or loss	\$ 47,732,614	\$ 5,423,940	(\$ 4,231,828)	\$ 46,917 \$ 221,462,287	\$ 5,244,323 (\$ 221,258,292)	\$ 679 \$ 54,420,640
			Other comprehensive income	Purchased or issued	Transferred to Level 3	Transferred from Level 3 (Note)

Above valuation gains and losses are recognised in gain and loss in the period. As of December 31, 2017 and 2016, the losses on liabilities were \$1,234,432 and \$2,803,173, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of December 31, 2017 and 2016, the losses on liabilities were \$2 and \$46,917, respectively.

Note: Transferred out from level 3 and transferred between level 3 because of obtaining / lacking observable market information.

(F) Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value.

The fair value measurement that Yuanta Group made onto the financial instruments is deemed reasonable; however, different valuation input could result in different valuation result. The effects on gain and loss in the period or the effects on other comprehensive income are as follows:

Items	Change in fair value recognised in current profit and loss		Change in fair value recognised in other comprehensive income	
	Favorable movements	Unfavorable movements	Favorable movements	Unfavorable movements
December 31, 2017				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 298	(\$ 298)	\$ -	\$ -
Derivative instruments	221,664	( 221,403)	-	-
Available-for-sale financial assets	-	-	90,102	( 94,934)
Other financial assets- purchase of claim receivable	78,557	( 78,557)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	\$ 11,464	(\$ 11,464)	\$ 1	(\$ 1)
Derivative instruments	224,930	( 224,929)	-	-
December 31, 2016				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 119	(\$ 119)	\$ -	\$ -
Derivative instruments	117,028	( 113,857)	-	-
Available-for-sale financial assets	-	-	89,258	( 89,055)
Other financial assets- purchase of claim receivable	98,166	( 98,166)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	\$ 28,130	(\$ 28,130)	\$ 4,747	(\$ 4,747)
Derivative instruments	49,921	( 49,921)	-	-

Favorable and unfavorable movements of the Yuanta Group refer to the favorable and unfavorable movements of fair value. Movements in fair value are derived from financial valuation techniques on different unobservable valuation parameters. If the fair value of financial instruments is affected by more than one input, the above table will only reflect the impact resulting from changes in the single input without considering the correlations and variability between inputs.

(G) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2017		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Stock investments	\$ 658,680	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	11.91 ~ 21.93 1.09 ~ 4.93 0% ~ 40%
Derivative instruments (including futures and options in futures market)	12,996,783	1. Market method 2. Option Model 3. Hybrid Model 4. FDM 5. Monte Carlo Simulation 6. Equity Model by L. Anderson and D. Buffum	Price to book ratio multiple Discount for marketability Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.76 ~ 4.68 0% ~ 35% 0.35% ~ 3.60% 4.00% ~ 42.23% 0.13 ~ 0.93 0.47% ~ 7.45% 0.03% ~ 100% 20% ~ 55%
Available-for-sale financial assets				
Stock investments	17,008,436	1. Market method 2. Income method 3. Discounted cash flow 4. Residual income valuation model 5. Equity Model by L. Anderson and D. Buffum	Price to earnings ratio multiple Price to book ratio multiple Price-to-sales ratio multiplier Discount for marketability Expected growth rate Discount rate Stock price volatility Credit Spread Recovery rate	11.91 ~ 40.32 0.75 ~ 21.30 1.97 0% ~ 40% 0% ~ 2% 12.20% ~ 17.62% 13.16% ~ 57.20% 1.74% ~ 18.17% 20%
Bond investments	824,195	1. Market method 2. Hybrid Model 3. Monte Carlo Simulation 4. Equity Model by L. Anderson and D. Buffum 5. Discounted cash flow	Price to book ratio multiple Discount for marketability Credit Spread Recovery rate Stock price volatility Discount rate	0.76 ~ 4.68 0% ~ 35% 0.47% ~ 7.45% 20% 14.44% ~ 42.23% 0.67% ~ 9.15%
Other Other financial assets	213,811	Net asset value	N/A	N/A
Purchase of claim receivable	1,892,299	Recoverable amount	Contact rate Payment rate Discount rate	2.20% ~ 42.27% 1.85% ~ 42.15% 1.98% ~ 39.70%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	71,182,427	1. IR Model 2. Option Model 3. Hybrid Model 4. FDM 5. Monte Carlo Simulation	Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.35% ~ 3.60% 0.37% ~ 53.97% 0.13 ~ 0.93 0.37% ~ 0.51% 0.03% ~ 100% 25% ~ 55%
Bond issue	1,146,340	Hybrid Model	Credit Spread Discount for marketability	0% ~ 1% 0% ~ 1%



December 31, 2016		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Stock investments	\$ 264,576	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	15.08~28.05 1.11~5.14 0%~40%
Derivative instruments (including futures and options in futures market)	9,129,995	1.Option Model 2.Hybrid Model 3.FDM 4.Monte Carlo Simulation 5.Equity Model by L. Anderson and D. Buffum	Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.79%~3.9% 12.53%~81.42% 0.18~0.95 0.05%~7.20% 0.03%~100% 20%~55%
Available-for-sale financial assets				
Stock investments	17,549,300	1.Market method 2.Income method 3.Discounted cash flow 4.Residual income valuation model 5.Equity Model by L. Anderson and D. Buffum	Price to earnings ratio multiple Price to book ratio multiple Price-to-sales ratio multiplier Discount for marketability Expected growth rate Discount rate Stock price volatility Credit Spread Recovery rate	12.26~42.66 0.61~10.56 2.33 0%~40% 0%~1% 5.55%~14.89% 15.91%~41.81% 3.02%~14.37% 20%
Bond investments	1,334,503	1.Hybrid Model 2.Monte Carlo simulation 3.Equity Model by L. Anderson and D. Buffum	Credit Spread Recovery rate Stock price volatility	0.05%~7.20% 20%~40% 13.85%~81.42%
Other	49,561	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,925,073	Recoverable amount	Contact rate Payment rate Discount rate	2.41%~41.94% 2.00%~37.70% 1.20%~38.75%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	52,082,325	1.IR Model 2.Option Model 3.Hybrid Model 4.FDM 5.Monte Carlo Simulation	Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.79%~3.9% 1.59%~61.97% 0.18~0.95 0.34%~0.39% 0.03%~100% 25%~55%
Bond issue	2,338,315	Hybrid Model	Credit Spread Discount for marketability	0%~1% 0%~1%

(H) Valuation procedure of financial instruments classified into Level 3

Except for quotations by counterparties, the Yuanta Group's risk management department is responsible for verifying that the fair value is the fair value of financial instruments classified into Level 3. Risk management department assesses independency, reliability, consistency and representativeness of sources and inspects valuation model and valuation inputs for correction periodically to ensure that valuation procedure and results meet International Accounting Standards.

C. Financial instruments not measured at fair value

(A) Fair value information :

Except for those listed in the table below, the carrying amounts of the Yuanta Group's financial instruments not measured at fair value are approximate to their fair values.

	December 31, 2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity					
financial assets- net					
(Note 1)	\$ 144,410,470	\$ 151,359,222	\$ 4,320,721	\$ 147,038,501	\$ -
Other financial assets					
(Note 2)	48,530,849	50,170,606	9,288,667	40,087,531	794,408
<u>Financial liabilities</u>					
Bonds payable	65,890,879	68,446,892	-	55,598,214	12,848,678
	December 31, 2016				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity					
financial assets- net					
(Note 1)	\$ 116,136,617	\$ 118,440,400	\$ -	\$ 118,440,400	\$ -
Other financial assets					
(Note 2)	51,261,449	52,236,443	15,357,249	36,734,594	144,600
<u>Financial liabilities</u>					
Bonds payable	78,197,495	68,336,252	-	55,993,577	12,342,675
Preferred stock liabilities	3,896,505	3,896,505	-	3,896,505	-

Note 1: Including the statutory deposits of \$600,000 of Yuanta Life of the Yuanta Group as of December 31, 2017.

Note 2: The government bonds, corporate bonds, and bank debentures which are classified as debt instruments without active market.

(B) Financial valuation technique :

The assumptions and methods used to estimate the financial instruments not measured by fair value:

- a. The financial instruments such as cash and cash equivalents, due from Central Bank and call loans to other banks, investments in bills and bonds under resale agreements, receivables- net, other financial assets- net (not including debt instruments without active market), refundable deposits, due to Central Bank and other banks, payables, and deposits received. As the short maturities or future payment or receipt is close to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.
- b. Bills discounted and loans (including non-performing loans): The effective interest rates of loans are generally based on the benchmark interest rate plus or minus certain adjustment (equivalent to floating rate) to reflect the market interest rate. As a result, it is reasonable to assume that the carrying amount, after adjustments of estimated recoverability, approximates the fair value. Fair values for long-term loans with fixed interest rates shall be estimated using

their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

- c. Held-to-maturity financial assets: When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.
- d. Other financial assets – Investments on debt instruments without active markets: when prices on recent deals, or quotes from market makers exists, then the most recent deal price or quote is the basis for fair value evaluation. When no market values are able to be referenced, then a valuation method is elected for estimation. The financial valuation method utilises the present value from discounted cash flows as its fair value.
- e. Deposits and remittances: The duration between the commencement date and maturity date for deposits and remittances are usually within one year. As a result, the carrying amount is a reasonable basis to estimate the fair value. The fair value of long-term fixed rate deposits should be estimated by discounting expected future cash flows, however since the duration between the commencement date and the maturity date is within three years, it is reasonable to use the carrying amount to estimate the fair value.
- f. Bonds payable/preferred stock liabilities: The coupon rate for bank debentures and preferred stock liabilities issued by Yuanta Group is approximate to the market interest rate, thus the present value of its expected future cash flows for estimating fair value is approximate to its carrying value.

(3) Management objective and policy for financial risk

A. Risk management policy and structural organization

(A) The Yuanta Group's risk management organization structure includes the Board of Directors, the Audit Committee, the Risk Management Committee, senior management, the Risk Management Department, the Legal Compliance Department, the Legal Department and other business departments. The Board of Directors is the highest decision-making unit for risk management. Its primary responsibilities includes approving the Yuanta Group's risk management policy, important risk management systems, and annual risk limits, as well as supervising the enforcement of the risk management system. The Audit Committee should assist the Board of Directors in implementing its risk management responsibilities. Its primary responsibilities includes deliberating the Yuanta Group's risk management policy, important risk management systems, and annual risk limits, as well as assisting the Board of Directors in supervising the enforcement of the risk management system. The Risk Management Committee should assist the Audit Committee and Board of Directors in implementing their risk management responsibilities. Its primary responsibilities includes deliberating the annual risk limits, reviewing risk management reports, integrating and coordinating common risk management issues between subsidiaries, and promoting and communicating important risk management issues. Senior management should examine risks involved in operating activities and ensure the Yuanta Group's risk management system can thoroughly and effectively control related risks. The Risk Management Department is an independent department subordinated under the Board of Directors. The Risk Management Department's primary responsibilities includes developing the risk management system, establishing a method to effectively measure risk, establishing the risk management system, monitoring and analyzing risk and alerting and reporting in a timely manner. The Legal Compliance department should implement legal compliance risk management. It should ensure that businesses of all units and the

legal compliance risk management system comply with related regulations, as well as assist in evaluating possible legal compliance risks that all business units may be involved with. The Legal Department should implement legal risk management. It should assist in evaluating possible legal risk that business units, legal documents and contracts may be involved with. The risk management responsibilities of business departments are to comprehensively examine all risk management regulations before conducting their respective tasks and certainly comply with all risk management regulations.

(B) Risk management policy

In order to establish the Yuanta Group's risk management standard, ensuring the completeness, effectiveness and reasonableness of risk management, the risk management policy was devised to act as the highest guiding principle for the Yuanta Group's risk management. All risk management systems should comply with the risk management policy and consider the attributes of all risk and its impact degree on the Yuanta Group's operating stability capital soundness to respectively establish appropriate risk management systems. The Yuanta Group's risk management system covers market risk, credit risk, market liquidity risk, capital liquidity risk, interest risk, insurance risk, operating risk, legal compliance risk, legal risk and other risks related with operations. Subsidiaries should establish a risk management system which matches its business portfolio, operating scale and capital scale in accordance with the Yuanta Group's risk management policy, in order to effectively manage the risks it endures.

B. Methods for risks measurement and controlling and exposure quantitative information

(A) Credit risk

a. Source and definition of credit risk

Credit risks occur when the bond issuer, borrower or counterparty fails to fulfil its obligation and results in a loss of default. Credit risk may happen due to accounts on and off the balance sheet. For accounts on the balance sheet, credit risk exposure of the Yuanta Group mainly comprises of bills discounted and loans and credit card business, debt instrument and derivatives and call loans from banks, etc. Off balance sheet accounts include financial guarantee, acceptance bill, letter of credit and loan commitments that could give rise to credit risk exposure to the Yuanta Group.

b. Principle of credit risk management

In order to effectively consolidate credit distribution and control change in credit exposure, except for establishment of internal credit rating system and implementation of credit risk rating system, the Yuanta Group also establishes credit pre-warning program, carries out escalation procedures and effectively improves the time efficiency of credit incidence. Secondly, to benefit the control of credit risk concentration, the Yuanta Group has developed information system for significant amount exposure, which covers credit risks of credit and investment transactions, cross-analyses and cross-consolidates by issuer and trading counterparty and monitors overall credit exposure. In addition, the Yuanta Group is also involved in research and development of various credit risk model to strengthen quantitative mechanism of the Yuanta Group's credit rating. As such, the credit limits of the subsidiaries can be dynamically and reasonably allocated and transferred according to different business risk and asset characteristics.

The measurement of credit risks, risk limits, limit exceeding response and exception regulation should be treated in compliance with related credit risk regulations. Business units, before the underwriting of a transaction, should assess internal credit

rating, credit limit and current limit usage ratio of a company as the receipt of executed transaction. The risk management principle of Ta Chong Bank and its subsidiaries is based on the related principles of internal credit risk and internal credit ratings.

c. Methods used in credit risk management

Procedures and methods used in credit risk management for the core businesses of the Yuanta Group are as follows:

(a) Credit business (including loan commitment and guarantees)

Credit assets are classified into five types. Other than normal credit assets shall be classified as Category One, the remaining non-performing loans are assessed based on the collateral provided and the time period of overdue payment as follows: Category Two for assets requiring special mention. Category Three for assets deemed recoverable. Category Four for assets that are doubtful. Category Five for assets are not recoverable.

In response to the characteristics and scale of business, the Yuanta Group sets up credit quality rating for risk management purposes (such as implementing internal evaluation model of credit risk, setting up credit rating table or other relevant regulations).

The Yuanta Group, mainly by the statistic and professional judgement of expertise and consideration of client information, developed a business credit rating model for the purpose of evaluating the credit risk of corporate clients. The model is regularly reviewed to check if the calculation result is consistent with the actual situation. And adjustment on various inputs should be calibrated to optimize the calculation result.

Credit rating of corporate finance is categorized into 10 levels upon underwriting according to the risks assessment on each credit extension case. When a loan is granted, in addition to that the credit quality of the client, fund purpose, repayment source, protection of claims and credit prediction should be considered, credit risk by credit account and facility should also be respectively assessed and rated based on the corporate or consumer risk rating referencing standards.

Credit risk rating of the consumer finance is categorised by client superiority, client profession and the rating of collateral threshold.

(b) Debt instruments investment and derivatives

The Yuanta Group manages the credit risk of debt instruments through consolidating external credit rating and internal credit rating model to establish internal credit rating system, and sets up credit limits for issuers and counterparties accordingly. Credit risk exposure of related business is consolidated for calculation to ensure that the overall credit risks are in compliance with limits as approved by the Yuanta Group. In addition to the establishment of credit risk management and procedures, the credit risk model is also used to quantify credit risk so that credit risk can be reasonably and effectively controlled and evaluated, so can the overall credit risk be ensured within reasonable bearable capacity of the Yuanta Group's capital.

(c) Margin purchase and short sale

Other than the compliance with regulations governing the margin sale and short

sale business from SEC and the decreased ratio or allocated securities for warning of abnormal individual stock as defined by OTC, the Yuanta Group also sets up risk management structure such as quota allocation, pre-warning indicators and process standards and credit diversification standards armed with specific associate being responsible for related risk control. In addition, the comprehensively computerized risk information system can help assist with enhancing the pre-warning function of margin sale and short sale credit so that being aware of market movement in an early stage may be achieved.

d. Hedging and mitigation of credit risk

(a) Collateral

The Yuanta Group adopts a series of policies and measures to mitigate credit risk in relation to credit extension business. Amongst those, requesting borrowers to provide collateral is one of the most usual means. The Yuanta Group has specific criteria for acceptable collateral and collateral valuation, management and disposing procedures regarding the collateral valuation management, collateral assessment for credit facility in order to protect the credit right. In addition, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or various types of deposits can be used to offset its liabilities to mitigate credit risks.

Collateral for other non-credit extension business depends on the nature of financial asset. Only the asset-backed securities and other similar financial instruments use a pool of financial assets as the collateral.

(b) Credit risk limit and credit risk concentration control

To avoid high risk concentration, the Yuanta Group has set up credit extension limit for a single counterparty or a single group, and set up investment standards and risk controlling regulations for stock investment for a single person (entity) or affiliated enterprises' (group) various investment limit. In addition, in order to control concentration risk of various assets, the Yuanta Group has also set up credit limits based on the industry, enterprise of group, country, pledged stocks for credit extension and monitored risk concentration of each asset. Through the system consolidation, single counterparty, group's enterprises, affiliated enterprise, industry, nationality, ultimate risk and various credit risk concentration can be monitored.

(c) Net-settled general agreement

The transactions of the Yuanta Group are usually gross-settled. However, net-settled agreements are signed with certain counterparties to further mitigate credit risk in case of any default and all transactions shall be terminated with the counterparties and settled by net amount.

(d) Others

The Yuanta Group regularly assesses the credit status in relation to the issuers or the counterparties and hedges or mitigates its credit risks through the following procedures:

- i. Additional credit exposure limit;
- ii. Credit limits reduction;

- iii. Hedging through credit derivatives;
  - iv. Credit enhancement, such as guarantee from qualifying bank or obtaining collateral.
- e. Maximum risk exposure of the Yuanta Group

The maximum risk exposure of assets on the consolidated balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. Please see Note 9(11) for the maximum credit risk exposure of the consolidated balance sheet.

The management of the Yuanta Group believes that through a series of stringent evaluation procedures and follow-up reviews afterwards, credit risk exposure off the balance sheet of the Yuanta Group can be minimized and continuously controlled.

The financial impact related to maximum amount exposed to credit risk arises from collaterals pledged for assets on the balance sheets and items off the balance sheets of Yuanta Bank and master netting arrangements. The table summarizes the relevant information:

December 31, 2017	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 414,139	\$ -	\$ 414,139
Bills discounted and loans	540,667,837	-	540,667,837
Financial assets at fair value through profit or loss	2,303,750	1,561,959	3,865,709
<u>For accounts off the balance sheet</u>			
Unused loan commitments	8,674,365	-	8,674,365
Unused credit commitment	116,779	-	116,779
Guarantees (including for non-performing loans)	6,478,887	-	6,478,887
December 31, 2016	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 347,106	\$ -	\$ 347,106
Bills discounted and loans	533,895,070	-	533,895,070
Financial assets at fair value through profit or loss	3,227,117	2,402,052	5,629,169
<u>For accounts off the balance sheet</u>			
Unused loan commitments	2,936,737	-	2,936,737
Unused credit commitment	166,860	-	166,860
Guarantees (including for non-performing loans)	8,852,707	-	8,852,707

Note: The value of collaterals, except for cash items, is at present value, the others are allocated based on amount of loans.

- f. Credit risk concentration

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic

characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Yuanta Group concentrate on accounts on and off balance sheet that occurs through obligation fulfilling or implementation of transactions (either product or service), or through trans-type exposure portfolio, including loans, placements and call loan from the banks, securities investment, receivables and derivatives. The Yuanta Group does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry, location and collateral are shown as follows:

(a) Industry

Industry	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Privately owned businesses	\$ 628,005,869	29.72	\$ 606,099,296	29.75
Natural person	534,843,909	25.31	499,737,570	24.53
Financial institutions	519,525,208	24.59	596,736,240	29.29
Governmental institutions	416,027,230	19.69	301,406,411	14.80
Government-owned businesses	11,058,598	0.52	31,996,373	1.57
Others	3,581,146	0.17	1,032,589	0.06
Total	<u>\$ 2,113,041,960</u>	<u>100.00</u>	<u>\$ 2,037,008,479</u>	<u>100.00</u>

(b) Geographic location:

Geography location	December 31, 2017		December 31, 2016	
Taiwan	\$ 1,393,009,059		\$ 1,404,409,471	
Asia	453,904,701		407,915,628	
America	163,687,853		128,992,537	
Europe	77,618,815		61,368,964	
Oceania	24,496,221		30,627,680	
Africa	325,311		3,694,199	
Total	<u>\$ 2,113,041,960</u>		<u>\$ 2,037,008,479</u>	

g. Analysis on credit quality and overdue impairment of financial assets held by the Yuanta Group

(a) Credit risk rating is categorized into Excellent, Acceptable, Weak, Impaired and the definitions are illustrated below:

- i. Excellent : This level shows that the counterparty or the underlying asset is equipped with strong capability of fulfilling financial commitments, even under significantly uncertain or adverse conditions.
- ii. Acceptable : This level shows that the counterparty's or the underlying asset's capability of fulfilling financial commitments is weak. Any adverse operation, financial or economic conditions will reduce its capability.
- iii. Weak : This level shows that the counterparty's or the underlying asset's capability of fulfilling financial commitments is extremely low. The counterparty is able to fulfill financial commitments only when the operating circumstances and its financial condition are favorable.
- iv. Impaired : The underlying position or an entity has incurred an objective evidence of impairment at the reporting date.

The comparison between internal credit risk ratings and external credit ratings is



provided below. However, these two credit risk ratings do not have any direct relation. The comparison chart is just for disclosing approximate level of credit risk ratings.

Credit quality	Corporate finance	Consumer finance	Debt instruments and others	
	Internal and external credit rating	Credit rating	Taiwan Ratings	Standard & Poor's Ratings
Excellent	Level 1~6	Excellent	twAAA ~ twBBB-	AAA ~ BBB-
Acceptable	Level 7~8	Acceptable	twBB+ ~ twBB	BB+ ~ BB
Weak	Level 9~10	Weak	twBB- ~ twC	BB- ~ C

- (b) Credit risk rating of Ta Chong Bank and its subsidiaries is categorized into Excellent, Good, Acceptable, Other and the definitions are illustrated below:
- Excellent: This level shows that the counterparty or the underlying asset has strong debt-performance ability and there is a rare probability of default or expected loss.
  - Good: This level shows that the counterparty or the underlying asset has good debt-performance ability, but they may weaken in unfavorable economic conditions or environmental changes.
  - Acceptable: Compared to other debtors, they need to improve their debt performance ability, but the values of the collaterals as the second-repayment sources is sufficient.
  - Other: Their debt-performance ability is weaker than other debtors, especially in unfavorable economic conditions or environmental changes.

Credit risk rating of Ta Chong Bank and its subsidiaries is categorized into Excellent, Good, Acceptable, Other and corresponds to the credit risk rating of Yuanta Group which is categorized into Excellent, Acceptable, Weak and not rated.

