

**YUANTA FINANCIAL HOLDING CO., LTD.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**  
**FOR THE THREE MONTHS ENDED**  
**MARCH 31, 2018 AND 2017**

PWCR18000016

**REPORT ON REVIEW OF FINANCIAL STATEMENTS**

To the Board of Directors and Shareholders of Yuanta Financial Holding Co., Ltd.

***Introduction***

We have reviewed the accompanying consolidated balance sheets of Yuanta Financial Holding Co., Ltd. and subsidiaries as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparations 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 International Accounting Standard 34, ‘Interim Financial Reporting’ as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

***Scope of Review***

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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## Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Yuanta Financial Holding Co., Ltd. and subsidiaries as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparations 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 International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Kuo, Puo-Ju

Chen, Hsien-I

For and on behalf of PricewaterhouseCoopers, Taiwan

May 23, 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)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	ASSETS	Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 58,379,389	3	\$ 64,007,570	3	\$ 50,239,673	2
11500	Due from Central Bank and call loans to other banks	6(2)	46,719,282	2	54,390,950	2	73,275,495	3
12000	Financial assets at fair value through profit or loss	6(3)	487,156,266	21	432,636,863	19	419,067,565	19
12100	Available-for-sale financial assets – net	12(15)	-	-	395,516,795	17	350,782,881	16
12150	Financial assets at fair value through other comprehensive income – net	6(4)	249,116,747	11	-	-	-	-
12200	Investments in debt instruments at amortised cost – net	6(5)	322,767,976	14	-	-	-	-
12500	Investments in bills and bonds under resale agreements	6(6)	37,144,985	2	34,827,960	2	39,988,034	2
13000	Receivables – net	6(7)	187,433,441	8	175,314,970	8	158,396,131	7
13200	Current income tax assets		1,052,359	-	1,330,623	-	1,271,719	-
13300	Assets held for sale – net	6(8)	-	-	-	-	10,679,040	1
13500	Bills discounted and loans – net	6(9)	741,594,689	32	762,319,040	34	770,396,931	35
13700	Reinsurance contract assets – net	6(10)	474,786	-	435,887	-	402,596	-
14500	Held-to-maturity financial assets – net	12(15)	-	-	143,810,470	6	118,457,462	5
15000	Equity investments accounted for under the equity method – net	6(11)	1,680,969	-	1,675,124	-	1,986,911	-
15100	Restricted assets – net		3,298,770	-	2,722,678	-	8,960,696	1
15500	Other financial assets – net	6(12)	48,208,390	2	93,469,307	4	101,544,474	5
18000	Investment property – net	6(13)	6,375,777	-	6,173,646	-	6,178,217	-
18500	Property and equipment – net	6(14)	22,351,598	1	22,630,593	1	20,543,387	1
19000	Intangible assets – net	6(15)	35,725,945	2	35,935,777	2	36,351,549	2
19300	Deferred income tax assets		6,385,202	-	5,642,845	-	6,335,364	-
19500	Other assets – net	6(16)	39,052,004	2	40,804,112	2	23,319,125	1
	<b>TOTAL ASSETS</b>		<u>\$ 2,294,918,575</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,198,177,250</u>	<u>100</u>

(Continued)

**YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	LIABILITIES AND EQUITY	Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
21000	Due to Central Bank and other banks	6(18)	\$ 39,225,707	2	\$ 13,520,162	1	\$ 22,379,191	1
22000	Financial liabilities at fair value	6(3)						
	through profit or loss		110,862,193	5	120,119,516	5	92,850,726	4
22500	Bills and bonds payable under	6(6)						
	repurchase agreements		194,577,062	8	197,101,189	9	194,407,762	9
22600	Commercial paper payable – net	6(19)	53,660,774	2	44,704,087	2	41,722,537	2
23000	Payables	6(20)	180,502,075	8	168,705,371	7	160,172,297	7
23200	Current income tax liabilities		5,862,855	-	5,667,788	-	4,398,600	-
23300	Liabilities directly related to assets	6(8)						
	held for sale		-	-	-	-	7,405,093	1
23500	Deposits and remittances	6(21)	1,030,860,793	45	1,056,024,289	46	1,060,704,135	48
24000	Bonds payable	6(22)	65,859,458	3	65,890,879	3	76,170,680	4
24400	Other borrowings	6(23)	72,878,934	3	71,754,771	3	51,289,568	2
24500	Preferred stock liabilities	6(28)	-	-	-	-	3,921,211	-
24600	Liabilities reserve	6(24)						
		(25)	200,250,502	9	195,038,820	9	165,332,120	8
25500	Other financial liabilities	6(26)	70,543,432	3	70,098,914	3	69,124,915	3
29300	Deferred income tax liabilities		4,008,508	-	3,518,474	-	4,113,906	-
29500	Other liabilities	6(27)	35,084,700	2	33,403,394	2	21,739,693	1
	<b>TOTAL LIABILITIES</b>		<u>2,064,176,993</u>	<u>90</u>	<u>2,045,547,654</u>	<u>90</u>	<u>1,975,732,434</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)	118,202,325	5	118,891,975	5	119,986,478	6
31500	<b>Additional paid-in capital</b>	6(29)	37,710,997	2	37,960,694	2	37,956,289	2
32000	<b>Retained earnings</b>							
32001	Legal reserve	6(30)	9,100,767	-	9,100,767	-	7,759,357	-
32003	Special reserve	6(30)	6,549,234	-	6,549,234	-	6,549,234	-
32011	Undistributed earnings	6(31)	37,673,690	2	35,275,652	2	29,155,393	1
32500	<b>Other equity</b>							
32500	Other equity interest	6(32)	4,648,207	-	4,554,385	-	3,912,398	-
32600	<b>Treasury shares</b>	6(33)	( 197,606)	-	( 1,136,953)	-	( 1,498,603)	-
39500	<b>Non-controlling interests</b>		17,053,968	1	16,901,802	1	18,624,270	1
	<b>Total Equity</b>		<u>230,741,582</u>	<u>10</u>	<u>228,097,556</u>	<u>10</u>	<u>222,444,816</u>	<u>10</u>
	<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 2,294,918,575</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,198,177,250</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)  
(UNAUDITED)

		For the three months ended March 31,			
		2018		2017	
Items	Notes	AMOUNT	%	AMOUNT	%
41000 Interest income		\$ 9,534,122	40	\$ 8,822,447	50
51000 Less: Interest expense		( 3,341,096)	( 14)	( 2,984,896)	( 17)
49600 <b>Net interest income</b>	6(34)	<u>6,193,026</u>	<u>26</u>	<u>5,837,551</u>	<u>33</u>
<b>Net non-interest income</b>					
49310 Realised gain on financial assets at fair value through other comprehensive income		458,569	2	-	-
49450 Net gain arising from derecognition of financial assets measured at amortised cost		165,465	1	-	-
49800 Net service fee and commission income	6(35)	6,100,144	25	4,338,351	25
49810 Net income from insurance operations	6(36)	6,478,520	27	4,760,966	27
49820 Gain on financial assets and financial liabilities at fair value through profit or loss	6(37)	6,678,691	28	6,564,137	37
49825 Gain on investment property		36,124	-	30,167	-
49830 Realised gain on available-for-sale financial assets	12(15)	-	-	857,612	5
49840 Realised gain on held-to-maturity financial assets	12(15)	-	-	91,063	1
49870 Foreign exchange losses		( 3,705,345)	( 15)	( 6,376,419)	( 36)
49880 Asset impairment losses	6(38)	( 221)	-	( 48,181)	-
49890 Share of the profit or loss of associates and joint ventures accounted for using the equity method	6(11)	( 7,839)	-	4,860	-
49895 Gain on reclassification under the overlay approach	6(3)	419,437	2	-	-
49921 Net gain on sale of non-performing loans		59,288	-	67,768	-
49945 Consultation service income		609,693	2	581,445	3
49999 Net other miscellaneous income	6(39)	<u>622,228</u>	<u>2</u>	<u>839,120</u>	<u>5</u>
49700 <b>Total net non-interest income</b>		<u>17,914,754</u>	<u>74</u>	<u>11,710,889</u>	<u>67</u>
<b>Net profit</b>		<u>24,107,780</u>	<u>100</u>	<u>17,548,440</u>	<u>100</u>
58100 Provision for bad debt expenses, commitment and guarantee policy reserve	6(40)	( 298,143)	( 1)	( 98,289)	-
58300 Net change in provisions for insurance liabilities	6(24)	( 6,435,168)	( 27)	( 4,864,082)	( 28)
<b>Operating expenses</b>					
58501 Employee benefit expense	6(41)	( 6,414,092)	( 26)	( 5,115,481)	( 29)
58503 Depreciation and amortisation	6(42)	( 577,393)	( 2)	( 575,779)	( 3)
58599 Other business and administrative expenses	6(43)	( 3,336,477)	( 14)	( 2,944,061)	( 17)
58500 <b>Total Operating Expenses</b>		<u>( 10,327,962)</u>	<u>( 42)</u>	<u>( 8,635,321)</u>	<u>( 49)</u>
61000 <b>Consolidated income from continuing operations before income tax</b>		<u>7,046,507</u>	<u>30</u>	<u>3,950,748</u>	<u>23</u>
61003 Income tax expense	6(44)	( 941,310)	( 4)	( 481,342)	( 3)
62500 Loss from discontinued operations (net of tax)	6(8)	-	-	( 173,841)	( 1)
69005 <b>Consolidated net income</b>		<u>6,105,197</u>	<u>26</u>	<u>3,295,565</u>	<u>19</u>

(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)  
(UNAUDITED)

		For the three months ended March 31,			
		2018		2017	
Items	Notes	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	( \$ 40,006)	-	( \$ 52,134)	-
69563	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	( 3,162)	-	-	-
69565	Change in fair value of financial liability attributable to change in credit risk of liability	( 846)	-	( 2,921)	-
69567	Gain on valuation of investments in equity instruments measured at fair value through other comprehensive income	1,038,844	4	-	-
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	101,585	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
69571	Exchange differences on translation of foreign financial statements	( 918,046)	( 4)	( 787,939)	( 5)
69572	Unrealised gain on available-for-sale financial assets	-	-	223,826	1
69573	Gains on effective portion of cash flow hedges	-	-	220	-
69575	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	-	-	( 14,478)	-
69578	Equity related to assets classified as held for sale	-	-	1,638	-
69583	Losses from investments in debt instruments measured at fair value through other comprehensive income	( 2,523,935)	( 10)	-	-
69590	Other comprehensive losses on reclassification under the overlay approach	( 419,437)	( 2)	-	-
69579	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	184,702	1	3,489	-
69500	<b>Other comprehensive loss (net of tax)</b>	( \$ 2,580,301)	( 11)	( \$ 628,299)	( 4)
69700	<b>Total comprehensive income</b>	<u>\$ 3,524,896</u>	<u>15</u>	<u>\$ 2,667,266</u>	<u>15</u>
<b>Consolidated net income attributable to:</b>					
69901	Parent company	\$ 5,615,089	23	\$ 3,051,370	18
69903	Non-controlling interests	490,108	2	244,195	1
		<u>\$ 6,105,197</u>	<u>25</u>	<u>\$ 3,295,565</u>	<u>19</u>
<b>Consolidated comprehensive income attributable to:</b>					
69951	Parent company	\$ 3,332,690	14	\$ 2,410,671	14
69953	Non-controlling interests	192,206	1	256,595	1
		<u>\$ 3,524,896</u>	<u>15</u>	<u>\$ 2,667,266</u>	<u>15</u>
<b>Earnings per share (in New Taiwan Dollars)</b>					
70000	<b>Basic earnings per share</b>	6(45)			
70001	<b>Basic earnings per share from continuing operations</b>	\$	0.48	\$	0.27
70003	<b>Basic loss per share from discontinued operations</b>	\$ -	( \$ 0.01)		
71000	<b>Diluted earnings per share</b>				
71001	<b>Diluted earnings per share from continuing operations</b>	\$	0.48	\$	0.27
71003	<b>Diluted loss per share from discontinued operations</b>	\$ -	( \$ 0.01)		

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

YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Equity attributable to owners of the parent															
	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 financial assets measured at fair value through other comprehensive income	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	Other comprehensive income on reclassification under the overlay approach	Treasury shares	Non-controlling interests	Total equity	
<u>For the three months ended March 31, 2017</u>																
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	
Consolidated net income for the period	-	-	-	-	3,051,370	-	-	-	-	-	-	-	-	244,195	3,295,565	
Other comprehensive income (loss) for the period	-	-	-	-	(28,809)	(912,565)	-	303,319	170	(2,921)	107	-	-	12,400	(628,299)	
Total comprehensive income (loss) for the period	-	-	-	-	3,022,561	(912,565)	-	303,319	170	(2,921)	107	-	-	256,595	2,667,266	
Equity related to assets classified as held for sale	-	-	-	-	-	-	-	47,809	-	-	(47,809)	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,015)	(17,015)	
Balance, March 31, 2017	\$ 119,986,478	\$ 37,956,289	\$ 7,759,357	\$ 6,549,234	\$ 29,155,393	(\$ 2,997,593)	\$ -	\$ 6,959,303	\$ 1,772	(\$ 3,382)	(\$ 47,702)	\$ -	(\$ 1,498,603)	\$ 18,624,270	\$ 222,444,816	
<u>For the three months ended March 31, 2018</u>																
Balance, January 1, 2018	\$ 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	
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	8,821,189	(7,085,896)	-	62,367	-	389,832	-	(43,113)	(883,943)	
Balance, January 1, 2018 after adjustments	118,891,975	37,960,694	9,100,767	6,549,234	32,247,259	(2,527,962)	8,821,189	-	-	58,889	-	389,832	(1,136,953)	16,858,689	227,213,613	
Consolidated net income for the period	-	-	-	-	5,615,089	-	-	-	-	-	-	-	-	490,108	6,105,197	
Other comprehensive income (loss) for the period	-	-	-	-	23,316	(656,676)	(1,257,125)	-	-	(846)	-	(391,068)	-	(297,902)	(2,580,301)	
Total comprehensive income (loss) for the period	-	-	-	-	5,638,405	(656,676)	(1,257,125)	-	-	(846)	-	(391,068)	-	192,206	3,524,896	
Retirement of treasury shares	(689,650)	(249,697)	-	-	-	-	-	-	-	-	-	-	939,347	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	3,073	3,073	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(211,974)	-	211,974	-	-	-	-	-	-	-	-	
Balance, March 31, 2018	\$ 118,202,325	\$ 37,710,997	\$ 9,100,767	\$ 6,549,234	\$ 37,673,690	(\$ 3,184,638)	\$ 7,776,038	\$ -	\$ -	\$ 58,043	\$ -	(\$ 1,236)	(\$ 197,606)	\$ 17,053,968	\$ 230,741,582	

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)  
(UNAUDITED)

	For the three months ended March 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated income from continuing operations before tax	\$ 7,046,507	\$ 3,950,748
Loss from discontinued operations before tax	-	( 173,141 )
Consolidated income before tax	7,046,507	3,777,607
Adjustments		
Income and expense item		
Depreciation	262,090	242,945
Amortization	315,303	339,021
Provisions for bad debt expense	561,901	204,435
Interest expense	3,341,096	2,993,326
Interest income	( 9,534,122 )	( 8,860,431 )
Dividend income	( 136,635 )	( 126,450 )
Profit reclassified by applying overlay approach	( 419,437 )	-
Impairment loss on financial assets	221	48,487
Impairment loss on non-financial assets	-	178,884
Share of the profit or loss of associates and joint ventures accounted for using the equity method	7,839	( 4,860 )
Gain on disposal of assets held for sale	-	( 756 )
Loss on disposal of investment property	-	1,670
Loss (gain) from disposal or retirement of property and equipment	8,983	( 5,529 )
Loss on sale of intangible assets	-	324
Net change in insurance liabilities	5,897,790	3,925,915
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from Central Bank and call loans to other banks	( 188,063 )	( 1,286,284 )
Increase in financial assets at fair value through profit or loss	( 40,208,143 )	( 29,916,013 )
Increase in available-for-sale financial assets	-	( 73,319,832 )
Decrease in financial assets at fair value through other comprehensive income	36,557,925	-
Increase in investments in debt instruments measured at amortised cost	( 32,904,946 )	-
Increase in receivables	( 12,019,353 )	( 16,554,282 )
Decrease in bills discounted and loans	17,805,094	21,238,081
(Increase) decrease in reinsurance contract assets	( 38,913 )	13,062
Increase in held-to-maturity financial assets	-	( 1,317,710 )
Decrease in current income tax assets	28,369	-
Increase in restricted assets	( 576,092 )	( 3,458,915 )
Increase in other financial assets	( 4,924,789 )	( 2,279,994 )
Decrease (increase) in other assets	1,601,043	( 1,164,058 )
Changes in operating liabilities		
Increase (decrease) in due to Central Bank and other banks	25,705,545	( 6,467,131 )
Decrease in financial liabilities at fair value through profit or loss	( 9,266,669 )	( 8,181,184 )
Increase in payables	11,719,101	7,516,349
(Decrease) increase in deposits and remittances	( 25,163,496 )	10,641,345
(Decrease) increase in liabilities reserve	( 769,259 )	39,686
Increase (decrease) in other financial liabilities	486,520	( 3,915,625 )
Increase in other liabilities	1,681,306	662,868
Cash outflow generated from operations	( 23,123,284 )	( 105,035,049 )
Interest received	9,129,357	8,798,142
Dividend received	17,924	42,814
Interest paid	( 3,286,106 )	( 2,167,362 )
Income tax paid	( 248,911 )	( 867,228 )
Net cash flows used in operating activities	( 17,511,020 )	( 99,228,683 )

(Continued)

**YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	For the three months ended March 31,	
	2018	2017
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Acquisition of investments accounted for using equity method	( \$ 44,430 )	( \$ 27,120 )
Proceeds from liquidation and capital reduction of investments accounted for using equity method	4,672	63,424
Acquisition of investment property	-	( 3,886 )
Proceeds from disposal of investment property	-	60
Acquisition of property and equipment	( 183,335 )	( 162,992 )
Proceeds from disposal of property and equipment	8,490	55,321
Acquisition of intangible assets	( 106,512 )	( 71,842 )
Proceeds from disposal of intangible assets	-	8,976
Proceeds from disposal of assets held for sale	-	1,570
Net cash flows used in investing activities	( 321,115 )	( 136,489 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
(Decrease) increase in bills and bonds sold under repurchase agreements	( 2,524,127 )	2,492,609
Increase in commercial paper payable - net	8,963,100	22,433,523
Repayments of bonds	-	( 585,960 )
Repayments of bank debentures	-	( 1,380,000 )
Increase in other borrowings	1,066,663	5,438,565
Increase (decrease) in non-controlling interests	3,073	( 17,015 )
Net cash flows generated from financing activities	7,508,709	28,381,722
Net effect of foreign exchange rate changes on cash and cash equivalents	( 847,461 )	( 1,346,118 )
Net decrease in cash and cash equivalents	( 11,170,887 )	( 72,329,568 )
Cash and cash equivalents at beginning of period	125,679,223	211,532,170
Cash and cash equivalents at end of period	\$ 114,508,336	\$ 139,202,602
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 58,379,389	\$ 50,239,673
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	18,983,962	46,993,279
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	37,144,985	39,988,034
Cash and cash equivalents classified as assets held for sale	-	1,981,616
Cash and cash equivalents at end of reporting period	\$ 114,508,336	\$ 139,202,602

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

YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars, Unless Otherwise Indicated)  
(UNAUDITED)

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, and merged with Yuanta Bank on January 1, 2018.

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 reported to the Board of Directors and issued on May 23, 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 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
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.

#### 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.

In adopting the new standards endorsed by the FSC effective from 2018, the Yuanta Group applied 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:

Consolidated balance sheet

Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
Financial assets at fair value through profit or loss	\$ 432,636,863	\$ 14,311,260	\$ 446,948,123	A.
Available-for-sale financial assets – net	395,516,795	( 395,516,795)	-	A.
Financial assets at fair value through other comprehensive income	-	287,151,529	287,151,529	A.
Financial assets at amortised cost	-	289,871,484	289,871,484	A.
Receivables – net	175,314,970	( 165,163)	175,149,807	B.
Bills discounted and loans – net	762,319,040	( 2,697,619)	759,621,421	B.
Held-to-maturity financial assets	143,810,470	( 143,810,470)	-	A.
Equity investments accounted for under the equity method – net	1,675,124	561	1,675,685	C.
Other financial assets – net	93,469,307	( 50,186,061)	43,283,246	B.
Deferred income tax assets	5,642,845	296,160	5,939,005	D.
Total affected assets	<u>\$ 2,010,385,414</u>	<u>(\$ 745,114)</u>	<u>\$ 2,009,640,300</u>	

Consolidated balance sheet

Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
Deferred income tax liabilities	\$ 3,518,474	\$ 84,101	\$ 3,602,575	D.
Liabilities reserve – non current	195,038,820	54,728	195,093,548	B.
Total affected liabilities	198,557,294	138,829	198,696,123	
Retained earnings	35,275,652	( 3,028,393)	32,247,259	A. ~ E.
Other equity interest	4,554,385	2,187,563	6,741,948	A. ~ E.
Non-controlling interest	16,901,802	( 43,113)	16,858,689	A. ~ E.
Total affected equity	56,731,839	( 883,943)	55,847,896	
Total affected liabilities and equity	\$ 255,289,133	(\$ 745,114)	\$ 254,544,019	

- A. Please refer to Note 12(15) for information on the impact of the initial application of IFRS 9 on financial assets and reconciliation of the carrying amounts of financial assets.
- B. Please refer to Note 12(15) for information on the impact of the initial application of IFRS 9 on allowance for losses and reconciliation of provisions for expected credit losses.
- C. 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.
- D. 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, deferred tax liabilities and retained earnings in the amounts of \$296,160, \$84,101, and \$292,715, respectively, and to decrease other equity interest in amount of \$80,656.
- E. 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 amount of \$58,043, and to increase other equity interest in the amount of \$58,043.

(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

None.

(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
IFRS 16, 'Leases'	January 1, 2019

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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.	

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.

The Company will adopt IFRS 16 "Leases" using the modified retrospective approach and apply the standard to leases where the Company is a lessee. As reported to the Board of Directors during the first quarter of 2018, the effect of IFRS 16 on the Yuanta Group is not significant.

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.

The Yuanta Group continues evaluating the impact of the aforementioned standards and interpretations on its financial position and financial performance. Any related impact will be disclosed when the evaluation is complete.

#### 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

- A. 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 IAS 34, ‘Interim Financial Reporting’ as endorsed by the FSC.
- B. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

##### (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) Financial assets and financial liabilities at fair value through other comprehensive income/available-for-sale financial assets measured at fair value.
  - (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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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.
- C. In adopting IFRS 9 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and the first quarter of 2017 was not restated. The financial statements for the year ended December 31, 2017 and the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’) and related financial reporting interpretations. Please refer to Note 12(15) for details of significant accounting policies.

##### (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.

(BLANK)

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	Yuanta Securities	Securities brokerage, dealing, underwriting, financing and refinancing, futures business and raising and issuing derivative instruments	100.00	100.00	100.00	
"	Yuanta Bank	Commercial banking	100.00	100.00	100.00	
"	Yuanta Securities Finance	Securities financing and refinancing to securities firms and related business	100.00	100.00	100.00	
"	Yuanta Life Insurance Co., Ltd. ("Yuanta Life")	Life insurance business	100.00	100.00	100.00	
"	Yuanta Futures Co., Ltd. ("Yuanta Futures")	Futures, futures managers, futures consultant, securities, securities trading assistance	68.65	68.65	68.65	
"	Yuanta Securities Investment Trust Co., Ltd. ("Yuanta Securities Investment Trust")	Securities investment trust	72.20	72.20	72.20	
"	Yuanta Venture Capital Co., Ltd. ("Yuanta Venture Capital")	Venture capital investments	100.00	100.00	100.00	
"	Yuanta Asset Management Co., Ltd. ("Yuanta Asset Management")	Providing monetary debt management services for financial institutions	100.00	100.00	100.00	
"	Yuanta Securities Investment Consulting Co., Ltd. ("Yuanta Securities Investment Consulting")	Securities investment consultant	100.00	100.00	100.00	
"	Ta Chong Bank	Commercial banking	-	100.00	100.00	Note 1
Yuanta Securities	Yuanta Securities Asia Financial Services Limited ("Yuanta Securities Asia Financial Services")	Investment holding	100.00	100.00	100.00	
"	Yuanta International Insurance Brokers Co., Ltd. ("Yuanta International Insurance Brokers")	Insurance agency services	100.00	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	100.00	
"	Yuanta Securities (Hong Kong) Limited	Securities brokerage and related services	100.00	100.00	100.00	
"	Polaris Securities (Hong Kong) Limited ("P.S.H.K")	Securities brokerage and related services	100.00	100.00	100.00	Note 2
"	Yuanta Investment Consulting (Beijing) ("Yuanta Investment Consulting Beijing")	Investment consultation	100.00	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	54.19	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	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
Yuanta Securities Asia Financial Services	Yuanta Hong Kong Holdings (Cayman) Ltd. (“Yuanta HK Holdings (Cayman)”)	Investment holding	100.00	100.00	100.00	
"	Yuanta Securities (UK) Ltd. (“Yuanta Securities(UK)”)	License in application	100.00	100.00	100.00	
"	Yuanta Securities Thailand Co., Ltd (“Yuanta Securities (Thailand)”)	Securities brokerage and related services	99.99	99.99	99.99	
"	Yuanta Securities Vietnam Joint Stock Co., Ltd. (“Yuanta Securities (Vietnam)”)	Securities brokerage, dealing in securities, and underwriting	50.76	50.76	-	Note 3
Yuanta Securities (Hong Kong)	Yuanta International Investment (Hong Kong) Ltd. (“Yuanta Investment (Hong Kong)”)	Issue financial instruments	100.00	100.00	100.00	
"	Yuanta Finance (Hong Kong) Ltd. (“Yuanta Finance (Hong Kong)”)	Credit loan business	100.00	100.00	100.00	
"	PT Yuanta Sekuritas Indonesia (“Yuanta Securities (Indonesia)”)	Securities trading, underwriting services	99.00	99.00	99.00	
"	PT Yuanta Asset Management	Investment management	0.002	0.002	0.002	
"	Yuanta Investment Management (Cayman)	Investment management	100.00	100.00	100.00	
"	Yuanta Securities (Vietnam)	Securities brokerage, dealing in securities, and underwriting	49.19	49.19	-	Note 3
"	Reska Dana Yuanta USD Fixed Income Fund	Investment debt instrument	-	100.00	-	Note 4
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Investment management	99.998	99.998	99.998	
Yuanta Securities (Korea)	Yuanta Investment Co.,Ltd (“Yuanta Investment (Korea)”)	Venture investment	54.19	54.20	54.20	
"	Yuanta Financial (Hong Kong) Limited (“Yuanta Financial (Hong Kong)”)	Investment holding	54.19	54.20	54.20	
Yuanta Financial (Hong Kong)	Yuanta Securities (Cambodia) Plc. (“Yuanta Securities (Cambodia)”)	Underwriting guidelines and financial advisory services	54.19	54.20	54.20	
"	Heng Xin Asia Holdings Limited (“Heng Xin Asia Holdings”)	Investment holding	48.84	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	100.00	-	Note 5
"	Reska Dana Yuanta USD Fixed Income Fund	Investment debt instrument	100.00	-	-	Note 7
"	Reska Dana Yuanta Fixed Income Fund	Investment debt instrument	78.67	-	-	Note 7

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
Yuanta Bank	Yuanta International Leasing Co., Ltd. (“Yuanta International Leasing”)	Agency and leasing business of real estate and movables	100.00	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	100.00	
"	Yuanta Savings Bank (Korea) Inc. (Yuanta Savings Bank (Korea))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	100.00	Note 8
"	Ta Chong Securities Co., Ltd. (“Ta Chong Securities”)	Securities brokerage, dealing, underwriting, and futures business	-	-	34.87	Note 1 Note 9
"	Ta Chong International Finance and Investment Company	Leasing and installment sales	-	-	100.00	Note 1 Note 10
Ta Chong Securities	Ta Chong Venture Capital Co., Ltd. (“Ta Chong Venture Capital”)	Venture capital investments	-	-	34.87	Note 1 Note 9
Yuanta Futures	Yuanta Futures (Hong Kong) Limited (“Yuanta Futures Hong Kong”)	Financial services	68.65	68.65	68.65	
"	SYF Information Limited (“SYF Information”)	Information service	68.65	68.65	68.65	
SYF Information	SYF Information (Samoa )Limited (“SYF Information (Samoa)”)	Investment holding	68.65	68.65	68.65	
SYF Information (Samoa)	SYF Information (Shanghai) Limited (“SYF Information (Shanghai)”)	Information service	68.65	68.65	68.65	
Yuanta Venture Capital	Yuanta I Venture Capital Co., Ltd. (“Yuanta I Venture Capital”)	Venture capital investments	100.00	100.00	100.00	

Note 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.

Note 2: 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”). Yuanta Securities has obtained the approval from the competent authority of Taiwan and Hong Kong, and the subsequent procedures has been commenced.

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) acquired 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. Yuanta Securities (Vietnam), formerly named as First Securities (Vietnam), took its present name in February, 2018.

Note 4: Redeemed in the first quarter of 2018.

Note 5: Founded in the fourth 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: Subscribed in the first quarter of 2018.

Note 8: On February 13, 2017, Hanshin Savings Bank, Korea was renamed “Yuanta Savings Bank (Korea) Inc.”

Note 9: 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(8).

Note 10: 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:

March 31, 2018	
Structured entities	Services
YK Sky Co., Ltd.	Asset-backing
TH 5th 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 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 Echo Co., Ltd.	Asset-backing
YK Obong Co., Ltd.	Asset-backing
YK Marble Co., Ltd.	Asset-backing
YK Indus Co., Ltd.	Asset-backing
YK Mozart Co., Ltd.	Asset-backing
YK Dway 2nd Co., Ltd.	Asset-backing
YK Biz Co., Ltd.	Asset-backing
YK BlueOcean the First Co., Ltd.	Asset-backing
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

December 31, 2017

Structured entities	Services
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

March 31, 2017

Structured entities	Services
YK World 1st Co., Ltd.	Asset-backing
YK Lion Co., Ltd.	Asset-backing
FinalDS5th Co., Ltd.	Asset-backing
YK Sky Co., Ltd.	Asset-backing
ELF 3rd Co., Ltd.	Asset-backing
TH 5th Co., Ltd.	Asset-backing
YK Camp Co., Ltd.	Asset-backing
YK Brown 2nd Co., Ltd.	Asset-backing
YK Union Co., Ltd.	Asset-backing
YK Edue Co., Ltd.	Asset-backing
YK Dway Co., Ltd.	Asset-backing
YK APT the 1st 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 March 31, 2018, subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			March 31, 2018	December 31, 2017	March 31, 2017	
Yuanta HK Holdings (Cayman)	GC Investment Consultant (Shanghai) Co., Ltd.	Investment consultation	100.00	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 March 31, 2018, December 31, 2017 and March 31, 2017, the non-controlling interest amounted to \$17,053,968, \$16,901,802 and \$18,624,270, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Subsidiary	Principal place of business	Non-controlling interest					
		March 31, 2018		December 31, 2017		March 31, 2017	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Yuanta Securities (Korea)	Korea	\$13,665,069	45.81%	\$13,662,036	45.80%	\$12,397,285	45.80%

The comprehensive income attributable to this non-controlling interest were \$14,414 and \$89,149 for the three months ended March 31, 2018 and 2017, respectively.

Summarized financial information for the aforementioned subsidiaries:

Consolidated balance sheets

	Yuanta Securities (Korea) and its subsidiaries		
	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	\$ 320,409,250	\$ 304,775,649	\$ 279,616,548
Non-current assets	18,561,390	19,980,810	19,087,773
Current liabilities	( 302,301,926)	( 288,989,774)	( 261,832,992)
Non-current liabilities	( 4,124,804)	( 3,212,416)	( 7,121,566)
Total net assets	<u>\$ 32,543,910</u>	<u>\$ 32,554,269</u>	<u>\$ 29,749,763</u>

Consolidated statements of comprehensive income

	Yuanta Securities (Korea) and its subsidiaries	
	For the three months ended March 31,	
	2018	2017
Revenue	\$ 3,694,863	\$ 3,037,727
Profit before income tax	869,938	279,928
Income tax expense	( 11,008)	( 16,423)
Net income	858,930	263,505
Other comprehensive loss (net of tax)	( 689,775)	( 194)
Total comprehensive income for the period	<u>\$ 169,155</u>	<u>\$ 263,311</u>

Consolidated statements of cash flows

	Yuanta Securities (Korea) and its subsidiaries	
	For the three months ended March 31,	
	2018	2017
Net cash provided by (used in) operating activities	\$ 9,040,476	(\$ 11,782,865)
Net cash provided by investing activities	116,022	99,846
Net cash (used in) provided by financing activities	( 8,886,554)	7,251,360
Effect of exchange rates on cash and cash equivalents	247,433	( 752,927)
Increase (decrease) in cash and cash equivalents	517,377	( 5,184,586)
Cash and cash equivalents, beginning of period	18,766,384	23,160,192
Cash and cash equivalents, end of period	<u>\$ 19,283,761</u>	<u>\$ 17,975,606</u>

(4) Other significant accounting policies

These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017. Except for the accounting policies listed below, please refer to the notes to the consolidated financial statements for the year ended December 31, 2017 for information on significant accounting policies.

A. 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: “bills discounted and loans”, “receivables”, “financial assets at fair value through profit and loss”, “financial assets at fair value through other comprehensive income”, “investments in debt instruments at amortised cost”, and “other financial assets—purchase of claim receivable”.

a. Regular way purchase or sale

Financial assets held by the Yuanta Group are all accounted for using trade date accounting.

b. Bills discounted and loans

Bills discounted and loans consist of export bills negotiation, export bills discount, loans, and overdue receivables arising from loans. Bills discounted and loans are measured at amortised cost using the effective interest rate method. Measurement at initial investment amount is allowed if effect of discounting is immaterial.

If a bills discounted and loans asset held by the Yuanta Group is renegotiated or modified due to financial difficulties of the borrower so that it is required to be derecognised, entirely or partially, in accordance with IFRS 9, the old financial asset is



derecognised, and a new financial asset and related gains or losses are recognised.

If a bills discounted and loans asset held by the Yuanta Group is renegotiated or modified due to financial difficulties of the borrower, but is not required to be derecognized, or if renegotiations or modification of terms are for reasons other than financial difficulties, which rarely results in the derecognition of the asset, the carrying amount of the asset is recalculated and resulting gains or losses are recognised in profit or loss.

c. Receivables

Receivables include those that were originated and not originated by the entity. Receivables originated by the entity refer to cash, products or services directly provided to debtors by the Yuanta Group. Receivables not originated by the entity refer to those other than whom were originated by the entity.

Receivables shall be measured at amortized cost using the effective interest rate method. However short-term receivables without bearing interest are measured at initial invoice amount if the effect of discounting is immaterial.

d. Financial assets at fair value through profit or loss

(a) Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income may be designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

(b) At initial recognition and subsequent measurement, the Yuanta Group measures the financial assets at fair value and recognises the gain or loss in profit or loss.

(c) The Yuanta Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Yuanta Group and the amount of the dividend can be measured reliably.

(d) A financial asset held by subsidiary Yuanta Life is designated as a financial asset measured at fair value through profit or loss using the overlay approach, when the following conditions are met:

- i. Financial asset is measured at fair value through profit or loss under IFRS 9, but would not have been entirely measured at fair value through profit or loss under IAS 39; and
- ii. The financial asset is not held for activities unrelated to contracts in the scope of IFRS.

For assets to which the overlay approach is applied, the amount that is excluded from profit or loss and recognized in other comprehensive income is the difference between the following two amounts:

- i. Profit or loss recognized in accordance with IFRS 9; and
- ii. Profit or loss recognized in accordance with IAS 39.

e. Financial assets at fair value through other comprehensive income

(a) Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Yuanta Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- i. The objective of the Yuanta Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - ii. The assets' contractual cash flows represent solely payments of principal and interest.
- (b) At initial recognition, the Yuanta Group measures the financial assets at fair value plus transaction costs. The Yuanta Group subsequently measures the financial assets at fair value:
  - i. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Yuanta Group and the amount of the dividend can be measured reliably.
  - ii. Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- f. Investments in debt instruments at amortised cost
  - (a) Investments in debt instruments at amortised cost are those that meet all of the following criteria:
    - i. The objective of the Yuanta Group's business model is achieved by collecting contractual cash flows.
    - ii. The assets' contractual cash flows represent solely payments of principal and interest.
  - (b) At initial recognition, the Yuanta Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- g. Other financial assets
 

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

Including financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also

categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

At initial recognition, the Yuanta Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Yuanta Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

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.

B. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, financial

assets at amortised cost (including bills discounted and loans and receivables), loan commitments, L/C and financial guarantee contracts at each reporting date, the Yuanta Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition or if asset is already credit impaired after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Yuanta Group recognises the impairment provision for lifetime ECLs.

For credit assets, the Yuanta Group assesses the loss allowance at the balance sheet date in accordance with “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and other applicable laws as well as IFRS 9 requirements. The loss allowance is provisioned at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9.

C. Non-hedging and embedded derivatives

(A) Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(B) Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

D. Financial guarantee contracts and loan commitment

(A) A financial guarantee contract is a contract that requires the Yuanta Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(B) 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.

(C) The Yuanta Group measures the financial guarantee contract it issues at the greater of the following two amounts:

- a. Allowance for losses in accordance with IFRS 9 as endorsed by the FSC.
- b. The amount initially recognised less, when appropriate, cumulative effect recognized in accordance with IFRS 15.

(D) The Yuanta Group’s assessment of provisions for losses for loan commitments and financial guarantee contracts is described in Note 4(4)2. “Recognizing and measuring expected credit losses”. The increase in liabilities due to financial guarantee contracts and loan commitments is recognised in “bad debt expenses, commitments and guaranty policy reserve”.

(E) In addition to the assessment of provisions for losses for financial guarantee contract described above, the Yuanta Group also assesses provisions for losses in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and other applicable laws. The greater of the two

amounts is recognised and included in the guaranty policy reserve.

E. 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 immediately 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.

(d) Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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.

F. 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.

(D)The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(E)If a change in tax rate is enacted or substantively enacted in an interim period, the Yuanta Group recognises the effect of the change on items recognized outside profit or loss immediately in the interim period in which the change occurs and spread the effect of the change on items recognised in profit or loss over the remainder of the annual reporting period via an adjustment to the estimated annual effective income tax rate.

## 5. Critical accounting judgement, estimates and key sources of assumption uncertainty

The following summarizes the changes of accounting estimates and judgments in current period. Please refer to Note 5 to the consolidated financial statements for the year ended December 31, 2017 for the goodwill impairment assessment and insurance contract liabilities.

### (1) Expected credit losses of bills discounted and loans

At each reporting date, the Yuanta Group assesses expected credit losses of bills discounted and loans after taking into consideration all reasonable and verifiable information (including forecasts.) Measurement of expected credit losses involves determining whether there is significant increase in credit risk on the assets since initial recognition, or whether the asset is credit-impaired, calculating probability of default, loss given default, and exposure at default of the credit loss model, and adjusting parameters of the model after forecastable assessments of the probability of default.

### (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 the 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 use only observable information as much as possible.

## 6. Details of significant accounts

### (1) Cash and cash equivalents

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Cash	\$ 6,215,700	\$ 5,230,534	\$ 5,376,095
Deposits in banks	49,974,476	53,910,739	39,879,676
Futures excess margin and cash equivalents	1,442,393	2,162,651	3,224,140
Excess settlement reserve fund	8,366	74,811	-
Checks for clearing	738,454	2,628,835	1,759,762
Total	<u>\$ 58,379,389</u>	<u>\$ 64,007,570</u>	<u>\$ 50,239,673</u>

(2) Due from Central Bank and call loans to other banks

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Reserve for deposits - account A	\$ 15,901,090	\$ 18,741,857	\$ 18,849,459
Reserve for deposits - account B	27,424,026	27,221,590	26,216,778
Deposits by overseas branches to designated accounts of respective local central banks	1,944,899	1,803,495	2,061,079
Reserve for deposits	1,404,107	2,153,718	2,163,185
Call loans to banks	45,160	4,470,290	23,084,994
Time deposits	-	-	900,000
Total	<u>\$ 46,719,282</u>	<u>\$ 54,390,950</u>	<u>\$ 73,275,495</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.

(BLANK)



(3) Financial assets and liabilities at fair value through profit or loss

	<u>March 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Commercial paper	\$ 38,327,815
Time deposits	514,362
Beneficiary certificates / securities	48,481,128
Stocks of companies listed on TSE or OTC	31,288,256
Emerging stocks	1,713,107
Government bonds	33,369,494
Financial bonds	19,749,117
Corporate bonds	158,507,093
Overseas bonds	8,830,559
Convertible corporate bonds	40,380,541
Derivative financial instruments	16,933,347
Structured products and others	8,544,372
Reserve for claims of customers' deposits with KSFC (Note 1)	76,146,484
Other marketable securities	5,293,278
Valuation adjustment	( 922,687)
Subtotal	<u>\$ 487,156,266</u>
Financial liabilities held for trading	
Derivative financial instruments	\$ 23,095,970
Non-derivative financial instruments	16,642,240
Valuation adjustment of financial liabilities held for trading — non-derivative financial instruments	( 96,286)
Financial liabilities designated as at fair value through profit or loss	
Structured products (Note 2)	59,895,307
Convertible bond asset swap not qualifying for derecognition (Note 2)	11,324,962
Total	<u>\$ 110,862,193</u>

Note 1: KSFC stands for Korea Securities Finance Corporation.

Note 2: 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.

A. Please refer to Note 8 for details of the above financial assets at fair value through profit or loss pledged as collateral as of March 31, 2018.

B. Financial assets to which the overlay approach is applied are as follows:

	March 31, 2018
Equity instruments	
Domestic stocks	\$ 4,442,283
Overseas stocks	717,191
	<u>5,159,474</u>
Debt instruments	
Overseas corporate bonds	873,603
Domestic beneficiary certificates	2,484,700
Overseas beneficiary certificates	422,358
	<u>\$ 8,940,135</u>

C. For financial assets to which the overlay approach is applied, the amounts of profit or loss reclassified to other comprehensive income are as follows:

	For the three months ended March 31, 2018
Profit or loss recognised in accordance with IFRS 9	(\$ 424,431)
Less: Profit or loss that would have been recognised under IAS 39	<u>4,994</u>
Loss from adopting the overlay approach	(\$ 419,437)
Effects on income tax	<u>\$ 28,370</u>

D. Information on December 31, 2017 and March 31, 2017 is provided in Note 12(15).

E. Please refer to Note 6(37) for the amounts recognised in profit or loss in relation to the financial assets at fair value through profit or loss.

(4) Financial assets at fair value through other comprehensive income

Items	March 31, 2018
Debt instruments	
Government bonds	\$ 52,549,902
Bank debentures	42,317,821
Corporate bonds	131,816,267
Commercial paper	127,602
Others	733,338
Valuation adjustment	( 224,425)
Subtotal	<u>227,320,505</u>
Equity instruments	
Listed stocks	6,363,427
Unlisted stocks/Emerging stocks	5,396,370
Others	436,580
Valuation adjustment	<u>10,815,965</u>
Subtotal	<u>23,012,342</u>
Statutory deposits	( 1,216,100)
Total	<u>\$ 249,116,747</u>

- A. As of March 31, 2018, 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. The Yuanta Group elects to classify strategic equity investments not held for trading as financial assets measured at fair value through other comprehensive income. As of March 31, 2018, the fair value of such investments was \$23,012,342.
- C. The Yuanta Group sold the equity shares in order to avoid systematic risk resulting from structural changes in the industry. The fair value of the equity instruments sold was \$777,236, and the cumulative loss on disposal was \$211,558.
- D. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three months ended March 31, 2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 1,038,844
Cumulative losses reclassified to retained earnings due to derecognition	\$ 211,974
Dividend income recognised in profit or loss held at end of period	\$ 92,692
<u>Debt instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	(\$ 2,367,602)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to impairment recognition	(\$ 8,233)
Reclassified due to derecognition	365,876
	\$ 357,643
Interest income recognised in profit or loss	\$ 1,219,178

- E. Details of the Yuanta Group's financial assets at fair value through other comprehensive income pledged to others as collateral as of March 31, 2018 are provided in Note 8.
- F. Information on December 31, 2017 and March 31, 2017 is provided in Note 12(15).

(5) Investments in debt instruments at amortised cost — net

Items	March 31, 2018
Government bonds	\$ 81,232,318
Time deposits	126,564,090
Bank debentures	47,347,648
Corporate bonds	67,727,717
Others	24,317
Subtotal	322,896,090
Less: Accumulated impairment	( 128,114)
Total	<u>\$ 322,767,976</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the three months ended March 31, 2018
Interest income	\$ 1,523,703
Impairment loss	( 8,454)
Gains on disposal	165,465
	<u>\$ 1,680,714</u>

B. As of March 31, 2018, 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.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral as of March 31, 2018, are provided in Note 8.

D. Information relating to credit risk is provided in Note 12(3).

E. Information on December 31, 2017 and March 31, 2017 is provided in Note 12(15).

(6) Bills and bonds purchased under resale or bills and bonds sold under repurchase agreements

	March 31, 2018	December 31, 2017	March 31, 2017
Bills and bonds purchased under resale agreement	<u>\$ 37,144,985</u>	<u>\$ 34,827,960</u>	<u>\$ 39,988,034</u>
Interest rate range	0.00% ~ 2.70%	0.31% ~ 2.60%	0.29% ~ 2.50%
Contract resale amount	<u>\$ 37,237,080</u>	<u>\$ 35,098,339</u>	<u>\$ 39,999,836</u>
 Bills and bonds payable under repurchase agreement	 <u>\$ 194,577,062</u>	 <u>\$ 197,101,189</u>	 <u>\$ 194,407,762</u>
Interest rate range	-0.1% ~ 4.30%	-0.1% ~ 4.40%	-0.35% ~ 8.50%
Contract repurchase amount	<u>\$ 200,969,263</u>	<u>\$ 201,715,121</u>	<u>\$ 199,261,993</u>

As of March 31, 2018, December 31, 2017 and March 31, 2017, the collateral obtained for retractable notes and investments in bonds are governmental bonds and corporate bonds with a combined fair value of \$28,082,859, \$26,042,055 and \$34,142,207, respectively.

(7) Receivables- net

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Interest receivable	\$ 7,577,995	\$ 7,173,230	\$ 6,762,987
Refinance guaranty receivable	11,175,642	11,097,673	8,542,120
Acceptances receivable	1,170,445	1,247,595	821,127
Factoring receivable	4,523,418	6,283,483	3,980,580
Margin loans receivable	84,894,317	83,873,104	68,300,809
Spot exchange receivable	16,143,250	2,936,871	17,122,020
Credit card receivable	11,383,462	12,130,890	11,635,483
Trading securities receivable	982,002	957,908	1,255,849
Settlement price	6,233,565	16,254,834	5,917,459
Settlement price receivable	28,486,094	25,045,414	22,767,319
Securities sold receivable	10,890,486	5,116,490	7,423,187
Other receivables	<u>5,691,852</u>	<u>4,617,182</u>	<u>5,248,678</u>
Subtotal	189,152,528	176,734,674	159,777,618
Less: Allowance for doubtful accounts	( <u>1,719,087</u> )	( <u>1,419,704</u> )	( <u>1,381,487</u> )
Total	<u>\$ 187,433,441</u>	<u>\$ 175,314,970</u>	<u>\$ 158,396,131</u>

Margin loans receivable uses the securities purchased through financing as collateral. As of March 31, 2018, December 31, 2017 and March 31, 2017, the annual interest rates of Yuanta Securities were both 6.25%; the annual interest rates range of Yuanta Securities (Korea) were 6.65%~9.55%, 7.25%~9.55% and 6.65%~9.55% ; the annual interest rates range of Yuanta Securities (Hong Kong) were 1.50%~12.75%, 1.94% ~ 12.75% and 3% ~ 12.75%; the annual interest rates range of Yuanta Securities (Indonesia) were both 18%, respectively; the annual interest rates range of Yuanta Securities (Thailand) were 5.15%~9.25%, 5.15%~9.25% and 5.50%~9.25%. As of March 31, 2018 and December 31, 2017, the annual interest rates range of Yuanta Securities (Vietnam) were both 9.86%~11.68%.

(8) Non-current assets held for sale and discontinued operations

- A. As of March 31, 2018, December 31, 2017 and March 31, 2017, the properties held for sale, of the Yuanta Group, amounted to \$0, \$0 and \$35,451, 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 three months ended March 31, 2017</u>
Operating cash flows	(\$ 653,751)
Investing cash flows	2,841
Financing cash flows	<u>610,000</u>
Total cash flows	<u>(\$ 40,910)</u>

D. Assets of disposal group classified as held for sale:

	<u>March 31, 2017</u>
Cash and cash equivalents	\$ 474,184
Financial assets at fair value through profit or loss	3,626,957
Investments in bills and bonds under resale agreements	1,507,432
Receivables	4,383,140
Available-for-sale financial assets	203,818
Other financial assets	208,503
Property and equipment	238,365
Other assets	<u>180,380</u>
Subtotal	10,822,779
Accumulated impairment	( 179,190)
Total	<u><u>\$ 10,643,589</u></u>

E. Liabilities of disposal group classified as held for sale:

	<u>March 31, 2017</u>
Bills and bonds payable under repurchase agreement	\$ 3,923,220
Financial liabilities at fair value through profit or loss	65,214
Payables	1,860,287
Other financial liabilities	1,486,106
Other liabilities	<u>70,266</u>
Total	<u><u>\$ 7,405,093</u></u>

F. Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale:

	<u>For the three months ended March 31, 2017</u>
Unrealized loss on available-for-sale financial assets	(\$ 47,702)
(BLANK)	

G. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group, is as follows:

	For the three months ended March 31, 2017
Net interest income	\$ 29,554
Net service fee and commission income	79,025
Gain on financial assets and financial liabilities at fair value through profit or loss	51,191
Foreign exchange loss	( 2,443)
Other non-interest loss	( 27)
Net profit	157,300
Operating expenses	( 151,251)
Profit before tax of discontinued operations	6,049
Income tax expense	( 700)
Profit after tax of discontinued operations	5,349
Pre-tax loss recognised on the remeasurement of assets of disposal group	( 179,190)
Income tax	-
After-tax loss recognised on the remeasurement of assets of disposal group	( 179,190)
Loss on discontinued operations	(\$ 173,841)

H. Profit from continuing and discontinued operations attributable to owners of the parent:

Please refer to Note 6(45)

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(9) Bills discounted and loans- net

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Bills discounted	\$ 40,067	\$ 203,290	\$ 570,094
Overdrafts	47,133	191,802	318,241
Short-term loans	67,747,043	68,540,281	92,017,082
Short-term loans secured	91,844,300	90,507,122	87,784,982
Medium-term loans	126,525,266	138,343,110	138,979,390
Medium-term loans secured	153,669,166	153,230,827	140,222,026
Long-term loans	9,814,626	8,857,060	9,208,529
Long-term loans secured	294,462,804	302,158,833	303,179,142
Import-export negotiations	46,592	64,446	43,741
Accounts receivable factoring	772,083	1,160,284	754,777
Automatic policy loans	1,193,701	1,161,810	1,095,148
Policy loans	4,439,548	4,369,658	3,932,897
Loans transferred to non-performing loans	<u>5,224,562</u>	<u>5,325,052</u>	<u>4,189,938</u>
Subtotal	755,826,891	774,113,575	782,295,987
Less: Allowance for credit losses	( 14,223,205)	( 11,786,569)	( 11,788,570)
Less: Adjustment for discount	( 8,997)	( 7,966)	( 110,486)
Total	<u>\$ 741,594,689</u>	<u>\$ 762,319,040</u>	<u>\$ 770,396,931</u>

The Yuanta Group recognised appropriate allowance for bad debts for the bills discounted, loans and receivables. For the three months ended March 31, 2018, please refer to Note 12(3).

(10) Reinsurance contract assets

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Claims recoverable from reinsurers	\$ 66,080	\$ 55,822	\$ 50,491
Due from reinsurers and ceding companies	122,957	106,546	125,831
Reinsurance Reserve Assets			
Ceded unearned premium reserve	281,741	262,226	220,009
Ceded claims reserve	<u>4,008</u>	<u>11,293</u>	<u>6,265</u>
Total	<u>\$ 474,786</u>	<u>\$ 435,887</u>	<u>\$ 402,596</u>

(BLANK)



(11) Investments accounted for under the equity method– net

	<u>March 31, 2018</u>		<u>December 31, 2017</u>		<u>March 31, 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Joint ventures:						
Grand Asia Asset Management Ltd.	\$ -	-	\$ -	-	\$ 36,499	50.00%
Associates:						
CR Yuanta Fund Management Company Limited	188,217	49.00%	203,156	49.00%	267,681	49.00%
GC Investment Consultant (Shanghai) Co., Ltd.	21,029	100.00%	21,647	100.00%	22,133	100.00%
P.I.A. Co.	-	-	-	-	3,171	100.00%
TongYang Asset Management Corp.	677,165	27.00%	678,839	27.00%	623,220	27.00%
Polaris Ocean Private Equity Fund	41,029	3.26%	41,938	3.26%	172,232	3.26%
Yuanta SPAC I	-	-	-	-	1,265	0.40%
Yuanta SPAC II	1,283	0.37%	1,306	0.37%	1,260	0.37%
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	27,722	16.22%	25,658	16.22%	38,903	16.22%
KoFC-KVIC Green Growth Venture Capital Fund	30,331	18.00%	30,939	18.00%	43,511	18.00%
2011 KIF-TongYang IT Venture Fund	69,928	17.20%	71,556	17.20%	80,070	17.20%
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	-	-	-	-	76,102	23.69%
Hyundai-TongYang Agrifood Private Equity Fund	5,792	9.84%	5,844	9.84%	41,253	9.84%
TyCor 2013 Private Equity Fund	-	-	-	-	44,495	14.18%
TongYang Agri-Food Investment Fund-2nd	113,484	40.74%	116,121	40.74%	114,467	40.74%
IBKC-TongYang Growth 2013 Private Equity Fund	105,472	10.71%	67,683	10.71%	48,037	10.71%
KVIC-Yuanta 2015 Overseas Fund	234,183	44.00%	240,694	44.00%	252,709	44.00%
TongYang China Paid in Capital Private Investment Trust 1	38,357	27.57%	37,773	27.57%	93,201	27.57%
2016 KIF-Yuanta ICT Venture Fund	28,403	16.67%	29,608	16.67%	26,702	16.67%
Yuanta Secondary No.2 Fund	97,626	12.28%	101,396	12.28%	-	-
Yuanta SPAC III	948	4.76%	966	4.76%	-	-
	<u>\$1,680,969</u>		<u>\$1,675,124</u>		<u>\$1,986,911</u>	

The Yuanta Group's shares of the operating results in all individually immaterial associates are summarized below:

		For the three months ended March 31,	
		2018	2017
Net (loss) income for the period from continuing operations	(\$	7,839)	\$ 4,860
Other comprehensive loss (net of tax)	(	3,162)	( 12,418)
(12) <u>Other financial assets– net</u>			
		<u>March 31, 2018</u>	<u>December 31, 2017</u>
Financial assets carried at cost (Note)	\$	-	\$ 1,395,010
Less: accumulated impairment		-	( 345,640)
		<u>-</u>	<u>1,049,370</u>
Non-loans reclassified to non-accrual loans		817,767	818,104
Less: Provision for credit losses	(	<u>793,044</u>	( 680,981)
		<u>24,723</u>	<u>137,123</u>
Purchase of claim receivable		1,937,008	1,941,977
Valuation adjustment on purchase of claim receivable	(	<u>49,746</u>	( 49,678)
		<u>1,887,262</u>	<u>1,892,299</u>
Bond investments without active market (Note)	-		49,012,388
Customer margin deposit account		44,109,113	38,854,613
Investment-linked product assets		1,926,076	1,967,642
Securities borrowing and lending refundable deposits		159,999	408,912
Others		<u>101,217</u>	<u>146,960</u>
Total	\$	48,208,390	\$ 93,469,307
			\$ 101,544,474

Note: In accordance with IFRS 9, the Yuanta Group reclassified financial assets at cost and investments in debt instruments without active market to financial assets at amortised cost and financial assets at fair value through other comprehensive income.

- A. The Yuanta Group recognised interest income on bond investments without active market amounting to \$300,050 in profit or loss for the three months ended March 31, 2017.
- B. As of December 31, 2017 and March 31, 2017, 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 March 31, 2018, December 31, 2017 and March 31, 2017, as well as the periods for the three months ended March 31, 2018 and 2017, details about the assets on insurance products, separated accounts were as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Investment-linked insurance product assets			
Cash in bank	\$ 6,326	\$ 815	\$ 1,237
Financial assets at fair value through profit or loss	1,914,573	1,956,984	1,849,993
Other receivables	5,177	9,843	5,704
	<u>\$ 1,926,076</u>	<u>\$ 1,967,642</u>	<u>\$ 1,856,934</u>
	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Investment-linked insurance product liabilities			
Reserve for investment-linked insurance product – insurance contract	\$ 1,914,519	\$ 1,947,981	\$ 1,845,376
Reserve for investment-linked insurance product – investment contract	9,928	9,993	10,110
Other payables	1,629	9,668	1,448
	<u>\$ 1,926,076</u>	<u>\$ 1,967,642</u>	<u>\$ 1,856,934</u>
	<u>For the three months ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	
Revenue on investment – linked insurance products			
Premium income	\$ 75,583	\$ 66,139	
(Loss) gain on financial assets at fair value through profit or loss	( 27,593)	16,577	
Exchange gain	1,661	1,434	
Interest income	1,376	263	
Other income	1,647	5,430	
	<u>\$ 52,674</u>	<u>\$ 89,843</u>	
Expenses on investment – linked insurance product			
Claims and policy benefit payments	\$ 59,933	\$ 46,173	
Net change in reserve for investment – linked insurance product – insurance contract	( 31,800)	22,753	
Administrative expenses and other expenses	24,541	20,917	
	<u>\$ 52,674</u>	<u>\$ 89,843</u>	

(13) Investment property- net

March 31, 2018				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 4,454,770	\$ -	(\$ 410,450)	\$ 4,044,320
Buildings	3,514,678	( 1,098,584)	( 84,637)	2,331,457
Total	<u>\$ 7,969,448</u>	<u>(\$ 1,098,584)</u>	<u>(\$ 495,087)</u>	<u>\$ 6,375,777</u>

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>

March 31, 2017				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,996,149	\$ -	(\$ 348,594)	\$ 3,647,555
Buildings	3,642,694	( 1,028,514)	( 83,518)	2,530,662
Total	<u>\$ 7,638,843</u>	<u>(\$ 1,028,514)</u>	<u>(\$ 432,112)</u>	<u>\$ 6,178,217</u>

Change in investment property of the Yuanta Group:

For the three months ended March 31,			
	2018		2017
Cost			
At January 1	\$ 7,739,095	\$	7,588,899
Additions	-		3,886
Disposals	-	(	2,787)
Reclassifications	304,530		-
Foreign exchange adjustment	( 74,177)		48,845
At March 31	<u>\$ 7,969,448</u>	\$	<u>7,638,843</u>

For the three months ended March 31,			
	2018		2017
Accumulated depreciation			
At January 1	(\$ 1,070,362)	(\$	1,003,447)
Depreciation	( 19,565)	(	19,220)
Disposals	-		1,057
Reclassifications	( 20,579)		-
Foreign exchange adjustment	11,922	(	6,904)
At March 31	<u>(\$ 1,098,584)</u>	(\$	<u>1,028,514)</u>

	For the three months ended March 31,	
	2018	2017
Accumulated impairment		
At January 1 and March 31	(\$ 495,087)	(\$ 432,112)

- A. The fair value of the investment property held by the Yuanta Group as of March 31, 2018, December 31, 2017 and March 31, 2017 were \$8,401,930, \$8,344,684 and \$8,678,541, 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 March 31, 2018, the fair value included the amount of \$4,713,371 and \$3,688,559 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively. 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 March 31, 2017, the fair value included the amount of \$4,515,233 and \$4,163,308 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively.
- B. For the three months ended March 31, 2018 and 2017, rental income from the lease of the investment property was \$36,124 and \$31,081, respectively.
- C. Please refer to Note 8 for details of the Yuanta Group's investment property pledged to others as collateral.

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(14) Property and equipment- net

Change in property and equipment of the Yuanta Group:

Cost	Land and land improvements	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
At January 1, 2018	\$ 15,066,741	\$ 7,536,070	\$ 3,680,986	\$ 233,742	\$ 1,726,420	\$ 360,914	\$ 28,604,873
Additions	-	-	42,316	12,044	30,153	98,385	182,898
Disposals	-	-	( 126,918)	( 18,732)	( 72,615)	( 5,195)	( 223,460)
Reclassifications	( 189,021)	( 99,365)	99,704	4,995	166,190	( 110,990)	( 128,487)
Translation difference	( 9,743)	( 30,867)	( 39,192)	300	( 2,854)	618	( 81,738)
At March 31, 2018	<u>\$ 14,867,977</u>	<u>\$ 7,405,838</u>	<u>\$ 3,656,896</u>	<u>\$ 232,349</u>	<u>\$ 1,847,294</u>	<u>\$ 343,732</u>	<u>\$ 28,354,086</u>
<u>Accumulated depreciation</u>							
At January 1, 2018	\$ -	(\$ 2,219,726)	(\$ 2,507,142)	(\$ 119,413)	(\$ 1,012,913)	\$ -	(\$ 5,859,194)
Depreciation	-	( 44,823)	( 114,257)	( 8,093)	( 75,352)	-	( 242,525)
Disposals	-	-	126,363	14,916	64,351	-	205,630
Reclassifications	-	32,910	( 4,548)	-	( 67,312)	-	( 38,950)
Translation difference	-	9,341	34,332	67	4,196	-	47,936
At March 31, 2018	<u>\$ -</u>	<u>(\$ 2,222,298)</u>	<u>(\$ 2,465,252)</u>	<u>(\$ 112,523)</u>	<u>(\$ 1,087,030)</u>	<u>\$ -</u>	<u>(\$ 5,887,103)</u>
<u>Accumulated impairment</u>							
At January 1, 2018	(\$ 84,506)	(\$ 30,580)	\$ -	\$ -	\$ -	\$ -	(\$ 115,086)
Recovery	-	-	-	-	357	-	357
Reclassifications	-	-	-	-	( 656)	-	( 656)
At March 31, 2018	<u>(\$ 84,506)</u>	<u>(\$ 30,580)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 299)</u>	<u>\$ -</u>	<u>(\$ 115,385)</u>
Net carrying amount	<u>\$ 14,783,471</u>	<u>\$ 5,152,960</u>	<u>\$ 1,191,644</u>	<u>\$ 119,826</u>	<u>\$ 759,965</u>	<u>\$ 343,732</u>	<u>\$ 22,351,598</u>

Cost	Land and land improvements	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
At January 1, 2017	\$ 13,652,110	\$ 7,369,708	\$ 3,385,286	\$ 214,869	\$ 1,869,198	\$ 295,054	\$ 26,786,225
Additions	-	3,326	81,122	2,261	36,204	39,612	162,525
Disposals	( 52,969)	( 16,889)	( 44,451)	( 2,868)	( 122,353)	-	( 239,530)
Reclassifications	-	-	5,185	-	225	( 8,391)	( 2,981)
Assets reclassified as held for sale	( 86,479)	( 158,055)	( 122,197)	-	( 54,855)	( 4,999)	( 426,585)
Translation difference	7,579	7,767	3,310	( 634)	( 11,065)	( 386)	6,571
At March 31, 2017	\$ 13,520,241	\$ 7,205,857	\$ 3,308,255	\$ 213,628	\$ 1,717,354	\$ 320,890	\$ 26,286,225
<u>Accumulated depreciation</u>							
At January 1, 2017	\$ -	(\$ 2,069,547)	(\$ 2,358,972)	(\$ 109,086)	(\$ 1,169,941)	\$ -	(\$ 5,707,546)
Depreciation	-	( 43,241)	( 102,190)	( 7,174)	( 71,120)	-	( 223,725)
Disposals	-	4,472	43,715	2,720	120,446	-	171,353
Reclassifications	-	-	( 2,100)	-	2,100	-	-
Assets reclassified as held for sale	-	45,647	97,474	-	45,099	-	188,220
Translation difference	-	( 1,566)	( 5,386)	372	10,196	-	3,616
At March 31, 2017	\$ -	(\$ 2,064,235)	(\$ 2,327,459)	(\$ 113,168)	(\$ 1,063,220)	\$ -	(\$ 5,568,082)
<u>Accumulated impairment</u>							
At January 1, 2017	(\$ 157,391)	(\$ 35,750)	\$ -	\$ -	\$ -	\$ -	(\$ 193,141)
Disposals	13,824	4,561	-	-	-	-	18,385
At March 31, 2017	(\$ 143,567)	(\$ 31,189)	\$ -	\$ -	\$ -	\$ -	(\$ 174,756)
Net carrying amount	\$ 13,376,674	\$ 5,110,433	\$ 980,796	\$ 100,460	\$ 654,134	\$ 320,890	\$ 20,543,387

Please refer to Note 8 for details of the collateral provided for above property and equipment.

(15) Intangible assets- net

<u>Cost</u>	<u>Goodwill</u>	<u>Operating rights</u>	<u>Computer software</u>	<u>Customer relationship</u>	<u>Others</u>	<u>Total</u>
At January 1, 2018	\$ 31,815,086	\$ 385,022	\$ 4,736,780	\$ 5,585,107	\$ 2,399,680	\$ 44,921,675
Additions	-	-	38,117	-	68,395	106,512
Disposals	-	-	( 6,080)	-	-	( 6,080)
Reclassifications	-	-	12,837	-	-	12,837
Translation difference	( 9,879)	( 411)	( 115,150)	-	( 18,881)	( 144,321)
At March 31, 2018	<u>\$ 31,805,207</u>	<u>\$ 384,611</u>	<u>\$ 4,666,504</u>	<u>\$ 5,585,107</u>	<u>\$ 2,449,194</u>	<u>\$ 44,890,623</u>
<u>Accumulated amortization</u>						
At January 1, 2018	\$ -	(\$ 366,774)	(\$ 3,908,593)	(\$ 3,227,444)	(\$ 1,122,746)	(\$ 8,625,557)
Amortization	-	( 410)	( 111,037)	( 109,273)	( 72,213)	( 292,933)
Disposals	-	-	6,058	-	-	6,058
Translation difference	-	121	106,513	-	1,290	107,924
At March 31, 2018	<u>\$ -</u>	<u>(\$ 367,063)</u>	<u>(\$ 3,907,059)</u>	<u>(\$ 3,336,717)</u>	<u>(\$ 1,193,669)</u>	<u>(\$ 8,804,508)</u>
<u>Accumulated impairment</u>						
At January 1, 2018	(\$ 325,199)	\$ -	(\$ 5,429)	\$ -	(\$ 29,713)	(\$ 360,341)
Disposals	-	-	22	-	-	22
Translation difference	-	-	-	-	149	149
At March 31, 2018	<u>(\$ 325,199)</u>	<u>\$ -</u>	<u>(\$ 5,407)</u>	<u>\$ -</u>	<u>(\$ 29,564)</u>	<u>(\$ 360,170)</u>
Net carrying amount	<u>\$ 31,480,008</u>	<u>\$ 17,548</u>	<u>\$ 754,038</u>	<u>\$ 2,248,390</u>	<u>\$ 1,225,961</u>	<u>\$ 35,725,945</u>



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
Additions	-	-	71,842	-	-	71,842
Disposals	-	-	( 9,303)	-	( 28,495)	( 37,798)
Reclassifications	-	-	56,469	-	2,225	58,694
Assets reclassified as held for sale	-	-	( 64,230)	-	-	( 64,230)
Translation difference	( 1,187)	( 972)	33,788	-	4,524	36,153
At March 31, 2017	<u>\$ 31,668,468</u>	<u>\$ 385,346</u>	<u>\$ 4,574,488</u>	<u>\$ 5,585,107</u>	<u>\$ 2,183,258</u>	<u>\$ 44,396,667</u>
<u>Accumulated amortization</u>						
At January 1, 2017	\$ -	(\$ 365,514)	(\$ 3,406,911)	(\$ 2,564,906)	(\$ 1,058,069)	(\$ 7,395,400)
Amortization	-	( 410)	( 130,474)	( 165,644)	( 15,662)	( 312,190)
Disposals	-	-	9,303	-	173	9,476
Reclassifications	-	-	( 53,529)	-	( 2,225)	( 55,754)
Assets reclassified as held for sale	-	-	54,719	-	-	54,719
Translation difference	-	285	( 29,016)	-	( 1,101)	( 29,832)
At March 31, 2017	<u>\$ -</u>	<u>(\$ 365,639)</u>	<u>(\$ 3,555,908)</u>	<u>(\$ 2,730,550)</u>	<u>(\$ 1,076,884)</u>	<u>(\$ 7,728,981)</u>
<u>Accumulated impairment</u>						
At January 1, 2017	(\$ 309,106)	\$ -	\$ -	\$ -	(\$ 26,819)	(\$ 335,925)
Disposals	-	-	-	-	19,022	19,022
Translation difference	1,063	-	-	-	( 297)	766
At March 31, 2017	<u>(\$ 308,043)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 8,094)</u>	<u>(\$ 316,137)</u>
Net carrying amount	<u>\$ 31,360,425</u>	<u>\$ 19,707</u>	<u>\$ 1,018,580</u>	<u>\$ 2,854,557</u>	<u>\$ 1,098,280</u>	<u>\$ 36,351,549</u>

- 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, please refer to Note 6(46).
- B. Goodwill is allocated to cash generating units as identified by operating segments. Recoverable amounts are determined according 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 was recognised in 2017; the remaining cash generating units were assessed to have recoverable amounts higher than their carrying amounts. The Yuanta Group assesses impairment indication of goodwill in the interim period based on the regulations. In the interim period, the Yuanta Group takes into consideration the related information in relation to impairment indication of goodwill, and there was no indication that goodwill was impaired. The main assumptions used in calculating value-in-use are as follows:

	Bank subsidiaries	Securities subsidiaries			Futures	Securities Investment Trust
		Brokerage Segment	Investment Bank Segment	Investment Segment		
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%	13.6% ~ 19.3%	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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Refundable deposits	\$ 3,424,373	\$ 4,328,308	\$ 5,381,056
Refundable deposits for securities lending	21,394,114	21,292,145	6,555,820
Operating guarantee deposits and settlement fund	3,127,119	3,015,016	2,305,245
Prepaid expenses	962,864	817,834	873,764
Bank deposits- Amounts held for settlement	8,875,794	9,957,043	7,328,476
Others	1,267,740	1,393,766	874,764
Total	<u>\$ 39,052,004</u>	<u>\$ 40,804,112</u>	<u>\$ 23,319,125</u>

(17) Non-financial asset impairment losses

As of March 31, 2018, December 31, 2017 and March 31, 2017, accumulated impairments on various financial assets were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Investment property	\$ 495,087	\$ 495,087	\$ 432,112
Property and equipment	115,385	115,086	174,756
Intangible assets- goodwill	325,199	325,199	308,043
Intangible assets- other	34,971	35,142	8,094
Assets held for sale	-	-	179,190

(18) Due to Central Bank and other banks

	March 31, 2018	December 31, 2017	March 31, 2017
Due to other banks	\$ 10,054	\$ 10,054	\$ 11,254
Overdrafts from other banks	886,567	136,640	63,772
Call loans from other banks	32,767,301	7,682,577	16,486,192
Redeposit from the directorate general of postal remittance	5,561,785	5,690,891	5,817,973
Total	<u>\$ 39,225,707</u>	<u>\$ 13,520,162</u>	<u>\$ 22,379,191</u>

(19) Commercial paper payable- net

	March 31, 2018	December 31, 2017	March 31, 2017
Commercial paper payable	\$ 53,687,425	\$ 44,724,325	\$ 41,732,000
Less: Discount on commercial paper payable	( 26,651)	( 20,238)	( 9,463)
Net	<u>\$ 53,660,774</u>	<u>\$ 44,704,087</u>	<u>\$ 41,722,537</u>

The annual interest rate of commercial paper payable as of March 31, 2018, December 31, 2017 and March 31, 2017 were 0.48%~2.05% , 0.508%~2.00% and 0.36%~0.908%, respectively.

