

**YUANTA FINANCIAL HOLDINGS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2018 AND 2017**

PWCR18000087

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Yuanta Financial Holdings Co., Ltd. (the “Company”) and subsidiaries (collectively “Yuanta Group”) as at June 30, 2018, December 31, 2017 and June 30, 2017, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2018 and 2017, as well as the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yuanta Financial Holdings Co., Ltd. and subsidiaries as at June 30, 2018, December 31, 2017 and June 30, 2017, its consolidated financial performance for the three months and six months ended June 30, 2018 and 2017, and its consolidated cash flows for the six months ended June 30, 2018 and 2017 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 International Accounting Standards 34, “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Yuanta Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. These matters are as follows:

Impairment evaluation of bills discounted and loans

Description

For the accounting policy of the impairment evaluation of bills discounted and loans, please refer to Note 4; for critical accounting estimates and assumption uncertainty of expected credit loss on bills discounted and loans, please refer to Note 5; for the details on bills discounted and loans, please refer to Note 6(9). Total bills discounted and loans (including adjustment for discounts) and the allowance for credit losses, arising from Yuanta Commercial Bank Co., Ltd. of Yuanta Group, as at June 30, 2018, were NTD 731,918,190 thousand and NTD 12,003,942 thousand, respectively.

The impairment evaluation of bills discounted and loans arising from Yuanta Commercial Bank Co., Ltd. is conducted in accordance with IFRS 9, 'Financial Instruments', "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and relevant regulations. The management's considerations on bills discounted and loans impairment appropriation are primarily based on reasonable and supportable information about past events, current conditions, and forecasts of future economics. At each financial reporting date, bills discounted and loans are categorized into one of the following three stages based on whether there has been significant increase in credit risk since initial recognition: no significant increase in credit risk or low credit risk at balance sheet date, significant increase in credit risk and credit-impaired and considered relevant laws and regulations of the allowance for credit losses. Because the amount of bills discounted and loans is material with respect to the total consolidated assets and impairment evaluation involves management's professional judgement and is highly uncertain, we have thus included the impairment evaluation of bills discounted and loans as one of the key audit matters.

How our audit addressed the matter

We obtained and gained an understanding of Yuanta Commercial Bank Co., Ltd.'s policies, internal controls, and operation procedures in relation to the credit risk management and the impairment evaluation of bills discounted and loans and performed sample tests. We conducted the following procedures on the impairment evaluation of bills discounted and loans as at June 30, 2018: sample



examined the classifications of each stage for expected credit losses recognized; sample tested the calculation of the probability of default, loss given default, and exposure at default; sample examined documents regarding management's individual evaluation of future cash flows and collateral value; and evaluated whether the provision for impairment loss amount complied with the competent authority's related regulations.

Fair value valuation of unlisted stocks

Description

For the accounting policy of unlisted stocks (accounted under financial assets at fair value through other comprehensive income), please refer to Note 4; for critical accounting estimates and assumption uncertainty of the fair value of unlisted stocks, please refer to Note 5; for the details on unlisted stocks, please refer to Note 6(4). The carrying amount of the financial assets at fair value through other comprehensive income – unlisted stocks as at June 30, 2018, was NTD 16,562,594 thousand.

Because there are no active market quoted prices for the financial assets at fair value through other comprehensive income –unlisted stocks held by Yuanta Group, the management uses valuation techniques and the assistance of experts to estimate the fair value. The valuation techniques used by Yuanta Group are primarily the market method and the discounted cash flow method. The market method's main assumption is determining similar and comparable companies in order to obtain the related parameters as a reference for calculations. The discounted cash flows method's main assumption is the financial forecast of unlisted companies in order to obtain their related parameters as a reference for calculations. Because models and parameters used in valuation techniques are made by management's professional judgements and estimates, such accounting judgements and estimates are highly uncertain; we have thus included the fair value valuation of unlisted stocks as one of the key audit matters.

How our audit addressed the matter

We obtained an understanding of management's valuation procedures for unlisted equity securities. We sample tested the management authorization procedures for the fair value valuation reports of unlisted equity securities.

In addition, we and our valuation specialist discussed with management and sample tested Yuanta Group's valuation data for unlisted stocks, including the valuation documents provided by the management's experts, evaluated whether the valuation methods used by management were commonly

used; we and our valuation specialist also evaluated the reasonableness of the comparable companies under the market method and sample tested related supporting documents regarding parameters used in the valuation.

Impairment indication assessment of goodwill

Description

For the accounting policy of the impairment assessment of goodwill (intangible assets), please refer to Note 4; for the critical accounting estimates and assumption uncertainty of impairment assessment of goodwill, please refer to Note 5; for the details on goodwill, please refer to Note 6(15). Goodwill after accumulated impairment as at June 30, 2018, was NTD 31,482,585 thousand.

Yuanta Group periodically performs impairment assessments on goodwill at the end of each year. Such assessments are based on cash generating units identified through operating segments and Yuanta Group engaged the experts to assist in measuring the recoverable amounts of cash generating units based on future cash flows. Yuanta Group performs impairment indication assessments of goodwill in the interim period and part of the assessments are assisted by management's experts. Since the afore-mentioned assessments in the interim period consider several internal and external sources of information and involve management's subjective judgement, we have thus included the impairment indication assessment of goodwill as one of the key audit matters.

How our audit addressed the matter

Our main audit procedures included obtaining asset impairment indication assessment documents prepared by Yuanta Group's management and reviewing the authorization procedures for the assessment documents, including the evaluation documents provided by the management's experts. We sample tested the reasonableness and consistency of the supporting documents in relation to the internal and external sources of information listed in the management assessment documents.

Reserves for policy benefit and adequacy of insurance liabilities

Description

For the accounting policy of reserve for policy benefit and adequacy of insurance liabilities, please refer to Note 4; for critical accounting estimates and assumption uncertainty of adequacy of insurance liabilities, please refer to Note 5; for the details on insurance liabilities, please refer to Note 6(24). Reserve for policy benefit under insurance liabilities as at June 30, 2018, was NTD 194,868,402 thousand.

For long-term insurance contracts, Yuanta Life Insurance Co., Ltd. recognised reserve for policy benefit in accordance with related insurance regulations, the life chart of annuity, and the specified interest rates prescribed within the insurance product statements as approved by the competent authority. The discount rates are the specified interest rates as approved by the competent authority. Liability adequacy testing is required to be conducted on insurance contracts at balance sheet date in accordance with IFRS 4, ‘Insurance Contracts’ in order to reflect the current estimate of future cash flows, which is made by management’s professional judgement. Considering that the provision of policy reserves has a material impact on the financial statements, and if insurance liabilities are not adequate, the financial statements will be materially impacted, we have thus included the reserve for policy benefit and adequacy of insurance liabilities as one of the key audit matters.

How our audit addressed the matter

The audit procedures we performed include understanding and assessing the policies, internal controls, and procedures relevant to reserve for policy benefit; sample examining authorization documents for the configuration of new products in order to confirm the accuracy of configurations for the reserves system of new products; sample inspecting the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of the calculations for reserve for policy benefit; sample examining the consistency between policy information of new products and information in the policy system in order to confirm the accuracy of policy information for calculating reserve for policy benefit. Our actuarial specialists assisted us in sample testing representative new products in the current period in order to confirm that the method and results of provisioning reserves were consistent with those of the insurance product statement submitted to the competent authority; performing trend analysis (excluding new products) on each insurance type and performed roll analysis on each product type in order to assess the reasonableness of reserve for policy benefit on the balance sheet date.

We also used the work of actuarial specialist to assist in assessing the adequacy of insurance liabilities, comparing whether there were significant differences between the current period and the previous period for the mortality rate, morbidity rate, lapse rate, and expense rate. If there were differences, then related documents and explanations with regard to Yuanta Life Insurance Co, Ltd. were obtained; also, current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumptions. Furthermore, the actuarial specialist assisted us in referencing current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts; confirming the accuracy of the cash flow model through independent sample testing;

recalculating the current estimates of future cash flows using the overall cash flow and discount rates assumptions provided by Yuanta Life Insurance Co., Ltd.; comparing the carrying amount of insurance liabilities to the current estimate of future cash flows from insurance contracts.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and International Accounting Standards 34, “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing Yuanta Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain



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professional skepticism throughout the audit. We also:


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

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

We also provide those charged with governance with a statement that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



Kuo, Puo-Ju



Chen, Hsien-I

For and on behalf of PricewaterhouseCoopers, Taiwan

August 29, 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 HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 54,871,306	2	\$ 64,007,570	3	\$ 59,588,335	3
11500	Due from Central Bank and call loans to other banks	6(2)	47,725,861	2	54,390,950	2	51,443,005	2
12000	Financial assets at fair value through profit or loss	6(3)	506,296,778	22	432,636,863	19	426,622,958	19
12100	Available-for-sale financial assets – net	12(15)	-	-	395,516,795	17	359,642,119	16
12150	Financial assets at fair value through other comprehensive income – net	6(4)	237,859,597	10	-	-	-	-
12200	Investments in debt instruments at amortised cost – net	6(5)	327,710,205	14	-	-	-	-
12500	Investments in bills and bonds under resale agreements	6(6)	32,290,897	2	34,827,960	2	34,079,731	1
13000	Receivables – net	6(7)	183,709,403	8	175,314,970	8	169,853,211	8
13200	Current income tax assets		813,450	-	1,330,623	-	1,445,123	-
13300	Assets held for sale – net	6(8)	-	-	-	-	9,479,421	-
13500	Bills discounted and loans – net	6(9)	755,338,054	33	762,319,040	34	786,055,230	35
13700	Reinsurance contract assets – net	6(10)	393,210	-	435,887	-	464,366	-
14500	Held-to-maturity financial assets – net	12(15)	-	-	143,810,470	6	123,419,310	6
15000	Equity investments accounted for under the equity method – net	6(11)	1,759,805	-	1,675,124	-	1,974,634	-
15100	Restricted assets – net		2,415,060	-	2,722,678	-	3,352,138	-
15500	Other financial assets – net	6(12)	47,562,572	2	93,469,307	4	101,343,072	5
18000	Investment property – net	6(13)	5,020,898	-	6,173,646	-	6,071,127	-
18500	Property and equipment – net	6(14)	22,512,240	1	22,630,593	1	22,250,112	1
19000	Intangible assets – net	6(15)	35,496,412	2	35,935,777	2	36,396,797	2
19300	Deferred income tax assets		5,847,685	-	5,642,845	-	5,890,127	-
19500	Other assets – net	6(16)	40,984,743	2	40,804,112	2	37,344,166	2
	TOTAL ASSETS		<u>\$ 2,308,608,176</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,236,714,982</u>	<u>100</u>

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YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	LIABILITIES AND EQUITY	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
21000	Due to Central Bank and other banks	6(18)	\$ 25,545,134	1	\$ 13,520,162	1	\$ 29,007,965	1
22000	Financial liabilities at fair value through profit or loss	6(3)	109,478,792	5	120,119,516	5	111,469,079	5
22500	Bills and bonds payable under repurchase agreements	6(6)	208,166,030	9	197,101,189	9	169,539,967	8
22600	Commercial paper payable – net	6(19)	68,853,418	3	44,704,087	2	48,375,506	2
23000	Payables	6(20)	173,703,330	7	168,705,371	7	172,467,223	8
23200	Current income tax liabilities		5,034,944	-	5,667,788	-	4,984,538	-
23300	Liabilities directly related to assets held for sale	6(8)	-	-	-	-	6,113,818	-
23500	Deposits and remittances	6(21)	1,037,092,446	45	1,056,024,289	46	1,076,633,417	48
24000	Bonds payable	6(22)	60,418,764	3	65,890,879	3	68,599,436	3
24400	Other borrowings	6(23)	71,266,194	3	71,754,771	3	55,043,366	3
24500	Preferred stock liabilities	6(28)	-	-	-	-	3,946,627	-
24600	Liabilities reserve	6(24)(25)	208,595,746	9	195,038,820	9	171,580,198	8
25500	Other financial liabilities	6(26)	69,524,927	3	70,098,914	3	70,814,449	3
29300	Deferred income tax liabilities		3,921,548	-	3,518,474	-	3,983,379	-
29500	Other liabilities	6(27)	38,948,179	2	33,403,395	2	22,786,798	1
	TOTAL LIABILITIES		<u>2,080,549,452</u>	<u>90</u>	<u>2,045,547,655</u>	<u>90</u>	<u>2,015,345,766</u>	<u>90</u>
31000	Equity attributable to owners of the parent company							
31100	Share capital							
31101	Common stock	6(28)	118,202,325	5	118,891,975	5	119,986,478	5
31500	Additional paid-in capital	6(29)	37,710,996	2	37,960,693	2	37,961,447	2
32000	Retained earnings							
32001	Legal reserve	6(30)	10,721,262	-	9,100,767	-	9,100,767	1
32003	Special reserve	6(30)	6,549,234	-	6,549,234	-	6,549,234	-
32011	Undistributed earnings	6(31)	35,236,348	2	35,275,652	2	26,256,956	1
32500	Other equity							
32500	Other equity interest	6(32)	4,541,001	-	4,554,385	-	4,678,250	-
32600	Treasury shares	6(33)	(2,116,607)	-	(1,136,953)	-	(1,498,603)	-
39500	Non-controlling interests		17,214,165	1	16,901,802	1	18,334,687	1
	Total Equity		<u>228,058,724</u>	<u>10</u>	<u>228,097,555</u>	<u>10</u>	<u>221,369,216</u>	<u>10</u>
	TOTAL LIABILITIES AND EQUITY		<u>\$ 2,308,608,176</u>	<u>100</u>	<u>\$ 2,273,645,210</u>	<u>100</u>	<u>\$ 2,236,714,982</u>	<u>100</u>

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

YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	For the three months ended June 30,			For the six months ended June 30,		
			2018		%	2017		%
			AMOUNT			AMOUNT	AMOUNT	
41000	Interest income		\$ 10,144,826	39	\$	8,647,107	\$ 17,022,031	44
51000	Less: Interest expense		(3,518,594)	(13)	(3,022,821)	(14)	(6,007,717)	(15)
49600	Net interest income	6(34)	<u>6,626,232</u>	<u>26</u>	<u>5,624,286</u>	<u>27</u>	<u>11,014,314</u>	<u>29</u>
49310	Net non-interest income							
	Realised gain on financial assets at fair value through other comprehensive income		362,962	2	-	-	821,531	2
49450	Net gain arising from derecognition of financial assets measured at amortised cost		45,003	-	-	-	210,468	-
49800	Net service fee and commission income	6(35)	6,534,844	25	4,725,386	23	12,634,988	25
49810	Net income from insurance operations	6(36)	6,729,179	26	6,411,193	31	13,207,699	26
49820	Gain on financial assets and financial liabilities at fair value through profit or loss	6(37)	(1,267,940)	(5)	1,332,792	6	5,410,751	11
49825	Gain on investment property		228,463	1	32,846	-	264,587	1
49830	Realised gain on available-for-sale financial assets	12(15)	-	-	251,600	1	-	-
49840	Realised gain on held-to-maturity financial assets	12(15)	-	-	67,806	-	-	-
49870	Foreign exchange gain (loss)		6,051,684	23	1,492,804	7	2,346,339	5
49880	Asset impairment losses	6(38)	18,223	-	259,181	(1)	18,002	-
49890	Share of the profit or loss of associates and joint ventures accounted for using the equity method	6(11)	(22,877)	-	(4,100)	-	(30,716)	-
49895	Gain on reclassification under the overlay approach	6(3)	4,054	-	-	-	423,491	1
49921	Net gain on sale of non-performing loans		66,992	-	201,231	1	126,280	-
49945	Consultation service income		598,292	2	594,479	3	1,207,985	2
49999	Net other miscellaneous income	6(39)	(75,772)	-	376,873	2	546,456	1
49700	Total net non-interest income		<u>19,273,107</u>	<u>74</u>	<u>15,223,729</u>	<u>73</u>	<u>37,187,861</u>	<u>74</u>
	Net profit		<u>25,899,339</u>	<u>100</u>	<u>20,848,015</u>	<u>100</u>	<u>50,007,119</u>	<u>100</u>
58100	Provision for bad debt expenses commitment and guarantee policy reserve	6(40)	(426,038)	(2)	(480,552)	(3)	(724,181)	(2)
58300	Net change in provisions for insurance liabilities	6(24)	(7,110,374)	(27)	(6,495,601)	(31)	(13,545,542)	(27)
58501	Operating expenses							
58503	Employee benefit expense	6(41)	(6,366,223)	(25)	(5,255,100)	(25)	(12,780,315)	(26)
58599	Depreciation and amortization	6(42)	(578,282)	(2)	(562,499)	(3)	(1,155,675)	(2)
58500	Other business and administrative expenses	6(43)	(3,418,988)	(13)	(3,116,371)	(15)	(6,755,465)	(13)
61000	Total Operating Expenses		<u>(10,363,493)</u>	<u>(40)</u>	<u>(8,933,970)</u>	<u>(43)</u>	<u>(20,691,455)</u>	<u>(41)</u>
61003	Consolidated income from continuing operations before income tax		<u>7,999,434</u>	<u>31</u>	<u>4,937,892</u>	<u>23</u>	<u>15,045,941</u>	<u>30</u>
62500	Income tax expense	6(44)	(1,870,152)	(7)	(890,232)	(4)	(2,811,462)	(6)
69005	Loss from discontinued operations (net of tax)	6(8)	-	-	(32,946)	-	-	-
	Consolidated net income		<u>6,129,282</u>	<u>24</u>	<u>4,014,714</u>	<u>19</u>	<u>12,234,479</u>	<u>24</u>

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YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	For the three months ended June 30,			For the six months ended June 30,		
			2018		2017	2018		2017
			AMOUNT	%	AMOUNT	AMOUNT	%	AMOUNT
	Other comprehensive income							
	Components of other comprehensive income that will not be reclassified to profit or loss							
69561	Gains (losses) on remeasurements of defined benefit plans		\$ 2,420	-	\$ 6,756	- (\$ 37,586)	- (\$ 45,378)	-
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		(105)	-	-	(3,267)	-	-
69565	Change in fair value of financial liability attributable to change in credit risk of liability		-	-	3	(846)	- (2,918)	-
69567	Gain on valuation of investments in equity instruments measured at fair value through other comprehensive income		557,577	2	-	1,596,421	3	-
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(44)	(41,516)	-	11,036	60,069	-	11,036
	Components of other comprehensive income that will be reclassified to profit or loss							
69571	Exchange differences on translation of foreign financial statements		387,653	2	(510,677)	(2) (530,393)	(1) (1,298,616)	(3)
69572	Unrealised gain on available-for-sale financial assets		-	-	944,793	5	-	1,168,619
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	6(11)	-	-	422	-	- (14,056)	-
69578	Equity related to assets classified as held for sale		-	-	(4,203)	-	- (2,565)	-
69583	Losses from investments in debt instruments measured at fair value through other comprehensive income		(946,196)	(4)	-	(3,470,131)	(7)	-
69590	Other comprehensive losses on reclassification under the overlay approach	6(3)	(4,054)	-	-	(423,491)	(1)	-
69579	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(44)	48,273	-	51,198	232,975	1	54,687
69500	Other comprehensive income (net of tax)		\$ 4,052	-	\$ 499,328	(3) (\$ 2,576,249)	(5) (\$ 128,971)	-
69700	Total comprehensive income		\$ 6,133,334	24	\$ 4,514,042	22 \$ 9,658,230	19 \$ 7,181,308	19
	Consolidated net income attributable to:							
69901	Parent company		\$ 5,559,240	22	\$ 3,798,790	18 \$ 11,174,329	22 \$ 6,850,160	18
69903	Non-controlling interests		570,042	2	215,924	1 1,060,150	2 460,119	1
			\$ 6,129,282	24	\$ 4,014,714	19 \$ 12,234,479	24 \$ 7,310,279	19
	Consolidated comprehensive income attributable to:							
69951	Parent company		\$ 5,568,484	22	\$ 4,574,467	22 \$ 8,901,174	18 \$ 6,985,138	18
69953	Non-controlling interests		564,850	2	(60,425)	757,056	1 196,170	1
			\$ 6,133,334	24	\$ 4,514,042	22 \$ 9,658,230	19 \$ 7,181,308	19
	Earnings per share (in New Taiwan Dollars)	6(45)						
70000	Basic earnings per share		\$ -	0.47	\$ -	0.32	0.95	0.59
70001	Basic earnings per share from continuing operations		\$ -	-	\$ -	-	-	(0.01)
70003	Basic loss per share from discontinued operations		\$ -	-	\$ -	-	-	-
71000	Diluted earnings per share		\$ -	0.47	\$ -	0.32	0.95	0.59
71001	Diluted earnings per share from continuing operations		\$ -	-	\$ -	-	-	(0.01)
71003	Diluted loss per share from discontinued operations		\$ -	-	\$ -	-	-	-

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)

	Equity attributable to owners of the parent												Non-controlling interests	Total equity
	Retained Earnings			Other equity interest										
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) on available-for-sale financial assets	Gains on effective portion of cash flow hedges	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	Other comprehensive income on reclassification under the overlay approach	Change in fair value of financial liability attributable to change in credit risk	Equity related to assets classified as held for sale			Treasury shares
For the six months ended June 30, 2017														
Balance, January 1, 2017	\$ 119,986,478	\$ 37,956,289	\$ 7,759,357	\$ 6,549,234	\$ 26,132,832	(\$ 2,085,028)	\$ 6,608,175	\$ 1,602	\$ -	\$ -	(\$ 461)	\$ -	(\$ 1,498,603)	\$ 18,384,690
Consolidated net income for the period	-	-	-	-	6,850,160	-	-	-	-	-	-	-	-	460,119
Other comprehensive income (loss) for the period	-	-	-	-	(18,984)	(1,147,569)	1,305,940	170	-	-	(2,918)	(1,661)	-	(263,949)
Total comprehensive income (loss) for the period	-	-	-	-	6,831,176	(1,147,569)	1,305,940	170	-	-	(2,918)	(1,661)	-	196,170
Appropriation of 2016 earnings:														
Legal reserve	-	-	1,341,410	-	(1,341,410)	-	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(5,365,642)	-	-	-	-	-	-	-	-	(5,365,642)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(75,222)
Equity related to assets classified as held for sale	-	-	-	-	-	-	47,809	-	-	-	-	(47,809)	-	-
Changes in ownership interest in subsidiaries	-	5,158	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(47,223)
Balance, June 30, 2017	\$ 119,986,478	\$ 37,961,447	\$ 9,100,767	\$ 6,549,234	\$ 26,256,956	(\$ 3,232,597)	\$ 7,961,924	\$ 1,772	\$ -	\$ -	(\$ 3,379)	(\$ 49,470)	(\$ 1,498,603)	\$ 18,334,687
For the six months ended June 30, 2018														
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,693	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ 7,085,896	\$ -	\$ -	\$ -	(\$ 3,478)	\$ -	(\$ 1,136,953)	\$ 16,901,802
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	(7,085,896)	-	8,821,188	389,832	62,367	-	-	(43,113)
Balance, January 1 2018, after adjustments	118,891,975	37,960,693	9,100,767	6,549,234	32,247,259	(2,527,962)	-	-	8,821,188	389,832	58,889	-	(1,136,953)	16,858,689
Consolidated net income for the period	-	-	-	-	11,174,329	-	-	-	-	-	-	-	-	1,060,150
Other comprehensive income (loss) for the period	-	-	-	-	32,356	(231,504)	-	-	(1,682,647)	(390,514)	(846)	-	-	(303,094)
Total comprehensive income (loss) for the period	-	-	-	-	11,206,685	(231,504)	-	-	(1,682,647)	(390,514)	(846)	-	-	757,056
Appropriation of 2017 earnings:														
Legal reserve	-	-	1,620,495	-	(1,620,495)	-	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	-	-	(6,492,536)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,919,001)
Retirement of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(939,347)
Changes in non-controlling interests	(689,650)	(249,697)	-	-	-	-	-	-	-	-	-	-	-	(401,580)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(104,565)	-	-	-	104,565	-	-	-	-	-
Balance, June 30, 2018	\$ 118,202,325	\$ 37,710,996	\$ 10,721,262	\$ 6,549,234	\$ 35,236,348	(\$ 2,759,466)	\$ -	\$ -	\$ 7,243,106	(\$ 682)	(\$ 2,116,607)	\$ -	(\$ 2,116,607)	\$ 17,214,165
														\$ 228,058,724

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

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

	For the six months ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income from continuing operations before tax	\$ 15,045,941	\$ 8,888,640
Loss from discontinued operations before tax	-	(205,571)
Consolidated income before tax	15,045,941	8,683,069
Adjustments		
Income and expense item		
Depreciation	524,721	487,349
Amortization	630,954	663,079
Provisions for bad debt expense	982,524	506,117
Interest expense	6,859,690	6,023,497
Interest income	(19,678,948)	(17,104,297)
Dividend income	(544,933)	(506,241)
Profit reclassified by applying overlay approach	(423,491)	-
(Reversal gain) impairment loss on financial assets	(14,499)	305,506
(Reversal gain) impairment loss on non-financial assets	(3,503)	183,300
Share of the profit or loss of associates and joint ventures accounted for using the equity method	30,716	(760)
Gain on disposal of assets held for sale	-	(756)
(Gain) loss on disposal of investment property	(190,176)	1,431
Loss from disposal or retirement of property and equipment	10,241	1,018
Loss on sale of intangible assets	173	1,824
Net change in insurance liabilities	14,167,499	10,492,870
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in due from Central Bank and call loans to other banks	106,985	(1,797,428)
Increase in financial assets at fair value through profit or loss	(59,348,655)	(37,630,598)
Increase in available-for-sale financial assets	-	(81,556,132)
Decrease in financial assets at fair value through other comprehensive income	47,451,146	-
Increase in investments in debt instruments measured at amortised cost	(37,857,146)	-
Increase in receivables	(7,664,401)	(27,533,376)
Decrease in bills discounted and loans	3,564,171	5,466,757
Decrease (increase) in reinsurance contract assets	42,685	(48,709)
Increase in held-to-maturity financial assets	-	(6,206,689)
Decrease in current income tax assets	32,977	-
Decrease in restricted assets	307,618	2,149,643
Increase in other financial assets	(4,291,996)	(2,946,919)
Increase in other assets	(285,794)	(15,321,601)
Changes in operating liabilities		
Increase in due to Central Bank and other banks	12,024,972	161,643
(Decrease) increase in financial liabilities at fair value through profit or loss	(7,496,820)	10,411,373
Decrease in financial liabilities designated as at fair value through profit or loss on initial recognition	(3,153,250)	-
(Decrease) increase in payables	(1,623,641)	14,765,965
(Decrease) increase in deposits and remittances	(18,931,843)	26,683,918
Decrease in liabilities reserve	(682,209)	(208,446)
Decrease in other financial assets	(531,381)	(2,344,943)
Increase in other liabilities	5,544,783	1,665,605
Cash outflow generated from operations	(55,394,890)	(104,552,931)
Interest received	18,660,571	16,912,565
Dividend received	260,205	271,904
Interest paid	(6,717,338)	(5,947,764)
Income tax paid	(2,189,415)	(1,015,825)
Net cash flows used in operating activities	(45,380,867)	(94,332,051)

(Continued)

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

	For the six months ended June 30,	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(\$ 200,170)	(\$ 64,572)
Proceeds from disposal / liquidation of investments accounted for using equity method	52,618	70,312
Acquisition of investment property	(676)	(308)
Proceeds from disposal of investment property	1,286,760	4,403
Acquisition of property and equipment	(458,020)	(2,026,400)
Proceeds from disposal of property and equipment	20,108	37,588
Acquisition of intangible assets	(146,248)	(109,618)
Proceeds from disposal of intangible assets	7,875	15,222
Proceeds from disposal of assets held for sale	-	1,570
Acquisition of subsidiaries (net of cash and cash equivalents received)	-	135,988
Net cash flows generated from (used in) investing activities	562,247	(1,935,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bills and bonds sold under repurchase agreements	11,064,841	(23,406,167)
Increase in commercial paper payable - net	24,166,525	29,093,523
Repayments of bonds	(2,955,000)	(3,156,420)
Repayments of bank debentures	(2,450,000)	(6,380,000)
(Decrease) increase in other borrowings	(484,077)	9,249,402
Acquisition of treasury stocks	(1,919,001)	-
Decrease in non-controlling interests	(401,580)	(545,096)
Net cash flows generated from financing activities	27,021,708	4,855,242
Net effect of foreign exchange rate changes on cash and cash equivalents	(434,519)	(1,101,562)
Net decrease in cash and cash equivalents	(18,231,431)	(92,514,186)
Cash and cash equivalents at beginning of period	125,679,223	211,532,170
Cash and cash equivalents at end of period	\$ 107,447,792	\$ 119,017,984
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 54,871,306	\$ 59,588,335
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	20,285,589	24,651,843
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	32,290,897	34,079,731
Cash and cash equivalents classified as assets held for sale	-	698,075
Cash and cash equivalents at end of reporting period	\$ 107,447,792	\$ 119,017,984

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

YUANTA FINANCIAL HOLDINGS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, Unless Otherwise Indicated)

1. History and organization

Yuanta Financial Holding Co., Ltd. (“Yuanta Financial Holdings” or the “Company”) was incorporated pursuant to the Financial Holding Company Act. In connection with the formation of the Company, the shares of Yuanta Securities Finance Co., Ltd. (“Yuanta Securities Finance”) and Yuanta Securities Co., Ltd. were exchanged for shares of the Company. The regulatory procedure for the share exchange was completed on the exchange date of February 4, 2002 and the Company was listed on the Taiwan Stock Exchange on the same date.

On August 1, 2002, Asia Pacific Bank became a wholly owned subsidiary of the Company and was renamed as Yuanta Commercial Bank Co., Ltd. (“Yuanta Bank”).

On December 28, 2006, both the Company and Yuanta Core Pacific Securities Co., Ltd. (“Yuanta Core Pacific Securities”) had resolved for Yuanta Core Pacific Securities becoming the Company’s subsidiary by share exchange as approved through the stockholders’ meeting effective from April 2, 2007, and merged with Yuanta Securities on September 23, 2007.

On June 28, 2011, both the Company and Polaris Securities Co., Ltd. (“Polaris Securities”) had resolved for Polaris Securities becoming the Company’s subsidiary by share exchange as approved through the stockholders’ meeting effective from October 3, 2011, and merged with Yuanta Securities on April 1, 2012.

On January 1, 2014, the Company acquired 100% of shares of New York Life with cash. New York Life officially became a wholly-owned subsidiary of the Company and was renamed as Yuanta Life Insurance Co., Ltd. (“Yuanta Life”) on February 12, 2014.

The share transfer plan between the Company and Ta Chong Commercial Bank Co., Ltd. (hereon referred to as “Ta Chong Bank”) was resolved by their respective shareholders at the special shareholders’ meeting on October 13, 2015, and was completed on March 22, 2016. Thereafter, Ta Chong Bank officially became a wholly-owned subsidiary of the Company, 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 (CG6011) on June 12, 2018.

2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on August 29, 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.
- (d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(15).

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC, but not yet adopted by the Company and its subsidiaries

New standards, interpretations and amendments endorsed by the FSC effective from 2019 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
IFRS 16, ‘Leases’	January 1, 2019
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.

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.

(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 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 17, 'Insurance contracts'	January 1, 2021

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.

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 modified 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 second quarter of 2017 was not restated. The financial statements for the year ended December 31, 2017 and the second 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 and details of significant accounts.

(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
			June 30, 2018	December 31, 2017	June 30, 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, dealing in securities and underwriting investment consultation	100.00	100.00	100.00	
"	Polaris Securities (Hong Kong) Limited ("P.S.H.K")	Securities brokerage and dealing in securities	100.00	100.00	100.00	
"	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
			June 30, 2018	December 31, 2017	June 30, 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	Note 2
"	Yuanta Securities Thailand Co., Ltd (“Yuanta Securities (Thailand)”)	Securities brokerage, dealing in securities, underwriting and investment consultation	99.99	99.99	99.99	
"	Yuanta Securities Vietnam Joint Stock Co., Ltd. (“Yuanta Securities (Vietnam)”)	Securities brokerage, dealing in securities, underwriting and investment consultation	50.76	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 and 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, underwriting and investment consultation	49.19	49.19	12.04	Note 3
"	Reksa Dana Yuanta USD Fixed Income Fund	Investment debt instrument	-	100.00	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 technical services	-	-	48.85	Note 6
Yuanta Asia Investment	Yuanta Liquid Plus Money Market Mutual Fund	Investment debt instrument	99.99	100.00	-	Note 5
"	Reksa Dana Yuanta USD Fixed Income Fund	Investment debt instrument	99.99	-	-	Note 7
"	Reksa Dana Yuanta Fixed Income Fund	Investment debt instrument	88.65	-	-	Note 7

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2018	December 31, 2017	June 30, 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 10
"	Ta Chong Securities Co., Ltd. ("Ta Chong Securities")	Securities brokerage, dealing, underwriting, and futures business	-	-	35.864	Note 1 Note 8
"	Ta Chong International Finance and Investment Company	Leasing and installment sales	-	-	100.00	Note 1 Note 9
Ta Chong Securities	Ta Chong Venture Capital Co., Ltd. ("Ta Chong Venture Capital")	Venture capital investments	-	-	35.864	Note 1 Note 8
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: In July 2018, the Board of Directors approved the dissolution and liquidation of Yuanta Securities (UK). The related procedures will be initiated after approval by the competent authority.

Note 3: Yuanta Securities Asia Financial Service originally recognized 44.68% of ownership of Yuanta Securities (Vietnam) as financial assets measured at cost because it was controlled by single major shareholder and Yuanta Securities Asia Financial Service had no significant influence on investee. Yuanta Securities Asia Financial Service and Yuanta Securities (Hong Kong) started to acquire the other shares of the investee this year. On June 12, 2017, Yuanta Securities Asia Financial Service, Yuanta Securities (Hong Kong) and an individual, who has contractual relationship with Yuanta Securities Asia Financial Service, obtained more than half of director seats collectively and hence Yuanta Securities Asia Financial Service had control over investee. The First Securities Joint Stock Co., Ltd. was renamed "Yuanta Securities (Vietnam)" on February, 2017.

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 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 9: 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.

Note 10: On February 13, 2017, Hanshin Savings Bank, Korea was renamed “Yuanta Savings Bank (Korea) Inc.”.

C. Structured entities controlled by Yuanta Securities (Korea) are as follows:

June 30, 2018	
Structured entities	Services
YK Sky 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
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 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
YK Stella Co., Ltd.	Asset-backing
YK HIT Co., Ltd.	Asset-backing
SJ First Co., Ltd.	Asset-backing
YK Monaco Co., Ltd.	Asset-backing
YK JP the 7th Co., Ltd.	Asset-backing
Y.K. Blue the third 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

December 31, 2017

Structured entities	Services
YK Halfmoon 2nd Co., Ltd.	Asset-backing
Y.K New NC Second Co., Ltd.	Asset-backing
YK Arena Co., Ltd.	Asset-backing
YK Hessen Co., Ltd.	Asset-backing
ELF 5th Co., Ltd.	Asset-backing
YK Hyomoon Haneulchae Co., Ltd.	Asset-backing
YK Echo Co., Ltd.	Asset-backing
YK Obong Co., Ltd.	Asset-backing
YK Marble Co., Ltd.	Asset-backing
YK Indus Co., Ltd.	Asset-backing

June 30, 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
Y.K.S.W. Second Co., Ltd.	Asset-backing
Y.K Theme Park 1st 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

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 June 30, 2018, subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2018	December 31, 2017	June 30, 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 June 30, 2018, December 31, 2017 and June 30, 2017, the non-controlling interest amounted to \$17,214,165, \$16,901,802 and \$18,334,687, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of Subsidiary	Principal place of business	Non-controlling interest					
		June 30, 2018		December 31, 2017		June 30, 2017	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Yuanta Securities (Korea)	Korea	\$ 14,052,783	45.81%	\$ 13,662,036	45.80%	\$ 12,190,124	45.80%

The comprehensive income attributable to this non-controlling interest were \$401,671, (\$182,703), \$416,085, and (\$93,554) for the three months and six months ended June 30, 2018 and 2017, respectively.

Summarized financial information for the aforementioned subsidiaries:

Consolidated balance sheets

	Yuanta Securities (Korea) and its subsidiaries		
	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 313,197,066	\$ 304,775,649	\$ 288,670,255
Non-current assets	17,208,362	19,980,810	20,106,680
Current liabilities	(293,191,918)	(288,989,774)	(270,896,857)
Non-current liabilities	(3,718,369)	(3,212,416)	(8,433,639)
Total net assets	<u>\$ 33,495,141</u>	<u>\$ 32,554,269</u>	<u>\$ 29,446,439</u>

Consolidated statements of comprehensive income

		Yuanta Securities (Korea) and its subsidiaries	
		For the three months ended June 30,	
		2018	2017
Revenue	\$	4,562,749	\$ 3,102,829
Profit before income tax		996,422	272,008
Income tax (expense) benefit	(	118,958)	26,035
Net income		877,464	298,043
Other comprehensive loss (net of tax)	(	57,707)	(566,877)
Total comprehensive income (loss) for the period	\$	819,757	(\$ 268,834)

		Yuanta Securities (Korea) and its subsidiaries	
		For the six months ended June 30,	
		2018	2017
Revenue	\$	8,527,612	\$ 6,140,556
Profit before income tax		1,834,731	551,936
Income tax (expense) benefit	(	129,966)	9,612
Net income		1,704,765	561,548
Other comprehensive loss (net of tax)	(	747,482)	(567,071)
Total comprehensive income (loss) for the period	\$	957,283	(\$ 5,523)

Consolidated statements of cash flows

		Yuanta Securities (Korea) and its subsidiaries	
		For the six months ended June 30,	
		2018	2017
Net cash provided by (used in) operating activities	\$	2,250,234	(\$ 4,056,060)
Net cash provided by (used in) investing activities		1,225,039	(30,272)
Net cash (used in) provided by financing activities	(	2,983,458)	1,759,019
Effect of exchange rates on cash and cash equivalents		394,693	(717,300)
Increase (decrease) in cash and cash equivalents		886,508	(3,044,613)
Cash and cash equivalents, beginning of period		18,766,384	23,160,192
Cash and cash equivalents, end of period	\$	19,652,892	\$ 20,115,579

(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, subsidiary Yuanta Bank 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:
- Allowance for losses in accordance with IFRS 9 as endorsed by the FSC.
 - 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)B. "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, subsidiary Yuanta Bank 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

	June 30, 2018	December 31, 2017	June 30, 2017
Cash	\$ 6,028,127	\$ 5,230,534	\$ 5,578,802
Deposits in banks	44,165,197	53,910,739	49,702,347
Futures excess margin and cash equivalents	2,255,726	2,162,651	2,887,749
Excess settlement reserve fund	2,891	74,811	-
Checks for clearing	2,419,365	2,628,835	1,419,437
Total	<u>\$ 54,871,306</u>	<u>\$ 64,007,570</u>	<u>\$ 59,588,335</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
Reserve for deposits - account A	\$ 16,999,843	\$ 18,741,857	\$ 14,533,600
Reserve for deposits - account B	27,150,266	27,221,590	26,735,617
Deposits by overseas branches to designated accounts of respective local central banks	1,375,106	1,803,495	873,761
Reserve for deposits	2,198,426	2,153,718	1,383,162
Call loans to banks	2,220	4,470,290	7,016,865
Time deposits	-	-	900,000
Total	<u>\$ 47,725,861</u>	<u>\$ 54,390,950</u>	<u>\$ 51,443,005</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.

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

	<u>June 30, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Commercial paper	\$ 47,384,637
Time deposits	529,257
Beneficiary certificates / securities	44,017,138
Stocks of companies listed on TSE or OTC	33,844,011
Emerging stocks	1,566,173
Government bonds	33,865,343
Financial bonds	22,479,336
Corporate bonds	163,545,204
Overseas bonds	11,579,178
Convertible corporate bonds	42,326,175
Derivative financial instruments	19,035,917
Structured products and others	11,428,533
Reserve for claims of customers' deposits with KSFC (Note 1)	72,705,120
Other marketable securities	3,953,245
Valuation adjustment	(1,962,489)
Subtotal	<u>\$ 506,296,778</u>
Financial liabilities held for trading	
Derivative financial instruments	\$ 29,229,438
Non-derivative financial instruments	11,578,487
Valuation adjustment of financial liabilities held for trading — non-derivative financial instruments	(535,596)
Financial liabilities designated as at fair value through profit or loss	
Structured products (Note 2)	56,693,968
Convertible bond asset swap not qualifying for derecognition (Note 2)	12,512,495
Total	<u>\$ 109,478,792</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 June 30, 2018.

