

**YUANTA FINANCIAL HOLDINGS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

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

Opinion

We have audited the accompanying consolidated balance sheets of Yuanta Financial Holding Co., Ltd. (the “Company”) and subsidiaries (collectively “Yuanta Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yuanta Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

For the year ended December 31, 2019, we conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and generally accepted auditing standards in the Republic of China (ROC GAAS); for the year ended December 31, 2018, we conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants” and ROC GAAS. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Yuanta Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our

audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Yuanta Group's consolidated financial statements of the current period are stated 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(10); 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) and 12(3). 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 December 31, 2019, were NTD 759,762,271 thousand and NTD 12,518,507 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 primary 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 judgment and is highly uncertain, we have thus included the impairment evaluation of bills discounted and loans as one of the key audit matters.

How our audit addressed the matter

We obtained and 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 December 31, 2019: sample examined the stage classification for expected credit losses; 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(7); for critical accounting estimates and assumption uncertainty of the fair value of unlisted stocks, please refer to Note 5; for the details on unlisted stocks, please refer to Note 6(4) and 12(2). The carrying amount of the financial assets at fair value through other comprehensive income – unlisted stocks as at December 31, 2019, was NTD 18,454,798 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 flow method's main assumption is the financial forecast of unlisted companies in order to obtain their related parameters as a reference for calculations. Because models and parameters used in valuation techniques are made by management's professional judgments and estimates, such accounting judgments and estimates are highly uncertain; we have thus included the fair value valuation of unlisted stocks as one of the key audit matters.

How our audit addressed the matter

We obtained and understood management's valuation procedures for unlisted equity securities. We sample tested the 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 the parameters used in the valuation.

Impairment assessment of goodwill

Description

For the accounting policy of the impairment assessment of goodwill (intangible assets), please refer to Note 4(12) and Note 4(20); 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(17). Goodwill after accumulated impairment as at December 31, 2019, was NTD 30,029,895 thousand.

Yuanta Group periodically performs impairment assessments on goodwill at the end of each year. Such assessments are based on cash generating units identified through operating segments and Yuanta Group engaged specialists to assist in measuring the recoverable amounts of cash generating units based on future cash flows. Because the amount of goodwill is material and the models and parameters used in calculating recoverable amounts are made by management's professional judgments and are critical accounting estimates, such as future cash flows, estimated growth rate and discount rate, we have thus included the impairment assessment of goodwill as one of the key audit matters.

How our audit addressed the matter

Our main audit procedures included obtaining asset impairment evaluation data prepared by management, sample testing the authorization procedures for impairment testing reports, and understanding and assessing management's estimation process for future cash flows. In addition, we and our valuation specialist reviewed the management's prior year operation plan execution result; sample assessed the reasonableness of key assumptions used in impairment testing models, such as estimated growth rates and discount rates; and sample tested the parameters and calculation formulas of impairment testing models.

Reserves for policy benefit and adequacy of insurance liabilities

Description

For the accounting policy of reserve for policy benefit and adequacy of insurance liabilities, please refer to Note 4(29); 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(26). Reserve for policy benefit under insurance liabilities as at December 31, 2019, was NTD 260,684,071 thousand.

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

How our audit addressed the matter

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as



management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yuanta Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Yuanta Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Yuanta Group to cease to continue as a going concern.

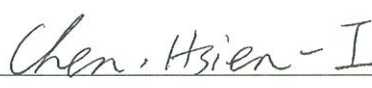
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Yuanta Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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


Chou, Chien-Hung


Chen, Hsien-I

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2020

The consolidated accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the consolidated financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

	ASSETS	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 69,259,573	3	\$ 65,535,411	3
11500	Due from Central Bank and call loans to other banks	6(2)	46,034,685	2	48,216,712	2
12000	Financial assets at fair value through profit or loss	6(3)	504,031,079	21	473,939,209	21
12150	Financial assets at fair value through other comprehensive income-net	6(4)	229,489,904	10	215,135,236	9
12200	Investments in debt instruments at amortised cost-net	6(5)	386,452,415	16	352,906,087	15
12500	Investments in bills and bonds under resale agreements	6(6)	47,603,371	2	33,465,734	2
13000	Receivables – net	6(7)	174,240,497	7	143,272,794	6
13200	Current income tax assets		1,224,071	-	1,485,363	-
13300	Assets held for sale – net	6(8)	533,632	-	868,288	-
13500	Bills discounted and loans – net	6(9)	773,480,918	32	770,905,662	34
13700	Reinsurance contract assets – net	6(10)	903,608	-	580,130	-
15000	Equity investments accounted for under the equity method – net	6(11)	2,403,248	-	2,048,491	-
15100	Restricted assets – net		2,562,586	-	2,622,711	-
15500	Other financial assets – net	6(12)	65,378,346	3	62,025,243	3
18000	Investment property – net	6(13)	4,915,972	-	4,916,691	-
18500	Property and equipment – net	6(14)	22,242,669	1	21,871,922	1
18600	Right-of-use assets, net	6(15)	13,343,880	1	-	-
19000	Intangible assets – net	6(17)	33,197,460	1	33,669,889	2
19300	Deferred income tax assets	6(46)	5,976,615	-	5,899,187	-
19500	Other assets – net	6(18)	31,044,577	1	47,769,165	2
	TOTAL ASSETS		<u>\$ 2,414,319,106</u>	<u>100</u>	<u>\$ 2,287,133,925</u>	<u>100</u>

(Continued)