(BLANK)

(b) Credit quality analysis on financial assets

Items	Positions that are neither past due nor impaired				Positions that are past due but not impaired(B)		Total (A)+(B)+(C)	Provision provided(D)	Net (A)+(B)+ (C)-(D)
	December 31, 2017				December 31, 2016				
	Excellent	Acceptable	Weak	Unrated	Subtotal (A)	Impaired amount (C)			
Cash and cash equivalents	\$ 63,938,718	\$ 27,073	\$ 36,686	\$ 5,093	\$ 64,007,570	\$ -	\$ -	\$ 64,007,570	
Due from Central Bank and call loans to other banks	54,390,950	-	-	-	54,390,950	-	-	54,390,950	
Financial assets at fair value through profit or loss- net	367,485,911	9,454,587	5,251,334	66,694	382,258,526	-	-	382,258,526	
Available-for-sale financial assets- net	360,926,909	77,410	34,934	2,083	361,041,336	-	-	361,041,336	
Investments in bills and bonds under resale agreements	34,827,960	-	-	-	34,827,960	-	-	34,827,960	
Receivables- net	159,572,964	6,615,700	4,460,388	3,226,781	173,875,833	901,698	1,419,704	175,314,970	
Bills discounted and loans	450,227,828	1,601,644,831	104,209,527	42,577,784	757,179,970	6,243,641	11,786,569	762,327,006	
Reinsurance contract assets-net	435,887	-	-	-	435,887	-	-	435,887	
Held-to-maturity financial assets- net	143,810,470	-	-	-	143,810,470	78,984	78,984	143,810,470	
Restricted assets	2,704,678	18,000	-	-	2,722,678	-	-	2,722,678	
Other financial assets- net	87,242,756	30,594	-	1,892,427	89,165,777	11,152	686,181	89,297,701	
Other assets- net	27,866,623	2,520	2,295	738,890	28,610,328	25,140	-	28,635,468	
Total	\$ 1,753,431,654	\$ 176,390,715	\$ 113,995,164	\$ 48,509,752	\$ 2,092,327,285	\$ 7,156,491	\$ 13,971,438	\$ 2,095,070,522	

Items	Positions that are neither past due nor impaired				Positions that are past due but not impaired(B)		Total (A)+(B)+(C)	Provision provided(D)	Net (A)+(B)+ (C)-(D)
	December 31, 2016				December 31, 2016				
	Excellent	Acceptable	Weak	Unrated	Subtotal (A)	Impaired amount (C)			
Cash and cash equivalents	\$ 62,524,202	\$ 57,927	\$ 34,876	\$ 8,569	\$ 62,625,574	\$ -	\$ -	\$ 62,625,574	
Due from Central Bank and call loans to other banks	137,403,382	-	-	-	137,403,382	-	-	137,403,382	
Financial assets at fair value through profit or loss- net	360,565,512	3,035,024	1,414,282	8,466	365,023,884	-	-	365,023,884	
Available-for-sale financial assets- net	251,330,803	209,655	145,510	499	251,686,467	-	-	251,686,467	
Investments in bills and bonds under resale agreements	36,499,146	-	-	-	36,499,146	-	-	36,499,146	
Receivables- net	127,677,892	6,252,142	4,058,994	6,923,901	144,912,929	908,377	1,339,930	146,219,693	
Bills discounted and loans	448,735,778	1,695,533,605	116,181,777	52,579,433	787,030,593	5,447,136	12,406,962	791,803,627	
Reinsurance contract assets-net	415,679	-	-	-	415,679	-	-	415,679	
Held-to-maturity financial assets- net	116,136,617	-	-	-	116,136,617	80,701	80,701	116,136,617	
Restricted assets	5,546,781	-	-	-	5,546,781	-	-	5,546,781	
Other financial assets- net	93,670,269	36,215	-	2,109,264	95,815,748	11,990	499,221	95,817,289	
Other assets- net	12,847,364	19,960	23,801	612,401	13,503,526	-	-	13,503,526	
Total	\$ 1,653,353,425	\$ 179,145,128	\$ 121,859,240	\$ 62,242,533	\$ 2,016,600,326	\$ 6,367,503	\$ 14,326,814	\$ 2,022,661,665	

- (c) In relation to bills discounted and loans of the Yuanta Group (excluding Yuanta Securities (Korea) and its subsidiaries and Ta Chong Bank and its subsidiaries ) that were neither past due nor impaired, the credit quality analysis is based on the credit quality rating by client:

December 31, 2017					
Positions that are neither past due nor impaired					
	Excellent	Acceptable	Weak	Unrated(Note)	Total
Corporate finance					
-Guaranteed	\$ 87,109,126	\$ 37,338,220	\$ 3,172,361	\$ 19,592,992	\$ 147,212,699
-Non-guaranteed	95,952,841	15,105,130	843,981	19,448,456	131,350,408
-Government-owned enterprise	1,075,650	-	-	-	1,075,650
-Others	570,519	69,680	-	110,011	750,210
Subtotal	<u>184,708,136</u>	<u>52,513,030</u>	<u>4,016,342</u>	<u>39,151,459</u>	<u>280,388,967</u>
Consumer finance					
-Mortgage loan	151,195,654	18,091,968	575,217	3,426	169,866,265
-Credit loan	877,922	61,858	183,502	31,290	1,154,572
-Automobile loan	18,390,029	6,108,633	5,353,462	3,847	29,855,971
-Others	5,233,935	74,825	134,573	51,346	5,494,679
Subtotal	<u>175,697,540</u>	<u>24,337,284</u>	<u>6,246,754</u>	<u>89,909</u>	<u>206,371,487</u>
Life insurance business					
-Premium loans	1,161,809	-	-	-	1,161,809
-Policy loans	4,369,658	-	-	-	4,369,658
-Secured loans	55,713	-	-	-	55,713
Subtotal	<u>5,587,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,587,180</u>
Security business					
-Security guarantees and loans	12,952,741	-	-	-	12,952,741
Total	<u>\$ 378,945,597</u>	<u>\$ 76,850,314</u>	<u>\$ 10,263,096</u>	<u>\$ 39,241,368</u>	<u>\$ 505,300,375</u>
December 31, 2016					
Positions that are neither past due nor impaired					
	Excellent	Acceptable	Weak	Unrated(Note)	Total
Corporate finance					
-Guaranteed	\$ 71,932,740	\$ 38,432,738	\$ 3,970,591	\$ 26,974,143	\$ 141,310,212
-Non-guaranteed	110,495,411	12,533,342	796,907	22,458,148	146,283,808
-Government-owned enterprise	7,119,457	-	-	-	7,119,457
-Others	53,085	11,649	-	224,378	289,112
Subtotal	<u>189,600,693</u>	<u>50,977,729</u>	<u>4,767,498</u>	<u>49,656,669</u>	<u>295,002,589</u>
Consumer finance					
-Mortgage loan	147,784,884	16,015,392	637,633	3,664	164,441,573
-Credit loan	953,370	73,173	253,879	-	1,280,422
-Automobile loan	16,118,548	5,546,704	4,748,003	3,411	26,416,666
-Others	1,528,128	77,006	603,016	60,209	2,268,359
Subtotal	<u>166,384,930</u>	<u>21,712,275</u>	<u>6,242,531</u>	<u>67,284</u>	<u>194,407,020</u>
Life insurance business					
-Premium loans	1,067,216	-	-	-	1,067,216
-Policy loans	3,888,081	-	-	-	3,888,081
-Secured loans	79,106	-	-	-	79,106
Subtotal	<u>5,034,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,034,403</u>
Security business					
-Security guarantees and loans	8,569,281	-	-	-	8,569,281
Total	<u>\$ 369,589,307</u>	<u>\$ 72,690,004</u>	<u>\$ 11,010,029</u>	<u>\$ 49,723,953</u>	<u>\$ 503,013,293</u>

Note : Credit rating for the corporate finance is categorized as “Credit rating model” and “Risk assessment by case”, however, for those loans not classified as “Credit rating model” in above table are treated as “Risk assessment by case”.

- (d) In relation to bills discounted and loans of the Ta Chong Bank and its subsidiaries that were neither past due nor impaired, the credit quality analysis is based on the credit quality rating by client:

December 31, 2017					
Items	Positions that are neither past due nor impaired				
	Excellent	Good	Acceptable	Other	Total
Bills discounted and Loans					
-Corporate finance	\$ 4,777,674	\$ 48,373,439	\$ 46,065,605	\$ 2,622,843	\$ 101,839,561
-Residential mortgage loans	50,360,776	31,044,466	45,042,466	-	126,447,708
-Personal credit loans	3,388,167	3,607,348	2,809,471	763,274	10,568,260
-Cash card	33,264	61,141	11,862	-	106,267
-Micro-enterprise loans	66,575	-	-	-	66,575
-Deposits pledge loans	12,514	4,959	30,025	-	47,498
Total	<u>\$ 58,638,970</u>	<u>\$ 83,091,353</u>	<u>\$ 93,959,429</u>	<u>\$ 3,386,117</u>	<u>\$ 239,075,869</u>
December 31, 2016					
Items	Positions that are neither past due nor impaired				
	Excellent	Good	Acceptable	Other	Total
Bills discounted and Loans					
-Corporate finance	\$ 11,780,798	\$ 60,110,058	\$ 55,844,881	\$ 2,911,680	\$ 130,647,417
-Residential mortgage loans	55,598,203	32,124,945	45,608,319	-	133,331,467
-Personal credit loans	4,373,857	4,578,909	3,628,285	-	12,581,051
-Cash card	47,253	89,223	19,226	-	155,702
-Micro-enterprise loans	47,455	22,622	83,481	-	153,558
-Deposits pledge loans	73,133	-	-	-	73,133
Total	<u>\$ 71,920,699</u>	<u>\$ 96,925,757</u>	<u>\$ 105,184,192</u>	<u>\$ 2,911,680</u>	<u>\$ 276,942,328</u>

- h. Aging analysis of overdue financial assets with no impairment of the Yuanta Group:

The delayed processing of the borrower and other administrative reasons may give rise to an overdue financial asset with no impairment.

Aging analysis of the overdue financial assets with no impairment of the Yuanta Group:

December 31, 2017				
Items	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for more than 3 months	Total
<b>Receivables</b>				
- Accounts receivable	\$ 3,622	\$ 619,529	\$ 106,656	\$ 729,807
- Credit card business	122,787	38,339	-	161,126
- Other receivables	133	138	620	891
- Interests receivable	6,616	3,258	-	9,874
<b>Bills discounted and loans</b>				
<b>Corporate finance</b>				
- Guaranteed	409,174	103,327	-	512,501
- Non-guaranteed	55,646	7,672	-	63,318
<b>Consumer finance</b>				
- Mortgage loans	3,431,957	753,046	-	4,185,003
- Credit loans	294,598	169,971	-	464,569
- Car loans	931,511	10,643	-	942,154
- Other	11,894	4,604	58,885	75,383
<b>Life insurance business</b>				
- Secured loans	-	713	-	713
Other financial assets	-	-	11,152	11,152
<b>Total</b>	<b>\$ 5,267,938</b>	<b>\$ 1,711,240</b>	<b>\$ 177,313</b>	<b>\$ 7,156,491</b>
December 31, 2016				
Items	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for more than 3 months	Total
<b>Receivables</b>				
- Accounts receivable	\$ 7,813	\$ 570,788	\$ 2,848	\$ 581,449
- Credit card business	205,012	36,258	-	241,270
- Other receivables	211	84,866	567	85,644
- Interests receivable	7	7	-	14
<b>Bills discounted and loans</b>				
<b>Corporate finance</b>				
- Guaranteed	54,857	281,198	-	336,055
- Non-guaranteed	200,206	2,300	-	202,506
- Other	3,514	-	-	3,514
<b>Consumer finance</b>				
- Mortgage loans	2,811,861	507,240	-	3,319,101
- Credit loans	251,557	142,976	-	394,533
- Car loans	1,147,959	19,196	-	1,167,155
- Other	18,431	4,794	-	23,225
<b>Life insurance business</b>				
- Secured loans	-	1,047	-	1,047
Other financial assets	-	-	11,990	11,990
<b>Total</b>	<b>\$ 4,701,428</b>	<b>\$ 1,650,670</b>	<b>\$ 15,405</b>	<b>\$ 6,367,503</b>

i. Analysis of impaired financial assets of the Yuanta Group

- (a) As of December 31, 2017 and 2016, Yuanta Securities (Korea) and its subsidiaries set aside loss amount of \$1,683,185 and \$1,837,886 for loans that have been individually assessed based on objective evidence of impairment.
- (b) The individual impairment loss on loans assessed by objective evidence for Yuanta Securities (Indonesia) and its subsidiaries on December 31, 2017 and 2016 was \$150,121 and \$161,900, respectively.
- (c) Impairment on bills discounted, loans and receivables of the Yuanta Group (excluding Yuanta Securities (Korea) and its subsidiaries as well as Ta Chong Bank and its subsidiaries) are analysed by client below:

Items		Bills discounted and loans (Note)		
		December 31, 2017	December 31, 2016	
With individual objective evidence of impairment	Individual assessment	\$ 4,752,064	\$ 4,930,682	
	Collective assessment	Corporate loan	221,369	81,452
		Mortgage loan	88,382	159,356
	Without individual objective evidence of impairment	Corporate loan	377,524	457,918
		Mortgage loan	152,183	230,747
		Credit loan	20,838	18,596
		Automobile loan	12,377	895
		Others	279,726,103	288,081,566
		Government-owned enterprises	1,075,650	7,119,457
	Without individual objective evidence of impairment	Mortgage loan	170,937,834	165,866,921
Credit loan		1,169,989	1,298,127	
Automobile loan		30,798,124	27,583,821	
Automatic policy loans		1,161,809	1,067,216	
Policy loans		4,369,658	3,888,081	
Others		18,663,281	11,134,950	
Total		\$ 513,507,185	\$ 511,919,785	
Items		Allowance for doubtful accounts (Note)		
		December 31, 2017	December 31, 2016	
With individual objective evidence of impairment	Individual assessment	\$ 2,661,674	\$ 2,918,033	
	Collective assessment	Corporate loan	9,732	716
		Mortgage loan	34,833	61,859
	Without individual objective evidence of impairment	Corporate loan	66,058	112,895
		Mortgage loan	92,591	110,940
		Credit loan	10,326	7,025
		Automobile loan	6,175	895
		Others	1,846,756	1,854,141
		Government-owned enterprises	1,626,006	1,580,462
	Without individual objective evidence of impairment	Mortgage loan	12,453	14,590
Credit loan		35,766	31,913	
Automobile loan		86,615	96,434	
Total	\$ 6,488,985	\$ 6,789,903		

Items		Receivables (Note)	
		December 31, 2017	December 31, 2016
With individual objective evidence of impairment	Individual assessment	\$ 583,279	\$ 651,485
	Collective assessment	14,070	16,745
	Others	242	-
Without individual objective evidence of impairment	Individual assessment	5,708,336	5,134,390
	Collective assessment	299,145,216	341,725,393
	Others	305,451,143	347,528,013
Total		\$	\$
Allowance for doubtful accounts (Note)			
Items		December 31, 2017	December 31, 2016
		\$	\$
With individual objective evidence of impairment	Individual assessment	300,640	292,336
	Collective assessment	13,706	16,278
	Others	207	-
Without individual objective evidence of impairment	Individual assessment	47,959	46,005
	Collective assessment	1,242,748	817,732
	Others	1,605,260	1,172,351
Total		\$	\$

Note: As of December 31, 2017 and 2016, bills discounted and loans includes interest receivable, which was \$616,488 and \$553,150, respectively; the total receivables are the original amount (including due from Central Bank and call loans to banks, investments in bills and bonds under resale agreements, receivables (not including spot exchange receivables, revenue receivables and income tax refundable amounting to \$2,990,922 and \$15,481,020, respectively), investments in debt products without an active market, temporary payments for others, delinquent accounts from non-loans and guarantee deposits); the amounts not including interest receivables were \$616,488 and \$553,150, respectively. In addition, allowance for doubtful receivables not including allowance for doubtful interest receivable on loans were \$2,365 and \$2,468, respectively.

(d) Impairment on bills discounted, loans and receivables of the Ta Chong Bank is analysed by client below:

Items	Discounts and loans		Receivables	
	Total amounts December 31, 2017	Allowance for credit losses December 31, 2017	Total amounts December 31, 2017	Allowance for credit losses (Note) December 31, 2017
With individual objective evidence of impairment	\$ 1,096,667	\$ 377,931	\$ 387,260	\$ 275,213
Without individual objective evidence of impairment	1,729,804	528,604	356,612	158,424
Total	242,658,545	2,790,638	8,954,144	64,223
	\$ 245,485,016	\$ 3,697,173	\$ 9,698,016	\$ 497,860
Items	Discounts and loans		Receivables	
	Total amounts December 31, 2016	Allowance for credit losses December 31, 2016	Total amounts December 31, 2016	Allowance for credit losses (Note) December 31, 2016
With individual objective evidence of impairment	\$ 1,792,527	\$ 238,589	\$ 617,850	\$ 440,725
Without individual objective evidence of impairment	1,604,978	415,357	362,252	156,002
Total	279,362,619	3,316,367	13,410,143	67,606
	\$ 282,760,124	\$ 3,970,313	\$ 14,390,245	\$ 664,333

Note: Includes other delinquent accounts (accounted for under other financial assets).



(B) Market risk

a. Source and definition of risk

Market risks refer to the losses on and off the balance sheet as a result of the change in market price, such as interest rate, exchange rate, equity securities and instrument price. Market risk management is there to identify, evaluate, monitor and report the risks for a purpose of ensuring that market risk of all kinds should be controlled within certain bearable level.

The market risks that the Yuanta Group faces mainly are equity securities, interest rate and exchange rate risk. Market risk position of equity securities mainly include domestic listed stocks, emerging stocks, domestic stock index options and stock index futures, etc. Positions of interest rate risk mainly include bonds and interest-derivative instruments, such as interest swap and bond option, etc. Exchange rate risk are investment position denominated in foreign currency mainly including spot exchange, FX exchange, foreign exchange options and other derivatives business.

b. Risk management principle

The risk management principle of the Yuanta Group is to establish efficient and completed risk managing program, including the setting up of risk limits, duty segregation, completed risk managing execution procedure and timely risk monitor, etc. Risk limits are set up in order to effectively control the market risk under the capital capacity and the duty segregation can help regulate management and approval authorization of various risks. Risk management conducts all kinds of evaluation and monitoring over all kinds of market risk and, at the same time, uses VaR model to coordinate quantification management of market risks together with timely monitoring during trading hours and after trading hour analysis to actually control any abnormal signal of trading risks. Risk management regularly provides risk management reports to managers of each line to ensure that the entity's market risk can be timely and completely controlled in depth. The risk management principle of Ta Chong Bank and its subsidiaries is based on their related principles of internal market risk.

c. Market risk assessment

(a) The Yuanta Group adopts the Value at risk (VaR) valuation model for the trading position as a major instrument to monitor market risk. In a 99% confidence interval, the estimated possible maximum loss of the trading position in one day is the benchmark for market risk assessment.

VaR for a trading purpose:

Instrument type	For the year ended December 31, 2017			
	December 31, 2017	VaR Average	VaR Minimum	VaR Maximum
Interest rate	101,509	126,841	90,333	155,881
Equity securities	190,007	260,444	171,953	347,005
Foreign exchange	323,081	245,580	192,063	352,967
Commodity	16,617	24,096	7,969	129,582
Less: diversification effects	( 186,600)	( 225,044)	-	-
Total VaR	444,614	431,917	333,092	503,713

Instrument type	For the year ended December 31, 2016			
	December 31, 2016	VaR Average (Note)	VaR Minimum (Note)	VaR Maximum (Note)
Interest rate	132,715	101,835	73,535	138,288
Equity securities	274,478	311,236	225,334	402,776
Foreign exchange	217,293	153,148	126,869	220,093
Commodity	44,179	14,934	3,230	51,393
Less: diversification effects	( 117,932)	( 109,052)	-	-
Total VaR	550,733	472,101	385,351	571,444

Note: excluding Ta Chong Bank and its subsidiaries.

(b) Non-trading purpose

Sensitivity analysis on interest rate:

	Interest rate shift	December 31, 2017	December 31, 2016
		Effect on other comprehensive income	Effect on other comprehensive income
Available-for-sale financial assets			
Yuanta Bank	Increase of 1 basis point	(\$ 18,830)	(\$ 18,042)
Yuanta Life	Increase of 1 basis point	( 31,579)	( 26,157)

(c) The sensitivity analysis of Ta Chong Bank and its subsidiaries is as follows:

i. Interest risk

Ta Chong Bank invested in interest rate related financial instrument. Assuming that other variables remain unchanged, if the yield curve of all global markets at December 31, 2017 and 2016 simultaneously increase (decrease) by 1 basis point, then income before taxes will respectively decrease (increase) by \$1,296 and \$1,143, respectively, while other comprehensive income will respectively decrease (increase) by \$6,902 and \$8,531, respectively. As of December 31, 2016, Ta Chong Securities Co., Ltd. and Ta Chong Venture Capital have no significant interest rate fluctuation risk.

ii. Exchange risk

Ta Chong Bank's primary foreign currency position is USD. Assuming that other variable remain unchanged, if the exchange rate for NTD to USD at December 31, 2017 and 2016 appreciates (depreciates) by 1%, then income before taxes will respectively increase (decrease) by \$3,278 and \$2,665, respectively. As of December 31, 2016, Ta Chong Securities Co., Ltd. and Ta Chong Venture Capital have no significant interest rate fluctuation risk.

iii. Price risk of equity securities

Ta Chong Bank invested in equity securities financial instrument. Assuming that other variables remain unchanged, if the price of equity securities at December 31, 2017 and 2016 increase (decrease) by 1%, then expected income before taxes will respectively increase (decrease) by \$0 (\$0) and \$250 (\$247) while other comprehensive income will respectively increase (decrease) by \$0 (\$0). Ta Chong Securities Co., Ltd. invested in stocks and beneficiary certificates. Assuming that other variables remain unchanged, if the price of equity securities at December 31, 2016 increase by 1%, then expected income before taxes will increase by \$10,126. As of December 31, 2016, Ta Chong Venture Capital have no price risk of equity securities.

- d. As of December 31, 2017 and 2016, the following table summarizes USD-denominated financial instruments of the Yuanta Group and the concentration of foreign exchange risk presented by carrying amount.

UNIT: In thousands of US/NT Dollars

	December 31, 2017		December 31, 2016	
	Carrying amount		Carrying amount	
	USD position	(NTD)	USD position	(NTD)
Foreign currency denominated financial assets				
Cash and cash equivalents	\$ 565,102	\$ 16,822,917	\$ 1,160,964	\$ 37,474,349
Financial assets at fair value through profit or loss	1,004,251	29,974,876	1,399,657	45,179,224
Held-to-maturity financial assets	2,786,242	83,163,756	2,245,011	72,466,714
Bills discounted and loans	2,966,829	88,553,919	3,138,884	101,320,051
Foreign currency denominated financial liabilities				
Bills and bonds payable under repurchase agreements	1,334,315	39,826,638	1,567,999	50,613,445
Deposits and remittances	4,702,896	140,327,792	5,333,496	172,159,935
Other liabilities	553,396	16,517,772	1,022,905	33,018,353

Note: As of December 31, 2017 and 2016, USD to TWD exchange rates were 29.848 and 32.279, respectively.

- e. As of December 31, 2017 and 2016, the following table summarizes KRW-denominated assets and liabilities of Yuanta Securities and the concentration of foreign exchange risk presented by carrying amount.

	December 31, 2017		December 31, 2016	
	Carrying amount		Carrying amount	
	KRW position	(NTD)	KRW position	(NTD)
Effect on profit or loss				
Financial assets				
Cash and cash equivalents	\$ 637,072,906	\$ 17,774,334	\$ 722,132,444	\$ 19,370,372
Financial assets at fair value through profit or loss	2,644,460,498	73,780,448	6,038,744,240	161,982,364
Accounts receivable	304,848,612	8,505,276	189,310,718	5,078,042
Prepayments and other receivables	48,043,787	1,340,422	61,772,746	1,656,983
Other current assets	223,321,861	6,230,680	32,611,839	874,775
Non-current assets	656,756,945	18,323,519	673,378,608	18,062,606
Financial liabilities				
Financial liabilities at fair value through profit or loss	1,907,149,701	53,209,477	1,333,344,461	35,765,430
Bonds sold under repurchase agreements	3,267,723,425	91,169,484	3,309,405,717	88,770,999
Guarantee deposit-in and margin deposits	2,571,171	71,736	3,148,801	84,463
Other current liabilities	161,425,771	4,503,779	37,021,714	993,065
Non-current liabilities	154,469,886	4,309,710	262,038,616	7,028,884
Effect on profit or loss and equity				
Financial assets				
Equity investments accounted for under the equity method	52,486,779	1,464,381	63,262,049	1,696,932

Note: As of December 31, 2017 and 2016, the KRW to TWD exchange rate were all 0.03.