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

	<u>June 30, 2018</u>
Equity instruments	
Domestic stocks	\$ 7,561,680
Overseas stocks	<u>229,474</u>
	7,791,154
Debt instruments	
Overseas corporate bonds	873,852
Domestic beneficiary certificates	1,664,625
Overseas beneficiary certificates	<u>449,129</u>
	<u>\$ 10,778,760</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:

	<u>For the three months ended June 30, 2018</u>	<u>For the six months ended June 30, 2018</u>
Profit or loss recognised in accordance with IFRS 9	\$ 129,438	\$ 553,869
Less: Profit or loss that would have been recognised under IAS 39	(125,384)	(130,378)
Loss from adopting the overlay approach	<u>\$ 4,054</u>	<u>\$ 423,491</u>
Effects on income tax	<u>(\$ 4,607)</u>	<u>(\$ 32,977)</u>

D. Information on December 31, 2017 and June 30, 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

<u>Items</u>	<u>June 30, 2018</u>
Debt instruments	
Government bonds	\$ 43,036,958
Bank debentures	39,019,293
Corporate bonds	131,900,351
Commercial paper	129,354
Others	767,842
Valuation adjustment	(456,374)
Subtotal	<u>214,397,424</u>
Equity instruments	
Listed stocks	7,700,521
Unlisted stocks/Emerging stocks	5,369,846
Others	373,448
Valuation adjustment	<u>11,234,458</u>
Subtotal	<u>24,678,273</u>
Statutory deposits	(1,216,100)
Total	<u>\$ 237,859,597</u>

- A. As of June 30, 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 June 30, 2018, the fair value of such investments was \$24,678,273.
- 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 \$1,161,702, and the cumulative loss on disposal was \$95,809.
- 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 June 30, 2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 557,577
Cumulative losses reclassified to retained earnings due to derecognition	\$ 107,409
Dividend income recognised in profit or loss held at end of period	\$ 117,869
<u>Debt instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	(\$ 725,794)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to impairment recognition	(\$ 24,691)
Reclassified due to derecognition	245,093
	\$ 220,402
Interest income recognised in profit or loss	\$ 1,302,501

For the six months
ended June 30, 2018

Equity instruments at fair value through other
comprehensive income

Fair value change recognised in other comprehensive income	\$ 1,596,421
Cumulative losses reclassified to retained earnings due to derecognition	\$ 104,565
Dividend income recognised in profit or loss held at end of period	\$ 210,561

Debt instruments at fair value through other
comprehensive income

Fair value change recognised in other comprehensive income	(\$ 2,892,085)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to impairment recognition	(\$ 32,924)
Reclassified due to derecognition	610,970
	\$ 578,046

Interest income recognised in profit or loss \$ 2,521,679

E. Details of the Yuanta Group's financial assets at fair value through other comprehensive income pledged to others as collateral as of June 30, 2018 are provided in Note 8.

F. Information on December 31, 2017 and June 30, 2017 is provided in Note 12(15).

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

Items	June 30, 2018
Government bonds	\$ 93,467,615
Time deposits	104,909,300
Bank debentures	53,029,600
Corporate bonds	77,017,218
Others	24,527
Subtotal	328,448,260
Less: Accumulated impairment	(138,055)
Statutory deposits	(600,000)
Total	\$ 327,710,205

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

	For the three months ended June 30, 2018	For the six months ended June 30, 2018
Interest income	\$ 1,890,362	\$ 3,414,065
Impairment loss	(9,971)	(18,425)
Gains on disposal	45,003	210,468
	<u>\$ 1,925,394</u>	<u>\$ 3,606,108</u>

B. As of June 30, 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 June 30, 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 June 30, 2017 is provided in Note 12(15).

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

	June 30, 2018	December 31, 2017	June 30, 2017
Bills and bonds purchased under resale agreement	<u>\$ 32,290,897</u>	<u>\$ 34,827,960</u>	<u>\$ 34,079,731</u>
Interest rate range	0.31%~4.02%	0.31%~2.60%	0.28%~2.60%
Contract resale amount	<u>\$ 32,309,569</u>	<u>\$ 35,098,339</u>	<u>\$ 34,117,389</u>

Bills and bonds payable under repurchase agreement	<u>\$ 208,166,030</u>	<u>\$ 197,101,189</u>	<u>\$ 169,539,967</u>
Interest rate range	-0.1%~4.20%	-0.1%~4.40%	-0.15%~4.80%
Contract repurchase amount	<u>\$ 214,032,262</u>	<u>\$ 201,715,121</u>	<u>\$ 173,961,520</u>

As of June 30, 2018, December 31, 2017 and June 30, 2017, the collateral obtained for retractable notes and investments in bonds are governmental bonds and corporate bonds with a combined fair value of \$26,255,434, \$26,042,055 and \$25,923,959, respectively.

(7) Receivables - net

	June 30, 2018	December 31, 2017	June 30, 2017
Interest receivable	\$ 8,191,607	\$ 7,173,230	\$ 6,892,430
Refinance guaranty receivable	12,146,259	11,097,673	9,511,311
Acceptances receivable	639,412	1,247,595	1,637,002
Factoring receivable	5,467,696	6,283,483	5,812,347
Margin loans receivable	87,298,968	83,873,104	70,431,711
Spot exchange receivable	9,342,162	2,936,871	18,781,903
Credit card receivable	11,592,252	12,130,890	12,385,257
Trading securities receivable	876,700	957,908	1,638,115
Settlement price	6,529,180	16,254,834	5,778,696
Settlement price receivable	25,612,876	25,045,414	25,593,891
Securities sold receivable	9,939,319	5,116,490	7,956,640
Other receivables	8,547,315	4,617,182	5,154,516
Subtotal	186,183,746	176,734,674	171,573,819
Less: Allowance for doubtful accounts	(2,474,343)	(1,419,704)	(1,720,608)
Total	<u>\$ 183,709,403</u>	<u>\$ 175,314,970</u>	<u>\$ 169,853,211</u>

Margin loans receivable uses the securities purchased through financing as collateral. As of June 30, 2018, December 31, 2017 and June 30, 2017, the annual interest rates of Yuanta Securities were all 6.25%; the annual interest rates range of Yuanta Securities (Korea) were 6.65%~9.55%, 7.25%~9.55% and 7.25%~9.55%, respectively; the annual interest rates range of Yuanta Securities (Hong Kong) were 2.25%~12.75%, 1.94%~12.75% and 3%~12.75%, respectively; the annual interest rates range of Yuanta Securities (Indonesia) were all 18%; the annual interest rates range of Yuanta Securities (Thailand) were all 5.15%~9.25%; the annual interest rates range of Yuanta Securities (Vietnam) were all 9.86%~11.68%.

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

- A. As of June 30, 2017, the properties held for sale, of the Yuanta Group, amounted to \$35,451.
- 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:

	For the six months ended June 30, 2017
Operating cash flows	(\$ 536,611)
Investing cash flows	(410)
Financing cash flows	532,714
Total cash flows	<u>(\$ 4,307)</u>

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

	June 30, 2017
Cash and cash equivalents	\$ 510,786
Financial assets at fair value through profit or loss	3,880,276
Investments in bills and bonds under resale agreements	187,289
Receivables	4,214,161
Available-for-sale financial assets	191,381
Other financial assets	192,652
Property and equipment	228,696
Other assets	220,173
Subtotal	9,625,414
Accumulated impairment	(181,444)
Total	\$ 9,443,970

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

	June 30, 2017
Bills and bonds payable under repurchase agreement	\$ 2,892,239
Financial liabilities at fair value through profit or loss	159,915
Payables	1,490,385
Other financial liabilities	1,514,854
Other liabilities	56,425
Total	\$ 6,113,818

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

	For the six months ended June 30, 2017
Unrealized loss on available-for-sale financial assets	(\$ 49,470)

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 June 30, 2017	For the six months ended June 30, 2017
Net interest income	\$ 36,932	\$ 66,486
Net service fee and commission income	80,862	159,887
(Loss) gain on financial assets and financial liabilities at fair value through profit or loss	(3,705)	47,486
Foreign exchange loss	(96)	(2,539)
Other non-interest income	3,518	3,491
Net profit	117,511	274,811
Operating expenses	(147,687)	(298,938)
Loss before tax of discontinued operations	(30,176)	(24,127)
Income tax expense	(516)	(1,216)
Loss after tax of discontinued operations	(30,692)	(25,343)
Pre-tax loss recognised on the remeasurement of assets of disposal group	(2,254)	(181,444)
Income tax	-	-
After-tax loss recognised on the remeasurement of assets of disposal group	(2,254)	(181,444)
Loss on discontinued operations	<u>(\$ 32,946)</u>	<u>(\$ 206,787)</u>

H. Profit from continuing and discontinued operations attributable to owners of the parent:
Please refer to Note 6(45)

(BLANK)

(9) Bills discounted and loans - net

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Bills discounted	\$ 292,533	\$ 203,290	\$ 226,252
Overdrafts	49,030	191,802	233,603
Short-term loans	68,005,270	68,540,281	93,149,482
Short-term loans secured	92,477,034	90,507,122	91,318,376
Medium-term loans	136,807,527	138,343,110	144,458,044
Medium-term loans secured	156,326,696	153,230,827	146,233,594
Long-term loans	9,587,005	8,857,060	9,029,635
Long-term loans secured	293,992,646	302,158,833	302,696,050
Import-export negotiations	56,068	64,446	154,043
Accounts receivable factoring	407,618	1,160,284	632,093
Automatic policy loans	1,204,614	1,161,810	1,106,724
Policy loans	4,565,689	4,369,658	4,109,510
Loans transferred to non-performing loans	<u>5,255,060</u>	<u>5,325,052</u>	<u>4,271,319</u>
Subtotal	769,026,790	774,113,575	797,618,725
Less: Allowance for credit losses	(13,670,286)	(11,786,569)	(11,498,833)
Less: Adjustment for discount	(18,450)	(7,966)	(64,662)
Total	<u>\$ 755,338,054</u>	<u>\$ 762,319,040</u>	<u>\$ 786,055,230</u>

The Yuanta Group recognised appropriate allowance for bad debts for the bills discounted, loans and receivables. As of changes in allowance for bad debts in relation to bills discounted and loans for the six months ended June 30, 2018, please refer to Note 12(3).

(10) Reinsurance contract assets

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Claims recoverable from reinsurers	\$ 63,438	\$ 55,822	\$ 97,082
Due from reinsurers and ceding companies	41,880	106,546	152,805
Reinsurance Reserve Assets			
Ceded unearned premium reserve	277,798	262,226	207,083
Ceded claims reserve	<u>10,094</u>	<u>11,293</u>	<u>7,396</u>
Total	<u>\$ 393,210</u>	<u>\$ 435,887</u>	<u>\$ 464,366</u>

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Joint ventures:						
Grand Asia Asset Management Ltd.	\$ -	-	\$ -	-	\$ 33,362	50.00%
Associates:						
CR Yuanta Fund Management Company Limited	164,494	49.00%	203,156	49.00%	254,073	49.00%
GC Investment Consultant (Shanghai) Co., Ltd.	22,033	100.00%	21,647	100.00%	22,103	100.00%
P.I.A. Co.	-	-	-	-	3,171	100.00%
TongYang Asset Management Corp.	685,277	27.00%	678,839	27.00%	628,315	27.00%
Polaris Ocean Private Equity Fund	40,724	3.26%	41,938	3.26%	161,274	3.26%
Yuanta SPAC I	-	-	-	-	1,239	0.40%
Yuanta SPAC II	-	-	1,306	0.37%	1,233	0.37%
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	18,873	16.22%	25,658	16.22%	37,087	16.22%
KoFC-KVIC Green Growth Venture Capital Fund	30,215	18.00%	30,939	18.00%	38,941	18.00%
2011 KIF-TongYang IT Venture Fund	69,291	17.20%	71,556	17.20%	73,408	17.20%
KoFC-TongYang Pioneer Champ 2011-11th Venture Capital Fund	-	-	-	-	74,539	23.69%
Hyundai-TongYang Agrifood Private Equity Fund	-	-	5,844	9.84%	46,683	9.84%
TyCor 2013 Private Equity Fund	-	-	-	-	48,560	14.18%
TongYang Agri-Food Investment Fund-2nd	112,452	40.74%	116,121	40.74%	111,667	40.74%
IBKC-TongYang Growth 2013 Private Equity Fund	126,737	10.71%	67,683	10.71%	46,258	10.71%
KVIC-Yuanta 2015 Overseas Fund	303,232	44.00%	240,694	44.00%	245,258	44.00%
TongYang China Paid in Capital Private Investment Trust 1	33,154	27.57%	37,773	27.57%	85,888	27.57%
2016 KIF-Yuanta ICT Venture Fund	27,600	16.67%	29,608	16.67%	25,502	16.67%
Yuanta Secoundary No.2 Fund	97,160	12.28%	101,396	12.28%	36,073	12.28%
Yuanta SPAC III	1,822	0.83%	966	4.76%	-	-
SJ-ULTRA V 1st FUND	26,741	34.38%	-	-	-	-
	<u>\$ 1,759,805</u>		<u>\$ 1,675,124</u>		<u>\$ 1,974,634</u>	

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

	For the three months ended June 30,	
	2018	2017
Net loss for the period from continuing operations	(\$ 22,877)	(\$ 4,100)
Other comprehensive income (net of tax)	165	415

	For the six months ended June 30,	
	2018	2017
Net (loss) income for the period from continuing operations	(\$ 30,716)	\$ 760
Other comprehensive loss (net of tax)	(2,997)	(12,003)

(12) Other financial assets - net

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets carried at cost (Note)	\$ -	\$ 1,395,010	\$ 1,371,510
Less: accumulated impairment	-	(345,640)	(322,009)
	-	1,049,370	1,049,501
Non-loans reclassified to non-accrual loans	913,243	818,104	718,700
Less: Provision for credit losses	(899,253)	(680,981)	(650,082)
	13,990	137,123	68,618
Purchase of claim receivable	1,925,051	1,941,977	1,951,634
Valuation adjustment on purchase of claim receivable	(49,573)	(49,678)	(49,902)
	1,875,478	1,892,299	1,901,732
Bond investments without active market (Note)	-	49,012,388	57,873,640
Customer margin deposit account	43,463,932	38,854,613	38,255,812
Investment-linked product assets	1,925,767	1,967,642	1,890,144
Securities borrowing and lending refundable deposits	119,460	408,912	200,425
Others	163,945	146,960	103,200
Total	\$ 47,562,572	\$ 93,469,307	\$ 101,343,072

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 \$320,858 and \$620,908 in profit or loss for the three months and six months ended June 30, 2017, respectively.

B. As of December 31, 2017 and June 30, 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 June 30, 2018, December 31, 2017 and June 30, 2017, as well as the periods for the three months and six months ended June 30, 2018 and 2017, details about the assets on insurance products, separated accounts were as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Investment-linked insurance product assets			
Cash in bank	\$ 402	\$ 815	\$ 21,218
Financial assets at fair value through profit or loss	1,920,938	1,956,984	1,864,547
Other receivables	<u>4,427</u>	<u>9,843</u>	<u>4,379</u>
	<u>\$ 1,925,767</u>	<u>\$ 1,967,642</u>	<u>\$ 1,890,144</u>
	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Investment-linked insurance product liabilities			
Reserve for investment-linked insurance product-insurance contract	\$ 1,912,793	\$ 1,947,981	\$ 1,877,698
Reserve for investment-linked insurance product-investment contract	10,380	9,993	10,466
Other payables	<u>2,594</u>	<u>9,668</u>	<u>1,980</u>
	<u>\$ 1,925,767</u>	<u>\$ 1,967,642</u>	<u>\$ 1,890,144</u>
	<u>For the three months ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	
Revenue on investment-linked insurance products			
Premium income	\$ 59,464	\$ 87,158	
Gain on financial assets at fair value through profit or loss	9,428	45,620	
Exchange (loss) gain	(3,654)	3,993	
Interest income	1,598	404	
Other income	<u>1,846</u>	<u>784</u>	
	<u>\$ 68,682</u>	<u>\$ 137,959</u>	
Expenses on investment-linked insurance product			
Claims and policy benefit payments	\$ 52,209	\$ 77,069	
Net change in reserve for investment-linked insurance product-insurance contract	(5,380)	36,315	
Administrative expenses and other expenses	<u>21,853</u>	<u>24,575</u>	
	<u>\$ 68,682</u>	<u>\$ 137,959</u>	

		For the six months ended June 30,	
		2018	2017
Revenue on investment – linked insurance products			
Premium income	\$	135,047	\$ 153,297
(Loss) gain on financial assets at fair value through profit or loss	(	18,165)	62,196
Exchange (loss) gain	(	1,993)	5,426
Interest income		2,974	668
Other income		3,493	6,215
	\$	<u>121,356</u>	<u>\$ 227,802</u>
Expenses on investment – linked insurance product			
Claims and policy benefit payments	\$	112,142	\$ 123,241
Net change in reserve for investment – linked insurance product – insurance contract	(	37,180)	59,069
Administrative expenses and other expenses		46,394	45,492
	\$	<u>121,356</u>	<u>\$ 227,802</u>

(13) Investment property - net

June 30, 2018				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,311,078	\$ -	(\$ 412,967)	\$ 2,898,111
Buildings	3,299,063	(1,091,789)	(84,487)	2,122,787
Total	<u>\$ 6,610,141</u>	<u>(\$ 1,091,789)</u>	<u>(\$ 497,454)</u>	<u>\$ 5,020,898</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>
June 30, 2017				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,947,811	\$ -	(\$ 350,585)	\$ 3,597,226
Buildings	3,592,403	(1,034,378)	(84,124)	2,473,901
Total	<u>\$ 7,540,214</u>	<u>(\$ 1,034,378)</u>	<u>(\$ 434,709)</u>	<u>\$ 6,071,127</u>

Change in investment property of the Yuanta Group:

	For the six months ended June 30,	
	2018	2017
Cost		
At January 1	\$ 7,739,095	\$ 7,588,899
Additions	676	308
Disposals	(1,115,625)	(7,923)
Reclassifications	70,378	3,987
Foreign exchange adjustment	(84,383)	(45,057)
At June 30	<u>\$ 6,610,141</u>	<u>\$ 7,540,214</u>
	For the six months ended June 30,	
	2018	2017
Accumulated depreciation		
At January 1	(\$ 1,070,362)	(\$ 1,003,447)
Depreciation	(34,561)	(39,508)
Disposals	19,041	2,089
Reclassifications	(20,283)	10
Foreign exchange adjustment	14,376	6,478
At June 30	<u>(\$ 1,091,789)</u>	<u>(\$ 1,034,378)</u>
	For the six months ended June 30,	
	2018	2017
Accumulated impairment		
At January 1	(\$ 495,087)	(\$ 432,112)
Recovery (Impairment)	3,503	(1,856)
Reclassifications	(5,870)	(741)
At June 30	<u>(\$ 497,454)</u>	<u>(\$ 434,709)</u>

- A. The fair value of the investment property held by the Yuanta Group as of June 30, 2018, December 31, 2017 and June 30, 2017 were \$7,255,946, \$8,344,684 and \$8,572,206, 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 June 30, 2018, the fair value included the amount of \$4,794,392 and \$2,461,554 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 June 30, 2017, the fair value included the amount of \$4,501,820 and \$4,070,386 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively.
- B. For the three months and six months ended June 30, 2018 and 2017, rental income from the lease of the investment property was \$38,287, \$32,607, \$74,411 and \$63,688, respectively.
- C. Please refer to Note 8 for details of the Yuanta Group's investment property pledged to others as collateral.

(14) Property and equipment - net

Change in property and equipment of the Yuanta Group:

Cost	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	-	-	126,147	20,074	87,519	223,548	457,288
Disposals	-	-	(186,141)	(23,291)	(138,412)	(14,873)	(362,717)
Reclassifications	(8,020)	(72,810)	134,714	4,995	222,562	(261,562)	19,879
Translation difference	(11,692)	(33,417)	(41,369)	(7)	1,740	885	(83,860)
At June 30, 2018	<u>\$ 15,047,029</u>	<u>\$ 7,429,843</u>	<u>\$ 3,714,337</u>	<u>\$ 235,513</u>	<u>\$ 1,899,829</u>	<u>\$ 308,912</u>	<u>\$ 28,635,463</u>
<u>Accumulated depreciation</u>							
At January 1, 2018	\$ -	(\$ 2,219,726)	(\$ 2,507,142)	(\$ 119,413)	(\$ 1,012,913)	\$ -	(\$ 5,859,194)
Depreciation	-	(90,399)	(232,392)	(16,446)	(150,923)	-	(490,160)
Disposals	-	-	184,220	18,435	129,356	-	332,011
Reclassifications	-	32,613	(8,454)	-	(64,642)	-	(40,483)
Translation difference	-	9,883	35,784	119	(1,667)	-	44,119
At June 30, 2018	<u>\$ -</u>	<u>(\$ 2,267,629)</u>	<u>(\$ 2,527,984)</u>	<u>(\$ 117,305)</u>	<u>(\$ 1,100,789)</u>	<u>\$ -</u>	<u>(\$ 6,013,707)</u>
<u>Accumulated impairment</u>							
At January 1, 2018	(\$ 84,506)	(\$ 30,580)	\$ -	\$ -	\$ -	\$ -	(\$ 115,086)
Recovery	-	-	-	-	357	-	357
Reclassifications	4,860	1,009	-	-	(656)	-	5,213
At June 30, 2018	<u>(\$ 79,646)</u>	<u>(\$ 29,571)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 299)</u>	<u>\$ -</u>	<u>(\$ 109,516)</u>
Net carrying amount	<u>\$ 14,967,383</u>	<u>\$ 5,132,643</u>	<u>\$ 1,186,353</u>	<u>\$ 118,208</u>	<u>\$ 798,741</u>	<u>\$ 308,912</u>	<u>\$ 22,512,240</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
Acquisition through combinations	-	16,404	1,698	2,141	11,473	-	31,716
Additions	611,633	109,508	117,366	9,429	77,369	1,100,207	2,025,512
Disposals	(52,969)	(16,867)	(110,748)	(9,808)	(174,035)	-	(364,427)
Reclassifications	866,643	91,402	28,788	1,620	4,222	(979,495)	13,180
Assets reclassified as held for sale	(86,479)	(158,054)	(122,372)	-	(54,854)	(33)	(421,792)
Translation difference	(6,836)	(21,210)	(32,211)	(353)	(11,308)	11	(71,907)
At June 30, 2017	<u>\$ 14,984,102</u>	<u>\$ 7,390,891</u>	<u>\$ 3,267,807</u>	<u>\$ 217,898</u>	<u>\$ 1,722,065</u>	<u>\$ 415,744</u>	<u>\$ 27,998,507</u>
<u>Accumulated depreciation</u>							
At January 1, 2017	\$ -	(\$ 2,069,547)	(\$ 2,358,972)	(\$ 109,086)	(\$ 1,169,941)	\$ -	(\$ 5,707,546)
Acquisition through combinations	-	(7,072)	(1,698)	(1,021)	(11,471)	-	(21,262)
Depreciation	-	(88,497)	(204,943)	(14,429)	(139,972)	-	(447,841)
Disposals	-	4,463	109,944	6,065	186,964	-	307,436
Reclassifications	-	(10)	(434)	-	434	-	(10)
Assets reclassified as held for sale	-	46,458	100,355	-	46,284	-	193,097
Translation difference	-	6,280	24,335	306	12,248	-	43,169
At June 30, 2017	<u>\$ -</u>	<u>(\$ 2,107,925)</u>	<u>(\$ 2,331,413)</u>	<u>(\$ 118,165)</u>	<u>(\$ 1,075,454)</u>	<u>\$ -</u>	<u>(\$ 5,632,957)</u>
<u>Accumulated impairment</u>							
At January 1, 2017	(\$ 157,391)	(\$ 35,750)	\$ -	\$ -	\$ -	\$ -	(\$ 193,141)
Disposals	13,824	4,561	-	-	-	-	18,385
Reclassifications	58,913	405	-	-	-	-	59,318
At June 30, 2017	<u>(\$ 84,654)</u>	<u>(\$ 30,784)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 115,438)</u>
Net carrying amount	<u>\$ 14,899,448</u>	<u>\$ 5,252,182</u>	<u>\$ 936,394</u>	<u>\$ 99,733</u>	<u>\$ 646,611</u>	<u>\$ 415,744</u>	<u>\$ 22,250,112</u>

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	\$ 4,688,456	\$ 5,585,107	\$ 2,399,680	\$ 44,873,351
Additions	-	-	81,406	-	64,842	146,248
Disposals	-	-	(727,283)	-	(9,630)	(736,913)
Reclassifications	-	-	30,967	-	-	30,967
Translation difference	(7,302)	257	(126,457)	-	(7,677)	(141,179)
At June 30, 2018	<u>\$ 31,807,784</u>	<u>\$ 385,279</u>	<u>\$ 3,947,089</u>	<u>\$ 5,585,107</u>	<u>\$ 2,447,215</u>	<u>\$ 44,172,474</u>
<u>Accumulated amortization</u>						
At January 1, 2018	\$ -	(\$ 366,774)	(\$ 3,860,269)	(\$ 3,227,444)	(\$ 1,122,746)	(\$ 8,577,233)
Amortization	-	(821)	(221,672)	(218,587)	(144,513)	(585,593)
Disposals	-	-	727,261	-	1,582	728,843
Translation difference	-	(75)	117,407	-	729	118,061
At June 30, 2018	<u>\$ -</u>	<u>(\$ 367,670)</u>	<u>(\$ 3,237,273)</u>	<u>(\$ 3,446,031)</u>	<u>(\$ 1,264,948)</u>	<u>(\$ 8,315,922)</u>
<u>Accumulated impairment</u>						
At January 1, 2018	(\$ 325,199)	\$ -	(\$ 5,429)	\$ -	(\$ 29,713)	(\$ 360,341)
Disposals	-	-	22	-	-	22
Translation difference	-	-	-	-	179	179
At June 30, 2018	<u>(\$ 325,199)</u>	<u>\$ -</u>	<u>(\$ 5,407)</u>	<u>\$ -</u>	<u>(\$ 29,534)</u>	<u>(\$ 360,140)</u>
Net carrying amount	<u>\$ 31,482,585</u>	<u>\$ 17,609</u>	<u>\$ 704,409</u>	<u>\$ 2,139,076</u>	<u>\$ 1,152,733</u>	<u>\$ 35,496,412</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
Acquisition through combinations	343,192	-	11,881	-	-	355,073
Additions	-	-	93,136	-	16,482	109,618
Disposals	-	-	(24,298)	-	(35,886)	(60,184)
Reclassifications	-	-	18,073	-	-	18,073
Assets reclassified as held for sale	-	-	(70,910)	-	-	(70,910)
Translation difference	(4,201)	(994)	(40,402)	-	(12,067)	(57,664)
At June 30, 2017	<u>\$ 32,008,646</u>	<u>\$ 385,324</u>	<u>\$ 4,473,402</u>	<u>\$ 5,585,107</u>	<u>\$ 2,173,533</u>	<u>\$ 44,626,012</u>
<u>Accumulated amortization</u>						
At January 1, 2017	\$ -	(\$ 365,514)	(\$ 3,406,911)	(\$ 2,564,906)	(\$ 1,058,069)	(\$ 7,395,400)
Acquisition through combinations	-	-	(10,765)	-	-	(10,765)
Amortization	-	(820)	(246,733)	(344,052)	(18,453)	(610,058)
Disposals	-	-	24,298	-	-	24,298
Reclassifications	-	-	(10,018)	-	-	(10,018)
Assets reclassified as held for sale	-	-	55,935	-	-	55,935
Translation difference	-	292	32,586	-	(37)	32,841
At June 30, 2017	<u>\$ -</u>	<u>(\$ 366,042)</u>	<u>(\$ 3,561,608)</u>	<u>(\$ 2,908,958)</u>	<u>(\$ 1,076,559)</u>	<u>(\$ 7,913,167)</u>
<u>Accumulated impairment</u>						
At January 1, 2017	(\$ 309,106)	\$ -	\$ -	\$ -	(\$ 26,819)	(\$ 335,925)
Disposals	-	-	-	-	18,840	18,840
Translation difference	982	-	-	-	55	1,037
At June 30, 2017	<u>(\$ 308,124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 7,924)</u>	<u>(\$ 316,048)</u>
Net carrying amount	<u>\$ 31,700,522</u>	<u>\$ 19,282</u>	<u>\$ 911,794</u>	<u>\$ 2,676,149</u>	<u>\$ 1,089,050</u>	<u>\$ 36,396,797</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	10.00% ~ 10.90%	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% ~ 11.30%	10.30%	10.40%	13.60% ~ 17.90%	8.00%	14.80%

(16) Other assets - net

	June 30, 2018	December 31, 2017	June 30, 2017
Refundable deposits	\$ 7,544,636	\$ 4,328,308	\$ 4,592,032
Refundable deposits for securities lending	19,280,982	21,292,145	19,017,466
Operating guarantee deposits and settlement fund	3,115,815	3,015,016	2,938,199
Prepaid expenses	885,681	817,834	766,870
Bank deposits - amounts held for settlement	8,653,106	9,957,043	9,076,880
Others	1,504,523	1,393,766	952,719
Total	<u>\$ 40,984,743</u>	<u>\$ 40,804,112</u>	<u>\$ 37,344,166</u>

(17) Non-financial asset impairment losses

As of June 30, 2018, December 31, 2017 and June 30, 2017, accumulated impairments on various financial assets were as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Investment property	\$ 497,454	\$ 495,087	\$ 434,709
Property and equipment	109,516	115,086	115,438
Intangible assets - goodwill	325,199	325,199	308,124
Intangible assets - other	34,941	35,142	7,924
Assets held for sale	-	-	181,444

(18) Due to Central Bank and other banks

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Due to other banks	\$ 10,054	\$ 10,054	\$ 10,054
Overdrafts from other banks	311,279	136,640	241,366
Call loans from other banks	19,854,224	7,682,577	22,948,464
Redeposit from the directorate general of postal remittance	5,369,577	5,690,891	5,808,081
Total	<u>\$ 25,545,134</u>	<u>\$ 13,520,162</u>	<u>\$ 29,007,965</u>

(19) Commercial paper payable - net

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Commercial paper payable	\$ 68,890,850	\$ 44,724,325	\$ 48,392,000
Less: Discount on commercial paper payable	(37,432)	(20,238)	(16,494)
Net	<u>\$ 68,853,418</u>	<u>\$ 44,704,087</u>	<u>\$ 48,375,506</u>

The annual interest rate of commercial paper payable as of June 30, 2018, December 31, 2017 and June 30, 2017 were 0.5%~2.05% , 0.508%~2.00% and 0.468%~1.96%, respectively.

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

June 30, 2018	December 31, 2017	June 30, 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., Ltd.	Hua Nan Commercial Bank Co., Ltd.	China Bills Finance Corporation
Taiwan Finance Corporation	Taiwan Finance Corporation	Hua Nan Commercial Bank Co., Ltd.
Union Bank of Taiwan Co., Ltd.	Union Bank of Taiwan Co., Ltd.	Taiwan Finance Corporation
Mega Bills Finance Co., Ltd.	Mega Bills Finance Co., Ltd.	Union Bank of Taiwan Co., Ltd.
International Bills Finance Corporation	International Bills Finance Corporation	Mega Bills Finance Co., Ltd.
Ta Ching Bills Finance Corporation	Ta Ching Bills Finance Corporation	International Bills Finance Corporation
Taishin International Bank Co., Ltd.	Taishin International Bank Co., Ltd.	Ta Ching Bills Finance Corporation
Dah Chung Bills Finance Corp.	Dah Chung Bills Finance Corp.	Taishin International Bank Co., Ltd.
Grand Bills Finance Corp.	Grand Bills Finance Corp.	Dah Chung Bills Finance Corp.
KGI Bank Co., Ltd.	KGI Bank Co., Ltd.	Grand Bills Finance Corp.
China Bills Finance Corporation	Bank Of Taiwan	Taiwan Cooperative Bills Finance Corporation
Cathay United Commercial Bank Co., Ltd.	HI Investment & Securities	HI Investment & Securities
Bank Of Taiwan		
Taiwan Business Bank Co., Ltd.		
HI Investment & Securities		

(BLANK)

(20) Payables

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable	\$ 88,566,613	\$ 86,069,622	\$ 81,023,748
Demand remittance payable	9,300,717	2,937,800	19,371,400
Bankers' acceptances payable	639,412	1,246,741	1,640,046
Dividends payable	6,638,302	-	5,374,741
Interests payable	2,323,318	2,194,254	2,159,670
Accrued expenses	8,317,587	8,766,728	5,624,282
Taxes payable	265,996	273,497	249,614
Collections payable for customers	867,867	844,485	1,036,187
Proceeds payable from underwriting	840,032	891,398	1,032,335
Due to reinsurers and ceding companies	138,461	140,506	176,494
Collateralized proceeds payable from securities lending	5,048,030	9,079,481	4,817,765
Consigned securities payable	4,840,673	14,058,046	1,259,706
Settled price	886,182	1,544,600	4,229,336
Securities purchased payable	10,839,167	1,694,231	12,959,739
Settlement payable	25,923,343	26,653,012	24,282,263
Deposits received on securities lending	4,597,536	8,185,499	4,419,104
Checks for clearing	2,419,074	2,629,283	1,421,266
SBL Refund payable	193,554	133,234	258,712
Other payables	1,057,466	1,362,954	1,130,815
Total	<u>\$ 173,703,330</u>	<u>\$ 168,705,371</u>	<u>\$ 172,467,223</u>

(21) Deposits and remittances

	June 30, 2018	December 31, 2017	June 30, 2017
Checking deposits	\$ 4,932,162	\$ 5,077,820	\$ 3,983,971
Demand deposits	129,334,593	133,582,476	136,024,115
Time deposits	309,981,429	334,966,774	365,065,175
Negotiable certificates of deposit	64,945,500	44,209,000	44,287,500
Savings deposits	527,642,401	537,813,143	526,639,883
Remittances	256,361	375,076	632,773
Total	<u>\$ 1,037,092,446</u>	<u>\$ 1,056,024,289</u>	<u>\$ 1,076,633,417</u>

(22) Bonds payable

	June 30, 2018	December 31, 2017	June 30, 2017
Financial bonds	\$ 41,050,000	\$ 43,500,000	\$ 43,500,000
Unsecured corporate bonds	16,750,000	19,750,000	22,623,600
Convertible corporate bonds	2,618,764	2,640,879	2,475,836
Total	<u>\$ 60,418,764</u>	<u>\$ 65,890,879</u>	<u>\$ 68,599,436</u>

A. The details of financial debentures as of June 30, 2018 were as follows:

Second issue of subordinate financial debentures in 2011

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

Third issue of subordinate financial debentures in 2011(A)

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

Third issue of subordinate financial debentures in 2011(B)

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

First issue of subordinate financial debentures in 2012

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 1.90%
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 2.00%
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 2.00%
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

	Sixth issue of subordinate financial debentures in 2015
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
	First issue of subordinate financial debentures in 2016
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 June 30, 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(B)
Par value	\$4,000,000
Stated interest rate	Fixed interest rate at 0.80%
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 1.00%
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				
	June 30, 2018	December 31, 2017	June 30, 2017	
Convertible corporate bonds	\$ 2,522,637	\$ 2,565,758	\$ 2,576,060	
Add: Premium (discount) on convertible bonds payable	96,127	75,121	(100,224)	
Total	<u>\$ 2,618,764</u>	<u>\$ 2,640,879</u>	<u>\$ 2,475,836</u>	
The details of convertible corporate bonds as of June 30, 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>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Short-term borrowings			
Unsecured bank borrowings	\$ 18,037,353	\$ 21,275,909	\$ 11,838,036
Secured bank borrowings	1,901,650	1,549,568	656,230
KSFC secured borrowings	27,741,568	30,895,117	26,847,661
Issuance of short-term bond	21,018,474	15,244,177	13,046,439
Secured short-term bond	1,748,149	-	-
Long-term borrowings			
Unsecured bank borrowings	819,000	2,790,000	2,655,000
	<u>\$ 71,266,194</u>	<u>\$ 71,754,771</u>	<u>\$ 55,043,366</u>
Interest rate-short-term (%)	<u>0.60%~3.5%</u>	<u>0.60%~3%</u>	<u>0.60%~9.05%</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>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Insurance liability	\$ 201,448,332	\$ 187,513,082	\$ 165,183,214
Reserve for foreign exchange fluctuation	742,491	510,241	138,351
Employee benefit liabilities reserve	5,538,494	6,190,491	4,974,532
Guaranteed policy reserve	242,508	275,664	410,264
Loan commitment reserve	68,063	-	-
Other reserves (Note)	<u>555,858</u>	<u>549,342</u>	<u>873,837</u>
Total	<u>\$ 208,595,746</u>	<u>\$ 195,038,820</u>	<u>\$ 171,580,198</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 first mediation through the subsequent tenth mediation, concluding total disputed sales of ₩697,000 million (approximately NT\$19 billion); of which former TongYang Securities Inc. was liable for compensations totaling ₩67,678 million (approximately NT\$1.8 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 June 30, 2018, there are 13 litigations filed against former TongYang Securities Inc. and its subsidiaries related to the above-mentioned dispute on sold financial products, demanding compensations totaling ₩545,379 million (approximately NT\$14.9 billion); of which 2 were class actions, demanding compensation of ₩492,565 million (approximately NT\$13.4 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 on July 5, 2018, the Supreme Court remanded the case to the Seoul High Court for a retrial based on class action requirements. As for the ₩50,000 million class action, which the Seoul Central District Court has rejected, the plaintiffs appealed to the court of second instance on January 12, 2018.

Former TongYang Securities Inc. has recognized a liability reserve of ₩93,400 million (approximately NT\$2.5 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 ₩ 23,004 million (approximately NT\$630 million) in liability reserves as of June 30, 2018. As of June 30, 2018, the balance of the liability reserve related to the aforementioned dispute on sales of financial products was ₩ 6,790 million (approximately NT\$185 million).

Note:B. The reserve for litigation loss of Yuanta Bank is \$190,413, please refer to Note 9(6)A.

A. The components of insurance liabilities are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Unearned premium reserve	\$ 314,730	\$ 283,691	\$ 268,040
Claims reserve	372,262	306,349	222,352
Reserve for policy benefit	194,868,402	180,815,233	158,053,840
Premium deficiency reserve	1,689,824	1,810,269	2,243,152
Other reserves	4,203,114	4,297,540	4,395,830
Total	<u>\$ 201,448,332</u>	<u>\$ 187,513,082</u>	<u>\$ 165,183,214</u>

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

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

	June 30, 2018		
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal life insurance	\$ 351	\$ -	\$ 351
Personal accident insurance	167,904	-	167,904
Personal health insurance	143,604	-	143,604
Group insurance	827	-	827
Investment-link insurance	2,044	-	2,044
	<u>\$ 314,730</u>	<u>\$ -</u>	<u>\$ 314,730</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 162,815	\$ -	\$ 162,815
Personal accident insurance	297	-	297
Personal health insurance	114,308	-	114,308
Investment-link insurance	378	-	378
	<u>\$ 277,798</u>	<u>\$ -</u>	<u>\$ 277,798</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>
June 30, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal life insurance	\$ 64	\$ -	\$ 64
Personal accident insurance	148,951	-	148,951
Personal health insurance	115,879	-	115,879
Group insurance	977	-	977
Investment-link insurance	2,169	-	2,169
	<u>\$ 268,040</u>	<u>\$ -</u>	<u>\$ 268,040</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 87,430	\$ -	\$ 87,430
Personal accident insurance	342	-	342
Personal health insurance	118,930	-	118,930
Investment-link insurance	381	-	381
	<u>\$ 207,083</u>	<u>\$ -</u>	<u>\$ 207,083</u>

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

For the six months ended June 30,			
	2018	2017	
Unearned premium reserve			
At January 1	\$ 283,691	\$ 246,066	
Current net change	31,039	21,974	
At June 30	<u>\$ 314,730</u>	<u>\$ 268,040</u>	

		For the six months ended June 30,	
		2018	2017
Ceded unearned premium reserve			
At January 1	\$	262,226	\$ 241,887
Current net change		15,565	(34,784)
Loss (gain) on foreign exchange		7	(20)
At June 30	\$	<u>277,798</u>	<u>\$ 207,083</u>
(B) Claims reserve and ceded claims reserve are as follows:			
a.Details of claims reserve and ceded claims reserve are as follows:			
		June 30, 2018	
		Claims reported	Claims incurred
		but not paid	but not reported
			Total
Claims reserve			
Personal life insurance	\$	282,843	\$ 36 \$ 282,879
Personal accident insurance		2,884	25,100 27,984
Personal health insurance		28,825	32,391 61,216
Group insurance		-	177 177
Investment-link insurance		-	6 6
	\$	<u>314,552</u>	<u>\$ 57,710 \$ 372,262</u>
Ceded claims reserve			
Personal life insurance	\$	5,643	\$ - \$ 5,643
Personal health insurance		4,451	- 4,451
	\$	<u>10,094</u>	<u>\$ - \$ 10,094</u>
		December 31, 2017	
		Claims reported	Claims incurred
		but not paid	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 \$ 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>\$ - \$ 11,293</u>

		June 30, 2017		
		Claims reported	Claims incurred	
		but not paid	but not reported	Total
Claims reserve				
Personal life insurance	\$	151,260	\$ 5	\$ 151,265
Personal accident insurance		2,413	19,096	21,509
Personal health insurance		28,902	20,501	49,403
Group insurance		-	175	175
Investment-link insurance		-	-	-
	\$	<u>182,575</u>	<u>39,777</u>	<u>222,352</u>
Ceded claims reserve				
Personal life insurance	\$	3,796	\$ -	\$ 3,796
Personal health insurance		3,600	-	3,600
	\$	<u>7,396</u>	<u>-</u>	<u>7,396</u>
b. Change in claims reserve and ceded claims reserve are as follows:				
		For the six months ended June 30,		
		2018	2017	
Claims reserve				
At January 1	\$	306,349	\$	264,393
Current net change		65,815	(	42,028)
Loss (gain) on foreign exchange		98	(	13)
At June 30	\$	<u>372,262</u>	\$	<u>222,352</u>
		For the six months ended June 30,		
		2018	2017	
Ceded claims reserve				
At January 1	\$	11,293	\$	7,847
Current net change	(	1,199)	(	450)
Gain on foreign exchange		-	(	1)
At June 30	\$	<u>10,094</u>	\$	<u>7,396</u>

(C) Reserve for policy benefit:

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

June 30, 2018			
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 175,298,032	\$ -	\$ 175,298,032
Health insurance	19,208,424	-	19,208,424
Annuity insurance	11,667	238,931	250,598
Investment-link insurance	57,053	-	57,053
	<u>\$ 194,575,176</u>	<u>\$ 238,931</u>	<u>194,814,107</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			4,012
Total			<u>\$ 194,868,402</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>
June 30, 2017			
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 140,502,079	\$ -	\$ 140,502,079
Health insurance	17,281,165	-	17,281,165
Annuity insurance	12,803	147,054	159,857
Investment-link insurance	60,456	-	60,456
	<u>\$ 157,856,503</u>	<u>\$ 147,054</u>	<u>158,003,557</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Total			<u>\$ 158,053,840</u>

b.Changes in reserve for policy benefit:

	For the six months ended June 30,	
	2018	2017
At January 1	\$ 180,812,095	\$ 146,956,725
Current net change	13,678,367	11,619,883
Loss (gain) on foreign exchange	373,928	(522,768)
At June 30	<u>\$ 194,864,390</u>	<u>\$ 158,053,840</u>

Note: For the six months ended June 30, 2018, “Reserve for policy benefit-payables to the insured” is \$4,012. As of June 30, 2018, the total reserve for policy benefit amount of changes in reserve for policy benefit is \$194,868,402.