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

	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
LIABILITIES AND EQUITY					
21000 Due to Central Bank and other banks	6(20)	\$ 13,107,028	1	\$ 22,047,274	1
22000 Financial liabilities at fair value	6(3)				
through profit or loss		123,340,228	5	111,982,799	5
22500 Bills and bonds payable under repurchase	6(6)				
agreements		198,665,918	8	218,570,425	10
22600 Commercial paper payable – net	6(21)	38,621,728	2	36,269,123	2
23000 Payables	6(22)	161,327,046	7	147,690,035	6
23200 Current income tax liabilities		6,221,759	-	5,327,403	-
23500 Deposits and remittances	6(23)	1,095,506,271	45	1,020,615,296	45
24000 Bonds payable	6(24)	68,849,634	3	66,756,009	3
24400 Other borrowings	6(25)	60,847,992	3	64,019,801	3
24600 Liabilities reserve	6(26)(27)	273,860,901	11	232,223,123	10
25500 Other financial liabilities	6(28)	76,069,420	3	79,276,919	3
26000 Lease liabilities		5,527,660	-	-	-
29300 Deferred income tax liabilities	6(46)	3,883,527	-	3,705,743	-
29500 Other liabilities	6(29)	38,283,614	2	41,806,215	2
TOTAL LIABILITIES		<u>2,164,112,726</u>	<u>90</u>	<u>2,050,290,165</u>	<u>90</u>
31000 Equity attributable to owners of the parent company					
31100 Share capital					
31101 Common stock	6(30)	116,706,115	5	116,862,325	5
31500 Additional paid-in capital	6(31)	37,402,480	2	37,200,416	2
32000 Retained earnings					
32001 Legal reserve	6(32)	12,589,183	-	10,721,262	-
32003 Special reserve	6(32)	6,549,234	-	6,549,234	-
32011 Undistributed earnings	6(33)	50,565,092	2	42,843,847	2
32500 Other equity					
32500 Other equity interest	6(34)	8,389,029	-	5,006,084	-
32600 Treasury shares	6(35)	-	-	(197,606)	-
39500 Non-controlling interests		<u>18,005,247</u>	<u>1</u>	<u>17,858,198</u>	<u>1</u>
Total Equity		<u>250,206,380</u>	<u>10</u>	<u>236,843,760</u>	<u>10</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 2,414,319,106</u>	<u>100</u>	<u>\$ 2,287,133,925</u>	<u>100</u>

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

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

Items	Notes	For the years ended December 31,				Changes Percentage (%)
		2019		2018		
		AMOUNT	%	AMOUNT	%	
41000	Interest income	\$ 41,006,443	38	\$ 40,192,428	40	2
51000	Less: Interest expense	(14,873,524)	(14)	(14,256,266)	(14)	4
49600	Net interest income	<u>26,132,919</u>	<u>24</u>	<u>25,936,162</u>	<u>26</u>	1
	Net non-interest income					
49310	Realised gain on financial assets at fair value through other comprehensive income	2,896,324	3	2,166,751	2	34
49450	Net gain arising from derecognition of financial assets measured at mortised cost	759,683	1	312,178	-	143
49800	Net service fee and commission income	17,796,223	17	22,281,465	22	(20)
49810	Net income from insurance operations	40,738,914	38	34,675,722	34	17
49820	Gain on financial assets and financial liabilities at fair value through profit or loss	14,042,591	13	6,204,410	6	126
49825	Gain on investment property	248,121	-	380,651	1	(35)
49870	Foreign exchange (loss) gain	(635,767)	(1)	6,109,457	6	(110)
49880	Asset impairment losses	(20,383)	-	(1,430,109)	(1)	(99)
49890	Share of the profit or loss of associates and joint ventures accounted for using the equity method	145,843	-	(9,700)	-	(1604)
49895	(Loss) gain on reclassification under the overlay approach	(415,946)	-	768,967	1	(154)
49921	Net gain on sale of non-performing loans	253,046	-	264,336	-	(4)
49945	Consultation service income	3,395,057	3	2,408,773	2	41
49999	Net other miscellaneous income	2,271,452	2	1,210,510	1	88
49700	Total net non-interest income	<u>81,475,158</u>	<u>76</u>	<u>75,343,411</u>	<u>74</u>	8
	Net profit	<u>107,608,077</u>	<u>100</u>	<u>101,279,573</u>	<u>100</u>	6
58100	Provision for bad debt expenses, commitment and guarantee policy reserve	(1,352,694)	(1)	(856,563)	(1)	58
58300	Net change in provisions for insurance liabilities	(42,443,850)	(40)	(36,611,780)	(36)	16
	Operating expenses					
58501	Employee benefit expense	(23,276,027)	(21)	(23,666,246)	(23)	(2)
58503	Depreciation and amortization	(3,273,730)	(3)	(2,335,692)	(2)	40
58599	Other business and administrative expenses	(11,720,879)	(11)	(13,609,720)	(14)	(14)
58500	Total Operating Expenses	<u>(38,270,636)</u>	<u>(35)</u>	<u>(39,611,658)</u>	<u>(39)</u>	(3)
61000	Consolidated income from continuing operations before income tax	<u>25,540,897</u>	<u>24</u>	<u>24,199,572</u>	<u>24</u>	6
61003	Income tax expense	(3,399,314)	(3)	(3,701,334)	(4)	(8)
69000	Consolidated net income	<u>22,141,583</u>	<u>21</u>	<u>20,498,238</u>	<u>20</u>	8