The guarantee and acceptance institutions for the above commercial paper payable were as follows:

March 31, 2018	December 31, 2017	March 31, 2017
CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.
Sunny Bank Ltd.	Sunny Bank Ltd.	Sunny Bank Ltd.
Hua Nan Commercial Bank Co., Taiwan Finance Corporation	Hua Nan Commercial Bank Co., Taiwan Finance Corporation	China Bills Finance Corporation
Union Bank of Taiwan Co., Ltd.	Union Bank of Taiwan Co., Ltd.	Hua Nan Commercial Bank Co., Ltd.
Mega Bills Finance Co., Ltd.	Mega Bills Finance Co., Ltd.	Taiwan Finance Corporation
International Bills Finance Corporation	International Bills Finance Corporation	Union Bank of Taiwan Co., Ltd.
Ta Ching Bills Finance Corporation	Ta Ching Bills Finance Corporation	Mega Bills Finance Co., Ltd.
Taishin International Bank Co., Ltd.	Taishin International Bank Co., Ltd.	International Bills Finance
Dah Chung Bills Finance Corp.	Dah Chung Bills Finance Corp.	Ta Ching Bills Finance Corporation
Grand Bills Finance Corp.	Grand Bills Finance Corp.	Ta Chong Commercial Bank Co., Ltd.
KGI Bank Co., Ltd.	KGI Bank Co., Ltd.	Shin Kong Bank Co., Ltd.
China Bills Finance Corporation	Bank Of Taiwan	Taishin International Bank Co., Ltd.
HI Investment & Securities	HI Investment & Securities	Dah Chung Bills Finance Corp.
		Grand Bills Finance Corp.

(20) Payables

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Accounts payable	\$ 93,341,860	\$ 85,965,415	\$ 73,614,209
Demand remittance payable	16,447,466	2,937,800	17,285,673
Bankers' acceptances payable	1,170,445	1,246,741	821,127
Interests payable	2,271,857	2,194,254	2,881,846
Accrued expenses	6,670,783	8,766,728	3,291,107
Taxes payable	150,138	273,497	144,825
Collections payable for customers	767,559	844,485	1,909,081
Proceeds payable from underwriting	667,348	891,398	1,698,314
Due to reinsurers and ceding companies	152,654	140,506	79,539
Collateralized proceeds payable from securities lending	4,283,239	9,079,481	4,521,812
Consigned securities payable	6,010,485	14,058,046	2,878,879
Settled price	1,410,057	1,544,600	4,859,060
Securities purchased payable	12,495,331	1,694,231	15,347,802
Settlement payable	28,605,408	26,653,012	22,248,221
Deposits received on securities lending	4,020,179	8,185,499	4,217,609
Checks for clearing	738,306	2,629,283	1,759,762
SBL Refund payable	53,353	133,234	-
Other payables	1,245,607	1,467,161	2,613,431
Total	<u>\$ 180,502,075</u>	<u>\$ 168,705,371</u>	<u>\$ 160,172,297</u>

(21) Deposits and remittances

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Checking deposits	\$ 4,033,494	\$ 5,077,820	\$ 4,129,205
Demand deposits	124,562,898	133,582,476	127,822,135
Time deposits	311,109,773	334,966,774	356,289,718
Negotiable certificates of deposit	50,894,000	44,209,000	43,750,500
Savings deposits	539,838,025	537,813,143	528,189,784
Remittances	422,603	375,076	522,793
Total	<u>\$ 1,030,860,793</u>	<u>\$ 1,056,024,289</u>	<u>\$ 1,060,704,135</u>

(22) Bonds payable

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Financial bonds	\$ 43,500,000	\$ 43,500,000	\$ 48,500,000
Unsecured corporate bonds	19,750,000	19,750,000	25,159,330
Convertible corporate bonds	2,609,458	2,640,879	2,511,350
Total	<u>\$ 65,859,458</u>	<u>\$ 65,890,879</u>	<u>\$ 76,170,680</u>

A. The details of financial debentures as of March 31, 2018 were as follows:

	<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 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(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 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>Fourth 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>Fifth 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>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>Sixth 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
	<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. The details of unsecured corporate bonds as of March 31, 2018 were as follows:  
The Company

	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2015
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
	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(A)
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
	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(B)
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			
	March 31, 2018	December 31, 2017	March 31, 2017
Convertible corporate bonds	\$ 2,519,439	\$ 2,565,758	\$ 2,508,635
Add: Premium on convertible bonds payable	90,019	75,121	2,715
Total	<u>\$ 2,609,458</u>	<u>\$ 2,640,879</u>	<u>\$ 2,511,350</u>
The details of convertible corporate bonds as of March 31, 2018 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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Short-term borrowings			
Unsecured bank borrowings	\$ 22,166,236	\$ 21,275,909	\$ 13,173,494
Secured bank borrowings	3,948,204	1,549,568	16,392
KSFC secured borrowings	29,664,516	30,895,117	26,809,734
Issuance of short-term bond	15,902,477	15,244,177	8,577,909
Secured short-term bond	275,501	-	-
Long-term borrowings			
Secured bank borrowings	-	-	2,712,039
Unsecured bank borrowings	922,000	2,790,000	-
	<u>\$ 72,878,934</u>	<u>\$ 71,754,771</u>	<u>\$ 51,289,568</u>
Interest rate-short-term (%)	<u>0.60% ~ 3.14%</u>	<u>0.60% ~ 3%</u>	<u>0.85% ~ 11%</u>

The Yuanta Group has provided certain assets as pledged assets for the above loans, please refer to Note 8.

(24) Provisions for other liabilities

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Insurance liability	\$ 193,645,771	\$ 187,513,082	\$ 158,658,488
Reserve for foreign exchange fluctuation	275,342	510,241	96,123
Employee benefit liabilities reserve	5,432,381	6,190,491	5,149,813
Guaranteed policy reserve	242,088	275,664	471,304
Loan commitment reserve	76,398	-	-
Other reserves (Note)	578,522	549,342	956,392
Total	<u>\$ 200,250,502</u>	<u>\$ 195,038,820</u>	<u>\$ 165,332,120</u>

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\$19.1 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 March 31, 2018, there are 16 litigations filed against former TongYang Securities Inc. and its subsidiaries related to the above-mentioned dispute on sold financial products, demanding compensations totaling ₩547,013 million (approximately NT\$15 billion); of which 2 were class actions, demanding a compensation of ₩492,565 million (approximately NT\$13.5 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 ₩22,790 million (approximately NT\$620 million) in liability reserves on March 31, 2018. As of March 31, 2018, the balance of the liability reserve related to the aforementioned dispute on sales of financial products was ₩7,243 million (approximately NT\$198 million).

Note:B. The reserve for litigation loss of Yuanta Bank is \$190,815, please refer to Note 9(6)A.

A. The components of insurance liabilities are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Unearned premium reserve	\$ 305,760	\$ 283,691	\$ 261,722
Claims reserve	303,625	306,349	254,963
Reserve for policy benefit	187,010,614	180,815,233	151,347,404
Premium deficiency reserve	1,771,734	1,810,269	2,347,925
Other reserves	4,254,038	4,297,540	4,446,474
Total	<u>\$ 193,645,771</u>	<u>\$ 187,513,082</u>	<u>\$ 158,658,488</u>

(A) Unearned premium reserve and ceded unearned premium reserve:

a.Details of unearned premium reserve and ceded unearned premium reserve are as follows:

March 31, 2018			
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal life insurance	\$ 288	\$ -	\$ 288
Personal accident insurance	163,319	-	163,319
Personal health insurance	138,859	-	138,859
Group insurance	802	-	802
Investment-link insurance	2,492	-	2,492
	<u>\$ 305,760</u>	<u>\$ -</u>	<u>\$ 305,760</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 155,271	\$ -	\$ 155,271
Personal accident insurance	301	-	301
Personal health insurance	125,795	-	125,795
Investment-link insurance	374	-	374
	<u>\$ 281,741</u>	<u>\$ -</u>	<u>\$ 281,741</u>

December 31, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
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>
March 31, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal life insurance	\$ 11	\$ -	\$ 11
Personal accident insurance	145,886	-	145,886
Personal health insurance	111,985	-	111,985
Group insurance	1,038	-	1,038
Investment-link insurance	2,802	-	2,802
	<u>\$ 261,722</u>	<u>\$ -</u>	<u>\$ 261,722</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 87,065	\$ -	\$ 87,065
Personal accident insurance	380	-	380
Personal health insurance	132,171	-	132,171
Investment-link insurance	393	-	393
	<u>\$ 220,009</u>	<u>\$ -</u>	<u>\$ 220,009</u>

b.Change in unearned premium reserve and ceded unearned premium reserve are as follows:

	For the three months ended March 31,	
	2018	2017
Unearned premium reserve		
At January 1	\$ 283,691	\$ 246,066
Current net change	22,069	15,656
At March 31	<u>\$ 305,760</u>	<u>\$ 261,722</u>
	For the three months ended March 31,	
	2018	2017
Ceded unearned premium reserve		
At January 1	\$ 262,226	\$ 241,887
Current net change	19,530	( 21,858)
Loss on foreign exchange	( 15)	( 20)
At March 31	<u>\$ 281,741</u>	<u>\$ 220,009</u>

(B) Claims reserve and ceded claims reserve are as follows:

a.Details of claims reserve and ceded claims reserve are as follows:

	March 31, 2018		
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 214,813	\$ 28	\$ 214,841
Personal accident insurance	3,923	26,941	30,864
Personal health insurance	24,235	33,486	57,721
Group insurance	-	195	195
Investment link insurance	-	4	4
	<u>\$ 242,971</u>	<u>\$ 60,654</u>	<u>\$ 303,625</u>
Ceded claims reserve			
Personal life insurance	\$ 1,564	\$ -	\$ 1,564
Personal health insurance	2,444	-	2,444
	<u>\$ 4,008</u>	<u>\$ -</u>	<u>\$ 4,008</u>

	December 31, 2017		
	Claims reported but not paid	Claims incurred but not reported	Total
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>
	March 31, 2017		
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 184,862	\$ 1	\$ 184,863
Personal accident insurance	2,745	18,985	21,730
Personal health insurance	25,043	19,714	44,757
Group insurance	-	222	222
Investment link insurance	3,391	-	3,391
	<u>\$ 216,041</u>	<u>\$ 38,922</u>	<u>\$ 254,963</u>
Ceded claims reserve			
Personal life insurance	\$ 3,452	\$ -	\$ 3,452
Personal health insurance	2,813	-	2,813
	<u>\$ 6,265</u>	<u>\$ -</u>	<u>\$ 6,265</u>

b. Change in claims reserve and ceded claims reserve are as follows:

	For the three months ended March 31,	
	2018	2017
Claims reserve		
At January 1	\$ 306,349	\$ 264,393
Current net change	( 2,724)	( 9,427)
Gain on foreign exchange	-	( 3)
At March 31	<u>\$ 303,625</u>	<u>\$ 254,963</u>
	For the three months ended March 31,	
	2018	2017
Ceded claims reserve		
At January 1	\$ 11,293	\$ 7,847
Current net change	( 7,285)	( 1,582)
At March 31	<u>\$ 4,008</u>	<u>\$ 6,265</u>

(C) Reserve for policy benefit:

a.Details of reserve for policy benefit are as follows:

March 31, 2018			
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 167,897,456	\$ -	\$ 167,897,456
Health insurance	18,771,607	-	18,771,607
Annuity insurance	11,678	218,484	230,162
Investment-link insurance	57,583	-	57,583
	<u>\$ 186,738,324</u>	<u>\$ 218,484</u>	<u>186,956,808</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			3,523
Total			<u>\$ 187,010,614</u>
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>
March 31, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 134,290,302	\$ -	\$ 134,290,302
Health insurance	16,888,233	-	16,888,233
Annuity insurance	57,398	-	57,398
Investment-link insurance	61,188	-	61,188
	<u>\$ 151,297,121</u>	<u>\$ -</u>	<u>151,297,121</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Total			<u>\$ 151,347,404</u>

b.Changes in reserve for policy benefit:

	For the three months ended March 31,	
	2018	2017
At January 1	\$ 180,815,233	\$ 146,956,725
Current net change	6,500,939	4,943,310
Gain on foreign exchange	( 305,943)	( 552,631)
Payables to the insured	385	-
At March 31	<u>\$ 187,010,614</u>	<u>\$ 151,347,404</u>

For the three months ended March 31, 2018 and 2017, the interest expense, representing the cost related with delaying payments on contract liabilities over a period of time, are \$1,359,138 and \$1,160,533, respectively.

(D) Premium deficiency reserve:

a. Details of premium deficiency reserve are as follows:

	March 31, 2018		
	Insurance contract	Financial instruments with discretionary participation features	Total
Personal life insurance	\$ 1,768,009	\$ -	\$ 1,768,009
Personal health insurance	3,720	-	3,720
Group insurance	5	-	5
Total	<u>\$ 1,771,734</u>	<u>\$ -</u>	<u>\$ 1,771,734</u>
	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>
	March 31, 2017		
	Insurance contract	Financial instruments with discretionary participation features	Total
Personal life insurance	\$ 2,347,629	\$ -	\$ 2,347,629
Personal health insurance	290	-	290
Group insurance	6	-	6
Total	<u>\$ 2,347,925</u>	<u>\$ -</u>	<u>\$ 2,347,925</u>



b. Change in premium deficiency reserve:

	For the three months ended March 31,	
	2018	2017
Premium deficiency reserve:		
At January 1	\$ 1,810,269	\$ 2,390,230
Current net change	( 35,531)	( 34,704)
Gain on foreign exchange	( 3,004)	( 7,601)
At March 31	<u>\$ 1,771,734</u>	<u>\$ 2,347,925</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:

	March 31, 2018	March 31, 2017
At January 1	\$ 4,297,540	\$ 4,490,665
Recovery	( 43,502)	( 44,191)
At March 31	<u>\$ 4,254,038</u>	<u>\$ 4,446,474</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 three months ended March 31,	
	2018	2017
At January 1	\$ 510,241	\$ 480,615
Provision		
Compulsory provision	42,086	24,667
Subtotal	552,327	505,282
Recovery	( 276,985)	( 409,159)
At March 31	<u>\$ 275,342</u>	<u>\$ 96,123</u>

(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 three months ended March 31, 2018 and 2017 is as follows:

	For the three months ended March 31, 2018		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 143,106	\$ 331,025	\$ 187,919
Earnings per share	0.12	0.27	0.15
Total liabilities	197,102,869	197,378,211	275,342
Total equity	11,219,887	10,999,613	( 220,274)
	For the three months ended March 31, 2017		
	Ineligible amount	Eligible amount	Impact
Net loss	(\$ 416,590)	(\$ 97,462)	\$ 319,128
Losses per share	( 0.51)	( 0.12)	0.39
Total liabilities	158,582,736	158,678,859	96,123
Total equity	7,201,038	7,121,256	( 79,782)

(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 45~55 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) For the aforementioned pension plan, the Company and its domestic subsidiaries recognised pension costs of \$23,570 and \$25,808 for the three months ended March 31, 2018 and 2017, respectively.

(C) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amounts to \$51,886.

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. The “Incentive Award Plan” is contributed till June 2014. Cumulated amounts will be retained until sales agents retire, after which it will be paid in lump-sum to each sales agent according to their respective entitled proportions under the plan.

(C) Under the defined contribution plan, the Company and its domestic subsidiaries recognised pension costs of \$123,752 and \$108,783 for the three months ended March 31, 2018 and 2017, respectively.

(D) 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. Other foreign subsidiaries are in compliance with related regulations enacted by local governments. For the three months ended March 31, 2018 and 2017, the foreign subsidiaries recognised \$152,219 and \$95,761 of pension expense by complying with aforementioned regulations.

(26) Other financial liabilities

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Futures traders’ equity	\$ 55,098,411	\$ 51,868,129	\$ 51,699,175
Structured deposit	13,473,119	16,208,486	15,469,634
Investment-linked products			
liabilities	1,926,076	1,967,642	1,856,934
Appropriated loan fund	45,147	53,402	95,903
Lease payables	679	1,255	3,269
Total	<u>\$ 70,543,432</u>	<u>\$ 70,098,914</u>	<u>\$ 69,124,915</u>

(27) Other liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee deposit-in and margin deposits	\$ 23,395,510	\$ 24,185,238	\$ 17,619,333
Underwriting share proceeds collected on behalf of customers	149,945	582,238	61,514
Collections in advance	1,319,926	1,209,727	1,541,460
Retention bonus payable	1,141,983	1,077,342	996,910
Refundable deposits	2,277,536	1,786,291	738,778
Refundable deposits-derivative	5,388,857	3,681,999	-
Others	1,410,943	880,559	781,698
Total	<u>\$ 35,084,700</u>	<u>\$ 33,403,394</u>	<u>\$ 21,739,693</u>

(28) Share capital/Preferred stock liability

As of March 31, 2018, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$118,202,325, respectively. The aforementioned total paid-in capital includes 11,820,233 thousand shares of common stock, each with a par value of \$10 dollars per share. As of March 31, 2017, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$119,986,478, 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:

	2018	2017
January 1	\$ 11,889,198	\$ 11,998,648
Retirement of treasury share	( 68,965)	-
March 31	<u>\$ 11,820,233</u>	<u>\$ 11,998,648</u>

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>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Post 1998	<u>\$ 4,087,891</u>	<u>\$ 4,111,739</u>	<u>\$ 4,149,499</u>

Source and details of the capital surplus of the Company are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Additional-paid-in capital	\$ 34,001,712	\$ 34,200,072	\$ 34,514,151
Treasury share transactions	3,672,185	3,723,522	3,409,686
Others	37,100	37,100	32,452
	<u>\$ 37,710,997</u>	<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. Details of the earnings distribution for 2017 of the Company resolved by the Board of Directors on March 28, 2018 and 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 resolved by the stockholders' meeting on June 8, 2017 are as follows:

	2017 earnings		2016 earnings	
	Dividend per share		Dividend per share	
	Amount	(in dollars)	Amount	(in dollars)
Legal reserve	\$ 1,620,495	\$ -	\$ 1,341,411	\$ -
Cash dividends	6,492,536	0.55	5,365,642	0.44777

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. Please refer to Note 6(41) for the details of the bonus to employees and remuneration to directors and supervisors.

(BLANK)

### (32) Other equity items

	Translation gain and loss on the financial statements of foreign operating entities	Financial assets at fair value through other comprehensive income	Available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk of the liability	Other comprehensive income on reclassification under the overlay approach	Total
Balance, January 1, 2018	(\$ 2,528,033)	\$ -	\$ 7,085,896	(\$ 3,478)	\$ -	\$4,554,385
Effects of retrospective application and retrospective restatement	71	8,821,189	( 7,085,896)	62,367	389,832	2,187,563
Balance, January 1, 2018 after adjustments	( 2,527,962)	8,821,189	-	58,889	389,832	6,741,948
Financial assets at fair value through profit or loss						
- Evaluation adjustment in the period	- (	1,092,063)	-	-	- (	1,092,063)
- Evaluation transferred to profit or loss	- (	357,643)	-	-	- (	357,643)
- Evaluation transferred to retained earnings	-	211,974	-	-	-	211,974
Other comprehensive income on reclassification under the overlay approach	-	-	-	-	( 419,437)	( 419,437)
Changes in translation difference of foreign operating entities	( 656,676)	-	-	-	- (	656,676)
Effects on income tax	-	192,581	-	-	28,369	220,950
Evaluation of credit risk	-	-	-	( 846)	-	( 846)
Balance, March 31, 2018	(\$ 3,184,638)	\$ 7,776,038	\$ -	\$ 58,043	(\$ 1,236)	\$4,648,207

  

	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	-	759,567	-	-	107	759,674
Realised gain and loss in the period	- (	458,975)	-	-	- (	458,975)
Changes in translation difference of foreign operating entities	( 911,413)	-	-	-	- (	911,413)
Cash flow hedges						
Effect on fair value	-	-	220	-	-	220
Effects on income tax	( 1,152)	2,727	( 50)	-	-	1,525
Evaluation of credit risk	-	-	-	( 2,921)	-	( 2,921)
Balance, March 31, 2017	(\$ 2,997,593)	\$ 6,959,303	\$ 1,772	(\$ 3,382)	(\$ 47,702)	\$3,912,398

(33) Treasury shares

The changes in the Company's treasury shares held by Yuanta Group was as follows (expressed in thousands of shares):

For the three months ended March 31, 2018					
Reason for buyback of shares	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
Maintenance for the Company's credit	68,965	-	( 68,965)	-	-
Total	<u>84,586</u>	<u>-</u>	<u>( 68,965)</u>	<u>15,621</u>	<u>\$ 197,606</u>
For the three months ended March 31, 2017					
Reason for buyback of shares	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>125,875</u>	<u>-</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 three months ended March 31,	
	2018	2017
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 4,669,789	\$ 4,595,464
Interest income from margin trade	1,341,573	1,020,894
Interest income on securities investment	2,771,608	2,498,813
Interest income from placement and call loan to other banks	389,616	352,228
Interest income on bills and bonds purchased under resale agreements	114,314	98,215
Recurring interest income from credit card	69,410	66,538
Other interest income	177,812	190,295
Subtotal	<u>9,534,122</u>	<u>8,822,447</u>
<u>Interest expense</u>		
Interest expense of deposit	( 1,698,217)	( 1,626,296)
Interest expense of Central Bank and other banks' deposit	( 35,593)	( 59,178)
Interest expense on due to the Central Bank and other banks' deposit	( 318,289)	( 207,513)
Interest expense on bills and bonds sold under repurchase agreements	( 629,699)	( 534,698)
Interest expense of structured instruments	( 177,046)	( 15,370)
Coupon rate of bank debenture	( 245,293)	( 273,961)
Coupon rate of corporate bonds	( 84,684)	( 192,988)
Coupon rate of commercial papers	( 59,357)	( 32,981)
Interest expense of margin purchase	( 8,032)	( 7,179)
Other interest expense	( 84,886)	( 34,732)
Subtotal	<u>( 3,341,096)</u>	<u>( 2,984,896)</u>
Total	<u>\$ 6,193,026</u>	<u>\$ 5,837,551</u>

(35) Net service fee and commission income

	For the three months ended March 31,	
	2018	2017
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 5,232,419	\$ 3,279,733
Service fee income on insurance brokerage and stock register	699,238	776,499
Service fee on credit cards	420,627	419,051
Service fee income on trust business	712,041	543,160
Service income on credit extension	200,653	379,692
Underwriting service income	275,758	187,655
Service income on margin trade	28,564	19,906
Commission – reinsurance allowance	17,089	19,501
Service income on foreign exchange	28,637	18,356
Service fee income on consigned settlement	11,914	6,613
Deposits and remittance and other service income	202,978	309,842
Subtotal	<u>7,829,918</u>	<u>5,960,008</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	( 500,761)	( 415,880)
Service expense on trust business	( 2,646)	( 4,668)
Service expense on brokerage	( 458,094)	( 243,467)
Service expense on self-operation	( 26,194)	( 228,164)
Service charge – refinancing	( 472)	( 151)
Service fee expense on credit cards	( 373,246)	( 331,773)
Service expense on settlement	( 129,533)	( 176,852)
Futures commission expense	( 99,153)	( 77,872)
Underwriting service expense	( 9,449)	( 2,087)
Service expense on foreign exchange	( 9,761)	( 7,716)
Service expense on credit extension	( 1,911)	( 3,788)
Deposits and remittance and other service expense	( 118,554)	( 129,239)
Subtotal	<u>( 1,729,774)</u>	<u>( 1,621,657)</u>
Total	<u>\$ 6,100,144</u>	<u>\$ 4,338,351</u>

(36) Net income from insurance operations

	For the three months ended March 31,	
	2018	2017
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 8,006,799	\$ 5,860,719
Less: Reinsurance premium ceded	( 160,389)	( 76,308)
Net changes of unearned premium reserve	( 2,539)	( 37,514)
Retention earned premium income	7,843,871	5,746,897
Investment-linked product income	52,674	89,843
Subtotal	<u>7,896,545</u>	<u>5,836,740</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 1,414,890)	(\$ 1,023,746)
Less: Claims recovered from reinsurers	<u>66,041</u>	<u>49,487</u>
Retention claims and policy benefits payments	( 1,348,849)	( 974,259)
Underwriting expenses	( 1,278)	( 1,818)
Expense from guaranty fund	( 15,224)	( 9,854)
Investment-linked product expenses	( 52,674)	( 89,843)
Subtotal	( 1,418,025)	( 1,075,774)
Total	<u>\$ 6,478,520</u>	<u>\$ 4,760,966</u>

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(37) Gain or loss on financial assets and liabilities at fair value through profit or loss

	For the three months ended March 31, 2018	
<hr/>		
Realized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	\$	50,940
Bonds		1,854,844
Stocks	(	89,782)
Beneficiary certificates		479,568
Time deposits		3,418
Financial bonds payables	(	23,121)
Interest-linked instrument	(	507,511)
Exchange rate-linked instrument		2,566,090
Other financial derivative instruments		1,416,773
Loss on covering of borrowed securities and bonds with resale agreements	(	335,721)
Loss from issuing call (put) warrants	(	3,487,358)
Issuing call (put) warrants expense	(	63,618)
Others		408,057
Subtotal		<hr/> 2,272,579 <hr/>
Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	\$	1,691
Bonds	(	1,342,094)
Stocks	(	249,044)
Beneficiary certificates	(	2,679)
Time deposits		527
Financial bonds payables		10,982
Interest-linked instrument		53,622
Exchange rate-linked instrument		230,210
Equity-linked instrument		239
Other financial derivative instruments		762,442
Valuation gains on borrowed securities and bonds with resale agreements		150,503
Gains on issuance of call (put) warrants		4,479,429
Others		310,284
Subtotal		<hr/> 4,406,112 <hr/>
Total	\$	6,678,691

A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the three months ended March 31, 2018, including the (loss) gain on disposal, was \$933,500, and the issuing call (put) warrants expense, was \$63,618, and the dividends income was \$43,942, and the interest income was \$1,358,755. The Yuanta Group recognised net profit amounting to \$708,384 on financial assets designated as at fair value

through profit or loss for the three months ended March 31, 2018.

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 and liabilities at fair value through profit and loss”.

(38) Asset impairment losses

	For the three months ended March 31,	
	2018	2017
Recovery on investments in debt instruments measured at fair value through other comprehensive income	(\$ 8,233)	\$ -
Impairment loss on investments in debt instruments at amortised cost	8,454	-
Impairment loss on available-for-sale financial assets	-	48,487
Recovery on other financial assets	-	(306)
Total	<u>\$ 221</u>	<u>\$ 48,181</u>

(39) Net other miscellaneous income

	For the three months ended March 31,	
	2018	2017
Borrowed stock revenue	\$ 220,408	\$ 194,384
Net gain on investments in debt instrument without active market	-	42,661
Net change of reserve for foreign exchange fluctuation	234,898	384,492
Other net income	166,922	217,583
Total	<u>\$ 622,228</u>	<u>\$ 839,120</u>

(40) Provision for bad debt expenses, commitment and reserve for guarantee liabilities

	For the three months ended March 31,	
	2018	2017
Bad debt expense of accounts receivable	\$ 210,555	\$ 78,461
Bad debt expense of bills discounted and loans	319,820	146,643
Recovery of reserve for guarantee liabilities	(16,000)	(20,194)
Recognition of loan commitment reserve	4,679	-
Recovery of bad debt expense	(220,911)	(106,621)
Total	<u>\$ 298,143</u>	<u>\$ 98,289</u>

(41) Employee benefit expense

	For the three months ended March 31,	
	2018	2017
Wages and salaries	\$ 5,543,314	\$ 4,306,948
Labor and health insurance fees	229,965	232,013
Pension costs	299,541	230,352
Termination benefits	4,435	24,944
Other employee benefit expenses	336,837	321,224
Total	<u>\$ 6,414,092</u>	<u>\$ 5,115,481</u>

As of March 31, 2018 and 2017, the Yuanta Group had 13,841 and 14,347 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 three months ended March 31, 2018 and 2017, employees' compensation was accrued at \$5,058 and \$2,750, respectively; directors' and supervisors' remuneration was accrued at \$45,523 and \$13,752, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors in 2017 was in agreement with those amounts recognised in the 2017 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).

(42) Depreciation and amortization

	For the three months ended March 31,	
	2018	2017
Investment property depreciation	\$ 19,565	\$ 19,220
Property and equipment depreciation	242,525	218,729
Intangible asset amortization	292,933	310,999
Deferred assets amortization	22,370	26,831
Total	<u>\$ 577,393</u>	<u>\$ 575,779</u>

(43) Other business and administrative expenses

	For the three months ended March 31,	
	2018	2017
Tax	\$ 843,034	\$ 668,463
Rental expense	453,296	457,931
Computer science expense	292,435	268,180
Commission expense	359,041	198,836
Professional expense	135,624	132,049
Postage and telephone costs	171,020	145,154
Miscellaneous expenses	139,096	116,987
Repairs and maintenance	100,931	143,144
Insurance	142,066	76,747
Security borrowing expenses	134,564	117,065
Advertising expenses	63,548	60,490
Others	501,822	559,015
Total	<u>\$ 3,336,477</u>	<u>\$ 2,944,061</u>

(44) 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 three months ended March 31,	
	2018	2017
Current tax:		
Income tax from current income period	\$ 744,571	\$ 521,952
Adjustments in respect of prior years	53,166	(199,135)
Total current tax	<u>797,737</u>	<u>322,817</u>
Deferred tax:		
Origination and reversal of temporary differences	140,858	158,525
Impact of change in tax rate	2,715	-
Total deferred tax	<u>143,573</u>	<u>158,525</u>
Income tax expense	<u>\$ 941,310</u>	<u>\$ 481,342</u>

(B) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the three months ended March 31,	
	2018	2017
Translation gain and loss on the financial statements of foreign operating entities	\$ -	\$ 1,152
Unrealised loss from investments in debt instruments measured at fair value through other comprehensive income	( 174,667)	-
Unrealised loss from investments in equity instruments measured at fair value through other comprehensive income	( 51,564)	-
Other comprehensive income on reclassification under the overlay approach	( 30,589)	-
Fair value loss on available-for-sale financial assets	-	( 2,631)
Share of profit of associates and joint ventures accounted for using equity method	-	( 2,060)
Cash flow hedges	-	50
Losses on remeasurements of defined benefit plans	( 9,681)	-
Impact of change in tax rate	( 19,786)	-
Total	(\$ 286,287)	(\$ 3,489)

B. As of March 31, 2018, the information on the Yuanta Group's income tax returns that have been assessed by the Tax Authority is as follows:

	Assessment Information
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 2016
Yuanta Securities Investment Trust	Assessed through 2014
Yuanta Life	Assessed through 2013
Yuanta International Insurance Brokers	Assessed through 2016
Yuanta International Leasing	Assessed through 2016
Yuanta I Venture Capital	Assessed through 2015

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Yuanta Group has recognised the impact of the change in income tax rate.



D. 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. 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 2011 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.

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(45) Earnings per share

For the three months ended March 31, 2018			
	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 ordinary shareholders of the parent	\$ 5,615,089	11,804,611	\$ 0.48
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,615,089	11,804,611	\$ 0.48
Assumed conversion of all dilutive potential ordinary shares	-	-	-
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 5,615,089		\$ 0.48
For the three months ended March 31, 2017			
	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	\$ 3,222,416	11,872,773	\$ 0.27
Loss attributable to discontinued operations of the parent	( 171,046)		( 0.01)
Profit attributable to ordinary shareholders of the parent	\$ 3,051,370		\$ 0.26
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 3,222,416	11,872,773	\$ 0.27
Loss attributable to discontinued operations of the parent	( 171,046)		( 0.01)
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,051,370		\$ 0.26

For the three months ended March 31, 2017, the Company's convertible preferred stocks are anti-dilutive, and thus shall not be included in the calculation of diluted earnings per share.

(46) Business combinations

A. 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).

- B. 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>304,081</u>
Goodwill	<u>\$ 134,312</u>

- C. 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)” in the second quarter of 2017.

- D. If Yuanta Securities (Vietnam) had been consolidated as of January 1, 2017, the Yuanta Group’s operating revenue and profit before income tax for the three months ended March 31, 2017 would be \$17,560,154 and \$3,956,464, respectively.

(47) Changes in liabilities from financing activities

	Bills and bonds payable under repurchase agreements	Commercial paper payable	Other borrowings
At January 1, 2018	\$ 197,101,189	\$ 44,704,087	\$ 71,754,771
Changes in cash flow from financing activities	( 2,524,127)	8,963,100	1,066,663
Impact of changes in foreign exchange rate	-	-	57,500
Amortisation of a premium or a discount on interest	<u>-</u>	<u>( 6,413)</u>	<u>-</u>
At March 31, 2018	<u>\$ 194,577,062</u>	<u>\$ 53,660,774</u>	<u>\$ 72,878,934</u>

## 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
Lo Sheng Feng Co., Ltd.	"
Yuanta Cultural & Education Foundation (Yuanta Foundation)	A director of Yuanta Group holds a key managing position
Yuan Kun Construction Co., Ltd. (Yuan Kun 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.)
He Xing Construction Co., Ltd. (He Xing Construction)	The close relative of one of Yuanta Group's management holds a key managing position in the entity.
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	"
TongYang Agri-Food Investment Fund-2nd	"
KVIC-Yuanta 2015 Overseas Fund	"
IBKC-TongYang Growth 2013 Private Equity Fund	"
Yuanta Secondary NO.2 Fund	"

Names of related parties	Relationship with the Group
Hyungdai-Tongyang Agrifood Private Equity Fund	Investments accounted for using equity method of Yuanta Securities (Korea)
2016KIF-Yuanta ICT Venture Fund	"
Yuanta SPAC II	"
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.

Note: Yuanta Bank merged with Ta Chong Bank, and the acquisition date is January 1, 2018. Yuanta Bank was the surviving entity de jure while Ta Chong Bank was dissolved thereafter. The above affiliate was no longer a related party ever since.

**B. Significant transactions and balances with related parties**

**(1) Deposits**

March 31, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 12,382,070	1.20	0.00~6.065
December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 12,943,082	1.23	0.00~6.50
March 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 9,425,208	0.89	0.00~6.82

Apart from an interest rate limit on staff demand savings deposits of 6.065% and 6.065%, for the three months ended March 31, 2018 and 2017, the range of interest rates on other related parties' demand savings deposits were 0.00% to 5.39% and 0.00% to 6.50%, 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 three months ended March 31, 2018 and 2017, interest expense on the above deposits were \$15,872 and \$23,409, respectively.

(2)Loans

Yuanta Bank and its subsidiaries

March 31, 2018

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	176	\$ 35,310	\$ 27,425	\$ 27,425	\$ -	Credit loans and movables	None
Home mortgage loans	410	3,277,866	3,054,184	3,054,184	-	Real estate	None
Other loans	Yung Chin International Investment	35,800	35,327	35,327	-	Real estate	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	Asia Carbons	2,083	1,833	1,833	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	67	210,921	141,134	141,134	-	Stock, deposits, policy and real estate	None
Total			3,308,903	3,308,903	-		

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	291	\$ 56,221	\$ 32,872	\$ 32,872	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	456	4,005,331	3,223,943	3,223,943	-	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
	Asia Carbons	3,000	2,083	2,083	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
Total			3,488,727	3,488,727	-		

March 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	175	\$ 41,307	\$ 35,817	\$ 35,817	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	426	3,643,785	3,340,963	3,340,963	-	Real estate	None
Other loans	Yuan Kun Construction	573,000	573,000	573,000	-	Real estate	None
	Yung Chin international investment	37,692	37,219	37,219	-	Real estate	None
	Asia Carbons	3,000	2,833	2,833	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	52	161,945	119,976	119,976	-	Stock, deposits, policy and real estate	None
Total			4,109,808	4,109,808	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.68% to 2.52% and 1.80% to 2.80%, the interest rates on the remaining loans are ranging from 0.00% to 8.58% and 0.00% to 4.99% for the three months ended March 31, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the three months ended March 31, 2018 and 2017, interest income resulting from the above loans amounted to \$13,449 and \$17,214, respectively.