For the three months and six months ended June 30, 2018 and 2017, the interest expense, representing the cost related with delaying payments on contract liabilities over a period of time, are \$1,384,277, \$1,187,288, \$2,743,414 and \$2,347,821, respectively.

(D) Premium deficiency reserve:

a. Details of premium deficiency reserve are as follows:

June 30, 2018			
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Personal life insurance	\$ 1,685,297	\$ -	\$ 1,685,297
Personal health insurance	4,527	-	4,527
Total	<u>\$ 1,689,824</u>	<u>\$ -</u>	<u>\$ 1,689,824</u>
December 31, 2017			
		Financial instruments with discretionary participation features	Total
	Insurance contract		
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>
June 30, 2017			
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Personal life insurance	\$ 2,242,149	\$ -	\$ 2,242,149
Personal health insurance	997	-	997
Group insurance	6	-	6
Total	<u>\$ 2,243,152</u>	<u>\$ -</u>	<u>\$ 2,243,152</u>

b. Change in premium deficiency reserve:

	For the six months ended June 30,	
	2018	2017
Premium deficiency reserve:		
At January 1	\$ 1,810,269	\$ 2,390,230
Current net change	(124,299)	(139,908)
Loss (gain) on foreign exchange	3,854	(7,170)
At June 30	<u>\$ 1,689,824</u>	<u>\$ 2,243,152</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:

	For the six months ended June 30,	
	2018	2017
At January 1	\$ 4,297,540	\$ 4,490,665
Recovery	(94,426)	(94,835)
At June 30	<u>\$ 4,203,114</u>	<u>\$ 4,395,830</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 six months ended June 30,	
	2018	2017
At January 1	\$ 510,241	\$ 480,615
Provision		
Compulsory provision	85,779	47,162
Additional provision	423,455	34,886
Subtotal	1,019,475	562,663
Recovery	(276,984)	(424,312)
At June 30	<u>\$ 742,491</u>	<u>\$ 138,351</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 six months ended June 30, 2018 and 2017 is as follows:

	For the six months ended June 30, 2018		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 1,098,852	\$ 913,053	(\$ 185,799)
Earnings (losses) per share	0.91	0.75	(0.16)
Reserve for foreign exchange fluctuation	-	742,491	742,491
Total equity	11,900,212	11,290,912	(609,300)
	For the six months ended June 30, 2017		
	Ineligible amount	Eligible amount	Impact
Net (loss) income	(\$ 143,442)	\$ 140,637	\$ 284,079
(Losses) earnings per share	(0.15)	0.15	0.30
Reserve for foreign exchange fluctuation	-	138,351	138,351
Total equity	12,077,854	11,963,022	(114,832)

(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 \$22,470, \$24,551, \$46,040 and \$50,359 for the three months and six months ended June 30, 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 \$51,581.

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 \$110,309, \$108,848, \$234,061 and \$217,631 for the three months and six months ended June 30, 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 and six months ended June 30, 2018 and 2017, the foreign subsidiaries recognised \$144,762, \$97,014, \$296,981 and \$192,775 of pension expense by complying with aforementioned regulations.

(26) Other financial liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
Futures traders’ equity	\$ 54,342,623	\$ 51,868,129	\$ 52,261,883
Structured deposit	13,219,803	16,208,486	16,581,888
Investment-linked products liabilities	1,925,767	1,967,642	1,890,144
Appropriated loan fund	36,482	53,402	78,023
Lease payables	252	1,255	2,511
Total	<u>\$ 69,524,927</u>	<u>\$ 70,098,914</u>	<u>\$ 70,814,449</u>

(27) Other liabilities

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Guarantee deposit-in and margin deposits	\$ 28,959,900	\$ 24,185,238	\$ 18,706,101
Underwriting share proceeds collected on behalf of customers	257,611	582,238	3,087
Collections in advance	1,152,637	1,209,727	1,194,828
Retention bonus payable	1,176,920	1,077,342	1,008,242
Refundable deposits	608,134	1,786,291	1,152,152
Refundable deposits-derivative transactions	5,565,296	3,681,999	-
Others	1,227,681	880,560	722,388
Total	<u>\$ 38,948,179</u>	<u>\$ 33,403,395</u>	<u>\$ 22,786,798</u>

(28) Share capital/Preferred stock liability

As of June 30, 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 June 30, 2017, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$120,986,478, respectively. The aforementioned total paid-in capital includes 11,998,648 thousand shares of common stock and 100,000 thousand shares of preferred stock, each with a par value of \$10 dollars per share.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>For the six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
January 1	\$ 11,889,198	\$ 11,998,648
Retirement of treasury share	(68,965)	-
June 30	<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>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Post 1998	\$ 4,087,891	\$ 4,111,739	\$ 4,149,499

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Additional-paid-in capital	\$ 34,001,712	\$ 34,200,072	\$ 34,514,151
Treasury share transactions	3,672,184	3,723,521	3,409,686
Others	37,100	37,100	37,610
	<u>\$ 37,710,996</u>	<u>\$ 37,960,693</u>	<u>\$ 37,961,447</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 stockholders' meeting on June 15, 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	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 1,620,495	\$ -	\$ 1,341,411	\$ -
Cash dividends	6,492,536	0.556315	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.

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(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	8,821,188	(7,085,896)	62,367	389,832	2,187,562
Balance, January 1, 2018 after adjustments	(2,527,962)	8,821,188	-	58,889	389,832	6,741,947
Financial assets at fair value through other comprehensive income						
- Evaluation adjustment in the period	-	(1,283,611)	-	-	-	(1,283,611)
- Evaluation transferred to profit or loss	-	(578,046)	-	-	-	(578,046)
- Evaluation transferred to retained earnings	-	104,565	-	-	-	104,565
Other comprehensive income on reclassification under the overlay approach	-	-	-	-	(423,491)	(423,491)
Changes in translation difference of foreign operating entities	(231,504)	-	-	-	-	(231,504)
Effects on income tax	-	179,010	-	-	32,977	211,987
Evaluation of credit risk	-	-	-	(846)	-	(846)
Balance, June 30, 2018	(\$ 2,759,466)	\$ 7,243,106	\$ -	\$ 58,043	(\$ 682)	\$ 4,541,001

	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	-	1,620,669	-	-	(1,661)	1,619,008
Realised gain and loss in the period	-	(373,344)	-	-	-	(373,344)
Changes in translation difference of foreign operating entities	(1,144,557)	-	-	-	-	(1,144,557)
Cash flow hedges						
Effect on fair value	-	-	220	-	-	220
Effects on income tax	(3,012)	58,615	(50)	-	-	55,553
Evaluation of credit risk	-	-	-	(2,918)	-	(2,918)
Balance, June 30, 2017	(\$ 3,232,597)	\$ 7,961,924	\$ 1,772	(\$ 3,379)	(\$ 49,470)	\$ 4,678,250

(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 six months ended June 30, 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	134,000	(68,965)	134,000	1,919,001
Total	84,586	134,000	(68,965)	149,621	\$ 2,116,607
For the six months ended June 30, 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	125,875	-	-	125,875	\$ 1,498,603

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 June 30,	
	2018	2017
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 4,786,684	\$ 4,672,498
Interest income from margin trade	1,391,415	1,056,212
Interest income on securities investment	3,205,023	2,340,889
Interest income from placement and call loan to other banks	392,060	245,648
Interest income on bills and bonds purchased under resale agreements	117,346	109,168
Recurring interest income from credit card	64,043	66,547
Other interest income	188,255	156,145
Subtotal	10,144,826	8,647,107
<u>Interest expense</u>		
Interest expense of deposit	(1,719,237)	(1,694,413)
Interest expense of Central Bank and other banks' deposit	(78,566)	(41,392)
Interest expense on due to the Central Bank and other banks' deposit	(338,019)	(175,896)
Interest expense on bills and bonds sold under repurchase agreements	(686,018)	(506,356)
Interest expense of structured instruments	(165,753)	(15,466)
Coupon rate of bank debenture	(247,549)	(270,074)
Coupon rate of corporate bonds	(85,080)	(166,528)
Coupon rate of commercial papers	(70,091)	(51,448)
Interest expense of margin purchase	(5,122)	(5,341)
Other interest expense	(123,159)	(95,907)
Subtotal	(3,518,594)	(3,022,821)
Total	\$ 6,626,232	\$ 5,624,286

		For the six months ended June 30,	
		2018	2017
<u>Interest income</u>			
Bills discounted and interest income on loans	\$	9,456,473	\$ 9,267,962
Interest income from margin trade		2,732,988	2,071,944
Interest income on securities investment		5,976,631	4,397,341
Interest income from placement and call loan to other banks		781,676	597,876
Interest income on bills and bonds purchased under resale agreements		231,660	207,383
Recurring interest income from credit card		133,453	133,085
Other interest income		366,067	346,440
Subtotal		<u>19,678,948</u>	<u>17,022,031</u>
<u>Interest expense</u>			
Interest expense of deposit	(	3,417,454)	(3,320,709)
Interest expense of Central Bank and other banks' deposit	(	114,159)	(100,570)
Interest expense on due to the Central Bank and other banks' deposit	(	656,308)	(383,409)
Interest expense on bills and bonds sold under repurchase agreements	(	1,315,717)	(1,041,054)
Interest expense of structured instruments	(	342,799)	(30,836)
Coupon rate of bank debenture	(	492,842)	(544,035)
Coupon rate of corporate bonds	(	169,764)	(359,516)
Coupon rate of commercial papers	(	129,448)	(84,429)
Interest expense of margin purchase	(	13,154)	(12,520)
Other interest expense	(	208,045)	(130,639)
Subtotal	(	<u>6,859,690</u>)	(<u>6,007,717</u>)
Total	\$	<u><u>12,819,258</u></u>	\$ <u><u>11,014,314</u></u>

(35) Net service fee and commission income

	For the three months ended June 30,	
	2018	2017
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 5,270,245	\$ 3,590,243
Service fee income on insurance brokerage and stock register	345,548	464,377
Service fee on credit cards	416,181	439,711
Service fee income on trust business	685,069	557,876
Service income on credit extension	301,999	346,561
Underwriting service income	242,118	259,146
Service income on margin trade	29,542	24,431
Commission – reinsurance allowance	29,910	29,108
Service income on foreign exchange	26,486	41,596
Service fee income on consigned settlement	9,997	10,051
Deposits and remittance and other service income	781,940	315,702
Subtotal	<u>8,139,035</u>	<u>6,078,802</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(405,349)	(288,664)
Service expense on trust business	(1,830)	(4,378)
Service expense on brokerage	(427,369)	(359,868)
Service expense on self-operation	(27,965)	(24,662)
Service fee expense on credit cards	(355,501)	(269,720)
Service expense on settlement	(118,048)	(106,429)
Futures commission expense	(125,320)	(75,129)
Underwriting service expense	(2,264)	(1,253)
Service expense on foreign exchange	(9,737)	(7,459)
Service expense on credit extension	(4,100)	(3,298)
Deposits and remittance and other service expense	(126,708)	(212,556)
Subtotal	<u>(1,604,191)</u>	<u>(1,353,416)</u>
Total	<u>\$ 6,534,844</u>	<u>\$ 4,725,386</u>

	For the six months ended June 30,	
	2018	2017
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 10,502,664	\$ 6,869,976
Service fee income on insurance brokerage and stock register	1,044,786	1,240,876
Service fee on credit cards	836,808	858,762
Service fee income on trust business	1,397,110	1,101,036
Service income on credit extension	502,652	726,253
Underwriting service income	517,876	446,801
Service income on margin trade	58,106	44,337
Commission – reinsurance allowance	46,999	48,609
Service income on foreign exchange	55,123	59,952
Service fee income on consigned settlement	21,911	16,664
Deposits and remittance and other service income	984,918	625,544
Subtotal	<u>15,968,953</u>	<u>12,038,810</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(906,110)	(704,544)
Service expense on trust business	(4,476)	(9,046)
Service expense on brokerage	(885,463)	(689,909)
Service expense on self-operation	(54,159)	(43,643)
Service fee expense on credit cards	(728,747)	(601,493)
Service expense on settlement	(247,581)	(196,707)
Futures commission expense	(224,473)	(153,001)
Underwriting service expense	(11,713)	(3,340)
Service expense on foreign exchange	(19,498)	(15,175)
Service expense on credit extension	(6,011)	(7,086)
Deposits and remittance and other service expense	(245,734)	(341,946)
Subtotal	<u>(3,333,965)</u>	<u>(2,765,890)</u>
Total	<u>\$ 12,634,988</u>	<u>\$ 9,272,920</u>

(36) Net income from insurance operations

	For the three months ended June 30,	
	2018	2017
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 8,189,920	\$ 7,522,959
Less: Reinsurance premium ceded	(138,148)	(97,838)
Net changes of unearned premium reserve	(12,935)	(19,244)
Retention earned premium income	8,038,837	7,405,877
Investment-linked product income	68,682	137,959
Subtotal	8,107,519	7,543,836
<u>Expense from insurance operations</u>		
Claims and policy benefits	(1,356,130)	(1,027,460)
Less: Claims recovered from reinsurers	63,308	46,642
Retention claims and policy benefits payments	(1,292,822)	(980,818)
Underwriting expenses	(1,268)	(1,218)
Expense from guaranty fund	(15,568)	(12,648)
Investment-linked product expenses	(68,682)	(137,959)
Subtotal	(1,378,340)	(1,132,643)
Total	\$ 6,729,179	\$ 6,411,193
	For the six months ended June 30,	
	2018	2017
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 16,196,719	\$ 13,383,678
Less: Reinsurance premium ceded	(298,537)	(174,146)
Net changes of unearned premium reserve	(15,474)	(56,758)
Retention earned premium income	15,882,708	13,152,774
Investment-linked product income	121,356	227,802
Subtotal	16,004,064	13,380,576
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 2,771,020)	(\$ 2,051,206)
Less: Claims recovered from reinsurers	129,349	96,129
Retention claims and policy benefits payments	(2,641,671)	(1,955,077)
Underwriting expenses	(2,546)	(3,036)
Expense from guaranty fund	(30,792)	(22,502)
Investment-linked product expenses	(121,356)	(227,802)
Subtotal	(2,796,365)	(2,208,417)
Total	\$ 13,207,699	\$ 11,172,159

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

	For the three months ended June 30, 2018	For the six months ended June 30, 2018
Realized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	\$ 49,353	\$ 100,293
Bonds	1,328,133	3,182,977
Stocks	1,135,654	1,045,872
Beneficiary certificates	283,665	763,233
Time deposits	3,846	7,264
Financial bonds payables	- (	23,121)
Interest-linked instrument	(22,080)	(529,591)
Exchange rate-linked instrument	(631,583)	1,934,507
Other financial derivative instruments	186,901	1,603,674
Loss on covering of borrowed securities and bonds with resale agreements	(95,087)	(430,808)
Loss from issuing call (put) warrants	(2,943,267)	(6,430,625)
Issuing call (put) warrants expense	(65,980)	(129,598)
Others	14,964	423,021
Subtotal	(755,481)	1,517,098
Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	(\$ 358)	\$ 1,333
Bonds	(844,130)	(2,186,224)
Stocks	(424,909)	(673,953)
Beneficiary certificates	74,180	71,501
Time deposits	(601)	(74)
Financial bonds payables	-	10,982
Interest-linked instrument	18,606	72,228
Exchange rate-linked instrument	(4,033,145)	(3,802,935)
Equity-linked instrument	(83)	156
Other financial derivative instruments	163,331	614,064
Valuation gains on borrowed securities and bonds with resale agreements	426,281	576,784
Gains on issuance of call (put) warrants	3,661,577	8,141,006
Others	446,792	1,068,785
Subtotal	(512,459)	3,893,653
Total	(\$ 1,267,940)	\$ 5,410,751

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 and six months ended June 30, 2018, including the loss on disposal, were \$2,396,211 and \$1,462,711, respectively, and the issuing call (put) warrants expense, were \$65,980 and \$129,598, respectively, and the dividends income were \$410,444 and \$454,386, respectively, and the interest income were \$1,296,266 and

\$2,655,021, respectively. The Yuanta Group recognised net profit amounting to (\$587,492) and \$120,892 on financial assets designated as at fair value through profit or loss for the three months and six months ended June 30, 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 June 30,	
	2018	2017
Recovery on investments in debt instruments measured at fair value through other comprehensive income	(\$ 24,691)	\$ -
Impairment loss on investments in debt instruments at amortised cost	9,971	-
(Recovery gain) impairment loss on investment property	(3,503)	1,856
Impairment loss on available-for-sale financial assets	-	147,891
Impairment loss on other financial assets	-	109,434
Total	(\$ 18,223)	\$ 259,181

	For the six months ended June 30,	
	2018	2017
Recovery on investments in debt instruments measured at fair value through other comprehensive income	(\$ 32,924)	\$ -
Impairment loss on investments in debt instruments at amortised cost	18,425	-
(Recovery gain) impairment loss on investment property	(3,503)	1,856
Impairment loss on available-for-sale financial assets	-	196,378
Impairment loss on other financial assets	-	109,128
Total	(\$ 18,002)	\$ 307,362

(39) Net other miscellaneous income

	For the three months ended June 30,	
	2018	2017
Borrowed stock revenue	\$ 253,298	\$ 206,680
Net gain on investments in debt instrument without active market	-	162,512
Net change of reserve for foreign exchange fluctuation	(467,147)	(42,229)
Other net income	138,077	49,910
Total	<u>(\$ 75,772)</u>	<u>\$ 376,873</u>

	For the six months ended June 30,	
	2018	2017
Borrowed stock revenue	\$ 473,706	\$ 401,064
Net gain on investments in debt instrument without active market	-	205,173
Net change of reserve for foreign exchange fluctuation	(232,249)	342,263
Other net income	304,999	267,493
Total	<u>\$ 546,456</u>	<u>\$ 1,215,993</u>

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

	For the three months ended June 30,	
	2018	2017
Bad debt expense of accounts receivable	\$ 864,628	\$ 497,276
Bad debt expense of bills discounted and loans	(229,724)	117,060
Recovery of reserve for guarantee liabilities	-	(61,089)
Recognition of loan commitment reserve	(8,481)	-
Recovery of bad debt expense	(200,385)	(72,695)
Total	<u>\$ 426,038</u>	<u>\$ 480,552</u>

	For the six months ended June 30,	
	2018	2017
Bad debt expense of accounts receivable	\$ 1,075,183	\$ 575,737
Bad debt expense of bills discounted and loans	90,096	263,703
Recovery of reserve for guarantee liabilities	(16,000)	(81,283)
Recognition of loan commitment reserve	(3,802)	-
Recovery of bad debt expense	(421,296)	(179,316)
Total	<u>\$ 724,181</u>	<u>\$ 578,841</u>

(41) Employee benefit expense

	For the three months ended June 30,	
	2018	2017
Wages and salaries	\$ 5,533,876	\$ 4,437,838
Labor and health insurance fees	237,131	220,830
Pension costs	277,541	230,413
Termination benefits	9,668	29,934
Other employee benefit expenses	308,007	336,085
Total	<u>\$ 6,366,223</u>	<u>\$ 5,255,100</u>

	For the six months ended June 30,	
	2018	2017
Wages and salaries	\$ 11,077,190	\$ 8,744,786
Labor and health insurance fees	467,096	452,843
Pension costs	577,082	460,765
Termination benefits	14,103	54,878
Other employee benefit expenses	644,844	657,309
Total	<u>\$ 12,780,315</u>	<u>\$ 10,370,581</u>

As of June 30, 2018 and 2017, the Yuanta Group had 13,973 and 14,745 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 and six months ended June 30, 2018 and 2017, employees' compensation was accrued at \$5,000, \$3,438, \$10,058 and \$6,188, respectively; directors' and supervisors' remuneration was accrued at \$45,001, \$17,189, \$90,524 and \$30,941, 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 June 30,	
	2018	2017
Investment property depreciation	\$ 14,996	\$ 20,288
Property and equipment depreciation	247,635	219,369
Intangible asset amortization	292,660	296,652
Deferred assets amortization	22,991	26,190
Total	<u>\$ 578,282</u>	<u>\$ 562,499</u>

	For the six months ended June 30,	
	2018	2017
Investment property depreciation	\$ 34,561	\$ 39,508
Property and equipment depreciation	490,160	438,098
Intangible asset amortization	585,593	607,651
Deferred assets amortization	45,361	53,021
Total	<u>\$ 1,155,675</u>	<u>\$ 1,138,278</u>

(43) Other business and administrative expenses

	For the three months ended June 30,	
	2018	2017
Tax	\$ 802,180	\$ 677,726
Rental expense	453,509	434,967
Computer science expense	291,921	267,901
Commission expense	350,106	331,603
Professional expense	140,948	125,766
Postage and telephone costs	183,457	145,513
Miscellaneous expenses	171,400	189,879
Repairs and maintenance	110,638	105,429
Insurance	113,346	162,897
Security borrowing expenses	148,381	122,101
Advertising expenses	100,711	112,839
Others	552,391	439,750
Total	<u>\$ 3,418,988</u>	<u>\$ 3,116,371</u>

	For the six months ended June 30,	
	2018	2017
Tax	\$ 1,645,214	\$ 1,346,189
Rental expense	906,805	892,898
Computer science expense	584,356	536,081
Commission expense	709,147	739,622
Professional expense	276,572	257,815
Postage and telephone costs	354,477	290,667
Miscellaneous expenses	310,496	306,866
Repairs and maintenance	211,569	248,573
Insurance	255,412	239,644
Security borrowing expenses	282,945	239,166
Advertising expenses	164,259	173,329
Others	1,054,213	998,765
Total	<u>\$ 6,755,465</u>	<u>\$ 6,269,615</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 June 30,	
	2018	2017
Current tax:		
Income tax from current income period	\$ 493,366	\$ 486,021
Income tax on unappropriated earnings	788,150	659,537
Adjustments in respect of prior years	(1,514)	(284,361)
Total current tax	<u>1,280,002</u>	<u>861,197</u>
Deferred tax:		
Origination and reversal of temporary differences	600,787	29,035
Impact of change in tax rate	(10,637)	-
Total deferred tax	<u>590,150</u>	<u>29,035</u>
Income tax expense	<u>\$ 1,870,152</u>	<u>\$ 890,232</u>

	For the six months ended June 30,	
	2018	2017
Current tax:		
Income tax from current income period	\$ 1,237,937	\$ 1,007,973
Income tax on unappropriated earnings	788,150	659,537
Adjustments in respect of prior years	51,652	(483,496)
Total current tax	<u>2,077,739</u>	<u>1,184,014</u>
Deferred tax:		
Origination and reversal of temporary differences	741,645	187,560
Impact of change in tax rate	(7,922)	-
Total deferred tax	<u>733,723</u>	<u>187,560</u>
Income tax expense	<u>\$ 2,811,462</u>	<u>\$ 1,371,574</u>

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

	For the three months ended June 30,	
	2018	2017
Translation gain and loss on the financial statements of foreign operating entities	\$ -	\$ 2,726
Unrealised loss from investments in debt instruments measured at fair value through other comprehensive income	(43,665)	-
Unrealised loss from investments in equity instruments measured at fair value through other comprehensive income	49,115	-
Other comprehensive income on reclassification under the overlay approach	(4,608)	-
Fair value loss on available-for-sale financial assets	-	(55,984)
Share of profit of associates and joint ventures accounted for using equity method	-	2,060
Losses on remeasurements of defined benefit plans	751	(11,036)
Impact of change in tax rate	(8,350)	-
Total	<u>(\$ 6,757)</u>	<u>(\$ 62,234)</u>
	For the six months ended June 30,	
	2018	2017
Translation gain and loss on the financial statements of foreign operating entities	\$ -	\$ 3,878
Unrealised loss from investments in debt instruments measured at fair value through other comprehensive income	(218,332)	-
Unrealised loss from investments in equity instruments measured at fair value through other comprehensive income	(2,449)	-
Other comprehensive income on reclassification under the overlay approach	(35,197)	-
Fair value loss on available-for-sale financial assets	-	(58,615)
Cash flow hedges	-	50
Losses on remeasurements of defined benefit plans	(8,930)	(11,036)
Impact of change in tax rate	(28,136)	-
Total	<u>(\$ 293,044)</u>	<u>(\$ 65,723)</u>

- B. As of June 30, 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 2016

- 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

- 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 administrative litigation. For conservatism purposes, Yuanta Securities had recognized the income tax expense relating to the additional income tax payable.
- Yuanta Securities's income tax returns through 2004 to 2006 have been assessed to levy additional tax by the Tax Authority. However, Yuanta Securities availed of administrative remedy by applying for a review of the administrative action with the Tax Authority, and was settled in the first half year of 2017. Yuanta Securities paid the additional tax amounting to \$360,744.
- For the income tax returns of the dissolved company, Polaris Securities Co., Ltd., for the fiscal years 2011 to 2012, 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, which is in progress. For conservatism purposes, Polaris Securities had recognized 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.

(45) Earnings per share

For the three months ended June 30, 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	\$ 5,559,240	11,746,016	\$ 0.47
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,559,240	11,746,016	\$ 0.47
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 5,559,240		\$ 0.47
For the three months ended June 30, 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	\$ 3,804,645	11,872,773	\$ 0.32
Profit attributable to discontinued operations of the parent	(5,855)		-
Profit attributable to ordinary shareholders of the parent	\$ 3,798,790		\$ 0.32
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 3,804,645	11,872,773	\$ 0.32
Profit attributable to discontinued operations of the parent	(5,855)		-
Profit attributable to ordinary shareholders of the parent	\$ 3,798,790		\$ 0.32

For the six months ended June 30, 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	\$ 11,174,329	11,775,152	\$ 0.95
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 11,174,329	11,775,152	\$ 0.95
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 11,174,329		\$ 0.95
For the six months ended June 30, 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	\$ 7,027,061	11,872,773	\$ 0.59
Profit attributable to discontinued operations of the parent	(176,901)		(0.01)
Profit attributable to ordinary shareholders of the parent	\$ 6,850,160		\$ 0.58
<u>Diluted earnings per share</u>			
Profit attributable to income from continuing operations of the parent	\$ 7,027,061	11,872,773	\$ 0.59
Profit attributable to discontinued operations of the parent	(176,901)		(0.01)
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 6,850,160		\$ 0.58

For the six months ended June 30, 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:

	June 12, 2017
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	674,760
Fair value of the non-controlling interest	304,081
Goodwill	\$ 134,312

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 six months ended June 30, 2017 would be \$38,628,259 and \$8,873,685, 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	11,064,841	24,166,525	(484,077)
Impact of changes in foreign exchange rate	-	-	(4,500)
Amortisation of a premium or a discount on interest expense	-	(17,194)	-
At June 30, 2018	\$ 208,166,030	\$ 68,853,418	\$ 71,266,194

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)(Note)	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	"
2016KIF-Yuanta ICT Venture Fund	"

Names of related parties	Relationship with the Group
Yuanta SPAC III	Investments accounted for using equity method of Yuanta Securities (Korea)
Yuanta SPAC II	"
	(No longer a related party since June 8, 2018.)
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

June 30, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 16,348,827	1.58	0~6.065
December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 12,943,082	1.23	0.00~6.50
June 30, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 10,189,726	0.95	0.00~6.82

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the six months ended June 30, 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 6.82%, 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 and six months ended June 30, 2018 and 2017, interest expense on the above deposits were \$25,193, \$5,891, \$41,065 and \$29,300, respectively.

(2)Loans

Yuanta Bank and its subsidiaries

June 30, 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	247	\$ 47,211	\$ 33,655	\$ 33,655	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	437	3,494,931	3,143,496	3,143,496	-	Real estate	None
Other loans	Asia Carbons	2,083	-	-	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	35,800	34,854	34,854	-	Real estate	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	80	274,821	177,933	177,933	-	Stock, deposits, policy and real estate	None
Total			3,438,938	3,438,938	-		

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	-		

June 30, 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	208	\$ 46,543	\$ 35,601	\$ 35,601	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	446	3,792,518	3,360,855	3,360,855	-	Real estate	None
Other loans	Yung Chin international investment	37,692	36,746	36,746	-	Real estate	None
	Asia Carbons	3,000	2,583	2,583	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	59	182,284	120,684	120,684	-	Stock, deposits, policy and real estate	None
Total			3,556,469	3,556,469	-		

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 six months ended June 30, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the three months and six months ended June 30, 2018 and 2017, interest income resulting from the above loans amounted to \$13,807, \$11,704, \$27,256 and \$28,918, respectively.

(BLANK)

(3)Property transactions

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other related parties:			
Funds managed by Yuanta			
Securities Investment			
Trust	<u>\$ 2,746,947</u>	<u>\$ 2,738,051</u>	<u>\$ 2,824,325</u>
	<u>For the three months ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	
	<u>Unrealized gain</u>	<u>Realized gain</u>	<u>Unrealized gain</u> <u>Realized gain</u>
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust	<u>\$ 5,874</u>	<u>\$ 158,621</u>	<u>\$ 51,491</u> <u>\$ 91,046</u>
	<u>For the six months ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	
	<u>Unrealized loss</u>	<u>Realized gain</u>	<u>Unrealized gain</u> <u>Realized gain</u>
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust	<u>(\$ 26,864)</u>	<u>\$ 345,130</u>	<u>\$ 11,795</u> <u>\$ 92,086</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 six months ended June 30, 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	\$ 230,014	0.35	
Others	6,101	6,101	1.80~2.10	
			(Note: USD)	USD 200
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	1,426,166	1,426,166	0.31~0.36	
Others	779,826	762,953	0.35	
		<u>\$ 2,425,234</u>		

For the six months ended June 30, 2017					
	Highest balance	Ending balance	Interest rate (%)	Notional amount	
Company's directors:					
Others	\$ 801,573	\$ 631,037	0.35		
Other related parties:					
Funds managed by Yuanta					
Securities Investment			1.50		
Trust	98,780	98,780	(Note: CNY)	CNY	22,000
Funds managed by Yuanta					
Securities Investment			4.00		
Trust	152,355	152,180	(Note: USD)	USD	5,000
Others	739,544	723,636	0.35		
		<u>\$ 1,605,633</u>			

Note: For foreign currency repo trade.

Interest expenses					
For the three months ended June 30,					
	2018		2017		
Company's directors:					
Others	\$	337	\$	623	
Other related parties:					
Funds managed by Yuanta					
Securities Investment Trust		-		192	
Others		1,069		639	
	\$	<u>1,406</u>	\$	<u>1,454</u>	
For the six months ended June 30,					
	2018		2017		
Company's directors:					
Others	\$	742	\$	1,245	
Other related parties:					
Funds managed by Yuanta					
Securities Investment Trust		2,156		192	
Others		1,771		1,276	
	\$	<u>4,669</u>	\$	<u>2,713</u>	

b. Bonds sold and purchased:

		For the six months ended June 30,			
		2018		2017	
		Bonds purchased	Bonds sold	Bonds purchased	Bonds sold
Other related parties:					
Yuanta SPAC I	\$	-	\$ -	\$ 23,258	\$ -
Yuanta SPAC II		-	-	20,603	-
Yuanta SPAC III		18,155	-	-	-
Mercuries Life Insurance		-	3,433,517	-	-
	\$	<u>18,155</u>	<u>\$ 3,433,517</u>	<u>\$ 43,861</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 six months ended June 30, 2018			
		Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:					
Others	\$	38,130	<u>\$ 38,130</u>	2.10~2.35 (Note: USD)	USD 1,250

		For the six months ended June 30, 2017			
		Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:					
Others	\$	39,138	<u>\$ 39,138</u>	1.80~2.10 (Note: USD)	USD 1,290

		Interest income	
		For the three months ended June 30,	
		2018	2017
Company's directors:			
Others	\$	<u>210</u>	<u>\$ 131</u>
		For the six months ended June 30,	
		2018	2017
Company's directors:			
Others	\$	<u>409</u>	<u>\$ 311</u>

Note: For foreign currency repo trade.

(4) Structured notes

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Company's directors:			
Others	\$ 82,103	\$ 108,439	\$ 62,596
Other related parties:			
Others	<u>7,696</u>	<u>43,899</u>	<u>90,380</u>
	<u>\$ 89,799</u>	<u>\$ 152,338</u>	<u>\$ 152,976</u>

(5) Equity of futures traders

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Company's directors:			
Others	\$ 858,167	\$ 857,927	\$ 57,105
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	16,350,866	13,888,715	18,479,544
Others	<u>17,526</u>	<u>14,889</u>	<u>25,637</u>
	<u>\$ 17,226,559</u>	<u>\$ 14,761,531</u>	<u>\$ 18,562,286</u>

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

	<u>Refundable deposits for securities lending</u>		
	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ 5,228</u>	<u>\$ 125,605</u>	<u>\$ 11,766</u>

	<u>Refundable deposits receivable lending</u>		
	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ -</u>	<u>\$ 5,879</u>	<u>\$ 101,763</u>

	<u>Security borrowing expenses</u>		
	<u>For the three months ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	

Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ 2,660</u>	<u>\$ 339</u>	

	<u>For the six months ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	

Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	<u>\$ 4,987</u>	<u>\$ 656</u>	

As of June 30, 2018, December 31, 2017 and June 30, 2017, borrowing expenses payable were \$1,319, \$1,779 and \$234, respectively.

(7)Receivables from loans to employees and the interest income generated

Receivables from loans to employees			
	June 30, 2018	December 31, 2017	June 30, 2017
Company's directors:			
Others	\$ 24,870	\$ 26,948	\$ 20,549
Other related parties:			
Others	229,477	243,731	219,557
	<u>\$ 254,347</u>	<u>\$ 270,679</u>	<u>\$ 240,106</u>
Interest income on loans to employees			
For the three months ended June 30,			
	2018	2017	
Company's directors:			
Others	\$ 190	\$ 237	
Other related parties:			
Others	2,536	2,375	
	<u>\$ 2,726</u>	<u>\$ 2,612</u>	
For the six months ended June 30,			
	2018	2017	
Company's directors:			
Others	\$ 436	\$ 450	
Other related parties:			
Others	4,576	4,226	
	<u>\$ 5,012</u>	<u>\$ 4,676</u>	

(8)Receivables from access service fees income and access service fees income

Access service fees income			
For the three months ended June 30,			
	2018	2017	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 34	\$ 87	
For the six months ended June 30,			
	2018	2017	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	\$ 61	\$ 326	

As of June 30, 2018, December 31, 2017 and June 30, 2017, receivables from access service fees income were all \$0.

(9)Commission receivables and Commission income

	Commission receivables		
	June 30, 2018	December 31, 2017	June 30, 2017
Other related parties:			
Yuanta Secondary No.2 Fund	\$ 8,559	\$ 8,747	\$ -
IBKC-TongYang Growth	7,221	3,571	3,418
2013 Private Equity Fund			
KVIC-Yuanta 2015	4,923	5,231	-
Overseas Fund			
2016KIF-Yuanta ICT	4,084	4,219	-
Venture Fund			
2011 KIF-TongYang IT	4,042	9,118	4,415
Venture Fund			
Other	4,747	16,434	19,979
	<u>\$ 33,576</u>	<u>\$ 47,320</u>	<u>\$ 27,812</u>
Commission income			
For the three months ended June 30,			
	2018	2017	
Other related parties:			
Yuanta Secondary No.2 Fund	\$ 40	\$ 9,055	
IBKC-TongYang Growth 2013			
Private Equity Fund	3,705	3,445	
KVIC-Yuanta 2015 Overseas			
Fund	(173)	5,017	
2016KIF-Yuanta ICT			
Venture Fund	63	4,007	
2011 KIF-TongYang IT Venture			
Fund	2,053	2,216	
Other	2,524	7,534	
	<u>\$ 8,212</u>	<u>\$ 31,274</u>	

		For the six months ended June 30,	
		2018	2017
Other related parties:			
Yuanta Secondary No.2 Fund	\$	8,606	\$ 9,055
IBKC-TongYang Growth 2013 Private Equity Fund		7,261	6,880
KVIC-Yuanta 2015 Overseas Fund		4,950	10,073
2016KIF-Yuanta ICT Venture Fund		4,106	6,667
2011 KIF-TongYang IT Venture Fund		4,064	4,467
Other		5,434	16,556
	\$	<u>34,421</u>	<u>\$ 53,698</u>
(10)Receivable from stock custodian income and stock custodian income			
		Receivable from stock custodian	
		June 30, 2018	December 31, 2017
		June 30, 2017	
Other related parties:			
Others	\$	<u>99</u>	<u>\$ 69</u>
			<u>\$ 77</u>
		Stock custodian income	
		For the three months ended June 30,	
		2018	2017
Other related parties:			
Others	\$	<u>185</u>	<u>\$ 243</u>
		For the six months ended June 30,	
		2018	2017
Other related parties:			
Others	\$	<u>356</u>	<u>\$ 414</u>
(11)Investment refund receivable			
		June 30, 2018	December 31, 2017
		June 30, 2017	
Other related parties:			
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	\$	112,974	\$ 107,787
2011KIF-TongYang IT Venture Fund		36,044	36,448
TongYang Agri-Food Investment Fund 2nd		32,708	33,427
	\$	<u>181,726</u>	<u>\$ 177,662</u>
			<u>\$ 158,086</u>

(12)Margin loans receivable and security financing interest revenue

		Margin loans receivable		
		June 30, 2018	December 31, 2017	June 30, 2017
Other related parties:				
Others		\$ 1,848	\$ 1,786	\$ 1,126
		Security financing interest revenue		
		For the three months ended June 30,	For the six months ended June 30,	
		2018	2017	2018
Other related parties:				
Others		\$ 26	\$ 17	\$ 52
				\$ 33

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

		Security-based loans		
		June 30, 2018	December 31, 2017	June 30, 2017
Other related parties:				
Others		\$ 30,363	\$ 29,121	\$ 34,452
		Security-based loan interest income		
		For the three months ended June 30,	For the six months ended June 30,	
		2018	2017	2018
Other related parties:				
Others		\$ 145	\$ 129	\$ 280
				\$ 252

(14)Other receivables

		June 30, 2018	December 31, 2017	June 30, 2017
Other related parties:				
Others		\$ 322	\$ 121	\$ 503

(15)Other financial liabilities and Interest expense

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

		Other financial liabilities		
		June 30, 2018	December 31, 2017	June 30, 2017
Company's directors:				
Others		\$ 2,514	\$ 1,798	\$ 1,214
Other related parties:				
Others		-	2	-
		\$ 2,514	\$ 1,800	\$ 1,214
		Interest expense		
		For the three months ended June 30,	For the six months ended June 30,	
		2018	2017	2018
Other related parties:				
Others		\$ -	\$ -	\$ 14
				\$ -

(16)Accounts payable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other related parties:			
Antay Securities	<u>\$ 234</u>	<u>\$ 242</u>	<u>\$ -</u>

(17)Other payables

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Company's directors:			
Others	\$ 85	\$ 296	\$ -
Other related parties:			
Others	<u>311</u>	<u>-</u>	<u>-</u>
	<u>\$ 396</u>	<u>\$ 296</u>	<u>\$ -</u>

(18)Stocks issued by fellow subsidiary

	<u>Ending balance</u>		
	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other related parties			
Sintronic Technology	\$ 113,048	\$ 124,328	\$ -
Others	<u>5</u>	<u>1</u>	<u>-</u>
	<u>\$ 113,053</u>	<u>\$ 124,329</u>	<u>\$ -</u>
	<u>For the three months ended June 30, 2018</u>		
	<u>Unrealized loss</u>	<u>Realized loss</u>	
Other related parties			
Sintronic Technology	\$ 1,370	(\$ 280)	
Others	<u>-</u>	<u>-</u>	
	<u>\$ 1,370</u>	<u>(\$ 280)</u>	
	<u>For the six months ended June 30, 2018</u>		
	<u>Unrealized loss</u>	<u>Realized loss</u>	
Other related parties			
Sintronic Technology	(\$ 7,260)	(\$ 545)	
Others	<u>(1)</u>	<u>(36)</u>	
	<u>(\$ 7,261)</u>	<u>(\$ 581)</u>	

For the three and six months ended June 30, 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:

June 30, 2018			
	Margin of stock loan	Balance of guaranteed price from securities borrower	Balance
Company's directors:			
Others	\$ 4,916	\$ 5,468	\$ 64,061
Other related parties:			
Others	-	386	47,783
	<u>\$ 4,916</u>	<u>\$ 5,854</u>	<u>\$ 111,844</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>
June 30, 2017			
	Margin of stock loan	Balance of guaranteed price from securities borrower	Balance
Company's directors:			
Others	\$ 10,933	\$ 18,004	\$ 51,928
Other related parties:			
Others	3,560	4,576	24,547
	<u>\$ 14,493</u>	<u>\$ 22,580</u>	<u>\$ 76,475</u>
Security financing interest receivable			
	June 30, 2018	December 31, 2017	June 30, 2017
Company's directors:			
Others	\$ 1,066	\$ 1,226	\$ 812
Other related parties:			
Others	747	663	389
	<u>\$ 1,813</u>	<u>\$ 1,889</u>	<u>\$ 1,201</u>

As of June 30, 2018, December 31, 2017 and June 30, 2017, security short-selling interest payables were all \$0.