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

Items	Notes	For the years ended December 31,				Changes Percentage (%)	
		2019		2018			
		AMOUNT	%	AMOUNT	%		
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
69561	Losses on remeasurements of defined benefit plans	6(27)	(\$ 223,162)	-	(\$ 203,370)	-	10
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		7,452	-	(1,784)	-	(518)
69565	Change in fair value of financial liability attributable to change in credit risk of liability	6(34)	(13,553)	-	(214,480)	-	(94)
69567	Gain on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(4)(34)	1,419,418	1	2,721,507	3	(48)
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(46)	22,036	-	126,176	-	(83)
Components of other comprehensive income that will be reclassified to profit or loss							
69571	Exchange differences on translation of foreign financial statements	6(34)	(1,812,057)	(2)	(38,056)	-	4662
69585	Gain (loss) on valuation of investments in debt instruments measured at fair value through other comprehensive income	6(4)(34)	2,891,352	3	(3,767,163)	(4)	(177)
69587	Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	6(4)(34)	6,278	-	(47,093)	-	(113)
69590	Other comprehensive gains (losses) on reclassification under the overlay approach	6(3)(34)	415,946	-	(768,967)	(1)	(154)
69579	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(46)	(378,672)	-	223,015	-	(270)
69500	Other comprehensive income (loss) (net of tax)		<u>\$ 2,335,038</u>	<u>2</u>	<u>(\$ 1,970,215)</u>	<u>(2)</u>	<u>(219)</u>
69700	Total comprehensive income		<u>\$ 24,476,621</u>	<u>23</u>	<u>\$ 18,528,023</u>	<u>18</u>	<u>32</u>
Consolidated net income attributable to:							
69901	Parent company		\$ 20,445,508	19	\$ 18,679,208	18	9
69903	Non-controlling interests		1,696,075	2	1,819,030	2	(7)
			<u>\$ 22,141,583</u>	<u>21</u>	<u>\$ 20,498,238</u>	<u>20</u>	<u>8</u>
Consolidated comprehensive income attributable to:							
69951	Parent company		\$ 23,571,510	22	\$ 16,973,756	17	39
69953	Non-controlling interests		905,111	1	1,554,267	1	(42)
			<u>\$ 24,476,621</u>	<u>23</u>	<u>\$ 18,528,023</u>	<u>18</u>	<u>32</u>
Earnings per share (in New Taiwan Dollars)							
70001	Basic and diluted earnings per share	6(47)		<u>1.75</u>		<u>1.59</u>	

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													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	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	Treasury shares	Non-controlling interests		
For the year ended December 31, 2018														
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,694	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ 7,085,896	\$ -	\$ -	(\$ 3,478)	(\$ 1,136,953)	\$ 16,901,802	\$ 228,097,556	
Effects of retrospective application and retrospective adjustment	-	-	-	-	(3,028,393)	71	(7,085,896)	8,821,188	389,832	62,367	-	(43,113)	(883,944)	
Balance, January 1, 2018 after adjustments	118,891,975	37,960,694	9,100,767	6,549,234	32,247,259	(2,527,962)	-	8,821,188	389,832	58,889	(1,136,953)	16,858,689	227,213,612	
Consolidated net income for the year	-	-	-	-	18,679,208	-	-	-	-	-	-	1,819,030	20,498,238	
Other comprehensive income (loss) for the year	-	-	-	-	(47,168)	118,493	-	(967,891)	(720,199)	(88,687)	-	(264,763)	(1,970,215)	
Total comprehensive income (loss) for the year	-	-	-	-	18,632,040	118,493	-	(967,891)	(720,199)	(88,687)	-	1,554,267	18,528,023	
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)	-	(1,919,001)	-	
Retirement of treasury shares	(2,029,650)	(828,698)	-	-	-	-	-	-	-	-	2,858,348	-	-	
Changes in ownership interest in subsidiaries	-	68,420	-	-	-	-	-	-	-	-	-	-	68,420	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(554,758)	(554,758)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	77,579	-	-	(77,579)	-	-	-	-	-	
Balance, December 31, 2018	\$ 116,862,325	\$ 37,200,416	\$ 10,721,262	\$ 6,549,234	\$ 42,843,847	(\$ 2,409,469)	\$ -	\$ 7,775,718	(\$ 330,367)	(\$ 29,798)	(\$ 197,606)	\$ 17,858,198	\$ 236,843,760	
For the year ended December 31, 2019														
Balance, January 1, 2019	\$ 116,862,325	\$ 37,200,416	\$ 10,721,262	\$ 6,549,234	\$ 42,843,847	(\$ 2,409,469)	\$ -	\$ 7,775,718	(\$ 330,367)	(\$ 29,798)	(\$ 197,606)	\$ 17,858,198	\$ 236,843,760	
Effects of retrospective application and retrospective adjustment	-	-	-	-	(95,849)	-	-	-	-	-	-	(55,695)	(151,544)	
Balance, January 1, 2019 after adjustments	116,862,325	37,200,416	10,721,262	6,549,234	42,747,998	(2,409,469)	-	7,775,718	(330,367)	(29,798)	(197,606)	17,802,503	236,692,216	
Consolidated net income for the year	-	-	-	-	20,445,508	-	-	-	-	-	-	1,696,075	22,141,583	
Other comprehensive income (loss) for the year	-	-	-	-	(132,001)	(1,118,917)	-	4,006,526	377,326	(6,932)	-	(790,964)	2,335,038	
Total comprehensive income (loss) for the year	-	-	-	-	20,313,507	(1,118,917)	-	4,006,526	377,326	(6,932)	-	905,111	24,476,621	
Appropriation of 2018 earnings														
Legal reserve	-	-	1,867,921	-	(1,867,921)	-	-	-	-	-	-	-	-	
Cash dividend	-	-	-	-	(10,503,550)	-	-	-	-	-	-	(452,397)	(10,955,947)	
Retirement of treasury shares	(156,210)	(41,396)	-	-	-	-	-	-	-	-	197,606	-	-	
Changes in equity of associates and joint ventures accounted for using equity method	-	243,460	-	-	-	-	-	-	-	-	-	75,900	319,360	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(325,870)	(325,870)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(124,942)	-	-	124,942	-	-	-	-	-	
Balance, December 31, 2019	\$ 116,706,115	\$ 37,402,480	\$ 12,589,183	\$ 6,549,234	\$ 50,565,092	(\$ 3,528,386)	\$ -	\$ 11,907,186	\$ 46,959	(\$ 36,730)	\$ -	\$ 18,005,247	\$ 250,206,380	