### (C) Liquidity risk

#### a. Source and definition of liquidity risk

Liquidity risk includes market liquidity risk and funding liquidity risk. Market liquidity risk refers to risk arising from inadequate market depth or market disruptions, which prevent settlement or closing of positions at normal market prices within a reasonable time frame and therefore necessitate buying at a much higher price or selling at a discount. Funding liquidity risk refers to risk arising from the inability to obtain sufficient capital within the expected time leading to a failure of fulfilling the capital required as maturity comes due.

#### b. Risk management principle

To mitigate the market liquidity risk, the Yuanta Group has set up separate standards on position liquidity limits for different operations and different securities to ensure sufficient market liquidity for all positions. For funding liquidity risk management, the Yuanta Group has set appropriate limits and ratios on liquidity supply and demand according to the nature of each operational sector, and evaluates in advance the potential capital gaps of each time period to effectively control overall liquidity risk. Pre-established capital transferring plan is also ready in case of systematic risk event and abnormal capital liquidity to sufficiently respond to overall liquidity risk and enhance overall funding liquidity risk management.

#### c. Assessment on liquidity risk

(a) Set up liquidity risk indicator and warning in order to control adverse element to the liquidity. At the same time, analysis and appropriate measures are made to mitigate the extent of effects.

(b) Assessments are regularly made to the assets and liabilities denominated in major currencies on the balance sheet and the cash inflow, cash outflow and liquidity gap off the balance sheet by different time period.

#### d. Maturity analysis for the financial assets and non-derivative liabilities held for liquidity risk management:

##### (a) Financial assets held for liquidity risk management

In order to fulfil the payment obligation and potential emergent fund demand in the market, as well as manage the liquidity risk at the same time, sound earning assets with high liquidity were held by the Yuanta Group, including cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, bills discounted and loans, available-for-sale financial assets, and held-to-maturity financial assets, etc..

##### (b) Maturity analysis on non-derivative assets and liabilities

The following table illustrates the analysis made on cash outflow of non-derivative financial assets and liabilities of the Yuanta Group by the remaining maturity from the consolidated balance sheet date to the contract expiration date. While the amounts disclosed in the table are not made based on the consolidated cash flow, certain accounts may differ from the responding accounts in the balance sheet.

(c) Maturity analysis on derivative financial assets and financial liabilities by date

i. Derivative financial instruments settled on a net basis

Derivative financial instruments of the Yuanta Group settled on a net basis include: equity options, non-delivery forward, interest swap settled by net cash flow and other interest contract.

ii. Derivative financial instruments settled on a gross basis.

Derivative financial instruments of the Yuanta Group settled on a gross basis include: FX options, foreign exchange forward contract, cross currency swaps, and foreign exchange swaps.

The following table illustrates the analysis made on cash inflow and outflow of financial assets and financial liabilities held by the Yuanta Group for liquidity risk management of major currencies by the remaining maturity from the financial reporting date to the contract expiration date.

(BLANK)

December 31, 2017

	December 31, 2017			
	0-90 days	91 days-1 year	Over 1 year	Total
<b>Financial assets</b>				
<b>Non-derivative financial instruments</b>				
Cash and cash equivalents	\$ 62,546,422	\$ 1,362,519	\$ 98,629	\$ 64,007,570
Due from Central Bank and call loans to other banks	34,723,838	10,088,513	9,578,599	54,390,950
Financial assets at fair value through profit or loss	337,411,059	36,060,440	59,195,364	432,666,863
Available-for-sale financial assets	136,767,685	35,308,708	223,440,402	395,516,795
Investments in bills and bonds under resale agreements	34,824,282	3,678	-	34,827,960
Receivables	140,586,585	33,740,311	2,407,778	176,734,674
Bills discounted and loans	141,011,788	149,122,493	483,979,294	774,113,575
Reinsurance assets	435,887	-	-	435,887
Held-to-maturity financial assets	2,569,597	2,596,169	138,644,704	143,810,470
Restricted assets	-	-	2,722,678	2,722,678
Other financial assets	39,996,265	1,992,088	52,161,935	94,150,288
Other assets	16,954,966	5,813,116	5,867,387	28,635,469
<b>Derivative financial instruments</b>				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	16,688,949	3,641,627	1,158,754	21,489,330
Cash outflow	( 15,530,585)	( 2,501,629)	-	( 18,032,214)
Net settlement	623,507	473,010	540,853	1,637,370
Total	\$ 949,610,245	\$ 277,701,043	\$ 979,796,377	\$ 2,207,107,665
<b>Financial liabilities</b>				
<b>Non-derivative financial instruments</b>				
Due to Central Bank and other banks	\$ 9,797,387	\$ 3,712,775	\$ 10,000	\$ 13,520,162
Financial liabilities at fair value through profit or loss	9,317,142	7,249,381	2,684,468	19,250,991
Bills and bonds payable under repurchase agreements	126,209,351	34,380,971	36,510,867	197,101,189
Commercial paper payable	44,658,638	45,449	-	44,704,087
Payables	157,121,053	11,043,289	541,029	168,705,371
Deposits and remittances	365,544,964	390,472,947	300,006,378	1,056,024,289
Bonds payable	13,143,088	9,439,399	43,233,271	65,815,758
Other borrowings	71,403,717	351,054	-	71,754,771
Other financial liabilities	51,543,490	6,081,888	12,473,536	70,098,914
Other liabilities	26,527,964	980,632	2,144,932	29,653,528
<b>Derivative financial instruments</b>				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	( 18,516,789)	( 5,144,437)	603,317	( 24,264,543)
Cash outflow	19,762,484	6,222,774	1,785,898	27,771,156
Net settlement	3,053	2,973	237,643	243,669
Total	\$ 876,515,542	\$ 464,839,095	\$ 399,024,705	\$ 1,740,379,342

December 31, 2016

	0-90 days		91 days-1 year		Over 1 year		Total
<b>Financial assets</b>							
<b>Non-derivative financial instruments</b>							
Cash and cash equivalents	\$	56,377,144	\$	6,248,430	\$	-	\$ 62,625,574
Due from Central Bank and call loans to other banks		117,758,936		8,593,029		11,051,417	137,403,382
Financial assets at fair value through profit or loss		276,191,164		58,449,744		58,137,601	392,778,509
Available-for-sale financial assets		42,743,484		19,311,868		215,365,117	277,420,469
Investments in bills and bonds under resale agreements		36,423,017		76,129		-	36,499,146
Receivables		109,535,034		36,179,835		1,844,754	147,559,623
Bills discounted and loans		174,086,526		146,480,021		483,644,042	804,210,589
Reinsurance assets		415,679		-		-	415,679
Held-to-maturity financial assets		59,887		130,022		115,946,708	116,136,617
Restricted assets		33,275		16,638		5,496,868	5,546,781
Other financial assets		40,682,493		5,565,560		53,664,434	99,912,487
Other assets		7,983,902		1,148,961		4,370,663	13,503,526
<b>Derivative financial instruments</b>							
Financial assets at fair value through profit or loss							
Gross settlement							
Cash inflow		20,496,413		5,403,206		1,642,217	27,541,836
Cash outflow	(	19,231,849)	(	2,482,789)		-	( 21,714,638)
Net settlement		138,643		233,742		674,741	1,047,126
Total	\$	863,693,748	\$	285,354,396	\$	951,838,562	\$ 2,100,886,706
<b>Financial liabilities</b>							
<b>Non-derivative financial instruments</b>							
Due to Central Bank and other banks	\$	24,996,466	\$	3,849,856	\$	-	\$ 28,846,322
Financial liabilities at fair value through profit or loss		6,968,721		312,676		3,263,319	10,544,716
Bills and bonds payable under repurchase agreements		124,250,803		47,170,179		24,417,391	195,838,373
Commercial paper payable		19,298,477		-		-	19,298,477
Payables		142,906,429		9,332,648		1,447,944	153,687,021
Deposits and remittances		372,688,461		333,648,680		343,725,649	1,050,062,790
Bonds payable		7,929,152		13,146,084		57,066,243	78,141,479
Other borrowings		45,821,349		-		-	45,821,349
Other financial liabilities		49,500,731		5,895,547		19,110,613	74,506,891
Other liabilities		17,235,778		878,418		74,829	18,189,025
<b>Derivative financial instruments</b>							
Financial liabilities at fair value through profit or loss							
Gross settlement							
Cash inflow		17,451,946)	(	2,933,544)		1,510,377)	( 21,895,867)
Cash outflow		18,559,548		5,796,699		3,259,525	27,615,772
Net settlement		461,645		532,457		706,883	1,700,985
Total	\$	813,165,614	\$	417,629,700	\$	451,562,019	\$ 1,682,357,333

Maturity analysis for above deposits and remittances are amortised to each period based on historical experience. Given that all the deposits and remittances have to be paid in the shortest possible time, as of December 31, 2017 and 2016, expenses on period of 0-90 days will increase by \$370,082,218 and \$370,995,091, respectively.

- e. Maturity analysis for items off the balance sheet, lease contract and capital expense commitment

Items off the balance sheet, while the client may choose when to make a payment, are classified into the earliest time category.

Lease commitment of the Yuanta Group include operating lease and finance lease.

Operating lease commitment is the total minimum lease payments that the Yuanta Group should make as a lessee or lessor under an operating lease term which is not cancelable.

Financial lease commitment refers to the total future rental payment and the present value that the Yuanta Group as a lessee should make according to the finance lease term, or the total lease investment and the minimum lease payment receivable at present value for a lesser according to the financial lease term.

Capital expenditure commitment of the Yuanta Group refers to the capital expenses spent on the contract commitment in order to acquire the building and equipment.

Please refer to the below table for maturity analysis on off balance sheet items, lease contract commitment and capital expenditure commitment of the Yuanta Group:

	December 31, 2017			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 32,878,194	\$ 8,046,202	\$ 101,356	\$ 41,025,752
Non-revocable credit card commitments	127,163,399	272,946	461,319	127,897,664
Unused credit commitment	4,863,673	-	-	4,863,673
Guarantees	23,255,122	1,991,505	7,140	25,253,767
Lease contract commitment				
Operating lease expense (lessee)	1,338,544	2,995,111	83,337	4,416,992
Operating income (lessor)	93,882	120,520	-	214,402
Total financial lease expense (lessee)	472	79	-	551
Financial lease expense at present value (lessee)	472	52	-	524
Total financial lease income (lessor)	34,918	42,312	-	77,230
Financial lease income at present value (lessor)	32,653	37,603	-	70,256
Capital expenditure commitment	330,916	122,262	-	453,178



	December 31, 2016			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 40,799,184	\$ 5,795,793	\$ 47,805	\$ 46,642,782
Non-revocable credit card commitments	117,087,810	273,185	1,192,508	118,553,503
Unused credit commitment	3,728,557	-	-	3,728,557
Guarantees	38,668,791	1,940,083	-	40,608,874
Lease contract commitment				
Operating lease expense (lessee)	1,470,082	3,088,068	333,974	4,892,124
Operating income (lessor)	97,337	78,799	-	176,136
Total financial lease expense (lessee)	1,702	4,210	-	5,912
Financial lease expense at present value (lessee)	1,632	4,179	-	5,811
Total financial lease income (lessor)	44,664	69,106	-	113,770
Financial lease income at present value (lessor)	40,231	62,135	-	102,366
Capital expenditure commitment	217,487	126,957	-	344,444

(D) Transfer of financial assets

Transferred financial assets not fully derecognised

A. The Yuanta Group has financial assets that are fully or partially derecognised through transactions of transfer of financial assets to others. When the Yuanta Group receives the contract right of cash flow from the financial assets, or retains the above rights but bears obligation to pay the cash flow to one or more recipients and the risks and compensation of rights are mostly transferred, the assets should be derecognised. If the Yuanta Group still retains most of the risks and compensation of rights, the Yuanta Group should continue recognise the financial assets. If the Yuanta Group does not transfer or retains most of the risks and compensation of rights and maintains control over the assets, the Yuanta Group should continue recognise the part of financial assets that are involved.

B. Financial assets that do not meet the derecognition conditions are mainly: (1) convertible bonds transferred to counterparties during transactions of exchanging assets and (2) bonds sold under repurchase agreements. The targeted assets exchanged in the transactions are either acquired through public subscription, book building, auctions or others by the Yuanta Group or owned by the Yuanta Group for proprietary trading, and are sold to counterparties in order to receive consideration. During the contract period, the contracted interest compensation is exchanged for bond interest and interest refund arising from the convertible bonds held by the counterparties. The Yuanta Group obtains rights to repurchase the convertible bonds before the end of contract expiration date. As the options are neither deep-in-the-money nor deep-out-of-the-money at transactions, the Yuanta Group must further assess whether to retain the control over the convertible bonds. Since the convertible bonds cannot be easily obtained in markets, the Yuanta Group still keeps its control over the assets and continuing involvement. Because transactions in respect to the repurchase agreements of debt instruments and bills had transferred their receivable contractual cash flows to other parties, and are reflected in the Consolidated Company's related liabilities, which indicate the obligation to repurchase transferred financial assets in a specified future period within a fixed price, the Consolidated Company, within the effective period of the transaction, cannot use, sell or pledge the already transferred financial asset, but must still bear interest risk and credit risk. Thus, such financial assets were not derecognised in its entirety.

Financial assets that do not meet the derecognition conditions and related financial

liabilities are analysed as below:

December 31, 2017		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Convertible corporate bonds transferred to the trading counterparties through asset swap	\$ 10,508,423	\$ 9,547,733
Bond sold under repurchase agreements	203,906,676	197,101,189
December 31, 2016		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Convertible corporate bonds transferred to the trading counterparties through asset swap	\$ 16,690,746	\$ 15,704,262
Bond sold under repurchase agreements	203,373,780	195,838,373

(E) Offsetting financial assets and financial liabilities

The Yuanta Group has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party breaches the contract, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are set as follows:

A. Financial assets

December 31, 2017						
Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)( Note 1)		
				Financial instruments (Note 2)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 9,726,186	\$ -	\$ 9,726,186	\$ 6,491,296	\$ 1,527,039	\$ 1,707,851
Bonds purchased under resale agreements	34,827,960	-	34,827,960	34,337,060	490,805	95

December 31, 2016

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)( Note 1)		
				Financial instruments (Note 2)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 12,694,464	\$ -	\$ 12,694,464	\$ 7,444,346	\$ 948,960	\$ 4,301,158
Bonds purchased under resale agreements	36,499,146	-	36,499,146	36,208,046	288,408	2,692

**B. Financial liabilities**

December 31, 2017

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial liabilities set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)( Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 11,517,641	\$ -	\$ 11,517,641	\$ 8,127,795	\$ 1,923,966	\$ 1,465,880
Bonds sold under repurchase agreements	197,101,189	-	197,101,189	196,910,430	35,715	155,044

December 31, 2016

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial liabilities set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)( Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 15,334,424	\$ -	\$ 15,334,424	\$ 9,448,408	\$ 4,719,788	\$ 1,166,228
Bonds sold under repurchase agreements	195,838,373	-	195,838,373	195,399,575	296,575	142,223

Note 1: The related offsetting amount shall not exceed the recognised financial assets or liabilities.

Note 2: Including net settled master netting arrangements and non-cash collaterals.

Note 3: Including net settled master netting arrangements.

(F) Insurance risk

a. Measurement and management of insurance risk

Insurance risks refer to insufficient estimates over the frequency, severity and lapse rate of the insured incidents, such as death rate, morbidity rate, lapse rate, interest rate, expense rate and so on. These ratios could be influenced by random variable risks and therefore lead to the risks of additional payment exceeding the original estimated values. The Yuanta Group engages in business of life insurance, variable life insurance, accident insurance, and health insurance. The risks and management for the above products are as follows:

(a) Life insurance

The main risk of life insurance comprises of death rate and interest rate. The Yuanta Group assesses the premium rate of main insurance product on the market, makes related statistical measurement and analysis of death rate, such as cash flow test and experience test. Inspections are used to determine whether the death rate is higher than pricing basis in order to evaluate the impact toward the overall operation or the extent of negative impact arising accordingly, and to further determine whether or not to cease the sale of the product and adjust the premium rate of the new product. As for interest risks, the interest rates of long-term contracts were all locked-in before sales in compliance with regulation. If there is an objective gap of fluctuation between long-term interest rate and the estimated policy interest rate, and the investment income fails to reach the promised policy interest rate, the Yuanta Group will then face a problem of negative spread. Therefore, the Yuanta Group evaluates the investment income in various committees on a regular basis to further evaluate investment portfolio. The Yuanta Group shall review investment allocation, insurance combination and (or) preset interest rates to mitigate risks of negative spread if there is obvious adverse development in the problem of negative spread.

(b) Variable life insurance

The main risk of variable life insurance mainly comprises of death rate. Explanation of death rate risks shall be the same as the life insurance.

(c) Accident insurance and health insurance

The main risks of accident insurance and health insurance comprise of the occurrence of the accident rate and the morbidity rate. The Yuanta Group tracks loss rate of each insurance type, assesses the premium rate of main insurance products on the market, and makes related statistical measurement of occurrence of the accident rate and the morbidity rate, such as cash flow test and experience test in order to evaluate the impact toward the overall operation or the extent of negative impact arising accordingly, and to further determine whether or not to cease the sale of the product and adjust the premium rate of the new product. The Yuanta Group also arranges reinsurance ceded to mitigate overall potential risk of loss from claims in the future.

I. Management of insurance risk

i. Risk management of policy underwriting

Underwriting risk refers to the risk of unexpected losses arising from soliciting insurance policies, assessing policy underwritings and related expenses etc. In accordance with “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises”, the Yuanta Group has established an appropriate risk management mechanism, which includes the establishment of policy

underwriting systems and procedures, the establishment of policy underwriting manuals and standards, and the establishment of policy underwriting risk management indicators, as well as their faithful implementation, in order to regulate the underwriting limit of policy underwriters and control the accuracy and timeliness of policy underwritings.

ii. Risk management of payment of claims

Risk arising from payment of claims refers to the risk of unexpected losses arising from improper assessment of claims or negligence when handling policy claims. In accordance with “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises”, the Yuanta Group has established an appropriate risk management mechanism, which includes the establishment of policy underwriting systems and procedures, the establishment of policy underwriting manuals and standards, and the establishment of policy underwriting risk management indicators, as well as their faithful implementation, in order to regulate the underwriting limit of policy underwriters and control the accuracy, timeliness, policy claim rate and rate of actual policy payments of policy claims.

iii. Risk of product designing and pricing

Risk of product designing and pricing refers to risks arising from the improper or inconsistent design of a product’s content, stipulated terms or cited fees, or unexpected changes etc. The Yuanta Group has established related operation procedures pursuant to “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises”, regulating the operation procedures in each developing phase of an insurance product and controlling product designing and pricing by putting in place quantitative mechanisms such as probability testing.

b. Insurance risk concentration

The insurances covered by the Yuanta Group are distributed over the country and have no specific concentration over any specific location, target client, age group, or type of occupation. Reinsurance arrangement is still made after assessment in order to mitigate the covered insurance risks and avoid the overall cumulative risks exceeding the Yuanta Group’s risk capacity. Additionally, through catastrophe reinsurance, the Yuanta Group transfers concentrated risks to highly secure reinsurance companies to further mitigate the risks of large claims and catastrophe claims.

c. Liability adequacy test

According to the relevant insurance regulation, the assumption factors adopted have been locked-in during pricing. However, the assumption may vary from the actual experience as time goes by. Pursuant to IFRS 4, ‘Insurance contracts’, the Yuanta Group should perform liability adequacy test accordingly to determine whether or not the recognised insurance liability is adequate. In respect of overall insurance contracts of the Yuanta Group as of December 31, 2017 and 2016, the liabilities will still be adequate on the assumption that the mortality, lapse, and expense rates all change by 10% and inflation rate changes by 1%.

If the discount rate of the liability adequacy test decreases by 10 basis points, the liability recognised is still deemed to be adequate and should not influence income before tax and stockholders’ equity. If the discount rate of the adequacy test decreases significantly, the

change would impact income before tax and stockholders' equity.

d. Credit risk, liquidity risk and market risk of insurance contracts

(a) Credit risk

Credit risks primarily refer to the risk of a reinsurer's failure to fulfil its obligations on the ceded business, which leads to its inability to share its stake of the premiums, claims and other expenses. To manage this risk, the Yuanta Group will, all conditions being equal, foremost consider the distribution to different reinsurers to mitigate the concentration risk. The reinsurers will be selected prudently in accordance with the reinsurance risk management plan as set by the Yuanta Group. To mitigate the credit risk, the reinsurance agreement will require that reinsurance fees shall be paid on a net basis by deducting any receivables or share of payments recoverable from the reinsurer. In addition, the Yuanta Group will demand the inclusion of a special termination clause in the reinsurance agreement, allowing the Yuanta Group to terminate the agreement in the circumstances that the reinsurer defaults on its obligations to limit further credit risk.

After ceding the business, the Yuanta Group will review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan. In the event of a credit rating downgrade of a reinsurer leading to its failure to meet the minimum requirement of being an eligible reinsurer as stipulated by the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", the Yuanta Group will disclose reinsurance reserve as required to monitor the adverse impacts from the downgraded reinsurer on the Yuanta Group.

Currently, the credit ratings of all reinsurance counterparties of the Yuanta Group have met the eligibility standards as stipulated by the regulations.

(b) Liquidity risk

The liquidity risk of the insurance contract arises mainly from the Yuanta Group's failure to realise the assets or to obtain sufficient funding in time to fulfil its obligations on insurance benefits payment. To manage the risk, the Yuanta Group regularly conducts maturity analysis on the insurance contracts and reviews the matching of assets and liabilities.

The table below shows the net liability cash flow analysis on the insurance portfolio of the Yuanta Group by maturity (excluding net cash flow from investing activities). The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future time point. The future actual amounts may vary as the actual experience may be different from the expected amounts.

Net cash flows used in (provided by) the insurance contracts:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Less than 1 year	(\$ 23,176,211)	(\$ 24,157,464)
1 ~5 years	( 15,764,816)	( 34,953,874)
5 ~15 years	78,131,729	80,261,930
More than 15 years	<u>440,488,107</u>	<u>398,301,212</u>
Total	<u>\$ 479,678,809</u>	<u>\$ 419,451,804</u>

The Yuanta Group has insurance contracts that are classified as investment-linked

product liabilities. However, such liabilities are repaid based on investment-linked product assets. Therefore, the Yuanta Group has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

(c) Market risk

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations, the Yuanta Group calculates and sets aside statutory reserves in accordance with assumed interest rate and incidence rate regulated by the supervisors. As the assumed interest rate is pre-determined as at policy issuance, the statutory reserves will not change with market interest rate fluctuations. The regulator will regularly review the discount rate assumption, which however may not necessarily correspond to the market risk factors (e.g. market interest rate) in terms of time, amount, or direction, and it is only applicable to the new policies. Therefore, the impact of probable changes in market risks on the statutory reserves of the Yuanta Group’s in-force insurance policies is negligible. In case the regulator changes the discount rate assumption, its impact on profit/loss or equity will vary depending on the range of the change and the Yuanta Group’s overall product mix. Furthermore, reasonable and probable variations in market risks may affect the liability adequacy test, which requires the future cash flows for insurance contracts and financial instruments with discretionary participation features to be estimated based on the current information as at the balance sheet date to assess whether recognised insurance liabilities are adequate. Please refer to the liability adequacy test for the impact of market risk variables on the current liability adequacy of the Yuanta Group.