		For the three months ended June 30,			
		2018		2017	
		Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	1	\$ 428	\$ 2	\$ 80
Other related parties:					
Others		-	63	1	212
	\$	<u>1</u>	<u>\$ 491</u>	<u>3</u>	<u>\$ 292</u>

		For the six months ended June 30,			
		2018		2017	
		Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	1	\$ 1,539	\$ 31	\$ 1,417
Other related parties:					
Others		-	627	4	871
	\$	<u>1</u>	<u>\$ 2,166</u>	<u>35</u>	<u>\$ 2,288</u>

(20) Consultant fees

For the three months ended June 30, 2018 and 2017: None.

		Consultant fees	
		For the six months ended June 30,	
		2018	2017
Other related parties:			
M-Venture	\$	<u>-</u>	<u>\$ 4,910</u>

(21) Futures commission expenses – futures introducing broker business and re-consignment business

		For the three months ended June 30,	
		2018	2017
Other related parties:			
Antay Securities	\$	<u>602</u>	<u>\$ -</u>
		For the six months ended June 30,	
		2018	2017
Other related parties:			
Antay Securities	\$	<u>1,280</u>	<u>\$ -</u>

(22)ETF redemption fees

		For the three months ended June 30,	
		2018	2017
Other related parties:			
Funds managed by Yuanta Securities Investment Trust		\$ 6,699	\$ 12,823
		For the six months ended June 30,	
		2018	2017
Other related parties:			
Funds managed by Yuanta Securities Investment Trust		\$ 17,997	\$ 16,735

(23)Information technology expense

		For the three months ended June 30,	
		2018	2017
Other related parties:			
Reuters		\$ 3,142	\$ 2,956
		For the six months ended June 30,	
		2018	2017
Other related parties:			
Reuters		\$ 6,205	\$ 5,633

(24)Operating expenses:

		For the three months ended June 30,	
		2018	2017
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 24,500	\$ 24,000
Polaris Research	Donation expenditure	2,300	2,360
		\$ 26,800	\$ 26,360
		For the six months ended June 30,	
		2018	2017
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 50,000	\$ 50,000
Polaris Research	Donation expenditure	23,000	22,500
		\$ 73,000	\$ 72,500

(25) Premium income

	For the three months ended June 30,	
	2018	2017
Other related parties:		
Others	\$ 60,853	\$ 111,451
	For the six months ended June 30,	
	2018	2017
Other related parties:		
Others	\$ 180,321	\$ 178,261

(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 June 30,		
	2018	2017	
Other related parties:			
He Xing Construction	\$ -	\$	1,232
	For the six months ended June 30,		
	2018	2017	
Other related parties:			
He Xing Construction	\$ -	\$	2,465
	Security deposits		
	June 30, 2018	December 31, 2017	June 30, 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 June 30,	
	2018	2017
Company's directors:		
Others	\$ 4,642	\$ 4,301
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	62,155	49,271
Others	4,881	4,474
	\$ 71,678	\$ 58,046

		For the six months ended June 30,	
		2018	2017
Company's directors:			
Others	\$	8,603	\$ 8,097
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		113,299	97,940
Others		11,417	8,288
	\$	<u>133,319</u>	<u>\$ 114,325</u>

(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 June 30,	
		2018	2017
Other related parties:			
Polaris Research	\$	548	\$ 549
Yuanta Construction Development		171	142
Yuanta Foundation		10	10
	\$	<u>729</u>	<u>\$ 701</u>

		For the six months ended June 30,	
		2018	2017
Other related parties:			
Polaris Research	\$	1,097	\$ 1,098
Yuanta Construction Development		342	263
Yuanta Foundation		20	20
	\$	<u>1,459</u>	<u>\$ 1,381</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
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 June 30,	
	2018	2017
Salaries and other short-term		
employee benefits	\$ 1,191,553	\$ 938,076
Termination benefits	15,363	5,731
Post-employment benefit	87,109	32,097
Total	<u>\$ 1,294,025</u>	<u>\$ 975,904</u>
	For the six months ended June 30,	
	2018	2017
Salaries and other short-term		
employee benefits	\$ 2,562,042	\$ 1,980,726
Termination benefits	30,927	23,383
Post-employment benefit	128,338	72,523
Total	<u>\$ 2,721,307</u>	<u>\$ 2,076,632</u>

(BLANK)

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

(1) Yuanta Bank and its subsidiaries

(A) Deposits

June 30, 2018

<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 52,319,350	4.86	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

June 30, 2017

<u>Name</u>	<u>Ending balance</u>	<u>Percentage of deposits (%)</u>	<u>Interest rate (%)</u>
All related parties	\$ 48,312,120	4.35	0.00~6.82

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the six months ended June 30, 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 6.82%, 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 and six months ended June 30, 2018 and 2017, interest expense on the above deposits was \$70,222, \$54,718, \$130,781 and \$118,872, respectively.

(BLANK)

(B)Loans

June 30, 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	247	\$ 47,211	\$ 33,655	\$ 33,655	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	437	3,494,931	3,143,496	3,143,496	-	Real estate	None
Other loans	Asia Carbons	2,083	-	-	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	35,800	34,854	34,854	-	Real estate	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	80	274,821	177,933	177,933	-	Stock, deposits, policy and real estate	None
Total			3,438,938	3,438,938	-		

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	-		

June 30, 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	208	\$ 46,543	\$ 35,601	\$ 35,601	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	446	3,792,518	3,360,855	3,360,855	-	Real estate	None
Other loans	Yung Chin International Investment	37,692	36,746	36,746	-	Real estate	None
	Asia Carbons	3,000	2,583	2,583		Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	59	182,284	120,684	120,684	-	Stock, deposits, policy and real estate	None
Total			3,556,469	3,556,469	-		

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 six months ended June 30, 2018 and 2017, respectively, which are the same with the terms of general loans.

For the three months and six months ended June 30, 2018 and 2017, interest income resulting from the above loans amounted to \$13,807, \$11,704, \$27,256 and \$28,918, respectively.

(C)Service fee income

		For the three months ended June 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Life	\$	154,829	\$ 206,710
Yuanta funds		2,105	2,243
Yuanta Futures		48	-
Yuanta Asia Investment		35	30
Yuanta Securities		-	122
	\$	<u>157,017</u>	<u>\$ 209,105</u>

		For the six months ended June 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Life	\$	323,493	\$ 269,633
Yuanta funds		5,260	4,976
Yuanta Futures		143	8
Yuanta Asia Investment		65	60
Yuanta Securities		-	122
	\$	<u>328,961</u>	<u>\$ 274,799</u>

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

		June 30, 2018	December 31, 2017	June 30, 2017
Fellow subsidiary:				
Yuanta Life	\$	59,960	\$ 29,376	\$ 77,512
Yuanta Securities				
Investment Trust		430	400	490
	\$	<u>60,390</u>	<u>\$ 29,776</u>	<u>\$ 78,002</u>

(D)Rental expense

		For the three months ended June 30,	
Name	Purpose	2018	2017
Fellow subsidiary:			
Yuanta Securities	Office rental/Venue rental	\$ 29,909	\$ 25,266
Yuanta Securities	Office rental		
Finance		634	635
parties:			
He Xing	Office rental		
Construction		-	1,232
		<u>\$ 30,543</u>	<u>\$ 27,133</u>

Name	Purpose	For the six months ended June 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	Office rental/Venue rental	\$ 60,650	\$ 49,075
Yuanta Securities Finance	Office rental	1,268	1,269
parties:			
He Xing Construction	Office rental	-	2,465
		<u>\$ 61,918</u>	<u>\$ 52,809</u>

As of June 30, 2018, December 31, 2017 and June 30, 2017, the above-mentioned transaction payment terms are based on a mutually signed contract. The related security deposits were \$6,795, \$256,561 and \$254,548, respectively.

(E) Current income tax assets/liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax refundable	<u>\$ 2,275,250</u>	<u>\$ 2,276,587</u>	<u>\$ 2,230,339</u>
Consolidated income tax payable	<u>\$ 556,514</u>	<u>\$ 477,017</u>	<u>\$ 253,088</u>

(F) Other

- As of December 31, 2017 and June 30, 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 three months and six months ended June 30, 2017, Ta Chong Bank recognised interest expense of \$32,500 and \$65,000 on the aforementioned preferred stock, respectively.
- 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.
- 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:

		June 30, 2018	
		Futures trading guarantees	
	Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary: Yuanta Futures	\$ 19,391	\$ 713,151	\$ 1,864,964
		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
		June 30, 2017	
		Futures trading guarantees	
	Commissions receivable at period end	Self capital	Balance of excess futures guarantee deposits
Fellow subsidiary: Yuanta Futures	\$ 22,078	\$ 1,336,757	\$ 1,596,709
		Settlement and clearing service fees payable	
	June 30, 2018	December 31, 2017	June 30, 2017
Fellow subsidiary: Yuanta Futures	\$ 3,552	\$ 3,170	\$ 3,563
		For the three months ended June 30, 2018	
	Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary: Yuanta Futures	\$ 60,722	\$ 9,726	\$ 23,456
		For the three months ended June 30, 2017	
	Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary: Yuanta Futures	\$ 55,680	\$ 9,160	\$ 21,011

For the six months ended June 30, 2018			
	<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:			
Yuanta Futures	\$ <u>127,088</u>	\$ <u>18,852</u>	\$ <u>51,407</u>

For the six months ended June 30, 2017			
	<u>Commission income</u>	<u>Service fee expenses settled</u>	<u>Service expense on self-operation</u>
Fellow subsidiary:			
Yuanta Futures	\$ <u>105,044</u>	\$ <u>17,826</u>	\$ <u>36,180</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:

June 30, 2018		
	<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>5,630,525</u>	\$ <u>2,793</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>
June 30, 2017		
	<u>Bank deposits ending balance</u>	<u>Other receivables – interests receivable (Note)</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>16,104,801</u>	\$ <u>3,790</u>
For the three months ended June 30,		
	<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>17,110</u>	\$ <u>14,350</u>
For the six months ended June 30,		
	<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>27,969</u>	\$ <u>21,070</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 \$857,000, \$1,036,000 and \$599,000, respectively, as of June 30, 2018, December 31, 2017 and June 30, 2017.

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax return receivables	<u>\$ 682,431</u>	<u>\$ 682,431</u>	<u>\$ 672,275</u>
Consolidated income tax return payables	<u>\$ 1,417,883</u>	<u>\$ 1,108,346</u>	<u>\$ 752,048</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>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 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>June 30, 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>\$ 5,228</u>	<u>\$ -</u>	<u>\$ 1,319</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>

June 30, 2017			
	<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>\$ 11,766</u>	<u>\$ 101,763</u>	<u>\$ 234</u>
	<u>Security borrowing expenses</u>		
	<u>For the three months ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	
Fellow subsidiary:			
Yuanta Securities Finance	\$ 280	\$ 118	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	<u>2,660</u>	<u>339</u>	
	<u>\$ 2,940</u>	<u>\$ 457</u>	
	<u>For the six months ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	
Fellow subsidiary:			
Yuanta Securities Finance	\$ 770	\$ 299	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	<u>4,987</u>	<u>656</u>	
	<u>\$ 5,757</u>	<u>\$ 955</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		
	June 30, 2018	December 31, 2017	June 30, 2017
Fellow subsidiary:			
Yuanta Life	\$ 26,886	\$ 22,148	\$ 57,500
Others	213	376	379
Other related parties:			
Yuanta Secondary No.2 Fund	8,559	8,747	-
IBKC-TongYang Growth 2013 Private Equity Fund	7,221	3,571	3,418
KVIC-Yuanta 2015 Overseas Fund	4,923	5,231	-
2016KIF-Yuanta ICT Venture Fund	4,084	4,219	-
2011 KIF-TongYang IT Venture Fund	4,042	9,118	4,415
Others	4,747	16,434	19,979
	<u>\$ 60,675</u>	<u>\$ 69,844</u>	<u>\$ 85,691</u>
Commission income			
For the three months ended June 30,			
	2018	2017	
Fellow subsidiary:			
Yuanta Life	\$ 106,976	\$ 143,673	
Others	235	429	
Other related parties:			
Yuanta Secondary No.2 Fund	40	9,055	
IBKC-TongYang Growth 2013 Private Equity Fund	3,705	3,445	
KVIC-Yuanta 2015 Overseas Fund	(173)	5,017	
2016 KIF-Yuanta ICT Venture Fund	63	4,007	
2011 KIF-TongYang IT Venture Fund	2,053	2,216	
Others	2,524	7,534	
	<u>\$ 115,423</u>	<u>\$ 175,376</u>	

	Commission income	
	For the six months ended June 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Life	\$ 238,623	\$ 196,590
Others	554	429
Other related parties:		
Yuanta Secondary No.2 Fund	8,606	9,055
IBKC-TongYang Growth 2013 Private Equity Fund	7,261	6,880
KVIC-Yuanta 2015 Overseas Fund	4,950	10,073
2016 KIF-Yuanta ICT Venture Fund	4,106	6,667
2011 KIF-TongYang IT Venture Fund	4,064	4,467
Others	5,434	16,556
	<u>\$ 273,598</u>	<u>\$ 250,717</u>

(H) Investment refund receivable

Please refer to Note 7B(11).

(I) Pending settlements

As of June 30, 2018, Yuanta Securities had amounts held for settlement of \$1,944,963, which were deposited at its affiliate Yuanta Bank. Such deposits did not exist as of December 31 and June 30, 2017.

(J) Property transactions

(a) Bonds transactions under repurchase agreements:

Please refer to Note 7B(3)(B)a.

(b) Bonds sold and purchased:

	For the six months ended June 30,			
	2018		2017	
	Bonds Purchased	Bonds Sold	Bonds Purchased	Bonds Sold
Fellow subsidiary:				
Yuanta Bank	\$ -	\$ 99,876	\$ 100,496	\$ 50,013
Ta Chong Securities	-	-	-	50,075
Other related parties:				
Yuanta SPAC I	-	-	23,258	-
Yuanta SPAC II	-	-	20,603	-
Yuanta SPAC III	18,155	-	-	-
Mercuries Life Insurance	-	3,433,517	-	-
	<u>\$ 18,155</u>	<u>\$ 3,533,393</u>	<u>\$ 144,357</u>	<u>\$ 100,088</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.

(K) Structured notes

Please refer to Note 7B(4).

(L) Customer margin deposit account

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Fellow subsidiary:			
Yuanta Futures	<u>\$ 162,216</u>	<u>\$ 96,679</u>	<u>\$ 38,898</u>

(M) Funds and beneficiary certificates managed by fellow subsidiary

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Other related parties:			
Fund managed by Yuanta			
Securities Investment Trust	<u>\$ 2,415,768</u>	<u>\$ 2,149,321</u>	<u>\$ 2,516,546</u>

For the three months ended June 30,

	<u>2018</u>		<u>2017</u>	
	<u>Unrealized gain</u>	<u>Realized gain</u>	<u>Unrealized gain</u>	<u>Realized gain</u>
Other related parties:				
Fund managed by				
Yuanta Securities				
Investment Trust	<u>\$ 6,386</u>	<u>\$ 13,206</u>	<u>\$ 45,441</u>	<u>\$ 90,723</u>

For the six months ended June 30,

	<u>2018</u>		<u>2017</u>	
	<u>Unrealized loss</u>	<u>Realized gain</u>	<u>Unrealized gain</u>	<u>Realized gain</u>
Other related parties:				
Fund managed by				
Yuanta Securities				
Investment Trust	<u>(\$ 26,004)</u>	<u>\$ 161,523</u>	<u>\$ 11,910</u>	<u>\$ 96,399</u>

(N) Stocks issued by fellow subsidiary

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Parent company:			
Yuanta Financial Holdings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,466,634</u>
Other related parties:			
Sintronic Technology	<u>113,048</u>	<u>124,328</u>	<u>-</u>
Others	<u>5</u>	<u>1</u>	<u>-</u>
	<u>\$ 113,053</u>	<u>\$ 124,329</u>	<u>\$ 1,466,634</u>

		For the three months ended June 30,			
		2018		2017	
		Unrealised loss	Realised loss	Unrealised gain	Realised loss
Parent company:					
Yuanta Financial Holdings		\$ -	(\$ 4)	\$ 65,670	(\$ 7)
Other related parties:					
Sintronic Technology		1,370	(280)	-	-
		<u>\$ 1,370</u>	<u>(\$ 284)</u>	<u>\$ 65,670</u>	<u>(\$ 7)</u>
		For the six months ended June 30,			
		2018		2017	
		Unrealised loss	Realised loss	Unrealised gain	Realised loss
Parent company:					
Yuanta Financial Holdings		\$ -	(\$ 16)	\$ 153,230	(\$ 17)
Other related parties:					
Sintronic Technology		(7,260)	(545)	-	-
Others		(1)	(36)	-	-
		<u>(\$ 7,261)</u>	<u>(\$ 597)</u>	<u>\$ 153,230</u>	<u>(\$ 17)</u>

(O) Credit transaction

		June 30, 2018			
		Margin of stock loan	Balance of guaranteed price from securities borrower	Balance	
Company's directors:					
Others	\$	4,916	\$ 5,468	\$ 64,061	
Other related parties:					
Others		-	386	47,783	
	\$	4,916	\$ 5,854	\$ 111,844	
		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	
	\$	7,668	\$ 9,694	\$ 110,508	
		June 30, 2017			
		Margin of stock loan	Balance of guaranteed price from securities borrower	Balance	
Company's directors:					
Others	\$	10,933	\$ 18,004	\$ 51,928	
Other related parties:					
Others		3,560	4,576	24,547	
	\$	14,493	\$ 22,580	\$ 76,475	
		June 30, 2018	December 31, 2017		
		Security short- selling interest payable	Security financing interest receivable	Security short- selling interest payable	Security financing interest receivable
Company's directors:					
Others	\$	-	\$ 1,066	\$ -	\$ 1,226
Other related parties:					
Others		-	747	-	663
	\$	-	\$ 1,813	\$ -	\$ 1,889

	June 30, 2017	
	Security short-selling interest payable	Security financing interest receivable
Company's directors:		
Others	\$ -	\$ 812
Other related parties:		
Others	-	389
	<u>\$ -</u>	<u>\$ 1,201</u>

	For the three months ended June 30,			
	2018		2017	
	Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Fellow subsidiary:				
Yuanta Futures	\$ -	\$ -	\$ 29	\$ -
Company's directors:				
Others	1	428	2	80
Other related parties:				
Others	-	63	1	212
	<u>\$ 1</u>	<u>\$ 491</u>	<u>\$ 32</u>	<u>\$ 292</u>

	For the six months ended June 30,			
	2018		2017	
	Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Fellow subsidiary:				
Yuanta Futures	\$ -	\$ -	\$ 277	\$ -
Company's directors:				
Others	1	1,539	31	1,417
Other related parties:				
Others	-	627	4	871
	<u>\$ 1</u>	<u>\$ 2,166</u>	<u>\$ 312</u>	<u>\$ 2,288</u>

(P) Others

As of June 30, 2018, December 31, 2017 and June 30, 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 \$3,661,443, \$3,678,840 and \$3,701,012, 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>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Fellow subsidiary:			
Yuanta Bank			
-Recognised in refundable deposits	\$ 100,000	\$ 100,000	\$ 100,000
-Recognised in cash and cash equivalents	2,290	3,192	3,822
	<u>\$ 102,290</u>	<u>\$ 103,192</u>	<u>\$ 103,822</u>

For the three months and six months ended June 30, 2018 and 2017, interest income resulting from the above deposits amounted to \$259, \$258, \$514 and \$516, respectively.

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Parent company:			
Yuanta Financial Holdings	<u>\$ 168,476</u>	<u>\$ 128,812</u>	<u>\$ 26,231</u>

(4) Yuanta Futures and its subsidiaries

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

<u>June 30, 2018</u>				
			<u>Futures trading guarantees</u>	
			Self	Balance of excess
	Operating	Customer margin	capital	futures guarantee
Bank deposits	guarantee deposits	deposits		deposits
Fellow subsidiary:				
Yuanta Bank	<u>\$ 1,689,401</u>	<u>\$ 140,000</u>	<u>\$ 10,394,005</u>	<u>\$ -</u>
				<u>\$ -</u>
<u>December 31, 2017</u>				
			<u>Futures trading guarantees</u>	
			Self	Balance of excess
	Operating	Customer margin	capital	futures guarantee
Bank deposits	guarantee deposits	deposits		deposits
Fellow subsidiary:				
Yuanta Bank	<u>\$ 1,121,330</u>	<u>\$ 140,000</u>	<u>\$ 13,026,164</u>	<u>\$ -</u>
				<u>\$ -</u>
<u>June 30, 2017</u>				
			<u>Futures trading guarantees</u>	
			Self	Balance of excess
	Operating	Customer margin	capital	futures guarantee
Bank deposits	guarantee deposits	deposits		deposits
Fellow subsidiary:				
Yuanta Bank	\$ 1,242,450	\$ 165,000	\$ 13,989,911	\$ -
Yuanta Securities (Hong Kong)	-	-	51,779	19,857
	<u>\$ 1,242,450</u>	<u>\$ 165,000</u>	<u>\$ 14,041,690</u>	<u>\$ 19,857</u>

(B)Equity of futures traders

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Fellow subsidiary:			
Yuanta Securities	\$ 2,163,695	\$ 2,315,602	\$ 2,505,559
Yuanta Securities (Hong Kong)	438,976	446,634	443,761
Yuanta Securities (Korea)	157,867	96,090	29,760
Yuanta Bank	18,224	16,856	48,383
Company's directors :			
Others	858,167	857,927	57,105
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust	16,350,866	13,888,715	18,479,544
Others	17,526	14,889	25,637
	<u>\$ 20,005,321</u>	<u>\$ 17,636,713</u>	<u>\$ 21,589,749</u>

(C)Other payables-related party

As of June 30, 2018, the amount of other payables of Yuanta Futures to parent company is \$319,010. Such amount did not exist as of December 31 and June 30, 2017.

(D)Brokerage service fee income

	<u>For the three months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Fellow subsidiary:		
Yuanta Securities	\$ 23,337	\$ 19,896
Yuanta Securities	814	1,104
(Hong Kong)		
Yuanta Securities	557	47
(Korea)		
Yuanta Bank	57	567
Company's directors :		
Others	654	1,445
Other related parties:		
Funds managed by	47,882	40,998
Yuanta Securities		
Investment Trust		
Others	560	2,317
	<u>\$ 73,861</u>	<u>\$ 66,374</u>

		For the six months ended June 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	\$	50,995	\$ 34,608
Yuanta Securities (Hong Kong)		1,548	1,559
Yuanta Securities (Korea)		920	72
Yuanta Bank		287	1,608
Ta Chong Securities		-	437
Company's directors :			
Others		1,471	2,435
Other related parties:			
Funds managed by Yuanta Securities Investment Trust		88,503	83,032
Others		1,065	4,480
	\$	<u>144,789</u>	<u>\$ 128,231</u>
(E) Futures commission expenses – futures introducing broker business and re-consignment business			

		For the three months ended June 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	\$	60,722	\$ 55,680
Yuanta Securities (Hong Kong)		-	2,040
Other related parties:			
Antay Securities		602	-
	\$	<u>61,324</u>	<u>\$ 57,720</u>

		For the six months ended June 30,	
		2018	2017
Fellow subsidiary:			
Yuanta Securities	\$	127,088	\$ 105,044
Yuanta Securities (Hong Kong)		43	3,775
Yuanta Securities (Korea)		243	285
Other related parties:			
Antay Securities		1,280	-
	\$	<u>128,654</u>	<u>\$ 109,104</u>

Yuanta Futures entered into a contract with Yuanta Securities and Yuanta Securities (Hong Kong) for futures introducing broker business, providing brokerage services to customers for futures and options contracts. The commission paid and terms provided to the above related party were the same as the terms offered to non-related parties.

(5) Yuanta Securities Investment Consulting

(A) As of June 30, 2018, December 31, 2017 and June 30, 2017, Yuanta Securities Investment Consulting respectively deposited \$189,169, \$223,071 and \$182,045 to Yuanta Bank, amongst which, the operating guarantee deposits were all \$5,000, with annual interest rates were all 0.6%~1.035%.

(B) Operating income

	For the three months ended June 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities	\$ 43,491	\$ 43,753
Yuanta Bank	3,043	3,043
Yuanta Securities Finance	1,457	1,457
Yuanta Securities Investment Trust	1,163	1,163
Yuanta Futures	874	875
Yuanta Life	715	715
Yuanta Venture Capital	57	57
Ta Chong Securities	-	428
Yuanta Asset Management	-	57
	<u>\$ 50,800</u>	<u>\$ 51,548</u>
	For the six months ended June 30,	
	2018	2017
Fellow subsidiary:		
Yuanta Securities	\$ 86,983	\$ 87,506
Yuanta Bank	6,086	6,086
Yuanta Securities Finance	2,914	2,914
Yuanta Securities Investment Trust	2,326	2,326
Yuanta Futures	1,748	1,749
Yuanta Life	1,429	1,429
Yuanta Venture Capital	114	114
Ta Chong Securities	-	857
Yuanta Securities(Hong Kong)	-	19
Yuanta Asset Management	-	114
	<u>\$ 101,600</u>	<u>\$ 103,114</u>

The above operating income comprises income arising from consulting, periodical publications and lectures and was determined based on the contract agreed to by both parties. The above operating income was payable on a monthly basis.

(6) Yuanta Securities Investment Trust

(A) Bank deposits

	June 30, 2018	December 31, 2017	June 30, 2017
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,987,012</u>	<u>\$ 1,631,665</u>	<u>\$ 1,121,897</u>

(B) Management fee receivable and agent fee income

	Management fee receivable		
	June 30, 2018	December 31, 2017	June 30, 2017
Fellow subsidiary:			
Yuanta Securities	\$ 1,050	\$ 1,602	\$ 2,493
Yuanta Life	561	786	739
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	200,604	201,467	192,760
	<u>\$ 202,215</u>	<u>\$ 203,855</u>	<u>\$ 195,992</u>
Agent fee income			
For the three months ended June 30,			
	2018	2017	
Fellow subsidiary:			
Yuanta Life	\$ 1,687	\$ 2,189	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	585,212	577,666	
	<u>\$ 586,899</u>	<u>\$ 579,855</u>	
For the six months ended June 30,			
	2018	2017	
Fellow subsidiary:			
Yuanta Life	\$ 3,377	\$ 3,768	
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	1,178,305	1,150,983	
	<u>\$ 1,181,682</u>	<u>\$ 1,154,751</u>	

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:

(7)Yuanta Life

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Fellow subsidiary:			
Yuanta Bank (Note)	<u>\$ 2,316,205</u>	<u>\$ 562,395</u>	<u>\$ 428,914</u>
Note: Including other financial assets.			

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Parent company:			
Yuanta Financial			
Holdings	\$ 1,441,806	\$ 1,452,397	\$ 1,390,838

(C)Property transactions—beneficiary certificates

~135~

		For the six months ended June 30, 2017	
		<u>Purchase price</u>	<u>Proceeds on disposal</u>
Other related parties:			
Funds managed by Yuanta Securities			
Investment Trust		<u>\$ 30,000</u>	<u>\$ 34,634</u>
(D)Payables			

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Parent company:			
Yuanta Financial			
Holdings	\$ 1,093	\$ 1,766	\$ 184
Fellow subsidiary:			
Yuanta Bank	52,517	29,989	61,776
Yuanta International	26,886	22,148	57,500
Insurance Brokers			
Yuanta Securities			
Investment Trust	<u>561</u>	<u>787</u>	<u>739</u>
	<u>\$ 81,057</u>	<u>\$ 54,690</u>	<u>\$ 120,199</u>

(E)Commission expense

		For the three months ended June 30,	
		<u>2018</u>	<u>2017</u>
Fellow subsidiary:			
Yuanta Bank	\$	153,404	\$ 197,179
Yuanta International			
Insurance Brokers		<u>106,976</u>	<u>143,672</u>
	\$	<u>260,380</u>	<u>\$ 340,851</u>

		For the six months ended June 30,	
		<u>2018</u>	<u>2017</u>
Fellow subsidiary:			
Yuanta Bank	\$	316,234	\$ 249,373
Yuanta International			
Insurance Brokers		<u>238,623</u>	<u>196,590</u>
	\$	<u>554,857</u>	<u>\$ 445,963</u>

(8)Yuanta Asset Management

Accrued expenses and other payables

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Parent company			
Yuanta Financial Holding	<u>\$ 232,978</u>	<u>\$ -</u>	<u>\$ 249,300</u>

The above is the allocation for cash dividend payable to parent company and expenses.

8. Pledged assets

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Yuanta Group's assets pledged as collateral are as follows:

Items	June 30, 2018	December 31, 2017	June 30, 2017	Purpose of pledge
Financial assets at fair value through profit or loss	\$ 182,887,381	\$ 160,607,163	\$ 144,275,923	Bonds under repurchase agreement, bid bonds for operating guarantee deposits and futures trading margin, collateral for securities lending and OTC trading
	72,705,120	73,168,453	72,400,035	Merchant business
	50,519	50,424	50,639	Guarantee deposits for notes
Available-for sale financial assets	-	2,737,764	3,039,454	Guarantees on asset disposal, OTC performance bonds, collateral for securities lending business and customer default fine
	-	1,496,356	2,215,025	Operating guarantee deposits
	-	29,473,729	26,414,398	Bonds under repurchase agreement
	-	164,200	157,900	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	2,861,588	-	-	- 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 and claim reserve from credit default loss
	1,475,223	-	-	- Operating guarantee deposits
	18,416,680	-	-	- Bonds under repurchase agreement, Operating guarantee deposits and OTC performance bonds
	505,293	-	-	- Collateral for provisional seizure
	40,508	-	-	- Guarantee deposits from security underwriters
	10,127	-	-	- Guarantee deposits from security dealers
Held-to-maturity financial assets	-	801,354	800,710	Operating guarantee deposits and claim reserve from trust fund
	-	40,215	40,263	Stock borrowings
	-	64,362	64,917	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
	40,166	-	-	- Stock borrowings
	63,811	-	-	- Deposits for guarantees in the Central Bank
	679,722	-	-	- Operating guarantee deposits
	187,377	-	-	- Claim reserve from trust fund
	11,380,000	-	-	- Overdraft guarantee for foreign currency settlement
	110,793	-	-	- Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	55,396	-	-	- Deposit guarantees of bills merchants
	25,150	-	-	- Collateral for provisional seizure
	4,986	-	-	- VISA international card payment reserves
Other financial assets	-	88,298	88,112	Claim reserve from trust fund
	-	49,576	49,499	Deposit guarantees of bills merchants
	-	339,891	206,807	Collateral for provisional seizure
	-	39,661	39,599	Guarantee deposits from security underwriters
	-	9,915	9,900	Guarantee deposits from security dealers

Items	June 30, 2018	December 31, 2017	June 30, 2017	Purpose of pledge
Other financial assets	\$ -	\$ 4,452	\$ 4,347	VISA international card payment reserves
	-	98,109	97,902	Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	-	10,126,382	10,005,220	Overdraft guarantee for foreign currency settlement
	-	445,694	332,565	Claim reserve from credit default loss
Accounts receivable	6,000	-	-	- Collateral for provisional seizure
Assets held for sale	-	-	736,041	Security of short-term financing and collateral for guarantee
Restricted assets	1,924,235	2,279,915	1,428,433	Collateral for settlement limit, short-term loans, payable short-term bills and OTC derivative transactions
	406,497	37,284	1,088,913	Operating guarantee deposits-HKEx, structured notes, interest rate swap account and repo trade
	1,037	1,060	250,692	Overdraft guarantee
	-	279,000	584,100	Collateral for settlement limit and structured products
	83,291	125,419	-	- Dividends payable arising from stock agency business
Other assets	436,222	349,911	242,522	Operating guarantee deposits
	220,000	300,000	190,000	Stock borrowings
	2,062,202	1,284,435	1,374,332	Performance bond and rental deposits
	140,000	140,000	140,000	Deposits for guarantees in the Central Bank
	249,357	204,170	9,435	Underwriting share proceeds collected on behalf of customers
Property and equipment and investment property	3,637,776	3,439,445	5,189,887	Collateral for settlement limit and short-term loans; collateral for mortgage loans and leases
Treasury share of Yuanta Securities (Korea)	694,143	743,089	751,100	Collateral for securities lending business

9. Significant contingent liabilities and unrecognised contract commitments

(1) As of June 30, 2018, December 31, 2017 and June 30, 2017, capital expenditure contracted for at the balance sheet date but not yet incurred was \$1,580,427, \$453,178 and \$388,237, respectively.

(2) Stocks entrusted to custody

As of June 30, 2018, December 31, 2017 and June 30, 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 \$77,640, \$77,550 and \$77,287, 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 under the merger, bear joint responsibility for compensations as the employer. 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 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). On June 28, 2018, the mediation failed in Taiwan Taipei District Court. The response of Yuanta Securities will depend on whether the plaintiff takes further legal action.
- C. As of June 30, 2018, of the total 25 litigations against Yuanta Securities (Korea) and its subsidiaries, 13 litigations were related to financial commodities sales disputes of former TongYang Securities Inc. (please refer to the explanation in Note 6(29)). The remaining 12 litigations were unrelated to financial commodities sales disputes with demanded compensation totaling ₩625,565 million (approximately NT\$17.1 billion) among which Anbang Group Holdings Co., Ltd. and Anbang Life Insurance Co., Ltd. (collectively, “Anbang”) filed an arbitration counterclaim against Yuanta Securities (Korea) and other four entities. The original claimed amount was ₩698,000 million (approximately NT\$ 19.1 billion). Thereafter, due to Anbang’s allegations, the claimed amount was changed and expressed in plural claims and different ranges and the amounts of such claims cannot be clearly specified, so the Company cited the claimed amount of ₩617,100 million (approximately NT\$16.8 billion) which was disclosed in the business report of Yuanta Securities (Korea). The allegations made by Anbang were denied. The arbitration will proceed and continue according to the arbitration rules. As of June 30, 2018, there was ₩2,754 million (approximately NT\$75 million) of provisions recognized for the abovementioned litigations unrelated to financial commodities sales disputes. In addition, there were 8 litigations where Yuanta Securities (Korea) acted as a plaintiff with the claimed amount of ₩15,573 million (approximately NT\$430 million).
- D. Due to the fraudulent act committed by a former employee of KK Trade 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 June 30, 2018, Yuanta Securities (Hong Kong)’s receivables from margin loan amounted to HK\$147,504 thousand (approximately NT\$570 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\$270 million) from the account executive’s assets and the remaining loss of HK\$78,952 thousand (NT\$300 million) has been recognized. Yuanta Securities (Hong Kong) has initiated a litigation proceeding against the account executive for the full amount of the debt from those margin clients. The account executive has claimed that she has no liability for all losses in relation to the accounts of these margin clients and filed a counterclaim on March

29, 2018. Litigation proceedings are still in process. As of the date of the approval of these financial statements, Yuanta Securities (Hong Kong) has considered 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 Yuanta Bank was free from any losses resulting from or related to Yuanta Savings Bank (Korea)'s litigations. Information regarding the lawsuit as of June 30, 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 June 30, 2018, recognised compensatory assets and 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. On May 25, 2018, the case was adjudicated in the favor of plaintiff, Yuanta Saving Bank (Korea), by Seoul High Court; the defendant, Trust Investment, has submitted the pleadings to the Supreme Court of South Korea. As of June 30, 2018, the aforementioned litigation is under the judicial proceeding of Supreme Court of South Korea. Thus, subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.

B. 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 (TRF) 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. The defendant, Sino United International Co., Ltd. and Plosa United International Co., Ltd., have titled an appeal, and the case is under the judicial proceeding of Taiwan High Court.

C. Ta Chong Bank had conducted foreign exchange derivatives transactions with SPM (BVI) Co., Ltd. and its related party, HYC Co., Ltd.(hereon referred to as SPM and HYC), respectively. Subsequently, due to SPM and HYC 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\$8,695 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. The case was taken on the lawsuit by Yuanta Bank after the merger with Ta Chong Bank and it was rejected by Taiwan District Court after the judicial proceeding. SPM and HYC have filed an appeal but were rejected due to the overdue of court costs.

- (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 June 30, 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 at June 30, 2018, Yuanta Securities (Korea) has provided performance guarantee in relation to lease fund with total limit of ₩0.1 billion (approximately NT\$2.73 million) for IGIS Professional Private Real Estate Investment Trust.

(11) Others

	June 30, 2018	December 31, 2017	June 30, 2017
Commitment of the securities			
under a repurchase agreement	\$ 214,032,262	\$ 201,715,121	\$ 173,961,520
Commitment of the securities			
under a resale agreement	32,309,569	35,098,339	34,092,879
Unused loan commitments	32,627,518	41,025,752	43,435,601
Credit commitment on credit card	120,994,861	127,897,664	124,093,723
Unused L/C balance	5,885,469	4,863,673	3,603,621
Other guarantees	19,779,563	25,253,767	34,560,096
Consignment collection for others	20,018,485	21,727,077	24,407,829
Trust assets	237,170,709	242,737,979	231,263,959
Items under custody	37,713,596	38,276,607	43,586,005

- (12) In accordance with Article 17 of the Trust Enterprise Act, the Yuanta Bank discloses its trust balance sheet, trust income statement and schedule of trust property as follows:

June 30, 2018			
Trust Balance Sheet			
Trust assets		Trust liabilities	
Bank deposits	\$ 4,891,826	Payables-Customers' securities	\$ 19,680,501
Stocks	10,861,823	Pecuniary trust	131,699,754
Funds (Note)	96,127,842	Securities trust	5,240,639
Bonds	17,892,200	Real estate trust	26,781,929
Structured products	9,713,952	Movables trust	7,020,000
Real estate	25,301,973	Money market fund	-
Movables	7,020,000	Net income	7,681
under custody	19,680,501	Retained earnings	1,059,613
Total trust assets	<u>\$ 191,490,117</u>	Total trust liabilities	<u>\$ 191,490,117</u>

June 30, 2017			
Trust Balance Sheet			
Trust assets		Trust liabilities	
Bank deposits	\$ 5,491,314	Payables-Customers' securities	\$ 27,807,179
Stocks	10,948,703	Pecuniary trust	123,505,079
Funds (Note)	92,379,205	Securities trust	5,429,289
Bonds	16,948,648	Real estate trust	20,945,693
Structured products	4,331,258	Movables trust	6,750,000
Real estate	20,664,557	Money market fund	-
Movables	6,750,000	Net income	176,644
Customers' securities		Retained earnings	706,980
under custody	27,807,179		
Total trust assets	<u>\$ 185,320,864</u>	Total trust liabilities	<u>\$ 185,320,864</u>

Note : Includes mutual funds in money market.

Trust Income Statement

For the six months ended June 30, 2018		For the six months ended June 30, 2017	
Trust revenue:		Trust revenue:	
Interest income	\$ 5,589	Interest income	\$ 5,184
Investment income (Stocks)	36,897	Investment income (Stocks)	203,677
Investment income (Fund)	328	Investment income (Fund)	648
Rental income	-	Rental income	85
	<u>42,814</u>		<u>209,594</u>
Trust expenses:		Trust expenses:	
Management fees	12,360	Management fees	28,359
Tax expense	22,665	Tax expense	1,226
Loss on investment	60	Loss on investment	3,308
	<u>35,085</u>		<u>32,893</u>
Income before income tax	7,729	Income before income tax	176,701
Income tax expense	(48)	Income tax expense	(57)
Net Income	<u>\$ 7,681</u>	Net Income	<u>\$ 176,644</u>

Schedule of Trust Property

June 30, 2018		June 30, 2017	
Invested items	Book values	Invested items	Book values
Bank deposits	\$ 4,891,826	Bank deposits	\$ 5,491,314
Stocks	10,861,823	Stocks	10,948,703
Funds	96,127,842	Funds	92,379,205
Bonds	17,892,200	Bonds	16,948,648
Structured products	9,713,952	Structured products	4,331,258
Real estate-land	18,703,392	Real estate-land	18,586,485
-Construction in progress	6,598,581	-Construction in progress	1,298,303
-Buildings	-	-Buildings	779,769
Movables	7,020,000	Movables	6,750,000
Customers' securities under custody	19,680,501	Customers' securities under custody	27,807,179
	<u>\$ 191,490,117</u>		<u>\$ 185,320,864</u>

Foreign currency pecuniary trust and foreign currency trust operated by the Offshore Banking Unit (OBU) as of June 30, 2018 and 2017 were included in the trust balance sheet and schedule of trust property.