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

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income from continuing operations before tax	\$ 25,540,897	\$ 24,199,572
Adjustments		
Income and expense items		
Depreciation	2,538,831	1,072,102
Amortization	734,899	1,263,590
Provisions for bad debt expense, commitment and guarantee policy reserve	3,009,338	1,801,185
Interest expense	14,873,524	14,256,266
Interest income	(41,006,443)	(40,192,428)
Dividend income	(3,681,058)	(2,499,000)
Impairment loss (reversal of impairment loss) on financial assets	9,190	(9,073)
Loss (profit) reclassified by applying overlay approach	415,946	(768,967)
Impairment loss on non-financial assets	11,193	1,439,182
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(145,843)	9,700
Gain on disposal of assets classified as held for sale	(18,827)	-
Gain on disposal of investment property	(55,823)	(226,787)
(Gain) loss from disposal or retirement of property and equipment	(7,179)	16,222
Loss (gain) on disposal of intangible assets	133	(5,381)
Net change in insurance liabilities	41,672,167	37,644,246
Rent expense	-	35,473
Changes in assets and liabilities relating to operating activities		
Changes in assets relating to operating activities		
(Increase) decrease in due from Central Bank and call loans to other banks	(2,508,337)	1,251,296
Increase in financial assets at fair value through profit or loss	(30,091,870)	(26,991,086)
(Increase) decrease in financial assets at fair value through other comprehensive income	(10,049,776)	70,955,303
Increase in investments in debt instruments measured at amortised cost	(33,543,992)	(63,054,410)
(Increase) decrease in receivables	(31,648,490)	32,037,434
Increase in bills discounted and loans	(5,286,623)	(12,180,785)
Increase in reinsurance contract assets	(323,594)	(144,234)
Decrease in restricted assets	60,125	99,967
Increase in other financial assets	(3,048,101)	(19,153,786)
Decrease in other assets	8,416,575	1,053,526
Changes in liabilities relating to operating activities		
(Decrease) increase in due to Central Bank and other banks	(8,940,246)	8,527,112
Increase (decrease) in financial liabilities at fair value through profit or loss	11,346,686	(5,153,400)
Increase (decrease) in payables	13,890,611	(21,137,648)
Increase (decrease) in deposits and remittances	74,890,975	(35,408,993)
Decrease in liabilities reserve	(312,578)	(623,368)
(Decrease) increase in other financial assets	(3,355,210)	9,357,994
(Decrease) increase in other liabilities	(3,386,713)	8,402,820
Cash inflow (outflow) generated from operations	20,000,387	(14,126,356)
Interest received	41,362,089	39,230,119
Dividend received	3,677,371	2,480,516
Interest paid	(15,143,200)	(14,110,143)
Income tax paid	(2,494,938)	(3,665,414)
Net cash flows generated from operating activities	<u>47,401,709</u>	<u>9,808,722</u>

(Continued)

YUANTA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31,	
	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of investments accounted for using equity method	(\$ 441,415)	(\$ 459,868)
Proceeds from disposal, liquidation and capital reduction of investments accounted for using equity method	142,440	115,719
Acquisition of investment property	(206,126)	(44,166)
Proceeds from disposal of investment property	208,315	1,367,258
Acquisition of property and equipment	(1,339,054)	(1,136,408)
Proceeds from disposal of property and equipment	31,383	6,330
Acquisition of intangible assets	(175,554)	(279,244)
Proceeds from disposal of intangible assets	5,878	13,416
Proceeds from disposal of assets held for sale	241,880	-
Increase in other assets	-	(8,201,000)
Net cash flows used in investing activities	<u>(1,532,253)</u>	<u>(8,617,963)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Decrease in financial liabilities designated as at fair value through profit or loss on initial recognition	-	(3,153,250)
(Decrease) increase in bills and bonds sold under repurchase agreements	(19,904,507)	21,469,236
Increase (decrease) in commercial paper payable	2,302,597	(8,374,385)
Proceeds from issuance of bonds	8,500,000	8,507,908
Repayments of bonds	(2,274,656)	(2,119,067)
Repayments of bank debentures	(3,500,000)	(5,500,000)
Decrease in other borrowings	(3,171,809)	(7,688,180)
Principal payment for lease liabilities	(1,314,518)	-
Cash dividends paid	(10,503,550)	(6,492,536)
Acquisition of treasury shares	-	(1,919,001)
Other financing activities	174,537	525
Decrease in non-controlling interests	(778,267)	(486,855)
Net cash flows used in financing activities	<u>(30,470,173)</u>	<u>(5,755,605)</u>
Net effect of foreign exchange rate changes on cash and cash equivalents	<u>(2,227,848)</u>	<u>(192,481)</u>
Net increase (decrease) in cash and cash equivalents	13,171,435	(4,757,327)
Cash and cash equivalents at beginning of year	120,921,896	125,679,223
Cash and cash equivalents at end of year	<u>\$ 134,093,331</u>	<u>\$ 120,921,896</u>
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 69,259,573	\$ 65,535,411
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	17,230,387	21,920,751
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	<u>47,603,371</u>	<u>33,465,734</u>
Cash and cash equivalents at end of year	<u>\$ 134,093,331</u>	<u>\$ 120,921,896</u>

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

YUANTA FINANCIAL HOLDINGS CO., LTD. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

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 reported to the Board of Directors and issued on March 23, 2020.

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 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’

- A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Yuanta Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Yuanta Group increased right-of-use asset and lease liability by \$14,137,528 and \$6,237,121, and retained earnings, non-controlling interests, other assets and liabilities, net, decreased by \$95,849, \$55,695 and \$8,051,951, respectively, with respect to the lease contracts of lessees on January 1, 2019.
- C. The Yuanta Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (A) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (B) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$104,387 was recognised in 2019.
 - (C) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (D) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Yuanta Group calculated the present value of lease liabilities by using the incremental borrowing interest rate or the interest rate implicit in the lease range from 0.78% to 8.50%.
- E. The Yuanta Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application or the

interest rate implicit in the lease and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 8,255,954
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018	6,217
Less: Short-term leases	(125,986)
Less: Low-value assets	(16,445)
Add: Lease contracts previously identified as service agreements	89
Less: Contracts reassessed as service agreements	(43,400)
Less: Service agreements started in 2019	(87,338)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	7,989,091
Incremental borrowing interest rate at the date of initial application or the interest rate implicit in the lease	0.78%~8.50%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 6,237,121</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Yuanta Group.

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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.