(4) Capital adequacy ratio:

	Expressed In Thousands of New Taiwan Dollars			
	Financial Holding			
	Company	December 31, 2017		
Shareholding Ratio	Eligible capital	Minimum capital		
Financial holding company	-	\$ 211,166,258	\$ 242,046,215	
Bank subsidiaries	100.00%	126,838,489	77,995,459	
Securities and Securities Finance subsidiaries	100.00%	52,283,752	22,585,913	
Insurances subsidiaries	100.00%	9,253,636	5,907,844	
Futures subsidiaries	68.65%	5,126,497	2,669,956	
Venture capital subsidiaries	100.00%	2,267,379	1,124,332	
Securities Investment Trust subsidiaries	72.20%	2,950,944	1,728,828	
Other subsidiaries	100.00%	2,118,550	1,803,600	
Deduction items		( 256,761,312)	( 239,302,171)	
Subtotal		\$ 155,244,193	\$ 116,559,976	
Capital adequacy ratio of the Consolidated Company			133.19%	

Expressed In Thousands of New Taiwan Dollars

Financial Holding Company	Shareholding Ratio	December 31, 2016	
		Eligible capital	Minimum capital
Financial holding company	-	\$ 201,378,357	\$ 235,070,278
Bank subsidiaries	100.00%	127,822,382	81,689,712
Securities and Securities Finance subsidiaries	100.00%	53,726,602	19,957,613
Insurances subsidiaries	100.00%	6,269,936	4,280,014
Futures subsidiaries	68.65%	4,931,745	2,699,551
Venture capital subsidiaries	100.00%	2,599,927	1,299,479
Securities Investment Trust subsidiaries	72.20%	2,760,555	1,617,438
Other subsidiaries	100.00%	2,799,705	2,177,085
Deduction items		( 250,848,928)	( 231,105,938)
Subtotal		\$ 151,440,281	\$ 117,685,232
Capital adequacy ratio of the Consolidated Company		128.68%	

As of December 31, 2017, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 118,891,975
Additional paid-in capital	37,960,694
Legal reserve	9,100,767
Special reserve	6,549,234
Accumulated earnings	35,275,652
Other equity	4,554,385
Less: goodwill and other intangible assets	( 4,453)
Less: deferred assets	( 25,043)
Less: treasury shares	( 1,136,953)
Total net eligible capital	\$ 211,166,258

As of December 31, 2016, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 119,986,478
Additional paid-in capital	37,956,289
Legal reserve	7,759,357
Special reserve	6,549,234
Accumulated earnings	26,132,832
Other equity	4,524,288
Less: goodwill and other intangible assets	( 6,066)
Less: deferred assets	( 25,452)
Less: treasury shares	( 1,498,603)
Total net eligible capital	\$ 201,378,357

- (5) In accordance with Article 46 of the Financial Holding Company Act, the following table represents the Company and its subsidiaries' provision of business credit or endorsements to, or other transactions with, the same individual, the same related party, or the same affiliated company.



(Expressed In Millions of New Taiwan Dollars)

December 31, 2017

Name	Total of business credit,	
	endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Central Bank, R.O.C	\$ 141,903	67.19
Central Government, R.O.C	124,836	59.11
Hon Hai Precision Ind. Co., Ltd.	15,104	7.15
Taiwan Power Company	10,428	4.94
Taiwan Semiconductor Manufacturing Co., Ltd.	9,555	4.52
Allianz Global Investors GmbH	9,518	4.51
Cpc Corporation, Taiwan	8,229	3.90
Far Eastern New Century Corporation	7,864	3.72
CTBC Financial Holding Co., Ltd.	7,429	3.52
Cheng Shin Rubber Ind., Co., Ltd.	7,286	3.45
Taiwan Mobile Co., Ltd.	7,059	3.34
Micron Technology, Inc.	6,500	3.08
China Steel Corporation	6,328	3.00
Chailease Finance Co., Ltd.	6,320	2.99
Cathay Financial Holding Co., Ltd.	5,943	2.81
Fubon Financial Holding Co., Ltd.	5,880	2.78
Radium Life Tech Co., Ltd.	5,865	2.78
JPMorgan Asset Management (Taiwan) Limited	5,837	2.76
Dragon Steel Corporation	5,663	2.68
Formosa Plastics Corporation	4,932	2.33
Shin Kong Financial Holding Co.,Ltd.	4,885	2.31
Nomura Asset Management Taiwan Limited	4,869	2.30
Yuan Ding Investment Corp.	4,689	2.22
Nan Ya Plastics Corporation	4,680	2.22
China Airlines Ltd.	4,517	2.14
The Export-Import Bank of Korea	4,063	1.92
The Export-Import Bank of the Republic of China	3,899	1.85
First Financial Holding Co.,Ltd.	3,892	1.84
FIL Securities Investment Trust Co., (Taiwan) Ltd.	3,793	1.80
Taiwan Futures Exchange	3,718	1.76
Highwealth Construction Corp.	3,673	1.74
The Goldman Sachs Group, Inc.	3,627	1.72
United Microelectronics Corporation	3,540	1.68
Far Eastone Telecommunications Co., Ltd.	3,519	1.67
USI Corporation	3,514	1.66
Wavely Logistics Limited., Taiwan Branch	3,500	1.66
Chang Chun Petrochemical Co., Ltd.	3,499	1.66
Mega Financial Holding Company Ltd.	3,476	1.65
Yeashin Inter. Development Co., Ltd.	3,419	1.62
Rich Development Co., Ltd.	3,227	1.53
EVA Airways Corporation	3,219	1.52
Taiwan Depository & Clearing Corporation	3,218	1.52
International Bills Finance Corporation	3,038	1.44
Total	<u>489,953</u>	<u>231.99</u>
Same related party:		
Mr. Fang and its related parties	9,589	4.54
Mr. Lin and its related parties	6,202	2.94

(Expressed In Millions of New Taiwan Dollars)  
December 31, 2017

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same related party:		
Mr. Chung and its related parties	\$ 5,875	2.78
Mr. Lin and its related parties	5,698	2.70
Mr. Ding and its related parties	5,087	2.41
Mr. Wang and its related parties	5,063	2.40
Mr. Huang and its related parties	4,960	2.35
Mr. Chang and its related parties	3,905	1.85
Mr. Cheng and its related parties	3,860	1.83
Mr. He and its related parties	3,737	1.77
Mr. Kuo and its related parties	3,602	1.70
Mr. Song and its related parties	3,259	1.54
Mr. Yeh and its related parties	3,170	1.50
Total	64,007	30.31
Same affiliated company:		
Formosa Plastic Group	20,314	9.62
Far Eastern Group	19,237	9.11
Foxconn Technology Group	18,929	8.96
Fubon Group	16,037	7.59
Cathay Holdings Group	14,156	6.70
China Steel Corporation Group	12,895	6.11
CTBC Financial Holding Group	11,781	5.58
Taiwan Semiconductor Group	9,747	4.62
Chailease Group	9,730	4.61
Cheng Shin Group	7,983	3.78
Shin Kong Group	7,675	3.63
Radium Life Tech Group	6,138	2.91
Evergreen Group	5,905	2.80
Sinar Mas Group	5,590	2.65
Mega Holdings Group	5,401	2.56
First Financial Holding Group	5,283	2.50
CHANG CHUN Group	4,999	2.37
China Development Group	4,856	2.30
China Airlines Group	4,634	2.19
UMC Group	4,610	2.18
ASE Group	4,280	2.03
Hua Nan Financial Holding Group	4,125	1.95
YeaShin Group	4,088	1.94
USI Group	4,074	1.93
Taiwan Cement Group	3,769	1.78
HIGHWEALTH Group	3,703	1.75
Mercuries & Associates Holding Group	3,596	1.70
Uni-President Enterprises Group	3,571	1.69
Lealea Group	3,524	1.67
Waterland Holdings Group	3,418	1.62
Yang Ming Marine Transport Group	3,264	1.55
Yong Feng Yu Group	3,092	1.46
Supreme Electronics Group	3,009	1.42
Total	243,413	115.26
	\$ 797,373	377.56

(Expressed In Millions of New Taiwan Dollars)

December 31, 2016

Name	Total of business credit,	
	endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Central Government, R.O.C	\$ 124,346	61.74
Central Bank, R.O.C	36,733	18.24
Taiwan Power Company	22,007	10.93
Taiwan Semiconductor Manufacturing Co., Ltd.	16,587	8.23
Cpc Corporation , Taiwan	16,033	7.96
Hon Hai Precision Ind. Co., Ltd.	14,813	7.35
Fubon Financial Holding Co., Ltd	9,480	4.71
Dragon Steel Corporation	6,921	3.44
Far Eastern New Century Corporation	6,735	3.34
Micron Technology, Inc.	6,500	3.23
Cathay Financial Holding Co., Ltd.	6,307	3.13
Cheng Shin Rubber Ind., Co., Ltd.	6,152	3.05
Chailease Finance Co., Ltd	6,062	3.01
Radium Life Tech Co., Ltd.	6,003	2.98
China Airlines Ltd.	5,358	2.66
Taiwan Mobile Co., Ltd.	5,336	2.65
China Steel Corporation	5,189	2.58
Nan Ya Plastics Corporation	5,153	2.56
Formosa Petrochemical Corporation	4,448	2.21
Shin Kong Financial Holding Co.,Ltd.	4,335	2.15
Taiwan Depository & Clearing Corporation	4,017	1.99
Advanced Semiconductor Engineering, Inc.	3,708	1.84
Eva Airways Corporation	3,663	1.82
Yeashin Inter. Development Co., Ltd.	3,613	1.79
International Bills Finance Corporation	3,576	1.78
Taiwan Futures Exchange	3,525	1.75
Wavely Logistics Limited., Taiwan Branch	3,500	1.74
Basso Industry Corp.	3,381	1.68
Rich Development Co.,Ltd.	3,227	1.60
Formosa Plastics Corporation	3,187	1.58
Yang Ming Marine Transport Corporation	3,125	1.55
CTBC Financial Holding Co., Ltd.	3,113	1.55
United Microelectronics Corporation	3,078	1.53
Total	359,211	178.35
Same related party:		
Mr. Cheng and its related parties	16,668	8.28
Mr. Lin and its related parties	6,312	3.13
Mr. Chung and its related parties	6,013	2.98
Mr. Ding and its related parties	5,955	2.96
Mr. Lin and its related parties	5,481	2.72
Mr. Kuo and its related parties	4,908	2.44
Mr. Yeh and its related parties	4,796	2.38
Mr. Huang and its related parties	4,696	2.33
Mr. Chang and its related parties	3,730	1.85
Mr. Sung and its related parties	3,706	1.84
Mr. Liu and its related parties	3,700	1.84
Mr. Wu and its related parties	3,650	1.81
Mr. Chang and its related parties	3,644	1.81

(Expressed In Millions of New Taiwan Dollars)  
December 31, 2016

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same related party:		
Mr. Chang and its related parties	\$ 3,551	1.76
Mr. Lai and its related parties	3,397	1.69
Mr. Lin and its related parties	3,387	1.68
Mr. Yeh and its related parties	3,296	1.64
Total	86,890	43.14
Same affiliated company:		
Nan Ya Plastics Corporation and Its Related Companies	19,339	9.60
Hon Hai Precision Industry Co., Ltd and its related companies	17,175	8.53
Fubon Asset Management Co.,Ltd. and its related companies	17,172	8.53
Taiwan Semiconductor Manufacturing Co., Ltd. and its related companies	16,601	8.24
Far Eastern New Century Corporation and its related companies	15,313	7.60
Dragon Steel Corporation and its related companies	12,928	6.42
Cathay Financial Holding Co., Ltd. and its related companies	9,427	4.68
Chailease Finance Co., Ltd and its related companies	9,094	4.51
Shin Kong Financial Holding Co.,Ltd. and its related companies	8,766	4.35
YFY Inc. and its related companies	7,838	3.89
Eva Airways Corporation and its related companies	7,190	3.57
Cheng Shin Rubber Ind., Co., Ltd. and its related companies	6,798	3.38
Radium Life Tech Co., Ltd. and its related companies	6,216	3.09
CTBC Financial Holding Co., Ltd. and its related companies	5,855	2.91
Supreme Electronics Co., Ltd. and its related companies	5,481	2.72
China Airlines Ltd. and its related companies	5,475	2.72
Mega Financial Holding Company and its related companies	5,459	2.71
World Peace Industrial Co., Ltd. and its related companies	5,395	2.68
Rich Development Co.,Ltd. and its related companies	4,815	2.39
Advanced Semiconductor Engineering, Inc. and its related companies	4,454	2.21
China Development Financial Holding Corp. and its related companies	4,383	2.18
International Bills Finance Corporation and its related companies	4,347	2.16

(Expressed In Millions of New Taiwan Dollars)  
December 31, 2016

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same affiliated company:		
Yeashin Inter. Development Co., Ltd. and its related companies	\$ 4,032	2.00
Gold East and its related companies	3,761	1.87
Uni-President Enterprises Corp. and its related companies	3,612	1.79
Yang Ming Marine Transport Corporation and its related companies	3,586	1.78
Sanyang Motor Co., Ltd. and its related companies	3,221	1.60
United Microelectronics Corporation and its related companies	3,149	1.56
Compal Electronics, Inc. and its related companies	3,020	1.50
Total	223,902	111.17
	\$ 670,003	332.66

(6) Significant impact arising from changes in government laws and regulations:

None.

(7) Information for discontinued operations:

Please refer to Note 6(7).

(8) Major operating assets or liabilities transferred from (or to) other financial institutions:

None.

(9) Allocation of expenses between the Company and its subsidiaries and among subsidiaries

According to Article 7 of the Yuanta Group's Cross-Marketing Management System, contracts regarding legal responsibility and the allocation method for expenses arising from the mutual use of business facilities and cross-sales between the Company's subsidiaries should be formulated and signed.

(10) Information for private placement securities:

Please refer to Note 6(28).

(BLANK)

(11) Financial information by business segments

Information by business segments for the year ended December 31, 2017 is as follows:

Item	(Expressed In Thousands of New Taiwan Dollars)						
	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income	\$ 12,628,738	\$ 2,420,846	\$ 298,779	\$ 604,141	\$ 5,287,759	\$ 1,818,016	\$ 23,038,279
Net non-interest income	7,948,127	28,142,774	1,707,042	137,435	30,039,379	2,751,882	70,726,639
Net profit	20,576,865	30,563,620	2,005,821	741,576	35,327,138	4,569,898	93,784,918
Bad debt expenses and reserve for guarantee liabilities	( 320,274)	( 219,196)	-	( 1,119)	( 1,303)	( 204,879)	( 746,771)
Net change in provisions for insurance liabilities	-	-	-	-	( 34,056,172)	160,294	( 33,895,878)
Operating expenses	( 12,611,213)	( 21,469,568)	( 991,019)	( 145,536)	( 1,179,880)	( 2,329,609)	( 38,726,825)
Net income from continuing operations before income tax	7,645,378	8,874,856	1,014,802	594,921	89,783	2,195,704	20,415,444
Income tax (expense) benefits	( 1,487,354)	( 751,884)	( 151,814)	( 134,733)	635,112	( 668,659)	( 2,559,332)
Loss from discontinued operations, net of tax	( 324,433)	-	-	-	-	( 27,624)	( 352,057)
Consolidated income, net of tax	\$ 5,833,591	\$ 8,122,972	\$ 862,988	\$ 460,188	\$ 724,895	\$ 1,499,421	\$ 17,504,055

Information by business segments for the year ended December 31, 2016 is as follows:

Item	(Expressed In Thousands of New Taiwan Dollars)						
	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income (loss)	\$ 11,459,408	\$ 3,438,821	\$ 323,905	\$ 487,064	\$ 4,140,467	\$ 228,799	\$ 19,620,866
Net non-interest income	11,243,660	21,423,147	1,560,858	36,791	27,595,692	2,959,772	64,819,920
Net profit	22,703,068	24,861,968	1,884,763	523,855	31,736,159	2,730,973	84,440,786
Bad debt recovery (expenses) and reserve for guarantee liabilities	( 1,305,226)	214,925	-	( 1,187)	( 1,500)	-	( 1,092,988)
Net change in provisions for insurance liabilities	-	-	-	-	( 30,788,509)	-	( 30,788,509)
Operating expenses	( 12,336,050)	( 18,856,890)	( 961,806)	( 141,919)	( 1,209,633)	( 2,199,415)	( 35,705,713)
Net income (loss) from continuing operations before income tax	9,061,792	6,220,003	922,957	380,749	263,483	531,558	16,853,576
Income tax (expense) benefits	( 1,141,611)	( 862,451)	( 154,550)	( 67,654)	424,432	( 677,149)	( 2,478,983)
Loss from discontinued operations, net of tax	( 74,370)	-	-	-	-	-	( 74,370)
Consolidated income (loss), net of tax	\$ 7,845,811	\$ 5,357,552	\$ 768,407	\$ 313,095	\$ 160,949	\$ 145,591	\$ 14,300,223

(12) Financial statements of the Company and condensed financial statements of its subsidiaries:

A. Yuanta Financial Holding Co., Ltd.

Yuanta Financial Holding Co., Ltd.  
Individual Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 2,366,899	\$ 2,505,320	Commercial paper payable - net	\$ 5,092,029	\$ 3,951,104
Financial assets at fair value through profit or loss	-	4,029,195	Payables	4,833,787	5,534,940
Available-for-sale financial assets - net	19,266	16,983	Current income tax liabilities	3,851,645	3,146,411
Receivables - net	2,692,388	2,499,023	Bonds payable	19,750,000	19,750,000
Current income tax assets	327,604	1,138,997	Other borrowings	-	1,000,000
Equity investments accounted for under the equity method - net	239,302,171	228,474,715	Preferred stock liabilities	-	3,896,505
Property and equipment - net	26,516	29,863	Liabilities reserve	38,203	35,377
Intangible assets - net	4,453	6,066	Other liabilities	8,796	21,901
Deferred income tax assets	25,043	25,452	Total liabilities	33,574,460	37,336,238
Other assets - net	5,874	20,499	Equity		
			Common stock	118,891,975	119,986,478
			Additional paid-in capital	37,960,694	37,956,289
			Retained earnings		
			Legal reserve	9,100,767	7,759,357
			Special reserve	6,549,234	6,549,234
			Undistributed earnings	35,275,652	26,132,832
			Other equity	4,554,385	4,524,288
			Treasury shares	( 1,136,953)	( 1,498,603)
			Total equity	211,195,754	201,409,875
Total assets	\$ 244,770,214	\$ 238,746,113	Total liabilities and equity	\$ 244,770,214	\$ 238,746,113

Yuanta Financial Holding Co., Ltd.  
Individual Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the years ended December 31,	
	2017	2016
Revenues		
Share of the profit or loss of associates and joint ventures accounted for using the equity method	\$ 17,800,029	\$ 15,610,065
Realised gain on available-for-sale financial assets	439	428
Other revenues	51,315	158,110
	17,851,783	15,768,603
Expenses and losses		
Loss on financial assets at fair value through profit or loss	( 190)	( 799,737)
Operating expenses	( 613,416)	( 596,175)
Other expenses and losses	( 664,948)	( 506,487)
	( 1,278,554)	( 1,902,399)
Income from continuing operations before income tax	16,573,229	13,866,204
Income tax expense	( 368,281)	( 452,099)
Net income	16,204,948	13,414,105
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss (net of tax)		
Loss on remeasurements of defined benefit plans	( 3,076)	( 29,958)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	( 355,017)	( 129,105)
Components of other comprehensive income that will be reclassified to profit or loss (net of tax)		
Unrealised gain (loss) on valuation of available-for-sale financial assets	2,283	( 850)
Share of other comprehensive income of the subsidiaries, associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	30,831	( 3,295,168)
Other comprehensive loss	( 324,979)	( 3,455,081)
Total comprehensive income	\$ 15,879,969	\$ 9,959,024
Earnings per share (in dollars)		
Basic and diluted earnings per share	\$ 1.37	\$ 1.16



Yuanta Financial Holding Co., Ltd.  
Individual Statement of Change in Equity  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	Other equity										
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealized gain (loss) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Change in fair value of financial liability attributable to change in credit risk	Treasury shares	Total equity
<b>For the year ended December 31, 2016</b>											
Balance, January 1, 2016	\$ 107,129,605	\$ 35,845,672	\$ 6,677,902	\$ 6,549,234	\$ 18,234,604	\$ 692,526	\$ 8,516,372	\$ -	\$ 46,919	\$ 197,606	\$ 182,110,176
Effects of retrospective application and retrospective restatement	-	-	-	-	3,079	-	(3,079)	-	-	-	-
Equity at beginning of period after adjustments	107,129,605	35,845,672	6,677,902	6,549,234	18,237,683	692,526	8,513,293	-	46,919	197,606	182,110,176
Appropriation of 2015 earnings:											
Legal reserve	-	-	1,081,455	-	(1,081,455)	-	-	-	-	-	-
Cash dividend	-	-	-	-	(4,325,818)	-	-	-	-	-	(4,325,818)
Due to recognition of equity component of convertible preference share issued	-	-	-	-	-	-	-	-	-	-	78,000
Consolidate net income for the period	-	-	-	-	13,414,105	-	-	-	-	-	13,414,105
Other comprehensive income (loss) for the period	-	-	-	-	(111,683)	(1,392,502)	(1,905,118)	1,602	(47,380)	-	(3,455,081)
Total comprehensive income (loss) for the period	-	-	-	-	13,302,422	(1,392,502)	(1,905,118)	1,602	(47,380)	-	9,959,024
Shares issued pursuant to acquisitions	12,856,873	1,992,816	-	-	-	-	-	-	-	-	14,849,689
Acquisition of company's share by subsidiaries recognized as treasury shares	-	-	-	-	-	-	-	-	-	(1,300,997)	(1,300,997)
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	39,801	-	-	-	-	-	-	-	-	39,801
Balance, December 31, 2016	\$ 119,986,478	\$ 37,956,289	\$ 7,759,337	\$ 6,549,234	\$ 26,132,832	\$ 2,085,028	\$ 6,608,175	\$ 1,602	\$ 461	\$ 1,498,603	\$ 201,409,875
<b>For the year ended December 31, 2017</b>											
Balance, January 1, 2017	\$ 119,986,478	\$ 37,956,289	\$ 7,759,337	\$ 6,549,234	\$ 26,132,832	\$ 2,085,028	\$ 6,608,175	\$ 1,602	\$ 461	\$ 1,498,603	\$ 201,409,875
Appropriation of 2016 earnings:											
Legal reserve	-	-	1,341,410	-	(1,341,410)	-	-	-	-	-	-
Cash dividend	-	-	-	-	(5,365,642)	-	-	-	-	-	(5,365,642)
Consolidate net income for the period	-	-	-	-	16,204,948	-	-	-	-	-	16,204,948
Other comprehensive income (loss) for the period	-	-	-	-	(355,076)	(443,005)	477,721	(1,602)	(3,017)	-	(324,979)
Total comprehensive income (loss) for the period	-	-	-	-	15,849,872	(443,005)	477,721	(1,602)	(3,017)	-	15,879,969
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(939,347)	(939,347)
Retirement of treasury share	(1,094,503)	(197,010)	-	-	-	-	-	-	-	1,291,513	-
Disposal of company's share by subsidiaries recognized as treasury share transactions	-	-	-	-	-	-	-	-	-	9,484	158,234
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	49,009	-	-	-	-	-	-	-	-	49,009
Changes in ownership interest in subsidiaries	-	3,656	-	-	-	-	-	-	-	-	3,656
Balance, December 31, 2017	\$ 118,891,975	\$ 37,960,694	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	\$ 2,528,033	\$ 7,085,896	\$ -	\$ 3,478	\$ 1,136,953	\$ 211,195,754