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(3)Property transactions

(A)The details of the Yuanta Group investments in open-end funds were as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
Funds managed by Yuanta			
Securities Investment			
Trust	<u>\$ 1,899,264</u>	<u>\$ 2,738,051</u>	<u>\$ 1,956,721</u>
	<u>For the three months ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	
	<u>Unrealized gain</u>	<u>Realized gain</u>	<u>Unrealized loss</u> <u>Realized gain</u>
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust	<u>(\$ 32,738)</u>	<u>\$ 186,509</u>	<u>(\$ 39,696)</u> <u>\$ 1,040</u>

(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 three months ended March 31, 2018</u>			
	<u>Highest</u>	<u>Ending</u>	<u>Interest</u>	<u>Notional</u>
	<u>balance</u>	<u>balance</u>	<u>rate (%)</u>	<u>amount</u>
Company's directors:				
Others	\$ 481,040	\$ 430,070	0.35	
Others	5,824	5,824	1.8~1.9 (Note: USD)	USD 100
Other related parties:				
Funds managed by Yuanta				
Securities Investment			4.10	
Trust	442,253	-	(Note: CNY)	CNY -
Funds managed by Yuanta				
Securities Investment			2.00~2.05	
Trust	147,035	-	(Note: USD)	USD -
Mercuries Life Insurance	1,330,191	243,009	0.31~0.32	
Hsu Tong Investment	21,020	21,020	0.35	
Others	724,785	715,313	0.35	
		<u>\$1,415,236</u>		



For the three months ended March 31, 2017				
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 801,536	\$ 801,536	0.35	-
Other related parties:				
Others	739,544	<u>738,021</u>	0.35	-
		<u>\$1,539,557</u>		

Note: For foreign currency repo trade.

Interest expenses				
For the three months ended March 31,				
	2018		2017	
Company's directors:				
Others	\$	405	\$	622
Other related parties:				
Funds managed by Yuanta				
Securities Investment Trust		2,156		-
Mercuries Life Insurance		63		-
Hsu Tong Investment		18		-
Others		<u>621</u>		<u>637</u>
	\$	<u>3,263</u>	\$	<u>1,259</u>

b. Bonds sold and purchased:

For the three months ended March 31,				
	2018		2017	
	Bonds purchased	Bonds sold	Bonds purchased	Bonds sold
Other related parties:				
Yuanta SPAC I	\$ -	\$ -	\$ 23,757	\$ -
Yuanta SPAC II	21,622	-	21,045	-
Yuanta SPAC III	18,221	-	-	-
Mercuries Life Insurance	-	<u>2,034,477</u>	-	-
	<u>\$ 39,843</u>	<u>\$ 2,034,477</u>	<u>\$ 44,802</u>	<u>\$ -</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 three months ended March 31, 2018				
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 36,399	<u>\$ 36,399</u>	2.1~2.35 (Note: USD)	USD 780

For the three months ended March 31, 2017			
	Highest balance	Ending balance	Interest rate (%)
Company's directors:			
Others	\$ 38,969	\$ <u>38,969</u>	1.80~2.00 (Note: USD)
			USD 777
			Interest income
			For the three months ended March 31,
			2018
			2017
Company's directors:			
Others	\$	199	\$ 180
Note: For foreign currency repo trade.			
(4) Structured notes			
	March 31, 2018	December 31, 2017	March 31, 2017
Company's directors:			
Others	\$ 114,062	\$ 108,439	\$ 50,816
Other related parties:			
Others	9,760	43,899	81,883
	\$ <u>123,822</u>	\$ <u>152,338</u>	\$ <u>132,699</u>
(5) Equity of futures traders			
	March 31, 2018	December 31, 2017	March 31, 2017
Company's directors:			
Others	\$ 860,092	\$ 857,927	\$ 53,011
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	16,516,651	13,888,715	14,770,378
Others	18,469	14,889	17,289
	\$ <u>17,395,212</u>	\$ <u>14,761,531</u>	\$ <u>14,840,678</u>
(6) Refundable deposits for securities lending and refundable deposits receivable lending and security borrowing expenses			
	Refundable deposits for securities lending		
	March 31, 2017	December 31, 2017	March 31, 2017
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	\$ 278,609	\$ 125,605	\$ 23,302
	Refundable deposits receivable lending		
	March 31, 2017	December 31, 2017	March 31, 2017
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	\$ 21,314	\$ 5,879	\$ -

	Security borrowing expenses		
	For the three months ended March 31,		
	2018		2017
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	\$ 2,327	\$	317
As of March 31, 2018, December 31, 2017 and March 31, 2017, borrowing expenses payable were \$1,104, \$1,779 and \$92, respectively.			
(7)Receivables from loans to employees and the interest income generated			
	Receivables from loans to employees		
	March 31, 2018	December 31, 2017	March 31, 2017
Company's directors:			
Others	\$ 24,426	\$ 25,396	\$ 9,917
Other related parties:			
Others	233,902	243,731	221,334
	\$ 258,328	\$ 269,127	\$ 231,251
	Interest income on loans to employees		
	For the three months ended March 31,		
	2018		2017
Company's directors:			
Others	\$ 246	\$	213
Other related parties:			
Others	2,040		1,851
	\$ 2,286	\$	2,064
(8)Receivables from access service fees income and access service fees income			
	Access service fees income		
	For the three months ended March 31,		
	2018		2017
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	\$ 27	\$	239
As of March 31, 2018, December 31, 2017 and March 31, 2017, receivables from access service fees income were all \$0.			

(9)Commission receivables and Commission income

Commission receivables			
	March 31, 2018	December 31, 2017	March 31, 2017
Other related parties:			
Yuanta Secondary No.2 Fund	\$ 8,590	\$ 8,747	\$ -
KVIC-Yuanta 2015 Overseas Fund	5,137	5,231	-
Hyundai-Tongyang Agrifood Private Equity Fund	4,824	4,733	6,339
2016KIF-Yuanta ICT Venture Fund	4,054	4,219	-
IBKC-TongYang Growth 2013 Private Equity Fund	3,565	3,571	3,455
Other	4,759	20,819	11,433
	<u>\$ 30,929</u>	<u>\$ 47,320</u>	<u>\$ 21,227</u>
Commission income			
For the three months ended March 31,			
	2018	2017	
Other related parties:			
Yuanta Secondary No.2 Fund	\$ 8,566	\$ -	
KVIC-Yuanta 2015 Overseas Fund	5,123	5,056	
2016KIF-Yuanta ICT Venture Fund	4,043	2,659	
IBKC-TongYang Growth 2013 Private Equity Fund	3,556	3,436	
2011 KIF-TongYang IT Venture Fund	2,011	2,251	
Other	2,910	9,022	
	<u>\$ 26,209</u>	<u>\$ 22,424</u>	

(10)Receivable from stock custodian income and stock custodian income

Receivable from stock custodian			
	March 31, 2018	December 31, 2017	March 31, 2017
Other related parties:			
Others	\$ 69	\$ 69	\$ 69
Stock custodian income			
For the three months ended March 31,			
	2018	2017	
Other related parties:			
Others	\$ 171	\$ 171	

(11)Investment refund receivable

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	\$ 106,296	\$ 107,787	\$ 94,320
2011KIF-TongYang IT Venture Fund	35,794	36,448	34,933
TongYang Agri-Food Investment Fund-2nd	<u>32,828</u>	<u>33,427</u>	<u>31,777</u>
	<u>\$ 174,918</u>	<u>\$ 177,662</u>	<u>\$ 161,030</u>

(12)Margin loans receivable and security financing interest revenue

	<u>Margin loans receivable</u>		
	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
Others	<u>\$ 1,593</u>	<u>\$ 1,786</u>	<u>\$ 921</u>
	<u>Security financing interest revenue</u>		
	<u>For the three months ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 26</u>	<u>\$ 16</u>	

(13)Security-based loans and security-based loan interest income

	<u>Security-based loans</u>		
	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
Others	<u>\$ 29,578</u>	<u>\$ 29,121</u>	<u>\$ 28,428</u>
	<u>Security-based loan interest income</u>		
	<u>For the three months ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	
Other related parties:			
Others	<u>\$ 135</u>	<u>\$ 123</u>	

(14)Other receivables

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
Others	<u>\$ 221</u>	<u>\$ 121</u>	<u>\$ 390</u>

(15) Other financial liabilities and Interest expense

Customers' deposits of Yuanta Securities recorded as Other financial liabilities were as follows:

Other financial liabilities			
	March 31, 2018	December 31, 2017	March 31, 2017
Company's directors:			
Others	\$ 24,149	\$ 1,798	\$ 2,079
Other related parties:			
Others	-	2	-
	<u>\$ 24,149</u>	<u>\$ 1,800</u>	<u>\$ 2,079</u>
Interest expense			
For the three months ended March 31,			
	2018	2017	
Other related parties:			
Others		<u>\$ 14</u>	<u>\$ -</u>
(16) Accounts payable			
	March 31, 2018	December 31, 2017	March 31, 2017
Other related parties:			
Antay Securities	<u>\$ 299</u>	<u>\$ 242</u>	<u>\$ -</u>
(17) Other payables			
	March 31, 2018	December 31, 2017	March 31, 2017
Company's directors:			
Others	<u>\$ 41</u>	<u>\$ 296</u>	<u>\$ -</u>
(18) Stocks issued by fellow subsidiary			
Ending balance			
	March 31, 2018	December 31, 2017	March 31, 2017
Other related parties			
Sintronic Technology	\$ 111,652	\$ 124,328	\$ -
Others	<u>1</u>	<u>1</u>	<u>-</u>
	<u>\$ 111,653</u>	<u>\$ 124,329</u>	<u>\$ -</u>
For the three months ended March 31,			
	Unrealized loss	Realized loss	
Other related parties			
Sintronic Technology	(\$ 8,630)	(\$ 265)	
Others	(1)	(36)	
	<u>(\$ 8,631)</u>	<u>(\$ 301)</u>	

For the three months ended March 31, 2017, 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:

March 31, 2018			
	Margin of stock loan	Balance of guaranteed price from securities borrower	Balance
Company's directors:			
Others	\$ 1,989	\$ 2,274	\$ 66,969
Other related parties:			
Others	1,006	1,112	23,854
	<u>\$ 2,995</u>	<u>\$ 3,386</u>	<u>\$ 90,823</u>
December 31, 2017			
	Margin of stock loan	Balance of guaranteed price from securities borrower	Balance
Company's directors:			
Others	\$ 5,237	\$ 4,996	\$ 72,010
Other related parties:			
Others	2,431	4,698	38,498
	<u>\$ 7,668</u>	<u>\$ 9,694</u>	<u>\$ 110,508</u>
March 31, 2017			
	Margin of stock loan	Balance of guaranteed price from securities borrower	Balance
Company's directors:			
Others	\$ 2,525	\$ 2,694	\$ 51,448
Other related parties:			
Others	361	395	28,680
	<u>\$ 2,886</u>	<u>\$ 3,089</u>	<u>\$ 80,128</u>
Security financing interest receivable			
	March 31, 2018	December 31, 2017	March 31, 2017
Company's directors:			
Others	\$ 1,069	\$ 1,226	\$ 919
Other related parties:			
Others	518	663	350
	<u>\$ 1,587</u>	<u>\$ 1,889</u>	<u>\$ 1,269</u>

		Security short-selling interest payable		
		<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Company's directors:				
Others	\$	-	\$ -	\$ 1
Other related parties:				
Others		-	-	1
	\$	-	\$ -	\$ 2
		For the three months ended March 31,		
		<u>2018</u>	<u>2017</u>	
		Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures
			Security financing interest revenue	
Company's directors:				
Others	\$	-	\$ 1,111	\$ 29
Other related parties:				
Others		-	564	3
	\$	-	\$ 1,675	\$ 32
(20)Prepaid expenses and consultant fees		Prepaid expenses		
		<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:				
M-Venture	\$	-	\$ -	\$ 29,900
		Consultant fees		
		For the three months ended March 31,		
		<u>2018</u>	<u>2017</u>	
Other related parties:				
M-Venture			\$ -	\$ 4,910
(21)Futures commission expenses – futures introducing broker business and re-consignment business		For the three months ended March 31,		
		<u>2018</u>	<u>2017</u>	
Other related parties:				
Antay Securities	\$	678	\$	-
(22)ETF redemption fees		For the three months ended March 31,		
		<u>2018</u>	<u>2017</u>	
Other related parties:				
Funds managed by Yuanta Securities Investment Trust	\$	11,298	\$	3,912



(23) Information technology expense

		For the three months ended March 31,	
		2018	2017
Other related parties:			
Reuters		\$ 3,063	\$ 2,677

(24) Operating expenses:

		For the three months ended March 31,	
		2018	2017
	Nature		
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 25,500	\$ 26,000
Polaris Research	Donation expenditure	20,700	20,140
		\$ 46,200	\$ 46,140

(25) Premium income

		For the three months ended March 31,	
		2018	2017
Other related parties:			
Others		\$ 119,468	\$ 66,810

(26) 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 three months ended March 31,		
		2018		2017
Other related parties:				
He Xing Construction		\$ -	\$	1,233
		Security deposits		
		March 31, 2018	December 31, 2017	March 31, 2017
Other related parties:				
He Xing Construction		\$ -	\$ 250,000	\$ 250,000

(27) The details of the service fees arising from brokerage commissions engaged by the Company and its related parties were as follows:

		For the three months ended March 31,	
		2018	2017
Company's directors:			
Others		\$ 3,961	\$ 3,796
Other related parties:			
Funds managed by Yuanta Securities Investment Trust		51,144	48,669
Others		6,536	3,814
		\$ 61,641	\$ 56,279

(28) Rental income incident to leases from related parties by Yuanta Group. The circumstances of the transaction are as follows:

	For the three months ended March 31,	
	2018	2017
Other related parties:		
Polaris Research	\$ 549	\$ 549
Yuanta Construction Development	171	121
Yuanta Foundation	10	10
	<u>\$ 730</u>	<u>\$ 680</u>

(29) Deposits received incident to leases from related parties by Yuanta Group. The circumstances of the transaction are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
Polaris Research	\$ 547	\$ 547	\$ 547
Yuanta Foundation	11	11	11
	<u>\$ 558</u>	<u>\$ 558</u>	<u>\$ 558</u>

(30) Information on remunerations to the Company's key management:

	For the three months ended March 31,	
	2018	2017
Salaries and other short-term employee benefits	\$ 1,370,489	\$ 1,042,650
Termination benefits	15,564	17,652
Post-employment benefit	41,229	40,426
Total	<u>\$ 1,427,282</u>	<u>\$ 1,100,728</u>

(BLANK)

C. Transactions and balances with related parties exceeding \$100 million:

(1) Yuanta Bank and its subsidiaries

(A) Deposits

March 31, 2018

<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 45,537,873	4.28	0.00~6.065

December 31, 2017

<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 47,270,287	4.34	0.00~6.50

March 31, 2017

<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 47,304,697	4.31	0.00~6.82

Apart from an interest rate limit on staff demand savings deposits of 6.065% and 6.065%, for the three months ended March 31, 2018 and 2017, the range of interest rates on other related parties' demand savings deposits were 0.00% to 5.39% and 0.00% to 6.50%, 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 three months ended March 31, 2018 and 2017, interest expense on the above deposits was \$60,559 and \$64,154, respectively.

(BLANK)

## (B)Loans

March 31, 2018

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	176	\$ 35,310	\$ 27,425	\$ 27,425	\$ -	Credit loans and movables	None
Home mortgage loans	410	3,277,866	3,054,184	3,054,184	-	Real estate	None
Other loans	Yung Chin International Investment	35,800	35,327	35,327	-	Real estate	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	Asia Carbons	2,083	1,833	1,833	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	67	210,921	141,134	141,134	-	Stock, deposits, policy and real estate	None
Total			3,308,903	3,308,903	-		

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	291	\$ 56,221	\$ 32,872	\$ 32,872	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	456	4,005,331	3,223,943	3,223,943	-	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
	Asia Carbons	3,000	2,083	2,083	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	74	265,058	167,029	167,029	-	Stock, deposits, policy and real estate	None
Total			3,488,727	3,488,727	-		

March 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	175	\$ 41,307	\$ 35,817	\$ 35,817	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	426	3,643,785	3,340,963	3,340,963	-	Real estate	None
Other loans	Yuan Kun Construction	573,000	573,000	573,000	-	Real estate	None
	Yung Chin International Investment	37,692	37,219	37,219	-	Real estate	None
	Asia Carbons	3,000	2,833	2,833	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	52	161,945	119,976	119,976	-	Stock, deposits, policy and real estate	None
Total			4,109,808	4,109,808	-		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.68% to 2.52% and 1.80% to 2.80%, the interest rates on the remaining loans are ranging from 0.00% to 8.58% and 0.00% to 4.99% for the three months ended March 31, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the three months ended March 31, 2018 and 2017, interest income resulting from the above loans amounted to \$13,449 and \$17,214, respectively.

(C)Service fee income

	For the three months ended March 31,	
	2018	2017
Fellow subsidiary:		
Yuanta Life	\$ 168,664	\$ 62,923
Yuanta funds	3,155	2,733
Yuanta Futures	95	8
Yuanta Asia Investment	30	30
	<u>\$ 171,944</u>	<u>\$ 65,694</u>

Resulting from the above-mentioned brokerage of funds, insurances, and trusts, the related receivables were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:			
Yuanta Life	\$ 62,297	\$ 29,376	\$ 23,793
Yuanta Securities Investment Trust	460	400	530
	<u>\$ 62,757</u>	<u>\$ 29,776</u>	<u>\$ 24,323</u>

(D)Rental expense

Name	Purpose	For the three months ended March 31,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	Office rental/Venue rental	\$ 30,741	\$ 23,809
Yuanta Securities Finance	Office rental	634	634
parties:			
He Xing Construction	Office rental	-	1,233
		<u>\$ 31,375</u>	<u>\$ 25,676</u>

As of March 31, 2018, December 31, 2017 and March 31, 2017, the above-mentioned transaction payment terms are based on a mutually signed contract. The related security deposits were \$6,833, \$256,561 and \$254,427, respectively.

(E)Current income tax assets/liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax refundable	<u>\$ 2,276,587</u>	<u>\$ 2,276,587</u>	<u>\$ 2,230,339</u>
Consolidated income tax payable	<u>\$ 571,142</u>	<u>\$ 477,017</u>	<u>\$ 641,184</u>

(F)Other

- a. As of December 31, 2017 and March 31, 2017, 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 year ended December 31, 2017 and

the three months ended March 31, 2017, Ta Chong Bank recognised interest expense of \$2,364,620 and \$32,500 on the aforementioned preferred stock, respectively.

- b. 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.
- c. 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. The stock acquisition was approved by the Competent Authority on September 27, 2017 and was settled on October 31, 2017.

(2) 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:

		March 31, 2018		
		Futures trading guarantees		
		Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:	Yuanta Futures	\$ 25,666	\$ 1,473,601	\$ 2,125,061
		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
		March 31, 2017		
		Futures trading guarantees		
		Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary:	Yuanta Futures	\$ 21,663	\$ 672,516	\$ 1,380,460
		Settlement and clearing service fees payable		
		March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:	Yuanta Futures	\$ 3,558	\$ 3,170	\$ 3,725

For the three months ended March 31, 2018			
	<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:			
Yuanta Futures	\$ <u>66,366</u>	\$ <u>9,126</u>	\$ <u>27,951</u>

For the three months ended March 31, 2017			
	<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:			
Yuanta Futures	\$ <u>49,364</u>	\$ <u>8,666</u>	\$ <u>15,169</u>

(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:

March 31, 2018			
	<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>	
Fellow subsidiary:			
Yuanta Bank	\$ <u>13,675,664</u>	\$	<u>1,688</u>

December 31, 2017			
	<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>	
Fellow subsidiary:			
Yuanta Bank	\$ <u>12,237,236</u>	\$	<u>1,444</u>

March 31, 2017			
	<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>	
Fellow subsidiary:			
Yuanta Bank	\$ <u>16,697,152</u>	\$	<u>1,703</u>

For the three months ended March 31,			
	<u>2018</u>	<u>2017</u>	
	<u>Other gains and losses – interest revenue (Note)</u>	<u>Other gains and losses – interest revenue (Note)</u>	
Fellow subsidiary:			
Yuanta Bank	\$ <u>10,859</u>	\$	<u>6,720</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 \$870,000, \$1,036,000 and \$508,000, respectively, as of March 31, 2018, December 31, 2017 and March 31, 2017.



(C)Receivables/ payables - consolidated income tax return system (recorded as Current income tax assets/liabilities)

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax return receivables	<u>\$ 682,431</u>	<u>\$ 682,431</u>	<u>\$ 667,251</u>
Consolidated income tax return payables	<u>\$ 1,244,500</u>	<u>\$ 1,108,346</u>	<u>\$ 1,426,997</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:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 925,000</u>	<u>\$ 975,000</u>	<u>\$ 935,000</u>

(E)Refundable deposits for securities lending, refundable deposits receivable lending and security borrowing expenses

	<u>March 31, 2018</u>		
	<u>Refundable deposits for securities lending</u>	<u>Refundable deposits receivable lending</u>	<u>Borrowing expenses payable</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	<u>\$ 278,609</u>	<u>\$ 21,314</u>	<u>\$ 1,104</u>
	<u>December 31, 2017</u>		
	<u>Refundable deposits for securities lending</u>	<u>Refundable deposits receivable lending</u>	<u>Borrowing expenses payable</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	<u>\$ 125,605</u>	<u>\$ 5,879</u>	<u>\$ 1,779</u>
	<u>March 31, 2017</u>		
	<u>Refundable deposits for securities lending</u>	<u>Refundable deposits receivable lending</u>	<u>Borrowing expenses payable</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	<u>\$ 23,302</u>	<u>\$ -</u>	<u>\$ 92</u>

		Security borrowing expenses	
		For the three months ended March 31,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities Finance	\$	490	\$ 181
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		2,327	317
	\$	<u>2,817</u>	<u>\$ 498</u>

(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		
		March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:				
Yuanta Life	\$	63,292	\$ 22,148	\$ 16,041
Others		160	376	-
Other related parties:				
Yuanta Secondary No.2 Fund		8,590	8,747	-
KVIC-Yuanta 2015 Overseas Fund		5,137	5,231	-
Hyundai-Tongyang Agrifood				
Private Equity Fund		4,824	4,733	6,339
2016KIF-Yuanta ICT				
Venture Fund		4,054	4,219	-
IBKC-TongYang Growth 2013				
Private Equity Fund		3,565	3,571	3,455
Others		4,759	20,819	11,433
	\$	<u>94,381</u>	<u>\$ 69,844</u>	<u>\$ 37,268</u>

		Commission income	
		For the three months ended March 31,	
		2018	2017
Fellow subsidiary:			
Yuanta Life	\$	131,647	\$ 52,917
Others		319	-
Other related parties:			
Yuanta Secondary No.2 Fund		8,566	-
KVIC-Yuanta 2015 Overseas Fund		5,123	5,056
2016KIF-Yuanta ICT Venture Fund		4,043	2,659
IBKC-TongYang Growth 2013 Private Equity			
Fund		3,556	3,436
2011 KIF-TongYang IT Venture Fund		2,011	2,251
Others		2,910	9,022
	\$	<u>158,175</u>	<u>\$ 75,341</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 three months ended March 31,			
	2018		2017	
	Bonds Purchased	Bonds Sold	Bonds Purchased	Bonds Sold
Fellow subsidiary:				
Yuanta Bank	\$ -	\$ 99,876	\$ -	\$ -
Ta Chong Securities	-	-	-	50,075
Other related parties:				
Yuanta SPAC I	-	-	23,757	-
Yuanta SPAC II	21,262	-	21,045	-
Yuanta SPAC III	18,221	-	-	-
Mercuries Life Insurance	-	2,034,477	-	-
	<u>\$ 39,483</u>	<u>\$ 2,134,353</u>	<u>\$ 44,802</u>	<u>\$ 50,075</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.

(J) Structured notes

Please refer to Note 7B(4).

(K) Customer margin deposit account

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Fellow subsidiary:			
Yuanta Futures	<u>\$ 136,677</u>	<u>\$ 96,679</u>	<u>\$ 8,505</u>

(L) Funds and beneficiary certificates managed by fellow subsidiary

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
Fund managed by Yuanta Securities Investment	<u>\$ 1,471,333</u>	<u>\$ 2,149,321</u>	<u>\$ 1,700,696</u>

	For the three months ended March 31,			
	2018		2017	
	Unrealized gain	Realized gain	Unrealized gain	Realized gain
Other related parties:				
Fund managed by Yuanta Securities Investment Trust	<u>(\$ 32,390)</u>	<u>\$ 148,317</u>	<u>(\$ 33,531)</u>	<u>\$ 5,676</u>

## (M) Stocks issued by fellow subsidiary

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Parent company:			
Yuanta Financial Holdings	\$ -	\$ -	\$ 1,400,964
Other related parties:			
Sintronic Technology	111,652	124,328	-
Others	<u>1</u>	<u>1</u>	<u>-</u>
	<u>\$ 111,653</u>	<u>\$ 124,329</u>	<u>\$ 1,400,964</u>
	<u>For the three months ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	
	<u>Unrealised</u>	<u>Unrealised</u>	<u>Realised</u>
	<u>loss</u>	<u>gain</u>	<u>loss</u>
Parent company:			
Yuanta Financial Holdings	\$ -	(\$ 12)	\$ 87,560 (\$ 10)
Other related parties:			
Sintronic Technology	( 8,630)	( 265)	-
Others	<u>( 1)</u>	<u>( 36)</u>	<u>-</u>
	<u>(\$ 8,631)</u>	<u>(\$ 313)</u>	<u>\$ 87,560 (\$ 10)</u>

## (N) Credit transaction

	<u>March 31, 2018</u>		
	<u>Margin of</u>	<u>Balance of</u>	<u>Balance</u>
	<u>stock loan</u>	<u>guaranteed price</u>	
		<u>from securities</u>	
		<u>borrower</u>	
Company's directors:			
Others	\$ 1,989	\$ 2,274	\$ 66,969
Other related parties:			
Others	<u>1,006</u>	<u>1,112</u>	<u>23,854</u>
	<u>\$ 2,995</u>	<u>\$ 3,386</u>	<u>\$ 90,823</u>
	<u>December 31, 2017</u>		
	<u>Margin of</u>	<u>Balance of</u>	<u>Balance</u>
	<u>stock loan</u>	<u>guaranteed price</u>	
		<u>from securities</u>	
		<u>borrower</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>

		March 31, 2017		
		Margin of stock loan	Balance of guaranteed price from securities borrower	Balance
Company's directors:				
Others		\$ 2,525	\$ 2,694	\$ 51,448
Other related parties:				
Others		361	395	28,680
		<u>\$ 2,886</u>	<u>\$ 3,089</u>	<u>\$ 80,128</u>
		March 31, 2018	December 31, 2017	
		Security short- selling interest payable	Security financing interest receivable	Security financing interest receivable
Company's directors:				
Others	\$ -	\$ 1,069	\$ -	\$ 1,226
Other related parties:				
Others	-	518	-	663
	<u>\$ -</u>	<u>\$ 1,587</u>	<u>\$ -</u>	<u>\$ 1,889</u>
		March 31, 2017		
		Security short- selling interest payable		Security financing interest receivable
Company's directors:				
Others		\$ 1	\$ 919	
Other related parties:				
Others		1	350	
		<u>\$ 2</u>	<u>\$ 1,269</u>	
		For the three months ended March 31,		
		2018	2017	
		Security short- selling interest expenditures	Security financing interest revenue	Security financing interest revenue
Fellow subsidiary:				
Yuanta Futures	\$ -	\$ -	\$ 248	\$ -
Company's directors:				
Others	-	1,111	29	1,337
Other related parties:				
Others	-	564	3	659
	<u>\$ -</u>	<u>\$ 1,675</u>	<u>\$ 280</u>	<u>\$ 1,996</u>

(P) Others

As of March 31, 2018, December 31, 2017 and March 31, 2017, the lines of credit Yuanta Securities and its subsidiaries have drawn in order to acquire Yuanta Bank were all \$4,600,000. The carrying amounts of land and building amounting to \$3,668,815, \$3,678,840 and \$3,714,014, respectively, were designated as collateral.

(3) Yuanta Securities Finance

(A) Bank deposits

Details of deposits of Yuanta Securities Finance from fellow subsidiaries are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Fellow subsidiary:			
Yuanta Bank			
-Recognised in refundable deposits	\$ 100,000	\$ 100,000	\$ 100,000
-Recognised in cash and cash equivalents	2,703	3,192	2,551
	<u>\$ 102,703</u>	<u>\$ 103,192</u>	<u>\$ 102,551</u>

For the three months ended March 31, 2018 and 2017, interest income resulting from the above deposits amounted to \$255 and \$258, respectively.

(B) Transactions on open-end fund and money market instrument

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Parent company:			
Yuanta Financial Holdings	<u>\$ 148,184</u>	<u>\$ 128,812</u>	<u>\$ 45,687</u>

(4) Yuanta Futures and its subsidiaries

(A) Cash and cash equivalents / operating guarantee deposits / customer margin deposits / futures trading guarantees

<u>March 31, 2018</u>				
			<u>Futures trading guarantees</u>	
	Operating	Customer margin	Self	Balance of excess
Bank deposits	guarantee deposits	deposits	capital	futures guarantee deposits
Fellow subsidiary:				
Yuanta Bank	<u>\$ 936,817</u>	<u>\$ 140,000</u>	<u>\$ 11,334,004</u>	<u>\$ -</u>
				<u>\$ -</u>
<u>December 31, 2017</u>				
			<u>Futures trading guarantees</u>	
	Operating	Customer margin	Self	Balance of excess
Bank deposits	guarantee deposits	deposits	capital	futures guarantee deposits
Fellow subsidiary:				
Yuanta Bank	<u>\$ 1,121,330</u>	<u>\$ 140,000</u>	<u>\$ 13,026,164</u>	<u>\$ -</u>
				<u>\$ -</u>

	March 31, 2017				
		Operating	Customer margin	Futures trading guarantees	
	Bank deposits	guarantee		Self	Balance of excess
		deposits	deposits	capital	futures guarantee
					deposits
Fellow subsidiary:					
Yuanta Bank	\$ 1,080,251	\$ 165,000	\$ 13,974,345	\$ -	\$ -
Yuanta Securities					
(Hong Kong)	-	-	65,464	400	19,777
	\$ 1,080,251	\$ 165,000	\$ 14,039,809	\$ 400	\$ 19,777

(B) Customer margin account for leverage contracts

	March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:			
Yuanta Bank	<u>\$ 135,716</u>	<u>\$ 45,372</u>	<u>\$ 912</u>

(C) Equity of futures traders

	March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:			
Yuanta Securities	\$ 3,238,831	\$ 2,315,602	\$ 1,844,840
Yuanta Securities (Hong Kong)	379,677	446,634	216,228
Yuanta Securities (Korea)	140,604	96,090	22,715
Yuanta Bank	41,318	16,856	63,670
Polaris Securities (Hong Kong)	-	-	85,641
Company's directors :			
Others	860,092	857,927	53,011
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust	16,516,651	13,888,715	14,770,378
Others	18,469	14,889	17,289
	<u>\$ 21,195,642</u>	<u>\$ 17,636,713</u>	<u>\$ 17,073,772</u>

(5) Yuanta Securities Investment Consulting

As of March 31, 2018, December 31, 2017 and March 31, 2017, Yuanta Securities Investment Consulting respectively deposited \$170,770, \$223,071 and \$165,695 to Yuanta Bank, amongst which, the operating guarantee deposits was \$5,000, \$5,000 and \$25,000, respectively, with annual interest rates of 0.6%~1.035%, 1.035% and 1.035%~1.125%, respectively.

(6) Yuanta Securities Investment Trust

(A) Bank deposits

	March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,591,938</u>	<u>\$ 1,631,665</u>	<u>\$ 759,658</u>

(B) Management fee receivable and agent fee income

	Management fee receivable		
	March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:			
Yuanta Securities	\$ -	\$ 1,602	\$ 923
Yuanta Life	568	786	551
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	202,990	201,467	198,373
	<u>\$ 203,558</u>	<u>\$ 203,855</u>	<u>\$ 199,847</u>
Agent fee income			
For the three months ended March 31,			
	2018	2017	
Fellow subsidiary:			
Yuanta Life	\$ 1,690	\$ 1,579	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	593,093	573,317	
	<u>\$ 594,783</u>	<u>\$ 574,896</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:

	March 31, 2018	December 31, 2017	March 31, 2017
Yuanta Securities Investment Trust	\$ 197,811	\$ 291,186	\$ 107,724
Fellow subsidiary:			
Yuanta Securities	1,471,333	2,149,321	1,700,696
Yuanta Life	220,217	277,735	67,704
Yuanta Securities Finance	9,903	19,809	9,427
Yuanta Futures	-	-	71,170
Other related parties:			
Yuanta Foundation	-	2,217	-
Yuanta Construction Development	-	-	280,688
	<u>\$ 1,899,264</u>	<u>\$ 2,740,268</u>	<u>\$ 2,237,409</u>

(7) Yuanta Life

(A) Bank deposits

	March 31, 2018	December 31, 2017	March 31, 2017
Fellow subsidiary:			
Yuanta Bank (Note)	<u>\$ 344,076</u>	<u>\$ 562,395</u>	<u>\$ 316,106</u>

Note: Including other financial assets.



(B)Current income tax assets

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Parent company:			
Yuanta Financial Holdings	<u>\$ 1,325,099</u>	<u>\$ 1,452,397</u>	<u>\$ 1,325,474</u>

The above represents consolidated income tax return receivable.

(C)Property transactions — funds

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	<u>\$ 220,217</u>	<u>\$ 277,735</u>	<u>\$ 67,751</u>

For the three months ended March 31, 2018

	<u>Purchase price</u>	<u>Proceeds on disposal</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	<u>\$ 300,000</u>	<u>\$ 338,027</u>

For the three months ended March 31, 2017

	<u>Purchase price</u>	<u>Proceeds on disposal</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	<u>\$ 10,000</u>	<u>\$ -</u>

(D)Payables

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Parent company:			
Yuanta Financial Holdings	\$ 866	\$ 1,766	\$ 151
Fellow subsidiary:			
Yuanta International Insurance Brokers	63,292	22,148	16,041
Yuanta Bank	56,462	29,989	19,363
Yuanta Securities Investment Trust	567	786	551
Yuanta Securities Investment Consulting	-	-	250
	<u>\$ 121,187</u>	<u>\$ 54,689</u>	<u>\$ 36,356</u>

(E)Commission expense

	<u>For the three months ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Bank	\$ 162,830	\$ 52,194
Yuanta International Insurance Brokers	131,646	52,918
	<u>\$ 294,476</u>	<u>\$ 105,112</u>

## 8. Pledged assets

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Yuanta Group's assets pledged as collateral are as follows:

Items	March 31, 2018	December 31, 2017	March 31, 2017	Purpose of pledge
Financial assets at fair value through profit or loss	\$ 175,450,076	\$ 160,607,163	\$ 157,752,305	Bonds under repurchase agreement, bid bonds for operating guarantee deposits and futures trading margin, collateral for securities lending and OTC trading
	76,146,484	73,168,453	71,842,041	Merchant business
	50,278	50,424	50,702	Guarantee deposits for notes
Available-for sale financial assets	-	2,737,764	3,114,661	Guarantees on asset disposal, OTC performance bonds, collateral for securities lending business and customer default fine
	-	1,496,356	1,216,100	Operating guarantee deposits
	-	29,473,729	33,972,705	Bonds under repurchase agreement
	-	164,200	174,200	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
Financial assets at fair value through other comprehensive income	3,261,226	-	-	- Guarantees on asset disposal, OTC performance bonds, collateral for securities lending business and customer default fine, operating guarantee deposits and claim reserve from trust fund, claim reserve from credit default loss
	1,571,144	-	-	- Operating guarantee deposits
	21,077,366	-	-	- Bonds under repurchase agreement, Operating guarantee deposits, OTC performance bonds
	519,475	-	-	- Collateral for provisional seizure
	92,111	-	-	- Claim reserve from trust fund
	102,346	-	-	- Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	50,704	-	-	- Deposit guarantees of bills merchants
	40,564	-	-	- Guarantee deposits from security underwriters
	10,140	-	-	- Guarantee deposits from security dealers
	4,572	-	-	- VISA international card payment reserves
Held-to-maturity financial assets	-	801,354	800,390	Operating guarantee deposits and claim reserve from trust fund
	-	40,215	40,287	Stock borrowings
	-	64,362	65,190	Deposits for guarantees in the Central Bank
	-	600,000	-	- Operating guarantee deposits
Financial assets at amortised cost	2,992	-	-	- Operating guarantee deposits and claim reserve from trust fund
	40,191	-	-	- Stock borrowings
	64,088	-	-	- Deposits for guarantees in the Central Bank
	600,000	-	-	- Operating guarantee deposits
	65,602	-	-	- Claim reserve from trust fund
	11,023,000	-	-	- Overdraft guarantee for foreign currency settlement
Other financial assets	-	88,298	88,020	Claim reserve from trust fund
	-	49,576	49,461	Deposit guarantees of bills merchants
	-	339,891	206,352	Collateral for provisional seizure
	-	39,661	39,569	Guarantee deposits from security underwriters
	-	9,915	9,892	Guarantee deposits from security dealers

Items	March 31, 2018	December 31, 2017	March 31, 2017	Purpose of pledge
Other financial assets	\$ -	\$ 4,452	\$ 4,343	VISA international card payment reserves
	-	98,109	97,800	Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	-	10,126,382	10,649,903	Overdraft guarantee for foreign currency settlement
	-	445,694	341,554	Claim reserve from credit default loss
Accounts receivable	6,000	-	-	Collateral for provisional seizure
Assets held for sale	-	-	736,486	Security of short-term financing and collateral for guarantee
Restricted assets	1,937,997	2,279,915	7,709,160	Collateral for settlement limit, short-term loans , payable short-term bills and OTC derivative transactions
	994,835	37,284	925,060	Operating guarantee deposits-HKEx, structured notes, interest rate swap account and repo trade
	1,041	1,060	1,031	Overdraft guarantee
	274,000	279,000	325,445	Collateral for settlement limit and structured products
	90,898	125,419	-	Dividends payable arising from stock agency business
Other assets	446,386	349,911	229,267	Operating guarantee deposits
	300,000	300,000	355,000	Stock borrowings
	1,241,052	1,284,435	1,228,692	Performance bond and rental deposits
	140,000	140,000	140,000	Deposits for guarantees in the Central Bank
	119,851	204,170	59	Underwriting share proceeds collected on behalf of customers
Property and equipment and investment property	3,406,355	3,439,445	4,175,364	Collateral for settlement limit and short-term loans; and collateral for mortgage loans and leases
Treasury share of Yuanta Securities (Korea)	846,044	743,089	635,309	Collateral for securities lending business

## 9. Significant contingent liabilities and unrecognised contract commitments

(1) As of March 31, 2018, December 31, 2017 and March 31, 2017, capital expenditure contracted for at the balance sheet date but not yet incurred was \$779,998, \$453,178 and \$321,865, respectively.