(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 as 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
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the "Yuanta Group") have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", "Regulations Governing the Preparation of Financial Reports by Insurance Companies", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (IFRSs) as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (B) Financial assets at fair value through other comprehensive income.
- (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.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

All subsidiaries are included in the Yuanta Group’s consolidated financial statements (including structured entities). Subsidiaries are all entities controlled by the Yuanta Group. The Yuanta Group controls an entity when the Yuanta Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Yuanta Group obtains control of the subsidiaries and ceases when the Yuanta Group loses control of the subsidiaries. The Yuanta Group acquired subsidiaries in accordance with the Acquisition Method. Acquisition costs are measured at fair value based on assets acquired, issued equity instruments and incurred or undertaking liabilities, along with directly attributable acquisition costs. Identifiable assets, liabilities and contingent liabilities that are acquired at business combinations are measured at original fair value, and shares of non-controlling interest are not considered. Acquisition costs that exceed fair value of identifiable assets recognised for shareholding ratio are recognised as goodwill; acquisition costs that are less than fair value of identifiable assets recognised for shareholding ratio are directly recognised in the consolidated statements of comprehensive income. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Yuanta Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Yuanta Group. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
The Company	Yuanta Securities	Securities brokerage, dealing, underwriting, financing and refinancing, futures business and raising and issuing derivative instruments	100.00	100.00	
	Yuanta Bank	Commercial banking	100.00	100.00	
	Yuanta Securities Finance	Securities financing and refinancing to securities firms and related business	-	100.00	Note 1
	Yuanta Life Insurance Co., Ltd. (“Yuanta Life”)	Life insurance business	100.00	100.00	
	Yuanta Futures Co., Ltd. (“Yuanta Futures”)	Futures, futures managers, futures consultant, securities, securities trading assistance	68.65	68.65	
	Yuanta Securities Investment Trust Co., Ltd. (“Yuanta Securities Investment Trust”)	Securities investment trust	74.36	72.20	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
The Company	Yuanta Venture Capital Co., Ltd. (“Yuanta Venture Capital”)	Venture capital investments	100.00	100.00	
	Yuanta Asset Management Co., Ltd. (“Yuanta Asset Management”)	Providing monetary debt management services for financial institutions	100.00	100.00	
	Yuanta Securities Investment Consulting Co., Ltd. (“Yuanta Securities Investment Consulting”)	Securities investment consultant	100.00	100.00	
Yuanta Securities	Yuanta Securities Asia Financial Services Limited (“Yuanta Securities Asia Financial Services”)	Investment holding	100.00	100.00	
	Yuanta International Insurance Brokers Co., Ltd. (“Yuanta International Insurance Brokers”)	Insurance agency services	100.00	100.00	
	Yuanta Securities Finance	Securities financing and refinancing to securities firms and related business	100.00	-	Note 1
Yuanta Securities Asia Financial Services	Yuanta Securities Holding (B.V.I) Co., Ltd. (“B.V.I.”)	Investment holding	-	100.00	Note 2
	Yuanta Securities (Hong Kong) Limited	Securities brokerage, dealing in securities and underwriting investment consultation	100.00	100.00	
	Yuanta Asia Investment (Hong Kong) Limited (“Yuanta Asia Investment (Hong Kong)”)	Securities brokerage and dealing in securities	100.00	100.00	Note 3
	Yuanta Investment Consulting (Beijing) (“Yuanta Investment Consulting Beijing”)	Investment consultation	100.00	100.00	
	Yuanta Securities Korea Co., Ltd (“Yuanta Securities (Korea)”)	Securities trading, providing opinions on securities and futures contract, underwriting services, asset management services, financial advisory services, and futures trading	55.36	54.62	
	Yuanta Asia Investment Limited (“Yuanta Asia Investment (B.V.I.) ”)	Venture capital funds, venture capital fund raising management, and investment advisory services	-	100.00	
	Yuanta Hong Kong Holdings (Cayman) Ltd. (“Yuanta HK Holdings (Cayman)”)	Investment holding	100.00	100.00	
	Yuanta Securities Thailand Limited (“Yuanta Securities (Thailand)”)	Securities brokerage, dealing in securities, underwriting and investment consultation	99.99	99.99	
	Yuanta Securities Vietnam Limited Company (“Yuanta Securities (Vietnam)”)	Securities brokerage, dealing in securities, underwriting and investment consultation	85.24	85.24	Note 4
Yuanta Asia Investment (Hong Kong)	Yuanta Asia Investment (B.V.I.)	Venture capital funds, venture capital fund raising management, and investment advisory services	100.00	-	
Yuanta Securities (Hong Kong)	Yuanta International Investment (Hong Kong) Ltd. (“Yuanta Investment (Hong Kong)”)	Issue financial instruments	100.00	100.00	
	Yuanta Finance (Hong Kong) Ltd. (“Yuanta Finance (Hong Kong)”)	Credit loan business	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Yuanta Securities (Hong Kong)	PT Yuanta Sekuritas Indonesia (“Yuanta Securities (Indonesia)”)	Securities trading and underwriting services	99.00	99.00	
	PT Yuanta Asset Management	Investment management	0.002	0.002	
	Yuanta Investment Management (Cayman)	Investment management	100.00	100.00	
	Yuanta Securities (Vietnam)	Securities brokerage, dealing in securities, underwriting and investment consultation	14.76	14.76	Note 4
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management (Indonesia)	Investment management	99.998	99.998	
Yuanta Securities (Korea)	Yuanta Investment Co.,Ltd (“Yuanta Investment (Korea)”)	Venture investment	55.36	54.62	
	Yuanta Financial (Hong Kong) Limited (“Yuanta Financial (Hong Kong)”)	Investment holding	55.36	54.62	
Yuanta Financial (Hong Kong)	Yuanta Securities (Cambodia) Plc. (“Yuanta Securities (Cambodia)”)	Underwriting guidelines and financial advisory services	55.36	54.62	
	Heng Xin Asia Holdings Limited (“Heng Xin Asia Holdings”)	Investment holding	-	49.23	Note 5
Yuanta Asia Investment (B.V.I.)	Reksa Dana Yuanta Liquid Plus Money Market Fund	Investment debt instrument	91.20	99.90	
	Reksa Dana Yuanta Fixed Income Fund	Investment debt instrument	70.67	65.81	
	Reksa Dana Indeks Yuanta Sir-Kehati Index Fund	Investment debt instrument	99.24	98.35	Note 6
	Reksa Dana Yuanta Equity Alpha Fund	Investment debt instrument	100.00	100.00	Note 6
Yuanta Bank	Yuanta International Leasing Co., Ltd. (“Yuanta International Leasing”)	Agency and leasing business of real estate and movables	100.00	100.00	
	Yuanta Savings Bank (Philippines) Inc. (Yuanta Savings Bank (Philippines))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	
	Yuanta Savings Bank (Korea) Inc. (Yuanta Savings Bank (Korea))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	
Yuanta Futures	Yuanta Futures (Hong Kong) Limited (“Yuanta Futures Hong Kong”)	Financial services	68.65	68.65	
	SYF Information Limited (“SYF Information”)	Information service	68.65	68.65	
SYF Information	SYF Information (Samoa) Limited (“SYF Information (Samoa)”)	Investment holding	68.65	68.65	Note 7
SYF Information (Samoa)	SYF Information (Shanghai) Limited (“SYF Information (Shanghai)”)	Information service	68.65	68.65	
Yuanta Venture Capital	Yuanta I Venture Capital Co., Ltd. (“Yuanta I Venture Capital”)	Venture capital investments	100.00	100.00	