Yuanta Financial Holding Co., Ltd.  
Individual Statement of Cash Flows  
For the years ended December 31, 2017 and 2016  
(Expressed In Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
<u>Cash Flows From Operating Activities</u>		
Profit before tax	\$ 16,573,229	\$ 13,866,204
Adjustment items		
Adjustments to reconcile profit or loss		
Depreciation	8,449	8,177
Amortization	2,040	1,775
Loss on financial assets and financial liabilities at fair value through profit or loss	29,195	929,737
Interest expense	446,955	376,108
Interest income	( 36,047)	( 146,398)
Dividend income	( 29,444)	( 428)
Share of the loss of associates and joint ventures accounted for using the equity method	( 17,800,029)	( 15,610,065)
Loss on sale of property and equipment	-	( 34)
Change in assets/liabilities relating to operating activities		
Decrease in receivables	1,085,361	168,247
Decrease (increase) in other assets	162,452	( 11,650)
(Decrease) increase in payables	( 242,993)	8,537
Decrease in liabilities reserve	( 250)	( 219)
(Decrease) increase in other liabilities	( 13,105)	2,000
Interest received	136,585	248,600
Cash dividend received	10,188,729	20,235,617
Cash paid for interest	( 314,947)	( 135,511)
Income tax (paid) received	( 865,083)	40,402
Net cash provided by operating activities	<u>9,331,097</u>	<u>19,981,099</u>
<u>Cash Flows From Investing Activities</u>		
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition	-	( 14,485,000)
Disposal of financial assets at fair value through profit or loss, designated as upon initial recognition	4,000,000	3,316,845
Increase in equity investments accounted for under the equity method	( 4,000,000)	( 22,730,990)
Cash refund proceeds from share of capital reduction of investee company accounted for under the equity method	700,000	2,500,000
Acquisition of property and equipment	( 5,102)	( 12,625)
Proceeds from disposal of property and equipment	-	1,581
Acquisition of intangible assets	( 427)	( 1,958)
Net cash provided by (used in) investing activities	<u>694,471</u>	<u>( 31,412,147)</u>
<u>Cash Flows From Financing Activities</u>		
Increase in commercial paper payable	1,141,000	2,299,000
Proceeds from issuing bonds	-	18,450,000
Repayments of bonds	-	( 4,500,000)
Decrease in other borrowings	( 1,000,000)	( 500,000)
Repayments of preference share liabilities	( 4,000,000)	-
Cash dividends paid	( 5,365,642)	( 4,325,818)
Purchase of treasury share	( 939,347)	-
Net cash (used in) provided by financing activities	<u>( 10,163,989)</u>	<u>11,423,182</u>
Net decrease in cash and cash equivalents	( 138,421)	( 7,866)
Cash and cash equivalents at beginning of period	<u>2,505,320</u>	<u>2,513,186</u>
Cash and cash equivalents at end of period	<u>\$ 2,366,899</u>	<u>\$ 2,505,320</u>
The components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheet	\$ 2,366,899	\$ 2,505,320
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	-	-
Cash and cash equivalents at end of reporting period	<u>\$ 2,366,899</u>	<u>\$ 2,505,320</u>

B. Yuanfa Commercial Bank

Yuanfa Commercial Bank  
Individual Balance Sheets  
December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
<b>ASSETS</b>					
Cash and cash equivalents	\$ 21,189,405	\$ 11,451,391	Due to Central Bank and other banks	\$ 10,541,967	\$ 25,024,867
Due from Central Bank and call loans to other banks	44,528,079	94,561,803	Financial liabilities at fair value through profit or loss	2,978,553	5,332,985
Financial assets at fair value through profit or loss	84,342,923	75,856,017	Bills and bonds sold under repurchase agreements	11,240,704	7,786,562
Securities purchased under resell agreements	9,180,000	6,249,307	Payables	18,082,685	13,212,014
Receivables- net	15,264,898	18,319,774	Current income tax liabilities	686,798	918,499
Current income tax assets	2,380,835	2,848,594	Deposits and remittances	728,947,095	709,988,729
Bills discounted and loans- net	476,787,047	490,029,141	Financial debentures payable	33,000,000	38,000,000
Available-for-sale financial assets- net	140,849,559	83,750,635	Other financial liabilities	1,611,059	2,334,695
Held-to-maturity financial assets- net	26,533,847	14,513,341	Liabilities reserve	1,009,808	1,076,576
Equity investments accounted for under the equity method- net	5,180,010	4,983,889	Deferred income tax liabilities	179,127	182,081
Other financial assets- net	34,483,031	49,478,502	Other liabilities	1,204,280	1,039,747
Property and equipment- net	6,681,689	5,818,750	Total liabilities	809,482,076	805,396,755
Investment property- net	1,059,195	1,083,277	Common stocks	42,652,845	41,521,815
Intangible assets- net	2,125,592	2,125,491	Additional paid-in capital	6,038,882	6,038,882
Deferred income tax assets	363,868	406,092	Retained earnings	14,111,826	11,172,970
Other assets - net	1,345,254	2,174,629	Other equity	9,603	479,789
Total assets	\$ 872,295,232	\$ 863,650,633	Total equity	62,813,156	58,253,878
			Total liabilities and equity	\$ 872,295,232	\$ 863,650,633

Yuanta Commercial Bank  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Interest income	\$ 13,999,882	95	\$ 13,618,315	99
Less: Interest expense	( 5,105,242)	( 35)	( 5,141,414)	( 37)
Net interest income	8,894,640	60	8,476,901	62
Net non-interest income	5,848,117	40	5,295,425	38
Net profit	14,742,757	100	13,772,326	100
Provision for bad debt expenses and guarantee policy reserve	( 225,450)	( 1)	( 1,002,168)	( 7)
Operating expenses	( 7,066,081)	( 48)	( 6,427,822)	( 47)
Income from continuing operations before income tax	7,451,226	51	6,342,336	46
Income tax expense	( 708,219)	( 5)	( 747,381)	( 5)
Net income	6,743,007	46	5,594,955	41
Other comprehensive income (net of tax)	455,342	3	( 118,393)	( 1)
Total comprehensive income	<u>\$ 7,198,349</u>	<u>49</u>	<u>\$ 5,476,562</u>	<u>40</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>1.58</u>	<u>\$</u>	<u>1.31</u>

## C. Ta Chong Commercial Bank

Ta Chong Commercial Bank  
Individual Balance Sheets  
December 31, 2017 and 2016

	(Reclassified)		(Reclassified)	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,567,902	\$ 6,037,701	\$ 2,978,195	\$ 3,221,455
Due from Central Bank and call loans to other banks	8,059,376	38,122,123	4,128,676	8,367,108
Financial assets at fair value through profit or loss- net				
Receivables - net	30,103,268	38,583,692	-	220
Current income tax assets	10,190,333	21,169,366	-	1,476,389
Assets classified as held for sale	8,552,197	12,256	3,883,762	13,509,183
Bills discounted and loans - net	104,951	69,672	56	20,884
Available-for-sale financial assets - net	-	35,451	350,207,424	375,413,800
Equity investments accounted for under the equity method - net	241,838,664	278,635,753	10,500,000	11,880,000
Other financial assets - net	117,267,449	77,620,535	-	1,635,380
Property and equipment - net	-	1,645,866	14,650,853	12,579,161
Investment property - net	1,273,195	82,892	1,654,533	1,467,536
Intangible assets - net	5,708,526	5,768,024	19,321	2,531
Deferred income tax assets	101,635	-	1,175,514	547,371
Other assets - net	2,145,569	2,218,907	389,198,334	430,121,018
	1,768,260	782,342	36,372,406	36,372,406
	-	2,934,079	2,890,264	2,886,359
			3,107,972	4,520,093
			112,349	(181,217)
			42,482,991	43,597,641
<b>Total assets</b>	<b>\$ 431,681,325</b>	<b>\$ 473,718,659</b>	<b>\$ 431,681,325</b>	<b>\$ 473,718,659</b>
<b>LIABILITIES AND EQUITY</b>				
Due to Central Bank and other banks				
Financial liabilities at fair value through profit or loss				
Financial liabilities derived for hedge purpose				
Bills and bonds sold under repurchase agreements				
Payables				
Current income tax liabilities				
Deposits and remittances				
Financial debentures payable				
Preferred stock liabilities				
Other financial liabilities				
Liabilities reserve				
Deferred income tax liabilities				
Other liabilities				
Total liabilities				
Common stocks				
Additional paid-in capital				
Retained earnings				
Other equity				
Total equity				
Total liabilities and equity				

Ta Chong Commercial Bank  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2017		(Reclassified) 2016	
	Amount	%	Amount	%
Interest income	\$ 8,419,494	147	\$ 8,392,381	85
Less: Interest expense	( 5,267,817)	( 92)	( 2,931,234)	( 30)
Net interest income	3,151,677	55	5,461,147	55
Net non-interest income	2,591,294	45	4,394,241	45
Net profit	5,742,971	100	9,855,388	100
Provision for bad debt expenses and guarantee policy reserve	( 9,044)	-	( 1,617,086)	( 16)
Operating expenses	( 5,453,214)	( 95)	( 6,078,164)	( 62)
Income from continuing operations before income tax	280,713	5	2,160,138	22
Income tax expense	( 769,815)	( 13)	( 669,424)	( 7)
Loss from discontinued operations	( 172,157)	( 3)	( 10,259)	-
Net (loss) income	( 661,259)	( 11)	1,480,455	15
Other comprehensive income (loss) (net of tax)	356,971	6	( 341,604)	( 3)
Total comprehensive (loss) income	<u>(\$ 304,288)</u>	<u>( 5)</u>	<u>\$ 1,138,851</u>	<u>12</u>
Earnings per share (in dollars)				
(Losses) earnings per share from continuing operations	<u>(\$ 0.13)</u>		<u>\$ 0.45</u>	
Losses per share from discontinued operations	<u>(\$ 0.05)</u>		<u>\$ -</u>	
Diluted earnings per share (in dollars)				
(Losses) earnings per share from continuing operations	<u>(\$ 0.13)</u>		<u>\$ 0.45</u>	
Losses per share from discontinued operations	<u>(\$ 0.05)</u>		<u>\$ -</u>	

## D. Yuanta Securities

Yuanta Securities  
Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY		December 31, 2017	December 31, 2016
Current assets	\$ 291,275,027	\$ 240,835,231	Current liabilities		\$ 254,499,640	\$ 200,910,871
Financial assets at fair value through profit or loss	-	50,750	Deferred income tax liabilities		2,010,204	1,712,574
Available-for-sale financial assets	4,637,022	3,312,861	Other non-current liabilities		1,893,356	1,436,177
Held-to-maturity financial assets	798,361	797,081	Total liabilities		258,403,200	204,059,622
Equity investments accounted for under the equity method	31,003,512	26,959,263				
Property and equipment	4,580,515	4,866,477	Common stocks		54,056,442	55,172,835
Investment property	2,817,865	2,690,617	Additional paid-in capital		1,790,174	2,113,301
Intangible assets	12,105,953	12,526,260	Retained earnings		34,868,939	32,349,876
Deferred income tax assets	547,366	245,511	Other equity		415,425	289,569
Other non-current assets	1,768,559	1,701,152	Total equity		91,130,980	89,925,581
Total assets	\$ 349,534,180	\$ 293,985,203	Total liabilities and equity		\$ 349,534,180	\$ 293,985,203

Yuanta Securities  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Revenues	\$ 18,866,538	100	\$ 14,975,352	100
Service fee expense	( 624,135)	( 3)	( 496,260)	( 3)
Employee benefit expense	( 6,255,456)	( 33)	( 5,101,465)	( 34)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	1,563,922	8	1,112,872	7
Operating expenses	( 4,862,987)	( 26)	( 2,321,615)	( 16)
Income from continuing operations before income tax	8,687,882	46	8,168,884	54
Income tax expense	( 662,208)	( 4)	( 728,161)	( 5)
Net income	8,025,674	42	7,440,723	49
Other comprehensive loss (net of tax)	( 251,041)	( 1)	( 2,058,664)	( 13)
Total comprehensive income	<u>\$ 7,774,633</u>	<u>41</u>	<u>\$ 5,382,059</u>	<u>36</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>1.47</u>	<u>\$</u>	<u>1.35</u>



## E. Yuanta Futures

Yuanta Futures  
Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY		December 31, 2017	December 31, 2016
Current assets	\$ 53,600,861	\$ 59,736,730	Current liabilities	\$	49,181,440	\$ 54,915,655
Available-for-sale financial assets	1,183,345	1,230,961	Non-current liabilities	70,044	70,044	70,970
Equity investments accounted for under the equity method	721,074	482,705	Total liabilities	49,251,484	49,251,484	54,986,625
Property and equipment	552,173	50,487	Common stocks	2,322,763	2,322,763	2,322,763
Intangible assets	36,042	29,852	Additional paid-in capital	940,976	940,976	940,976
Deferred income tax assets	14,103	16,600	Retained earnings	3,291,906	3,291,906	2,991,707
Other non-current assets	611,471	623,186	Other equity	911,940	911,940	928,450
Total assets	\$ 56,719,069	\$ 62,170,521	Total equity	7,467,585	7,467,585	7,183,896
			Total liabilities and equity	\$	56,719,069	\$ 62,170,521

Yuanta Futures  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Operating revenues	\$ 2,887,768	100	\$ 2,884,110	100
Service fee expense	( 522,135)	( 18)	( 513,202)	( 18)
Employee benefit expense	( 513,941)	( 18)	( 539,392)	( 19)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	( 40,114)	( 2)	( 11,794)	-
Operating expenses	( 786,478)	( 27)	( 829,466)	( 29)
Income from continuing operations before income tax	1,025,100	35	990,256	34
Income tax expense	( 151,814)	( 5)	( 154,550)	( 5)
Net income	873,286	30	835,706	29
Other comprehensive (loss) income (net of tax)	( 15,875)	-	100,673	3
Total comprehensive income	\$ 857,411	30	\$ 936,379	32
Earnings per share (in dollars)				
Basic and diluted earnings per share	\$	3.76	\$	3.60

F. Yuanta Securities Finance

Yuanta Securities Finance  
Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
Current assets	\$ 23,135,867	\$ 16,436,222	Current liabilities	\$ 16,384,321	\$ 11,452,216
Available-for-sale financial assets	3,222,140	4,794,220	Non-current liabilities	21,205	24,622
Held-to-maturity financial assets	104,577	105,771	Total liabilities	16,405,526	11,476,838
Property and equipment	265,890	28,812	Common stocks	4,000,000	4,000,000
Investment property	213,700	216,387	Additional paid-in capital	28,301	28,301
Intangible assets	4,080	5,479	Retained earnings	4,137,258	2,261,322
Deferred income tax assets	24,380	25,079	Other equity	2,852,033	4,128,890
Other non-current assets	452,484	283,381	Total equity	11,017,592	10,418,513
Total assets	\$ 27,423,118	\$ 21,895,351	Total liabilities and equity	\$ 27,423,118	\$ 21,895,351

Yuanta Securities Finance  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Operating revenues	\$ 730,947	100	\$ 550,841	100
Operating costs	( 239,649)	( 33)	( 155,960)	( 28)
Operating expenses	( 160,440)	( 22)	( 157,204)	( 29)
Net operating profit	330,858	45	237,677	43
Non-operating revenues and expenses	1,892,886	259	140,466	25
Income from continuing operations before income tax	2,223,744	304	378,143	68
Income tax expense	( 134,733)	( 18)	( 67,654)	( 12)
Net income	2,089,011	286	310,489	56
Other comprehensive loss (net of tax)	( 1,274,560)	( 175)	( 57,880)	( 10)
Total comprehensive income	<u>\$ 814,451</u>	<u>111</u>	<u>\$ 252,609</u>	<u>46</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>5.22</u>	<u>\$</u>	<u>0.70</u>

## G. Yuanta Life

## Yuanta Life

Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,790,123	\$ 4,397,306	Payables	\$ 1,842,581	\$ 767,500
Receivables	2,566,710	1,926,922	Financial liabilities at fair value		
Current income tax assets	1,770,028	1,643,105	through profit or loss	62,162	698,390
Financial assets at fair value			Insurance liabilities	183,215,542	149,857,415
through profit or loss	5,622,446	6,366,265	Foreign exchange reserve	510,241	480,615
Available-for-sale financial assets	46,191,875	30,325,333	Liabilities reserve	45,090	39,073
Bond investments without active market	14,326,235	2,644,680	Deferred income tax liabilities	250,602	149,186
Held-to-maturity financial assets	112,634,159	99,627,920	Other liabilities	1,579,313	998,013
Other financial assets	-	2,070,000	Investment-linked insurance		
Loans	5,587,043	5,034,243	products liabilities	1,967,641	1,836,712
Reinsurance contract assets	435,887	415,679	Total liabilities	189,473,172	154,826,904
Property and equipment	4,517,380	4,300,145			
Intangible assets	71,763	53,945			
Deferred income tax assets	817,407	128,185	Common stocks	12,107,048	8,107,048
Other assets	1,883,800	1,400,356	Retained earnings	( 2,687,182)	( 2,521,083)
Investment-linked insurance			Other equity	2,289,460	1,757,927
products assets	1,967,642	1,836,712	Total equity	11,709,326	7,343,892
Total assets	\$ 201,182,498	\$ 162,170,796	Total liabilities and equity	\$ 201,182,498	\$ 162,170,796

Yuanta Life  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Loss Per Share)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Operating revenues	\$ 42,677,025	100	\$ 38,915,792	100
Operating costs	( 42,152,350)	( 99)	( 38,673,459)	( 100)
Operating expenses	( 1,314,862)	( 3)	( 1,265,258)	( 3)
Net operating loss	( 790,187)	( 2)	( 1,022,925)	( 3)
Non-operating revenues and expenses	( 4,120)	-	( 29,548)	-
Loss from continuing operations before income tax	( 794,307)	( 2)	( 1,052,473)	( 3)
Income tax benefit	635,112	2	424,431	1
Net loss	( 159,195)	-	( 628,042)	( 2)
Other comprehensive income (loss) (net of tax)	524,629	1	( 553,102)	( 1)
Total comprehensive income (loss)	<u>\$ 365,434</u>	<u>1</u>	<u>(\$ 1,181,144)</u>	<u>( 3)</u>
Earnings (losses) per share (in dollars)				
Basic and diluted earnings (losses) per share	<u>(\$ 0.15)</u>		<u>(\$ 0.77)</u>	

H. Yuanta Securities Investment Trust

Yuanta Securities Investment Trust  
Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
Current assets	\$ 3,222,191	\$ 2,828,702	Current liabilities	\$ 412,122	\$ 379,505
Available-for-sale financial assets	93,540	86,514	Deferred income tax liabilities	225,778	210,981
Equity investments accounted for under the equity method	203,156	289,851	Other non-current liabilities	63,962	66,508
Property and equipment	300,165	308,873	Total liabilities	701,862	656,994
Intangible assets	768,551	768,551	Common stocks	2,269,235	2,269,235
Prepaid pension cost	36,756	35,109	Additional paid-in capital	179	179
Deferred income tax assets	229	316	Retained earnings	1,740,860	1,485,329
Other non-current assets	164,712	162,804	Other equity	77,164	68,983
			Total equity	4,087,438	3,823,726
Total assets	\$ 4,789,300	\$ 4,480,720	Total liabilities and equity	\$ 4,789,300	\$ 4,480,720

Yuanta Securities Investment Trust  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Operating revenues	\$ 2,500,679	100	\$ 2,260,536	100
Operating expenses	( 1,170,039)	( 47)	( 1,129,390)	( 50)
Operating profits	1,330,640	53	1,131,146	50
Non-operating revenues and expenses	( 100,507)	( 4)	( 88,979)	( 4)
Income from continuing operations before income tax	1,230,133	49	1,042,167	46
Income tax expense	( 228,728)	( 9)	( 196,426)	( 8)
Net income	1,001,405	40	845,741	38
Other comprehensive income (loss) (net of tax)	8,432	-	( 19,917)	( 1)
Total comprehensive income	<u>\$ 1,009,837</u>	<u>40</u>	<u>\$ 825,824</u>	<u>37</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>4.41</u>	<u>\$</u>	<u>3.73</u>



I. Yuanta Asset Management

Yuanta Asset Management  
Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
Current assets	\$ 1,927,725	\$ 2,667,010	Current liabilities	\$ 1,404,716	\$ 1,484,961
Available-for-sale financial assets	352,616	343,221	Non-current liabilities	6,391	3,953
Property and equipment	1,278	811	Total liabilities	1,411,107	1,488,914
Investment property	1,109,909	939,513			
Intangible assets	83	-	Common stocks	1,000,000	1,500,000
Deferred income tax assets	2,463	2,367	Additional paid-in capital	1,047	1,047
Other non-current assets	728	728	Retained earnings	691,165	681,601
			Other equity	291,483	282,088
			Total equity	1,983,695	2,464,736
Total assets	\$ 3,394,802	\$ 3,953,650	Total liabilities and equity	\$ 3,394,802	\$ 3,953,650

Yuanta Asset Management  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Operating revenues	\$ 417,609	100	\$ 394,902	100
Operating expenses	( 117,260)	( 28)	( 134,989)	( 34)
Operating profits	300,349	72	259,913	66
Non-operating revenues and expenses	9,895	2	6,077	1
Income from continuing operations before income tax	310,244	74	265,990	67
Income tax (expense) benefit	( 51,380)	( 12)	11,010	3
Net income	258,864	62	277,000	70
Other comprehensive income	9,395	2	19,370	5
Total comprehensive income	<u>\$ 268,259</u>	<u>64</u>	<u>\$ 296,370</u>	<u>75</u>

J. Yuanta Venture Capital

Yuanta Venture Capital  
Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
Current assets	\$ 1,138,676	\$ 1,294,732	Current liabilities	\$ 52,622	\$ 45,312
Equity investments accounted for under the equity method	914,519	899,084	Other non-current liabilities	1,580	980
Financial assets carried at cost	254,530	440,570	Total liabilities	54,202	46,292
Property and equipment	4,383	3,517	Common stocks	2,460,000	2,460,000
Deferred income tax assets	8,838	7,680	Additional paid-in capital	918	918
Other non-current assets	635	635	Retained earnings	173,791	341,355
			Other equity	( 367,330)	( 202,347)
			Total equity	2,267,379	2,599,926
Total assets	\$ 2,321,581	\$ 2,646,218	Total liabilities and equity	\$ 2,321,581	\$ 2,646,218

Yuanta Venture Capital  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Operating revenues	\$ 172,815	100	\$ 270,841	100
Operating expenses	( 38,467)	( 22)	( 69,343)	( 25)
Operating profits	134,348	78	201,498	75
Non-operating revenues and expenses	( 121,611)	( 70)	5,207	2
Income from continuing operations before income tax	12,737	8	206,705	77
Income tax expense	( 1,426)	( 1)	( 26,474)	( 10)
Net income	11,311	7	180,231	67
Other comprehensive loss (net of tax)	( 164,983)	( 96)	( 137,179)	( 51)
Total comprehensive (loss) income	<u>\$ 153,672</u>	<u>( 89)</u>	<u>\$ 43,052</u>	<u>16</u>

K. Yuanta Securities Investment Consulting

Yuanta Securities Investment Consulting  
Individual Condensed Balance Sheets  
December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017	December 31, 2016	LIABILITIES AND EQUITY	December 31, 2017	December 31, 2016
Current assets	\$ 225,962	\$ 386,583	Current liabilities	\$ 101,482	\$ 81,470
Property and equipment	3,638	5,633	Non-current liabilities	5,070	9,514
Intangible assets	922	1,102	Total liabilities	106,552	90,984
Deferred income tax assets	4,308	5,592	Common stocks	100,000	300,000
Other non-current assets	6,577	27,043	Additional paid-in capital	6,017	6,017
			Retained earnings	28,838	28,952
			Total equity	134,855	334,969
Total assets	\$ 241,407	\$ 425,953	Total liabilities and equity	\$ 241,407	\$ 425,953

Yuanta Securities Investment Consulting  
Individual Condensed Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
Operating revenues	\$ 206,688	100	\$ 216,945	100
Operating costs	( 1,298)	( 1)	( 1,291)	-
Operating expenses	( 206,211)	( 100)	( 218,537)	( 101)
Operating loss	( 821)	( 1)	( 2,883)	( 1)
Non-operating revenues and expenses	1,532	1	4,450	2
Income from continuing operations				
before income tax	711	-	1,567	1
Income tax expense	( 222)	-	( 279)	-
Net income	489	-	1,288	1
Other comprehensive loss	( 468)	-	( 1,139)	( 1)
Total comprehensive income	\$ 21	-	\$ 149	-

(13) Profitability, asset quality, management information, and liquidity and market risk sensitivity of the Yuanta Group and its subsidiaries:

A. Profitability

(A) Yuanta Financial Holdings

Unit: %

		For the years ended December 31,	
		2017	2016
Return on total assets	Before tax	6.86	6.35
	After tax	6.70	6.14
Return on equity	Before tax	8.03	7.23
	After tax	7.85	7.00
Net profit margin ratio		94.29	92.75

(B) Yuanta Financial Holdings and its subsidiaries

		For the years ended December 31,	
		2017	2016
Return on total assets	Before tax	0.92	0.91
	After tax	0.79	0.77
Return on equity	Before tax	9.12	8.08
	After tax	7.82	6.86
Net profit margin ratio		18.66	16.94

(C) Yuanta Bank

		For the years ended December 31,	
		2017	2016
Return on total assets	Before tax	0.86	0.75
	After tax	0.78	0.67
Return on equity	Before tax	12.31	11.32
	After tax	11.14	9.99
Net profit margin ratio		45.74	40.62

(D) Yuanta Securities

		For the years ended December 31,	
		2017	2016
Return on total assets	Before tax	2.70	2.76
	After tax	2.49	2.51
Return on equity	Before tax	9.60	8.54
	After tax	8.87	7.78
Net profit margin ratio		40.52	47.72

(E) Yuanta Life

		For the years ended December 31,	
		2017	2016
Return on total assets	Before tax	(0.44)	(0.71)
	After tax	(0.09)	(0.42)
Return on equity	Before tax	(8.34)	(13.26)
	After tax	(1.67)	(7.92)
Net profit margin ratio		(30.58)	(295.15)

(F) Ta Chong Bank

		For the years ended December 31,	
		2017	2016
Return on total assets	Before tax	0.06	0.47
	After tax	(0.15)	0.32
Return on equity	Before tax	0.65	5.54
	After tax	(1.54)	3.80
Net profit margin ratio		(11.51)	15.02

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 profit margin ratio = Income after income tax / net revenues.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

Note 5: The profitability of Yuanta Financial Holdings, Yuanta Financial Holdings and its subsidiaries, Yuanta Bank, Yuanta Securities, and Yuanta life insurance agency shall be respectively specified in the said table.