(13) In accordance with Article 17 of the Trust Enterprise Act, the Yuanta Securities discloses its trust balance sheet, trust income statement and schedule of trust property as follows:

June 30, 2018			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,562,604	Payables	\$ 55,500
Bonds	-	Income tax payables	863
Stocks	7,743,744	Trust capital-pecuniary trust	34,757,947
Funds	24,504,777	Trust capital-securities trust	7,179,812
Structured products	11,618,614	Net income	844,543
Accounts receivable	250,574	Retained earnings	3,030,496
Prepayments	279	Deferred carryforwards	(188,569)
Total trust assets	<u>\$ 45,680,592</u>	Total trust liabilities	<u>\$ 45,680,592</u>

June 30, 2017			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,465,604	Payables	\$ 52,653
Bonds	14,875	Income tax payables	696
Stocks	9,335,828	Collections in advance	5,045
Funds	23,474,358	Trust capital-pecuniary trust	35,184,026
Structured products	11,104,839	Trust capital-securities trust	8,562,088
Accounts receivable	547,341	Net income	693,513
Prepayments	250	Retained earnings	1,591,142
		Deferred carryforwards	(146,068)
Total trust assets	<u>\$ 45,943,095</u>	Total trust liabilities	<u>\$ 45,943,095</u>

Trust Income Statement

For the six months ended June 30, 2018		For the six months ended June 30, 2017	
Trust revenue:		Trust revenue:	
Interest income	\$ 256,400	Interest income	\$ 183,734
Realized investment income	717,996	Realized investment income	-
Unrealized investment income	-	Unrealized investment income	1,035,123
Gain on translation	310,987	Gain on translation	-
Rental income	43,887	Rental income	50,253
Dividend income	28,529	Dividend income	27,787
	<u>1,357,799</u>		<u>1,296,897</u>
Trust expenses:		Trust expenses:	
Administrative expenses	(18,305)	Administrative expenses	(18,494)
Fees (Service charges)	(62,867)	Fees (Service charges)	(33,309)
Loss on realized investment	-	Loss on realized investment	(56,000)
Loss on unrealized investment	(428,192)	Loss on unrealized investment	-
Loss on translation	-	Loss on translation	(489,941)
Insurance premium	(10)	Insurance premium	(12)
Others	(4)	Others	(17)
	<u>(509,378)</u>		<u>(597,773)</u>
Income before income tax	848,421	Income before income tax	699,124
Income tax expense	(3,878)	Income tax expense	(5,611)
Net Income	<u>\$ 844,543</u>	Net Income	<u>\$ 693,513</u>

Schedule of Trust Property

June 30, 2018		June 30, 2017	
Invested items	Book values	Invested items	Book values
Bank deposits	\$ 1,562,604	Bank deposits	\$ 1,465,604
Bonds	-	Bonds	14,875
Stocks	7,743,744	Stocks	9,335,828
Funds	24,504,777	Funds	23,474,358
Structured products	11,618,614	Structured products	11,104,839
Others	250,853	Others	547,591
	<u>\$ 45,680,592</u>		<u>\$ 45,943,095</u>

10. Significant losses from disasters

(1) The Company:

None.

(2) Subsidiaries:

None.

11. Significant subsequent events

(1) The Company:

On July 25, 2018, the Board of Directors approved the retirement of 134,000 thousand shares repurchased in the 18th share buyback.

(2) Subsidiaries:

- A. In July 2018, subsidiary Yuanta Securities acquired \$1,900,000 of Yuanta Financial Holding's first unsecured corporate bonds issue in 2018-as an underwriter and sold all the bonds in the same month.
- B. Subsidiary Yuanta Securities's overseas investment, Yuanta Securities Asia Financial services, issued non-secured fixed rate notes denominated in USD, totaling US \$50 million, through private placement in August 2018.
- C. On August 23, 2018, the Board of Directors of subsidiary Yuanta Securities resolved that the subsidiary Yuanta Securities's overseas investee, Yuanta Securities (Hong Kong) increase the investment in Yuanta Investment Management (Cayman) Ltd. by US \$10 million. This capital increase will be implemented after the approval by the competent authority.

12. Others

(1) Capital risk management

A. The objectives of capital management of the Yuanta Group:

- (A) Meeting the minimum regulated capital adequacy ratio is the most basic objective for the qualifying self-owned capital of the financial group controlled by the Company. The calculation of qualifying self-owned capital and legal capital should be made in compliance with regulations of competent authorities.
- (B) In order to process sufficient capital to assume various risks, the Company assesses the required capital with consideration of the risk portfolio it faces and the risk characteristic, and manages risk through capital allocation to realise utilization of capital allocation.

B. Capital management procedure:

- (A) The Company regularly monitors the overall capital adequacy ratio, which is maintained and reported to the competent authorities every 6 or 12 months in compliance with the regulations from both competent authorities and internal requirements.
- (B) Calculation and control procedures related to capital adequacy of the financial group are all in compliance with "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies" and "Regulations Governing the Capital Adequacy management for the Yuanta Financial Holding Company".
- (C) The objective of capital management of the Company shall be agreed by the Board of Directors, of which an appropriate capital projection is scheduled by the finance management according to the long-term developing strategies, operating plan and characteristics of assets and liabilities. The consolidated capital adequacy ratio of the Yuanta Group is assessed and calculated by month. The risk management analyses changes in risky assets when necessary to evaluate if the Yuanta Group has sufficient capital for various risk and if it meets the objectives of capital management.
- (D) The Company also sets up warning indicator in relation to above managing objectives,

that is, when the capital adequacy ratio drops to the warning indicator, the risk management shall call a meeting to discuss a responding solution which is handed to the finance management for the following executive operations.

(2) Fair value information of financial instruments

A. Information on fair value of financial instruments and fair value hierarchy

(A) Outline

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are initially recognised at fair value. For subsequent measurements, except for those measured at amortised cost, financial instruments are measured at fair value. For active markets, fair value is measured according to quoted prices. For non-active markets, Yuanta Group utilises valuation techniques or references quoted prices from Reuters, Bloomberg or counterparties to determine the fair value of financial instruments.

(B) Definition for the hierarchy classification of financial instruments measured at fair value

a. Level 1

Level 1 refers to quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date. An active market refers to market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the investments of the Yuanta Group, such as listed stocks investment, beneficiary certificates, popular Taiwan government bonds and the derivatives with a quoted price in an active market, are deemed as Level 1.

b. Level 2

Level 2 refers to prices in active markets other than quoted market prices that are observable, including direct (e.g. prices) or indirect (i.e. derived from prices) observable inputs from active markets. Investment of the Yuanta Group such as non-popular government bonds, corporate bonds, bank debentures, convertible corporate bonds, most derivatives and bank debentures issued by the Yuanta Group are all classified within Level 2.

c. Level 3

Level 3 refers to transaction information that is not readily available in the market for fair value measurement. For example, when utilizing historical volatility to value options, historical volatility is not an observable input because historical volatility does not necessarily represent the expected value of future volatility for overall market participants or the quoted prices of counterparties. Yuanta Group utilises this valuation method for a portion of investments in financial derivatives and financial instruments without an active market.

B. Financial instruments measured at fair value

(A) Hierarchy of fair value estimation of financial instruments:

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements				
<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	\$ 38,667,232	\$ 36,217,061	\$ -	\$ 2,450,171
Bond investments	271,773,094	77,183,392	194,058,332	531,370
Others	168,821,309	38,070,204	129,999,591	751,514
Financial assets at fair value through other comprehensive income (Note 1)				
Equity investments	24,678,273	8,115,679	-	16,562,594
Debt investments	214,397,424	71,812,626	141,424,679	1,160,119
Other financial assets				
Purchase of claim receivable	1,875,478	-	-	1,875,478
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 11,042,891	\$ 11,042,891	\$ -	\$ -
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 27,035,143	\$ 5,209,946	\$ 7,220,927	\$ 14,604,270
Liabilities				
Financial liabilities at fair value through profit or loss	\$ 98,435,901	\$ 2,574,255	\$ 32,658,333	\$ 63,203,313

	December 31, 2017				June 30, 2017			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Recurring fair value measurements								
<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	\$ 34,414,270	\$ 33,883,757	\$ -	\$ 530,513
Bond investments	221,289,802	74,939,880	146,349,922	-	228,041,660	90,761,538	137,280,122	-
Others	80,969,214	34,580,366	46,388,848	-	63,016,699	19,390,672	41,353,477	2,272,550
Financial assets designated as at fair value through profit or loss	246,804	-	246,804	-	6,524,324	-	6,524,324	-
Available-for-sale financial assets (Note 1)								
Stock investments	28,146,015	11,123,502	14,077	17,008,436	29,073,757	11,980,240	60,517	17,033,000
Bond investments	219,639,019	56,711,912	162,102,912	824,195	205,481,805	51,433,262	152,962,542	1,086,001
Others	148,947,861	5,820,033	142,914,017	213,811	126,902,657	835,336	125,981,702	85,619
Other financial assets								
Purchase of claim receivable	1,892,299	-	-	1,892,299	1,901,732	-	-	1,901,732
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 22,454,862	\$ 19,250,990	\$ 2,057,532	\$ 1,146,340	\$ 18,762,981	\$ 15,608,217	\$ 2,030,779	\$ 1,123,985
<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	\$ 94,626,005	\$ 6,742,530	\$ 76,331,401	\$ 11,552,074
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 97,664,654	\$ 2,750,459	\$ 23,731,768	\$ 71,182,427	\$ 92,706,098	\$ 1,941,098	\$ 27,042,119	\$ 63,722,881
Non-recurring fair value								
Assets								
Assets held for sale (Note 2)	\$ -	\$ -	\$ -	\$ -	\$ 9,479,421	\$ -	\$ 9,479,421	\$ -
Liabilities								
Liabilities directly relating to assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ 6,113,818	\$ -	\$ 6,113,818	\$ -

Note 1: Including the statutory deposits of \$1,216,100, \$1,216,100 and \$1,816,100 of Yuanta Life of the Yuanta Group as of June 30, 2018, December 31, 2017 and June 30, 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

As of June 30, 2018, certain foreign debt held by the Company, totaling USD 24,354, have been transferred from level 1 to level 2, because the debt instrument either had no quoted market price from stock brokers and had to be valued using pricing from the most recent transaction, or Bloomberg Valuation Services (BVAL) was used due to less frequent or less precise price quotes from stock brokers. In addition, certain foreign debt held by the Company, totaling USD 5,027, have been transferred from level 2 to level 1 since these assets now have steady sources for price information. As of December 31, 2017 and June

30, 2017, 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, \$1,093,452 and \$1,949,198 have been transferred from Level 1 to Level 2.

(BLANK)

(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:

For the six months ended June 30, 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	\$ 15,421,688	(\$ 763,562)	(\$ 9,316)	\$ 16,530,705	\$ 1,152,307	(\$ 13,444,645)	(\$ 549,852)	\$ 18,337,325
Financial assets at fair value through other comprehensive income	19,570,959	(117,259)	(931,187)	102,465	547,812	(530,436)	(919,641)	17,722,713
Other financial assets- purchase of claim receivable	<u>1,892,299</u>	<u>105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,926)</u>	<u>-</u>	<u>1,875,478</u>
Total	<u>\$ 36,884,946</u>	<u>(\$ 880,716)</u>	<u>(\$ 940,503)</u>	<u>\$ 16,633,170</u>	<u>\$ 1,700,119</u>	<u>(\$ 13,992,007)</u>	<u>(\$ 1,469,493)</u>	<u>\$ 37,935,516</u>
For the six months ended June 30, 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	(\$ 2,516,780)	(\$ 99,241)	\$ 11,655,695	\$ 175,987	(\$ 6,421,931)	(\$ 70,689)	\$ 14,355,137
Available-for-sale financial assets	18,933,364	(111,642)	(8,811)	304,825	-	(224,078)	(689,038)	18,204,620
Other financial assets- purchase of claim receivable	<u>1,925,073</u>	<u>12,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,290)</u>	<u>-</u>	<u>1,901,732</u>
Total	<u>\$ 32,490,533</u>	<u>(\$ 2,615,473)</u>	<u>(\$ 108,052)</u>	<u>\$ 11,960,520</u>	<u>\$ 175,987</u>	<u>(\$ 6,682,299)</u>	<u>(\$ 759,727)</u>	<u>\$ 34,461,489</u>

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. As of June 30, 2018 and 2017, the losses on assets were \$1,625,775 and \$1,271,077, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of June 30, 2018 and 2017, the losses on assets were \$933,879 and \$440,635, respectively.

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

For the six months ended June 30, 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	\$ 72,328,766	\$ -	(\$ 2,945,487)	\$ -	\$ 85,529,567	\$ -	(\$ 91,740,461)	\$ 30,928	\$ 63,203,313

For the six months ended June 30, 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	\$ -	(\$ 489,393)	\$ 2	\$ 94,582,986	\$ -	(\$ 83,667,369)	\$ -	\$ 64,846,866

Above valuation gains and losses are recognised in gain and loss in the period. As of June 30, 2018 and 2017, the gains (losses) on liabilities were \$3,113,714 and (\$2,000,765), respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of June 30, 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
June 30, 2018				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 13,457	(\$ 13,857)	\$ -	\$ -
Derivative instruments	288,249	(288,248)	-	-
Financial assets at fair value through other comprehensive income	-	-	416,547	(378,340)
Other financial asset- purchase of claim receivable	77,618	(77,618)	-	-
<u>Liabilities</u>				
Derivative instruments	\$ 306,150	(\$ 306,153)	\$ -	\$ -
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)	-	-
June 30, 2017				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 302	(\$ 302)	\$ -	\$ -
Derivative instruments	54,071	(54,060)	-	-
Available-for-sale financial assets	-	-	84,579	(84,559)
Other financial assets- purchase of claim receivable	91,112	(91,112)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	\$ 11,240	(\$ 11,240)	\$ -	\$ -
Derivative instruments	85,574	(85,573)	-	-

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:

June 30, 2018		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Equity investments	\$ 2,450,171	1.Market method	Price to earnings ratio multiple	12.21 ~ 36.25
		2.Income method	Price to book ratio multiple	0.93 ~ 10.9
		3.Equity Model	Price-to-sales ratio multiplier	1.5
		by L. Anderson	Discount for marketability	0% ~ 40%
		and D. Buffum	Discount rate	6.34% ~ 20.00%
			Stock price volatility	13.00% ~ 33.29%
			Credit Spread	2.57% ~ 6.18%
			Recovery rate	20%
Debt investments	531,370	1.Hybrid Model	Stock price volatility	36.24% ~ 41.52%
		2.Equity Model	Credit Spread	0.27% ~ 6.18%
		by L. Anderson	Recovery rate	20%
		and D. Buffum		
		3.Monte Carlo Simulation		
Derivative instruments	14,604,270	1.Option Model	Dividend rate	0.36% ~ 4.06%
(including futures and options in futures market)		2.Hybrid Model	Stock price volatility	2.88% ~ 20.52%
		3.FDM	Correlation coefficient	0.11 ~ 0.95
		4.Monte Carlo Simulation	Default rate	0.03% ~ 100%
			Recovery rate	55%
Other	751,514	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,875,478	Recoverable amount	Contact rate	2.65% ~ 40.53%
			Payment rate	2.47% ~ 39.43%
			Discount rate	2.59% ~ 40.15%
Financial assets at fair value through other comprehensive income				
Equity investments	16,562,594	1.Market method	Price to earnings ratio multiple	12.18 ~ 29.93
		2.Residual income valuation model	Price to book ratio multiple	0.77 ~ 2.85
		3.Discounted cash flow	Discount for marketability	0% ~ 40%
			Expected growth rate	2%
			Discount rate	13.18% ~ 19.21%
Bond investments	1,160,119	Discounted cash flow	Discount rate	0.73% ~ 9.01%
Financial liabilities at fair value through profit or loss				
Derivative instruments	63,203,313	1.IR Model	Dividend rate	0.36% ~ 4.06%
(including options trade in futures market)		2.Option Model	Stock price volatility	1.07% ~ 62.60%
		3.Hybrid Model	Correlation coefficient	0.11 ~ 0.95
		4.FDM	Credit Spread	0.32% ~ 0.36%
		5.Monte Carlo Simulation	Default rate	0.03% ~ 100%
			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 Other financial assets	213,811	Net asset value	N/A	N/A
Purchase of claim receivable	1,892,299	Recoverable amount	Contact rate Payment rate Discount rate	2.20% ~ 42.27% 1.85% ~ 42.15% 1.98% ~ 39.70%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	71,182,427	1.IR Model 2.Option Model 3.Hybrid Model 4.FDM 5.Monte Carlo Simulation	Dividend rate Stock price volatility Correlation coefficient Credit Spread Default rate Recovery rate	0.35% ~ 3.60% 0.37% ~ 53.97% 0.13 ~ 0.93 0.37% ~ 0.51% 0.03% ~ 100% 25% ~ 55%
Bond issue	1,146,340	Hybrid Model	Credit Spread Discount for marketability	0% ~ 1% 0% ~ 1%

June 30, 2017		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Stock investments	\$ 530,513	Market method	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability	11.22~19.55 1.10~5.36 0%~40%
Derivative instruments (including futures and options in futures market)	11,552,074	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	0.38%~3.7% 17.43%~35.21% 0.14~0.94 0.56%~7.47% 0.03%~100% 20%~55%
Available-for-sale financial assets				
Stock investments	17,033,000	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	11.76~42.57 0.59~14.67 2.11 0%~40% 0%~1% 5.32%~13.83% 11.32%~43.83% 2.39%~14.39% 20%
Bond investments	1,086,001	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%~7.47% 20%~40% 17.43%~35.21%
Other	85,619	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,901,732	Recoverable amount	Contact rate Payment rate Discount rate	1.97%~42.93% 1.74%~42.15% 1.87%~39.67%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	63,722,881	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	0.38%~3.7% 0.95%~51.34% 0.14~0.94 0.44%~0.47% 0.03%~100% 20%~55%
Bond issue	1,123,985	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.

		June 30, 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)	\$ 223,400,906	\$ 224,850,877	\$ 2,970,833	\$ 221,880,044	\$ -
<u>Financial liabilities</u>					
Bonds payable	60,418,764	62,674,471	-	32,653,643	30,020,828
		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
		June 30, 2017			
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Held-to-maturity financial assets - net	\$ 123,419,310	\$ 127,876,688	\$ 3,165,993	\$ 124,710,695	\$ -
Other financial assets (Note 2)	57,404,980	59,032,371	13,258,523	44,897,435	876,413
<u>Financial liabilities</u>					
Bonds payable	68,599,436	70,903,004	-	58,380,608	12,522,396
Preferred stock liabilities	3,946,627	3,946,627	-	3,946,627	-

Note 1: Including the statutory deposits of \$600,000 of Yuanta Life of the Yuanta Group as of June 30, 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:

- a. The borrower is over 30 days past due.
- b. Significant deterioration in credit quality and placed on the Yuanta Group'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.

(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 bad 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

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	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
June 30, 2018					
Credit ratings					
Internal ratings— excellent	\$ 538,989,281	\$ 1,560,054	\$ -	\$ -	\$ 540,549,335
Internal ratings— acceptable	138,506,866	2,215,606	-	-	140,722,472
Internal ratings— weak	13,888,861	692,140	-	-	14,581,001
Internal ratings— not rated	64,701,298	663,743	-	-	65,365,041
Internal ratings— bad	-	-	8,788,336	-	8,788,336
The total carrying amount	756,086,306	5,131,543	8,788,336	-	770,006,185
Allowance for bad debt	(2,327,430)	(956,976)	(4,875,016)	-	(8,159,422)
Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non- accrual Loans	-	-	-	(5,544,043)	(5,544,043)
Total (Note)	<u>\$ 753,758,876</u>	<u>\$ 4,174,567</u>	<u>\$ 3,913,320</u>	<u>(\$ 5,544,043)</u>	<u>\$ 756,302,720</u>

Note: Including interest receivable and temporary payments for others amounting to \$979,396. In addition, allowance for doubtful receivables was \$33,180.

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) are \$154,437,218 and \$543,302,058 , 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:

June 30, 2018	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 258,181	\$ -	\$ 258,181
Bills discounted and loans	537,652,794	-	537,652,794
Financial assets at fair value through profit or loss	445,541	1,948,493	2,394,034
<u>For accounts off the balance sheet</u>			
Unused loan commitments	4,038,851	-	4,038,851
Unused credit commitment	124,636	-	124,636
Guarantees (including for non- performing loans)	5,939,053	-	5,939,053
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

June 30, 2017	Collateral (Note)	Net-settled general agreement	Total
<u>For accounts on the balance sheet</u>			
Receivables			
-other	\$ 311,466	\$ -	\$ 311,466
Bills discounted and loans	540,353,821	-	540,353,821
Financial assets at fair value through profit or loss	2,982,451	1,619,921	4,602,372
<u>For accounts off the balance sheet</u>			
Unused loan commitments	2,521,812	-	2,521,812
Unused credit commitment	217,823	-	217,823
Guarantees (including for non- performing loans)	7,869,758	-	7,869,758

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	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Privately owned businesses	\$ 651,181,531	30.19	\$ 628,005,869	29.72	\$ 618,032,016	29.68
Natural person	535,215,073	24.81	534,843,909	25.31	517,898,465	24.87
Financial institutions	568,967,366	26.38	519,525,208	24.59	529,086,929	25.41
Governmental institutions	389,973,422	18.08	416,027,230	19.69	391,798,520	18.82
Government-owned businesses	8,439,053	0.39	11,058,598	0.52	22,328,524	1.07
Others	3,399,740	0.15	3,581,146	0.17	3,106,518	0.15
Total	<u>\$ 2,157,176,185</u>	<u>100.00</u>	<u>\$ 2,113,041,960</u>	<u>100.00</u>	<u>\$ 2,082,250,972</u>	<u>100.00</u>

(b) Geographic location:

Geography location	June 30, 2018	December 31, 2017	June 30, 2017
Taiwan	\$ 1,425,641,921	\$ 1,393,009,059	\$ 1,405,244,507
Asia	453,387,195	453,904,701	446,973,004
America	187,517,055	163,687,853	140,961,708
Europe	72,226,067	77,618,815	59,988,695
Oceania	17,882,950	24,496,221	25,773,545
Africa	520,997	325,311	3,309,513
Total	<u>\$ 2,157,176,185</u>	<u>\$ 2,113,041,960</u>	<u>\$ 2,082,250,972</u>

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

(a)Credit business

For the six months ended June 30, 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 (Stage 2)	Lifetime expected credit losses (Stage 3)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the six months ended June 30, 2018						
The beginning balances	\$ 2,241,937	\$ 1,666,388	\$ 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	(6,341)	89,978	(83,637)	-	-	-
-Transferred to credit-impaired financial asset	(14,843)	(7,159)	22,002	-	-	-
-Transferred to 12-month expected credit losses	100,592	(33,923)	(58,476)	8,193	-	8,193
-Financial assets derecognised in the current period	(479,335)	(35,742)	(576,475)	(1,091,552)	-	(1,091,552)
Impairment allowance for purchased or originated financial assets	555,249	16,780	277,744	849,773	-	849,773
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	112,189	112,189
Write-off as bad debt	(124,783)	(178,060)	(600,920)	(903,763)	-	(903,763)
Change in exchange and others	51,067	(562,223)	722,414	211,258	-	211,258
The ending balances	<u>\$ 2,323,543</u>	<u>\$ 956,039</u>	<u>\$ 4,873,747</u>	<u>\$ 8,153,329</u>	<u>\$ 5,516,957</u>	<u>\$ 13,670,286</u>

For the six months ended June 30, 2018, significant changes in the total carrying amount that affected allowance for bad debt are as follows:

Bills discounted and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Total
The beginning balances	\$ 760,186,319	\$ 4,991,775	\$ 8,935,481	\$ 774,113,575
Changes from financial instruments recognised at the beginning:				
-Transferred to lifetime expected credit losses	(1,812,598)	1,961,506	(148,908)	-
-Transferred to credit-impaired financial asset	(1,595,481)	(402,781)	1,998,262	-
-Transferred to 12-month expected credit losses	3,135,918	(584,219)	(195,287)	2,356,412
-Financial assets derecognised in the current period	(184,450,825)	(2,005,631)	(1,068,139)	(187,524,595)
Impairment allowance for purchased or originated financial assets	207,734,045	1,507,055	451,736	209,692,836
Write-off as bad debt	(124,783)	(178,060)	(600,939)	(903,782)
Change in exchange and others	(27,919,037)	(173,271)	(615,348)	(28,707,656)
The ending balances	<u>\$ 755,153,558</u>	<u>\$ 5,116,374</u>	<u>\$ 8,756,858</u>	<u>\$ 769,026,790</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 June 30, 2018, the carrying amount of accounts receivable amounted to \$28,576,747, and the loss allowance is \$10,901 if taking into consideration the expected credit loss rate. For the six months ended June 30, 2018, movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, are as follows:

	For the six months ended June 30, 2018
January 1_IFRS 9	(\$ 8,086)
Provision for impairment	(2,815)
June 30	(\$ 10,901)

- ii For the six months ended June 30, 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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					Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the six months ended June 30, 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 2)	Impairment recognised in accordance with IFRS 9		
The beginning balances	\$ 229,244	\$ 85,311	\$ 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	(204)	33,906	(33,702)	-	-	-
-Transferred to credit-impaired financial asset	(119)	(4,171)	3,869	(421)	-	(421)
-Transferred to 12-month expected credit losses	36,992	(24,878)	(10,328)	1,786	-	1,786
-Financial assets derecognised in the current period	(12,522)	(1,356)	(15,894)	(29,772)	-	(29,772)
Impairment allowance for purchased or originated financial assets	14,394	2,256	18,414	35,064	-	35,064
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	6,510	6,510
Write-off as bad debt	(32,136)	(22,595)	(54,636)	(109,367)	-	(109,367)
Change in exchange and others	7,077	126,945	851,042	985,064	-	985,064
The ending balances	<u>\$ 242,726</u>	<u>\$ 195,418</u>	<u>\$ 2,758,263</u>	<u>\$ 3,196,407</u>	<u>\$ 79,723</u>	<u>\$ 3,276,130</u>

For the six months ended June 30, 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 (Stage 2)	Lifetime expected credit losses (Stage 3)	Impairment recognised in accordance with IFRS 9	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the six months ended June 30, 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	(46)	114	(68)	-	-	-
-Transferred to credit-impaired financial asset	(2)	(44)	46	-	-	-
-Transferred to 12-month expected credit losses	5,346	(4,663)	(683)	-	-	-
-Financial assets derecognised in the current period	(37,891)	(2,566)	(21,574)	(62,031)	-	(62,031)
Impairment allowance for purchased or originated financial assets	25,619	320	16,754	42,693	-	42,693
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(6,258)	(6,258)
Change in exchange and others	(13,222)	16,386	2,312	5,476	-	5,476
The ending balances	\$ 74,521	\$ 17,341	\$ 61,743	\$ 153,605	\$ 156,667	\$ 310,272

For the six months ended June 30, 2018, there were no significant changes to guarantee reserve and loan commitment reserve.

(d) Bills and bonds investments

For the six months ended June 30, 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 \$99,688 and \$138,055, 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 six months ended June 30, 2018			
	June 30, 2018	VaR Average	VaR Minimum	VaR Maximum
Interest rate	113,837	123,692	96,855	151,661
Equity securities	251,332	240,307	192,848	280,222
Foreign exchange	445,653	338,164	328,062	460,125
Commodity	14,848	12,160	2,998	21,813
Less: diversification effects	(265,987)	(251,933)	-	-
Total VaR	559,683	512,390	453,777	557,037

Instrument type	For the six months ended June 30, 2017			
	June 30, 2017	VaR Average	VaR Minimum	VaR Maximum
Interest rate	139,353	135,169	116,765	155,881
Equity securities	284,708	277,616	223,982	347,005
Foreign exchange	200,973	230,084	192,063	246,609
Commodity	29,809	23,748	7,969	129,582
Less: diversification effects	(239,605)	(212,404)	-	-
Total VaR	415,238	454,213	407,268	503,713

(b) Non-trading purpose

Sensitivity analysis on interest rate:

	Interest rate shift	June 30, 2018	December 31, 2017	June 30, 2017
		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	(\$ 21,498)	(\$ 25,732)	(\$ 27,774)
Yuanta Life	Increase of 1 basis point	(24,759)	(31,579)	(23,512)
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- d. As of June 30, 2018, December 31, 2017 and June 30, 2017, the following table summarizes USD-denominated financial instruments of the Yuanta Group and the concentration of foreign exchange risk presented by carrying amount.

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying amount		Carrying amount		Carrying amount	
	USD position	(NTD)	USD position	(NTD)	USD position	(NTD)
Foreign currency denominated financial assets						
Cash and cash equivalents	\$ 511,176	\$ 15,590,863	\$ 565,102	\$ 16,822,917	\$ 685,924	\$ 20,876,815
Financial assets at fair value through profit or loss	1,107,524	33,779,479	1,004,251	29,974,876	1,198,573	36,479,783
Financial assets at fair value through other comprehensive income	2,340,138	71,374,212	-	-	-	-
Held-to-maturity financial assets	-	-	2,786,242	83,163,756	2,511,123	76,428,548
Financial assets at amortised cost	3,936,838	120,073,559	-	-	-	-
Bills discounted and loans	2,890,817	88,169,911	2,966,829	88,553,919	3,462,558	105,386,421
Foreign currency denominated financial liabilities						
Bills and bonds payable under repurchase agreements	1,040,542	31,736,543	1,334,315	39,826,638	670,214	20,398,638
Deposits and remittances	4,008,596	122,262,171	4,702,896	140,327,792	5,959,407	181,380,529
Other liabilities	545,399	16,634,677	553,396	16,517,772	632,521	19,251,399

Note: As of June 30, 2018, December 31, 2017 and June 30, 2017, USD to TWD exchange rates were 30.5, 29.848 and 30.436, respectively.

- e. As of June 30, 2018, December 31, 2017 and June 30, 2017, the following table summarizes KRW-denominated assets and liabilities of Yuanta Securities and the concentration of foreign exchange risk presented by carrying amount.

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying amount		Carrying amount		Carrying amount	
	KRW position	(NTD)	KRW position	(NTD)	KRW position	(NTD)
Effect on profit or loss						
Financial assets						
Cash and cash equivalents	\$ 687,605,050	\$ 18,771,618	\$ 637,072,906	\$ 17,774,334	\$ 660,159,505	\$ 17,527,235
Financial assets at fair value through profit or loss	2,645,676,628	72,226,972	2,644,460,498	73,780,448	2,275,528,488	60,415,281
Financial assets at fair value through other comprehensive income	222,859,432	6,084,062	-	-	-	-
Accounts receivable	437,267,116	11,937,392	304,848,612	8,505,276	384,734,908	10,214,712
Prepayments and other receivables	58,247,546	1,590,158	48,043,787	1,340,422	40,230,763	1,068,127
Other current assets	247,474,654	6,756,058	223,321,861	6,230,680	103,111,836	2,737,619
Non-current assets	622,168,347	16,985,196	656,756,945	18,323,519	650,219,153	17,263,319
Financial liabilities						
Financial liabilities at fair value through profit or loss	1,076,792,803	29,396,444	1,907,149,701	53,209,477	1,915,340,665	50,852,295
Bonds sold under repurchase agreements	3,507,879,617	95,765,114	3,267,723,425	91,169,484	3,284,279,972	87,197,633
Guarantee deposit-in and margin deposits	-	-	2,571,171	71,736	5,829,476	154,773
Other current liabilities	281,790,289	7,692,875	161,425,771	4,503,779	78,231,227	2,077,039
Non-current liabilities	164,559,171	4,492,465	154,469,886	4,309,710	147,434,474	3,914,385
Effect on profit or loss and equity						
Financial assets						
Equity investments accounted for under the equity method	57,629,250	1,573,279	52,486,779	1,464,381	62,596,062	1,661,925

Note: As of June 30, 2018, December 31, 2017 and June 30, 2017, the KRW to TWD exchange rate were 0.027, 0.028, and 0.027, respectively.

(C) Liquidity risk

a. Source and definition of liquidity risk

Liquidity risk includes market liquidity risk and funding liquidity risk. Market liquidity risk refers to risk arising from inadequate market depth or market disruptions, which prevent settlement or closing of positions at normal market prices within a reasonable time frame and therefore necessitate buying at a much higher price or selling at a discount. Funding liquidity risk refers to risk arising from the inability to obtain sufficient capital within the expected time leading to a failure of fulfilling the capital required as maturity comes due.

b. Risk management principle

To mitigate the market liquidity risk, the Yuanta Group has set up separate standards on position liquidity limits for different operations and different securities to ensure sufficient market liquidity for all positions. For funding liquidity risk management, the Yuanta Group has set appropriate limits and ratios on liquidity supply and demand according to the nature of each operational sector, and evaluates in advance the potential capital gaps of each time period to effectively control overall liquidity risk. Pre-established capital transferring plan is also ready in case of systematic risk event and abnormal capital liquidity to sufficiently respond to overall liquidity risk and enhance overall funding liquidity risk management.

c. Assessment on liquidity risk

- (a) Set up liquidity risk indicator and warning in order to control adverse element to the liquidity. At the same time, analysis and appropriate measures are made to mitigate the extent of effects.
- (b) Assessments are regularly made to the assets and liabilities denominated in major currencies on the balance sheet and the cash inflow, cash outflow and liquidity gap off the balance sheet by different time period.

d. Maturity analysis for the financial assets and non-derivative liabilities held for liquidity risk management:

(a) Financial assets held for liquidity risk management

In order to fulfil the payment obligation and potential emergent fund demand in the market, as well as manage the liquidity risk at the same time, sound earning assets with high liquidity were held by the Yuanta Group, including cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, bills discounted and loans, 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)

June 30, 2018

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 53,466,674	\$ 1,259,233	\$ 145,399	\$ 54,871,306
Due from Central Bank and call loans to other banks	28,815,103	10,477,102	8,433,656	47,725,861
Financial assets at fair value through profit or loss	352,845,708	42,643,449	110,807,621	506,296,778
Financial assets at fair value through other comprehensive income	10,217,494	12,045,333	215,596,770	237,859,597
Investments in bills and bonds under resale agreements	32,290,897	-	-	32,290,897
Receivables	149,208,996	35,578,935	1,395,815	186,183,746
Bills discounted and loans	145,277,277	158,831,172	464,918,341	769,026,790
Reinsurance assets	393,210	-	-	393,210
Financial assets at amortised cost	90,865,480	12,705,936	224,138,789	327,710,205
Restricted assets	-	-	2,415,060	2,415,060
Other financial assets	44,991,494	75,195	3,395,136	48,461,825
Other assets	20,974,542	987,384	7,979,507	29,941,433
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	67,497,703	39,907,637	-	107,405,340
Cash outflow	(65,338,882)	(36,586,506)	-	(101,925,388)
Net settlement	1,205,349	1,267,529	2,532,380	5,005,258
Total	\$ 932,711,045	\$ 279,192,399	\$ 1,041,758,474	\$ 2,253,661,918
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 20,375,156	\$ 5,159,978	\$ 10,000	\$ 25,545,134
Financial liabilities at fair value through profit or loss	7,450,651	1,364,752	2,227,488	11,042,891
Bills and bonds payable under repurchase agreements	124,927,754	43,461,152	39,777,124	208,166,030
Commercial paper payable	68,853,418	-	-	68,853,418
Payables	160,701,702	12,326,734	674,894	173,703,330
Deposits and remittances	387,461,486	381,642,813	267,988,147	1,037,092,446
Bonds payable	13,680,021	7,015,435	39,627,181	60,322,637
Other borrowings	69,490,905	946,767	828,522	71,266,194
Other financial liabilities	45,667,950	6,691,923	17,165,054	69,524,927
Other liabilities	29,726,441	1,670,728	3,736,161	35,133,330
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(65,747,449)	(31,836,310)	(602,977)	(98,186,736)
Cash outflow	68,199,470	33,771,472	624,170	102,595,112
Net settlement	1,851,037	2,343,462	2,712,520	6,907,019
Total	\$ 932,638,542	\$ 464,558,906	\$ 374,768,284	\$ 1,771,965,732

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

June 30, 2017

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 56,834,157	\$ 2,689,191	\$ 64,987	\$ 59,588,335
Due from Central Bank and call loans to other banks	32,079,398	10,619,471	8,744,136	51,443,005
Financial assets at fair value through profit or loss	323,899,164	56,672,511	46,051,283	426,622,958
Available-for-sale financial assets	113,300,988	40,164,150	206,176,981	359,642,119
Investments in bills and bonds under resale agreements	34,079,731	-	-	34,079,731
Receivables	144,708,560	23,986,670	2,871,245	171,566,475
Bills discounted and loans	172,327,839	147,001,839	478,289,047	797,618,725
Reinsurance assets	464,366	-	-	464,366
Held-to-maturity financial assets	513,831	2,033,785	120,871,694	123,419,310
Restricted assets	-	-	3,352,138	3,352,138
Other financial assets	40,740,314	1,689,465	59,563,375	101,993,154
Other assets	14,208,566	6,501,902	5,837,229	26,547,697
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	11,871,059	2,081,359	1,295,471	15,247,889
Cash outflow	(10,776,517)	(1,266,227)	-	(12,042,744)
Net settlement	382,959	936,310	796,631	2,115,900
Total	\$ 934,634,415	\$ 293,110,426	\$ 933,914,217	\$ 2,161,659,058
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 23,420,003	\$ 5,587,962	\$ -	\$ 29,007,965
Financial liabilities at fair value through profit or loss	5,438,626	4,837,480	5,332,111	15,608,217
Bills and bonds payable under repurchase agreements	115,437,744	26,321,559	27,780,664	169,539,967
Commercial paper payable	47,320,076	1,055,430	-	48,375,506
Payables	162,178,807	9,426,670	861,746	172,467,223
Deposits and remittances	386,215,122	402,570,335	287,847,960	1,076,633,417
Bonds payable	10,149,350	2,260,192	56,089,670	68,499,212
Other borrowings	54,909,930	133,436	-	55,043,366
Other financial liabilities	51,405,925	5,633,952	13,774,572	70,814,449
Other liabilities	5,715,608	3,689,928	10,452,717	19,858,253
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(8,328,616)	(2,847,529)	(299,558)	(11,475,703)
Cash outflow	9,573,587	3,744,756	1,613,630	14,931,973
Net settlement	123,780	420,143	711,802	1,255,725
Total	\$ 863,559,942	\$ 462,834,314	\$ 404,165,314	\$ 1,730,559,570

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 June 30, 2018, December 31, 2017 and June 30, 2017, expenses on period of 0-90 days will increase by \$353,726,098, \$370,082,218 and \$356,576,595, 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:

	June 30, 2018			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 32,627,518	\$ -	\$ -	\$ 32,627,518
Non-revocable credit card commitments	120,994,861	-	-	120,994,861
Unused credit commitment	5,885,469	-	-	5,885,469
Guarantees	19,779,563	-	-	19,779,563
Lease contract commitment				
Operating lease expense (lessee)	1,242,328	2,664,384	103,365	4,010,077
Operating income (lessor)	103,797	118,265	7,639	229,701
Total financial lease expense (lessee)	265	-	-	265
Financial lease expense at present value (lessee)	252	-	-	252
Total financial lease income (lessor)	27,501	38,081	-	65,582
Financial lease income at present value (lessor)	25,653	34,229	-	59,882
Capital expenditure commitment	842,871	737,556	-	1,580,427

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
June 30, 2017				
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 35,518,639	\$ 7,906,898	\$ 10,064	\$ 43,435,601
Non-revocable credit card commitments	123,092,466	263,727	737,530	124,093,723
Unused credit commitment	3,603,621	-	-	3,603,621
Guarantees	33,072,416	1,487,680	-	34,560,096
Lease contract commitment				
Operating lease expense (lessee)	1,329,944	3,063,842	165,147	4,558,933
Operating income (lessor)	106,381	140,803	-	247,184
Total financial lease expense (lessee)	660	310	-	970
Financial lease expense at present value (lessee)	668	252	-	920
Total financial lease income (lessor)	3,480	88,373	-	91,853
Financial lease income at present value (lessor)	3,288	79,553	-	82,841
Capital expenditure commitment	258,369	129,868	-	388,237

(D) Transfer of financial assets

Transferred financial assets not fully derecognised

- A. The Yuanta Group has financial assets that are fully or partially derecognised through transactions of transfer of financial assets to others. When the Yuanta Group receives the contract right of cash flow from the financial assets, or retains the above rights but bears obligation to pay the cash flow to one or more recipients and the risks and compensation of rights are mostly transferred, the assets should be derecognised. If the Yuanta Group still retains most of the risks and compensation of rights, the Yuanta Group should continue recognise the financial assets. If the Yuanta Group does not transfer or retains most of the risks and compensation of rights and maintains control over the assets, the Yuanta Group should continue recognise the part of financial assets that are involved.
- B. Financial assets that do not meet the derecognition conditions are mainly: (1) convertible bonds transferred to counterparties during transactions of exchanging assets and (2) bonds sold under repurchase agreements. The targeted assets exchanged in the transactions are either acquired through public subscription, book building, auctions or

others by the Yuanta Group or owned by the Yuanta Group for proprietary trading, and are sold to counterparties in order to receive consideration. During the contract period, the contracted interest compensation is exchanged for bond interest and interest refund arising from the convertible bonds held by the counterparties. The Yuanta Group obtains rights to repurchase the convertible bonds before the end of contract expiration date. As the options are neither deep-in-the-money nor deep-out-of-the-money at transactions, the Yuanta Group must further assess whether to retain the control over the convertible bonds. Since the convertible bonds cannot be easily obtained in markets, the Yuanta Group still keeps its control over the assets and continuing involvement. Because transactions in respect to the repurchase agreements of debt instruments and bills had transferred their receivable contractual cash flows to other parties, and are reflected in the Consolidated Company's related liabilities, which indicate the obligation to repurchase transferred financial assets in a specified future period within a fixed price, the Consolidated Company, within the effective period of the transaction, cannot use, sell or pledge the already transferred financial asset, but must still bear interest risk and credit risk. Thus, such financial assets were not derecognised in its entirety.