Note 1: The Company’s Board of Directors approved on November 28, 2018 to transfer all the shares of Yuanta Securities Finance to Yuanta Securities. The settlement effective date is set on March 26, 2019 under the resolution of the Board of Directors on March 25, 2019.

Note 2: In June 2019, the Board of Directors of B.V.I. resolved to dissolve and liquidate the company. The effective date was December 27, 2019, and the liquidation process was completed on February 14, 2020.

Note 3: In May 2019, the Board of Directors of Yuanta Securities Asia Financial Services approved the capital increase of Yuanta Asia Investment (Hong Kong) to be finished in September 2019. Polaris Securities (Hong Kong) Co., Ltd. was renamed “Yuanta Asia Investment (Hong Kong) in September 2019.

Note 4: In March 2018, the Board of Directors of Yuanta Securities Asia Financial Services approved the capital increase of Yuanta Securities (Vietnam) to be finished in August 2018. First Securities Joint Stock Co., Ltd. was renamed “Yuanta Securities (Vietnam) Joint Stock Co., Ltd” in February 2018 and renamed “Yuanta Securities Vietnam Limited Company” in January 2019.

Note 5: In March 2018, the Board of Directors approved the liquidation of Heng Xin Asia Holdings. The liquidation was completed in June 2019.

Note 6: Subscribed in the fourth quarter of 2018.

Note 7: On September 25, 2019, the Board of Directors of SYF Information (Samoa) resolved to dissolve and liquidate the company to simplify the organisation. On October 25, 2019, the competent authority approved the liquidation which is expected to be completed in 2020.

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

December 31, 2019

Structured entities	Services
YK Hessen Co.,Ltd.	Asset-backing
YK Indus Co.,Ltd.	Asset-backing
YK Dway 2nd Co.,Ltd.	Asset-backing
YK Biz Co.,Ltd.	Asset-backing
SJ First Co.,Ltd.	Asset-backing
YK Monaco Co.,Ltd.	Asset-backing
YK JP the 7th Co.,Ltd.	Asset-backing
DG.southone 1st Co., Ltd.	Asset-backing
YFI Yeosu Co., Ltd.	Asset-backing
UT sixth Co., Ltd.	Asset-backing
YK Gunsun 1st Co., Ltd.	Asset-backing
First M 2nd.Co.,Ltd.	Asset-backing
First M 3rd.Co.,Ltd.	Asset-backing
DK project second Co., Ltd.	Asset-backing
YK Hotel the 1st Co., Ltd.	Asset-backing
Y.K.Stone the First Co., Ltd.	Asset-backing
YK Grand. Co., Ltd.	Asset-backing
YK HD Co., Ltd.	Asset-backing
YFI Double S1 Co., Ltd.	Asset-backing
YFI Double S2 Co., Ltd.	Asset-backing
YK Dragon. Co., Ltd.	Asset-backing
Y.K.Glory the 1th.Co., Ltd.	Asset-backing
YK MEDICINE Co., Ltd.	Asset-backing
YKWork. Co., Ltd.	Asset-backing
YK BeomCheon the 1st Co., Ltd.	Asset-backing
YK MIRACLE Co., Ltd.	Asset-backing
YKCF. Co., Ltd.	Asset-backing
SJ beomcheon second Co., Ltd.	Asset-backing
YK Maritime Co., Ltd.	Asset-backing
YK Bugae the 1st Co., Ltd.	Asset-backing
YK Mozart II Co., Ltd.	Asset-backing
YKSEAWORK. Co., Ltd.	Asset-backing
Y.K. Cherry the First Co., Ltd.	Asset-backing
YK Chile Co., Ltd.	Asset-backing

December 31, 2019

Structured entities	Services
YK Songdo. Co., Ltd.	Asset-backing
SJ bondong third Co., Ltd.	Asset-backing
YK Whistle Co., Ltd.	Asset-backing
BUMERSQUARE 1st. Co., Ltd.	Asset-backing
Y.K.Blue the 5th. Co., Ltd.	Asset-backing
YK Star. Co., Ltd.	Asset-backing
YK GO. Co., Ltd.	Asset-backing
YK Hyper Co., Ltd.	Asset-backing
YKDragonLake Co., Ltd.	Asset-backing
Y.K. Spark the First Co., Ltd.	Asset-backing
YKDY Co., Ltd.	Asset-backing
YkNineMall Co., Ltd.	Asset-backing
YKSEONHWA. Co., Ltd.	Asset-backing
Gold Poongmu the 1st Co., Ltd.	Asset-backing
SJ gangbuk first Co., Ltd.	Asset-backing