B. Information of Yuanta Bank is as follows:

(A) Non-performing loans and non-performing loan asset quality

Unit: In thousands of NT Dollars

Month / Year	December 31, 2017					December 31, 2016				
	Amount of non-performing loans	Gross loans	Non-performing loan ratio	Allowance for doubtful accounts	Coverage ratio	Amount of non-performing loans	Gross loans	Non-performing loan ratio	Allowance for doubtful accounts	Coverage ratio
Business / Items										
Corporate banking	620,393	149,167,651	0.42%	1,026,468	165.45%	397,458	142,795,020	0.28%	933,047	234.75%
	161,938	136,017,084	0.12%	3,576,755	2,208.72%	349,295	157,099,760	0.22%	3,962,302	1,134.37%
Residential mortgage loans	239,176	114,500,188	0.21%	1,718,631	718.56%	162,130	113,078,039	0.14%	1,691,461	1,043.27%
Cash card services	-	-	-	-	-	-	-	-	-	-
Small amount of credit loans	61,829	1,319,234	4.69%	106,242	171.83%	70,375	1,525,470	4.61%	137,795	195.80%
Secured loans	69,252	91,426,919	0.08%	53,671	77.50%	39,393	81,555,103	0.05%	57,039	144.79%
Others	552	1,918,987	0.03%	2,658	481.52%	2,058	1,708,512	0.12%	3,921	190.52%
Gross loan business	1,153,140	494,350,063	0.23%	6,484,425	562.33%	1,020,709	497,761,904	0.21%	6,785,565	664.79%

Month / Year	December 31, 2017					December 31, 2016				
	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services	4,159	5,714,039	0.07%	61,665	1,482.73%	6,020	5,142,926	0.12%	62,283	1,034.60%
Without recourse factoring	-	3,857,288	-	-	-	-	2,043,560	-	-	-

Note 1: The amount recognised as non-performing loans is in compliance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in compliance with the Banking Bureau (4) Letter No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouses) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.



Note 7: Pursuant to the Banking Bureau (5) Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognised as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

**(B) Non-performing loans and overdue receivables exempted from reporting to the competent authority**

Unit: In thousands of NT Dollars

	December 31, 2017		December 31, 2016	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation (Note 1)	101,556	29,126	139,863	37,124
Perform in accordance with debt liquidation program and restructuring program (Note 2)	82,542	62,407	106,904	65,624
Total	184,098	91,533	246,767	102,748

Note 1: The additional disclosure requirement pertaining to way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of FSC dated April 25, 2006.

Note 2: The additional disclosure requirement pertaining to the way and information disclosure of loan in the process of debt liquidation and restructuring program is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of FSC dated September 15, 2008 and Jin-Guan-Yin-Fa Letter No. 10500134790 dated September 20, 2016

(BLANK)

(C)Contract amounts of significant credit risk concentration are as follows:

Unit: In thousands of NT Dollars, %

December 31, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity
1	Company A–Integrated Circuits Manufacturing	\$ 5,000,000	7.96
2	Group B–Real Estate Development	3,740,533	5.96
3	Group C–Ocean Transportation	2,746,245	4.37
4	Group D–Real Estate Development	2,647,143	4.21
5	Company E–Real Estate Development	2,448,000	3.90
6	Company F–Non-official financing business	2,395,654	3.81
7	Company G–Other Electric Equipment and Appliances Manufacturing	2,125,178	3.38
8	Group H–Metallic Cutting Tools and Hand Tool Manufacturing	2,117,000	3.37
9	Company I–Gaming Industry	2,089,360	3.33
10	Company J–Other Non-classified Financial Service	2,089,360	3.33

December 31, 2016			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity
1	Company A–Integrated Circuits Manufacturing	\$ 5,000,000	8.58
2	Group B–Real Estate Development	3,929,693	6.75
3	Group C–Real Estate Development	3,414,786	5.86
4	Group D–Metallic Cutting Tools and Hand	3,377,293	5.80
5	Group E–Ocean Transportation	3,085,892	5.30
6	Group F–Integrated Circuits Manufacturing	2,600,000	4.46
7	Company G–Manufacture of Sports Goods	2,582,320	4.43
8	Company H–Other Electric Equipment and	2,582,320	4.43
9	Company I–Real Estate Development	2,496,000	4.28
10	Company J–Gaming Industry	2,376,751	4.08

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of enterprise group should be categorized and listed in total, and disclosed by “code” plus “industry type” (for example, company (or group) A – Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group should be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on the Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Reviews of Securities Listings”.

Note 3: Total amounts of credit extensions were various loans (including import negotiations, export negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, securities financing receivable, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue accounts), remittances purchased, advance accounts for factoring receivable, acceptances receivable, and guarantees receivable.

(D) Structure analysis of time to maturity

a. Structure analysis of time to maturity (NTD)

December 31, 2017

	Total	(Expressed in Thousands of New Taiwan Dollars)					
		0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1	Over 1 year
Primary funds inflow upon maturity	737,265,040	137,012,897	74,578,610	41,907,392	41,623,009	65,150,225	376,992,907
Primary funds outflow upon maturity	903,967,735	38,783,797	73,136,767	132,378,180	122,772,728	200,465,802	336,430,461
Gap	( 166,702,695)	98,229,100	1,441,843	( 90,470,788)	( 81,149,719)	( 135,315,577)	40,562,446

December 31, 2016

	Total	(Expressed in Thousands of New Taiwan Dollars)					
		0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1	Over 1 year
Primary funds inflow upon maturity	705,870,911	107,083,093	78,216,430	45,095,072	34,900,480	66,865,309	373,710,527
Primary funds outflow upon maturity	910,398,915	34,852,809	65,834,513	121,978,419	121,644,265	174,684,781	391,404,128
Gap	( 204,528,004)	72,230,284	12,381,917	( 76,883,347)	( 86,743,785)	( 107,819,472)	( 17,693,601)

Note: The amounts listed above represent the funds denominated in NT dollars only.

b. Structure analysis of time to maturity (USD)

December 31, 2017

	Total	(Expressed in Thousands of US Dollars)				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	3,903,625	997,632	457,761	172,393	101,299	2,174,540
Primary funds outflow upon maturity	5,187,520	1,278,980	1,322,059	923,476	835,112	827,893
Gap	(1,283,895)	(281,348)	(864,298)	(751,083)	(733,813)	1,346,647

December 31, 2016

	Total	(Expressed in Thousands of US Dollars)				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	4,353,470	1,286,000	351,856	152,465	257,563	2,305,586
Primary funds outflow upon maturity	6,014,854	1,524,839	1,135,278	721,108	1,280,190	1,353,439
Gap	(1,661,384)	(238,839)	(783,422)	(568,643)	(1,022,627)	952,147

Note: The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units.

(E)Sensitivity analysis of interest rate for assets and liabilities:

a. Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2017

Item	(Expressed in Thousands of New Taiwan Dollars, %)					Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year		
Interest-rate-sensitive assets	480,785,682	25,096,528	9,386,240	156,961,788		672,230,238
Interest-rate-sensitive liabilities	210,331,331	351,696,907	50,766,852	31,065,933		643,861,023
Interest-rate-sensitive gap	270,454,351	( 326,600,379)	( 41,380,612)	125,895,855		28,369,215
Total equity						59,805,723
Ratio of interest-rate-sensitive assets to liabilities						104.41
Ratio of interest-rate-sensitive gap to equity						47.44

December 31, 2016

Item	(Expressed in Thousands of New Taiwan Dollars, %)					Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year		
Interest-rate-sensitive assets	484,153,891	20,998,733	7,847,423	145,179,754		658,179,801
Interest-rate-sensitive liabilities	189,921,324	342,349,433	57,317,021	38,597,176		628,184,954
Interest-rate-sensitive gap	294,232,567	( 321,350,700)	( 49,469,598)	106,582,578		29,994,847
Total equity						55,779,377
Ratio of interest-rate-sensitive assets to liabilities						104.77
Ratio of interest-rate-sensitive gap to equity						53.77

Note 1: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head contingent assets and contingent liabilities office and domestic branches and overseas branches, excluding

Note 2: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to NTD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

b. Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2017

Item	(Expressed in Thousands of US Dollars, %)					Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year		
Interest-rate-sensitive assets	2,489,819	102,125	29,136	1,024,824		3,645,904
Interest-rate-sensitive liabilities	2,844,545	419,785	439,248	-		3,703,578
Interest-rate-sensitive gap	( 354,726)	( 317,660)	( 410,112)	1,024,824	(	( 57,674)
Total equity						100,574
Ratio of interest-rate-sensitive assets to liabilities						98.44
Ratio of interest-rate-sensitive gap to equity					(	( 57.34)

December 31, 2016

Item	(Expressed in Thousands of US Dollars, %)					Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year		
Interest-rate-sensitive assets	2,745,971	236,546	168,957	931,042		4,082,516
Interest-rate-sensitive liabilities	2,951,711	367,867	559,632	-		3,879,210
Interest-rate-sensitive gap	( 205,740)	( 131,321)	( 390,675)	931,042		203,306
Total equity						76,880
Ratio of interest-rate-sensitive assets to liabilities						105.24
Ratio of interest-rate-sensitive gap to equity						264.45

Note 1: The above amounts included only USD denominated assets and liabilities of head office, domestic and foreign branches, and the OBU and the OBU branch, excluding contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are those earning assets, interest bearing liabilities, revenues or costs which are sensitive to changes in interest rates.

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to USD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities).

C. Information of Ta Chong Bank is as follows:

(A) Non-performing loans and non-performing loan asset quality

Unit: In thousands of NT Dollars

Month / Year		December 31, 2017				
Business / Items		Amount of non-performing loans	Gross loans	Non-performing loan ratio	Allowance for doubtful accounts	Coverage ratio
Corporate banking	Secured loans	63,845	42,307,930	0.15%	123,518	193.47%
	Unsecured loans	42,414	59,904,059	0.07%	1,186,723	2,797.95%
Consumer banking	Residential mortgage loans	347,281	82,373,237	0.42%	1,273,166	366.61%
	Cash card services	121	183,193	0.07%	27,532	22,753.72%
	Small amount of credit loans	6,730	12,153,610	0.06%	771,583	11,464.83%
	Others	Secured loans	194,274	46,562,987	0.42%	263,830
Unsecured loans		-	-	-	-	-
Gross loan business		654,665	243,485,016	0.27%	3,646,352	556.98%

Month / Year		December 31, 2016				
Business / Items		Amount of non-performing loans	Gross loans	Non-performing loan ratio	Allowance for doubtful accounts	Coverage ratio
Corporate banking	Secured loans	90,608	47,489,603	0.19%	158,967	175.44%
	Unsecured loans	6,043	84,328,220	0.01%	2,048,011	33,890.63%
Consumer banking	Residential mortgage loans	379,269	86,739,194	0.44%	1,325,604	349.52%
	Cash card services	214	262,500	0.08%	32,161	15,028.50%
	Small amount of credit loans	5,765	14,042,392	0.04%	483,169	8,381.08%
	Others	Secured loans	149,031	49,898,215	0.30%	76,459
Unsecured loans		-	-	-	-	-
Gross loan business		630,930	282,760,124	0.22%	4,124,371	653.70%

Month / Year		December 31, 2017				
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		212	6,371,076	0.003%	199,753	94,223.11%
Without recourse factoring		-	2,426,195	-	20,716	-

Month / Year		December 31, 2016				
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services		-	6,926,065	-	196,451	-
Without recourse factoring		17,479	3,932,661	0.44%	38,700	221.41%

Note 1: The amount recognised as non-performing loans is in compliance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in compliance with the Banking Bureau (4) Letter No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouses) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to Jin-Guan-Yin-Wai Letter No. 09850003180 dated August 24, 2009, factoring without recourse is disclosed as nonperforming receivables in three months after the factors or insurance companies reject indemnification.

(B) Non-performing loans and overdue receivables exempted from reporting to the competent authority

Unit: In thousands of NT Dollars

	December 31, 2017	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation (Note 1)	45,513	38,625
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,107,752	300,609
Total	1,153,265	339,234
	December 31, 2016	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation (Note 1)	61,193	56,059
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,010,013	285,953
Total	1,071,206	342,012

Note 1: The additional disclosure requirement pertaining to way and information disclosure of the total amount of non-performing loan is in accordance with the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 of FSC dated April 25, 2006.

Note 2: The additional disclosure about credit reporting and information disclosure is pursuant to provisions relating to cases such as preliminary negotiation, restructuring and liquidation led by banks under Customer Debt Clearance Act, as ordered by Jin-Guan-Yin-(I)-Zi Order No. 09700318940 dated September 15, 2008.

(C) Contract amounts of significant credit risk concentration are as follows:

Unit: In thousands of NT Dollars, %

December 31, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (%)
1	Group A-Real Estate Leasing	\$ 3,500,000	8.24
2	Group B-Real Estate Development	2,377,532	5.60
3	Group C-Real Estate Development	2,254,218	5.31
4	Group D-Other Non-classified Electronic Components Manufacturing	1,735,884	4.09
5	Group E-Other Non-classified Electronic Components Manufacturing	1,500,000	3.53
6	Group F-Motorcycle Manufacturing	1,442,400	3.40
7	Group G-Fishery Processing and Preserving Industry	1,393,902	3.28
8	Group H-Other Non-classified Financial Service	1,332,959	3.14
9	Group I-Real Estate Development	1,271,078	2.99
10	Group J-Semiconductor Packaging and Testing	1,000,000	2.35



Unit: In thousands of NT Dollars, %

December 31, 2016			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (%)
1	Group A–Real Estate Leasing	\$ 3,500,000	8.03
2	Group B–Motorcycle Manufacturing	2,671,400	6.13
3	Group C–Real Estate Development	2,630,668	6.03
4	Group D–Real Estate Development	2,286,090	5.24
5	Group E–Wholesale of Electronic Equipment, Telecommunication Devices, and Other Components	1,706,819	3.91
6	Group F–Manufacture of Bare Printed Circuit Boards	1,532,693	3.52
7	Group G–Other Non-classified Electronic Components Manufacturing	1,500,000	3.44
8	Group H–Liquid Crystal Panel and Components Manufacturing	1,434,419	3.29
9	Group I–Building Construction	1,063,336	2.44
10	Group J–Other Specialized Designs	1,032,480	2.37

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of enterprise group should be categorized and listed in total, and disclosed by “code” plus “industry type” (for example, company (or group) A – Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group should be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on the Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Reviews of Securities Listings”.

Note 3: Total amounts of credit extensions were various loans (including import negotiations, export negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, securities financing receivable, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue accounts), remittances purchased, advance accounts for factoring receivable, acceptances receivable, and guarantees receivable.

(D) Structure analysis of time to maturity

a. Structure analysis of time to maturity (NTD)

December 31, 2017

	(Expressed in Thousands of New Taiwan Dollars)						
	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	417,907,475	86,759,499	36,162,236	48,692,105	45,599,554	32,344,994	168,349,087
Primary funds outflow upon maturity	518,789,215	15,649,120	50,389,310	85,392,334	93,443,444	96,583,227	177,331,780
Gap	( 100,881,740)	71,110,379	( 14,227,074)	( 36,700,229)	( 47,843,890)	( 64,238,233)	( 8,982,693)

December 31, 2016

	(Expressed in Thousands of New Taiwan Dollars)						
	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	444,331,940	104,873,041	48,560,458	43,951,517	26,427,682	37,982,967	182,536,275
Primary funds outflow upon maturity	544,352,565	23,917,582	46,290,146	102,699,410	84,527,014	85,045,786	201,872,627
Gap	( 100,020,625)	80,955,459	2,270,312	( 58,747,893)	( 58,099,332)	( 47,062,819)	( 19,336,352)

Note: The amounts listed above represent the funds denominated in NT dollars only.

b. Structure analysis of time to maturity (USD)

December 31, 2017

	Total	(Expressed in Thousands of US Dollars)				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	4,895,845	1,461,298	1,476,820	703,976	207,931	1,045,820
Primary funds outflow upon maturity	5,704,170	1,613,488	1,417,308	1,240,016	1,252,606	180,752
Gap	( 808,325)	( 152,190)	59,512	( 536,040)	( 1,044,675)	865,068

December 31, 2016

	Total	(Expressed in Thousands of US Dollars)				
		0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	5,690,472	2,167,028	1,508,782	739,912	423,710	851,040
Primary funds outflow upon maturity	6,325,027	1,823,546	1,771,432	911,046	1,341,191	477,812
Gap	( 634,555)	343,482	( 262,650)	( 171,134)	( 917,481)	373,228

Note: The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units.

(E) Sensitivity analysis of interest rate for assets and liabilities:

a. Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2017

	(Expressed in Thousands of New Taiwan Dollars, %)					Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year		
Interest-rate-sensitive assets	276,023,542	17,649,090	10,607,542	24,932,197		329,212,371
Interest-rate-sensitive liabilities	72,383,138	148,529,123	64,363,916	14,362,254		299,638,431
Interest-rate-sensitive gap	203,640,404	( 130,880,033)	( 53,756,374)	10,569,943		29,573,940
Total equity						42,132,667
Ratio of interest-rate-sensitive assets to liabilities						109.87
Ratio of interest-rate-sensitive gap to equity						70.19

December 31, 2016

	(Expressed in Thousands of New Taiwan Dollars, %)					Total
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year		
Interest-rate-sensitive assets	305,519,656	9,028,413	4,978,816	25,352,327		344,879,212
Interest-rate-sensitive liabilities	96,102,643	143,676,440	57,124,485	16,333,331		313,236,899
Interest-rate-sensitive gap	209,417,013	( 134,648,027)	( 52,145,669)	9,018,996		31,642,313
Total equity						44,956,931
Ratio of interest-rate-sensitive assets to liabilities						110.10
Ratio of interest-rate-sensitive gap to equity						70.38

Note 1: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) contingent assets and contingent liabilities. for both head office and domestic branches and overseas branches, excluding

Note 2: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to NTD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

b. Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2017

	(Expressed in Thousands of US Dollars, %)				
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,294,748	90,956	39,419	429,725	1,854,848
Interest-rate-sensitive liabilities	739,829	229,138	751,596	20,385	1,740,948
Interest-rate-sensitive gap	554,919	(138,182)	(712,177)	409,340	113,900
Total equity					8,516
Ratio of interest-rate-sensitive assets to liabilities					106.54
Ratio of interest-rate-sensitive gap to equity					1,337.48

December 31, 2016

	(Expressed in Thousands of US Dollars, %)				
	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,645,709	104,415	25,545	260,451	2,036,120
Interest-rate-sensitive liabilities	1,125,244	239,699	817,073	31,015	2,213,031
Interest-rate-sensitive gap	520,465	(135,284)	(791,528)	229,436	(176,911)
Total equity					38,328
Ratio of interest-rate-sensitive assets to liabilities					92.01
Ratio of interest-rate-sensitive gap to equity					461.57

Note 1: The above amounts included only USD denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch, excluding contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities are those earning assets, interest bearing liabilities, revenues or costs which are sensitive to changes in interest rates.

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities  
(refer to USD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities).

(14) Information with respect to the subsidiary holding the capital share of parent company:

The Company's shares held by its subsidiary- Yuanta Securities and its second-tier subsidiary- Ta Chong Securities are accounted for as treasury share. For these treasury shares, other than being unable to participate in the Company's capital increases, their rights are identical with common equity rights. In addition, the Company's treasury shares may not be provided as pledge in accordance with the Securities and Exchange Act, nor are they entitled to dividends and voting rights etc.

13. Other disclosure items

(1) Related information on material transaction items:

A. Information regarding stock of long-term equity investment for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Company's paid-in capital:

Investor	Category and names of securities	Account	Counter party	Relationship	Balance as at January 1, 2017		Addition		Disposal			Balance as at December 31, 2017		
					Number of shares (In thousands)	Amount	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Price	Book value	Gain (loss) on disposal	Number of shares (In thousands)	Amount
Yuanta Financial Holdings	Stock: Yuanta Life	Equity investments accounted for under the equity method	Yuanta Life	Subsidiary	810,705	\$ 10,000,000	400,000	\$ 4,000,000 (Note)	-	\$ -	\$ -	-	1,210,705	\$ 14,000,000
Yuanta Securities	Stock: Yuanta Securities Asia Financial Service	Equity investments accounted for under the equity method	Yuanta Securities Asia Financial Service	Subsidiary	190,909	8,511,808	100,000	3,045,616 (Note)	-	-	-	-	290,909	11,557,424
Yuanta Securities Asia Financial Service	Stock: Yuanta Securities (Thailand)	Equity investments accounted for under the equity method	Yuanta Securities (Thailand)	Second-tier subsidiary	149,999	1,554,159	300,001	2,705,325 (Note)	-	-	-	-	450,000	4,259,484
Yuanta Securities Asia Financial Service	Stock: Yuanta Securities (Vietnam)	Equity investments accounted for under the equity method	-	-	-	-	15,228	406,205	-	-	-	-	15,228	406,205
Yuanta Securities (Hong Kong)	Stock: Yuanta Securities (Vietnam)	Equity investments accounted for under the equity method	-	-	-	-	14,758	406,828	-	-	-	-	14,758	406,828

Note: The above is capital increase by cash.

B. Information on the acquisition and disposal of real estate for which the purchase amount exceeded \$300 million or 10% of the Company's paid-in capital: None.

C. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: None.

D. Information regarding receivables from related parties exceeding \$300 million or 10% of the Company's paid-in capital:

Creditor	Counterparty	Relationship	Accounts receivable from related party as of December 31, 2017	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuanta Financial Holdings	Yuanta Securities	Subsidiary of Yuanta Financial Holdings	\$ 1,108,346 (Note)	-	\$ -	-	\$ -	-
Yuanta Financial Holdings	Yuanta Bank	Subsidiary of Yuanta Financial Holdings	477,017 (Note)	-	-	-	-	-

Note: Income tax refundable arising from filing consolidated income tax returns which has been eliminated.