(2) Stocks entrusted to custody

As of March 31, 2018, December 31, 2017 and March 31, 2017, 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 \$77,447, \$77,550 and \$77,138, 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. 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.
- C. As of March 31, 2018, of the total 28 litigations against Yuanta Securities (Korea) and its subsidiaries, 16 were related to unjust sales of former TongYang Securities Inc. (please refer to the explanations in Note 6(24)). The remaining 12, were unrelated to unjust sales with demanded compensation totaling ₩625,437 million (approximately NT\$17.1 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 sellers claiming for an amount of ₩698,000 million (approximately NT\$ 19.1 billion). The allegations made by Anbang are denied. The arbitration will proceed and continue according to the arbitration rules. As of March 31, 2018, there was ₩2,807 million (approximately NT\$77 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\$450 million).
- D. Due to the fraudulent act committed by a former employee of KKTrade Securities Co., Ltd. as alleged, the affected clients filed a civil lawsuit against Yuanta Securities (Thailand) and the former employee for joint liability to pay the compensation of ฿301 million (approximately NT\$280 million). In August 2017, Yuanta Securities (Thailand) received a civil complaint of the lawsuit. Nevertheless, 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.
- E. As at March 31, 2018, Yuanta Securities (Hong Kong)’s receivables from margin loan amounting to HK\$144,421 thousand (approximately NT\$540 million), 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\$250 million) from the account executive’s assets and the remaining loss of HK\$75,870 thousand (NT\$280 million) 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, and filed a counterclaim against Yuanta Securities (Hong Kong) on March 29, 2018. The legal proceedings are still ongoing. 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. 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. Information regarding the lawsuit as of March 31, 2018 are as follows:

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 March 31, 2018, 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 March 31, 2018, 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. 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 2015, 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 Yuanta Bank has taken on the lawsuit after acquiring Ta Chong Bank, 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 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). Yuanta Bank has taken on the lawsuit after acquiring Ta Chong Bank. 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. On April 28, 2017, the Labor Pension decreased the compensation claim to \$71,575 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 March 31, 2018, 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 of March 31, 2018, Yuanta Securities (Korea) signed a bond purchase agreement with a consortium led by Egis PEF. Yuanta Securities (Korea) is committed to invest up to ₩1 billion (approximately NT \$27 million).

(11) Others

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Commitment of the securities			
under a repurchase agreement	\$ 200,969,263	\$ 201,715,121	\$ 199,261,993
Commitment of the securities			
under a resale agreement	37,237,080	35,098,339	39,999,836
Unused loan commitments	36,725,242	41,025,752	46,756,764
Credit commitment on credit card	120,171,862	127,897,664	121,474,683
Unused L/C balance	4,726,019	4,863,673	3,007,152
Other guarantees	23,600,003	25,253,767	40,455,225
Consignment collection for others	21,650,481	21,727,077	20,912,421
Trust assets	236,949,282	242,737,979	225,414,639
Items under custody	38,879,734	38,276,607	43,297,732

(12) Content and amount of trust businesses conducted in accordance with the Trust Enterprise Act

In accordance with Article 17 of the Trust Enterprise Act, discloses of trust balance sheet, trust income statement and schedule of trust property as follows:

Not applicable.

10. Significant losses from disasters

(1) The Company:

None.

(2) Subsidiaries:

None.

11. Significant subsequent events

(1) The Company:

A. On April 25, 2018, the Board of Directors approved the 18th share buyback of 134,000 thousand shares of the Company.

B. On May 23, 2018, the Board of Directors at their meeting resolved to issue the 1st unsecured bond of year 2018. The ceiling of issuance is NT\$10 billion.

(2) Subsidiaries:

On April 2, 2018, Yuanta Life signed a construction treaty for 'No. 769, 769-1 land of Two Ln., Jilin Sec., Zhongshan Dist., Taipei' with Chung-Lu Construction Co., Ltd. The total contract price was \$855,900.

12. Others

(1) Capital risk management

C. 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.

D. 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:

	March 31, 2018			
	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 mandatorily measured at fair value through profit or loss				
Equity investments	\$ 35,667,905	\$ 33,043,592	\$ -	\$ 2,624,313
Bond investments	259,315,287	71,641,145	187,329,269	344,873
Others	91,344,770	42,906,275	47,767,445	671,050
Financial assets at fair value through other comprehensive income (Note 1)				
Equity investments	23,012,342	6,827,784	1,223	16,183,335
Debt investments	227,320,505	73,434,651	152,208,439	1,677,415
Other financial assets				
Purchase of claim receivable	1,887,262	-	-	1,887,262
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 16,545,954	\$ 16,545,954	\$ -	\$ -
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 100,828,304	\$ 5,985,328	\$ 81,723,818	\$ 13,119,158
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 94,316,239	\$ 2,796,129	\$ 25,875,735	\$ 65,644,375

	December 31, 2017				March 31, 2017			
	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	\$ 20,767,363	\$ 20,552,716	\$ -	\$ 214,647
Bond investments	221,289,802	74,939,880	146,349,922	-	227,116,147	91,905,453	135,210,694	-
Others	80,969,214	34,580,366	46,388,848	-	69,898,094	7,594,363	60,194,439	2,109,292
Financial assets designated as at fair value through profit or loss	246,804	-	246,804	-	5,218,372	-	5,218,372	-
Available-for-sale financial assets (Note 1)								
Stock investments	28,146,015	11,123,502	14,077	17,008,436	27,790,724	10,370,809	-	17,419,915
Bond investments	219,639,019	56,711,912	162,102,912	824,195	215,895,521	57,262,109	157,585,225	1,048,187
Others	148,947,861	5,820,033	142,914,017	213,811	108,312,736	744,038	107,519,750	48,948
Other financial assets								
Purchase of claim receivable	1,892,299	-	-	1,892,299	1,920,432	-	-	1,920,432
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 22,454,862	\$ 19,250,990	\$ 2,057,532	\$ 1,146,340	\$ 16,042,784	\$ 12,922,746	\$ 2,021,440	\$ 1,098,598
<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	\$ 96,067,589	\$ 8,602,505	\$ 76,756,289	\$ 10,708,795
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 97,664,654	\$ 2,750,459	\$ 23,731,768	\$ 71,182,427	\$ 76,807,942	\$ 1,578,077	\$ 24,795,030	\$ 50,434,835
<b>Non-recurring fair value</b>								
Assets								
Assets held for sale (Note 2)	\$ -	\$ -	\$ -	\$ -	\$ 10,679,040	\$ -	\$ 10,679,040	\$ -
Liabilities								
Liabilities directly relating to assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ 7,405,093	\$ -	\$ 7,405,093	\$ -

Note 1: Including the statutory deposits of \$1,216,100 of Yuanta Life of the Yuanta Group as of March 31, 2018, December 31, 2017 and March 31, 2017.

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 three months ended March 31, 2018, there were no transfers between Level 1 and Level 2. For the year ended December 31, 2017 and the three months ended March 31, 2017, \$1,093,452 and \$2,139,363 have been transferred from Level 1 to 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:

March 31, 2018								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		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	\$ 14,308,578	(\$ 1,133,403)	(\$ 18,437)	\$ 5,628,622	\$ 1,513,647	(\$ 3,461,992)	(\$ 77,621)	\$ 16,759,394
Financial assets at fair value through other comprehensive income	19,799,797	( 348,827)	( 1,355,016)	113,498	558,598	( 552,487)	( 354,813)	17,860,750
Other financial assets- purchase of claim receivable	1,892,299	( 67)	-	-	-	( 4,970)	-	1,887,262
Total	<u>\$ 36,000,674</u>	<u>(\$ 1,482,297)</u>	<u>(\$ 1,373,453)</u>	<u>\$ 5,742,120</u>	<u>\$ 2,072,245</u>	<u>(\$ 4,019,449)</u>	<u>(\$ 432,434)</u>	<u>\$ 36,507,406</u>

March 31, 2017								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		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	(\$ 3,097,829)	(\$ 823)	\$ 6,408,163	\$ 11,187	(\$ 1,908,361)	(\$ 11,699)	\$ 13,032,734
Available-for-sale financial assets	18,933,364	( 75,788)	( 16,448)	202,074	-	( 368,539)	( 157,613)	18,517,050
Other financial assets- purchase of claim receivable	1,925,073	429	-	-	-	( 5,070)	-	1,920,432
Total	<u>\$ 32,490,533</u>	<u>(\$ 3,173,188)</u>	<u>(\$ 17,271)</u>	<u>\$ 6,610,237</u>	<u>\$ 11,187</u>	<u>(\$ 2,281,970)</u>	<u>(\$ 169,312)</u>	<u>\$ 33,470,216</u>

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. As of March 31, 2018 and 2017, the losses on assets were \$585,496 and \$2,142,810, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of March 31, 2018 and 2017, the losses on assets were \$1,374,643 and \$240,800, respectively.

b. Movements of financial liabilities classified into Level 3 of fair value are as follows:

March 31, 2018									
Items	Beginning balance	Acquisition through business combinations	Gain and loss on valuation	Other comprehensive income	Addition		Reduction		Ending balance
			Gain and loss	income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial liabilities at fair value through profit or loss	\$ 72,328,686	\$ -	(\$ 2,841,922)	\$ -	\$ 45,402,415	\$ -	(\$ 49,254,300)	\$ 9,496	\$ 65,644,375

  

March 31, 2017									
Items	Beginning balance	Acquisition through business combinations	Gain and loss on valuation	Other comprehensive income	Addition		Reduction		Ending balance
			Gain and loss	income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial liabilities at fair value through profit or loss	\$ 54,420,640	\$ -	(\$ 1,062,931)	\$ 2	\$ 44,885,699	\$ -	(\$ 46,696,407)	(\$ 13,570)	\$ 51,533,433

Above valuation gains and losses are recognised in gain and loss in the period. As of March 31, 2018 and 2017, the losses on liabilities were \$2,011,705 and \$190,289, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of March 31, 2018 and 2017, the losses on liabilities were \$0 and \$2, 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
March 31, 2018				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 14,713	(\$ 15,212)	\$ -	\$ -
Derivative instruments	44,241	( 44,241)	-	-
Financial assets at fair value through other comprehensive income	-	-	112,278	( 112,278)
<u>Liabilities</u>				
Derivative instruments	\$ 85,780	(\$ 85,764)	\$ -	\$ -
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)	-	-
March 31, 2017				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 114	(\$ 114)	\$ -	\$ -
Derivative instruments	75,555	( 75,549)	-	-
Available-for-sale financial assets	-	-	85,763	( 85,748)
Other financial assets- purchase of claim receivable	99,108	( 99,108)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	\$ 10,986	(\$ 10,986)	\$ -	\$ -
Derivative instruments	81,498	( 81,492)	-	-

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:

March 31, 2018		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Equity investments	\$ 2,624,313	1.Market method	Price to earnings ratio multiple	11.91 ~ 39.04
		2.Income method	Price to book ratio multiple	0.76 ~ 16.28
		3.Equity Model	Price-to-sales ratio multiplier	1.68
		by L. Anderson	Discount for marketability	0% ~ 40%
		and D. Buffum	Discount rate	13.02% ~ 13.18%
			Stock price volatility	23.99% ~ 37.96%
			Credit Spread	1.74% ~ 4.48%
			Recovery rate	20%
Debt investments	344,873	1.Hybrid Model	Stock price volatility	20.89% ~ 37.04%
		2.Equity Model	Credit Spread	0.29% ~ 6.37%
		by L. Anderson	Recovery rate	20%
		and D. Buffum		
		3.Monte Carlo		
		Simulation		
Derivative instruments	13,119,158	1.Option Model	Dividend rate	0.36% ~ 3.46%
(including futures and		2.Hybrid Model	Stock price volatility	3.23% ~ 20.43%
options in futures market)		3.FDM	Correlation coefficient	0.16 ~ 0.94
		4.Monte Carlo	Default rate	0.03% ~ 100%
		Simulation	Recovery rate	20% ~ 55%
Beneficiary certificates	97,758	Net asset value	Discount for marketability	10%
Other	573,292	Net asset value	N/A	N/A
Financial assets at fair value through other comprehensive income				
Equity investments	16,183,335	1.Market method	Price to earnings ratio multiple	12.19 ~ 30.4
		2.Residual income	Price to book ratio multiple	0.76 ~ 2.83
		valuation model	Discount for marketability	0% ~ 40%
		3.Discounted cash flow	Expected growth rate	0% ~ 2%
			Discount rate	13.02% ~ 17.4%
Bond investments	1,677,415	Discounted cash flow	Discount rate	0.48% ~ 7.11%
Other	-	Net asset value	N/A	N/A
Financial liabilities at fair value through profit or loss				
Derivative instruments	65,644,375	1.IR Model	Dividend rate	0.36% ~ 3.46%
(including options trade		2.Option Model	Stock price volatility	0.73% ~ 49.61%
in futures market)		3.Hybrid Model	Correlation coefficient	0.16 ~ 0.94
		4.FDM	Credit Spread	0.20% ~ 0.37%
		5.Monte Carlo	Default rate	0.03% ~ 100%
		Simulation	Recovery rate	25% ~ 55%

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	213,811	Net asset value	N/A	N/A
Other financial assets				
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%



March 31, 2017		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Stock investments	\$ 214,647	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	12.90~41.77 0.97~6.26 0%~40%
Derivative instruments (including futures and options in futures market)	10,708,795	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	0.73%~3.52% 11.40%~38.07% 0.17~0.95 0.56%~7.46% 0.03%~100% 20%~55%
Available-for-sale financial assets				
Stock investments	17,419,915	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	8.26~71.60 0.41~16.99 1.27~3.42 0%~40% 0%~1% 5.32%~13.83% 9.80%~45.08% 2.39%~25.56% 20%
Bond investments	1,048,187	1.Hybrid Model 2.Monte Carlo simulation 3.Equity Model by L. Anderson and D. Buffum	Credit Spread Recovery rate Stock price volatility	0.56%~7.46% 20%~40% 17.84%~38.07%
Other	48,948	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,920,432	Recoverable amount	Contact rate Payment rate Discount rate	2.65%~51% 1.72%~45% 1.1%~39.83%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	50,434,835	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	0.73%~3.52% 1.29%~48.20% 0.17~0.95 0.39%~0.44% 0.03%~100% 20%~55%
Bond issue	1,098,598	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.

	March 31, 2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Investments in debt instruments at amortised cost (Note 1 and 2)	\$ 196,803,886	\$ 199,014,549	\$ 3,509,098	\$ 195,505,451	\$ -
<u>Financial liabilities</u>					
Bonds payable	65,859,458	68,164,740	-	55,542,847	12,621,893
	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
	March 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)	\$ 118,457,462	\$ 120,670,176	\$ 2,056,720	\$ 118,613,456	\$ -
Other financial assets (Note 2)	56,637,462	57,638,551	15,049,107	41,737,944	851,500
<u>Financial liabilities</u>					
Bonds payable	76,170,680	78,511,596	-	66,168,921	12,342,675
Preferred stock liabilities	3,921,211	3,921,211	-	3,921,211	

Note 1: Including the statutory deposits of \$600,000 and \$600,000 of Yuanta Life of the Yuanta Group as of March 31 2018 and 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. Investments in debt instruments at amortised cost/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 offered 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, the most recent deal price or quote is the basis for fair value evaluation. When no market values are able to be referenced, 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 significant risks 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.

Each subsidiary has built a risk management organization with appropriate levels and scale based on its business portfolio, operating scale and capital scale. Subsequently, the Yuanta Group will examine each subsidiary's risk management organization in order to confirm that it can manage its assumed risks effectively.

(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 and local regulations, 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 also involves 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 risks 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.

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. 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, 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.

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) Expected credit losses calculation

Impairment assessment is based on the calculation of expected credit losses, taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, which is available without undue cost or effort, including forecastable information. The Yuanta Group determines at the balance sheet date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognizes expected credit losses according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit-impaired (Stage 3). 12-month expected credit losses are recognized for assets in Stage 1, and lifetime expected credit losses are recognized for assets in Stage 2 and Stage 3.

The definition of and expected credit losses recognized for each stage are as follows:

	Stage 1	Stage 2	Stage 3
Definition	Financial assets with no significant increase in credit risk since initial recognition or low credit risk on balance sheet date	Financial assets with significant increase in credit risk since initial recognition	Financial assets that became credit-impaired after initial recognition
Recognition of expected credit losses	12-month expected credit losses are recognized	Lifetime expected credit losses are recognized	Lifetime expected credit losses are recognized

The Yuanta Group uses the following key judgements and assumptions when estimating expected credit losses in accordance with IFRS 9:

A. Determining whether there has been a significant increase in credit risk since initial recognition

At every balance sheet date, the Yuanta Group and its subsidiaries assess the change in default risk over the lifetime of each financial asset to determine whether there has been a significant increase in credit risk since initial recognition.

(A) Credit business

The Yuanta Group considers reasonable and supportable information (including forecastable information) when determining whether there has been significant increase in credit risk. The main indicators taken into account are as follows:

- The borrower is over 30 days past due.
- Significant deterioration in credit quality and placed on the bank's

warning list.

c. Deterioration in credit rating:

Credit rating: The Yuanta Group's internal credit rating of the asset is equivalent to a non-investment grade rating by an external agency, and the rating has dropped by more than two scales since initial recognition.

d. Records of bad credit are confirmed after assessment

If the credit rating of a credit asset satisfies the following conditions, it is considered to be "low credit risk at balance sheet date" and assumed to have no significant increase in credit risk.

Credit rating: At the financial reporting date, the internal credit rating of the asset is equivalent to an investment grade rating by an external agency (currently, this is level 1 to 5).

(B) Investments in debt instruments

At the balance sheet date, a debt instrument is considered to have significant increase in credit risk when both the internal and external credit ratings of the credit reference subject are of non-investment grade and any one of the following conditions is met:

- a. The internal and external ratings of the credit reference subject have dropped by more than one scale since initial recognition.
- b. The implied credit spread of the debt instrument has increased by a certain number of basis points since initial recognition.

(C) Other financial assets

Except for credit business and debt instruments investment, the criteria that the Yuanta Group uses to determine that there has a significant increase in credit risk at balance sheet date is as follows:

- a. Guarantee deposits: At the balance sheet date, the deposit has not been returned at maturity, and the number of past-due days is lower than the terms recorded in the contract, unless the contractual terms specify it.
- b. Call loans to (from) banks and due from the Central Bank, banks overdrafts, bills with a reverse repo and bond, commercial paper and time deposit and its interest receivable: At the balance sheet date, the date that the Yuanta Group received the payment from counterparties is over the collection date, unless the contractual terms specify it.
- c. Remaining receivables: At the balance sheet date, the number of past-due days is over the days recorded in the contract, receivables have been transferred to overdue receivables or have been provided the bad debt expense, or the number of past-due days is not over the days recorded in the contract but it meets the terms of default.

B. Definitions of financial assets in default and credit-impaired financial assets

According to the definition stated in IFRS 9, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(A) Credit business

- a. Principal or interest payments over 3 months (90 days) past due, or the bank has begun collection procedures or liquidation of collateral.



- b. New payment schedule is negotiated so that loan is not classified as non-performing.
- c. Non-performing loans in negotiation according to the rules of the Debt Negotiation Mechanism issued by the Bankers Association in 2006 (including pre-mediation).
- d. Loans that have gone through pre-mediation and have signed agreements in accordance with the Consumer Debt Clearance Act (excluding secured loans where the original terms of the loans are enforced).
- e. Cases where the court has initiated reorganization or liquidation proceedings.
- f. Declaration of bankruptcy in court.
- g. Reclassified as non-accrual.
- h. Special criterion for credit card products: credit card accounts closed by the issuer.
- i. Debtor's loans from other banking institutions have been recognized as non-performing, and reclassified as non-accrual or written off as bad debt.
- j. Debtor has filed for bankruptcy, reorganization, or other debt clearance proceedings.
- k. Debtor renews, extends the length of, and negotiates new payment terms on the loan in accordance with the Bankers Association Self-regulatory Rules for Debt Workouts.
- l. Non-performing loans where a payment installment plan has been negotiated.
- m. Loans classified as "in default" according to the Yuanta Group's internal credit rating model.

(B) Investments in debt instruments

An investment in a debt instrument by the Yuanta Group is considered credit-impaired if any of the following conditions apply:

- a. Both internal and external credit ratings of the instrument are "in default."
- b. Principal or interest payments are not made in accordance with the agreement.
- c. Bankruptcy, reorganization, or other debt clearance proceedings has been filed.
- d. Other breaches of contract by the debtor as assessed on a case-by-case basis

(C) Other financial assets

- a. Guarantee deposits: At the balance sheet date, the deposit has not been returned at maturity, and the number of past-due days is in line with the days recorded in the contract.
- b. Call loans to (from) banks and due from the Central Bank, banks overdrafts, bills with a reverse repo and bond, commercial paper and time deposit and its interest receivable: At the balance sheet date, the date that the Yuanta Group received the payment from counterparties is over the collection date, unless the contractual terms specify it.
- c. Remaining receivables: At the balance sheet date, the number of past-due days is over the days recorded in the contract, and

receivables have been transfer to overdue receivables or have been provided the bed debt expense.

(D) Definition of default

When assessing whether the borrower is in default, the Yuanta Group selects among the multiple loans held by the borrower the one with the lowest credit quality. The borrower is considered in default if the principal and interest payments on this selected loan is over 90 days past due or if the selected loan is reclassified as non-accrual or bad debt during the observation period.

C. Eliminating policy

If any of the following conditions apply, the Yuanta Group writes off its non-performing and non-accrual loans as bad debt, less the estimated recoverable amount:

- (A) The loan cannot be fully or partially recovered due to the dissolution of, disappearance of, settlement with, or declaration of bankruptcy by the debtor.
- (B) The collateral and assets of the primary and secondary debtors cannot be used to recover the loan due to low appraisal value, liquidity preference, or high administrative costs associated with seizure and liquidation.
- (C) The collateral and assets of the primary and secondary debtors could not be auctioned off after multiple attempts.
- (D) The non-performing and non-accrual loans are two years past due, and could not be recovered from collection procedures.

D. Measurement of expected credit losses

The model of expected credit losses (ECL) is based on the following three parameters: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

(A) Credit business

a. Probability of default

The estimation of PD is based on the product type and internal credit ratings of the Yuanta Group, with the one-year PD and multi-year PD estimated separately.

- (a) One-year PD: Calculate the actual one-year PD from historical data and use it to estimate the one-year PD parameter.
- (b) Multi-year PD: The multi-year PD is estimated using historical data on annual marginal default rates. Applying the multi-year PD to each loan requires selecting the corresponding lifetime. The lifetime of the loan is estimated based on the length of the remaining contract.

b. Loss given default

Loans are grouped according to type (corporate or consumer) and whether they are secured with collateral, and the LGD of each group is calculated based on historical recovery experience.

c. Exposure at default (EAD)

- (a) On balance sheet—Loans and loan receivables: calculated from credit balance
- (b) Off balance sheet—Loan commitments and financial guarantees: off balance sheet figures multiplied by the credit conversion

factor (CCF). The CCF is estimated according to the rules described in the “Calculation Method of Equity Capital and Risky Assets and Accompanying Forms—Credit Risk Standard Rules.”

(B) Investments in debt instruments

- a. Probability of default: Calculated based on default rate tables published by external credit rating agencies, incorporating forecastable information.
- b. Loss given default: Calculated based on the collateral and liquidity preference of the debt instrument, incorporating the average recovery rate disclosed by external credit rating agencies; or set in accordance with rules of the competent authority.
- c. Exposure at default: Total carrying amount, including interest receivable. Total carrying amount is the amortized cost of the financial asset before any adjustment to the loss allowance.

E. Consideration of forecastable information

The Yuanta Group incorporates forecastable information when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit losses.

(A) For determining significant increase in credit risk

- a. The Yuanta Group’s credit approval process includes evaluation of forecastable information such as business potential, financial condition, industry outlook, loan collateral, and ability to repay.
- b. Identify customers with potential risk using the early warning list of the Yuanta Group. The early warning system of the Yuanta Group involves the assessment of the credit risk of the customer by reviewing the following five factors: management, financial statements, cash flows, source of repayment, and past performance.

(B) For measuring expected credit losses

At least reflected in the forecastable adjustments of PD and LGD: In order to predict future probabilities of default, historical performances of PD, current trends in PD, the correlation between PD and macroeconomic factors, and other relevant information is considered by experts to give an overall assessment of forecastable scenarios of PD. The PD parameters are then adjusted accordingly to produce the forecastable PD parameters.

(C) Other

Forecastable adjustments are not made if the results from such adjustments are not expected to differ significantly from the original results, assuming there are no significant changes in current economic conditions and the future macroeconomic environment. However, if significant changes in the future macroeconomic environment are predicted, the loss rates have to be adjusted accordingly; for example, adjusting the loss rate by a certain percentage according to expected changes in GDP.

e. Hedging or 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.

(b) Credit risk limit and credit risk concentration control

The Yuanta Group controls the concentration risk of various assets in order to avoid high risk concentration. The Yuanta Group has set up credit extension limits 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.

f. 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 total carrying value of the Yuanta Group's financial assets with the maximum credit risk is as follows:

Bills discounted and loans

				Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	
March 31, 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)		Total
Credit ratings					
Internal ratings — excellent	\$ 530,502,656	\$ 2,718,557	\$ 619,368	\$ -	\$ 533,840,581
Internal ratings — acceptable	145,658,504	3,213,023	338,588	-	149,210,115
Internal ratings — weak	13,451,085	630,331	5,663,605	-	19,745,021
Internal ratings — not rated	<u>51,582,549</u>	<u>21,123</u>	<u>2,296,695</u>	-	<u>53,900,367</u>
The total carrying amount	741,194,794	6,583,034	8,918,256	-	756,696,084
Allowance for bad debt	( 2,191,026)	( 1,608,577)	( 4,966,305)	-	( 8,765,908)
Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans	<u>-</u>	<u>-</u>	<u>-</u>	( 5,487,151)	( 5,487,151)
Total (Note)	<u>\$ 739,003,768</u>	<u>\$ 4,974,457</u>	<u>\$ 3,951,951</u>	( <u>\$ 5,487,151</u> )	<u>\$ 742,443,025</u>

Note: Including interest receivable and temporary payments for others amounting to \$869,192. In addition, allowance for doubtful receivables was \$29,854.

Additionally, the total carrying amounts of accounts receivable, debt instruments (shown as financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost), and loan commitments and financial guarantee contracts are \$155,485,497, \$550,441,020, and \$447,770,187, respectively, and 12-month expected credit losses (Stage 1) are recognized for the majority of these items. The internal ratings of these items are all excellent and acceptable.

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:

March 31, 2018	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 294,309	\$ -	\$ 294,309
Bills discounted and loans	537,700,341	-	537,700,341
Financial assets at fair value through profit or loss	1,202,626	1,958,390	3,161,016
<u>For accounts off the balance sheet</u>			
Unused loan commitments	3,812,085	-	3,812,085
Unused credit commitment	74,789	-	74,789
Guarantees (including for non- performing loans)	5,975,539	-	5,975,539

  

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

March 31, 2017	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 327,644	\$ -	\$ 327,644
Bills discounted and loans	537,289,702	-	537,289,702
Financial assets at fair value through profit or loss	3,008,780	1,432,888	4,441,668
<u>For accounts off the balance sheet</u>			
Unused loan commitments	2,674,758	-	2,674,758
Unused credit commitment	164,984	-	164,984
Guarantees (including for non- performing loans)	8,002,658	-	8,002,658

Note: The value of collaterals, except for cash items, is at present value, the others are allocated based on amount of loans.

g. 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	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Privately owned businesses	\$ 627,883,817	29.33	\$ 628,005,869	29.72	\$ 605,962,254	29.43
Natural person	529,875,660	24.75	534,843,909	25.31	507,547,662	24.65
Financial institutions	555,491,358	25.94	519,525,208	24.59	598,863,812	29.08
Governmental institutions	414,970,459	19.38	416,027,230	19.69	320,553,917	15.57
Government-owned businesses	9,187,715	0.43	11,058,598	0.52	24,946,434	1.21
Others	3,625,646	0.17	3,581,146	0.17	1,387,633	0.06
Total	<u>\$ 2,141,034,655</u>	<u>100.00</u>	<u>\$ 2,113,041,960</u>	<u>100.00</u>	<u>\$ 2,059,261,712</u>	<u>100.00</u>

(b) Geographic location:

Geography location	March 31, 2018	December 31, 2017	March 31, 2017
Taiwan	\$ 1,416,914,894	\$ 1,393,009,059	\$ 1,413,850,651
Asia	488,075,305	453,904,701	423,153,382
America	152,396,070	163,687,853	128,920,520
Europe	65,918,052	77,618,815	61,410,930
Oceania	17,076,851	24,496,221	28,239,249
Africa	653,483	325,311	3,686,980
Total	<u>\$ 2,141,034,655</u>	<u>\$ 2,113,041,960</u>	<u>\$ 2,059,261,712</u>

h. Changes in the Yuanta Group's allowance for bad debt and acumulative impairment

(a)Credit business

For the three months ended March 31, 2018, the reconciliation of the balance of allowance for bad debt is as follows:

Bills discounted and loans

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (collective assessment) (Stage 2)	Lifetime expected credit losses(individual assessment) (Stage 2)	Lifetime expected credit losses (credit -impaired financial assets that were not purchased or originated) (Stage 3)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans	Total
For the three months ended March 31, 2018							
The beginning balances	\$ 2,241,937	\$ 6,330	\$ 1,660,058	\$ 5,171,095	\$ 9,079,420	\$ 5,404,768	\$ 14,484,188
Changes from financial instruments recognised at the beginning:							-
-Transferred to lifetime expected credit losses	( 7,804)	-	52,568	( 44,764)	-	-	-
-Transferred to credit-impaired financial asset	( 23,845)	-	( 8,118)	31,963	-	-	-
-Transferred to 12-month expected credit losses	55,406	-	( 17,378)	( 34,976)	3,052	-	3,052
-Financial assets derecognised in the current period	( 327,586)	-	( 16,730)	( 372,532)	( 716,848)	-	( 716,848)
Impairment allowance for purchased or originated financial assets	340,529	-	10,308	168,499	519,336	-	519,336
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	-	-	-	-	-	82,384	82,384
Write-off as bad debt	-	-	( 105,635)	( 296,069)	( 401,704)	-	( 401,704)
Change in exchange and others	( 30,113)	( 113)	25,623	257,400	252,797	-	252,797
The ending balances	<u>\$ 2,248,524</u>	<u>\$ 6,217</u>	<u>\$ 1,600,696</u>	<u>\$ 4,880,616</u>	<u>\$ 8,736,053</u>	<u>\$ 5,487,152</u>	<u>\$ 14,223,205</u>



For the three months ended March 31, 2018, significant changes in the total carrying amount that affected allowance for bad debt are as follows:

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (collective assessment) (Stage 2)	Lifetime expected credit losses(individual assessment) (Stage 2)	Lifetime expected credit losses (credit -impaired financial assets that were not purchased or originated) (Stage 3)	Total
<u>Bills discounted and loans</u>					
The beginning balances	\$ 760,186,319	\$ 58,869	\$ 4,932,906	\$ 8,935,481	\$ 774,113,575
Changes from financial instruments recognised at the beginning:					
-Transferred to lifetime expected credit losses	( 2,376,173)	-	2,446,936	( 70,763)	-
-Transferred to credit-impaired financial asset	( 997,996)	-	( 387,920)	1,385,916	-
-Transferred to 12-month expected credit losses	1,321,253	-	( 343,872)	( 99,627)	877,754
-Financial assets derecognised in the current period	( 130,586,307)	-	( 968,617)	( 698,838)	( 132,253,762)
Impairment allowance for purchased or originated financial assets	131,893,408	1	1,148,916	259,316	133,301,641
Write-off as bad debt	-	-	( 105,635)	( 296,069)	( 401,704)
Change in exchange and others	( 19,060,030)	( 1,055)	( 217,869)	( 531,659)	( 19,810,613)
The ending balances	<u>\$ 740,380,474</u>	<u>\$ 57,815</u>	<u>\$ 6,504,845</u>	<u>\$ 8,883,757</u>	<u>\$ 755,826,891</u>

(b)Receivables and other financial assets

- i. The Yuanta Group applies the simplified approach to estimate expected credit loss for certain accounts receivable. Expected credit loss rate is determined by assessing historical information and examining whether a significant changes in past events, current conditions and future economic conditions are incurred. As of March 31, 2018, the carrying amount of accounts receivable amounted to \$33,078,630, and the loss allowance is \$9,295 if taking into consideration the expected credit loss rate. For the three months ended March 31, 2018, movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, are as follows:

	2018
January 1_IFRS 9	(\$ 8,086)
Provision for impairment	( 1,209)
March 31	(\$ 9,295)

- ii For the three months ended March 31, 2018, movements in relation to providing loss allowance for receivables (including ‘margin loans receivable’, ‘refinance guaranty receivable’, ‘notes payable’, ‘accounts receivable’, ‘other receivables’ and ‘other financial assets – non-performing loans’), which are not stated as above accounts receivable, are as follows:

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		Lifetime expected credit losses (collective assessment)	Lifetime expected credit losses(individual assessment)	Lifetime expected credit losses (credit -impaired financial assets that were not purchased or originated)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans	Total
For the three months ended March 31, 2018	12-month expected credit losses (Stage 1)	(Stage 2)	(Stage 2)	(Stage 3)			
The beginning balances	\$ 229,244	\$ 1,358	\$ 83,953	\$ 1,999,498	\$ 2,314,053	\$ 73,213	\$ 2,387,266
Changes from financial instruments recognised at the beginning:							
-Transferred to lifetime expected credit losses	( 262)	5	19,318	( 19,061)	-	-	-
-Transferred to credit-impaired financial asset	( 13,090)	-	( 4,618)	17,497	-	-	-
-Transferred to 12-month expected credit losses	25,308	( 237)	( 15,958)	( 9,810)	-	-	-
-Financial assets derecognised in the current period	( 10,781)	-	( 1,150)	( 15,122)	( 25,496)	-	( 25,496)
Impairment allowance for purchased or originated financial assets	11,074	-	970	15,432	26,760	-	26,760
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	-	-	-	-	-	5,123	5,123
Write-off as bad debt	-	-	( 13,142)	( 30,387)	( 43,265)	-	( 43,265)
Change in exchange and others	( 4,214)	407	154,341	22,897	103,200	-	103,200
The ending balances	<u>\$ 237,279</u>	<u>\$ 1,533</u>	<u>\$ 223,714</u>	<u>\$ 1,980,944</u>	<u>\$ 2,375,252</u>	<u>\$ 78,336</u>	<u>\$ 2,453,588</u>

For the three months ended March 31, 2018, there were no significant changes to allowance for bad debt for accounts receivable and other financial assets.