December 31, 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
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 Hessen Co., Ltd	Asset-backing
ELF 5th 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
ELF 7th Co., Ltd	Asset-backing
YK KGE Co., Ltd	Asset-backing
DG.southone 1st Co., Ltd	Asset-backing
YFI Yeosu Co., Ltd	Asset-backing
UT sixth Co., Ltd	Asset-backing
YK Gunsun 1st Co., Ltd	Asset-backing
Y.K.Blue the 4th.Co., Ltd	Asset-backing

December 31, 2018

Structured entities	Services
First M 2nd.Co., Ltd	Asset-backing
First M 3rd.Co., Ltd	Asset-backing
DK project second Co., Ltd	Asset-backing
YK SMGC Co., Ltd	Asset-backing
YK Hotel the 1st Co., Ltd	Asset-backing
Y.K.Stone the First Co., Ltd.	Asset-backing
YK Grand.Co., Ltd.	Asset-backing
YK EMC Co., Ltd.	Asset-backing
YK HD Co., Ltd.	Asset-backing

Although Yuanta Group does not hold interests in structured entities, structured entities are included in the consolidated financial statements, taking into account the following: when the company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- D. As of December 31, 2019, subsidiaries not included in the consolidated financial statements:
None.
- E. Adjustments for subsidiaries with different balance sheet dates:
None.
- F. Significant restrictions
None.
- G. Subsidiaries that have non-controlling interests that are material to the Yuanta Group:
As of December 31, 2019 and 2018, the non-controlling interest amounted to \$18,005,247 and \$17,858,198, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of Subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2019		December 31, 2018	
		Amount	Ownership(%)	Amount	Ownership(%)
Yuanta Securities (Korea)	Korea	\$ 14,215,077	44.64%	\$ 14,344,843	45.38%

The comprehensive income attributable to this non-controlling interest were \$155,441 and \$861,759 for the years ended December 31, 2019 and 2018, respectively.

Summarized financial information for the aforementioned subsidiaries:

Consolidated balance sheets

	Yuanta Securities (Korea) and its subsidiaries	
	December 31, 2019	December 31, 2018
Current assets	\$ 303,666,064	\$ 309,194,230
Non-current assets	17,744,841	16,545,798
Current liabilities	(281,118,694)	(287,746,946)
Non-current liabilities	(7,370,051)	(5,280,777)
Total net assets	\$ 32,922,160	\$ 32,712,305

Consolidated statements of comprehensive income

	<u>Yuanta Securities (Korea) and its subsidiaries</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 14,059,217	\$ 15,647,208
Profit before income tax	2,200,216	3,128,799
Income tax expense	(41,918)	(259,376)
Net income	2,158,298	2,869,423
Other comprehensive loss (net of tax)	(1,817,406)	(735,008)
Total comprehensive income for the period	<u>\$ 340,892</u>	<u>\$ 2,134,415</u>

Consolidated statements of cash flows

	<u>Yuanta Securities (Korea) and its subsidiaries</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 14,661,381	\$ 730,035
Net cash provided by investing activities	87,559	2,340,518
Net cash used in financing activities	(11,373,642)	(5,503,591)
Effect of exchange rates on cash and cash equivalents	(382,452)	458,591
Increase (decrease) in cash and cash equivalents	<u>2,992,846</u>	<u>(1,974,447)</u>
Cash and cash equivalents, beginning of period	<u>16,791,937</u>	<u>18,766,384</u>
Cash and cash equivalents, end of period	<u>\$ 19,784,783</u>	<u>\$ 16,791,937</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Yuanta Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Yuanta Group's presentation currency.

A. Foreign currency transactions and balances

- (A) Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.
- (B) Assets denominated in foreign currency are translated at the closing exchange rate at the balance sheet date. When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Any translation difference is recognised as gain and loss in the period.
- (C) Non-monetary assets and liabilities denominated in foreign currencies:
- Assets and liabilities carried at cost are re-translated at the exchange rates prevailing at the original transaction date.
 - Assets and liabilities held at fair value through profit or loss are re-translated at the exchange rates prevailing at the date at which the fair value is determined.

When the gains and losses on non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income, any translation difference included

in the gains and losses are also recognised in other comprehensive income. When the gains and losses on non-monetary assets and liabilities denominated in foreign currencies are recognised as gains and losses, any translation difference included in the gains and losses are also recognised as gains and losses.

B. Translation of foreign operations

If an entity has a functional currency (not in an economy with high inflation) that is different from presentation currency in the consolidated statements, its operating results and financial position is translated into presentation currency by the following procedures:

- (A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
- (B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
- (C) All resulting exchange differences are recognised in other comprehensive income.

(5) Cash and cash equivalents

“Cash and cash equivalents” within the consolidated balance sheet include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. From the perspective of the consolidated statements of cash flows, cash and cash equivalents refer to cash and cash equivalents within the consolidated balance sheet, and cash and cash equivalents that conform to IFRS 7’s definition, as endorsed by the FSC, which are cash and cash equivalents due from Central bank and call loans to other banks, or bills and bonds purchased under resale agreements.

(6) Bills and bonds under repurchase or resale agreements

In relation to transactions of bills and securities with a condition of repurchase agreement or resale agreement, the interest expense and interest income are recognised as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognised at the date of sale or purchase.

(7) Financial assets and liabilities

All financial assets and liabilities of the Yuanta Group including derivatives are recognised in the consolidated balance sheet and are properly classified in accordance with IFRSs as endorsed by the FSC.

A. Financial assets

All financial assets held by the Yuanta Group are classified into the following six 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 based on the effective interest rate of original contract and the related 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.