- E. Information regarding selling non-performing loans: None.
- F. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.
- G. Other material transaction items which were significant to the users of the financial statements: None.

(BLANK)

(2) Supplementary disclosure regarding investee companies:

Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Share ownerships of the Company and related parties	
									Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Financial Holdings Co., Ltd.	Yuanta Securities Co., Ltd.	R.O.C	Securities brokerage, dealing and underwriting and margin and securities loans	100	\$ 92,206,116	\$ 7,827,203	5,405,644	-	5,405,644	100
"	Yuanta Commercial Bank Co., Ltd	"	Banking	100	62,891,158	6,743,006	4,265,285	-	4,265,285	100
"	Yuanta Securities Finance Co., Ltd.	"	Margin loans and short sales of securities	100	9,322,831	457,387	400,000	-	400,000	100
"	Yuanta Futures Co., Ltd.	"	Futures business	68.65	5,716,470	572,578	159,467	-	159,467	68.65
"	Yuanta Life Co., Ltd.	"	Life insurance business	100	8,670,819	169,735	1,210,705	-	1,210,705	100
"	Yuanta Asset Management Co., Ltd.	"	Management of monetary debts of financial institutions	100	1,911,378	258,864	100,000	-	100,000	100
"	Yuanta Venture Capital Co., Ltd.	"	Venture capital business	100	2,267,379	11,311	246,000	-	246,000	100
"	Yuanta Securities Investment Consulting Co., Ltd.	"	Investment consulting on securities	100	134,855	489	10,000	-	10,000	100
"	Yuanta Securities Investment Trust Co., Ltd.	"	Investment trust	72.20	4,837,538	722,969	163,828	-	163,828	72.20
"	Ta Chong Bank Co., Ltd	"	Banking	100	51,343,627	1,375,957	3,637,241	-	3,637,241	100
Yuanta Commercial Bank Co., Ltd.	Yuanta International Leasing Co., Ltd.	"	Distribution and lease businesses of personal property and real assets	100	574,090	-	60,000	-	60,000	100
"	Yuanta Savings Bank (Philippines)	Philippines	Deposit services	100	549,347	-	1,000,000	-	1,000,000	100
"	Yuanta Savings Bank (Korea)	Korea	Deposit services	100	4,056,573	-	13,516	-	13,516	100
Yuanta Securities Co., Ltd.	Yuanta Securities Asia Financial Services Limited	Bermuda	Investment holding	100	30,695,273	-	290,909	-	290,909	100



(Expressed In Thousand of New Taiwan Dollars)  
Share ownerships of the Company and related parties

Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Co., Ltd.	Yuanta International Insurance Brokers Co., Ltd.	R.O.C	Insurance agent	100	\$ 308,239	-	500	-	500	100
Yuanta Securities Asia Financial Services Limited	Yuanta Securities (B.V.I) Holding Co., Ltd	British Virgin Islands	Investment holding	100	6,627	-	10	-	10	100
"	Yuanta Securities (Hong Kong) Limited	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, providing opinions on securities, providing opinions on futures contract, providing opinions on institutions' financing and providing assets management services	100	7,542,686	-	2,268,133	-	2,268,133	100
"	Polaris Securities (Hong Kong) Limited (P.S.H.K)	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, and providing assets management services	100	43,699	-	9,910	-	9,910	100
"	Yuanta Securities (Korea) Co., Ltd.	Korea	Securities trading, providing opinions on securities, providing opinions on futures contract, underwriting services, asset management services, financial advisory services, and futures trading	54.20	15,916,606	-	108,162	-	108,162	54.20

(Expressed In Thousand of New Taiwan Dollars)  
Share ownerships of the Company and related parties

Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Asia Financial Services Limited	Yuanta Asia Investment Ltd.	British Virgin Islands	Direct investments, venture capital funds, venture capital fund raising and management, investment consulting	100	\$ 843,281	\$ -	30,000	-	30,000	100
"	Yuanta Hong Kong Holdings(Cayman) Co.,Ltd	Cayman Islands	Investment holding	100	422,668	-	10,074	-	10,074	100
"	Yuanta Securities (UK) Co.,Ltd	U.K.	License in application	100	60,710	-	2,000	-	2,000	100
"	Yuanta Securities (Thailand) Co.,Ltd	Thailand	Security brokerage, proprietary trading, underwriting, and investment consulting; mutual fund management; private fund management; security borrowing; venture capital fund management; derivative product brokerage, proprietary trading, underwriting, and investment consulting; and derivate product fund management	99.99	4,291,547	-	450,000	-	450,000	99.99
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	50.76	401,115	-	15,228	-	15,228	50.76
Yuanta Securities Korea Co.,Ltd	Yuanta Investment Co., Ltd.	Korea	Venture investment	100	1,568,764	-	6,401	-	6,401	100
"	Yuanta Financial (Hong Kong) Limited	Hong Kong	Investment holding	100	545,705	-	18,954	-	18,954	100
"	TongYang Asset Management Corp.	Korea	Asset management	27	678,839	-	1,080	-	1,080	27

Share ownerships of the Company and related parties  
(Expressed In Thousand of New Taiwan Dollars)

Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Financial (Hong Kong) Limited	Yuanta Securities (Cambodia) Plc	Cambodia	Underwriting guidelines and financial advisory services	100	\$ 372,865	\$ -	12,500	-	12,500	100
"	Heng Xin Asia Holdings Limited	Hong Kong	Investment holding	90.13	45,489	-	1,525	-	1,525	90.13
"	Yuanta International Investment (Hong Kong) Ltd.	"	Solicitation of financial products	100	218,666	-	50,000	-	50,000	100
"	Yuanta Finance (Hong Kong) Ltd.	"	Credit loans	100	224,137	-	50,000	-	50,000	100
Yuanta Financial (Hong Kong) Limited	Yuanta Investment Management (Cayman) Ltd.	Cayman Islands	Investment management	100	352,445	-	12,500	-	12,500	100
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	49.19	396,384	-	14,758	-	14,758	49.19
"	PT Yuanta Securities Indonesia	Indonesia	Securities trading and underwriting services	99	836,707	-	474	-	474	99
"	PT Yuanta Asset Management	"	Investment management	0.002	-	-	-	-	-	0.002
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	"	Investment management	99.998	88,518	-	40	-	40	99.998
Yuanta Venture Capital Co., Ltd.	Yuanta I Venture Capital Co.,Ltd.	R.O.C	Venture capital business	100	914,519	-	85,000	-	85,000	100
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Limited	Hong Kong	Futures business	100	422,049	-	16,000	-	16,000	100
"	SYF Information Limited	R.O.C	Information software and data processing services	100	299,025	-	35,000	-	35,000	100
SYF Information Limited	SYF Information (Samoa) Limited	Samoa	Investment holding	100	157,987	-	5,800	-	5,800	100

(3) Significant transactions regarding investee companies

A. Information regarding stocks of equity investment for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Company's paid-in capital:

Investor	Category and names of securities	Account	Counter party	Relationship	Balance as at January 1, 2017		Addition		Disposal			Balance as at December 31, 2017		
					Number of shares (In thousands)	Amount	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Price	Book value	Gain (loss) on disposal	Number of shares (In thousands)	Amount
Ta Chong Bank	Stock: Ta Chong Securities	Assets held for sale	Taishin Securities Co., Ltd.	-	131,726	\$ 1,645,866	-	\$ -	131,726	\$ 1,475,329	\$ 1,593,183	( \$ 117,854)	-	\$ -
Ta Chong Bank	Stock: Taiwan Depository and Clearing Corp.	Other financial assets – net	-	-	17,765	1,081,729	-	-	-	-	-	-	17,765	1,081,729
Yuanta Securities	Stock: Taiwan Depository and Clearing Corp.	Available -for-sale financial assets – non current	-	-	15,384	936,741	-	-	-	-	-	-	15,384	936,741
Yuanta Securities Finance	Stock: Taiwan Depository and Clearing Corp.	Available -for-sale financial assets – non current	-	-	63,294	3,674,871	-	-	33,149	2,018,470	288,861	1,723,553	31,727	2,038,795

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B. Information on the acquisition of real estate for which the purchase amount exceeded \$300 million or 10% of the Company's paid-in capital:

Real estate acquired by	Real estate acquired	Date of event	Transaction amount	Status of payment	Counterparty	Relationship with counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below			Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of original transaction			
Yuanta Bank	Real estate	May 3, 2017	\$ 933,700	All payments have been made	Shan-Chih Assets Development Co., Ltd	Non-related parties	-	-	Appraisal report issued by real estate appraiser	Business property	-	
Yuanta Futures	Real estate	May 3, 2017	482,569	All payments have been made	Shan-Chih Assets Development Co., Ltd	Non-related parties	-	-	Appraisal report issued by real estate appraiser	Owner-occupied property	-	

C. Information on the disposal of real estate for which the purchase amount exceeded \$300 million or 10% of the Company's paid-in capital:

Real estate disposed by	Real estate disposed	Transaction date or date of event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments

Note: Book value and disposal amount of the real estate were KRW 3,073,086 thousand and KRW 11,976,641 thousand, using the exchange rate of 1 KRW to 0.026907 NTD.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million. None.

E. Information regarding receivables from related parties for which the amount exceeding \$300 million or 10% of Company's paid-in capital:

Creditor	Counterparty	Relationship	Accounts receivable from related party as of December 31, 2017	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuanta Bank	Yuanta Financial Holdings	Parent Company	\$ 2,230,339	-	\$ -	-	\$ -	-
Yuanta Securities	Yuanta Financial Holdings	Parent Company	682,431	-	-	-	-	-
Yuanta Life	Yuanta Financial Holdings	Parent Company	1,452,397	-	-	-	-	-
Ta Chong Bank	Yuanta Bank	Fellow Subsidiary	8,546,018	-	-	-	-	-

F. Information regarding selling non-performing loans:

Transaction date	Counterparty	Components of loans	Book value	Sales Price	Gain (loss) on disposal	Collateral condition	Relationship	Note
2017/12/8	J&P Investment Loan Inc.	Loans	\$ -	\$ 1,418	\$ 1,418	-	Non-related parties	Note

Note: The loan was sold at KRW 52,705 thousand, using the exchange rate of 1 KRW to 0.026907 NTD.

G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transaction items which were significant to the users of the financial statements: None.

(BLANK)

I. Funds lent to other: Not applicable to subsidiaries in a financial or securities industries. For non-financial and non-securities subsidiaries, no fund has been lent except for the following:

Number	Lending company	Borrower	Account	Related-party	Maximum balance at current period	Ending balance	Actual used amount	Interest rate	Characteristic of fund lent to others	Amount	Reason for short-term loans	Provision for credit loss	Collateral		Limit of individual lending	Total limit of funds lent to others
													Item	Value		
1	Yuanta Securities	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	\$ 2,984,800	\$ -	\$ -	-	Short-term loans	\$ -	Operation financing	\$ -	-	\$ -	9,113,098 (Note 1)	\$ 36,452,392 (Note 1)
2	Yuanta Securities Asia Finance Service	Yuanta Investment (Hong Kong)	Accounts receivable-related party	Yes	895,440	-	-	-	Short-term loans	-	Operation financing	-	-	-	30,715,262 (Note 2)	30,715,262 (Note 2)
3	Yuanta Securities Asia Finance Service	Yuanta Finance (Hong Kong)	Accounts receivable-related party	Yes	2,387,840	895,440	814,850	2.50% ~2.91%	Short-term loans	-	Operation financing	-	-	-	30,715,262 (Note 2)	30,715,262 (Note 2)
4	Yuanta Securities Asia Finance Service	PT Yuanta Sekuntis Indonesia	Accounts receivable-related party	Yes	1,193,920	596,960	596,960	3.00%	Short-term loans	-	Operation financing	-	-	-	30,715,262 (Note 2)	30,715,262 (Note 2)
5	Yuanta Securities Asia Finance Service	Yuanta Investment Management (Cayman)	Accounts receivable-related party	Yes	895,440	895,440	-	-	Short-term loans	-	Operation financing	-	-	-	30,715,262 (Note 2)	30,715,262 (Note 2)
6	Yuanta Securities Asia Finance Service	Yuanta Securities (Thailand)	Accounts receivable-related party	Yes	3,492,216	3,134,040	3,134,040	2.95% ~2.97%	Short-term loans	-	Operation financing	-	-	-	30,715,262 (Note 2)	30,715,262 (Note 2)
7	Yuanta Securities Asia Finance Service	Yuanta Asia Investment Service	Accounts receivable-related party	Yes	596,960	596,960	119,392	2.40%	Short-term loans	-	Operation financing	-	-	-	30,715,262 (Note 3)	30,715,262 (Note 3)
8	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	388,024	388,024	388,024	1.57%	Short-term loans	-	Operation financing	-	-	-	422,668 (Note 3)	422,668 (Note 3)
9	Yuanta International Leasing	Audi Taiwan	Account receivable	No	197,944	197,944	197,944	4.17% ~5.60%	Necessary for short-term loans	-	Acquisition of assets and operation financing	19,794	Real estate	570,000	242,736	242,736

Note 1: The ceiling on total loans granted and limit to loans granted to a single party by Yuanta Securities Co., Ltd. should not exceed 40% and 10% of net worth of the company's latest audited/reviewed financial statements, respectively.

Note 2: The ceiling on total loans granted and limit to loans granted to a single party by Yuanta Securities Asia Financial Services should not exceed the net worth of its latest audited/reviewed financial statements.

Note 3: The ceiling on total loans granted and limit to loans granted to a single party by Yuanta Hong Kong Holdings (Cayman) should not exceed the net worth of its latest audited/reviewed financial statements.

J. Endorsements and guarantees provided for others:

Number	Endorsing and guarantee company	Endorsed and guaranteed company		Limit for endorsement and guarantee for single enterprise	Maximum outstanding guarantee amount during for the year ended December 31, 2017	Ending balance of endorsement and guarantee	Actual used amount	Property-backed endorsement and guarantee	The ratio of accumulated endorsement and guarantee amount and the net value of the latest financial statement	Maximum limit	Provision of endorsements and guarantees by parent company to subsidiary	Provision of endorsements and guarantees by subsidiary to parent company	Provision of endorsements and guarantees to the party in Mainland China	Note
		Name of company	Relationship											
1	Yuanta Securities	Yuanta Securities (Korea)	More than 50% common stock - directly-owned subsidiary	\$ 18,226,196 (Note 1)	\$ 2,790,000	\$ 2,790,000	\$ -	-	3.06%	\$ 36,452,392 (Note 1)	Yes	No	No	Note 3
2	Yuanta Securities	PT Yuanta Sekuritas Indonesia	More than 50% common stock - directly-owned subsidiary	18,226,196 (Note 1)	132,120	132,120	-	-	0.14%	36,452,392 (Note 1)	Yes	No	No	
3	Yuanta Securities	Yuanta Securities (Thailand)	More than 50% common stock - directly-owned subsidiary	18,226,196 (Note 1)	298,480	298,480	288,320	-	0.33%	36,452,392 (Note 1)	Yes	No	No	
4	Yuanta Securities Asia Financial Service	Yuanta Securities (Hong Kong)	More than 50% common stock - directly-owned subsidiary	30,715,262 (Note 2)	1,492,400	1,492,400	1,492,400	-	4.86%	30,715,262 (Note 2)	Yes	No	No	
5	Yuanta Securities Asia Financial Service	Yuanta Securities (Thailand)	More than 50% common stock - directly-owned subsidiary	30,715,262 (Note 2)	805,464	805,464	805,464	-	2.62%	30,715,262 (Note 2)	Yes	No	No	

Note 1: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", the ceiling on total loans granted and limit to loans granted to a single party by Yuanta Securities should not exceed 40% and 20% of net worth of the company's latest audited/reviewed financial statements, respectively.

Note 2: According to the Company's "Procedures for Provision of Endorsements and Guarantees", total endorsements and guarantees provided to others cannot exceed the net assets value in Yuanta Securities Asia Financial Services Ltd.'s latest financial statements audited or reviewed by an independent accountant.

Note 3: Yuanta Securities provided guarantee to Yuanta Securities (Korea) in the amount of KRW 100 billion in order to support Yuanta Securities (Korea) having a syndicated borrowing from bank. On March 6, 2018, the syndicated borrowing was settled at maturity whereby Yuanta Securities lifted its guarantee obligation.

K. Engagement in derivatives trading: Disclosure may be exempt for subsidiaries in the financial industry and insurance industry. Not applicable for all the other subsidiaries and indirect subsidiaries.



L. Securities held at the end of period:

(Expressed in Thousands of New Taiwan Dollars)

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	December 31, 2017			Note
				Number of shares (In thousands)	Book value	Percentage of ownership (%)	
Yuanta Securities Finance	Beneficiary certificates:						
	Shin Kong Global Total Return Balanced Fund	-	Financial assets at fair value through profit or loss	500	\$ 4,975	N/A	\$ 4,975
	Jih Sun Target Income Fund of Funds	-	"	1,000	9,960	"	9,960
	Yuanta iSTOXX MUTB Asia/Pacific Quality Dividend 100 index fund	The managing company of the fund and the company are controlled in the same related party	"	500	5,055	"	5,055
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	170	5,127	"	5,127
	Yuanta U.S. Treasury 7-10 Years Bond ETF	"	"	250	9,627	"	9,627
	Listed stocks:						
	Taiwan Cement Corporation	-	Available-for-sale financial assets	1,500	\$ 54,675	0.04	\$ 54,675
	Getac Technology Corporation	-	"	689	30,454	0.12	30,454
	WT Microelectronics Co., Ltd.	-	"	648	29,306	0.14	29,306
					\$ 114,435		\$ 114,435
	Un-Listed stocks:						
	Taiwan Depository & Clearing Corporation	-	Available-for-sale financial assets	31,727	\$ 2,038,795	8.78	\$ 2,038,795
	Taiwan Futures Exchange	-	"	15,759	1,183,345	5.00	1,183,345
					\$ 3,222,140		\$ 3,222,140
	Government bonds:						
	99 A5 Central Government Construction Bond	-	Held-to-maturity financial assets	-	\$ 50,268	N/A	\$ 50,974
	90 A8 Central Government Construction Bond	-	"	-	54,309	"	56,186
					\$ 104,577		\$ 107,160

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	December 31, 2017				
				Number of shares (In thousands)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta Securities Investment Trust	Beneficiary certificates:							
	Yuanta /P-shares MSCI Taiwan ETF	The managing company of the fund	Financial assets at fair value through profit or loss	12	\$ 472	-	\$ 472	472
	Yuanta /P-shares MSCI Taiwan Financials ETF	"	"	25	400	-	400	400
	Yuanta S&P500	"	"	5	113	-	113	113
	Yuanta S&P Japanese Yen 1X Inverse ER Futures ETF	"	"	200	4,076	-	4,076	4,076
	Yuanta S&P Japanese Yen 2X Leverage ER Futures ETF	"	"	500	9,360	-	9,360	9,360
	Yuanta S&P GSCI Gold ER Futures ETF	"	"	6	119	-	119	119
	Yuanta S&P GSCI Gold 2X Leveraged ER Futures ETF	"	"	500	9,555	-	9,555	9,555
	Beneficiary certificates:							
	Yuanta /P-shares SSE50 ETF	The managing company of the fund	Financial assets at fair value through profit or loss	519	16,829	-	16,829	16,829
	Yuanta /P-shares Taiwan Mid-Cap 100 ETF	"	"	6	191	-	191	191
	Yuanta /P-shares S&P Custom China Play 50	"	"	19	450	-	450	450
	Yuanta /P-shares Taiwan Top 50 ETF	"	"	26	2,127	-	2,127	2,127
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	6	179	-	179	179
	Yuanta U.S. Treasury 7-10 Years Bond ETF	"	"	250	9,628	-	9,628	9,628
	Yuanta Daily U.S. Treasury 7-10 Year Bond Bear 1X ETF	"	"	500	10,015	-	10,015	10,015
	Yuanta /P-shares Taiwan Dividend Plus ETF	"	"	23	577	-	577	577
	Yuanta De-Bao Money Market Fund	"	"	6,172	100,035	-	100,035	100,035
	Yuanta /P-shares Taiwan GreTai 50 ETF	"	"	18	262	-	262	262
	Yuanta Emerging Indonesian Opportunity Bond Fund	"	"	2,238	25,217	-	25,217	25,217
	Yuanta Wan Tai Money Market	"	"	6,646	100,093	-	100,093	100,093
	Yuanta /P-shares Taiwan Electronics Tech ETF	"	"	22	780	-	780	780
	Yuanta EURO STOXX 50 ETF	"	"	6	161	-	161	161
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	"	"	29	547	-	547	547
					\$ 291,186		\$ 291,186	

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta Securities Investment Trust								
	Stocks:							
	Taiwan Futures Exchange	-	Available-for-sale financial assets	1,103	\$ 82,834	-	\$ 82,834	
	FundRich Securities Co. Ltd.	-	"	819	10,706	-	10,706	
					\$ 93,540		\$ 93,540	
	Stocks:							
	CR Yuanta Fund Management Company Limited	-	Long-term equity accounted for under the equity method	-	203,156	-	203,156	
Yuanta Asset Management								
	Stocks:							
	Taiwan Finance Corporation	-	Available-for-sale financial assets	828	\$ 6,372	0.16	\$ 6,372	
	Sunsino Venture Co., Ltd.	-	"	443	3,868	0.93	3,868	
	DaYeh Development Co., Ltd.	-	"	333	3,097	2.22	3,097	
	Tuntex Incorporation	-	"	26,540	316,363	15.00	316,363	
	Chung Yi Development Co., Ltd.	-	"	2,278	91	6.63	91	
	Global Investment Holdings Co., LTD.	-	"	1,980	14,335	1.23	14,335	
	China Trade And Development Corporation	-	"	500	8,490	0.76	8,490	
					\$ 352,616		\$ 352,616	
Yuanta Venture Capital								
	Stocks:							
	Gorilla Technology Group Inc.	-	Available-for-sale financial assets	95	\$ 15,278	0.96	\$ 15,278	
	Tot Biopharm International Company Limited	-	"	2,200	52,734	2.62	52,734	
	CGK International Co., Ltd	-	"	877	15,504	2.39	15,504	
	Veden Dental Group	-	"	246	18,151	0.84	18,151	
	Throughtek Co.,Ltd	-	"	550	10,648	2.11	10,648	
	PlexBio Co., Ltd.	-	"	1,367	19,780	2.69	19,780	
	TaiwanJ Pharmaceuticals Co., Ltd.	-	"	2,229	25,792	3.81	25,792	
	Pheeda Technology Co. Ltd.	-	"	521	4,814	1.83	4,814	