Financial assets that do not meet the derecognition conditions and related financial liabilities are analysed as below:

June 30, 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	\$ 13,672,203	\$ 12,512,495
Bond sold under repurchase agreements	212,424,404	208,166,030
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
June 30, 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	\$ 13,126,124	\$ 12,100,363
Bond sold under repurchase agreements	173,485,532	169,539,967

(E) Offsetting financial assets and financial liabilities

The Yuanta Group has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party breaches the contract, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are set as follows:

A. Financial assets

June 30, 2018								
Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements								
					Related amounts not set off in the balance sheet(d)(Note 1)			
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet		Financial instruments	Cash collateral received	Net amount	
Description	(a)	(b)	(c)=(a)-(b)		(Note 2)		(e)=(c)-(d)	
Derivative instruments	\$ 13,897,226	\$ -	\$ 13,897,226	\$	7,782,254	\$ 225,309	\$	5,889,663
Bonds purchased under resale agreements	32,290,897	-	32,290,897		31,921,897	366,597		2,403
December 31, 2017								
Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements								
					Related amounts not set off in the balance sheet(d)(Note 1)			
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet		Financial instruments	Cash collateral received	Net amount	
Description	(a)	(b)	(c)=(a)-(b)		(Note 2)		(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

June 30, 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	\$ 9,120,404	\$ -	\$ 9,120,404	\$ 6,038,483	\$ 1,181,066	\$ 1,900,855	
Bonds purchased under resale agreements	34,079,731	-	34,079,731	33,550,839	526,732	2,160	

B. Financial liabilities

June 30, 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	\$ 18,847,662	\$ -	\$ 18,847,662	\$ 10,591,908	\$ 5,669,711	\$ 2,586,043	
Bonds sold under repurchase agreements	208,166,030	-	208,166,030	208,030,586	135,444	-	

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	

June 30, 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	\$ 15,126,666	\$ -	\$ 15,126,666	\$ 10,800,773	\$ 2,385,739	\$ 1,940,154	
Bonds sold under repurchase agreements	169,539,967	-	169,539,967	169,194,745	272,759	72,463	

Note 1: The related offsetting amount shall not exceed the recognised financial assets or liabilities.

Note 2: Including net settled master netting arrangements and non-cash collaterals.

Note 3: Including net settled master netting arrangements.

(F) Insurance risk

a. Measurement and management of insurance risk

Insurance risks refer to insufficient estimates over the frequency, severity and lapse rate of the insured incidents, such as death rate, morbidity rate, lapse rate, interest rate, expense rate and so on. These ratios could be influenced by random variable risks and therefore lead to the risks of additional payment exceeding the original estimated values. The Yuanta Group engages in business of life insurance, variable life insurance, accident insurance, and health insurance. The risks and management for the above products are as follows:

(a) Life insurance

The main risk of life insurance comprises of death rate and interest rate. The Yuanta Group assesses the premium rate of main insurance product on the market, makes related statistical measurement and analysis of death rate, such as cash flow test and experience test. Inspections are used to determine whether the death rate is higher than pricing basis in order to evaluate the impact toward the overall operation or the extent of negative impact arising accordingly, and to further determine whether or not to cease the sale of the product and adjust the premium rate of the new product. As for interest risks, the interest rates of long-term contracts were all locked-in before sales in compliance with regulation. If there is an objective gap of fluctuation between long-term interest rate and the estimated policy interest rate, and the investment income fails to reach the promised policy interest rate, the Yuanta Group will then face a problem of negative spread. Therefore, the Yuanta Group evaluates the investment income in various committees on a regular basis to further evaluate investment portfolio. The Yuanta Group shall review investment allocation, insurance combination and (or) preset interest rates to mitigate risks of negative spread if there is obvious adverse development in the problem of negative spread.

(b) Variable life insurance

The main risk of variable life insurance mainly comprises of death rate. Explanation of death rate risks shall be the same as the life insurance.

(c) Accident insurance and health insurance

The main risks of accident insurance and health insurance comprise of the occurrence

of the accident rate and the morbidity rate. The Yuanta Group tracks loss rate of each insurance type, assesses the premium rate of main insurance products on the market, and makes related statistical measurement of occurrence of the accident rate and the morbidity rate, such as cash flow test and experience test in order to evaluate the impact toward the overall operation or the extent of negative impact arising accordingly, and to further determine whether or not to cease the sale of the product and adjust the premium rate of the new product. The Yuanta Group also arranges reinsurance ceded to mitigate overall potential risk of loss from claims in the future.

I. Management of insurance risk

i. Risk management of policy underwriting

Underwriting risk refers to the risk of unexpected losses arising from soliciting insurance policies, assessing policy underwritings and related expenses etc. In accordance with “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises”, the Yuanta Group has established an appropriate risk management mechanism, which includes the establishment of policy underwriting systems and procedures, the establishment of policy underwriting manuals and standards, and the establishment of policy underwriting risk management indicators, as well as their faithful implementation, in order to regulate the underwriting limit of policy underwriters and control the accuracy and timeliness of policy underwritings.

ii. Risk management of payment of claims

Risk arising from payment of claims refers to the risk of unexpected losses arising from improper assessment of claims or negligence when handling policy claims. In accordance with “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises”, the Yuanta Group has established an appropriate risk management mechanism, which includes the establishment of policy underwriting systems and procedures, the establishment of policy underwriting manuals and standards, and the establishment of policy underwriting risk management indicators, as well as their faithful implementation, in order to regulate the underwriting limit of policy underwriters and control the accuracy, timeliness, policy claim rate and rate of actual policy payments of policy claims.

iii. Risk of product designing and pricing

Risk of product designing and pricing refers to risks arising from the improper or inconsistent design of a product’s content, stipulated terms or cited fees, or unexpected changes etc. The Yuanta Group has established related operation procedures pursuant to “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises”, regulating the operation procedures in each developing phase of an insurance product and controlling product designing and pricing by putting in place quantitative mechanisms such as probability testing.

b. Insurance risk concentration

The insurances covered by the Yuanta Group are distributed over the country and have no specific concentration over any specific location, target client, age group, or type of occupation. Reinsurance arrangement is still made after assessment in order to mitigate

the covered insurance risks and avoid the overall cumulative risks exceeding the Yuanta Group's risk capacity. Additionally, through catastrophe reinsurance, the Yuanta Group transfers concentrated risks to highly secure reinsurance companies to further mitigate the risks of large claims and catastrophe claims.

c. Liability adequacy test

According to the relevant insurance regulation, the assumption factors adopted have been locked-in during pricing. However, the assumption may vary from the actual experience as time goes by. Pursuant to IFRS 4, 'Insurance contracts', the Yuanta Group should perform liability adequacy test accordingly to determine whether or not the recognised insurance liability is adequate. In respect of overall insurance contracts of the Yuanta Group as of June 30, 2018, December 31, 2017 and June 30, 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:

	June 30, 2018	December 31, 2017	June 30, 2017
Less than 1 year	(\$ 26,891,877)	(\$ 23,176,211)	(\$ 23,928,268)
1 ~5 years	(7,202,841)	(15,764,816)	(30,949,679)
5 ~15 years	79,127,201	78,131,729	79,100,148
More than 15 years	464,022,047	440,488,107	414,698,720
Total	<u>\$ 509,054,530</u>	<u>\$ 479,678,809</u>	<u>\$ 438,920,921</u>

The Yuanta Group has insurance contracts that are classified as investment-linked product liabilities. However, such liabilities are repaid based on investment-linked product assets. Therefore, the Yuanta Group has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

(c) Market risk

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations, the Yuanta Group calculates and sets aside statutory reserves in accordance with assumed interest rate and incidence rate regulated by the supervisors. As the assumed interest rate is pre-determined as at policy issuance, the statutory reserves will not change with market interest rate fluctuations. The regulator will regularly review the discount rate assumption, which however may not necessarily correspond to the market risk factors (e.g. market interest rate) in terms of time, amount, or direction, and it is only applicable to the new policies. Therefore, the impact of probable changes in market risks on the statutory reserves of the Yuanta Group’s in-force insurance policies is negligible. In case the regulator changes the discount rate assumption, its impact on profit/loss or equity will vary depending on the range of the change and the Yuanta Group’s overall product mix. Furthermore, reasonable and probable variations in market risks may affect the liability adequacy test, which requires the future cash flows for insurance contracts and financial instruments with discretionary participation features to be estimated based on the current information as at the balance sheet date to assess whether recognised insurance liabilities are adequate. Please refer to the liability adequacy test for the impact of market risk variables on the current liability adequacy of the Yuanta Group.

(4) Capital adequacy ratio:

Expressed In Thousands of NTD

June 30, 2018			
	Financial Holding Company		
	<u>Shareholding Ratio</u>	<u>Eligible capital</u>	<u>Minimum capital</u>
Financial holding company	-	\$ 210,806,834	\$ 239,197,940
Bank subsidiaries	100.00%	125,877,960	84,688,689
Securities and securities finance subsidiaries	100.00%	50,400,555	21,418,153
Futures subsidiaries	68.65%	5,198,630	2,893,166
Insurances subsidiaries	100.00%	10,647,067	5,944,120
Venture capital subsidiaries	100.00%	2,510,953	1,244,387
Securities investment trust subsidiaries	72.20%	2,662,785	1,576,449
Other subsidiaries	100.00%	1,941,380	1,773,187
Deduction item		(251,706,584)	(235,388,822)
Subtotal		<u>\$ 158,339,580</u>	<u>\$ 123,347,269</u>
Capital adequacy ratio of the Consolidated Company		128.37%	

Expressed In Thousands of NTD

June 30, 2017			
	Financial Holding Company		
	<u>Shareholding Ratio</u>	<u>Eligible capital</u>	<u>Minimum capital</u>
Financial holding company	-	\$ 203,004,450	\$ 236,512,785
Bank subsidiaries	100.00%	126,206,488	85,718,886
Securities and securities finance subsidiaries	100.00%	48,794,941	20,025,750
Futures subsidiaries	68.65%	4,776,501	2,477,983
Insurances subsidiaries	100.00%	9,828,884	4,745,222
Venture capital subsidiaries	100.00%	2,184,356	1,234,421
Securities investment trust subsidiaries	72.20%	2,583,230	1,517,215
Other subsidiaries	100.00%	2,550,913	1,701,525
Deduction item		(250,908,794)	(232,410,234)
Subtotal		<u>\$ 149,020,969</u>	<u>\$ 121,523,553</u>
Capital adequacy ratio of the Consolidated Company		122.63%	

As of June 30, 2018, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 118,202,325
Additional paid-in capital	37,710,996
Legal reserve	10,721,262
Special reserve	6,549,234
Accumulated earnings	35,236,348
Other equity	4,541,001
Less: goodwill and other intangible assets	(3,646)
Less: deferred assets	(34,079)
Less: treasury stocks	(2,116,607)
Total net eligible capital	<u>\$ 210,806,834</u>

As of June 30, 2017, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 119,986,478
Additional paid-in capital	37,961,447
Legal reserve	9,100,767
Special reserve	6,549,234
Accumulated earnings	26,256,956
Other equity	4,678,250
Less: goodwill and other intangible assets	(5,032)
Less: deferred assets	(25,047)
Less: treasury stocks	(1,498,603)
Total net eligible capital	<u>\$ 203,004,450</u>

(BLANK)

- (5) In accordance with Article 46 of the Financial Holding Company Act, the following table represents the Company and its subsidiaries' provision of business credit or endorsements to, or other transactions with, the same individual, the same related party, or the same affiliated company.

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2018		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same individual:		
Central Government, R.O.C	\$ 138,217	65.55
Central Bank, R.O.C	99,050	46.98
Hon Hai Precision Ind. Co., Ltd.	17,745	8.42
Cathay Financial Holding Co., Ltd.	12,874	6.11
Taiwan Mobile Co., Ltd.	11,133	5.28
Taiwan Semiconductor Manufacturing Co., Ltd.	11,027	5.23
Far Eastern New Century Corporation	10,249	4.86
Allianz Global Investors GmbH	9,434	4.47
Chailease Finance Co., Ltd.	8,846	4.20
Formosa Plastics Corporation	7,887	3.74
Cpc Corporation , Taiwan	7,851	3.72
HSBC Bank (Taiwan) Limited	7,517	3.57
Taiwan Power Company	6,989	3.31
CTBC Financial Holding Co., Ltd.	6,810	3.23
Highwealth Construction	6,609	3.13
Yang Ming Marine Transport Corporation	6,430	3.05
China Steel Corporation	6,381	3.03
Cheng Shin Rubber Ind., Co., Ltd.	6,218	2.95
Nan Ya Plastics Corporation	6,186	2.93
Dragon Steel Corporation	5,981	2.84
Fubon Financial Holding Co., Ltd.	5,846	2.77
China Airlines Ltd.	5,384	2.55
Yuan Ding Investment Corp.	5,285	2.51
Far Eastone Telecommunications Co., Ltd.	5,277	2.50
Radium Life Tech Co., Ltd.	5,202	2.47
JPMorgan Asset Management	4,891	2.32
Taiwan Depository & Clearing Corporation	4,876	2.31
Micron Technology, Inc.	4,867	2.31
Shou He Co., Ltd.	4,745	2.25
Formosa Group (Cayman) Limited	4,709	2.23
GOLDMAN SACHS GROUP INC	4,568	2.17
Asia Cement Corporation	4,340	2.06
Shin Kong Financial Holding Co.,Ltd.	4,251	2.02
Taiwan Futures Exchange	4,182	1.98
Nomura Securities Investment Trust Co., Ltd.	4,054	1.92

(Expressed In Millions of New Taiwan Dollars)

Name	June 30, 2018	
	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
The Export-Import Bank of the Republic of China	\$ 4,001	1.90
Fina Finance & Trading Co., Ltd.	3,996	1.90
Formosa Chemicals & Fibre Corp.	3,730	1.77
EVA Air	3,709	1.76
FIL Securities Investment Trust Co., Ltd.	3,582	1.70
China Development Financial Holding Corporation	3,552	1.68
USI Corporation	3,524	1.67
Chang Chun Petrochemical Co., Ltd.	3,503	1.66
Wavely Logistics Limited., Taiwan Branch	3,500	1.66
Rich Development Co.,Ltd.	3,227	1.53
Uni-President Enterprises Corp.	3,141	1.49
Evergreen Marine Corporation	3,115	1.48
JPMORGAN CHASE & CO	3,026	1.44
Sunny Commercial Bank	3,000	1.42
	514,517	244.03
Mr. Wu and its related parties	11,177	5.30
Mr. Fang and its related parties	11,037	5.23
Mr. Lin and its related parties	9,131	4.33
Mr. Cheng and its related parties	6,796	3.22
Mr. Chen and its related parties	6,568	3.11
Mr. Ding and its related parties	6,112	2.90
Mr. Lin and its related parties	5,562	2.64
Mr. Chung and its related parties	5,212	2.47
Mr. Lin and its related parties	5,064	2.40
Mr. Huang and its related parties	4,316	2.05
Mr. He and its related parties	4,224	2.00
Mr. Chang and its related parties	3,915	1.86
Mr. Chen and its related parties	3,828	1.82
Mr. Song and its related parties	3,748	1.78
Mr. Wei and its related parties	3,747	1.78
Mr. Chang and its related parties	3,605	1.71
Mr. Kuo and its related parties	3,509	1.66
Mr. Chang and its related parties	3,400	1.61
Mr. Chen and its related parties	3,119	1.48
Mr. Yeh and its related parties	3,069	1.46
Mr. Yang and its related parties	3,056	1.45
Mr. Yang and its related parties	3,028	1.44
Mr. Yang and its related parties	3,028	1.44
	116,251	55.14

(Expressed In Millions of New Taiwan Dollars)

Name	June 30, 2018	
	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Formosa Plastic Group	\$ 27,023	12.82
Far Eastern Group	26,479	12.56
Cathay Holdings Group	21,243	10.07
Foxconn Technology Group	21,222	10.06
Fubon Group	19,852	9.41
Chailease Group	13,899	6.59
China Steel Corporation Group	13,011	6.17
Taiwan Semiconductor Group	11,091	5.26
CTBC Group	10,078	4.78
Evergreen Group	7,689	3.65
Shin Kong Group	7,091	3.36
Cheng Shin Group	6,828	3.24
Yang Ming Marine Transport Group	6,746	3.20
Highwealth Group	6,689	3.17
China Development Group	6,363	3.02
Yong Feng Yu Group	5,961	2.83
Yulon Group	5,831	2.77
Indonesia Sinar Mas Group	5,538	2.63
China Airlines Group	5,502	2.61
Radium Life Tech Group	5,498	2.61
Chang Chun Group	5,003	2.37
Mega Holdings Group	4,996	2.37
Taiwan Cement Group	4,428	2.10
USI Group	4,030	1.91
ASE Group	3,921	1.86
Supreme Electronics Group	3,727	1.77
Uni-President Enterprises Group	3,709	1.76
Hotai Group	3,636	1.72
Hua Nan Financial Holding Group	3,440	1.63
Lealea Group	3,409	1.62
Wistron Group	3,401	1.61
	277,334	131.53
	\$ 908,102	430.70

(BLANK)

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2017		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same individual:		
Central Government, R.O.C	\$ 122,829	60.50
Central Bank, R.O.C	120,935	59.56
Taiwan Power Company	19,730	9.72
Hon Hai Precision Ind. Co., Ltd.	16,855	8.30
Cpc Corporation , Taiwan	15,383	7.58
Taiwan Semiconductor Manufacturing Co., Ltd.	14,682	7.23
China Steel Corporation	8,267	4.07
Fubon Financial Holding Co., Ltd.	7,473	3.68
Nan Ya Plastics Corporation	7,164	3.53
Taiwan Mobile Co., Ltd.	7,037	3.47
Far Eastern New Century Corporation	6,979	3.44
Cheng Shin Rubber Ind., Co., Ltd.	6,715	3.31
Micron Technology, Inc.	6,500	3.20
Dragon Steel Corporation	6,356	3.13
Radium Life Tech Co., Ltd.	6,043	2.98
Chailease Finance Co., Ltd.	5,884	2.90
Cathay Financial Holding Co., Ltd.	5,789	2.85
Allianz Global Investors GmbH	5,587	2.75
International Bills Finance Corporation	5,146	2.53
China Airlines Ltd.	4,988	2.46
Taiwan Railways Administration, MOTC	4,767	2.35
CTBC Financial Holding Co., Ltd.	4,638	2.28
Yuan Ding Investment Corp.	4,373	2.15
Shin Kong Financial Holding Co.,Ltd.	4,340	2.14
Taiwan Depository & Clearing Corporation	4,050	1.99
Formosa Plastics Corporation	3,811	1.88
Far Eastone Telecommunications Co., Ltd.	3,722	1.83
MasterLink Securities Corp.	3,647	1.80
Taiwan Futures Exchange	3,547	1.75
Wavely Logistics Limited., Taiwan Branch	3,500	1.72
Ministry of Finance, R.O.C.	3,498	1.72
Yeashin Inter. Development Co., Ltd.	3,463	1.71
Formosa Chemicals & Fibre Corp.	3,461	1.70
Uni-President Enterprises Corp.	3,421	1.69
Rich Development Co.,Ltd.	3,227	1.59

(Expressed In Millions of New Taiwan Dollars)

Name	June 30, 2017	
	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
United Microelectronics Corporation	\$ 3,201	1.58
FIL Securities Investment Trust Co., Ltd.	3,093	1.52
Yang Ming Marine Transport Corporation	3,035	1.49
The Export-Import Bank of Korea	3,029	1.49
	470,165	231.57
Mr. Cheng and its related parties	14,762	7.27
Mr. Lin and its related parties	6,319	3.11
Mr. Chung and its related parties	6,054	2.98
Mr. Ding and its related parties	5,717	2.82
Mr. Lin and its related parties	5,456	2.69
Mr. Huang and its related parties	4,566	2.25
Mr. Kuo and its related parties	4,418	2.18
Mr. Yeh and its related parties	4,042	1.99
Mr. Chang and its related parties	4,013	1.98
Mr. Chang and its related parties	3,926	1.93
Mr. Chang and its related parties	3,833	1.89
Mr. Yang and its related parties	3,356	1.65
Mr. Yang and its related parties	3,335	1.64
Mr. Yang and its related parties	3,335	1.64
Mr. Yeh and its related parties	3,201	1.58
Mr. Liu and its related parties	3,175	1.56
	79,508	39.16
Far Eastern Group	19,717	9.71
Foxconn Technology Group	19,690	9.70
Formosa Plastic Group	19,654	9.68
Fubon Group	19,104	9.41
China Steel Corporation Group	15,821	7.79
Taiwan Semiconductor Group	14,707	7.24
Cathay Holdings Group	11,086	5.46
Yong Feng Yu Group	10,092	4.97
Shin Kong Group	9,439	4.65
Chalease Group	8,629	4.25
Cheng Shin Group	7,324	3.61
CTBC Group	7,117	3.50
Radium Life Tech Group	6,248	3.08
Waterland Holdings Group	5,659	2.79

(Expressed In Millions of New Taiwan Dollars)

Name	June 30, 2017	
	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
China Airlines Group	\$ 5,105	2.51
Uni-President Enterprises Group	4,928	2.43
Evergreen Group	4,817	2.37
Lealea Group	4,325	2.13
UMC Group	4,298	2.12
YeaShin Group	4,148	2.04
Supreme Electronics Group	4,085	2.01
WPG Holdings Group	3,915	1.93
Mega Holdings Group	3,832	1.89
China Development Group	3,778	1.86
ASE Group	3,584	1.76
BenQ Group	3,413	1.68
Yang Ming Marine Transport Group	3,381	1.67
TaiShin Holdings Group	3,085	1.52
	230,981	113.76
	<u>\$ 780,654</u>	<u>384.49</u>

(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 six months ended June 30, 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)	\$ 7,126,989	\$ 2,058,748	\$ 193,387	\$ 358,303	\$ 3,233,342	(\$ 151,511)	\$ 12,819,258
Net non-interest income (loss)	<u>4,512,470</u>	<u>17,808,378</u>	<u>1,033,134</u>	<u>(72,455)</u>	<u>12,392,273</u>	<u>1,514,061</u>	<u>37,187,861</u>
Net profit	11,639,459	19,867,126	1,226,521	285,848	15,625,615	1,362,550	50,007,119
Bad debt recovery (expenses) and reserve for guarantee liabilities	(398,981)	(212,755)	(103,685)	(9,978)	1,218	-	(724,181)
Net change in provisions for insurance liabilities	-	-	-	-	(13,545,542)	-	(13,545,542)
Operating expenses	<u>(5,567,502)</u>	<u>(12,501,022)</u>	<u>(566,114)</u>	<u>(72,730)</u>	<u>(784,986)</u>	<u>(1,199,101)</u>	<u>(20,691,455)</u>
Net income from continuing operations before income tax	5,672,976	7,153,349	556,722	203,140	1,296,305	163,449	15,045,941
Income tax (expense) benefits	<u>(755,392)</u>	<u>(1,013,746)</u>	<u>(129,737)</u>	<u>(34,839)</u>	<u>16,651</u>	<u>(894,399)</u>	<u>(2,811,462)</u>
Consolidated income (loss), net of tax	<u>\$ 4,917,584</u>	<u>\$ 6,139,603</u>	<u>\$ 426,985</u>	<u>\$ 168,301</u>	<u>\$ 1,312,956</u>	<u>(\$ 730,950)</u>	<u>\$ 12,234,479</u>

Information by business segments for the six months ended June 30, 2017 is as follows:

Item	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income (loss)	\$ 7,327,177	\$ 1,020,527	\$ 135,615	\$ 281,975	\$ 2,459,922	(\$ 210,902)	\$ 11,014,314
Net non-interest income (loss)	<u>3,572,728</u>	<u>12,313,235</u>	<u>603,584</u>	<u>(14,885)</u>	<u>9,998,460</u>	<u>1,118,202</u>	<u>27,591,324</u>
Net profit	10,899,905	13,333,762	739,199	267,090	12,458,382	907,300	38,605,638
Bad debt expenses and reserve for guarantee liabilities	(171,998)	(405,387)	-	(799)	(657)	-	(578,841)
Net change in provisions for insurance liabilities	-	-	-	-	(11,359,683)	-	(11,359,683)
Operating expenses	<u>(5,794,790)</u>	<u>(9,860,370)</u>	<u>(447,191)</u>	<u>(73,746)</u>	<u>(552,699)</u>	<u>(1,049,678)</u>	<u>(17,778,474)</u>
Net income (loss) from continuing operations before income tax	4,933,117	3,068,005	292,008	192,545	545,343	(142,378)	8,888,640
Income tax (expense) benefits	<u>(441,459)</u>	<u>(323,773)</u>	<u>(67,770)</u>	<u>(25,542)</u>	<u>130,609</u>	<u>(643,639)</u>	<u>(1,371,574)</u>
Loss from discontinued operations, net of tax	<u>(206,787)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206,787)</u>
Consolidated income (loss), net of tax	<u>\$ 4,284,871</u>	<u>\$ 2,744,232</u>	<u>\$ 224,238</u>	<u>\$ 167,003</u>	<u>\$ 675,952</u>	<u>(\$ 786,017)</u>	<u>\$ 7,310,279</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
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Cash and cash equivalents	\$ 12,847,039	\$ 2,374,907	Commercial paper payable - net	\$ 9,417,322	\$ -
Financial assets at fair value through profit or loss	-	4,057,600	Payables	11,330,158	10,017,499
Available-for-sale financial assets - net	-	17,892	Current income tax liabilities	3,339,835	3,306,062
Financial assets at fair value through other comprehensive income	21,541	-	Bonds payable	16,750,000	19,750,000
Investments in bills and bonds under resale agreements	329,770	710,450	Other loans	1,000,000	-
Receivables - net	3,753,739	2,276,890	Preferred stock liabilities	-	3,946,627
Current income tax assets	317,614	484,473	Liabilities reserve	38,430	35,064
Equity investments accounted for under the equity method - net	235,388,822	230,100,100	Other liabilities	9,784	22,913
Property and equipment - net	22,735	26,572	Total liabilities	41,885,529	37,078,165
Intangible assets - net	3,646	5,032	Equity		
Deferred income tax assets	34,079	25,047	Common stock	118,202,325	119,986,478
Other assets - net	11,103	33,731	Additional paid-in capital	37,710,996	37,961,447
			Retained earnings		
			Legal reserve	10,721,262	9,100,767
			Special reserve	6,549,234	6,549,234
			Undistributed earnings	35,236,348	26,256,956
			Other equity	4,541,001	4,678,250
			Treasury shares	(2,116,607)	(1,498,603)
			Total equity	210,844,559	203,034,529
Total assets	\$ 252,730,088	\$ 240,112,694	Total liabilities and equity	\$ 252,730,088	\$ 240,112,694

Yuanta Financial Holding Co., Ltd.
Individual Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the six months ended June 30,	
	2018	2017
Revenues		
Share of the profit or loss of the subsidiaries, associates and joint ventures accounted for using the equity method	\$ 12,362,075	\$ 7,845,444
Gain on financial (liabilities) assets at fair value through profit or loss	-	57,410
Other revenues	80,500	79,857
	<u>12,442,575</u>	<u>7,982,711</u>
Expenses and losses		
Operating expenses	(391,236)	(235,887)
Other expenses and losses	(101,572)	(397,846)
	<u>(492,808)</u>	<u>(633,733)</u>
Income from continuing operations before income tax	11,949,767	7,348,978
Income tax benefit	(775,438)	(498,818)
Net income	<u>11,174,329</u>	<u>6,850,160</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	2,276	-
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	1,608,526	(21,902)
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	-	910
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	(3,883,957)	155,970
Other comprehensive loss	<u>(2,273,155)</u>	<u>134,978</u>
Total comprehensive income	<u>\$ 8,901,174</u>	<u>\$ 6,985,138</u>
Earnings per share (in dollars)		
Basic and diluted earnings per share	<u>\$ 0.95</u>	<u>\$ 0.58</u>

Yuanta Financial Holding Co., Ltd.
Individual Statement of Change in Equity
For the six months ended June 30, 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
<u>For the six months ended June 30, 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)	\$ 201,409,875
Appropriation of 2016 earnings:													
Legal reserve	-	-	1,341,410	-	(1,341,410)	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(5,365,642)	-	-	-	-	-	-	-	(5,365,642)
Consolidate net income for the period	-	-	-	-	6,850,160	-	-	-	-	-	-	-	6,850,160
Other comprehensive income (loss) for the period	-	-	-	-	(18,984)	(1,147,569)	-	1,304,279	170	(2,918)	-	-	134,978
Total comprehensive income (loss) for the period	-	-	-	-	6,831,176	(1,147,569)	-	1,304,279	170	(2,918)	-	-	6,985,138
Changes in ownership interest in subsidiaries	-	5,158	-	-	-	-	-	-	-	-	-	-	5,158
Balance, June 30, 2017	<u>\$ 119,986,478</u>	<u>\$ 37,961,447</u>	<u>\$ 9,100,767</u>	<u>\$ 6,549,234</u>	<u>\$ 26,256,956</u>	<u>(\$ 3,232,597)</u>	<u>\$ -</u>	<u>\$ 7,912,454</u>	<u>\$ 1,772</u>	<u>(\$ 3,379)</u>	<u>\$ -</u>	<u>(\$ 1,498,603)</u>	<u>\$ 203,034,529</u>
<u>For the six months ended June 30, 2018</u>													
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,693	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ -	\$ 7,085,896	\$ -	(\$ 3,478)	\$ -	(\$ 1,136,953)	\$ 211,195,753
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	8,821,188	(7,085,896)	-	62,367	389,832	-	(840,831)
Equity at beginning of period after adjustments	118,891,975	37,960,693	9,100,767	6,549,234	32,247,259	(2,527,962)	8,821,188	-	-	58,889	389,832	(1,136,953)	210,354,922
Appropriation of 2017 earnings:													
Legal reserve	-	-	1,620,495	-	(1,620,495)	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	-	(6,492,536)
Consolidate net income for the period	-	-	-	-	11,174,329	-	-	-	-	-	-	-	11,174,329
Other comprehensive income (loss) for the period	-	-	-	-	32,356	(231,504)	(1,682,647)	-	-	(846)	(390,514)	-	(2,273,155)
Total comprehensive income (loss) for the period	-	-	-	-	11,206,685	(231,504)	(1,682,647)	-	-	(846)	(390,514)	-	8,901,174
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	-	(1,919,001)	(1,919,001)
Retirement of treasury share	(689,650)	(249,697)	-	-	-	-	-	-	-	-	-	939,347	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(104,565)	-	104,565	-	-	-	-	-	-
Balance, June 30, 2018	<u>\$ 118,202,325</u>	<u>\$ 37,710,996</u>	<u>\$ 10,721,262</u>	<u>\$ 6,549,234</u>	<u>\$ 35,236,348</u>	<u>(\$ 2,759,466)</u>	<u>\$ 7,243,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,043</u>	<u>(\$ 682)</u>	<u>(\$ 2,116,607)</u>	<u>\$ 210,844,559</u>

Yuanta Financial Holding Co., Ltd.
Individual Statement of Cash Flows
For the six months ended June 30, 2018 and 2017
(Expressed In Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2018	2017
<u>Cash Flows From Operating Activities</u>		
Profit before tax	\$ 11,949,767	\$ 7,348,978
Adjustment items		
Adjustments to reconcile profit or loss		
Depreciation	4,241	4,223
Amortization	915	1,034
Gain on financial assets and financial liabilities at fair value through profit or loss	- (	28,405)
Interest expense	101,505	225,753
Interest income	(28,230)	(79,814)
Dividend income	- (	29,005)
Share of the profit or loss of the subsidiaries, associates and joint ventures accounted for using the equity method	(12,362,075)	(7,845,444)
Gain on sale of property and equipment	(465)	-
Change in assets/liabilities relating to operating activities		
Decrease in receivables	10,981	1,096,520
Increase in other assets	(5,229)	(13,232)
Decrease in payables	(49,673)	(367,462)
Increase (decrease) in liabilities reserve	227	(313)
Increase in other liabilities	988	3,273
Interest received	24,657	115,714
Cash dividend received	12,597,070	9,760,115
Cash paid for interest	(146,943)	(143,699)
Income tax paid	(1,695,722)	(715,266)
Net cash provided by operating activities	10,402,014	9,332,970
<u>Cash Flows From Investing Activities</u>		
Increase in equity investments accounted for under the equity method	- (	4,000,000)
Cash refund proceeds from share of capital reduction of investee company accounted for under the equity method	-	200,000
Acquisition of property and equipment	(568)	(933)
Proceeds from disposal of property and equipment	465	-
Net cash used in investing activities	(103)	(3,800,933)
<u>Cash Flows From Financing Activities</u>		
Increase (decrease) in commercial paper payable	4,327,000	(3,952,000)
Proceeds from issuing bonds	(3,000,000)	-
Increase (decrease) in other borrowings	1,000,000	(1,000,000)
Purchase of treasury share	(1,919,001)	-
Net cash provided by (used in) financing activities	407,999	(4,952,000)
Net decrease in cash and cash equivalents	10,809,910	580,037
Cash and cash equivalents at beginning of period	2,366,899	2,505,320
Cash and cash equivalents at end of period	<u>\$ 13,176,809</u>	<u>\$ 3,085,357</u>
The components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheet	\$ 12,847,039	\$ 2,374,907
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	329,770	710,450
Cash and cash equivalents at end of reporting period	<u>\$ 13,176,809</u>	<u>\$ 3,085,357</u>

B. Yuanta Commercial Bank

Yuanta Commercial Bank
Individual Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	(Restated)		LIABILITIES AND EQUITY	(Restated)	
	June 30, 2018	June 30, 2017		June 30, 2018	June 30, 2017
Cash and cash equivalents	\$ 12,300,020	\$ 23,164,656	Due to Central Bank and other banks	\$ 25,545,134	\$ 29,007,965
Due from Central Bank and call loans to other banks	46,350,755	50,569,243	Financial liabilities at fair value through profit or loss	8,146,110	7,765,988
Financial assets at fair value through profit or loss	158,641,331	121,877,990	Bills and bonds sold under repurchase agreements	13,074,835	3,312,402
Financial assets at fair value through other comprehensive income	127,384,177	-	Payables	18,705,349	27,752,798
Investments in debt instruments at amortised cost — net	170,256,285	-	Current income tax liabilities	805,412	489,927
Securities purchased under resell agreements	7,197,900	8,269,475	Deposits and remittances	1,066,368,844	1,107,311,708
Receivables- net	32,270,273	40,477,418	Financial debentures payable	41,050,000	43,500,000
Current income tax assets	2,425,746	2,464,612	Preferred stock liabilities	-	3,902,663
Assets classified as held for sale - net	-	1,475,643	Other financial liabilities	13,256,537	16,660,831
Bills discounted and loans- net	708,686,646	751,476,400	Liabilities reserve	1,883,623	2,420,553
Available-for-sale financial assets- net	-	253,986,239	Deferred income tax liabilities	415,923	139,116
Held-to-maturity financial assets- net	-	17,671,275	Other liabilities	1,559,061	2,057,312
Equity investments accounted for under the equity method- net	5,088,911	4,801,109	Total liabilities	1,190,810,828	1,244,321,263
Other financial assets- net	3,625	47,332,435	Common stocks	73,940,390	41,521,815
Property and equipment- net	12,931,557	12,542,520	Reserve for capitalization	-	1,131,030
Investment property- net	1,029,011	1,180,376	Additional paid-in capital	25,960,441	6,038,882
Intangible assets- net	12,334,962	12,573,644	Retained earnings	11,321,400	10,592,278
Deferred income tax assets	384,467	947,041	Other equity	900,033	(362,766)
Other assets - net	5,647,426	3,346,071	Equity attributable to former owner of business combination under common control	-	50,913,645
Total assets	\$ 1,302,933,092	\$ 1,354,156,147	Total equity	112,122,264	109,834,884
			Total liabilities and equity	\$ 1,302,933,092	\$ 1,354,156,147

Yuanta Commercial Bank
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the six months ended June 30,			
			(Restated)	
	2018		2017	
	Amount	%	Amount	%
Interest income	\$ 10,976,716	100	\$ 11,087,774	100
Less: Interest expense	(4,242,807)	(39)	(3,998,008)	(36)
Net interest income	6,733,909	61	7,089,766	64
Net non-interest income	4,903,634	45	3,728,215	34
Net profit	11,637,543	106	10,817,981	98
Provision for bad debt expenses and guarantee policy reserve	(374,470)	(3)	(97,494)	(1)
Operating expenses	(5,482,280)	(50)	(5,869,920)	(53)
Income from continuing operations before income tax	5,780,793	53	4,850,567	44
Income tax expense	(749,033)	(7)	(438,632)	(4)
Loss from discontinued operations	-	-	(176,901)	(2)
Net income	5,031,760	46	4,235,034	38
Other comprehensive (loss) income (net of tax)	(925,637)	(9)	373,777	4
Total comprehensive income	<u>\$ 4,106,123</u>	<u>37</u>	<u>\$ 4,608,811</u>	<u>42</u>
Basic and diluted earnings per share				
Profit attributable to the parent	<u>\$ 0.68</u>		<u>\$ 0.43</u>	
Income from continuing operations, attributable to former owner of business combination under common control	\$ -		\$ 0.16	
Loss from discontinued operations, attributable to former owner of business combination under common control	-		(0.02)	
Income, attributable to former owner of business combination under common	<u>\$ -</u>		<u>\$ 0.14</u>	
Basic and diluted earnings per share	<u>\$ 0.68</u>		<u>\$ 0.57</u>	

C. Yuanta Securities

Yuanta Securities
Individual Condensed Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Current assets	\$ 292,452,934	\$ 259,575,294	Current liabilities	\$ 255,511,904	\$ 221,598,600
Financial assets at fair value through profit or loss	-	50,638	Deferred income tax liabilities	2,451,219	1,896,941
Financial assets at fair value through other comprehensive income	5,080,953	-	Other non-current liabilities	1,883,231	1,425,768
Available-for-sale financial assets	-	3,284,820	Total liabilities	259,846,354	224,921,309
Held-to-maturity financial assets	-	797,717			
Equity investments accounted for under the equity method	31,524,107	26,162,361			
Property and equipment	4,549,022	4,727,324	Common stocks	54,056,442	55,172,835
Investment property	2,841,929	2,678,363	Additional paid-in capital	1,790,174	2,113,301
Intangible assets	11,895,800	12,316,107	Retained earnings	34,988,697	29,934,704
Deferred income tax assets	764,205	466,971	Other equity	110,062	(396,509)
Other non-current assets	1,682,779	1,686,045	Total equity	90,945,375	86,824,331
Total assets	<u>\$ 350,791,729</u>	<u>\$ 311,745,640</u>	Total liabilities and equity	<u>\$ 350,791,729</u>	<u>\$ 311,745,640</u>

Yuanta Securities
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Revenues	\$ 11,660,795	100	\$ 7,845,692	100
Service fee expense	(383,647)	(3)	(257,901)	(3)
Employee benefit expense	(3,587,317)	(31)	(2,748,289)	(35)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	1,299,626	11	409,778	5
Operating expenses	(2,705,375)	(23)	(2,221,771)	(28)
Income from continuing operations before income tax	6,284,082	54	3,027,509	39
Income tax expense	(821,851)	(7)	(293,983)	(4)
Net income	5,462,231	47	2,733,526	35
Other comprehensive loss (net of tax)	(111,852)	(1)	(705,062)	(9)
Total comprehensive income	<u>\$ 5,350,379</u>	<u>46</u>	<u>\$ 2,028,464</u>	<u>26</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 1.01</u>		<u>\$ 0.50</u>	