(c) Guarantee reserve and Loan commitment reserve

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses(individual assessment) (Stage 2)	Lifetime expected credit losses (credit -impaired financial assets that were not purchased or originated) (Stage 3)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans	Total
For the three months ended March 31, 2018						
The beginning balances	\$ 94,717	\$ 7,794	\$ 64,956	\$ 167,467	\$ 162,925	\$ 330,392
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	( 51)	307	( 256)	-	-	-
-Transferred to credit-impaired financial asset	( 3)	( 75)	78	-	-	-
-Transferred to 12-month expected credit losses	17,686	( 4,807)	( 12,879)	-	-	-
-Financial assets derecognised in the current period	( 28,488)	( 2,192)	( 21,077)	( 51,757)	-	( 51,757)
Impairment allowance for purchased or originated financial assets	22,755	254	17,160	40,169	-	40,169
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	-	-	-	-	377	377
Change in exchange and others	( 22,829)	18,939	3,395	( 495)	-	( 495)
The ending balances	\$ 83,787	\$ 20,220	\$ 51,377	\$ 155,384	\$ 163,302	\$ 318,686

For the three months ended March 31, 2018, there were no significant changes to guarantee reserve and loan commitment reserve.

(d) Bills and bonds investments

For the three months ended March 31, 2018, the beginning balances of the cumulative impairment of financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost were \$140,469 and \$119,664, respectively; the ending balances were \$131,268 and \$128,114, respectively. The changes are attributed to changes in 12-month expected credit losses and were immaterial. In addition, there were no material changes to the related total carrying amounts.

(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 three months ended March 31, 2018			
	March 31, 2018	VaR Average	VaR Minimum	VaR Maximum
Interest rate	128,375	123,223	96,855	147,818
Equity securities	225,523	232,056	192,848	273,608
Foreign exchange	373,625	370,702	328,062	403,705
Commodity	16,001	13,644	9,914	17,535
Less: diversification effects	( 258,431)	( 231,632)	-	-
Total VaR	485,093	507,993	453,777	554,457

Instrument type	For the three months ended March 31, 2017			
	March 31, 2017	VaR Average	VaR Minimum	VaR Maximum
Interest rate	130,010	128,596	116,765	142,820
Equity securities	283,644	271,876	230,958	308,831
Foreign exchange	228,687	232,974	210,051	245,604
Commodity	17,297	17,345	7,969	49,820
Less: diversification effects	( 221,004)	( 180,345)	-	-
Total VaR	438,634	470,446	438,634	503,713

(b) Non-trading purpose

Sensitivity analysis on interest rate:

		March 31, 2018	December 31, 2017	March 31, 2017
	Interest rate shift	Effect on other comprehensive income	Effect on other comprehensive income	Effect on other comprehensive income
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets				
-Bonds				
Yuanta Bank	Increase of 1 basis point	(\$ 25,554)	(\$ 25,732)	(\$ 28,726)
Yuanta Life	Increase of 1 basis point	( 31,011)	( 31,579)	( 23,491)
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- d. As of March 31, 2018, December 31, 2017 and March 31, 2017, the following table summarizes USD-denominated financial instruments of the Yuanta Group and the concentration of foreign exchange risk presented by carrying amount.

	March 31, 2018		December 31, 2017		March 31, 2017	
	Carrying		Carrying		Carrying	
	USD position	amount (NTD)	USD position	amount (NTD)	USD position	amount (NTD)
Foreign currency denominated financial assets						
Cash and cash equivalents	\$ 508,682	\$ 14,787,892	\$ 565,102	\$ 16,822,917	\$ 582,649	\$ 17,675,143
Financial assets at fair value through profit or loss	995,446	28,987,377	1,004,251	29,974,876	1,174,525	35,630,371
Held-to-maturity financial assets	-	-	2,786,242	83,163,756	2,392,378	72,575,184
Financial assets at amortised cost	2,759,668	80,361,537	-	-	-	-
Bills discounted and loans	3,631,067	105,736,668	2,966,829	88,553,919	3,106,208	94,229,918
Foreign currency denominated financial liabilities						
Bills and bonds payable under repurchase agreements	924,987	26,935,635	1,334,315	39,826,638	884,075	26,819,311
Deposits and remittances	4,445,012	129,413,838	4,702,896	140,327,792	5,165,463	156,699,504
Other liabilities	427,973	12,462,566	553,396	16,517,772	590,406	17,910,569

Note: As of March 31, 2018, December 31, 2017 and March 31, 2017, USD to TWD exchange rates were 29.120, 29.848 and 30.336, respectively.

- e. As of March 31, 2018, December 31, 2017 and March 31, 2017, the following table summarizes KRW-denominated assets and liabilities of Yuanta Securities and the concentration of foreign exchange risk presented by carrying amount.

	March 31, 2018		December 31, 2017		March 31, 2017	
	Carrying		Carrying		Carrying	
	KRW position	amount	KRW position	amount	KRW position	amount
Effect on profit or loss						
Financial assets						
Cash and cash equivalents	\$ 692,825,615	\$ 18,983,422	\$ 637,072,906	\$ 17,774,334	\$ 632,248,663	\$ 17,146,827
Financial assets at fair value through profit or loss	2,708,733,131	74,219,288	2,644,460,498	73,780,448	6,551,857,823	177,688,900
Accounts receivable	357,395,863	9,792,647	304,848,612	8,505,276	231,592,491	6,280,877
Prepayments and other receivables	48,797,666	1,337,056	48,043,787	1,340,422	51,490,348	1,396,438
Other current assets	260,010,214	7,124,280	223,321,861	6,230,680	26,497,238	718,615
Non-current assets	649,120,618	17,785,905	656,756,945	18,323,519	662,431,822	17,965,405
Financial liabilities						
Financial liabilities at fair value through profit or loss	1,228,499,974	33,660,899	1,907,149,701	53,209,477	1,542,174,876	41,824,375
Bonds sold under repurchase agreements	3,661,267,487	100,318,729	3,267,723,425	91,169,484	1,086,722,357	29,472,328
Guarantee deposit-in and margin deposits	-	-	2,571,171	71,736	6,944,356	188,334
Other current liabilities	283,447,618	7,766,465	161,425,771	4,503,779	76,690,190	2,079,867
Non-current liabilities	160,816,757	4,406,379	154,469,886	4,309,710	243,481,950	6,603,324
Effect on profit or loss and equity						
Financial assets						
Equity investments accounted for under the equity method	53,712,500	1,471,723	52,486,779	1,464,381	61,113,709	1,657,427

Note: As of March 31, 2018, December 31, 2017 and March 31, 2017, the KRW to TWD exchange rate were all 0.03.

## (B) 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, financial liabilities at fair value through other comprehensive income/available-for-sale financial assets and financial assets at amortised cost/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)

March 31, 2018

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 57,437,804	\$ 754,535	\$ 187,050	\$ 58,379,389
Due from Central Bank and call loans to other banks	26,920,024	10,688,250	9,111,008	46,719,282
Financial assets at fair value through profit or loss	370,519,877	53,876,870	62,759,519	487,156,266
Financial assets at fair value through other comprehensive income	12,184,262	12,819,570	224,112,915	249,116,747
Investments in bills and bonds under resale agreements	37,144,985	-	-	37,144,985
Receivables	154,093,550	33,347,823	1,711,155	189,152,528
Bills discounted and loans	145,465,631	153,072,219	457,289,041	755,826,891
Reinsurance assets	474,786	-	-	474,786
Financial assets at amortised cost	108,017,060	15,243,617	199,507,299	322,767,976
Restricted assets	( 11,500,028)	-	14,798,798	3,298,770
Other financial assets	46,945,767	31,772	2,023,895	49,001,434
Other assets	17,127,328	4,449,498	6,368,780	27,945,606
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	16,241,328	2,935,802	-	19,177,130
Cash outflow	( 15,530,585)	( 2,501,629)	-	( 18,032,214)
Net settlement	623,372	473,001	540,780	1,637,153
Total	\$ 966,165,161	\$ 285,191,328	\$ 978,410,240	\$ 2,229,766,729
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 36,684,180	\$ 2,531,527	\$ 10,000	\$ 39,225,707
Financial liabilities at fair value through profit or loss	11,247,391	3,862,746	1,435,817	16,545,954
Bills and bonds payable under repurchase agreements	117,898,491	35,316,110	41,362,461	194,577,062
Commercial paper payable	52,316,745	1,370,680	-	53,687,425
Payables	167,954,628	12,005,010	542,437	180,502,075
Deposits and remittances	380,655,494	377,883,762	272,321,537	1,030,860,793
Bonds payable	17,039,291	8,462,529	40,447,657	65,949,477
Other borrowings	71,910,037	867,756	101,141	72,878,934
Other financial liabilities	51,771,817	4,735,533	14,036,082	70,543,432
Other liabilities	26,556,924	817,885	3,687,094	31,061,903
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	( 56,966,752)	( 39,326,936)	( 596,780)	( 96,890,468)
Cash outflow	58,411,167	39,688,730	617,934	98,717,831
Net settlement	153,177	198,327	1,309,017	1,660,521
Total	\$ 935,632,590	\$ 448,413,659	\$ 375,274,397	\$ 1,759,320,646

December 31, 2017						
Financial assets	0~90 days		91 days~1 year		Over 1 year	Total
Non-derivative financial instruments						
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
Derivative financial instruments						
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
Financial liabilities						
Non-derivative financial instruments						
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
Derivative financial instruments						
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

March 31, 2017

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 44,979,504	\$ 5,260,169	\$ -	\$ 50,239,673
Due from Central Bank and call loans to other banks	53,768,949	10,879,973	8,626,573	73,275,495
Financial assets at fair value through profit or loss	315,928,107	56,743,236	46,396,222	419,067,565
Available-for-sale financial assets	109,588,851	33,317,885	207,876,145	350,782,881
Investments in bills and bonds under resale agreements	39,988,034	-	-	39,988,034
Receivables	126,487,229	31,133,217	2,157,172	159,777,618
Bills discounted and loans	147,254,498	160,170,061	474,871,428	782,295,987
Reinsurance assets	402,596	-	-	402,596
Held-to-maturity financial assets	176,153	1,289,845	116,991,464	118,457,462
Restricted assets	-	-	8,960,696	8,960,696
Other financial assets	37,558,150	3,819,818	60,603,520	101,981,488
Other assets	8,853,477	1,670,026	3,718,618	14,242,121
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	24,124,662	2,850,405	1,339,615	28,314,682
Cash outflow	( 22,925,977)	( 1,737,123)	-	( 24,663,100)
Net settlement	821,265	1,619,895	936,178	3,377,338
Total	\$ 887,005,498	\$ 307,017,407	\$ 932,477,631	\$ 2,126,500,536
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 19,591,368	\$ 2,787,823	\$ -	\$ 22,379,191
Financial liabilities at fair value through profit or loss	5,517,851	2,945,950	4,458,945	12,922,746
Bills and bonds payable under repurchase agreements	129,741,377	32,958,893	31,707,492	194,407,762
Commercial paper payable	41,732,000	-	-	41,732,000
Payables	146,969,419	12,220,823	982,055	160,172,297
Deposits and remittances	375,197,427	400,580,784	284,925,924	1,060,704,135
Bonds payable	11,292,705	10,663,924	54,216,766	76,173,395
Other borrowings	49,569,745	1,239,551	480,272	51,289,568
Other financial liabilities	49,810,942	5,113,345	14,200,628	69,124,915
Other liabilities	16,447,472	210,198	1,700,441	18,358,111
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	( 22,488,246)	( 3,457,971)	( 297,257)	( 26,243,474)
Cash outflow	23,844,787	4,583,590	1,659,916	30,088,293
Net settlement	100,198	261,374	736,915	1,098,487
Total	\$ 847,327,045	\$ 470,108,284	\$ 394,772,097	\$ 1,712,207,426

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 March 31, 2018, December 31, 2017 and March 31, 2017, expenses on period of 0-90 days will increase by \$357,015,319, \$370,082,218 and \$356,311,958, 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:

	March 31, 2018			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 36,725,242	\$ -	\$ -	\$ 36,725,242
Non-revocable credit card commitments	120,171,862	-	-	120,171,862
Unused credit commitment	4,726,019	-	-	4,726,019
Guarantees	23,600,003	-	-	23,600,003
Lease contract commitment				
Operating lease expense (lessee)	1,250,985	2,757,913	73,036	4,081,934
Operating income (lessor)	101,999	163,006	50,805	315,810
Total financial lease expense (lessee)	385	19	-	404
Financial lease expense at present value (lessee)	366	18	-	384
Total financial lease income (lessor)	27,547	40,197	-	67,744
Financial lease income at present value (lessor)	25,576	35,926	-	61,502
Capital expenditure commitment	649,457	130,541	-	779,998

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
March 31, 2017				
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 39,426,998	\$ 7,220,735	\$ 109,031	\$ 46,756,764
Non-revocable credit card commitments	120,334,366	255,687	884,630	121,474,683
Unused credit commitment	3,007,152	-	-	3,007,152
Guarantees	38,929,001	1,526,224	-	40,455,225
Lease contract commitment				
Operating lease expense (lessee)	1,393,201	3,046,032	250,143	4,689,376
Operating income (lessor)	78,950	68,398	-	147,348
Total financial lease expense (lessee)	1,255	3,950	-	5,205
Financial lease expense at present value (lessee)	1,208	3,927	-	5,135
Total financial lease income (lessor)	44,664	57,940	-	102,604
Financial lease income at present value (lessor)	40,840	51,689	-	92,529
Capital expenditure commitment	206,959	114,906	-	321,865

(C) 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 recognises 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:

March 31, 2018		
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	\$ 12,448,466	\$ 11,324,962
Bond sold under repurchase agreements	202,553,633	194,577,062
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
March 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	\$ 13,268,294	\$ 12,286,913
Bond sold under repurchase agreements	202,840,039	194,407,762

(D) 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

March 31, 2018

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	\$ 9,951,615	\$ -	\$ 9,951,615	\$ 6,995,357	\$ 1,417,454	\$ 1,538,804	
Bonds purchased under resale agreements	37,144,985	-	37,144,985	36,614,985	530,000	-	
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	



March 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	\$ 9,804,927	\$ -	\$ 9,804,927	\$ 5,943,279	\$ 868,861	\$ 2,992,787	
Bonds purchased under resale agreements	39,988,034	-	39,988,034	39,495,731	489,657	2,646	

**B. Financial liabilities**

March 31, 2018

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 assets 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	\$ 13,312,941	\$ -	\$ 13,312,941	\$ 10,228,354	\$ 788,771	\$ 2,295,816	
Bonds sold under repurchase agreements	194,577,062	-	194,577,062	194,483,370	93,692	-	

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 assets 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	

March 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 assets 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	\$ 14,470,182	\$ -	\$ 14,470,182	\$ 9,640,941	\$ 3,023,503	\$ 1,805,738	
Bonds sold under repurchase agreements	194,407,762	-	194,407,762	194,135,899	271,863	-	

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.

#### (E) 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 March 31, 2018, December 31, 2017 and March 31, 2017, 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 other comprehensive income. If the discount rate of the adequacy test decreases significantly, the change would impact income before tax and other comprehensive income.

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:

	March 31, 2018	December 31, 2017	March 31, 2017
Less than 1 year	(\$ 25,362,743)	(\$ 23,176,211)	(\$ 23,952,174)
1 ~5 years	( 12,767,016)	( 15,764,816)	( 30,674,415)
5 ~15 years	77,814,419	78,131,729	76,868,489
More than 15 years	450,161,307	440,488,107	401,943,633
Total	<u>\$ 489,845,967</u>	<u>\$ 479,678,809</u>	<u>\$ 424,185,533</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:

Not applicable.

(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.

Not applicable.

- (6) Significant impact arising from changes in government laws and regulations:  
None.
- (7) Information for discontinued operations:  
Please refer to Note 6(8).
- (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).

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(11) Financial information by business segments

Information by business segments for the three months ended March 31, 2018 is as follows:

(Expressed In Thousands of New Taiwan Dollars)							
Item	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income (loss)	\$ 3,544,266	\$ 946,420	\$ 89,873	\$ 175,122	\$ 1,515,473	(\$ 78,128)	\$ 6,193,026
Net non-interest income (loss)	1,859,413	9,108,069	521,354	(35,229)	5,731,736	729,411	17,914,754
Net profit	5,403,679	10,054,489	611,227	139,893	7,247,209	651,283	24,107,780
Bad debt recovery (expenses) and reserve for guarantee liabilities	( 173,356)	( 77,444)	( 45,838)	( 2,355)	850	-	( 298,143)
Net change in provisions for insurance liabilities	-	-	-	-	( 6,435,168)	-	( 6,435,168)
Operating expenses	( 2,745,641)	( 6,192,161)	( 346,899)	( 39,379)	( 397,206)	( 606,676)	( 10,327,962)
Net income from continuing operations before income tax	2,484,682	3,784,884	218,490	98,159	415,685	44,607	7,046,507
Income tax (expense) benefits	( 380,882)	( 535,405)	( 49,032)	( 14,517)	117,442	( 78,916)	( 941,310)
Consolidated income (loss), net of tax	<u>\$ 2,103,800</u>	<u>\$ 3,249,479</u>	<u>\$ 169,458</u>	<u>\$ 83,642</u>	<u>\$ 533,127</u>	<u>(\$ 34,309)</u>	<u>\$ 6,105,197</u>

Information by business segments for the three months ended March 31, 2017 is as follows:

Item	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income (loss)	\$ 3,620,289	\$ 940,874	\$ 74,170	\$ 134,064	\$ 1,146,963	(\$ 78,809)	\$ 5,837,551
Net non-interest income (loss)	1,645,174	5,398,061	294,616	(23,934)	3,892,380	504,592	11,710,889
Net profit	5,265,463	6,338,935	368,786	110,130	5,039,343	425,783	17,548,440
Bad debt expenses and reserve for guarantee liabilities	( 84,333)	( 13,203)	-	( 656)	( 97)	-	( 98,289)
Net change in provisions for insurance liabilities	-	-	-	-	( 4,864,082)	-	( 4,864,082)
Operating expenses	( 2,888,860)	( 4,729,471)	( 189,938)	( 40,047)	( 270,905)	( 516,100)	( 8,635,321)
Net income (loss) from continuing operations before income tax	2,292,270	1,596,261	178,848	69,427	( 95,741)	( 90,317)	3,950,748
Income tax (expense) benefits	( 200,203)	( 314,549)	( 32,661)	( 10,990)	75,395	1,666	( 481,342)
Loss from discontinued operations, net of tax	( 173,841)	-	-	-	-	-	( 173,841)
Consolidated income (loss), net of tax	<u>\$ 1,918,226</u>	<u>\$ 1,281,712</u>	<u>\$ 146,187</u>	<u>\$ 58,437</u>	<u>(\$ 20,346)</u>	<u>(\$ 88,651)</u>	<u>\$ 3,295,565</u>

(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  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Cash and cash equivalents	\$ 2,289,901	\$ 2,356,331	Commercial paper payable - net	\$ 5,255,720	\$ 5,043,865
Financial assets at fair value through profit or loss	-	4,084,009	Payables	4,923,660	4,945,818
Available-for-sale financial assets - net	-	17,597	Current income tax liabilities	4,102,791	3,191,412
Financial assets at fair value through other comprehensive income	20,999	-	Bonds payable	19,750,000	19,750,000
Receivables - net	2,997,271	2,801,239	Preferred stock liabilities	-	3,921,211
Current income tax assets	327,604	479,449	Liabilities reserve	38,317	35,033
Equity investments accounted for under the equity method - net	242,070,800	230,910,657	Other liabilities	9,284	22,413
Property and equipment - net	24,418	28,125	Total liabilities	<u>34,079,772</u>	<u>36,909,752</u>
Intangible assets - net	4,050	5,549	Equity		
Deferred income tax assets	25,066	25,443	Common stock	118,202,325	119,986,478
Other assets - net	7,277	21,899	Additional paid-in capital	37,710,997	37,956,289
			Retained earnings		
			Legal reserve	9,100,767	7,759,357
			Special reserve	6,549,234	6,549,234
			Undistributed earnings	37,673,690	29,155,393
			Other equity	4,648,207	3,912,398
			Treasury shares	( 197,606)	( 1,498,603)
			Total equity	<u>213,687,614</u>	<u>203,820,546</u>
Total assets	<u>\$ 247,767,386</u>	<u>\$ 240,730,298</u>	Total liabilities and equity	<u>\$ 247,767,386</u>	<u>\$ 240,730,298</u>



Yuanta Financial Holding Co., Ltd.  
Individual Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the three months ended March 31,	
	2018	2017
Revenues		
Share of the profit or loss of the subsidiaries, associates and joint ventures accounted for using the equity method	\$ 5,893,589	\$ 3,277,390
Gain on financial assets (liabilities) at fair value through profit or loss	-	54,814
Other revenues	11,874	39,757
	<u>5,905,463</u>	<u>3,371,961</u>
Expenses and losses		
Operating expenses	( 193,928)	( 127,702)
Other expenses and losses	( 106,972)	( 262,680)
	<u>( 300,900)</u>	<u>( 390,382)</u>
Income from continuing operations before income tax	5,604,563	2,981,579
Income tax benefit	10,526	69,791
Net income	<u>5,615,089</u>	<u>3,051,370</u>
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss (net of tax)		
Evaluation gains on investments in equity instruments measured at fair value through other comprehensive income	1,733	-
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 not be reclassified to profit or loss	1,122,701	( 31,730)
Components of other comprehensive income that will be reclassified to profit or loss (net of tax)		
Unrealised gain on valuation of available-for-sale financial assets	-	614
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	( 3,406,833)	( 609,583)
Other comprehensive loss	( 2,282,399)	( 640,699)
Total comprehensive income	<u>\$ 3,332,690</u>	<u>\$ 2,410,671</u>
Earnings per share (in dollars)		
Basic and diluted earnings per share	<u>\$ 0.48</u>	<u>\$ 0.26</u>

Yuanta Financial Holding Co., Ltd.  
Individual Statement of Change in Equity  
For the three months ended March 31, 2018 and 2017  
(Expressed In Thousands of New Taiwan Dollars)

	Retained Earnings					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	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	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	Other comprehensive income on reclassification under the overlay approach	Treasury shares	Total equity
<b>For the three months ended March 31, 2017</b>													
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)	\$ 201,409,875
Consolidate net income for the period	-	-	-	-	3,051,370	-	-	-	-	-	-	-	3,051,370
Other comprehensive income (loss) for the period	-	-	-	-	(28,809)	(912,565)	-	303,426	170	(2,921)	-	-	(640,699)
Total comprehensive income (loss) for the period	-	-	-	-	3,022,561	(912,565)	-	303,426	170	(2,921)	-	-	2,410,671
Balance, March 31, 2017	<u>\$ 119,986,478</u>	<u>\$ 37,956,289</u>	<u>\$ 7,759,357</u>	<u>\$ 6,549,234</u>	<u>\$ 29,155,393</u>	<u>(\$ 2,997,593)</u>	<u>\$ -</u>	<u>\$ 6,911,601</u>	<u>\$ 1,772</u>	<u>(\$ 3,382)</u>	<u>\$ -</u>	<u>(\$ 1,498,603)</u>	<u>\$ 203,820,546</u>
<b>For the three months ended March 31, 2018</b>													
Balance, January 1, 2018	\$ 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
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	8,821,189	(7,085,896)	-	62,367	389,832	-	(840,830)
Equity at beginning of period after adjustments	118,891,975	37,960,694	9,100,767	6,549,234	32,247,259	(2,527,962)	8,821,189	-	-	58,889	389,832	(1,136,953)	210,354,924
Consolidate net income for the period	-	-	-	-	5,615,089	-	-	-	-	-	-	-	5,615,089
Other comprehensive income (loss) for the period	-	-	-	-	23,316	(656,676)	(1,257,125)	-	-	(846)	(391,068)	-	(2,282,399)
Total comprehensive income (loss) for the period	-	-	-	-	5,638,405	(656,676)	(1,257,125)	-	-	(846)	(391,068)	-	3,332,690
Retirement of treasury share	(689,650)	(249,697)	-	-	-	-	-	-	-	-	-	939,347	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(211,974)	-	211,974	-	-	-	-	-	-
Balance, March 31, 2018	<u>\$ 118,202,325</u>	<u>\$ 37,710,997</u>	<u>\$ 9,100,767</u>	<u>\$ 6,549,234</u>	<u>\$ 37,673,690</u>	<u>(\$ 3,184,638)</u>	<u>\$ 7,776,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,043</u>	<u>(\$ 1,236)</u>	<u>(\$ 197,606)</u>	<u>\$ 213,687,614</u>

Yuanta Financial Holding Co., Ltd.  
Individual Statement of Cash Flows  
For the three months ended March 31, 2018 and 2017  
(Expressed In Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2018	2017
<u>Cash Flows From Operating Activities</u>		
Profit before tax	\$ 5,604,563	\$ 2,981,579
Adjustment items		
Adjustments to reconcile profit or loss		
Depreciation	2,185	2,112
Amortization	511	517
Gain on financial assets and financial liabilities at fair value through profit or loss	- (	54,814)
Interest expense	50,081	111,728
Interest income	( 11,388) (	39,730)
Share of the profit or loss of the subsidiaries, associates and joint ventures accounted for using the equity method	( 5,893,589) (	3,277,390)
Gain on sale of property and equipment	( 465)	-
Change in assets/liabilities relating to operating activities		
Decrease in receivables	8,920	293,234
Increase in other assets	( 1,403) (	1,400)
Decrease in payables	( 4,264) (	389,109)
Increase (decrease) in liabilities reserve	114 (	344)
Increase in other liabilities	488	2,773
Interest received	10,814	6,909
Cash paid for interest	( 6,755) (	7,244)
Income tax paid	( 1,080)	70,437)
Net cash used in operating activities	( 241,268)	( 441,616)
<u>Cash Flows From Investing Activities</u>		
Cash refund proceeds from share of capital reduction of investee company accounted for under the equity method	-	200,000
Acquisition of property and equipment	( 195) (	373)
Proceeds from disposal of property and equipment	465	-
Net cash provided by investing activities	270	199,627
<u>Cash Flows From Financing Activities</u>		
Increase in commercial paper payable	164,000	1,093,000
Decrease in other borrowings	- (	1,000,000)
Net cash provided by financing activities	164,000	93,000
Net decrease in cash and cash equivalents	( 76,998) (	148,989)
Cash and cash equivalents at beginning of period	2,366,899	2,505,320
Cash and cash equivalents at end of period	\$ 2,289,901	\$ 2,356,331

B. Yuanta Commercial Bank

Yuanta Commercial Bank  
Individual Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

(Restated)			(Restated)		
ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Cash and cash equivalents	\$ 16,409,003	\$ 10,893,477	Due to Central Bank and other banks	\$ 39,225,707	\$ 22,379,191
Due from Central Bank and call loans to other banks	44,774,383	71,214,417	Financial liabilities at fair value through profit or loss	3,960,126	8,051,096
Financial assets at fair value through profit or loss	135,615,002	133,189,311	Bills and bonds sold under repurchase agreements	8,749,135	9,140,556
Financial assets at fair value through other comprehensive income	140,648,453	-	Payables	23,904,709	27,189,501
Investments in debt instruments at amortised cost — net	185,815,908	-	Current income tax liabilities	787,559	878,813
Securities purchased under resell agreements	9,997,900	5,455,121	Deposits and remittances	1,053,200,847	1,095,869,293
Receivables- net	36,538,021	36,769,805	Financial debentures payable	43,500,000	48,500,000
Current income tax assets	2,485,786	2,457,600	Preferred stock liabilities	-	3,902,663
Assets classified as held for sale - net	-	1,477,521	Other financial liabilities	13,518,650	15,566,794
Bills discounted and loans- net	699,324,169	744,214,228	Liabilities reserve	1,893,936	2,505,290
Available-for-sale financial assets- net	-	236,174,783	Deferred income tax liabilities	299,244	216,980
Held-to-maturity financial assets- net	-	16,564,518	Other liabilities	2,271,864	1,468,815
Equity investments accounted for under the equity method- net	5,067,779	4,981,617	Total liabilities	1,191,311,777	1,235,668,992
Other financial assets- net	4,100	52,392,418	Common stocks	73,940,390	41,521,815
Property and equipment- net	12,926,800	11,383,658	Additional paid-in capital	25,960,441	6,038,882
Investment property- net	1,030,592	1,081,474	Retained earnings	13,590,473	12,792,092
Intangible assets- net	12,393,468	12,656,369	Other equity	1,076,309	( 520,512)
Deferred income tax assets	579,097	1,060,462	Equity attributable to former owner of business combination under common control	-	50,717,787
Other assets - net	2,268,929	4,252,277	Total equity	114,567,613	110,550,064
Total assets	\$ 1,305,879,390	\$ 1,346,219,056	Total liabilities and equity	\$ 1,305,879,390	\$ 1,346,219,056

Yuanta Commercial Bank  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the three months ended March 31,			
			(Restated)	
	2018		2017	
	Amount	%	Amount	%
Interest income	\$ 5,434,097	100	\$ 5,498,998	100
Less: Interest expense	( 2,078,697)	( 38)	( 1,980,761)	( 36)
Net interest income	3,355,400	62	3,518,237	64
Net non-interest income	2,072,696	38	1,593,226	29
Net profit	5,428,096	100	5,111,463	93
Provision for bad debt expenses and guarantee policy reserve	( 172,664)	( 3)	( 55,370)	( 1)
Operating expenses	( 2,709,458)	( 50)	( 2,919,872)	( 53)
Income from continuing operations before income tax	2,545,974	47	2,136,221	39
Income tax expense	( 379,304)	( 7)	( 198,765)	( 4)
Loss from discontinued operations	-	-	( 171,046)	( 3)
Net income	2,166,670	40	1,766,410	32
Other comprehensive income (loss) (net of tax)	( 757,712)	( 14)	109,401	2
Total comprehensive income	<u>\$ 1,408,958</u>	<u>26</u>	<u>\$ 1,875,811</u>	<u>34</u>
Basic and diluted earnings per share				
Earnings per share from continuing operations	<u>\$ 0.29</u>		<u>\$ 0.45</u>	

C. Yuanta Securities

Yuanta Securities  
Individual Condensed Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Current assets	\$ 280,620,613	\$ 253,985,062	Current liabilities	\$ 241,007,068	\$ 212,731,259
Financial assets at fair value through profit or loss	-	50,702	Deferred income tax liabilities	2,251,388	1,896,180
Financial assets at fair value through other comprehensive income	5,363,021	-	Other non-current liabilities	1,884,419	1,429,925
Available-for-sale financial assets	-	3,259,601	Total liabilities	245,142,875	216,057,364
Held-to-maturity financial assets	-	797,397			
Equity investments accounted for under the equity method	30,896,006	26,615,175			
Property and equipment	4,581,529	4,763,440	Common stocks	54,056,442	55,172,835
Investment property	2,844,672	2,695,717	Additional paid-in capital	1,790,174	2,113,301
Intangible assets	12,000,876	12,421,183	Retained earnings	37,725,167	33,625,308
Deferred income tax assets	608,851	453,409	Other equity	( 141,400)	( 283,722)
Other non-current assets	1,657,690	1,643,400	Total equity	93,430,383	90,627,722
Total assets	<u>\$ 338,573,258</u>	<u>\$ 306,685,086</u>	Total liabilities and equity	<u>\$ 338,573,258</u>	<u>\$ 306,685,086</u>

Yuanta Securities  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Revenues	\$ 6,069,561	100	\$ 3,746,966	100
Service fee expense	( 182,353)	( 3)	( 121,286)	( 3)
Employee benefit expense	( 1,850,565)	( 30)	( 1,377,327)	( 37)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	708,790	11	338,139	9
Operating expenses	( 1,336,596)	( 22)	( 1,019,965)	( 27)
Income from continuing operations before income tax	3,408,837	56	1,566,527	42
Income tax expense	( 487,328)	( 8)	( 262,286)	( 7)
Net income	2,921,509	48	1,304,241	35
Other comprehensive loss (net of tax)	( 438,928)	( 7)	( 602,100)	( 16)
Total comprehensive income	<u>\$ 2,482,581</u>	<u>41</u>	<u>\$ 702,141</u>	<u>19</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>0.54</u>	<u>\$</u>	<u>0.24</u>

D. Yuanta Futures

Yuanta Futures  
Individual Condensed Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Current assets	\$ 57,446,321	\$ 53,023,425	Current liabilities	\$ 52,824,865	\$ 48,005,694
Financial assets at fair value through other comprehensive income	1,257,885	-	Non-current liabilities	70,298	70,603
Available-for-sale financial assets	-	1,252,241	Total liabilities	52,895,163	48,076,297
Equity investments accounted for under the equity method	704,105	456,716	Common stocks	2,322,763	2,322,763
Property and equipment	546,286	44,520	Additional paid-in capital	940,976	940,976
Intangible assets	36,468	35,343	Retained earnings	3,499,913	3,154,077
Deferred income tax assets	14,103	5,851	Other equity	976,885	938,166
Other non-current assets	630,532	614,183	Total equity	7,740,537	7,355,982
Total assets	<u>\$ 60,635,700</u>	<u>\$ 55,432,279</u>	Total liabilities and equity	<u>\$ 60,635,700</u>	<u>\$ 55,432,279</u>



Yuanta Futures  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 865,110	100	\$ 627,561	100
Service fee expense	( 158,883)	( 18)	( 113,035)	( 18)
Employee benefit expense	( 170,703)	( 20)	( 88,697)	( 14)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	( 6,195)	( 1)	( 6,590)	( 1)
Operating expenses	( 273,271)	( 31)	( 224,208)	( 36)
Income from continuing operations before income tax	256,058	30	195,031	31
Income tax expense	( 49,032)	( 6)	( 32,661)	( 5)
Net income	207,026	24	162,370	26
Other comprehensive income (net of tax)	66,384	8	9,716	1
Total comprehensive income	<u>\$ 273,410</u>	<u>32</u>	<u>\$ 172,086</u>	<u>27</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 0.89</u>		<u>\$ 0.70</u>	

E. Yuanta Securities Finance

Yuanta Securities Finance  
Individual Condensed Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Current assets	\$ 23,760,559	\$ 18,720,990	Current liabilities	\$ 17,010,311	\$ 13,901,676
Financial assets at fair value through other comprehensive income	3,480,064	-	Non-current liabilities	20,855	24,095
Available-for-sale financial assets	-	4,951,924	Total liabilities	17,031,166	13,925,771
Held-to-maturity financial assets	-	105,477			
Financial assets at amortised cost	104,279	-			
Property and equipment	272,632	29,029	Common stocks	4,000,000	4,000,000
Investment property	213,028	215,716	Additional paid-in capital	28,301	28,301
Intangible assets	3,574	4,898	Retained earnings	4,139,850	2,319,040
Deferred income tax assets	28,664	24,988	Other equity	3,112,233	4,287,949
Other non-current assets	448,750	508,039	Total equity	11,280,384	10,635,290
Total assets	<u>\$ 28,311,550</u>	<u>\$ 24,561,061</u>	Total liabilities and equity	<u>\$ 28,311,550</u>	<u>\$ 24,561,061</u>

Yuanta Securities Finance  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 205,763	100	\$ 157,273	100
Operating costs	( 66,628)	( 32)	( 48,279)	( 31)
Operating expenses	( 44,390)	( 22)	( 44,216)	( 28)
Impairment on expected credit losses	( 2,355)	( 1)	-	-
Net operating profit	92,390	45	64,778	41
Non-operating revenues and expenses	3,449	2	3,930	3
Income from continuing operations before income tax	95,839	47	68,708	44
Income tax expense	( 14,517)	( 7)	( 10,990)	( 7)
Net income	81,322	40	57,718	37
Other comprehensive income (net of tax)	261,146	127	159,059	101
Total comprehensive income	<u>\$ 342,468</u>	<u>167</u>	<u>\$ 216,777</u>	<u>138</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 0.20</u>		<u>\$ 0.14</u>	