December 31, 2017

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta Venture Capital	Long Diann Marine Bio Technology Co., Ltd.	-	"	4,300	\$ 29,799	11.78	\$ 29,799	
	AngioLab, Inc.	-	"	154	33,074	4.63	33,074	
	MagV Co., Ltd.	-	"	2,145	26,748	13.16	26,748	
	Dawning Leading Technology Inc.	-	"	1,654	10,715	0.45	10,715	
	Saultech Technology Co., Ltd.	-	"	1,461	64,190	10.72	64,190	
	Oriental System Technology Inc.	-	"	1,000	17,910	4.08	17,910	
	BRIM Biotechnology, Inc.	-	"	3,500	67,620	6.91	67,620	
	Aprevent Medical, Inc.	-	"	1,808	40,637	13.27	40,637	
	GenePharm Biotech Corp.	-	"	2,667	20,453	10.68	20,453	
	Jump Media International Co., Ltd.	-	"	1,056	16,959	3.72	16,959	
	Great Dream Pictures, Inc.	-	"	2,000	21,000	19.96	21,000	
	PSS-Group	-	"	2,803	134,600	10.63	134,600	
	Li Ling Film Co., Ltd.	-	"	1,666	48,631	2.78	48,631	
	Jing-Jan Retail Business Co., Ltd.	-	"	1,000	42,250	1.67	42,250	
	Jin Yeeh Ding Enterprise Co., Ltd.	-	"	1,014	20,677	1.06	20,677	
	Solartech Energy Corp.	-	"	776	9,091	0.20	9,091	
	Enterex International Limited	-	"	1,953	65,426	1.94	65,426	
	Eurocharm Holdings Co., Ltd.	-	"	496	42,210	0.75	42,210	
	Taiwan Chelic Corp. Ltd.	-	"	500	34,000	0.75	34,000	
	G. Manso Electronics, Inc.	-	"	300	-	1.38	-	
	Aide Energy Holdings Co., Ltd.	-	"	750	-	0.56	-	
	GCT Semiconductor Inc.	-	"	1,402	-	1.80	-	
					\$ 908,691		\$ 908,691	
Stocks:								
	Yuanta I Venture Capital Co., Ltd.	Investee company accounted for under the equity method	Long-term equity accounted for under the equity method	85,000	\$ 914,519	100.00	\$ 914,519	
Stocks:								
	Da Hwa Venture Capital Co., Ltd.	-	Financial assets carried at cost	800	\$ 8,000	0.50	\$ 8,000	
	Li Ding Venture Capital Co., Ltd.	-	"	4,348	47,478	17.39	47,478	
	Prudence Capital Management	-	"	6,084	43,164	9.00	43,164	
	Ho Ding Venture Capital Co., Ltd.	-	"	1,550	7,502	10.00	7,502	
	Sheng Hwa Venture Capital Co., Ltd.	-	"	1,156	15,036	4.80	15,036	

December 31, 2017

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta Venture Capital	Hwa Cheng Venture Capital Co., Ltd.	-	"	6,998	\$ 18,362	16.00	\$ 18,362	
	Lian Ding Venture Capital Co., Ltd.	-	"	3,000	22,050	15.00	22,050	
	HwaWei Shi Ji Venture Capital Co., Ltd.	-	"	225	3,450	10.00	3,450	
	Lian Xun San Venture Capital Co., Ltd.	-	"	2,200	9,200	10.00	9,200	
	Hwa Lu Venture Capital Co., Ltd.	-	"	261	3,509	8.70	3,509	
	Kun Ji Er Venture Capital Co., Ltd.	-	"	1,157	5,479	14.29	5,479	
	Hwa Sheng Venture Capital Co., Ltd.	-	"	1,539	14,470	3.33	14,470	
	Sheng Yuan Venture Capital Co., Ltd.	-	"	1,680	12,560	9.88	12,560	
	Guan Hwa Venture Capital Co., Ltd.	-	"	1,360	9,203	5.56	9,203	
	Qi Ding Venture Capital Co., Ltd.	-	"	3,348	24,678	4.35	24,678	
	Asia Pacific Venture Invest III L.P.	-	"	-	889	10.00	889	
	Zhong Jing He Global Venture Capital Co., Ltd.	-	"	317	4,395	5.56	4,395	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	"	755	5,105	10.00	5,105	
	Huiyang Venture Capital Co., Ltd.	-	"	67	-	2.46	-	
					\$ 254,530		\$ 254,530	
	Convertible corporate bond:							
	TOT Biopharm International Company Limited (CB1)	-	Available-for-sale financial assets		\$ 10,150	-	\$ 10,150	
	TOT Biopharm International Company Limited (CB2)	-	"		24,784	-	24,784	
	GTS Chemical Holdings Co., Ltd.	-	"		38,268	-	38,268	
					\$ 73,202		\$ 73,202	
	Convertible corporate bond option:							
	TOT Biopharm International Company Limited (CB1)	-	Financial assets at fair value through profit or loss		\$ 736	-	\$ 736	
	TOT Biopharm International Company Limited (CB2)	-	"		2,033	-	2,033	
	GTS Chemical Holdings Co., Ltd.	-	"		6,598	-	6,598	
					\$ 9,367		\$ 9,367	

		December 31, 2017						
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta I Venture Capital	Stocks:							
	Ultra-Pak Industries Co., Ltd.	-	Available-for-sale financial assets	2,245	\$ 24,204	5.23	\$ 24,204	
	Great Team Backend Foundry, Inc.	-	"	1,800	49,626	3.15	49,626	
	Luminous Town Electronic Co., Ltd.	-	"	1,533	17,456	2.29	17,456	
	E-Ray Optoelectronics Technology Co., Ltd.	-	"	2,498	37,673	7.93	37,673	
	SYNC Power Corp.	-	"	2,695	28,970	15.84	28,970	
	Ao Ether Corporation	-	"	1,366	5,014	1.84	5,014	
	JHL Biotech, Inc.	-	"	2,370	142,224	1.08	142,224	
	Bridgwell Information Corp.	-	"	900	15,210	5.82	15,210	
	Solartech Energy Corp.	-	"	776	9,091	0.20	9,091	
	Taiwan Cheltec Corp., Ltd.	-	"	230	15,640	0.34	15,640	
	Center Laboratories, Inc.	-	"	3,573	175,062	1.11	175,062	
	Ether precision Inc.	-	"	2,500	-	1.61	-	
	Infomedia Inc.	-	"	1,608	-	0.87	-	
					\$ 520,170		\$ 520,170	

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(4) Investments in Mainland China

A. Information of investment in Mainland China:

Yuanta Venture Capital

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (less) recognised by the Company for the year ended December 31, 2017 (Note 4)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017
					Remitted to Mainland China	Remitted back to Taiwan						
Tung Yao Pharmaceutical Co., Ltd.	Pharmaceutical company specializes in cancer treatment	\$ 1,649,875 (RMB 360,313)	(2) HONG KONG TOT BIO PHARM INTERNATIONAL COMPANY LIMITED	\$ 68,207	\$ -	\$ -	\$ 68,207	Note 5	2.62%	\$ -	\$ 68,207	\$ -
Jhong Shan Dong Yi Technology Co., Ltd.	Protection glass grinding and sales	238,784 (USD 8,000)	(2) CAYMAN ISLANDS CGK INTERNATIONAL CO., LTD.	8,258	-	-	8,258	Note 5	2.39%	-	8,258	-
Veden Dental Labs Inc	Manufacturing dental restoration	316,977 (HKD 83,000)	(2) CAYMAN ISLANDS VEDEN DENTAL GROUP	22,762	-	-	22,762	Note 5	0.84%	-	22,762	-

(Expressed in thousands of dollars)

Yuanta I Venture Capital

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 4)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017
					Remitted to Mainland China	Remitted back to Taiwan						
Jie Qun Electronic Technology (Dong Guan) Ltd.	Transistors	\$ 2,611,208 (USD 87,484)	(2) VIRGIN ISLANDS GREAT TEAM BACKEND FOUNDRY, INC.	\$ 66,764	\$ -	\$ -	\$ 66,764	Note 5	3.15%	\$ -	\$ 66,764	\$ -
Ether Precision Inc. (Su Zhou)	Manufacturing and selling of a variety of discs	826,790 (USD 27,700)	(2) CAYMAN ISLANDS ETHER PRECISION INC.	32,220	-	-	32,220	Note 5	1.61%	-	32,220	-

Yuanta Securities

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017
					Remitted to Mainland China	Remitted back to Taiwan						
GC Investment Consultant (Shanghai)	Investment consultation	\$ 18,946 (RMB 4,138)	(3)	\$ -	\$ -	\$ -	\$ -	\$ 98	100.00%	In liquidation	\$ 21,467	\$ -



(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017
					Remitted to Mainland China	Remitted back to Taiwan						
Yuanta Securities Investment Consultant (Beijing)	Investment management consulting service, financial consulting service, business administration consulting service, business information, business information consulting service, economic and trade consulting service, marketing and planning, technical promotion and services	\$ 84,384 (RMB 18,428)	(2) Yuanta Securities Asia Financial Service	\$ -	\$ -	\$ -	\$ -	(\$ 7,258)	100.00%	(\$ 7,258) (2)b	\$ 34,863	\$ -

Yuanta Securities Investment Trust												
(Expressed in thousands of dollars)												
Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017
					Remitted to Mainland China	Remitted back to Taiwan						
CR Yuanta Fund Management Company Limited	Fund raising and sale	\$ 1,373,700 (RMB 300,000)	(1)	\$ 705,666	\$ -	\$ -	\$ 705,666	\$ 180,928	49.00%	(\$ 88,866)	\$ 203,156	\$ -
										(2)c		

Yuanta Futures												
(Expressed in thousands of dollars)												
Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017
					Remitted to Mainland China	Remitted back to Taiwan						
SYF Information (Shanghai)	Computer software services	\$ 157,209 (RMB 30,080)	(2)	\$ 75,953	\$ 81,256	\$ -	\$ 157,209	\$ 7,222	100.00%	(\$ 7,222)	\$ 133,711	\$ -
										(2)c		

#### B. Limitation on investment in Mainland China (expressed in thousands of dollars)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note)
Yuanta Venture Capital and its subsidiaries	198,211	430,233	1,360,427
GC Investment Consultant (Shanghai)	-	Note 6	Note 6
Yuanta Investment Consulting (Beijing)	-	89,544	54,678,588
Yuanta Securities Investment Trust	705,666	705,666	2,452,463
Yuanta Futures	157,209	174,000	4,480,551

Note: The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Venture Capital's consolidated net worth of \$2,267,379.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities's consolidated net worth of \$91,130,980.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities Investment Trust's consolidated net worth of \$4,087,438.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Futures's consolidated net worth of \$7,467,585.

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the "Investment income (loss) recognised by the Company for the nine months ended December 31, 2017" column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

- a. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
- b. The financial statements that are audited and attested by R.O.C. parent company's CPA.
- c. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Available-for-sale financial assets were not recognised as the investees are accounted for as financial assets carried at cost.

Note 5: The Company's subsidiary does not have significant influence over the investee. Thus, financial information on the investee is unattainable.

Note 6: Yuanta Securities absorbed Polaris Securities and therefore indirectly acquired US\$16 million capital of GC Investment Consultant (Shanghai) Co., Ltd., a subsidiary of GC Investment Consultant (Asian) Co., Ltd. (renamed as Polaris Capital afterwards), being reinvested by Polaris Holdings (Cayman) Ltd., the direct overseas investment of Polaris Securities. However, before the effective merging date of Polaris Securities and Yuanta Securities, the liquidation process of GC Investment Consultant (Shanghai) Co., Ltd. has begun under the consignment service of Shanghai Corporate Consulting Co., Ltd.

**(5) Significant commitments or contingency of subsidiaries**

Please refer to Note 9.

**(6) Significant loss from disasters of subsidiaries**

Please refer to Note 10.

**(7) Significant subsequent events of subsidiaries**

Please refer to Note 11.

**(8) Related party transactions of subsidiaries amounting to at least \$100 million**

Please refer to Note 7.

(9) Significant transactions between parent company and subsidiaries

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax assets	1,108,346	No significant difference from general customers	0.05%
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax liabilities	682,431	"	0.03%
0	Yuanta Financial Holdings	Yuanta Securities	1	Other business and administrative expenses	52,430	"	0.05%
0	Yuanta Financial Holdings	Yuanta Bank	1	Cash and cash equivalents	2,325,159	"	0.10%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax assets	477,017	"	0.02%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax liabilities	2,230,339	"	0.10%
0	Yuanta Financial Holdings	Yuanta Bank	1	Interest income	34,470	"	0.04%
0	Yuanta Financial Holdings	Yuanta Life	1	Current income tax liabilities	1,452,397	"	0.06%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax assets	682,431	"	0.03%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax liabilities	1,108,346	"	0.05%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net service fee and commission income	22,998	"	0.02%
1	Yuanta Securities	Yuanta Financial Holdings	2	Other non-interest income	29,432	"	0.03%
1	Yuanta Securities	Yuanta Bank	3	Interest income	37,250	"	0.04%
1	Yuanta Securities	Yuanta Bank	3	Other non-interest income	115,956	"	0.12%
1	Yuanta Securities	Yuanta Futures	3	Other financial assets – net	2,315,602	"	0.10%
1	Yuanta Securities	Yuanta Futures	3	Net service fee and commission income	358,528	"	0.38%
1	Yuanta Securities	Yuanta Futures	3	Other non-interest income	20,846	"	0.02%
1	Yuanta Securities	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	174,970	"	0.19%
1	Yuanta Securities	Yuanta Investment Trust	3	Net service fee and commission income	11,242	"	0.01%
1	Yuanta Securities	Yuanta Investment Trust	3	Other non-interest income	36,233	"	0.04%
1	Yuanta Securities	Yuanta International Insurance Brokers	3	Other non-interest income	227,667	"	0.24%
1	Yuanta Securities	Yuanta Securities (Hong Kong)	3	Other liabilities	562,289	"	0.02%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax assets	2,230,339	"	0.10%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax liabilities	477,017	"	0.02%
2	Yuanta Bank	Yuanta Financial Holdings	2	Deposits and remittances	2,325,159	"	0.10%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
2	Yuanta Bank	Yuanta Financial Holdings	2	Interest expense	34,470	"	0.04%
2	Yuanta Bank	Yuanta Securities	3	Interest expense	37,268	"	0.04%
2	Yuanta Bank	Yuanta Securities	3	Other business and administrative expenses	115,938	"	0.12%
2	Yuanta Bank	Yuanta Futures	3	Deposits and remittances	14,065,136	"	0.62%
2	Yuanta Bank	Yuanta Futures	3	Interest expense	161,474	"	0.17%
2	Yuanta Bank	Yuanta Life	3	Deposits and remittances	234,739	"	0.01%
2	Yuanta Bank	Yuanta Life	3	Net service fee and commission income	321,489	"	0.34%
2	Yuanta Bank	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	9,314	"	0.01%
2	Yuanta Bank	Yuanta Investment Trust	3	Deposits and remittances	1,588,354	"	0.07%
2	Yuanta Bank	Yuanta Investment Trust	3	Interest expense	10,313	"	0.01%
2	Yuanta Bank	Yuanta Investment Trust	3	Net service fee and commission income	10,128	"	0.01%
2	Yuanta Bank	Ta Chong Bank	3	Payables	8,546,018	"	0.38%
2	Yuanta Bank	Yuanta International Insurance Brokers	3	Deposits and remittances	345,322	"	0.02%
2	Yuanta Bank	Yuanta International	3	Deposits and remittances	245,796	"	0.01%
3	Yuanta Futures	Yuanta Securities	3	Other financial liabilities	2,315,602	"	0.10%
3	Yuanta Futures	Yuanta Securities	3	Net service fee and commission income	358,528	"	0.38%
3	Yuanta Futures	Yuanta Securities	3	Other business and administrative expenses	20,846	"	0.02%
3	Yuanta Futures	Yuanta Bank	3	Cash and cash equivalents	853,600	"	0.04%
3	Yuanta Futures	Yuanta Bank	3	Other financial assets – net	13,071,536	"	0.57%
3	Yuanta Futures	Yuanta Bank	3	Other assets – net	140,000	"	0.01%
3	Yuanta Futures	Yuanta Bank	3	Interest income	161,474	"	0.17%
3	Yuanta Futures	Yuanta Securities (Hong Kong)	3	Other financial liabilities	415,013	"	0.02%
4	Yuanta Life	Yuanta Financial Holdings	2	Current income tax assets	1,452,397	"	0.06%
4	Yuanta Life	Yuanta Bank	3	Cash and cash equivalents	234,739	"	0.01%
4	Yuanta Life	Yuanta Bank	3	Net service fee and commission income	321,489	"	0.34%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
4	Yuanta Life	Yuanta International Insurance Brokers	3	Net service fee and commission income	350,979	"	0.37%
6	Yuanta Securities Investment Consulting	Yuanta Securities	3	Consultation service income	174,970	"	0.19%
6	Yuanta Securities Investment Consulting	Yuanta Bank	3	Consultation service income	9,314	"	0.01%
7	Yuanta Investment Trust	Yuanta Securities	3	Net service fee and commission income	17,167	"	0.02%
7	Yuanta Investment Trust	Yuanta Securities	3	Other business and administrative expenses	30,308	"	0.03%
7	Yuanta Investment Trust	Yuanta Bank	3	Cash and cash equivalents	1,588,354	"	0.07%
7	Yuanta Investment Trust	Yuanta Bank	3	Interest income	10,313	"	0.01%
7	Yuanta Investment Trust	Yuanta Bank	3	Other business and administrative expenses	10,128	"	0.01%
8	Ta Chong Bank	Yuanta Bank	3	Receivables – net	8,546,018	"	0.38%
9	Yuanta International Insurance Brokers	Yuanta Bank	3	Cash and cash equivalents	345,322	"	0.02%
9	Yuanta International Insurance Brokers	Yuanta Securities	3	Other business and administrative expenses	227,667	"	0.24%
9	Yuanta International Insurance Brokers	Yuanta Life	3	Net service fee and commission income	350,979	"	0.37%
10	Yuanta Securities (Hong Kong)	Yuanta Securities	3	Other assets – net	562,289	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Futures	3	Other financial assets – net	415,013	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Investments in bills and bonds under resale agreements	5,760,938	"	0.25%
11	Yuanta International	Yuanta Bank	3	Cash and cash equivalents	245,796	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta HK Holdings (Cayman)	3	Payables	388,024	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Financial assets at fair value through profit or loss	485,824	"	0.02%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Available-for-sale financial assets – net	2,488,134	"	0.11%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Receivables – net	730	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Equity investments accounted for under the equity method – net	140,128	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Interest income	196,098	"	0.21%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Gain on financial assets and financial liabilities at fair value through	31,975	"	0.03%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Unrealised gain or loss on available -for-sale financial assets	14,524	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Cumulative translation differences of foreign operations	58,409	"	0.06%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Non-controlling interests	138,265	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta Finance (Hong Kong)	3	Receivables – net	814,850	"	0.04%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Indonesia)	3	Receivables – net	596,960	"	0.03%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Thailand)	3	Receivables – net	3,134,040	"	0.14%
13	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Financial Services	3	Receivables – net	388,024	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Payables	1,096	"	0.00%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Bonds payable	2,622,355	"	0.12%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage of total consolidated net revenues or assets (Note 3)
				Account	Amount	Conditions	
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Interest expense	196,098	"	0.21%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Paid-in capital	553,770	"	0.02%
15	Yuanta Finance (Hong Kong)	Yuanta Securities Asia Financial Services	3	Other borrowings	814,850	"	0.04%
16	Yuanta Securities (Indonesia)	Yuanta Securities Asia Financial Services	3	Other borrowings	596,960	"	0.03%
17	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	5,760,938	"	0.25%
18	Yuanta Securities (Thailand)	Yuanta Securities Asia Financial Services	3	Payables	3,134,040	"	0.14%

Note 1: The numbers in the No. column represent as follows:

1. 0 for the parent company
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2: There are three types of relationships with the counterparties and they are labeled as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The calculation basis of the trading amount accounting for the total consolidated net revenues or assets is that the account ending balance is divided by the total consolidated assets, if it is attributed to the balance sheet accounts, and the accumulated trading amount of the interim period is divided by the total consolidated net revenues if it is attributed to the profit or loss accounts.



## 14. Segment information

### (1) General information

#### A. Recognition elements of reporting segment

The Yuanta Group is mainly engaged in the investment and management of its investees; therefore, the management reports are provided to the Chief Operating Decision Maker (“CODM”) to allocate resources to operating segments and evaluate their performance. The Yuanta Group’s management recognised reporting segments based on the policies adopted by the CODM.

#### B. The income sources and service types of each reporting segment

The management has recognised reporting segments based on the reporting information used by the CODM. The Yuanta Group has six reporting segments according to the types of income sources: banking, securities, securities finance, futures, insurance and others. The products and types of service of the income sources are as follows:

- (A) Banking: corporate banking, personal banking and wealth management in accordance with the Banking Act.
- (B) Securities: securities dealing or consignment trading, underwriting securities, registration and transfer agency service for securities, assistance of futures trading, futures dealing, and issuing call (put) warrants, derivative financial instrument transactions including interest rate swap, asset swap and structured notes.
- (C) Securities finance: margin and securities loans, refinancing for securities merchants, margin trading of securities settlement and securities lending.
- (D) Futures: domestic and foreign futures merchant business, self-operating business, futures consultation business, futures agency, self-operating securities business and other futures relating business as approved by authorities.
- (E) Insurance: the main activities comprise life insurance enterprises and provision of life, medical, accident injury and investment-oriented insurance products.
- (F) Others: includes those not mentioned above, for example, investment trust, investment consulting, venture capital and asset management businesses.

### (2) Measurement of segment information – measurement of the profit and loss of operating segments

The Yuanta Group’s measurement principles for profit and loss of operating segments is consistent with the significant accounting policies stated in Note 4, and the measurement of profit and loss performance is based on pre-tax profit and loss.

Inter-segmental transactions are arm’s-length transactions, and the gain and loss arising from such transactions are eliminated by the parent company in the consolidated financial statements. Profit and loss directly attributable to various segments have been considered when segment performance is being evaluated.

Expressed in Thousands of New Taiwan Dollars

	For the year ended December 31, 2017				Adjustment and		
	Banking	Securities	Futures	Securities	elimination	Consolidated	
Revenue from external customers	\$ 20,576,865	\$ 30,563,620	\$ 2,005,821	\$ 741,576	\$ 35,327,138	\$ -	\$ 93,784,918
Revenue (loss) from transactions with other operating segments of the same entity	297,271	896,750	40,192	1,642,608	( 750,411)	( 1,843,793)	( 282,617)
Net revenues (Note)	20,874,136	31,460,370	2,046,013	2,384,184	34,576,727	2,726,105	93,784,918
Bad debt expense and guarantee liability provisions	( 320,274)	( 219,196)	-	( 1,119)	( 1,303)	( 204,879)	( 746,771)
Net change in provisions for insurance liabilities	-	-	-	-	( 34,056,172)	-	160,294
Operating expenses	( 12,760,581)	( 21,645,304)	( 1,020,913)	( 159,321)	( 1,313,559)	( 2,329,609)	( 38,726,825)
Income (loss) from continuing operations before income tax	\$ 7,793,281	\$ 9,595,870	\$ 1,025,100	\$ 2,223,744	\$ 794,307	\$ 191,617	\$ 20,415,444

	For the year ended December 31, 2016				Adjustment and		
	Banking	Securities	Futures	Securities	elimination	Consolidated	
Revenue from external customers	\$ 22,703,068	\$ 24,861,968	\$ 1,884,763	\$ 523,855	\$ 31,736,159	\$ 2,730,973	\$ 84,440,786
Revenue (loss) from transactions with other operating segments of the same entity	( 1,097,503)	3,397,897	113,942	12,679	( 549,160)	221,203	( 2,099,058)
Net revenues (Note)	21,605,565	28,259,865	1,998,705	536,534	31,186,999	2,952,176	84,440,786
Bad debt recovery (expense) and guarantee liability provisions	( 1,305,226)	214,925	-	( 1,187)	( 1,500)	-	( 1,092,988)
Net change in provisions for insurance liabilities	-	-	-	-	( 30,972,714)	-	184,205
Operating expenses	( 10,659,122)	( 19,802,526)	( 1,008,449)	( 157,204)	( 1,265,258)	( 2,150,160)	( 30,788,509)
Income (loss) from continuing operations before income tax	\$ 9,641,217	\$ 8,672,264	\$ 990,256	\$ 378,143	\$ 1,052,473	\$ 802,016	\$ 16,853,576

Note: net revenues include gain and loss on financial assets and liabilities at fair value through profit or loss, realised gain and loss on available-for-sale financial assets, foreign exchange gains and losses, and other non-interest income.

(3) Information on products and services

Information on products and services of Yuanta Group is consistent with the measurement of segment information.

(4) Geographical information

Geographical revenue information of Yuanta Group is as follows:

	For the years ended December 31,	
	2017	2016
R.O.C.	\$ 80,499,414	\$ 73,365,240
South Korea	10,865,979	9,095,424
Others	2,419,525	1,980,122
	<u>\$ 93,784,918</u>	<u>\$ 84,440,786</u>

(5) Major customer information

There is no requirement for additional disclosure because no single customer accounted for 10% or more of the Yuanta Group's operating revenues.

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