D. Yuanta Futures

Yuanta Futures
Individual Condensed Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Current assets	\$ 55,824,955	\$ 54,668,611	Current liabilities	\$ 51,713,841	\$ 50,806,959
Financial assets at fair value through other comprehensive income	1,289,246	-	Non-current liabilities	70,498	74,628
Available-for-sale financial assets	-	1,224,234	Total liabilities	51,784,339	50,881,587
Equity investments accounted for under the equity method	995,007	752,270	Common stocks	2,322,763	2,322,763
Property and equipment	541,335	525,014	Additional paid-in capital	940,976	940,976
Intangible assets	36,616	27,006	Retained earnings	3,287,567	2,762,758
Deferred income tax assets	13,281	5,851	Other equity	1,021,353	931,261
Other non-current assets	656,558	636,359	Total equity	7,572,659	6,957,758
Total assets	<u>\$ 59,356,998</u>	<u>\$ 57,839,345</u>	Total liabilities and equity	<u>\$ 59,356,998</u>	<u>\$ 57,839,345</u>

Yuanta Futures
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 1,703,228	100	\$ 1,305,598	100
Service fee expense	(297,359)	(17)	(232,427)	(18)
Employee benefit expense	(278,520)	(16)	(227,065)	(18)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(8,948)	-	(16,485)	(1)
Operating expenses	(556,062)	(34)	(417,078)	(31)
Income from continuing operations before income tax	562,339	33	412,543	32
Income tax expense	(129,737)	(8)	(67,770)	(5)
Net income	432,602	25	344,773	27
Other comprehensive income (net of tax)	137,483	9	2,811	-
Total comprehensive income	<u>\$ 570,085</u>	<u>34</u>	<u>\$ 347,584</u>	<u>27</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 1.86</u>		<u>\$ 1.48</u>	

E. Yuanta Securities Finance

Yuanta Securities Finance
Individual Condensed Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Current assets	\$ 25,871,894	\$ 20,254,415	Current liabilities	\$ 20,414,008	\$ 15,600,679
Financial assets at fair value through other comprehensive income	3,568,850	-	Non-current liabilities	20,734	24,689
Available-for-sale financial assets	-	5,000,705	Total liabilities	20,434,742	15,625,368
Held-to-maturity financial assets	-	105,180			
Financial assets at amortised cost	103,977	-			
Property and equipment	270,763	262,730	Common stocks	4,000,000	4,000,000
Investment property	212,357	215,044	Additional paid-in capital	28,301	28,301
Intangible assets	3,173	4,393	Retained earnings	2,771,592	2,211,415
Deferred income tax assets	28,646	25,123	Other equity	3,193,775	4,345,207
Other non-current assets	368,750	342,701	Total equity	9,993,668	10,584,923
Total assets	<u>\$ 30,428,410</u>	<u>\$ 26,210,291</u>	Total liabilities and equity	<u>\$ 30,428,410</u>	<u>\$ 26,210,291</u>

Yuanta Securities Finance
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 422,903	100	\$ 330,538	100
Operating costs	(140,539)	(33)	(102,468)	(31)
Operating expenses	(82,751)	(20)	(81,440)	(25)
Impairment on expected credit losses	(9,978)	(2)	-	-
Net operating profit	189,635	45	146,630	44
Non-operating revenues and expenses	8,671	2	44,377	14
Income from continuing operations before income tax	198,306	47	191,007	58
Income tax expense	(34,839)	(8)	(25,542)	(8)
Net income	163,467	39	165,465	50
Other comprehensive income (net of tax)	356,890	84	216,317	66
Total comprehensive income	<u>\$ 520,357</u>	<u>123</u>	<u>\$ 381,782</u>	<u>116</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 0.41</u>		<u>\$ 0.41</u>	

F. Yuanta Life

Yuanta Life
Individual Condensed Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Cash and cash equivalents	\$ 2,155,819	\$ 5,214,631	Payables	\$ 617,834	\$ 1,945,800
Receivables	2,456,328	2,667,066	Current tax liabilities	8,360	\$ -
Current income tax assets	1,759,437	1,823,625	Financial liabilities at fair value		
Financial assets at fair value			through profit or loss	2,239,343	298,099
through profit or loss	12,379,754	9,723,093	Insurance liabilities	197,245,218	160,787,383
Financial assets at fair value through	27,107,952	-	Foreign exchange reserve	742,491	138,351
Available-for-sale financial assets	-	31,808,580	Liabilities reserve	44,589	38,005
Financial assets at amortised cost	151,846,711	-	Deferred income tax liabilities	-	161,029
Bond investments without active market	-	10,299,669	Other liabilities	1,306,040	1,221,531
Held-to-maturity financial assets	-	102,871,659	Investment-linked insurance		
Other financial assets	1,500,000	-	products liabilities	1,925,767	1,890,144
Loans	5,813,536	5,284,207	Total liabilities	204,129,642	166,480,342
Reinsurance contract assets	393,210	464,366			
Property and equipment	4,511,296	4,288,504			
Intangible assets	70,659	66,835			
Deferred income tax assets	818,454	126,958			
Other assets	2,681,631	1,914,028	Common stocks	12,107,048	12,107,048
Investment-linked insurance			Retained earnings	(1,819,519)	(2,380,446)
products assets	1,925,767	1,890,144	Other equity	1,003,383	2,236,421
Total assets	<u>\$ 215,420,554</u>	<u>\$ 178,443,365</u>	Total equity	11,290,912	11,963,023
			Total liabilities and equity	<u>\$ 215,420,554</u>	<u>\$ 178,443,365</u>

Yuanta Life
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 19,374,142	100	\$ 15,414,612	100
Operating costs	(17,880,908)	(92)	(14,804,380)	(96)
Operating expenses	(596,509)	(3)	(599,130)	(4)
Net operating income	896,725	5	11,102	-
Non-operating revenues and expenses	(323)	-	(1,074)	-
Gain from continuing operations before income tax	896,402	5	10,028	-
Income tax benefit	16,651	-	130,609	1
Net income	913,053	5	140,637	1
Other comprehensive (loss) income (net of tax)	(1,689,302)	(9)	478,494	3
Total comprehensive (loss) income	<u>(\$ 776,249)</u>	<u>(4)</u>	<u>\$ 619,131</u>	<u>4</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 0.75</u>		<u>\$ 0.15</u>	

G. Yuanta Securities Investment Trust

Yuanta Securities Investment Trust
Individual Condensed Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Current assets	\$ 2,839,963	\$ 2,591,741	Current liabilities	\$ 377,603	\$ 334,316
Financial assets at fair value through other comprehensive income	100,953	-	Deferred income tax liabilities	249,934	225,679
Available-for-sale financial assets	-	87,189	Other non-current liabilities	51,332	64,975
Equity investments accounted for under the equity method	164,494	254,073	Total liabilities	678,869	624,970
Property and equipment	291,157	302,524	Common stocks	2,269,235	2,269,235
Intangible assets	768,551	768,551	Additional paid-in capital	179	179
Prepaid pension cost	37,377	35,776	Retained earnings	1,330,614	1,248,533
Deferred income tax assets	266	545	Other equity	88,273	60,160
Other non-current assets	164,409	162,678	Total equity	3,688,301	3,578,107
Total assets	<u>\$ 4,367,170</u>	<u>\$ 4,203,077</u>	Total liabilities and equity	<u>\$ 4,367,170</u>	<u>\$ 4,203,077</u>

Yuanta Securities Investment Trust
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 1,269,491	100	\$ 1,221,280	100
Operating expenses	(617,554)	(49)	(560,042)	(46)
Operating profits	651,937	51	661,238	54
Non-operating revenues and expenses	(29,284)	(2)	(38,256)	(3)
Income from continuing operations				
before income tax	622,653	49	622,982	51
Income tax expense	(152,368)	(12)	(113,653)	(9)
Net income	470,285	37	509,329	42
Other comprehensive income (loss)				
(net of tax)	13,083	1	(8,823)	(1)
Total comprehensive income	<u>\$ 483,368</u>	<u>38</u>	<u>\$ 500,506</u>	<u>41</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 2.07</u>		<u>\$ 2.24</u>	

H. Yuanta Asset Management

Yuanta Asset Management
Individual Condensed Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Current assets	\$ 1,911,333	\$ 1,940,619	Current liabilities	\$ 1,556,902	\$ 809,817
Financial assets at fair value through other comprehensive income	348,249	-	Non-current liabilities	6,769	4,464
Available-for-sale financial assets	-	351,800	Total liabilities	1,563,671	814,281
Property and equipment	1,617	496	Common stocks	1,000,000	1,500,000
Investment property	1,104,374	934,241	Additional paid-in capital	1,047	1,047
Intangible assets	266	-	Retained earnings	517,760	624,331
Deferred income tax assets	3,007	2,412	Other equity	287,116	290,667
Other non-current assets	748	758	Total equity	1,805,923	2,416,045
Total assets	<u>\$ 3,369,594</u>	<u>\$ 3,230,326</u>	Total liabilities and equity	<u>\$ 3,369,594</u>	<u>\$ 3,230,326</u>

Yuanta Asset Management
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 128,388	100	\$ 292,994	100
Operating expenses	(49,160)	(39)	(57,956)	(20)
Operating profits	79,228	61	235,038	80
Non-operating revenues and expenses	(5,278)	(4)	(2,440)	(1)
Income from continuing operations before income tax	73,950	57	232,598	79
Income tax expense	(14,249)	(11)	(40,568)	(14)
Net income	59,701	46	192,030	65
Other comprehensive (loss) income	(4,367)	(3)	8,579	3
Total comprehensive income	<u>\$ 55,334</u>	<u>43</u>	<u>\$ 200,609</u>	<u>68</u>

I. Yuanta Venture Capital

Yuanta Venture Capital Individual Condensed Balance Sheets June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Current assets	\$ 1,663,163	\$ 1,357,818	Current liabilities	\$ 76,619	\$ 354,028
Equity investments accounted for under the equity method	908,312	813,629	Other non-current liabilities	1,880	980
Financial assets carried at cost	-	353,834	Total liabilities	78,499	355,008
Property and equipment	3,951	3,443	Common stocks	2,460,000	2,460,000
Deferred income tax assets	13,391	10,005	Additional paid-in capital	918	918
Other non-current assets	635	635	(Accumulated deficit) retained earnings	(4,448)	4,988
			Other equity	54,483	(281,550)
			Total equity	2,510,953	2,184,356
Total assets	<u>\$ 2,589,452</u>	<u>\$ 2,539,364</u>	Total liabilities and equity	<u>\$ 2,589,452</u>	<u>\$ 2,539,364</u>

Yuanta Venture Capital
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 187,342	100	(\$ 39,032)	(100)
Operating expenses	(45,940)	(24)	(18,164)	(46)
Operating profits	141,402	76	(57,196)	(146)
Non-operating revenues and expenses	(144)	-	(110,293)	(283)
Income (loss) from continuing operations before income tax	141,258	76	(167,489)	(429)
Income tax benefit	32,279	17	9,997	26
Net income (loss)	173,537	93	(157,492)	(403)
Other comprehensive loss (net of tax)	(4,989)	(3)	(79,203)	(203)
Total comprehensive income (loss)	<u>\$ 168,548</u>	<u>90</u>	<u>(\$ 236,695)</u>	<u>(606)</u>

J. Yuanta Securities Investment Consulting

Yuanta Securities Investment Consulting
Individual Condensed Balance Sheets
June 30, 2018 and 2017

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	June 30, 2017
Current assets	\$ 191,518	\$ 185,034	Current liabilities	\$ 60,445	\$ 58,989
Property and equipment	2,581	4,489	Non-current liabilities	9,976	7,875
Intangible assets	546	805	Total liabilities	70,421	66,864
Deferred income tax assets	4,769	4,360	Common stocks	100,000	100,000
Other non-current assets	6,464	7,044	Additional paid-in capital	6,017	6,017
			Retained earnings	29,440	28,851
			Total equity	135,457	134,868
Total assets	<u>\$ 205,878</u>	<u>\$ 201,732</u>	Total liabilities and equity	<u>\$ 205,878</u>	<u>\$ 201,732</u>

Yuanta Securities Investment Consulting
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Item	For the six months ended June 30,			
	2018		2017	
	Amount	%	Amount	%
Operating revenues	\$ 102,186	100	\$ 103,735	100
Operating costs	(668)	(1)	(663)	(1)
Operating expenses	(102,536)	(100)	(103,599)	(100)
Operating loss	(1,018)	(1)	(527)	(1)
Non-operating revenues and expenses	862	1	679	1
(Loss) income from continuing operations before income tax	(156)	-	152	-
Income tax benefit (expense)	777	1	(118)	-
Net income	621	1	34	-
Total comprehensive income	\$ 621	1	\$ 34	-

(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 six months ended June 30,	
		2018	2017
Return on total assets	Before tax	4.81	3.07
	After tax	4.50	2.86
Return on equity	Before tax	5.67	3.63
	After tax	5.31	3.39
Net profit margin ratio		90.55	90.31

(B) Yuanta Financial Holdings and its subsidiaries

		For the six months ended June 30,	
		2018	2017
Return on total assets	Before tax	0.66	0.40
	After tax	0.53	0.33
Return on equity	Before tax	6.61	4.04
	After tax	5.37	3.32
Net profit margin ratio		24.47	18.94

(C) Yuanta Bank

		For the six months ended June 30,	
		2018	2017 (Note 6)
Return on total assets	Before tax	0.44	0.36
	After tax	0.39	0.31
Return on equity	Before tax	5.13	4.44
	After tax	4.47	3.88
Net profit margin ratio		43.24	39.15

(D) Yuanta Securities

		For the six months ended June 30,	
		2018	2017
Return on total assets	Before tax	1.79	1.00
	After tax	1.56	0.90
Return on equity	Before tax	6.91	3.43
	After tax	6.01	3.09
Net profit margin ratio		43.43	34.18

(E) Yuanta Life

		For the six months ended June 30,	
		2018	2017
Return on total assets	Before tax	0.43	0.01
	After tax	0.44	0.08
Return on equity	Before tax	7.68	0.10
	After tax	7.82	1.46
Net profit margin ratio		61.16	23.09

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.

Note 6: It was calculated based on the retrospectively restated net value of Yuanta Bank on June 30, 2017.

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			June 30, 2018					June 30, 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		551,534	185,394,377	0.30%	2,893,707	524.67%	839,445	193,733,984	0.43%	915,819	109.10%
	Unsecured loans		331,899	201,904,917	0.16%	4,574,503	1,378.28%	369,298	224,402,605	0.16%	4,707,695	1,274.77%
Consumer banking	Residential mortgage loans		467,345	189,377,510	0.25%	2,868,893	613.87%	523,978	198,231,517	0.26%	2,981,122	568.94%
	Cash card services		145	141,225	0.10%	2,503	1,726.21%	297	220,353	0.13%	31,551	10,623.23%
	Small amount of credit loans		84,685	11,741,814	0.72%	189,071	223.26%	71,841	14,607,836	0.49%	883,178	1,229.35%
	Others	Secured loans	324,294	141,632,696	0.23%	1,457,155	449.33%	201,322	135,208,555	0.15%	416,660	206.96%
		Unsecured loans	1,232	1,744,101	0.07%	18,110	1,469.97%	2,733	1,345,778	0.20%	4,498	164.58%
Gross loan business			1,761,134	731,936,640	0.24%	12,003,942	681.60%	2,008,914	767,750,628	0.26%	9,940,523	494.82%

Month / Year			June 30, 2018					June 30, 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			12,361	11,627,553	0.11%	186,250	1,506.76%	6,735	12,414,726	0.05%	260,628	3,869.76%
Without recourse factoring			-	5,467,696	-	67,085	-	41,745	5,812,347	0.72%	27,206	65.17%

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

	June 30, 2018		June 30, 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)	125,610	60,812	171,469	79,496
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,189,708	351,818	1,155,494	358,296
Total	1,315,318	412,630	1,326,963	437,792

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, %

June 30, 2018			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity
1	Group A–Real Estate Development	\$ 5,515,267	4.92
2	Company B–Integrated Circuits Manufacturing	4,866,875	4.34
3	Company C–Real Estate Development	4,744,660	4.23
4	Company D–Real Estate Leasing	3,500,000	3.12
5	Group E–Seasoning Manufacturing Industry	3,035,500	2.71
6	Group F–Ocean Transportation	2,611,422	2.33
7	Group G–Real Estate Development	2,596,170	2.32
8	Company H–Non-official financing business	2,440,842	2.18
9	Company I–Real Estate Development	2,424,000	2.16
10	Group J–Gaming Industry	2,338,605	2.09

Unit: In thousands of NT Dollars, %

June 30, 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	8.49
2	Group B–Real Estate Development	3,893,001	6.61
3	Group C–Seasoning Manufacturing Industry	3,134,500	5.32
4	Group D–Ocean Transportation	2,881,069	4.89
5	Group E–Other Metalworking Machinery Manufacturing	2,817,000	4.78
6	Group F–Real Estate Development	2,762,344	4.69
7	Company G–Real Estate Development	2,472,000	4.20
8	Company H–Manufacture of Sports Goods	2,434,880	4.13
9	Company I–Other Electric Equipment and Appliances Manufacturing	2,361,834	4.01
10	Company J–Gaming Industry	2,195,537	3.73

Ta Chong Bank—contract amounts of significant credit risk concentration

Unit: In thousands of NT Dollars, %

June 30, 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	7.92
2	Group B—Financial Leasing Industry	2,934,437	6.64
3	Group C—Real Estate Development	2,355,192	5.33
4	Group D—Motorcycle Manufacturing	1,955,600	4.43
5	Group E—Other Non-classified Financial Service	1,539,481	3.48
6	Group F—Other Non-classified Electronic Components Manufacturing	1,500,000	3.39
7	Group G—Manufacture of Computers	1,491,364	3.37
8	Group H—Real Estate Development	1,152,006	2.61
9	Group I—Other Non-classified Electronic Components Manufacturing	1,139,453	2.58
10	Group J—Fishery Processing and Preserving	1,040,181	2.35

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 June 30, 2017.

Note 5: It was calculated based on the retrospectively restated net value on June 30, 2017.

Note 6: It was calculated based on the net value of Ta Chong Bank on June 30, 2017.

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

June 30, 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	1,151,374,719	216,962,223	119,876,675	85,194,572	72,673,226	110,886,779	545,781,244
Primary funds outflow upon maturity	1,367,423,383	52,914,741	132,618,603	205,433,663	205,098,253	316,118,846	455,239,277
Gap	(216,048,664)	164,047,482	(12,741,928)	(120,239,091)	(132,425,027)	(205,232,067)	90,541,967

June 30, 2017(note)

(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	719,556,638	129,679,552	71,465,685	42,032,732	35,391,044	71,253,674	369,733,951
Primary funds outflow upon maturity	907,036,486	33,872,199	70,485,795	138,668,221	122,935,156	213,619,360	327,455,755
Gap	(187,479,848)	95,807,353	979,890	(96,635,489)	(87,544,112)	(142,365,686)	42,278,196

Note: The amounts as of June 30, 2017 does not include information of Ta Chong Bank, please refer to the table below for such information.

Ta Chong Bank

June 30, 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	446,370,374	59,182,490	57,558,343	51,152,933	40,715,618	53,767,530	183,993,460
Primary funds outflow upon maturity	536,426,870	22,430,917	47,421,451	94,974,967	102,882,036	92,094,797	176,622,702
Gap	(90,056,496)	36,751,573	10,136,892	(43,822,034)	(62,166,418)	(38,327,267)	7,370,758

b. Structure analysis of time to maturity (USD)

June 30, 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	6,009,283	1,637,527	697,062	256,066	298,681	3,119,947
Primary funds outflow upon maturity	7,632,524	2,543,510	1,332,562	1,306,527	1,215,141	1,234,784
Gap	(1,623,241)	(905,983)	(635,500)	(1,050,461)	(916,460)	1,885,163

June 30, 2017(note)

(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	4,319,444	1,290,147	387,036	166,306	123,388	2,352,567
Primary funds outflow upon maturity	5,983,790	1,561,109	1,155,155	1,094,345	1,242,208	930,973
Gap	(1,664,346)	(270,962)	(768,119)	(928,039)	(1,118,820)	1,421,594

Note:The amounts as of June 30, 2017 does not include information of Ta Chong Bank, please refer to the table below for such information.

Ta Chong Bank

June 30, 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	905,966	184,986	233,082	20,378	42,064	425,456
Primary funds outflow upon maturity	1,118,474	575,776	209,168	106,458	93,362	133,710
Gap	(212,508)	(390,790)	23,914	(86,080)	(51,298)	291,746

(E)Sensitivity analysis of interest rate for assets and liabilities:

a. Sensitivity analysis of interest rate for assets and liabilities (NTD)

June 30, 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	717,223,743	34,637,452	12,619,702	234,143,806	998,624,703
Interest-rate-sensitive liabilities	345,412,024	468,774,818	95,145,896	41,920,256	951,252,994
Interest-rate-sensitive gap	371,811,719	(434,137,366)	(82,526,194)	192,223,550	47,371,709
Total equity					110,566,356
Ratio of interest-rate-sensitive assets to liabilities					104.98
Ratio of interest-rate-sensitive gap to equity					42.84

June 30, 2017(note)

(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	481,041,357	26,247,572	11,687,331	154,365,189	673,341,449
Interest-rate-sensitive liabilities	213,880,534	340,520,985	55,662,658	35,372,407	645,436,584
Interest-rate-sensitive gap	267,160,823	(314,273,413)	(43,975,327)	118,992,782	27,904,865
Total equity					56,170,446
Ratio of interest-rate-sensitive assets to liabilities					104.32
Ratio of interest-rate-sensitive gap to equity					49.68

Note: The amounts as of June 30, 2017 does not include information of Ta Chong Bank. Please refer to the table below for such information.

Ta Chong Bank

June 30, 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	275,685,286	8,865,472	21,282,632	36,271,862	342,105,252
Interest-rate-sensitive liabilities	89,886,068	155,187,082	54,248,653	14,139,364	313,461,167
Interest-rate-sensitive gap	185,799,218	(146,321,610)	(32,966,021)	22,132,498	28,644,085
Total equity					44,104,107
Ratio of interest-rate-sensitive assets to liabilities					109.14
Ratio of interest-rate-sensitive gap to equity					64.95

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)

June 30, 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	3,785,681	398,086	87,858	1,070,641	5,342,266
Interest-rate-sensitive liabilities	2,997,434	685,643	795,656	720,402	5,199,135
Interest-rate-sensitive gap	788,247	(287,557)	(707,798)	350,239	143,131
Total equity					48,765
Ratio of interest-rate-sensitive assets to liabilities					102.75
Ratio of interest-rate-sensitive gap to equity					293.51

June 30, 2017(note)

(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	2,834,070	209,790	78,060	934,324	4,056,244
Interest-rate-sensitive liabilities	2,747,537	492,233	792,445	-	4,032,215
Interest-rate-sensitive gap	86,533	(282,443)	(714,385)	934,324	24,029
Total equity					91,213
Ratio of interest-rate-sensitive assets to liabilities					100.60
Ratio of interest-rate-sensitive gap to equity					26.34

Note: The amounts as of June 30, 2017 does not include information of Ta Chong Bank. Please refer to the table below for such information.

Ta Chong Bank

June 30, 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	1,734,068	85,651	31,537	405,991	2,257,247
Interest-rate-sensitive liabilities	935,775	289,872	792,441	24,153	2,042,241
Interest-rate-sensitive gap	798,293	(204,221)	(760,904)	381,838	215,006
Total equity					(738)
Ratio of interest-rate-sensitive assets to liabilities					110.53
Ratio of interest-rate-sensitive gap to equity					(29,133.60)

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' and information on application of IAS 39 in 2017

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

B. 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:

Affected items	2017 version IFRSs amount	Effect of adoption of new stanards	2018 version IFRSs amount	Remark
Financial assets at fair value through profit or loss	\$ 432,636,863	\$ 14,814,638	\$ 447,451,501	(a)
Available-for-sale financial assets- net	395,516,795	(395,516,795)	-	(a)
Financial assets at fair value other comprehensive income	-	286,648,151	286,648,151	(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)
Investments accounted for using equity method- net	1,675,124	561	1,675,685	(c)
Other financial assets- net	93,469,307	(50,186,062)	43,283,245	(b)
Deferred tax assets	5,642,845	296,160	5,939,005	(d)
Total assets	<u>\$ 2,010,385,414</u>	<u>(\$ 745,115)</u>	<u>\$ 2,009,640,299</u>	
Affected items	2017 version IFRSs amount	Effect of adoption of new stanards	2018 version IFRSs amount	Remark
Deferred tax liabilities	\$ 3,518,474	\$ 84,101	\$ 3,602,575	(d)
Non-current provisions	195,038,820	54,728	195,093,548	(b)
Total liabilities	<u>198,557,294</u>	<u>138,829</u>	<u>198,696,123</u>	
Unappropriated retained earnings	35,275,652	(3,028,393)	32,247,259	(a)~(e)
Other equity interest	4,554,385	2,187,562	6,741,947	(a)~(e)
Non-controlling interests	16,901,802	(43,113)	16,858,689	(a)~(e)
Total equity	<u>56,731,839</u>	<u>(883,944)</u>	<u>55,847,895</u>	
Total liabilities and equity	<u>\$ 255,289,133</u>	<u>(\$ 745,115)</u>	<u>\$ 254,544,018</u>	

(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 \$292,623, respectively, and to decrease other equity interest in amount of \$80,564.
- (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.

C. 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
IAS 39	\$ 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	16,215,471	(8,489,252)	(716,186)	(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)	-	-	85,492	(85,492)	-
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	(395,987)	2,366,970	5,001
Impairment loss adjustment	-	27,841	(19,285)	-	(39,290)	-	-	(30,734)	(78,841)	47,591	516
IFRS 9	<u>\$ 447,451,501</u>	<u>\$ 21,377,034</u>	<u>\$ 265,271,117</u>	<u>\$ -</u>	<u>\$ 289,871,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,971,136</u>	<u>(\$ 270,351)</u>	<u>\$ 2,210,084</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 \$716,186 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 \$360,469,009, \$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.
- D. 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	<u>\$ 14,250,982</u>	<u>(\$ 2,674)</u>	<u>\$ 3,221,757</u>	<u>\$ 17,470,065</u>

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.

- E. The significant accounts as of December 31, 2017, June 30, 2017 and for the six months ended June 30, 2017 are as follows:

(a) Financial assets at fair value through profit or loss

Item	December 31, 2017	June 30, 2017
Financial assets held for trading :		
Commercial paper	\$ 42,766,168	\$ 40,408,883
Time deposits	530,003	2,789,605
Beneficiary certificates / securities	42,483,289	20,365,705
Stocks of companies listed on TSE or OTC	27,559,376	30,856,047
Emerging stocks	1,200,434	991,757
Government bonds	22,208,904	21,103,401
Financial bonds	11,854,983	12,847,160
Corporate bonds	139,512,870	139,773,194
Overseas bonds	8,993,337	10,315,961
Convertible corporate bonds	38,987,494	42,512,212
Derivative financial instruments	14,627,356	16,427,596
Other marketable securities	667,414	1,827,572
Valuation adjustment of financial assets held for trading	283,005	1,681,131
Subtotal	351,674,633	341,900,224
Financial assets designated as at fair value through profit or loss on initial recognition :		
Foreign structured notes (Note 1)	\$ -	\$ 151,012
Structured products (Note 1)	7,546,973	11,665,044
Convertible corporate bonds (Note 1)	225,151	303,277
Reserve for claims of customers' deposits with KSFC (Note 2)	73,168,453	71,892,745
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	21,653	710,656
Subtotal	80,962,230	84,722,734
Total	\$ 432,636,863	\$ 426,622,958
Financial liabilities held for trading :		
Derivative financial instruments	\$ 21,970,257	\$ 24,897,237
Non-derivative financial instruments	19,272,313	15,344,963
Valuation adjustment of financial liabilities held for trading— non-derivative financial instruments	(21,323)	263,254
Financial liabilities designated as at fair value through profit or loss on initial recognition :		
Structured products (Note 1)	66,146,663	55,708,498
Bank debentures (Note 3)	3,203,872	3,154,764
Convertible bond asset swap not qualifying for derecognition (Note 1)	9,547,734	12,100,363
Total	\$ 120,119,516	\$ 111,469,079

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 and six months ended June 30, 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), \$3 and (\$2,918), respectively. The issuance terms are as follows:

(1) Yuanta Bank

	First series of unsecured financial debentures in 2015
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

	First series of financial debentures in 2011
Par value	\$2,000,000
Stated interest rate	Fixed interest rate at 3%
Period	Seven years
Interest payment date	Payable semiannually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

The details of Yuanta Group's financial assets and liabilities at fair value through profit or loss for the three months and six months ended June 30, 2017 is as follows:

	For the three months ended June 30, 2017	For the six months ended June 30, 2017
Net gain on financial assets and liabilities held for trading	\$ 1,161,647	\$ 7,855,237
Net gain on financial assets designated as at fair value through profit or loss	171,145	489,215
Total	<u>\$ 1,332,792</u>	<u>\$ 8,344,452</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 structured entity underlying, established and managed by an independent third party - Taipei City estate-backed beneficial securities. These investments are recognized at fair value through profit or loss and are expected to expire in June 25, 2017. For the three months and six months ended June 30, 2017, interest revenue resulting from the investment in the structured entity amounted to \$259 and \$791, respectively.

(b) Available-for-sale financial assets

Items	December 31, 2017	June 30, 2017
Listed (TSE and OTC) stocks	\$ 10,962,072	\$ 11,382,420
Emerging stocks	452,971	472,043
Unlisted (TSE and OTC) stocks	6,994,615	6,539,195
Government bonds	49,160,909	48,845,796
Financial bonds	42,163,544	42,686,264
Corporate bonds	126,870,645	113,255,561
Negotiable certificate of deposit	142,418,923	121,769,538
Commercial paper	378,699	3,498,896
Beneficiary certificates/bonds	5,857,939	985,787
Subtotal	385,260,317	349,435,500
Valuation adjustment of available-for-sale financial assets	11,895,103	12,406,008
Accumulated impairment-available-for-sale financial assets	(422,525)	(383,289)
Statutory deposits	(1,216,100)	(1,816,100)
Total	<u>\$ 395,516,795</u>	<u>\$ 359,642,119</u>

- A. As of December 31, 2017 and June 30, 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 and \$1,816,100, respectively, in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.
- B. As of December 31, 2017 and June 30, 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>

	June 30, 2017	
	Book Value	Fair Value
Held-to-maturity financial assets	\$ 5,029,445	\$ 5,250,539
Bond investments without active market	23,085,982	24,058,771
	<u>\$ 28,115,427</u>	<u>\$ 29,309,310</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 the three months and six months ended June 30, 2017 were \$360,042 and \$453,711, respectively.

(c) 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 six months ended June 30, 2017, details are as follows:

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

Bills discounted and Loans	For the six months ended June 30, 2017
Beginning balance	\$ 12,406,962
Add : Provision	356,524
Reversal of write-off of loans and advances	245,963
Less : Disposal and reversal of allowance adjustment and others for bad debts	(227,558)
Write-off of loans and advances	(1,219,215)
Foreign exchange translation adjustment and others	(63,843)
Ending balance	<u>\$ 11,498,833</u>

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

	For the six months ended June 30, 2017
<u>Receivables and non-performing loans</u>	
Beginning balance	\$ 1,835,764
Add : Acquisition through business combinations	14,060
Provision	593,539
Recovery	336,746
Less: Disposal and reversal of allowance for bad debts	(202,076)
Write-off of allowance for bad debts	(145,298)
Foreign exchange translation adjustment and others	(62,045)
Ending balance	<u>\$ 2,370,690</u>

Changes in guarantee reserve are as follows:

	For the six months ended June 30, 2017
Beginning balance	\$ 492,159
Less: Recovery	(81,283)
Foreign exchange translation adjustment and others	(612)
Ending balance	<u>\$ 410,264</u>

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

	December 31, 2017	June 30, 2017
Government bonds	\$ 52,398,046	\$ 40,759,705
Financial bonds	38,341,696	30,823,796
Corporate bonds (Note)	53,749,712	51,915,833
Subtotal	144,489,454	123,499,334
Accumulated impairment- Held-to-maturity financial assets	(78,984)	(80,024)
Statutory deposits	(600,000)	-
Total	<u>\$ 143,810,470</u>	<u>\$ 123,419,310</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 \$1,075,847 and \$2,082,817 in profit or loss for the three months and six months ended June 30, 2017, respectively. The effective interest rate of the bonds held by the consolidated company as of December 31, 2017 and June 30, 2017, were 0.50% ~ 10.18% and 0.5% ~ 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 June 30, 2017 were \$397,812 and \$472,932, respectively.

As of December 31, 2017 and June 30, 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:

	For the three months ended June 30, 2017	For the six months ended June 30, 2017
Book value	\$ 698,037	\$ 2,551,684
Realised gain	54,585	140,541

Additionally, the percentage of amounts of held-to-maturity investment disposed by the Yuanta Group in the following periods accounted for the six months ended June 30, 2017 was 2.48%.

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

	For the three months ended June 30, 2017	For the six months ended June 30, 2017
Realized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	\$ 39,381	\$ 116,189
Bonds	903,294	2,124,715
Stocks	1,522,130	2,154,346
Beneficiary certificates	(4,530)	48,265
Time deposits	8,197	67,275
Financial bonds payables	(12,894)	(37,002)
Interest-linked instrument	138,848	108,213
Exchange rate-linked instrument	243,166	1,881,859
Equity-linked instrument	(81,429)	-
Other financial derivative instruments	951,229	5,198,823
Loss on covering of borrowed securities and bonds with resale agreements	(243,851)	(545,023)
Loss from issuing call (put) warrants	(938,190)	(1,690,765)
Issuing call (put) warrants expense	(63,100)	(112,508)
Others	375,351	42,270
Subtotal	2,837,602	9,356,657

	For the three months ended June 30, 2017	For the six months ended June 30, 2017
Unrealized gain or loss on financial assets and liabilities at fair value through profit or loss		
Commercial papers	(\$ 10,653)	(\$ 3,790)
Bonds	(27,790)	474,640
Stocks	1,253,283	1,366,077
Beneficiary certificates	64,164	37,007
Time deposits	4,772	14,451
Financial bonds payables	(4,887)	(43,497)
Interest-linked instrument	(1,527,552)	(1,629,003)
Exchange rate-linked instrument	(1,612,761)	1,148,585
Equity-linked instrument	6,334	(401)
Other financial derivative instruments	(50,837)	(3,493,316)
Valuation gains on borrowed securities and bonds with resale agreements	(471,172)	(360,062)
Gains on issuance of call (put) warrants	809,755	1,477,157
Others	62,534	(53)
Subtotal	(1,504,810)	(1,012,205)
Total	<u>\$ 1,332,792</u>	<u>\$ 8,344,452</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 and six months ended June 30, 2017, including the gain on disposal, were \$1,631,686 and \$7,193,991, and the issuing call (put) warrants expense, were \$63,100 and \$112,508, and the dividends income were \$198,829 and \$228,719, and the interest income were \$1,070,187 and \$2,046,455, respectively.
- B. Net income on the exchange rate instruments includes realised and unrealised gains and losses on forward exchange agreements, FX options, and exchange rate futures.
- C. Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.
- D. Any change in fair value of the derivatives together managed with the financial instruments designated at fair value through profit and loss is listed under “gain and loss of financial assets at fair value through profit and loss.”
- (f) Realised gain on available-for-sale financial assets

	For the three months ended June 30, 2017	For the six months ended June 30, 2017
Stock dividend income	<u>\$ 333,626</u>	<u>\$ 732,263</u>
Gains on disposal		
Bonds	203,849	490,406
Stocks	250,102	458,030
Others	4,721	6,173
Subtotal	<u>458,672</u>	<u>954,609</u>

	For the three months ended June 30, 2017	For the six months ended June 30, 2017
Loss on disposal		
Bonds	(380,081)	(401,872)
Stocks	(156,578)	(171,749)
Others	(4,039)	(4,039)
Subtotal	(540,698)	(577,660)
Total	<u>\$ 251,600</u>	<u>\$ 1,109,212</u>

(BLANK)

(A) Credit quality analysis on financial assets

December 31, 2017

December 31, 2017											
Items	Positions that are neither past due nor impaired					Positions that are past due but not impaired(B)		Total	Provision	Net	
	Excellent	Acceptable	Weak	Unrated	Subtotal (A)	impaired(B)	Impaired amount (C)	(A)+(B)+(C)	provided(D)	(A)+(B)+ (C)-(D)	
Cash and cash equivalents	\$ 63,938,718	\$ 27,073	\$ 36,686	\$ 5,093	\$ 64,007,570	\$ -	\$ -	\$ 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	-	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	-	382,258,526	
Available-for-sale financial assets- net	360,926,909	77,410	34,934	2,083	361,041,336	-	-	361,041,336	-	361,041,336	
Investments in bills and bonds under resale agreements	34,827,960	-	-	-	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	175,314,970	
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	762,327,006	
Reinsurance contract assets-net	435,887	-	-	-	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	143,810,470	
Restricted assets	2,704,678	18,000	-	-	2,722,678	-	-	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	89,297,701	
Other assets- net	27,866,623	2,520	2,295	738,890	28,610,328	-	25,140	28,635,468	-	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	\$ 2,099,070,522	

June 30, 2017

June 30, 2017

	Positions that are neither past due nor impaired					Positions that are past due but not impaired(B)		Total		Provision	Net
Items	Excellent	Acceptable	Weak	Unrated	Subtotal (A)	impaired(B)	Impaired amount (C)	(A)+(B)+(C)	provided(D)	(A)+(B)+(C)-(D)	
Cash and cash equivalents	\$ 59,406,223	\$ 19,356	\$ 87,211	\$ 75,545	\$ 59,588,335	\$ -	\$ -	\$ 59,588,335	\$ -	\$ 59,588,335	
Due from Central Bank and call loans to other banks	51,443,005	-	-	-	51,443,005	-	-	51,443,005	-	51,443,005	
Financial assets at fair value through profit or loss- net	381,678,730	4,817,429	431,313	-	386,927,472	-	-	386,927,472	-	386,927,472	
Available-for-sale financial assets- net	328,051,699	83,562	35,733	988	328,171,982	-	-	328,171,982	-	328,171,982	
Investments in bills and bonds under resale agreements	34,079,731	-	-	-	34,079,731	-	-	34,079,731	-	34,079,731	
Receivables- net	155,330,036	7,125,251	3,081,005	2,792,676	168,328,968	601,838	2,643,013	171,573,819	1,720,608	169,853,211	
Bills discounted and loans	446,858,381	174,919,902	114,066,850	44,662,721	780,507,854	6,073,459	11,037,412	797,618,725	11,498,833	786,119,892	
Reinsurance contract assets-net	464,366	-	-	-	464,366	-	-	464,366	-	464,366	
Held-to-maturity financial assets- net	123,334,879	-	-	84,431	123,419,310	-	80,024	123,499,334	80,024	123,419,310	
Restricted assets	3,332,138	20,000	-	-	3,352,138	-	-	3,352,138	-	3,352,138	
Other financial assets- net	96,501,475	43,963	-	1,901,860	98,447,298	11,153	525,917	98,984,368	653,288	98,331,080	
Other assets- net	25,907,230	129,934	8,659	501,874	26,547,697	-	-	26,547,697	-	26,547,697	
Total	\$ 1,706,387,893	\$ 187,159,397	\$ 117,710,771	\$ 50,020,095	\$ 2,061,278,156	\$ 6,686,450	\$ 14,286,366	\$ 2,082,250,972	\$ 13,952,753	\$ 2,068,298,219	

(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	<u>\$ 378,945,597</u>	<u>\$ 76,850,314</u>	<u>\$ 10,263,096</u>	<u>\$ 39,241,368</u>	<u>\$ 505,300,375</u>

June 30, 2017

	Positions that are neither past due nor impaired				
	Excellent	Acceptable	Weak	Unrated(Note)	Total
Corporate finance					
-Guaranteed	\$ 80,196,508	\$ 41,478,126	\$ 3,611,589	\$ 19,128,513	\$ 144,414,736
-Non-guaranteed	98,967,313	15,241,317	842,760	22,262,919	137,314,309
-Government-owned enterprise	1,584,116	-	-	-	1,584,116
-Others	49,502	31,684	-	73,768	154,954
Subtotal	180,797,439	56,751,127	4,454,349	41,465,200	283,468,115
Consumer finance					
-Mortgage loan	148,849,683	17,050,820	615,182	925	166,516,610
-Credit loan	901,036	67,796	218,741	-	1,187,573
-Automobile loan	16,953,272	5,542,237	4,762,933	4,557	27,262,999
-Others	3,190,738	86,362	426,330	35,788	3,739,218
Subtotal	169,894,729	22,747,215	6,023,186	41,270	198,706,400
Life insurance business					
-Premium loans	1,106,724	-	-	-	1,106,724
-Policy loans	4,109,510	-	-	-	4,109,510
-Secured loans	68,131	-	-	-	68,131
Subtotal	5,284,365	-	-	-	5,284,365
Security business					
-Security guarantees and loans	11,426,969	-	-	-	11,426,969
Total	\$ 367,403,502	\$ 79,498,342	\$ 10,477,535	\$ 41,506,470	\$ 498,885,849

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

June 30, 2017					
Items	Positions that are neither past due nor impaired				
	Excellent	Good	Acceptable	Other	Total
Bills discounted and Loans					
-Corporate finance	\$ 11,867,463	\$ 59,450,419	\$ 54,686,984	\$ 3,201,616	\$ 129,206,482
-Residential mortgage loans	53,139,262	31,670,416	45,451,879	-	130,261,557
-Personal credit loans	4,044,852	4,300,976	3,410,197	-	11,756,025
-Cash card	40,190	75,887	15,815	-	131,892
-Micro-enterprise loans	23,863	10,749	35,892	-	70,504
-Deposits pledge loans	40,946	-	-	-	40,946
Total	<u>\$ 69,156,576</u>	<u>\$ 95,508,447</u>	<u>\$ 103,600,767</u>	<u>\$ 3,201,616</u>	<u>\$ 271,467,406</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
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	June 30, 2017			
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for more than 3 months	Total
Receivables				
- Accounts receivable	\$ 6,806	\$ 207,933	\$ 83,949	\$ 298,688
- Credit card business	159,508	32,418	-	191,926
- Other receivables	119	110,327	761	111,207
- Interests receivable	11	6	-	17
Bills discounted and loans				
Corporate finance				
- Guaranteed	215,815	282,553	-	498,368
- Non-guaranteed	123,583	10,254	-	133,837
- Other	521	4,820	-	5,341
Consumer finance				
- Mortgage loans	3,161,842	535,843	-	3,697,685
- Credit loans	205,242	152,874	-	358,116
- Car loans	1,342,416	21,381	-	1,363,797
- Other	10,824	4,610	-	15,434
Life insurance business				
- Secured loans	-	881	-	881
Other financial assets	-	-	11,153	11,153
Total	<u>\$ 5,226,687</u>	<u>\$ 1,363,900</u>	<u>\$ 95,863</u>	<u>\$ 6,686,450</u>

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

- (a) As of December 31, 2017 and June 30, 2017, Yuanta Securities (Korea) and its subsidiaries set aside loss amount of \$1,683,185 and \$1,754,384 for loans that have been individually assessed based on objective evidence of impairment, respectively.
- (b) The individual impairment loss on loans assessed by objective evidence for Yuanta Securities (Indonesia) and its subsidiaries on December 31, 2017 and June 30, 2017 was \$150,121 and \$155,317, respectively.
- (c) Impairment on bills discounted, loans and receivables of the Yuanta Group (excluding Yuanta Securities (Korea) and its subsidiaries as well as Ta Chong Bank and its subsidiaries) are analysed by client below:

(BLANK)

Items			Bills discounted and loans (Note)	
			December 31, 2017	June 30, 2017
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$ 4,732,064	\$ 4,283,988
		Mortgage loan	221,369	144,419
	Collective assessment	Corporate loan	88,382	163,990
		Mortgage loan	377,524	345,683
		Credit loan	152,183	165,951
		Automobile loan	20,838	21,349
		Others	12,377	13,225
Without individual objective evidence of impairment	Collective assessment	Corporate loan	279,726,103	282,352,411
		Government-owned enterprises	1,075,650	1,584,116
		Mortgage loan	170,937,834	168,429,312
		Credit loan	1,169,989	1,239,278
		Automobile loan	30,798,124	28,626,794
		Automatic policy loans	1,161,809	1,106,724
		Policy loans	4,369,658	4,109,510
		Others	18,663,281	15,334,510
Total			\$ 513,507,185	\$ 507,921,260

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	June 30, 2017
With individual objective evidence of impairment	Individual assessment	Corporate loan	\$ 2,661,674	\$ 2,616,696
		Mortgage loan	9,732	1,629
	Collective assessment	Corporate loan	34,833	62,772
		Mortgage loan	66,058	70,588
		Credit loan	92,591	96,836
		Automobile loan	10,326	10,695
	Others	6,175	7,686	
Without individual objective evidence of impairment	Collective assessment	Corporate loan	1,846,756	1,827,559
		Mortgage loan	1,626,006	1,603,938
		Credit loan	12,453	13,820
		Automobile loan	35,766	33,348
		Others	86,615	102,318
Total			\$ 6,488,985	\$ 6,447,885

Items			Receivables (Note)	
			December 31, 2017	June 30, 2017
With individual objective evidence of impairment	Individual assessment	Others	\$ 583,279	\$ 591,639
	Collective assessment	Credit card business	14,070	15,171
		Others	242	-
Without individual objective evidence of impairment	Collective assessment	Credit card business	5,708,336	5,829,697
		Others	299,145,216	281,700,679
Total			\$ 305,451,143	\$ 288,137,186

Items			Allowance for doubtful accounts (Note)	
			December 31, 2017	June 30, 2017
With individual objective evidence of impairment	Individual assessment	Others	\$ 300,640	\$ 253,970
	Collective assessment	Credit card business	13,706	14,741
		Others	207	-
Without individual objective evidence of impairment	Collective assessment	Credit card business	47,959	49,694
		Others	1,242,748	1,278,760
Total			\$ 1,605,260	\$ 1,597,165

Note: As of December 31, 2017 and June 30, 2017, bills discounted and loans includes interest receivable, which was \$616,488 and \$526,991, 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 \$18,878,319, 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 \$526,991, respectively. In addition, allowance for doubtful receivables not including allowance for doubtful interest receivable on loans were \$2,365 and \$885, respectively.