## F. Yuanta Life

Yuanta Life  
Individual Condensed Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Cash and cash equivalents	\$ 5,307,364	\$ 4,911,975	Payables	\$ 3,025,304	\$ 1,036,822
Receivables	3,390,858	1,981,911	Financial liabilities at fair value		
Current income tax assets	1,642,731	1,742,039	through profit or loss	89,989	14,409
Financial assets at fair value			Insurance liabilities	189,391,733	154,212,014
through profit or loss	15,482,390	5,704,131	Foreign exchange reserve	275,342	96,123
Financial assets at fair value through			Liabilities reserve	45,579	40,036
other comprehensive income	32,520,579	-	Deferred income tax liabilities	405,756	151,218
Available-for-sale financial assets	-	30,710,500	Other liabilities	2,218,432	1,271,303
Financial assets at amortised cost	134,135,426	-	Investment-linked insurance		
Bond investments without active market	-	5,552,498	products liabilities	1,926,076	1,856,934
Held-to-maturity financial assets	-	99,984,985	Total liabilities	197,378,211	158,678,859
Other financial assets	-	2,070,000			
Loans	5,681,349	5,101,110			
Reinsurance contract assets	474,786	402,596			
Property and equipment	4,514,391	4,301,332			
Intangible assets	70,841	61,822			
Deferred income tax assets	1,345,301	128,185	Common stocks	12,107,048	8,107,048
Other assets	1,885,732	1,290,097	Retained earnings	( 2,401,547)	( 2,618,545)
Investment-linked insurance			Other equity	1,294,112	1,632,753
products assets	1,926,076	1,856,934	Total equity	10,999,613	7,121,256
Total assets	<u>\$ 208,377,824</u>	<u>\$ 165,800,115</u>	Total liabilities and equity	<u>\$ 208,377,824</u>	<u>\$ 165,800,115</u>

Yuanta Life  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Loss Per Share)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 9,192,136	100	\$ 6,612,052	100
Operating costs	( 8,686,711)	( 95)	( 6,494,422)	( 98)
Operating expenses	( 291,277)	( 3)	( 289,720)	( 4)
Net operating income (loss)	214,148	2	( 172,090)	( 2)
Non-operating revenues and expenses	( 564)	-	( 767)	-
Gain (loss) from continuing operations before income tax	213,584	2	( 172,857)	( 2)
Income tax benefit	117,441	1	75,395	1
Net income (loss)	331,025	3	( 97,462)	( 1)
Other comprehensive loss (net of tax)	( 1,398,573)	( 15)	( 125,174)	( 2)
Total comprehensive loss	<u>(\$ 1,067,548)</u>	<u>( 12)</u>	<u>(\$ 222,636)</u>	<u>( 3)</u>
Earnings (losses) per share (in dollars)				
Basic and diluted earnings (losses) per share	<u>\$ 0.27</u>		<u>(\$ 0.12)</u>	

## G. Yuanta Securities Investment Trust

Yuanta Securities Investment Trust  
Individual Condensed Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Current assets	\$ 3,430,703	\$ 3,033,978	Current liabilities	\$ 360,131	\$ 311,287
Financial assets at fair value through other comprehensive income	98,758	-	Deferred income tax liabilities	249,916	221,993
Available-for-sale financial assets	-	88,249	Other non-current liabilities	55,644	66,443
Equity investments accounted for under the equity method	188,217	267,681	Total liabilities	665,691	599,723
Property and equipment	294,824	304,980	Common stocks	2,269,235	2,269,235
Intangible assets	768,551	768,551	Additional paid-in capital	179	179
Prepaid pension cost	37,087	35,439	Retained earnings	1,964,536	1,734,756
Deferred income tax assets	182	468	Other equity	83,426	58,156
Other non-current assets	164,745	162,703	Total equity	4,317,376	4,062,326
Total assets	<u>\$ 4,983,067</u>	<u>\$ 4,662,049</u>	Total liabilities and equity	<u>\$ 4,983,067</u>	<u>\$ 4,662,049</u>

Yuanta Securities Investment Trust  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 639,909	100	\$ 602,999	100
Operating expenses	( 307,072)	( 48)	( 264,128)	( 44)
Operating profits	332,837	52	338,871	56
Non-operating revenues and expenses	( 21,869)	( 3)	( 31,204)	( 5)
Income from continuing operations				
before income tax	310,968	49	307,667	51
Income tax expense	( 89,267)	( 14)	( 58,240)	( 9)
Net income	221,701	35	249,427	42
Other comprehensive income (loss)				
(net of tax)	8,237	1	( 10,827)	( 2)
Total comprehensive income	<u>\$ 229,938</u>	<u>36</u>	<u>\$ 238,600</u>	<u>40</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 0.98</u>		<u>\$ 1.10</u>	

## H. Yuanta Asset Management

Yuanta Asset Management  
Individual Condensed Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Current assets	\$ 1,927,453	\$ 1,967,635	Current liabilities	\$ 1,369,997	\$ 747,182
Financial assets at fair value through other comprehensive income	352,759	-	Non-current liabilities	6,435	3,933
Available-for-sale financial assets	-	357,802	Total liabilities	1,376,432	751,115
Property and equipment	931	653	Common stocks	1,000,000	1,500,000
Investment property	1,106,805	937,031	Additional paid-in capital	1,047	1,047
Intangible assets	294	-	Retained earnings	722,762	717,379
Deferred income tax assets	2,898	2,361	Other equity	291,627	296,669
Other non-current assets	728	728	Total equity	2,015,436	2,515,095
Total assets	<u>\$ 3,391,868</u>	<u>\$ 3,266,210</u>	Total liabilities and equity	<u>\$ 3,391,868</u>	<u>\$ 3,266,210</u>



Yuanta Asset Management  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 66,504	100	\$ 74,047	100
Operating expenses	( 24,154)	( 36)	( 26,132)	( 35)
Operating profits	42,350	64	47,915	65
Non-operating revenues and expenses	( 2,676)	( 4)	( 1,446)	( 2)
Income from continuing operations before income tax	39,674	60	46,469	63
Income tax expense	( 7,948)	( 12)	( 10,691)	( 15)
Net income	31,726	48	35,778	48
Other comprehensive income	143	-	14,581	20
Total comprehensive income	<u>\$ 31,869</u>	<u>48</u>	<u>\$ 50,359</u>	<u>68</u>

# I. Yuanta Venture Capital

## Yuanta Venture Capital Individual Condensed Balance Sheets March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Current assets	\$ 1,663,090	\$ 1,266,288	Current liabilities	\$ 95,700	\$ 149,714
Equity investments accounted for under the equity method	979,585	925,157	Other non-current liabilities	101,580	980
Financial assets carried at cost	-	440,570	Total liabilities	197,280	150,694
Property and equipment	4,167	3,605	Common stocks	2,460,000	2,460,000
Deferred income tax assets	10,222	12,711	Additional paid-in capital	918	918
Other non-current assets	635	635	Retained earnings	( 58,247)	347,432
			Other equity	57,748	( 310,078)
			Total equity	2,460,419	2,498,272
Total assets	<u>\$ 2,657,699</u>	<u>\$ 2,648,966</u>	Total liabilities and equity	<u>\$ 2,657,699</u>	<u>\$ 2,648,966</u>

Yuanta Venture Capital  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 132,480	100	\$ 14,572	100
Operating expenses	( 30,364)	( 23)	( 8,887)	( 61)
Operating profits	102,116	77	5,685	39
Non-operating revenues and expenses	( 114)	-	( 44)	( 1)
Income from continuing operations before income tax	102,002	77	5,641	38
Income tax benefit	7,555	5	436	3
Net income	109,557	82	6,077	41
Other comprehensive loss (net of tax)	( 1,724)	( 1)	( 107,731)	( 739)
Total comprehensive income (loss)	<u>\$ 107,833</u>	<u>81</u>	<u>\$ 101,654</u>	<u>( 698)</u>

J. Yuanta Securities Investment Consulting

Yuanta Securities Investment Consulting  
Individual Condensed Balance Sheets  
March 31, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018	March 31, 2017	LIABILITIES AND EQUITY	March 31, 2018	March 31, 2017
Current assets	\$ 173,756	\$ 147,219	Current liabilities	\$ 47,525	\$ 43,185
Property and equipment	3,086	5,056	Non-current liabilities	5,322	10,089
Intangible assets	734	954	Total liabilities	52,847	53,274
Deferred income tax assets	4,410	5,934	Common stocks	100,000	100,000
Other non-current assets	6,577	27,043	Additional paid-in capital	6,017	6,017
			Retained earnings	29,699	26,915
			Total equity	135,716	132,932
Total assets	<u>\$ 188,563</u>	<u>\$ 186,206</u>	Total liabilities and equity	<u>\$ 188,563</u>	<u>\$ 186,206</u>

Yuanta Securities Investment Consulting  
Individual Condensed Statements of Comprehensive Income  
For the three months ended March 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Item	For the three months ended March 31,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 51,098	100	\$ 51,921	100
Operating costs	( 344)	( 1)	( 345)	( 1)
Operating expenses	( 50,017)	( 98)	( 54,072)	( 104)
Operating income (loss)	737	1	( 2,496)	( 5)
Non-operating revenues and expenses	352	1	252	1
Income (loss) from continuing operations before income tax	1,089	2	( 2,244)	( 4)
Income tax (expense) benefit	( 228)	-	342	-
Net income (loss)	861	2	( 1,902)	( 4)
Total comprehensive income (loss)	\$ 861	2	(\$ 1,902)	( 4)

(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 three months ended March 31,	
		2018	2017
Return on total assets	Before tax	2.28	1.24
	After tax	2.28	1.27
Return on equity	Before tax	2.64	1.47
	After tax	2.65	1.51
Net profit margin ratio		96.84	98.14

(B) Yuanta Financial Holdings and its subsidiaries

		For the three months ended March 31,	
		2018	2017
Return on total assets	Before tax	0.31	0.18
	After tax	0.27	0.15
Return on equity	Before tax	3.08	1.79
	After tax	2.67	1.50
Net profit margin ratio		25.32	18.56

(C) Yuanta Bank

		For the three months ended March 31,	
		2018	2017
Return on total assets	Before tax	0.20	0.20
	After tax	0.17	0.16
Return on equity	Before tax	2.24	2.60
	After tax	1.90	2.15
Net profit margin ratio		39.92	34.56

(D) Yuanta Securities

		For the three months ended March 31,	
		2018	2017
Return on total assets	Before tax	0.99	0.52
	After tax	0.85	0.43
Return on equity	Before tax	3.70	1.74
	After tax	3.17	1.44
Net profit margin ratio		44.29	32.90

(E) Yuanta Life

		For the three months ended March 31,	
		2018	2017
Return on total assets	Before tax	0.10	(0.11)
	After tax	0.16	(0.06)
Return on equity	Before tax	1.85	(2.39)
	After tax	2.87	(1.35)
Net profit margin ratio		65.57	(83.40)

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			March 31, 2018					March 31, 2017				
Business / Items			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
Corporate banking	Secured loans		530,544	186,692,662	0.28%	2,800,488	527.85%	788,437	190,187,117	0.41%	943,553	119.67%
	Unsecured loans		338,983	191,267,560	0.18%	5,139,910	1,516.27%	181,482	217,999,334	0.08%	4,787,890	2,638.22%
Consumer banking	Residential mortgage loans		592,862	189,910,545	0.31%	2,925,070	493.38%	577,269	199,517,816	0.29%	2,993,084	518.49%
	Cash card services		4,921	167,884	2.93%	11,135	226.28%	109	240,402	0.05%	31,953	29,314.68%
	Small amount of credit loans		127,640	12,402,079	1.03%	208,834	163.61%	66,185	15,049,179	0.44%	867,106	1,310.12%
	Others	Secured loans	343,382	141,004,314	0.24%	1,459,958	425.17%	247,611	133,507,843	0.19%	492,597	198.94%
		Unsecured loans	974	1,423,256	0.07%	15,202	1,560.78%	1,710	1,208,479	0.14%	2,749	160.76%
	Gross loan business			1,939,306	722,868,300	0.27%	12,560,597	647.69%	1,862,803	757,710,170	0.25%	10,118,932

Month / Year		March 31, 2018					March 31, 2017				
		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		12,075	11,391,845	0.11%	220,712	1,827.84%	6,122	11,658,724	0.05%	256,936	4,196.93%
Without recourse factoring		-	4,523,418	-	71,443	-	-	3,980,580	-	19,524	-

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

	March 31, 2018		March 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	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)	136,538	64,801	185,728	85,521
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,206,115	354,633	1,138,394	356,249
Total	1,342,653	419,434	1,324,122	441,770

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

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(C)Contract amounts of significant credit risk concentration are as follows:

Unit: In thousands of NT Dollars, %

March 31, 2018			
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	\$ 6,500,000	5.72
2	Group B–Real Estate Development	5,766,484	5.08
3	Company C–Real Estate Development	4,744,660	4.18
4	Company D–Real Estate Leasing	3,500,000	3.08
5	Group E–Real Estate Development	2,898,687	2.55
6	Group F–Real Estate Development	2,705,675	2.38
7	Group G–Ocean Transportation	2,656,245	2.34
8	Group H–Seasoning Manufacturing Industry	2,557,000	2.25
9	Company I–Real Estate Development	2,436,000	2.14
10	Company J–Non-official financing business	2,329,881	2.05

Unit: In thousands of NT Dollars, %

March 31, 2017 (Note 4)			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (Note 5)
1	Company A–Integrated Circuits Manufacturing	\$ 5,000,000	4.40
2	Group B–Real Estate Development	3,897,041	3.43
3	Group C–Metallic Cutting Tools and Hand Tool Manufacturing	3,027,000	2.67
4	Group D–Ocean Transportation	3,025,892	2.66
5	Group E–Integrated Circuits Manufacturing	2,600,000	2.29
6	Group F–Real Estate Development	2,594,792	2.28
7	Company G–Real Estate Development	2,484,000	2.19
8	Company H–Other Electric Equipment and Appliances Manufacturing	2,426,880	2.14
9	Company I–Manufacture of Sports Goods	2,426,880	2.14
10	Company J–Gaming Industry	2,188,323	1.93

Ta Chong Bank — contract amounts of significant credit risk concentration

Unit: In thousands of NT Dollars, %

March 31, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity (Note 6)
1	Group A—Real Estate Leasing	\$ 3,500,000	7.96
2	Group B—Real Estate Development	2,355,192	5.36
3	Group C—Other Non-classified Electronic Components Manufacturing	1,500,000	3.41
4	Group D—Motorcycle Manufacturing	1,973,600	4.49
5	Group E—Other Non-classified Financial Service	1,537,168	3.50
6	Group F—Real Estate Development	2,495,204	5.68
7	Group G—Manufacture of Bare Printed Circuit Boards	1,424,012	3.24
8	Group H—Building Construction	1,098,804	2.50
9	Group I—Semiconductor Packaging and Testing	1,000,000	2.28
10	Group J—Wholesale of Electronic Equipment, Telecommunication Devices, and Other Components	1,756,008	4.00

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.

Note 4: Ta Chong Bank was not included in the amount on March 31, 2017.

Note 5: It was calculated based on the retrospectively restated net value on March 31, 2017.

Note 6: It was calculated based on the net value of Ta Chong Bank on March 31, 2017.

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(D) Structure analysis of time to maturity  
a. Structure analysis of time to maturity (NTD)

March 31, 2018

(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	1,150,262,428	213,407,834	104,564,516	100,414,458	70,167,824	111,292,920	550,414,876
Primary funds outflow upon maturity	1,385,984,245	66,863,133	106,333,899	222,616,979	212,132,843	314,055,784	463,981,607
Gap	( 235,721,817)	146,544,701	( 1,769,383)	( 122,202,521)	( 141,965,019)	( 202,762,864)	86,433,269

March 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	724,005,183	124,937,155	79,998,516	38,518,933	41,078,329	66,160,190	373,312,060
Primary funds outflow upon maturity	922,476,941	38,193,707	79,904,747	131,645,261	124,486,799	217,164,954	331,081,473
Gap	( 198,471,758)	86,743,448	93,769	( 93,126,328)	( 83,408,470)	( 151,004,764)	42,230,587

Ta Chong Bank

March 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	455,383,668	62,423,011	50,577,731	31,674,089	49,100,125	184,204,914	77,403,798
Primary funds outflow upon maturity	562,582,254	45,589,206	102,646,316	92,198,888	118,263,051	182,151,442	21,733,351
Gap	( 107,198,586)	16,833,805	( 52,068,585)	( 60,524,799)	( 69,162,926)	2,053,472	55,670,447

Note: The amounts listed above represent the funds denominated in NT dollars only.

b. Structure analysis of time to maturity (USD)

March 31, 2018

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	6,077,398	1,701,789	703,897	297,013	224,241	3,150,458
Primary funds outflow upon maturity	8,326,068	2,462,397	1,626,753	1,490,554	1,261,139	1,485,225
Gap	( 2,248,670)	( 760,608)	( 922,856)	( 1,193,541)	( 1,036,898)	1,665,233

March 31, 2017

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	4,058,465	1,109,124	299,801	250,910	135,091	2,263,539
Primary funds outflow upon maturity	6,065,225	1,860,419	1,037,821	1,002,624	1,166,286	998,075
Gap	( 2,006,760)	( 751,295)	( 738,020)	( 751,714)	( 1,031,195)	1,265,464

Ta Chong Bank

March 31, 2017

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	5,651,392	2,010,856	1,439,257	668,184	576,939	956,156
Primary funds outflow upon maturity	6,260,110	1,778,537	1,822,064	965,335	1,539,802	154,372
Gap	( 608,718)	232,319	( 382,807)	( 297,151)	( 962,863)	801,784

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)

March 31, 2018

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	729,811,114	37,640,727	14,391,420	227,026,196	1,008,869,457
Interest-rate-sensitive liabilities	337,780,143	479,856,170	87,632,835	43,756,064	949,025,212
Interest-rate-sensitive gap	392,030,971	( 442,215,443)	( 73,241,415)	183,270,132	59,844,245
Total equity					112,924,454
Ratio of interest-rate-sensitive assets to liabilities					106.31
Ratio of interest-rate-sensitive gap to equity					52.99

March 31, 2017

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	492,846,989	21,559,022	9,089,824	152,906,363	676,402,198
Interest-rate-sensitive liabilities	197,284,304	340,214,914	59,380,129	38,168,127	635,047,474
Interest-rate-sensitive gap	295,562,685	( 318,655,892)	( 50,290,305)	114,738,236	41,354,724
Total equity					57,010,104
Ratio of interest-rate-sensitive assets to liabilities					106.51
Ratio of interest-rate-sensitive gap to equity					72.54

Note: The amounts as of March 31, 2017 does not include information of Ta Chong Bank. Please refer to the table below for such information.

Ta Chong Bank

March 31, 2017

(Expressed in Thousands of New Taiwan Dollars, %)

	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	301,272,285	8,119,715	12,781,487	32,436,350	354,609,837
Interest-rate-sensitive liabilities	83,071,425	146,905,098	72,990,953	13,973,030	316,940,506
Interest-rate-sensitive gap	218,200,860	( 138,785,383)	( 60,209,466)	18,463,320	37,669,331
Total equity					43,890,031
Ratio of interest-rate-sensitive assets to liabilities					111.89
Ratio of interest-rate-sensitive gap to equity					85.83

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)

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b. Sensitivity analysis of interest rate for assets and liabilities (USD)

March 31, 2018

(Expressed in Thousands of US Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	3,736,213	262,946	112,813	1,231,618	5,343,590
Interest-rate-sensitive liabilities	2,925,946	752,429	795,492	831,272	5,305,139
Interest-rate-sensitive gap	810,267	( 489,483)	( 682,679)	400,346	38,451
Total equity					55,531
Ratio of interest-rate-sensitive assets to liabilities					100.72
Ratio of interest-rate-sensitive gap to equity					69.24

March 31, 2017

(Expressed in Thousands of US Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	2,483,623	330,055	47,265	1,010,948	3,871,891
Interest-rate-sensitive liabilities	2,905,314	390,184	713,285	-	4,008,783
Interest-rate-sensitive gap	( 421,691)	( 60,129)	( 666,020)	1,010,948	( 136,892)
Total equity					93,183
Ratio of interest-rate-sensitive assets to liabilities					96.59
Ratio of interest-rate-sensitive gap to equity					( 146.91)

Note: The amounts as of March 31, 2017 does not include information of Ta Chong Bank. Please refer to the table below for such information.

Ta Chong Bank

March 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	1,545,205	54,246	45,045	341,965	1,986,461
Interest-rate-sensitive liabilities	1,119,436	223,894	747,806	25,639	2,116,775
Interest-rate-sensitive gap	425,769	( 169,648)	( 702,761)	316,326	( 130,314)
Total equity					( 348)
Ratio of interest-rate-sensitive assets to liabilities					93.84
Ratio of interest-rate-sensitive gap to equity					37,446.55

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).

(14) Information with respect to the subsidiary holding the capital share of parent company:

None.



(15) Effects on initial application of IFRS 9, 'Financial instruments'

A. Please refer to Note 4(7) for the summaries of adopting significant accounting policies in the first and the fourth quarter of 2017.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

		Available-for- sale-equity	Available-for- sale-debt	Available-for- sale-other	Held-to-maturity				Effects		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at fair value through other comprehensive income-debt	Measured at fair value through other comprehensive income-other	Measured at amortised cost	Measured at cost	Debt instrument without active market	Total	Retained earnings	Others equity	Non- controlling interests
<b>IAS 39</b>	\$ 432,636,863	\$ 28,145,848	\$ 361,185,195	\$ 6,185,752	\$ 143,810,470	\$ 1,049,370	\$ 49,012,388	\$ 1,022,025,886	\$ -	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	15,712,093	( 8,489,252)	( 212,808)	( 6,185,752)	-	( 686,644)	( 137,637)	-	118,985	( 118,985)	-
Transferred into and measured at fair value through other comprehensive income-equity	( 1,272,374)	1,635,100	-	-	-	( 362,726)	-	-	98,188	( 98,188)	-
Transferred into and measured at fair value through other comprehensive income-liability	-	-	52,693,906	-	( 10,925,681)	-	( 41,768,225)	-	-	-	-
Transferred into and measured at amortised cost	( 141,081)	-	( 149,776,445)	-	157,024,052	-	( 7,106,526)	-	-	-	-
Fair value adjustment	12,622	57,497	1,903,932	-	1,933	-	-	1,975,984	( 396,079)	2,367,062	5,001
Impairment loss adjustment	-	27,841	( 19,285)	-	( 39,290)	-	-	( 30,734)	( 91,537)	60,287	516
<b>IFRS 9</b>	<u>\$ 446,948,123</u>	<u>\$ 21,377,034</u>	<u>\$ 265,774,495</u>	<u>\$ -</u>	<u>\$ 289,871,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,971,136</u>	<u>(\$ 270,443)</u>	<u>\$ 2,210,176</u>	<u>\$ 5,517</u>

- (a) Under IAS 39, because the debt instruments, which were classified as: available-for-sale financial assets and debt instruments without active market, amounting to \$212,808 and \$137,637, respectively, do not meet the regulations under IFRS 9, they were reclassified as "financial assets at fair value through profit or loss" on initial application of IFRS 9.
- (b) Under IAS 39, because the cash flows of debt instruments, which were classified as: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets and debt instruments without active market, amounting to \$141,081, \$149,776,445 and \$7,106,526, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Yuanta Group holds these assets for the purpose of cash inflow, they were reclassified as "financial assets at amortised cost" on initial application of IFRS 9.
- (c) Under IAS 39, because the cash flows of debt instruments, which were classified as: available-for-sale financial assets, held-to-maturity financial assets and debt instruments without active market, amounting to \$360,972,387, \$10,925,681 and \$41,768,225, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, and the Yuanta Group holds these assets for the purpose of cash inflow and sale, they were reclassified as "financial assets at fair value through other comprehensive income (debt instruments)" on initial application of IFRS 9.
- (d) Under IAS 39, because the equity instruments, which were classified as: financial assets at fair value through profit or loss, available-for-sale financial assets and financial assets at cost, amounting to \$1,272,374, \$19,656,596 and \$362,726, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.
- (e) Under IAS 39, the equity and other instruments, which were classified as: available-for-sale financial assets and financial assets at cost, amounting to \$14,675,004 and \$686,644, respectively, were reclassified as "financial assets at fair value through profit or loss" under IFRS 9.
- C. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

Measurement classification	Allowance for impairment under IAS 39 and recognized amount under			Allowance for impairment under IFRS 9
	IAS 37	Reclassifications	Remeasurements	
Receivables - net	\$ 1,419,704	\$ -	\$ 165,163	\$ 1,584,867
Other financial assets- net	686,182	-	124,303	810,485
Bills discounted and loans	11,790,335	( 3,766)	2,697,619	14,484,188
Liabilities reserve	275,664	-	54,728	330,392
Financial assets at fair value other comprehensive income	113	-	140,356	140,469
Financial assets at amortised cost	78,984	1,092	39,588	119,664
Total	\$ 14,250,982	(\$ 2,674)	\$ 3,221,757	\$ 17,470,065

In line with the regulations under IFRS 9 on provision for impairment, loss allowance of receivables, loss allowance of bills discounted and loans, other financial assets and liabilities reserve were increased by \$165,163, \$2,697,619, \$124,303 and \$54,728, respectively, retained earnings and non-controlling interests decreased by \$2,992,937 and \$48,876, respectively.

- D. The significant accounts as of December 31, 2017, March 31, 2017 and for the three months ended March 31, 2017 are as follows:
- (a) Financial assets at fair value through profit or loss

Item	December 31, 2017	March 31, 2017
Financial assets held for trading :		
Commercial paper	\$ 42,766,168	\$ 57,697,409
Time deposits	530,003	4,829,989
Beneficiary certificates / securities	42,483,289	11,533,757
Stocks of companies listed on TSE or OTC	27,559,376	15,385,921
Emerging stocks	1,200,434	1,044,963
Government bonds	22,208,904	19,747,080
Financial bonds	11,854,983	10,480,457
Corporate bonds	139,512,870	139,770,988
Overseas bonds	8,993,337	14,967,777
Convertible corporate bonds	38,987,494	40,947,181
Derivative financial instruments	14,627,356	19,350,047
Other marketable securities	667,414	505,684
Valuation adjustment of financial assets held for trading	283,005	870,398
Subtotal	351,674,633	337,131,651
Financial assets designated as at fair value through profit or loss on initial recognition :		
Foreign structured notes	\$ -	\$ 150,516
Structured products	7,546,973	9,484,993
Convertible corporate bonds	225,151	398,414
Reserve for claims of customers' deposits with KSFC (Note 2)	73,168,453	70,154,451
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	21,653	1,747,540
Subtotal	80,962,230	81,935,914
Total	\$ 432,636,863	\$ 419,067,565
Financial liabilities held for trading :		
Derivative financial instruments	\$ 21,970,257	\$ 20,764,510
Non-derivative financial instruments	19,272,313	12,952,520
Valuation adjustment of financial liabilities held for trading — non-derivative financial instruments	( 21,323)	( 29,774)
Financial liabilities designated as at fair value through profit or loss on initial recognition :		
Structured products (Note 1)	66,146,663	43,756,519
Bank debentures (Note 3)	3,203,872	3,120,038
Convertible bond asset swap not qualifying for derecognition (Note 1)	9,547,734	12,286,913
Total	\$ 120,119,516	\$ 92,850,726

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 year ended December 31, 2017 and for the three months ended March 31, 2017, the accumulated movement of fair value incident to the movement of credit risk for financial debts measured at fair value through profit or loss were (\$3,017) and (\$2,921), 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 three months ended March 31, 2017 is as follows:

	<u>For the three months ended March 31, 2017</u>
Net gain on financial assets and liabilities held for trading	\$ 6,246,067
Net gain on financial assets designated as at fair value through profit or loss	318,070
Total	<u>\$ 6,564,137</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 March 31, 2017, the carrying value of investments in and maximum credit risk of unconsolidated structured entities was \$50,224. Additionally, the interest income from the investment of the structural entity for three months ended March 31, 2017 was \$532.

(b) Available-for-sale financial assets

Items	December 31, 2017	March 31, 2017
Listed (TSE and OTC) stocks	\$ 10,962,072	\$ 10,815,136
Emerging stocks	452,971	581,080
Unlisted (TSE and OTC) stocks	6,994,615	6,074,814
Government bonds	49,160,909	52,757,223
Financial bonds	42,163,544	51,082,922
Corporate bonds	126,870,645	106,811,509
Negotiable certificate of deposit	142,418,923	107,417,569
Commercial paper	378,699	4,494,074
Beneficiary certificates/bonds	5,857,939	1,423,868
Subtotal	385,260,317	341,458,195
Valuation adjustment of available-for-sale financial assets	11,895,103	10,991,109
Accumulated impairment-available-for-sale financial assets	( 422,525)	( 450,323)
Statutory deposits	( 1,216,100)	( 1,216,100)
Total	\$ 395,516,795	\$ 350,782,881

- A. As of December 31, 2017 and March 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 \$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 March 31, 2017, 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
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:

	December 31, 2017	
	Book Value	Fair Value
Held-to-maturity financial assets	\$ 5,040,473	\$ 5,264,145
Bond investments without active market	23,136,050	24,116,649
	<u>\$ 28,176,523</u>	<u>\$ 29,380,794</u>

	March 31, 2017	
	Book Value	Fair Value
Held-to-maturity financial assets	\$ 5,024,060	\$ 5,202,542
Bond investments without active market	23,061,269	23,747,346
	<u>\$ 28,085,329</u>	<u>\$ 28,949,888</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 for three months ended March 31, 2017 was \$93,669.

(3) Bills discounted and loans- net

The Yuanta Group recognised appropriate allowance for bad debts for the bills discounted, loans and receivables and non-performing loans. For the three months ended March 31, 2017, details are as follows:

Changes in allowance for bad debts in relation to bills discounted and loans:

Bills discounted and Loans	For the three months ended March 31, 2017
Beginning balance	\$ 12,406,962
Add : Provision	226,960
Reversal of write-off of loans and advances	116,624
Less : Disposal and reversal of allowance adjustment and others for bad debts	( 80,317)
Write-off of loans and advances	( 773,246)
Foreign exchange translation adjustment	( 108,413)
Ending balance	<u>\$ 11,788,570</u>

Changes in allowance for bad debts in relation to receivables and non-performing loans:

	For the three months ended March 31, 2017
<u>Receivables and non-performing loans</u>	
Beginning balance	\$ 1,835,764
Add : Acquisition through business combinations	-
Provision	88,019
Recovery	33,944
Transfers to other allowance for bad debts and provisions	-
Less: Disposal and reversal of allowance for bad debts	( 10,562)
Write-off of allowance for bad debts	( 75,104)
Transfers to other allowance for bad debts and provisions	-
Foreign exchange translation adjustment and others	( 53,560)
Ending balance	<u>\$ 1,818,501</u>

Changes in guarantee reserve are as follows:

	For the three months ended March 31, 2017
Beginning balance	\$ 492,159
Acquisition through business combination	-
Less: Recovery	( 20,194)
Foreign exchange translation adjustment and others	( 661)
Ending balance	<u>\$ 471,304</u>

(4) Held-to-maturity financial assets - net

	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Government bonds	\$ 52,398,046	\$ 37,377,797
Financial bonds	38,341,696	30,179,234
Corporate bonds	<u>53,749,712</u>	<u>50,981,132</u>
Subtotal	144,489,454	118,538,163
Accumulated impairment- Held-to-maturity financial assets	( 78,984)	( 80,701)
Statutory deposits	( 600,000)	-
Total	<u>\$ 143,810,470</u>	<u>\$ 118,457,462</u>

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 \$1,006,970 in profit or loss for the three months ended March 31, 2017. The effective interest rate of the bonds held by the consolidated company as of December 31, 2017 and March

31, 2017, 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 March 31, 2017 were \$397,812 and \$503,265, respectively.

As of December 31, 2017 and March 31, 2017, 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:

	<u>For the three months ended March 31, 2017</u>
Book value	\$ 1,870,307
Realised gain	69,296

Additionally, the percentage of amounts of held-to-maturity investment disposed by the Yuanta Group in the following periods accounted for three months ended March 31, 2017 was 1.58%.

(5) Gain or loss on financial assets and liabilities at fair value through profit or loss

	<u>For the three months ended March 31, 2017</u>
<u>Realized gain or loss on financial assets and liabilities at fair value through profit or loss</u>	
Commercial papers	\$ 76,808
Bonds	773,898
Stocks	632,216
Beneficiary certificates	52,795
Time deposits	59,078
Financial bonds payables	( 24,108)
Interest-linked instrument	( 30,635)
Exchange rate-linked instrument	1,638,693
Equity-linked instrument	81,429
Other financial derivative instruments	4,247,594
Loss on covering of borrowed securities and bonds with resale agreements	( 301,172)
Loss from issuing call (put) warrants	( 752,575)
Issuing call (put) warrants expense	( 49,408)
Others	( 333,081)
Subtotal	<u>6,071,532</u>



	<u>For the three months ended March 31, 2017</u>
Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss	
Commercial papers	\$ 6,863
Bonds	502,430
Stocks	112,794
Beneficiary certificates	( 27,157)
Time deposits	9,679
Financial bonds payables	( 38,610)
Interest-linked instrument	( 101,451)
Exchange rate-linked instrument	2,761,346
Equity-linked instrument	( 6,735)
Other financial derivative instruments	( 3,442,479)
Valuation gains on borrowed securities and bonds with resale agreements	111,110
Gains on issuance of call (put) warrants	667,402
Others	( 62,587)
Subtotal	<u>492,605</u>
Total	<u>\$ 6,564,137</u>

- A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the three months ended March 31, 2017, including the gain on disposal, was \$5,562,305, and the issuing call (put) warrants expense, was \$49,408, and the dividends income were \$29,890, and the interest income were \$528,745.
- 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.”
- (6) Realised gain on available-for-sale financial assets

	<u>For the three months ended March 31, 2017</u>
Stock dividend income	<u>\$ 398,637</u>
Gains on disposal	
Bonds	286,557
Stocks	207,928
Others	1,452
Subtotal	<u>495,937</u>

		For the three months ended March 31, 2017
Loss on disposal		
Bonds	(	21,791)
Stocks	(	15,171)
Others		-
Subtotal	(	36,962)
Total	\$	857,612
	(BLANK)	

## (A) Credit quality analysis on financial assets

December 31, 2017

Items	Positions that are neither past due nor impaired					Positions that are past due but not impaired(B)	Impaired amount (C)	Total	Provision provided(D)
	Excellent	Acceptable	Weak	Unrated	Subtotal (A)			(A)+(B)+(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	1,957,143	176,734,674	1,419,704
Bills discounted and loans	450,227,828	160,164,831	104,209,527	42,577,784	757,179,970	6,243,641	10,689,964	774,113,575	11,786,569
Reinsurance contract assets-net	435,887	-	-	-	435,887	-	-	435,887	-
Held-to-maturity financial assets- net	143,810,470	-	-	-	143,810,470	-	78,984	143,889,454	78,984
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	806,953	89,983,882	686,181
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	\$ 13,558,184	\$ 2,113,041,960	\$ 13,971,438

March 31, 2017

Items	Positions that are neither past due nor impaired					Positions that are past due but not impaired(B)	Impaired amount (C)	Total	Provision provided(D)
	Excellent	Acceptable	Weak	Unrated	Subtotal (A)			(A)+(B)+(C)	
Cash and cash equivalents	\$ 50,161,961	\$ 17,465	\$ 32,840	\$ 27,407	\$ 50,239,673	\$ -	\$ -	\$ 50,239,673	\$ -
Due from Central Bank and call loans to other banks	73,275,495	-	-	-	73,275,495	-	-	73,275,495	-
Financial assets at fair value through profit or loss- net	387,803,755	3,522,200	719,600	5,754	392,051,309	-	-	392,051,309	-
Available-for-sale financial assets- net	320,593,128	241,655	10,385	846	320,846,014	-	-	320,846,014	-
Investments in bills and bonds under resale agreements	39,988,034	-	-	-	39,988,034	-	-	39,988,034	-
Receivables- net	145,305,011	5,391,815	3,915,485	2,802,578	157,414,889	477,486	1,885,243	159,777,618	1,381,487
Bills discounted and loans	433,507,800	165,352,354	113,849,695	52,457,938	765,167,787	5,637,631	11,490,569	782,295,987	11,788,570
Reinsurance contract assets-net	402,596	-	-	-	402,596	-	-	402,596	-
Held-to-maturity financial assets- net	118,457,462	-	-	-	118,457,462	-	80,701	118,538,163	80,701
Restricted assets	8,940,696	20,000	-	-	8,960,696	-	-	8,960,696	-
Other financial assets- net	96,395,856	48,950	-	1,939,001	98,383,807	11,696	248,503	98,644,006	439,149
Other assets- net	13,601,117	25,236	2,395	613,373	14,242,121	-	-	14,242,121	-
Total	\$ 1,688,432,911	\$ 174,619,675	\$ 118,530,400	\$ 57,846,897	\$ 2,039,429,883	\$ 6,126,813	\$ 13,705,016	\$ 2,059,261,712	\$ 13,689,907

(B)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	184,708,136	52,513,030	4,016,342	39,151,459	280,388,967
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	175,697,540	24,337,284	6,246,754	89,909	206,371,487
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	5,587,180	-	-	-	5,587,180
Security business					
-Security guarantees and loans	12,952,741	-	-	-	12,952,741
Total	\$ 378,945,597	\$ 76,850,314	\$ 10,263,096	\$ 39,241,368	\$ 505,300,375

March 31, 2017

	Positions that are neither past due nor impaired				
	Excellent	Acceptable	Weak	Unrated(Note)	Total
Corporate finance					
-Guaranteed	\$ 74,269,460	\$ 38,050,079	\$ 3,607,621	\$ 24,912,082	\$ 140,839,242
-Non-guaranteed	100,035,739	14,911,737	764,346	24,279,195	139,991,017
-Government-owned enterprise	2,098,451	-	-	-	2,098,451
-Others	50,127	43,996	-	64,335	158,458
Subtotal	176,453,777	53,005,812	4,371,967	49,255,612	283,087,168
Consumer finance					
-Mortgage loan	148,360,736	16,567,197	655,640	340	165,583,913
-Credit loan	957,758	74,528	236,881	-	1,269,167
-Automobile loan	17,014,833	5,486,304	4,747,009	3,638	27,251,784
-Others	2,422,118	91,460	503,769	97,280	3,114,627
Subtotal	168,755,445	22,219,489	6,143,299	101,258	197,219,491
Life insurance business					
-Premium loans	1,095,148	-	-	-	1,095,148
-Policy loans	3,932,897	-	-	-	3,932,897
-Secured loans	72,101	-	-	-	72,101
Subtotal	5,100,146	-	-	-	5,100,146
Security business					
-Security guarantees and loans	9,976,124	-	-	-	9,976,124
Total	\$ 360,285,492	\$ 75,225,301	\$ 10,515,266	\$ 49,356,870	\$ 495,382,929

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”.

(C) 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				Total
	Excellent	Good	Acceptable	Other	
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	\$ 58,638,970	\$ 83,091,353	\$ 93,959,429	\$ 3,386,117	\$ 239,075,869

March 31, 2017					
Items	Positions that are neither past due nor impaired				
	Excellent	Good	Acceptable	Other	Total
Bills discounted and Loans					
-Corporate finance	\$ 8,084,319	\$ 53,601,044	\$ 53,726,943	\$ 3,156,058	\$ 118,568,364
-Residential mortgage loans	54,155,384	32,096,934	46,006,310	-	132,258,628
-Personal credit loans	4,180,061	4,413,345	3,518,371	-	12,111,777
-Cash card	43,671	81,361	17,132	-	142,164
-Micro-enterprise loans	34,868	18,179	77,389	-	130,436
-Deposits pledge loans	43,821	-	-	-	43,821
Total	<u>\$ 66,542,124</u>	<u>\$ 90,210,863</u>	<u>\$ 103,346,145</u>	<u>\$ 3,156,058</u>	<u>\$ 263,255,190</u>

(D) 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
Receivables				
- 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
Bills discounted and loans				
Corporate finance				
- Guaranteed	409,174	103,327	-	512,501
- Non-guaranteed	55,646	7,672	-	63,318
- Other	-	-	-	-
Consumer finance				
- 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
Life insurance business				
- Secured loans	-	713	-	713
Other financial assets	-	-	11,152	11,152
Total	<u>\$ 5,267,938</u>	<u>\$ 1,711,240</u>	<u>\$ 177,313</u>	<u>\$ 7,156,491</u>

Items	March 31, 2017			
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for more than 3 months	Total
Receivables				
- Accounts receivable	\$ 7,324	\$ 183,813	\$ 2,358	\$ 193,495
- Credit card business	159,147	33,990	-	193,137
- Other receivables	223	90,085	533	90,841
- Interests receivable	6	7	-	13
Bills discounted and loans				
Corporate finance				
- Guaranteed	704,378	280,519	-	984,897
- Non-guaranteed	179,831	1,901	-	181,732
- Other	2,484	-	-	2,484
Consumer finance				
- Mortgage loans	2,777,426	450,127	-	3,227,553
- Credit loans	217,100	143,151	-	360,251
- Car loans	827,365	18,486	-	845,851
- Other	28,819	5,081	-	33,900
Life insurance business				
- Secured loans	-	963	-	963
Other financial assets	-	-	11,696	11,696
Total	<u>\$ 4,904,103</u>	<u>\$ 1,208,123</u>	<u>\$ 14,587</u>	<u>\$ 6,126,813</u>

(E) Analysis of impaired financial assets of the Yuanta Group

(a) As of December 31, 2017 and March 31, 2017, Yuanta Securities (Korea) and its subsidiaries set aside loss amount of \$1,683,185 and \$1,856,436 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 March 31, 2017 was \$150,121 and \$154,467, respectively.

(BLANK)

Items			Bills discounted and loans (Note)	
			December 31, 2017	March 31, 2017
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$ 4,732,064	\$ 4,658,273
		Mortgage loan	221,369	146,479
	Collective assessment	Corporate loan	88,382	154,577
		Mortgage loan	377,524	346,226
		Credit loan	152,183	184,703
		Automobile loan	20,838	19,818
		Others	12,377	1,011
Without individual objective evidence of impairment	Collective assessment	Corporate loan	279,726,103	282,025,276
		Government-owned enterprises	1,075,650	2,098,451
		Mortgage loan	170,937,834	166,785,933
		Credit loan	1,169,989	1,334,276
		Automobile loan	30,798,124	28,097,635
		Automatic policy loans	1,161,809	1,095,148
		Policy loans	4,369,658	3,932,897
		Others	18,663,281	13,184,467
Total			\$ 513,507,185	\$ 504,065,170

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	March 31, 2017
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$ 2,661,674	\$ 2,536,436
		Mortgage loan	9,732	2,354
	Collective assessment	Corporate loan	34,833	55,866
		Mortgage loan	66,058	76,241
		Credit loan	92,591	105,742
		Automobile loan	10,326	7,194
		Others	6,175	1,011
Without individual objective evidence of impairment	Collective assessment	Corporate loan	1,846,756	1,818,132
		Mortgage loan	1,626,006	1,588,982
		Credit loan	12,453	14,977
		Automobile loan	35,766	32,671
		Others	86,615	57,091
Total			\$ 6,488,985	\$ 6,296,697



Items			Receivables (Note)	
			December 31, 2017	March 31, 2017
With individual objective evidence of impairment	Individual assessment	Others	\$ 583,279	\$ 594,376
	Collective assessment	Credit card business	14,070	16,097
		Others	242	-
Without individual objective evidence of impairment	Collective assessment	Credit card business	5,708,336	5,148,879
		Others	299,145,216	289,217,266
Total			\$ 305,451,143	\$ 294,976,618

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	March 31, 2017
With individual objective evidence of impairment	Individual assessment	Others	\$ 300,640	\$ 253,015
	Collective assessment	Credit card business	13,706	15,666
		Others	207	-
Without individual objective evidence of impairment	Collective assessment	Credit card business	47,959	48,229
		Others	1,242,748	817,006
Total			\$ 1,605,260	\$ 1,133,916

Note: As of December 31, 2017 and March 31, 2017, bills discounted and loans includes interest receivable, which was \$616,488 and \$535,127, 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 \$17,198,730, respectively), investments in debt products without an active market, temporary payments for others, delinquent accounts from non-loans and guarantee deposits); the amount not including interest receivables was \$616,488 and \$535,127, respectively. In addition, allowance for doubtful receivables not including allowance for doubtful interest receivable on loans were \$2,365 and \$684, respectively.

(BLANK)

(F) Impairment on bills discounted, loans and receivables of the Ta Chong Bank is analysed by client below:

Items		Discounts and loans		Receivables	
		Total amounts	Allowance for credit losses	Total amounts	Allowance for credit losses (Note)
		December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2017
With individual objective evidence of impairment	Individual assessment	\$ 1,096,667	\$ 377,931	\$ 387,260	\$ 275,213
	Collective assessment	1,729,804	528,604	356,612	158,424
Without individual objective evidence of impairment	Collective assessment	242,658,545	2,790,638	8,954,144	64,223
Total		\$ 245,485,016	\$ 3,697,173	\$ 9,698,016	\$ 497,860

  

Items		Discounts and loans		Receivables	
		Total amounts	Allowance for credit losses	Total amounts	Allowance for credit losses (Note)
		March 31, 2017	March 31, 2017	March 31, 2017	March 31, 2017
With individual objective evidence of impairment	Individual assessment	\$ 1,829,574	\$ 245,343	\$ 568,959	\$ 464,075
	Collective assessment	1,706,119	449,357	361,051	156,964
Without individual objective evidence of impairment	Collective assessment	265,722,785	3,130,372	20,906,661	62,862
Total		\$ 269,258,478	\$ 3,825,072	\$ 21,836,671	\$ 683,901

Note: Includes other delinquent accounts (accounted for under other financial assets).

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: None.
- 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 March 31, 2018	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	\$ 1,244,500 (Note)	-	\$ -	-	\$ -	\$ -
Yuanta Financial Holdings	Yuanta Bank	Subsidiary of Yuanta Financial Holdings	571,142 (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: Not applicable.

(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: None.

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: None.

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: None.

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 March 31, 2018	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuantal Bank	Yuanta Financial Holdings	Parent Company	\$ 2,276,587	-	\$ -	-	\$ -	-
Yuanta Securities	Yuanta Financial Holdings	Parent Company	682,431	-	-	-	-	-

F. Information regarding selling non-performing loans: None.

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 Asia Finance Service	Yuanta Finance (Hong Kong)	Accounts receivable-related party	Yes	\$ 873,600	\$ 873,600	\$ 794,976	2.72% ~3.00%	Short-term loans	\$ -	Operation financing	\$ -	-	\$ -	\$ 30,525,738 (Note1)	\$ 30,525,738 (Note1)
2	Yuanta Securities Asia Finance Service	PT Yuanta Sekuritas Indonesia	Accounts receivable-related party	Yes	698,880	698,880	582,400	3.00%	Short-term loans	-	Operation financing	-	-	-	30,525,738 (Note1)	30,525,738 (Note1)
3	Yuanta Securities Asia Finance Service	Yuanta Investment Management (Cayman)	Accounts receivable-related party	Yes	873,600	-	-	-	Short-term loans	-	Operation financing	-	-	-	30,525,738 (Note1)	30,525,738 (Note1)
4	Yuanta Securities Asia Finance Service	Yuanta Securities (Thailand)	Accounts receivable-related party	Yes	4,513,600	4,513,600	4,513,600	2.72% ~3.45%	Short-term loans	-	Operation financing	-	-	-	30,525,738 (Note1)	30,525,738 (Note1)
5	Yuanta Securities Asia Finance Service	Yuanta Asia Investment	Accounts receivable-related party	Yes	582,400	582,400	407,680	2.83% ~3.15%	Short-term loans	-	Operation financing	-	-	-	30,525,738 (Note1)	30,525,738 (Note1)
6	Yuanta Securities Asia Finance Service	Yuanta Securities (Vietnam)	Accounts receivable-related party	Yes	291,200	291,200	291,200	2.65% ~3.00%	Short-term loans	-	Operation financing	-	-	-	30,525,738 (Note1)	30,525,738 (Note1)
7	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	378,560	378,560	378,560	2.06%	Short-term loans	-	Operation financing	-	-	-	414,059 (Note2)	414,059 (Note2)
8	Yuanta International Leasing	Audi Taiwan	Accounts 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	229,636	229,636

Note 1: 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 2: 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 endorsements and guarantee amount during for the three months ended March 31, 2018	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	\$ 18,686,076 (Note 1)	\$ 2,740,000	\$ -	\$ -	\$ -	0.00%	\$ 37,372,153 (Note 1)	Yes	No	No	
2	Yuanta Securities	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	18,686,076 (Note 1)	127,020	127,020	-	-	0.14%	37,372,153 (Note 1)	Yes	No	No	
3	Yuanta Securities	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	18,686,076 (Note 1)	291,200	291,200	289,520	-	0.31%	37,372,153 (Note 1)	Yes	No	No	
4	Yuanta Securities Asia Financial Service	Yuanta Securities (Hong Kong)	More than 50% common stock-directly-owned subsidiary	30,525,738 (Note 2)	1,456,000	1,456,000	1,456,000	-	4.77%	30,525,738 (Note 2)	Yes	No	No	
5	Yuanta Securities Asia Financial Service	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	30,525,738 (Note 2)	821,832	821,832	821,832	-	2.69%	30,525,738 (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.

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)								
March 31, 2018								
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 Finance	Beneficiary certificates:							
	Shin Kong Global Total Return Balanced Fund	-	Financial assets at fair value through profit or loss	500	\$ 4,835	N/A	\$ 4,835	
	Jih Sun Target Income Fund of Funds	-	"	1,000	9,740	"	9,740	
	Allianz Global Investors China Strategic Growth Fund	-	"	636	9,963	"	9,963	
	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	4,815	"	4,815	
	Yuanta U.S. Treasury 1-3 Years Bond ETF	"	"	170	5,088	"	5,088	
					<u>\$ 34,441</u>		<u>\$ 34,441</u>	
	Listed stocks:							
	Taiwan Cement Corporation	-	Financial assets at fair value through other comprehensive income	1,184	\$ 43,275	0.03	\$ 43,275	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	200	49,500	-	49,500	
	SinoPac Financial Holdings Co., Ltd.	-	"	1,800	18,630	0.02	18,630	
	First Financial Holding Co., Ltd.	-	"	1,000	20,300	0.01	20,300	
	Getac Technology Corporation	-	"	689	29,111	0.12	29,111	
	WT Microelectronics Co., Ltd.	-	"	442	20,791	0.08	20,791	
					<u>\$ 181,607</u>		<u>\$ 181,607</u>	
	Un-Listed stocks:							
	Taiwan Depository & Clearing Corporation	-	Financial assets at fair value through other comprehensive income	31,727	\$ 2,222,179	8.78	\$ 2,222,179	
	Taiwan Futures Exchange	-	"	15,759	1,257,885	5.00	1,257,885	
					<u>\$ 3,480,064</u>		<u>\$ 3,480,064</u>	
	Government bonds:							
	99 A5 Central Government Construction Bond	-	Financial assets at amortised cost	-	\$ 50,238	N/A	\$ 50,820	
	90 A8 Central Government Construction Bond	-	"	-	54,041	"	55,662	
					<u>\$ 104,279</u>		<u>\$ 106,482</u>	

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	March 31, 2018				
				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	10	\$ 389	-	\$ 389	
	Yuanta/P-shares MSCI Taiwan Financials ETF	"	"	22	362	-	362	
	Yuanta S&P500	"	"	6	132	-	132	
	Yuanta S&P GSCI Gold ER Futures ETF	"	"	6	120	-	120	
	Yuanta/P-shares SSE50 ETF	"	"	522	16,555	-	16,555	
	Yuanta/P-shares Taiwan Mid-Cap 100 ETF	"	"	8	252	-	252	
	Yuanta China Treasury + Policy Bank 3-5 Year Bond ETF	"	"	22	1,015	-	1,015	
	Yuanta/P-shares S&P Custom China Play 50	"	"	19	460	-	460	
	Yuanta/P-shares Taiwan Top 50 ETF	"	"	27	2,247	-	2,247	
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	7	210	-	210	
	Yuanta U.S. Treasury 1-3 Years Bond ETF	"	"	316	9,458	-	9,458	
	Yuanta Daily U.S. Treasury 7-10 Year Bond Bear 1X ETF	"	"	500	10,165	-	10,165	
	Yuanta/P-shares Taiwan Dividend Plus ETF	"	"	21	536	-	536	
	Yuanta/P-shares Taiwan GreTai 50 ETF	"	"	16	237	-	237	
	Yuanta Emerging Indonesian Opportunity Bond Fund	"	"	3,623	39,274	-	39,274	
	Yuanta Wan Tai Money Market	"	"	6,634	100,021	-	100,021	
	Yuanta/P-shares Taiwan Electronics Tech ETF	"	"	21	770	-	770	
	Yuanta Real Multi-Asset-Fund-TWD	"	"	1,019	9,897	-	9,897	
	Yuanta Daily CSI 300 Bull 2X ETF	"	"	300	4,998	-	4,998	
	Yuanta EURO STOXX 50 ETF	"	"	7	171	-	171	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	"	"	29	542	-	542	
					\$ 197,811		\$ 197,811	



				March 31, 2018				
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	-	Financial assets at fair value through other comprehensive income	1,103	\$ 88,052	-	\$ 88,052	
	FundRich Securities Co. Ltd.	-	"	819	10,706	-	10,706	
					<u>\$ 98,758</u>		<u>\$ 98,758</u>	
	Stocks:							
	CR Yuanta Fund Management Company Limited	-	Long-term equity accounted for under the equity method	-	\$ 188,217	-	\$ 188,217	
Yuanta Asset Management	Stocks:							
	Taiwan Finance Corporation	-	Financial assets at fair value through other comprehensive income	828	\$ 6,545	0.16	\$ 6,545	
	Sunsino Venture Co., Ltd.	-	"	443	3,815	0.93	3,815	
	DaYeh Development Co., Ltd.	-	"	333	3,061	2.22	3,061	
	Tuntex Incorporation	-	"	26,540	316,362	15.00	316,362	
	Chung Yi Development Co., Ltd.	-	"	2,278	91	6.63	91	
	Global Investment Holdings Co., LTD.	-	"	1,980	14,395	1.23	14,395	
	China Trade And Development Corporation	-	"	500	8,490	0.76	8,490	
					<u>\$ 352,759</u>		<u>\$ 352,759</u>	
Yuanta Venture Capital	Stocks:							
	Gorilla Technology Group Inc.	-	Financial assets mandatorily measured at fair value through profit or loss	95	\$ 15,527	0.96	\$ 15,527	
	Tot Biopharm International Company Limited	-	"	2,200	44,264	2.62	44,264	
	CGK International Co., Ltd	-	"	877	15,846	2.39	15,846	
	Veden Dental Group	-	"	246	17,873	0.84	17,873	
	Throughtek Co.,Ltd	-	"	550	9,603	2.11	9,603	

				March 31, 2018				
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	PlexBio Co., Ltd.	-	Financial assets mandatorily measured at fair value through profit or loss	1,367	\$ 24,196	1.96	\$ 24,196	
	TaiwanJ Pharmaceuticals Co., Ltd.	-	"	2,229	22,025	3.26	22,025	
	Phecda Technology Co. Ltd.	-	"	368	3,673	1.29	3,673	
	Long Diann Marine Bio Technology Co., Ltd.	-	"	4,300	25,069	11.78	25,069	
	AngioLab, Inc.	-	"	154	34,835	4.63	34,835	
	MagV Co.,Ltd	-	"	2,145	25,097	13.16	25,097	
	Dawning Leading Technology Inc.	-	"	1,654	8,533	0.45	8,533	
	Saultech Technology Co., Ltd.	-	"	1,461	93,238	10.72	93,238	
	Oriental System Technology Inc.	-	"	1,000	17,590	4.08	17,590	
	BRIM Biotechnology ,Inc.	-	"	3,500	59,045	6.61	59,045	
	Aprevent Medical, Inc.	-	"	1,808	38,992	13.27	38,992	
	GenePharm Biotech Corp.	-	"	2,667	18,000	10.68	18,000	
	Great Dream Pictures, Inc.	-	"	2,000	19,580	19.96	19,580	
	PSS-Group	-	"	2,803	159,855	10.28	159,855	
	Li Ling Film Co., Ltd.	-	"	1,666	47,931	2.78	47,931	
	Jing-Jan Retail Business Co., Ltd.	-	"	1,000	42,030	1.67	42,030	
	Jiin Yeeh Ding Enterprise Co., Ltd.	-	"	1,014	17,231	1.06	17,231	
	Solartech Energy Corp.	-	"	776	8,501	0.20	8,501	
	Enterex International Limited	-	"	1,953	62,398	1.94	62,398	
	Eurocharm Holdings Co., Ltd.	-	"	496	42,309	0.75	42,309	
	Taiwan Chelic Corp. Ltd.	-	"	500	37,550	0.75	37,550	
	Jump Media International Co., Ltd.	-	"	1,056	16,938	3.72	16,938	
	Ever Supreme Bio Technology Co., Ltd.	-	"	2,222	124,410	3.97	124,410	
	Asia Pacific Venture Invest II L.P.	-	-	-	757	10.00	757	
	G. Marso Electronics, Inc.	-	-	300	-	1.38	-	
	Aide Engery Holdings Co., Ltd.	-	"	750	-	0.56	-	
	GCT Semiconductor Inc.	-	"	1,402	-	1.80	-	
					<u>\$ 1,052,896</u>		<u>\$ 1,052,896</u>	

				March 31, 2018				
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	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	<u>\$ 979,585</u>	100.00	<u>\$ 979,585</u>	
	Stocks:							
	Da Hwa Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	800	\$ 7,108	0.50	\$ 7,108	
	Li Ding Venture Capital Co., Ltd.	-	"	4,348	22,207	17.39	22,207	
	Prudence Capital Management	-	"	6,084	57,732	9.00	57,732	
	Ho Ding Venture Capital Co., Ltd.	-	"	1,550	7,036	10.00	7,036	
	Sheng Hwa Venture Capital Co., Ltd.	-	"	1,156	11,127	4.80	11,127	
	Hwa Cheng Venture Capital Co., Ltd.	-	"	6,998	28,437	16.00	28,437	
	Lian Ding Venture Capital Co., Ltd.	-	"	3,000	31,735	15.00	31,735	
	HwaWei Shi Ji Venture Capital Co., Ltd.	-	"	225	4,704	10.00	4,704	
	Lian Xun San Venture Capital Co., Ltd.	-	"	2,200	36,501	10.00	36,501	
	Hwa Lu Venture Capital Co., Ltd.	-	"	261	16,800	8.70	16,800	
	Kun Ji Er Venture Capital Co., Ltd.	-	"	1,157	4,249	14.29	4,249	
	Hwa Sheng Venture Capital Co., Ltd.	-	"	1,539	15,982	3.33	15,982	
	Sheng Yuan Venture Capital Co., Ltd.	-	"	1,680	17,606	9.88	17,606	
	Guan Hwa Venture Capital Co., Ltd.	-	"	1,360	5,311	5.56	5,311	
	Qi Ding Venture Capital Co., Ltd.	-	"	3,348	34,860	4.35	34,860	
	Zhong Jing He Global Venture Capital Co., Ltd.	-	"	317	2,453	5.56	2,453	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	"	755	7,508	10.00	7,508	
	Huiyang Venture Capital Co., Ltd.	-	"	67	9,899	2.46	9,899	
					<u>\$ 321,255</u>		<u>\$ 321,255</u>	

				March 31, 2018				
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	Convertible corporate bond:							
	TOT Biopharm International Company Limited (CB1)	-	Financial assets mandatorily measured at fair value through profit or loss - convertible corporate bonds		\$ 9,942	-	\$ 9,942	
	TOT Biopharm International Company Limited (CB2)	-	"		24,456	-	24,456	
	TOT Biopharm International Company Limited (CB3)	-	"		17,314	-	17,314	
	Alliance Developments Limited (Alliance CB1)	-	"		87,690	-	87,690	
	GTS Chemical Holdings Co., Ltd. (GTS Group CB1)	-	"		49,089	-	49,089	
					<u>\$ 188,491</u>		<u>\$ 188,491</u>	
Yuanta I Venture Capital	Stocks:							
	Ultra-Pak Industries Co., Ltd.	-	Financial assets mandatorily measured at fair value through profit or loss	2,245	\$ 23,530	5.23	\$ 23,530	
	Great Team Backend Foundry, Inc.	-	"	1,800	49,860	3.15	49,860	
	Luminous Town Electronic Co., Ltd.	-	"	1,533	18,682	2.29	18,682	
	E-Ray Optoelectronics Technology Co., Ltd.	-	"	1,398	23,071	4.44	23,071	
	SYNC Power Corp.	-	"	2,695	39,642	15.84	39,642	
	Ao Ether Corporation	-	"	1,366	3,306	1.84	3,306	
	JHL Biotech, Inc.	-	"	2,370	149,310	1.08	149,310	
	Bridgewell Information Corp.	-	"	900	11,619	5.82	11,619	
	Solartech Energy Corp.	-	"	776	8,501	0.20	8,501	
	Taiwan Chelic Corp. Ltd.	-	"	230	17,273	0.34	17,273	
	Center Laboratories, Inc.	-	"	2,646	162,710	0.83	162,710	
	Ether precision Inc.	-	"	2,500	-	1.61	-	
	Infomedia Inc.	-	"	1,608	-	0.87	-	
					<u>\$ 507,504</u>		<u>\$ 507,504</u>	

(4) Investments in Mainland China

A. Information of investment in Mainland China:

Yuanta 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, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 4)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Tung Yao Pharmaceutical Co., Ltd.	Pharmaceutical company specializes in cancer treatment	\$ 3,438,043 (RMB 739,364)	(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	-

## 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, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 4)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018
					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, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 2)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
GC Investment Consultant (Shanghai)	Investment consultation	\$ 19,240 (RMB 4,138)	(3)	\$ -	\$ -	\$ -	\$ -	\$ 81	100.00%	In liquidation	\$ 21,029	\$ -

## 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, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 2)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018
					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	\$ 85,692 (RMB 18,428)	(2) Yuanta Securities Asia Financial Service	\$ -	\$ -	\$ -	\$ -	\$ 1,053	100.00%	\$ 1,053 (2)b	\$ 36,464	\$ -

## 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, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 2)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
CR Yuanta Fund Management Company Limited	Fund raising and sale	\$ 1,322,400 (RMB 300,000)	(1)	\$ 705,666	\$ -	\$ -	\$ 705,666	(\$ 42,692)	49.00%	(\$ 17,958) (2)c	\$ 188,217	\$ -

## 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, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 2)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
SYF Information (Shanghai)	Computer software services	\$ 157,209 (RMB 30,080)	(2) SYF Information (Samoa)	\$ 157,209	\$ -	\$ -	\$ 157,209	(\$ 3,407)	100.00%	(\$ 3,407) (2)c	\$ 132,351	\$ -

## 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 March 31, 2018	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	419,740	1,476,251
GC Investment Consultant (Shanghai)	-	Note 6	Note 6
Yuanta Investment Consulting (Beijing)	-	87,360	56,058,229
Yuanta Securities Investment Trust	705,666	705,666	2,452,463
Yuanta Futures	157,209	174,000	4,644,322



Note: The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Venture Capital's consolidated net worth of \$2,460,419.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities's consolidated net worth of \$93,430,383.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities Investment Trust's consolidated net worth of \$4,317,376.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Futures's consolidated net worth of \$7,740,537.

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 three months ended March 31, 2018' 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: Financial assets at fair value through other comprehensive income 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			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax assets	1,244,500	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	11,786	"	0.05%
0	Yuanta Financial Holdings	Yuanta Bank	1	Cash and cash equivalents	2,274,272	"	0.10%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax assets	571,142	"	0.02%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax liabilities	2,276,587	"	0.10%
0	Yuanta Financial Holdings	Yuanta Bank	1	Interest income	11,388	"	0.05%
0	Yuanta Financial Holdings	Yuanta Life	1	Current income tax liabilities	1,325,099	"	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	1,244,500	"	0.05%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net service fee and commission income	4,428	"	0.02%
1	Yuanta Securities	Yuanta Financial Holdings	2	Other non-interest income	7,358	"	0.03%
1	Yuanta Securities	Yuanta Bank	3	Interest income	9,126	"	0.04%
1	Yuanta Securities	Yuanta Bank	3	Other non-interest income	38,929	"	0.16%
1	Yuanta Securities	Yuanta Futures	3	Other financial assets – net	3,238,831	"	0.14%
1	Yuanta Securities	Yuanta Futures	3	Net service fee and commission income	103,150	"	0.43%
1	Yuanta Securities	Yuanta Futures	3	Other non-interest income	5,160	"	0.02%
1	Yuanta Securities	Yuanta Securities Finance	3	Other non-interest income	2,630	"	0.01%
1	Yuanta Securities	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	43,491	"	0.18%
1	Yuanta Securities	Yuanta Investment Trust	3	Net service fee and commission income	3,275	"	0.01%
1	Yuanta Securities	Yuanta Investment Trust	3	Other non-interest income	7,900	"	0.03%
1	Yuanta Securities	Yuanta Securities (Hong Kong)	3	Other liabilities	459,683	"	0.02%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax assets	2,276,587	"	0.10%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax liabilities	571,142	"	0.02%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
2	Yuanta Bank	Yuanta Financial Holdings	2	Deposits and remittances	2,274,272	"	0.10%
2	Yuanta Bank	Yuanta Financial Holdings	2	Interest expense	11,388	"	0.05%
2	Yuanta Bank	Yuanta Securities	3	Interest expense	9,130	"	0.04%
2	Yuanta Bank	Yuanta Securities	3	Other business and administrative expenses	38,925	"	0.16%
2	Yuanta Bank	Yuanta Futures	3	Deposits and remittances	12,463,320	"	0.55%
2	Yuanta Bank	Yuanta Futures	3	Interest expense	37,683	"	0.16%
2	Yuanta Bank	Yuanta Life	3	Net service fee and commission income	162,830	"	0.68%
2	Yuanta Bank	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	3,043	"	0.01%
2	Yuanta Bank	Yuanta Investment Trust	3	Deposits and remittances	1,541,676	"	0.07%
2	Yuanta Bank	Yuanta Investment Trust	3	Interest expense	3,410	"	0.01%
2	Yuanta Bank	Yuanta International Insurance Brokers	3	Deposits and remittances	433,996	"	0.02%
2	Yuanta Bank	Yuanta I Venture Capital	3	Deposits and remittances	351,000	"	0.02%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Deposits and remittances	590,005	"	0.03%
2	Yuanta Bank	Yuanta International Leasing	3	Deposits and remittances	254,943	"	0.01%
3	Yuanta Futures	Yuanta Securities	3	Other financial liabilities	3,238,831	"	0.14%
3	Yuanta Futures	Yuanta Securities	3	Net service fee and commission income	103,150	"	0.43%
3	Yuanta Futures	Yuanta Securities	3	Other business and administrative expenses	5,160	"	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	11,469,720	"	0.50%
3	Yuanta Futures	Yuanta Bank	3	Other assets – net	140,000	"	0.01%
3	Yuanta Futures	Yuanta Bank	3	Interest income	37,683	"	0.16%
3	Yuanta Futures	Yuanta Securities (Hong Kong)	3	Other financial liabilities	290,229	"	0.01%
4	Yuanta Life	Yuanta Financial Holdings	2	Current income tax assets	1,325,099	"	0.06%
4	Yuanta Life	Yuanta Bank	3	Net service fee and commission income	162,830	"	0.68%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
4	Yuanta Life	Yuanta International Insurance Brokers	3	Net service fee and commission income	131,647	"	0.55%
5	Yuanta Securities Finance	Yuanta Securities	3	Other business and administrative expenses	2,630	"	0.01%
6	Yuanta Securities Investment Consulting	Yuanta Securities	3	Consultation service income	43,491	"	0.18%
6	Yuanta Securities Investment Consulting	Yuanta Bank	3	Consultation service income	3,043	"	0.01%
7	Yuanta Investment Trust	Yuanta Securities	3	Net service fee and commission income	3,692	"	0.01%
7	Yuanta Investment Trust	Yuanta Securities	3	Other business and administrative expenses	7,483	"	0.03%
7	Yuanta Investment Trust	Yuanta Bank	3	Cash and cash equivalents	1,541,676	"	0.07%
7	Yuanta Investment Trust	Yuanta Bank	3	Interest income	3,410	"	0.01%
8	Yuanta International Insurance Brokers	Yuanta Bank	3	Cash and cash equivalents	433,996	"	0.02%
8	Yuanta International Insurance Brokers	Yuanta Life	3	Net service fee and commission income	131,647	"	0.55%
9	Yuanta I Venture Capital	Yuanta Bank	3	Cash and cash equivalents	351,000	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Securities	3	Other assets – net	459,683	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other assets – net	590,005	"	0.03%
10	Yuanta Securities (Hong Kong)	Yuanta Futures	3	Other financial assets – net	290,229	"	0.01%
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Investments in bills and bonds under resale agreements	6,365,151	"	0.28%
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Receivables – net	423,169	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Payables	817,123	"	0.04%
11	Yuanta International Leasing	Yuanta Bank	3	Cash and cash equivalents	254,943	"	0.01%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
12	Yuanta Securities Asia Financial Services	Yuanta HK Holdings (Cayman)	3	Payables	379,816	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Financial assets at fair value through profit or loss	2,954,229	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Receivables – net	712	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Equity investments accounted for under the equity method – net	107,064	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Interest income	32,261	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Other non-interest income	23,327	"	0.10%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Unrealised gain or loss on available -for-sale financial assets	14,524	"	0.06%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Cumulative translation differences of foreign operations	26,087	"	0.11%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Non-controlling interests	106,290	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Asia Investment	3	Receivables – net	409,279	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Thailand)	3	Receivables – net	4,523,712	"	0.20%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Vietnam)	3	Receivables – net	291,815	"	0.01%
13	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Financial Services	3	Receivables – net	379,816	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Payables	1,048	"	0.00%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Bonds payable	2,578,587	"	0.11%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Paid-in capital	553,770	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Interest expense	32,261	"	0.13%
15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	6,365,151	"	0.28%
15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Receivables – net	817,123	"	0.04%
15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Payables	423,169	"	0.02%
16	Yuanta Asia Investment	Yuanta Securities Asia Financial Services	3	Payables	409,279	"	0.02%
17	Yuanta Securities (Thailand)	Yuanta Securities Asia Financial Services	3	Payables	4,523,712	"	0.20%
18	Yuanta Securities (Vietnam)	Yuanta Securities Asia Financial Services	3	Payables	291,815	"	0.01%

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 three months ended March 31, 2018

	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 5,403,679	\$ 10,054,489	\$ 611,227	\$ 139,893	\$ 7,247,209	\$ 651,283	\$ -	\$ 24,107,780
Revenue (loss) from transactions with other operating segments of the same entity	106,508	218,287	10,261	2,691	( 272,582)	201,721	( 266,886)	-
Net revenues (Note)	<u>5,510,187</u>	<u>10,272,776</u>	<u>621,488</u>	<u>142,584</u>	<u>6,974,627</u>	<u>853,004</u>	<u>( 266,886)</u>	<u>24,107,780</u>
Bad debt expense, commitment and guarantee liability provisions	( 173,356)	( 77,444)	( 45,838)	( 2,355)	850	-	-	( 298,143)
Net change in provisions for insurance liabilities	-	-	-	-	( 6,469,970)	-	34,802	( 6,435,168)
Operating expenses	( 2,789,279)	( 6,403,358)	( 319,592)	( 44,390)	( 291,924)	( 606,676)	127,257	( 10,327,962)
Income (loss) from continuing operations before income tax	<u>\$ 2,547,552</u>	<u>\$ 3,791,974</u>	<u>\$ 256,058</u>	<u>\$ 95,839</u>	<u>\$ 213,583</u>	<u>\$ 246,328</u>	<u>(\$ 104,827)</u>	<u>\$ 7,046,507</u>

For the three months ended March 31, 2017

	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 5,265,463	\$ 6,338,935	\$ 368,786	\$ 110,130	\$ 5,039,343	\$ 425,783	\$ -	\$ 17,548,440
Revenue (loss) from transactions with other operating segments of the same entity	( 45,605)	330,419	15,504	2,794	( 21,719)	32,935	( 314,328)	-
Net revenues (Note 1)	<u>5,219,858</u>	<u>6,669,354</u>	<u>384,290</u>	<u>112,924</u>	<u>5,017,624</u>	<u>458,718</u>	<u>( 314,328)</u>	<u>17,548,440</u>
Bad debt expense and guarantee liability provisions	( 84,333)	( 13,203)	-	( 656)	( 97)	-	-	( 98,289)
Net change in provisions for insurance liabilities	-	-	-	-	( 4,900,761)	-	36,679	( 4,864,082)
Operating expenses	( 2,918,881)	( 4,958,472)	( 189,259)	( 43,560)	( 289,623)	( 481,034)	245,508	( 8,635,321)
Income (loss) from continuing operations before income tax	<u>\$ 2,216,644</u>	<u>\$ 1,697,679</u>	<u>\$ 195,031</u>	<u>\$ 68,708</u>	<u>(\$ 172,857)</u>	<u>(\$ 22,316)</u>	<u>(\$ 32,141)</u>	<u>\$ 3,950,748</u>

Note: Net revenues include gain and loss on financial assets and liabilities at fair value through profit or loss, gain and loss on financial assets at fair value through other comprehensive income, foreign exchange gains and losses, and other non-interest income.

Note1 : 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.