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(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)
		June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017
With individual objective evidence of impairment	Individual assessment	\$ 1,798,183	\$ 225,327	\$ 661,876	\$ 554,341
	Collective assessment	1,626,333	474,742	360,927	158,432
Without individual objective evidence of impairment	Collective assessment	273,860,059	2,795,680	10,145,654	63,072
Total		\$ 277,284,575	\$ 3,495,749	\$ 11,168,457	\$ 775,845

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 June 30, 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	\$ 1,417,883 (Note)	-	\$ -	-	\$ 750,878	\$ -
Yuanta Financial Holdings	Yuanta Bank	Subsidiary of Yuanta Financial Holdings	556,514 (Note)	-	-	-	484,419	-
Yuanta Financial Holdings	Yuanta Futures	Subsidiary of Yuanta Financial Holdings	319,010	-	-	-	319,010	-

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.

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(2) Supplementary disclosure regarding investee companies:

(Expressed In Thousand of New Taiwan Dollars)										
Share ownerships of the Company and related parties										
Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Financial Holdings Co., Ltd.	Yuanta Securities Co., Ltd.	R.O.C	Securities brokerage, dealing and underwriting and margin and securities loans	100	\$ 92,020,511	\$ 5,462,231	5,405,644	-	5,405,644	100
"	Yuanta Commercial Bank Co., Ltd	"	Banking	100	112,177,819	5,031,760	7,394,039	-	7,394,039	100
"	Yuanta Securities Finance Co., Ltd.	"	Margin loans and short sales of securities	100	8,298,908	163,467	400,000	-	400,000	100
"	Yuanta Futures Co., Ltd.	"	Futures business	68.65	5,775,118	283,515	159,467	-	159,467	68.65
"	Yuanta Life Co., Ltd.	"	Life insurance business	100	8,187,072	847,719	1,210,705	-	1,210,705	100
"	Yuanta Asset Management Co., Ltd.	"	Management of monetary debts of financial institutions	100	1,733,605	59,701	100,000	-	100,000	100
"	Yuanta Venture Capital Co., Ltd.	"	Venture capital business	100	2,510,953	173,537	246,000	-	246,000	100
"	Yuanta Securities Investment Consulting Co., Ltd.	"	Investment consulting on securities	100	135,457	621	10,000	-	10,000	100
"	Yuanta Securities Investment Trust Co., Ltd.	"	Investment trust	72.20	4,549,379	339,524	163,828	-	163,828	72.20
Yuanta Commercial Bank Co., Ltd.	Yuanta International Leasing Co., Ltd.	"	Distribution and lease businesses of personal property and real assets	100	573,041	-	60,000	-	60,000	100
"	Yuanta Savings Bank (Philippines)	Philippines	Deposit services	100	516,159	-	1,000,000	-	1,000,000	100
"	Yuanta Savings Bank (Korea)	Korea	Deposit services	100	3,999,711	-	13,516	-	13,516	100
Yuanta Securities Co., Ltd.	Yuanta Securities Asia Financial Services Limited	Bermuda	Investment holding	100	31,369,587	-	290,909	-	290,909	100

(Expressed In Thousand of New Taiwan Dollars)										
Share ownerships of the Company and related parties										
Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Co., Ltd.	Yuanta International Insurance Brokers Co., Ltd.	R.O.C	Insurance agent	100	\$ 154,520	\$ -	500	-	500	100
Yuanta Securities Asia Financial Services Limited	Yuanta Securities (B.V.I) Holding Co., Ltd.	British Virgin Islands	Investment holding	100	7,215	-	10	-	10	100
"	Yuanta Securities (Hong Kong) Limited	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, providing opinions on securities, providing opinions on futures contract, providing opinions on institutions' financing and providing assets management services	100	7,560,573	-	2,268,133	-	2,268,133	100
"	Polaris Securities (Hong Kong) Limited (P.S.H.K)	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, and providing assets management services	100	44,603	-	9,910	-	9,910	100
"	Yuanta Securities (Korea) Co., Ltd.	Korea	Securities trading, providing opinions on securities, providing opinions on futures contract, underwriting services, asset management services, financial advisory services, and futures trading	54.19	16,461,500	-	108,162	-	108,162	54.19
"	Yuanta Asia Investment Ltd.	British Virgin Islands	Direct investments, venture capital funds, venture capital fund raising and management, investment consulting	100	847,252	-	30,000	-	30,000	100

(Expressed In Thousand of New Taiwan Dollars)										
Share ownerships of the Company and related parties										
Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Asia Financial Services Limited	Yuanta Hong Kong Holdings(Cayman) Co.,Ltd	Cayman Islands	Investment holding	100	\$ 435,821	\$ -	10,074	-	10,074	100
"	Yuanta Securities (UK) Co.,Ltd	U.K.	License in application	100	62,522	-	2,000	-	2,000	100
"	Yuanta Securities (Thailand) Co.,Ltd	Thailand	Security brokerage, proprietary trading, underwriting, and investment consulting; mutual fund management; private fund management; security borrowing; venture capital fund management; derivative product brokerage, proprietary trading, underwriting, and investment consulting; and derivate product fund management	99.99	4,403,939	-	450,000	-	450,000	99.99
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	50.76	403,173	-	15,228	-	15,228	50.76
Yuanta Securities Korea Co., Ltd	Yuanta Investment Co., Ltd.	Korea	Venture investment	100	1,535,027	-	6,401	-	6,401	100
"	Yuanta Financial (Hong Kong) Limited	Hong Kong	Investment holding	100	533,970	-	18,954	-	18,954	100
"	TongYang Asset Management Corp.	Korea	Asset management	27	340,713	-	1,080	-	1,080	27
Yuanta Financial (Hong Kong) Limited	Yuanta Securities (Cambodia) Plc	Cambodia	Underwriting guidelines and financial advisory services	100	380,444	-	12,500	-	12,500	100
"	Heng Xin Asia Holdings Limited	Hong Kong	Investment holding	90.13	8,641	-	1,525	-	1,525	90.13
"	Yuanta International Investment (Hong Kong) Ltd.	"	Solicitation of financial products	100	225,553	-	50,000	-	50,000	100

(Expressed In Thousand of New Taiwan Dollars)										
Share ownerships of the Company and related parties										
Total										
Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Shares (In thousands)	Percentage of ownership (%)
Yuanta Financial (Hong Kong) Limited	Yuanta Finanace (Hong Kong) Ltd.	Hong Kong	Credit loans	100	\$ 244,797	\$ -	50,000	-	50,000	100
"	Yuanta Investment Management (Cayman) Ltd.	Cayman Islands	Investment management	100	125,323	-	12,500	-	12,500	100
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	49.19	398,465	-	14,758	-	14,758	49.19
"	PT Yuanta Securities Indonesia	Indonesia	Securities trading and underwriting services	99	803,726	-	474	-	474	99
"	PT Yuanta Asset Management	"	Investment management	0.002	-	-	-	-	-	0.002
PT Yuanta Sekurit	PT Yuanta Asset Management	"	Investment management	99.998	85,704	-	40	-	40	99.998
Yuanta Venture Capital Co., Ltd.	Yuanta I Venture Capital Co.,Ltd.	R.O.C	Venture capital business	100	908,312	-	85,000	-	85,000	100
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Limited	Hong Kong	Futures business	100	697,754	-	25,000	-	25,000	100
"	SYF Information Limited	R.O.C	Information software and data processing services	100	297,253	-	35,000	-	35,000	100
SYF Information Limited	SYF Information (Samoa)	Samoa	Investment holding	100	156,101	-	5,800	-	5,800	100

(3) Significant transactions regarding investee companies

A. Information regarding stocks of equity investment for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Company's paid-in capital: 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:

Company Name	Property Name	Date of occurrence	Date of original acquisition	Book value	Amount	Receiving Status	Gain or loss on disposal	Counterparty	Relationship with the seller	Purpose of disposal	Criteria of price decision	Other agreements
Yuanta Securities Korea Co., Ltd	Gagokri land	25-May-18	30-May-05	850,901	983,892	Completed	132,991	17 natural persons and 1 legal person	-	Protect net assets and ensure liquidity	The appraisal report and the transaction price database maintained by the Ministry of Land, Infrastructure, and Transport of Korea. Appraisers: Sang-hoon Park and Neung-bok Lee.	-

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 June 30, 2018	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuantal Bank	Yuanta Financial Holdings	Parent Company	\$ 2,275,250	-	\$ -	-	\$ -	\$ -
Yuanta Securities	Yuanta Financial Holdings	Parent Company	682,431	-	-	-	-	-
Yuanta Securities	Yuanta International Insurance Brokers	Subsidiary of Yuanta Securities	303,958	-	-	-	303,958	-

F. Information regarding selling non-performing loans:

Transaction date	Counterparty	Contents of right of claim	Carrying value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Bank	Note
2018/3/7	taeyung AMC	Loans and Temporary Payments for Others	20,529	26,238	5,709	None	None	Note1
2018/4/27	taeyung AMC	Loans and Temporary Payments for Others	23,090	26,097	3,007	None	None	Note2

Note1: The carrying amount and the sale price of the loan was KRW 747,879 thousand and KRW 955,879 thousand, using the exchange rate of 1 KRW to 0.02745 NT\$.

Note2: The carrying amount and the sale price of the loan was KRW 841,168 thousand and KRW 950,700 thousand, using the exchange rate of 1 KRW to 0.02745 NT\$.

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.

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	\$ 915,000	\$ 915,000	\$ 832,650	3.15% ~3.32%	Short-term loans	\$ -	Operation financing	\$ -	-	\$ -	\$ 31,389,577 (Note1)	\$ 31,389,577 (Note1)
2	Yuanta Securities Asia Finance Service	PT Yuanta Sekuritas Indonesia	Accounts receivable-related party	Yes	732,000	732,000	305,000	3.00%	Short-term loans	-	Operation financing	-	-	-	31,389,577 (Note1)	31,389,577 (Note1)
3	Yuanta Securities Asia Finance Service	Yuanta Investment Management (Cayman)	Accounts receivable-related party	Yes	915,000	915,000	-	-	Short-term loans	-	Operation financing	-	-	-	31,389,577 (Note1)	31,389,577 (Note1)
4	Yuanta Securities Asia Finance Service	Yuanta Securities (Thailand)	Accounts receivable-related party	Yes	4,727,500	2,287,500	762,500	2.92%	Short-term loans	-	Operation financing	-	-	-	31,389,577 (Note1)	31,389,577 (Note1)
5	Yuanta Securities Asia Finance Service	Yuanta Asia Investment	Accounts receivable-related party	Yes	610,000	610,000	427,000	3.24% ~3.30%	Short-term loans	-	Operation financing	-	-	-	31,389,577 (Note1)	31,389,577 (Note1)
6	Yuanta Securities Asia Finance Service	Yuanta Securities (Vietnam)	Accounts receivable-related party	Yes	610,000	610,000	457,500	3.15% ~3.30%	Short-term loans	-	Operation financing	-	-	-	31,389,577 (Note1)	31,389,577 (Note1)
7	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	396,500	396,500	396,500	2.06%	Short-term loans	-	Operation financing	-	-	-	435,821 (Note2)	435,821 (Note2)
8	PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Accounts receivable-related party	Yes	6,396	6,396	6,396	8.00%	Short-term loans	-	Operation financing	-	-	-	811,845 (Note3)	811,845 (Note3)
9	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	229,444	229,444

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.

Note 3: The ceiling on total loans granted and limit to loans granted to a single party by PT Yuanta Sekuritas Indonesia 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 six months ended June 30, 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	\$ 18,189,075 (Note 1)	\$ 2,730,000	\$ -	\$ -	\$ -	0.00%	\$ 36,378,150 (Note 1)	Yes	No	No	
2	Yuanta Securities	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	18,189,075 (Note 1)	234,670	234,670	106,185	-	0.26%	\$ 36,378,150 (Note 1)	Yes	No	No	
3	Yuanta Securities	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	18,189,075 (Note 1)	2,803,775	2,803,775	-	-	3.08%	\$ 36,378,150 (Note 1)	Yes	No	No	
4	Yuanta Securities Asia Financial Service	Yuanta Securities (Hong Kong)	More than 50% common stock-directly-owned subsidiary	31,389,577 (Note 2)	1,525,000	1,525,000	1,525,000	-	4.86%	31,389,577 (Note 2)	Yes	No	No	
5	Yuanta Securities Asia Financial Service	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	31,389,577 (Note 2)	809,688	809,688	-	-	2.58%	31,389,577 (Note 2)	Yes	No	No	
6	Yuanta Securities Asia Financial Service	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	31,389,577 (Note 2)	85,280	85,280	85,280	-	0.27%	31,389,577 (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:

L. Securities held at the end of period:				(Expressed in Thousands of New Taiwan Dollars)				
				June 30, 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	\$ 4,910	N/A	\$ 4,910	
	Allianz Global Investors Income and Growth Fund	-	"	500	5,065	"	5,065	
	Allianz Global Investors China Strategic Growth Fund	-	"	636	9,447	"	9,447	
	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	4,950	"	4,950	
	Yuanta MSCI China A ETF	"	"	500	9,600	"	9,600	
					<u>\$ 33,972</u>		<u>\$ 33,972</u>	
	Listed stocks:							
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets at fair value through other comprehensive income	200	\$ 43,300	-	\$ 43,300	
	SinoPac Financial Holdings Co., Ltd.	-	"	2,700	29,700	0.02	29,700	
	First Financial Holding Co., Ltd.	-	"	1,200	24,720	0.01	24,720	
	Getac Technology Corporation	-	"	689	30,316	0.12	30,316	
	WT Microelectronics Co., Ltd.	-	"	252	11,218	0.05	11,218	
					<u>\$ 139,254</u>		<u>\$ 139,254</u>	
	Un-Listed stocks:							
	Taiwan Depository & Clearing Corporation	-	Financial assets at fair value through other comprehensive income	31,727	\$ 2,279,605	8.78	\$ 2,279,605	
	Taiwan Futures Exchange	-	"	15,759	1,289,245	5.00	1,289,245	
					<u>\$ 3,568,850</u>		<u>\$ 3,568,850</u>	
	Government bonds:							
	99 A5 Central Government Construction Bond	-	Financial assets at amortised cost	-	\$ 50,208	N/A	\$ 50,690	
	90 A8 Central Government Construction Bond	-	"	-	53,769	"	55,349	
					<u>\$ 103,977</u>		<u>\$ 106,039</u>	

				June 30, 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	Beneficiary certificates:							
	Yuanta MSCI China A ETF	The managing company of the fund	Financial assets at fair value through profit or loss	6	\$ 124	-	\$ 124	
	Yuanta/P-shares MSCI Taiwan ETF	"	"	13	513	-	513	
	Yuanta/P-shares MSCI Taiwan Financials ETF	"	"	22	379	-	379	
	Yuanta S&P500	"	"	8	192	-	192	
	Yuanta S&P GSCI Gold ER Futures ETF	"	"	9	176	-	176	
	Yuanta/P-shares SSE50 ETF	"	"	22	629	-	629	
	Yuanta/P-shares Taiwan Mid-Cap 100 ETF	"	"	7	240	-	240	
	Yuanta China Treasury + Policy Bank 3-5 Year Bond ETF	"	"	22	1,029	-	1,029	
	Yuanta Nikkei 225 ETF	"	"	175	4,900	-	4,900	
	Yuanta/P-shares S&P Custom China Play 50	"	"	17	404	-	404	
	Yuanta/P-shares Taiwan Top 50 ETF	"	"	27	2,242	-	2,242	
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	6	183	-	183	
	Yuanta U.S. Treasury 1-3 Years Bond ETF	"	"	316	9,907	-	9,907	
	Yuanta Daily U.S. Treasury 20+ Year Bond Bull 2X ETF	"	"	240	4,709	-	4,709	
	Yuanta Daily U.S. Treasury 7-10 Year Bond Bear 1X ETF	"	"	500	10,210	-	10,210	
	Yuanta/P-shares Taiwan Dividend Plus ETF	"	"	21	531	-	531	
	Yuanta/P-shares Taiwan GreTai 50 ETF	"	"	18	252	-	252	
	Yuanta Emerging Indonesian Opportunity Bond Fund	"	"	4,539	46,431	-	46,431	
	Yuanta Wan Tai Money Market	"	"	6,628	100,020	-	100,020	
	Yuanta DJCI Silver ER Futures ETF	"	"	250	4,858	-	4,858	
	Yuanta/P-shares Taiwan Electronics Tech ETF	"	"	21	748	-	748	
	Yuanta Real Multi-Asset-Fund-TWD	"	"	3,042	30,023	-	30,023	
	Yuanta EURO STOXX 50 ETF	"	"	7	180	-	180	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	"	"	31	<u>518</u>	-	<u>518</u>	
					\$	219,398		\$	219,398

				June 30, 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	\$ 90,247	-	\$ 90,247	
	FundRich Securities Co. Ltd.	-	"	819	10,706	-	10,706	
					<u>\$ 100,953</u>		<u>\$ 100,953</u>	
	Stocks:							
	CR Yuanta Fund Management Company Limited	-	Long-term equity accounted for under the equity method	-	<u>\$ 164,494</u>	-	<u>\$ 164,494</u>	
Yuanta Asset Management	Stocks:							
	Taiwan Finance Corporation	-	Financial assets at fair value through other comprehensive income	828	\$ 6,637	0.16	\$ 6,637	
	Sunsino Venture Co., Ltd.	-	"	443	3,815	0.93	3,815	
	DaYeh Development Co., Ltd.	-	"	333	3,047	2.22	3,047	
	Tuntex Incorporation	-	"	26,540	311,054	15.00	311,054	
	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	9,210	0.76	9,210	
					<u>\$ 348,249</u>		<u>\$ 348,249</u>	
Yuanta Venture Capital	Stocks:							
	Gorilla Technology Group Inc.	-	Financial assets mandatorily measured at fair value through profit or loss	95	\$ 15,220	0.96	\$ 15,220	
	Tot Biopharm International Company Limited	-	"	2,200	31,328	2.62	31,328	
	CGK International Co., Ltd	-	"	877	16,740	2.39	16,740	
	Veden Dental Group	-	"	246	18,057	0.84	18,057	
	Throughtek Co.,Ltd	-	"	550	13,811	2.11	13,811	

				June 30, 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
Yuantan Venture Capital	PlexBio Co., Ltd.	-	Financial assets mandatorily measured at fair value through profit or loss	1,367	\$ 23,348	1.96	\$ 23,348	
	TaiwanJ Pharmaceuticals Co., Ltd.	-	"	2,229	20,375	3.26	20,375	
	Phecda Technology Co. Ltd.	-	"	252	2,167	0.89	2,167	
	Long Diann Marine Bio Technology Co., Ltd.	-	"	4,300	21,887	11.78	21,887	
	MagV Co.,Ltd	-	"	2,145	22,308	13.16	22,308	
	Dawning Leading Technology Inc.	-	"	876	7,765	0.38	7,765	
	Saultech Technology Co., Ltd.	-	"	1,456	91,754	10.69	91,754	
	Oriental System Technology Inc.	-	"	1,000	16,700	3.70	16,700	
	BRIM Biotechnology ,Inc.	-	"	3,500	53,305	6.61	53,305	
	Aprevent Medical, Inc.	-	"	1,808	39,986	13.27	39,986	
	GenePharm Biotech Corp.	-	"	2,667	14,960	10.68	14,960	
	Great Dream Pictures, Inc.	-	"	2,000	18,100	19.96	18,100	
	PSS-Group	-	"	2,603	151,833	9.55	151,833	
	Li Ling Film Co., Ltd.	-	"	1,666	46,765	2.78	46,765	
	Jing-Jan Retail Business Co., Ltd.	-	"	1,408	61,825	2.35	61,825	
	Jiin Yeeh Ding Enterprise Co., Ltd.	-	"	1,014	17,484	1.05	17,484	
	Solartech Energy Corp.	-	"	776	7,043	0.20	7,043	
	Enterex International Limited	-	"	1,953	53,512	1.94	53,512	
	Eurocharm Holdings Co., Ltd.	-	"	496	43,003	0.75	43,003	
	Taiwan Chelic Corp. Ltd.	-	"	500	36,600	0.75	36,600	
	Jump Media International Co., Ltd.	-	"	906	14,777	3.20	14,777	
	Ever Supreme Bio Technology Co., Ltd.	-	"	2,222	125,543	3.97	125,543	
	Asia Pacific Venture Invest II L.P.	-	-	-	735	10.00	735	
	G. Marso Electronics, Inc.	-	-	300	-	1.38	-	
	Aide Engery Holdings Co., Ltd.	-	"	336	-	0.33	-	
	GCT Semiconductor Inc.	-	"	1,402	-	1.87	-	
					<u>\$ 986,931</u>		<u>\$ 986,931</u>	

				June 30, 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	\$ 908,312	100.00	\$ 908,312	
	Stocks:							
	Da Hwa Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	800	\$ 7,282	0.50	\$ 7,282	
	Li Ding Venture Capital Co., Ltd.	-	"	1,739	15,658	17.39	15,658	
	Prudence Capital Management	-	"	6,084	59,788	9.00	59,788	
	Ho Ding Venture Capital Co., Ltd.	-	"	695	5,928	10.00	5,928	
	Sheng Hwa Venture Capital Co., Ltd.	-	"	1,156	11,189	4.80	11,189	
	Hwa Cheng Venture Capital Co., Ltd.	-	"	6,998	28,377	16.00	28,377	
	Lian Ding Venture Capital Co., Ltd.	-	"	1,680	16,991	15.00	16,991	
	HwaWei Shi Ji Venture Capital Co., Ltd.	-	"	225	4,698	10.00	4,698	
	Lian Xun San Venture Capital Co., Ltd.	-	"	600	31,807	10.00	31,807	
	Hwa Lu Venture Capital Co., Ltd.	-	"	261	16,676	8.70	16,676	
	Kun Ji Er Venture Capital Co., Ltd.	-	"	1,157	4,218	14.29	4,218	
	Hwa Sheng Venture Capital Co., Ltd.	-	"	1,539	16,943	3.33	16,943	
	Sheng Yuan Venture Capital Co., Ltd.	-	"	1,680	17,551	9.88	17,551	
	Guan Hwa Venture Capital Co., Ltd.	-	"	1,360	5,314	5.56	5,314	
	Qi Ding Venture Capital Co., Ltd.	-	"	2,261	22,278	4.35	22,278	
	Zhong Jing He Global Venture Capital Co., Ltd.	-	"	317	2,449	5.56	2,449	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	"	755	7,003	10.00	7,003	
	Huiyang Venture Capital Co., Ltd.	-	"	67	11,264	2.46	11,264	
					\$ 285,414		\$ 285,414	

				June 30, 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		\$ 10,086	-	\$ 10,086	
	TOT Biopharm International Company Limited (CB2)	-	"		24,719	-	24,719	
	TOT Biopharm International Company Limited (CB3)	-	"		17,406	-	17,406	
	Alliance Developments Limited (Alliance CB1)	-	"		87,690	-	87,690	
	GTS Chemical Holdings Co., Ltd. (GTS Group CB1)	-	"		50,144	-	50,144	
					\$ 190,045		\$ 190,045	
Yuanta I Venture Capital	Stocks:							
	Ultra-Pak Industries Co., Ltd.	-	Financial assets mandatorily measured at fair value through profit or loss	2,245	\$ 24,136	5.23	\$ 24,136	
	Great Team Backend Foundry, Inc.	-	"	1,800	52,920	3.15	52,920	
	Luminous Town Electronic Co., Ltd.	-	"	1,533	20,659	2.29	20,659	
	E-Ray Optoelectronics Technology Co., Ltd.	-	"	1,178	20,042	3.34	20,042	
	SYNC Power Corp.	-	"	2,695	42,822	15.84	42,822	
	Ao Ether Corporation	-	"	1,366	1,462	1.84	1,462	
	JHL Biotech, Inc.	-	"	2,370	146,893	1.15	146,893	
	Bridgewell Information Corp.	-	"	900	10,422	5.82	10,422	
	Solartech Energy Corp.	-	"	776	7,043	0.20	7,043	
	Taiwan Chelic Corp. Ltd.	-	"	230	16,836	0.34	16,836	
	Center Laboratories, Inc.	-	"	1,561	111,121	0.48	111,121	
	Fittech Co., Ltd.	-	"	500	68,585	1.47	68,585	
	Ether precision Inc.	-	"	2,500	-	1.61	-	
	Infomedia Inc.	-	"	1,608	-	0.88	-	
					\$ 522,941		\$ 522,941	

(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 six months ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2018 (Note 4)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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 six months ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2018 (Note 4)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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 six months ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
GC Investment Consultant (Shanghai)	Investment consultation	\$ 19,033 (RMB 4,138)	(3)	\$ -	\$ -	\$ -	\$ -	\$ 171	100.00%	In liquidation	\$ 22,033	\$ -

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 six months ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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	\$ 84,771 (RMB 18,428)	(2) Yuanta Securities Asia Financial Service	\$ -	\$ -	\$ -	\$ -	\$ 871	100.00%	\$ 871 (2)b	\$ 35,889	\$ -

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 six months ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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	(\$ 94,039)	49.00%	(\$ 44,332) (2)c	\$ 164,494	\$ -

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 six months ended June 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2018 (Note 2)	Book value of investments in Mainland China as of June 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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	(\$ 3,254)	100.00%	(\$ 3,254) (2)c	\$ 131,000	\$ -

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 June 30, 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	439,232	1,506,572
GC Investment Consultant (Shanghai)	-	Note 6	Note 6
Yuanta Investment Consulting (Beijing)	-	91,500	54,567,225
Yuanta Securities Investment Trust	705,666	705,666	2,212,981
Yuanta Futures	157,209	174,000	4,543,596

Note: The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Venture Capital's consolidated net worth of \$2,510,953.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities's consolidated net worth of \$90,945,375.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities Investment Trust's consolidated net worth of \$3,688,301.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Futures's consolidated net worth of \$7,572,659.

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 six months ended June 30, 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.

(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	1,417,883	No significant difference from general customers	0.06%
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	27,103	"	0.05%
0	Yuanta Financial Holdings	Yuanta Bank	1	Cash and cash equivalents	12,834,250	"	0.56%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax assets	556,514	"	0.02%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax liabilities	2,275,250	"	0.10%
0	Yuanta Financial Holdings	Yuanta Bank	1	Interest income	28,086	"	0.06%
0	Yuanta Financial Holdings	Yuanta Life	1	Current income tax liabilities	1,441,806	"	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	1,417,883	"	0.06%
1	Yuanta Securities	Yuanta Financial Holdings	2	Other non-interest income	14,716	"	0.03%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net service fee and commission income	12,387	"	0.02%
1	Yuanta Securities	Yuanta Bank	3	Cash and cash equivalents	4,240,693	"	0.18%
1	Yuanta Securities	Yuanta Bank	3	Other assets – net	2,314,329	"	0.10%
1	Yuanta Securities	Yuanta Bank	3	Restricted assets – net	140,669	"	0.01%
1	Yuanta Securities	Yuanta Bank	3	Interest income	21,728	"	0.04%
1	Yuanta Securities	Yuanta Bank	3	Other non-interest income	69,134	"	0.14%
1	Yuanta Securities	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	86,983	"	0.17%
1	Yuanta Securities	Yuanta Securities Finance	3	Other non-interest income	5,264	"	0.01%
1	Yuanta Securities	Yuanta Investment Trust	3	Other non-interest income	15,556	"	0.03%
1	Yuanta Securities	Yuanta Investment Trust	3	Net service fee and commission income	4,942	"	0.01%
1	Yuanta Securities	Yuanta Futures	3	Other financial assets – net	2,163,695	"	0.09%
1	Yuanta Securities	Yuanta Futures	3	Net service fee and commission income	196,935	"	0.39%
1	Yuanta Securities	Yuanta Futures	3	Other non-interest income	10,320	"	0.02%
1	Yuanta Securities	Yuanta International Insurance Brokers	3	Other non-interest income	122,054	"	0.24%
1	Yuanta Securities	Yuanta Securities (Hong Kong)	3	Other liabilities	463,154	"	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	Current income tax assets	2,275,250	"	0.10%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax liabilities	556,514	"	0.02%
2	Yuanta Bank	Yuanta Financial Holdings	2	Deposits and remittances	12,834,250	"	0.56%
2	Yuanta Bank	Yuanta Financial Holdings	2	Interest expense	28,086	"	0.06%
2	Yuanta Bank	Yuanta Investment Trust	3	Deposits and remittances	1,946,375	"	0.08%
2	Yuanta Bank	Yuanta Investment Trust	3	Interest expense	7,406	"	0.01%
2	Yuanta Bank	Yuanta Securities	3	Deposits and remittances	6,695,691	"	0.29%
2	Yuanta Bank	Yuanta Securities	3	Other business and administrative expenses	69,134	"	0.14%
2	Yuanta Bank	Yuanta Securities	3	Interest expense	21,728	"	0.04%
2	Yuanta Bank	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	6,086	"	0.01%
2	Yuanta Bank	Yuanta Life	3	Deposits and remittances	2,000,000	"	0.09%
2	Yuanta Bank	Yuanta International Insurance Brokers	3	Deposits and remittances	491,292	"	0.02%
2	Yuanta Bank	Yuanta Futures	3	Deposits and remittances	11,854,896	"	0.51%
2	Yuanta Bank	Yuanta Futures	3	Interest expense	72,251	"	0.14%
2	Yuanta Bank	Yuanta I Venture Capital	3	Deposits and remittances	284,000	"	0.01%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Deposits and remittances	1,866,730	"	0.08%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Interest expense	5,493	"	0.01%
2	Yuanta Bank	Yuanta International Leasing	3	Deposits and remittances	258,127	"	0.01%
3	Yuanta Futures	Yuanta Securities	3	Other financial liabilities	2,163,695	"	0.09%
3	Yuanta Futures	Yuanta Securities	3	Net service fee and commission income	196,935	"	0.39%
3	Yuanta Futures	Yuanta Securities	3	Other business and administrative expenses	10,320	"	0.02%
3	Yuanta Futures	Yuanta Bank	3	Cash and cash equivalents	1,460,891	"	0.06%
3	Yuanta Futures	Yuanta Bank	3	Interest income	72,251	"	0.14%
3	Yuanta Futures	Yuanta Bank	3	Other financial assets – net	10,394,005	"	0.45%
3	Yuanta Futures	Yuanta Securities (Hong Kong)	3	Other financial liabilities	399,073	"	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)
4	Yuanta Life	Yuanta Financial Holdings	2	Current income tax assets	1,441,806	"	0.06%
4	Yuanta Life	Yuanta International Insurance Brokers	3	Net service fee and commission income	238,623	"	0.48%
4	Yuanta Life	Yuanta Bank	3	Cash and cash equivalents	500,000	"	0.02%
4	Yuanta Life	Yuanta Bank	3	Other financial assets – net	1,500,000	"	0.07%
5	Yuanta Securities Finance	Yuanta Securities	3	Other business and administrative expenses	5,260	"	0.01%
5	Yuanta Securities Finance	Yuanta Securities	3	Other non-interest income	4	"	0.00%
6	Yuanta Securities Investment Consulting	Yuanta Securities	3	Consultation service income	86,983	"	0.17%
6	Yuanta Securities Investment Consulting	Yuanta Bank	3	Consultation service income	6,086	"	0.01%
7	Yuanta Investment Trust	Yuanta Bank	3	Interest income	7,406	"	0.01%
7	Yuanta Investment Trust	Yuanta Securities	3	Net service fee and commission income	7,990	"	0.01%
7	Yuanta Investment Trust	Yuanta Securities	3	Other business and administrative expenses	12,508	"	0.03%
7	Yuanta Investment Trust	Yuanta Bank	3	Cash and cash equivalents	1,946,375	"	0.08%
8	Yuanta International Insurance Brokers	Yuanta Life	3	Net service fee and commission income	238,623	"	0.48%
8	Yuanta International Insurance Brokers	Yuanta Bank	3	Cash and cash equivalents	491,292	"	0.02%
8	Yuanta International Insurance Brokers	Yuanta Securities	3	Other business and administrative expenses	122,054		0.24%
9	Yuanta I Venture Capital	Yuanta Bank	3	Cash and cash equivalents	284,000	"	0.01%
10	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other assets – net	1,866,730	"	0.08%
10	Yuanta Securities (Hong Kong)	Yuanta Futures	3	Other financial assets – net	399,073	"	0.02%
10	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other non-interest income	5,493		0.01%
10	Yuanta Securities (Hong Kong)	Yuanta Securities	3	Other assets – net	463,154	"	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)
10	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Investments in bills and bonds under resale agreements	5,993,375	"	0.26%
11	Yuanta International Leasing	Yuanta Bank	3	Cash and cash equivalents	258,127	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Vietnam)	3	Receivables – net	457,500	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Asia Investment	3	Receivables – net	431,916	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Thailand)	3	Receivables – net	768,572	"	0.03%
12	Yuanta Securities Asia Financial Services	Yuanta HK Holdings (Cayman)	3	Payables	399,881	"	0.02%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Financial assets at fair value through profit or loss	2,962,285	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Receivables – net	746	"	0.00%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Equity investments accounted for under the equity method – net	186,213	"	0.01%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Unrealised gain or loss on available -for-sale financial assets	14,524	"	0.03%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Other non-interest income	32,560	"	0.07%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Interest income	64,999	"	0.13%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Cumulative translation differences of foreign operations	30,079	"	0.06%
12	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Non-controlling interests	106,290	"	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)
13	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Financial Services	3	Receivables – net	399,881	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Bonds payable	2,718,036	"	0.12%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Payables	732	"	0.00%
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	64,999	"	0.13%
15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	5,993,375	"	0.26%
16	Yuanta Asia Investment	Yuanta Securities Asia Financial Services	3	Payables	431,916	"	0.02%
17	Yuanta Securities (Thailand)	Yuanta Securities Asia Financial Services	3	Payables	768,572	"	0.03%
18	Yuanta Securities (Vietnam)	Yuanta Securities Asia Financial Services	3	Other loans	457,500	"	0.02%

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 six months ended June 30, 2018

	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 11,639,459	\$ 19,867,126	\$ 1,226,521	\$ 285,848	\$ 15,625,615	\$ 1,362,550	\$ -	\$ 50,007,119
Revenue (loss) from transactions with other operating segments of the same entity	189,447	413,056	20,058	5,187	(511,725)	411,397	(527,420)	-
Net revenues (Note)	11,828,906	20,280,182	1,246,579	291,035	15,113,890	1,773,947	(527,420)	50,007,119
Bad debt expense, commitment and guarantee liability (provisions) recovery	(398,981)	(212,755)	(103,685)	(9,978)	1,218	-	-	(724,181)
Net change in provisions for insurance liabilities	-	-	-	-	(13,621,083)	-	75,541	(13,545,542)
Operating expenses	(5,642,773)	(12,825,850)	(580,555)	(82,751)	(597,623)	(1,199,101)	237,198	(20,691,455)
Income (loss) from continuing operations before income tax	\$ 5,787,152	\$ 7,241,577	\$ 562,339	\$ 198,306	\$ 896,402	\$ 574,846	(\$ 214,681)	\$ 15,045,941

For the six months ended June 30, 2017

	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 10,899,905	\$ 13,333,762	\$ 739,199	\$ 267,090	\$ 12,458,382	\$ 907,300	\$ -	\$ 38,605,638
Revenue (loss) from transactions with other operating segments of the same entity	143,268	220,078	133,343	5,357	(410,827)	632,905	(724,124)	-
Net revenues (Note)	11,043,173	13,553,840	872,542	272,447	12,047,555	1,540,205	(724,124)	38,605,638
Bad debt expense and guarantee liability provisions	(171,998)	(405,387)	-	(799)	(657)	-	-	(578,841)
Net change in provisions for insurance liabilities	-	-	-	-	(11,438,397)	-	78,714	(11,359,683)
Operating expenses	(5,868,251)	(9,918,717)	(459,999)	(80,641)	(598,473)	(1,049,678)	197,285	(17,778,474)
Income (loss) from continuing operations before income tax	\$ 5,002,924	\$ 3,229,736	\$ 412,543	\$ 191,007	\$ 10,028	\$ 490,527	(\$ 448,125)	\$ 8,888,640

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, realised gain and loss on available-for-sale financial assets, foreign exchange gains and losses, and other non-interest income.