(8) Margin loans, short sale stock loans, securities lending and security-based loans

- A. According to the “Rules Governing Securities Finance Enterprises” (RGSFE), margin loans primarily represent pecuniary financing to investors or refinancing to securities firms. The margin loans are accounted for as “Margin loans receivable” (recognised under “Receivables-net”) as incurred and such loans are secured by the securities purchased by the investors, and the Yuanta Group records these securities at par value under the memorandum accounts “securities held for collateral” and “liability for holding collateral securities”, and is not included in the balance sheets.
- B. According to Article 10 of the RGSFE, when providing margin loans to principals, the Yuanta Group shall obtain the margin pursuant to the ratio prescribed by the competent authority.
- C. Short sale stock loans represent securities financing affected by lending securities in custody that are received from margin loans, guarantee effects or borrowed securities, to investors. When the securities are lent to investors, the Yuanta Group records the par value of the securities lent under the memorandum account “short sale stock loans”. Additionally, according to Article 10 of the RGSFE, the investors need to deposit a regulated amount equal to a certain percentage of the proceeds from short sale stock financing or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Short sale stock deposits” (recognised under “Payables”). The Yuanta Group deals with these securities at par value under the memorandum account “Guarantee deposits”. The proceeds from sale of securities lent, less any dealer's commission, financing commission and securities exchange tax, are held by the Yuanta Group as collateral and recorded under “Short sale proceeds payable” (recognised under “Payables”).
- D. Securities borrowed represent securities borrowed from one broker/dealer to another, who must eventually return the same security as repayment. When the securities are lent to investors, the Yuanta Group records the par value of the securities borrowed under the memorandum account “securities borrowed”. The borrower needs to deposit an amount equal to a certain percentage of the proceeds from securities borrowed or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Refundable deposits for securities lending” (recognised under “Other assets-net”). The Yuanta Group deals with securities at par value under the memorandum account “Refundable collaterals”. When the securities are lent to investors, the Yuanta Group records the par value of the securities lent under the memorandum account “Short sale stock loans”. Additionally, a lender needs to deposit an amount equal to a certain percentage of the proceeds from securities lent or equivalent collateral as guarantee with the Yuanta Group. The proceeds are accounted for as “Deposits received for securities lent” (recognised under “Other liabilities”). The

Yuanta Group deals with these securities at par value under the memorandum account “Collaterals received”.

- E. “Security-based loans” are loans provided to borrowers by Yuanta Group in accordance with “Regulations Governing Securities Finance Enterprises”. Upon the occurrence of a loan, “Security-based loans” is recorded (under “Bills discounted and loans – net”) and the borrower pledges securities from margin trading, central government bonds and treasury bills and others that are approved by the competent authority as collateral. For the collateral, Yuanta Group records it in its memorandum under “Securities in custody” and its converse account “Collateral received”, which is not recorded in the general ledger.

(9) Financial instruments offsetting

Financial assets and liabilities are offset in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(10) Impairment of financial assets

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.

(11) 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.

(12) Impairment of non-financial assets

The Yuanta Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from

the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(13) Non-current assets (or disposal groups) held for sale

- A. Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.
- B. The income (loss) of the subsidiaries is excluded from the consolidated statement of comprehensive income effective the date on which the subsidiaries meets the criteria to be classified as held for sale. The assets, liabilities and equity related to the subsidiaries classified as held for sale shall be presented separately in the consolidated balance sheet. The subsidiaries classified as held for sale shall be measured at the lower of carrying amount and fair value less costs to sell on the date which the subsidiaries meet the criteria to be classified as held for sale. The carrying amounts of the liabilities shall be measured in accordance with applicable Statements of Financial Accounting Standards to determine the amounts of total assets.
- C. If the subsidiaries classified as held for sale meet the definition of discontinued operations, the results of their operations before being classified to the accounts relating to non-current disposal group classified as held for sale and the impairment loss recognised when being classified to the accounts relating to non-current disposal group classified as held for sale shall be combined to the net profit or loss after tax of discontinued operations.

(14) Equity investments accounted for under the equity method—associates

- A. Associates are all entities over which the Yuanta Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20%~50% of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Yuanta Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Yuanta Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Yuanta Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Yuanta Group's ownership percentage of the associate, the Yuanta Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When overseas investments are valued under the equity method, exchange differences arising from the translation of the investee's financial statements are recognised in other comprehensive income and are cumulated under equity as "Exchange differences on translation of foreign financial statements" (and appropriately allocated to non-controlling interest).
- F. When Yuanta Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then

the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

- G. When Yuanta Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Leasing arrangements (lessor) – operating leases

A. Operating lease

Payments that the Yuanta Group receives or charges under the operating lease are recognised as gain and loss on a straight-line basis during the contract term, which are recognised under “other business and administrative expenses” and “other net non-interest income”, respectively.

B. Finance lease

The asset is derecognised when the finance leasing contract is signed by the Yuanta Group and the finance lease shall be recorded in the balance sheet as lease receivables at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as unrealised interest income, which is calculated based on remaining lease receivables over the lease term and recognised as current gain and loss at the end of the period using the embedded interest rate or incremental borrowing interest rate.

(16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Yuanta Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate or the interest rate implicit in the lease.

Lease payments are comprised of the following:

- a. Fixed payments, less any lease incentives receivable;
- b. Variable lease payments that depend on an index or a rate;
- c. Amounts expected to be payable by the lessee under residual value guarantees;
- d. The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- e. Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Yuanta Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- a. The amount of the initial measurement of lease liability;
- b. Any lease payments made at or before the commencement date;
- c. Any initial direct costs incurred by the lessee; and
- d. An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition

required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leased assets/ operating leases (lessee)

Effective 2018

A. Payments that the Yuanta Group receives or charges under the operating lease are recognised as gain and loss on a straight-line basis during the contract term, which are recognised under "other business and administrative expenses" and "other net non-interest income", respectively.

B. At the commencement date, the lower of fair value of lease assets or the lowest present value of the lease payment is capitalized. Rental payment is amortised to finance leasing liabilities and the interest expense is recognised. Interest expense is calculated based on the beginning balance of finance leasing liabilities of each period using the leasing embedded interest rate or incremental borrowing interest rate and recognised as gains and losses. Finance leasing liabilities are recognised under "other financial liabilities". Property and equipment acquired through finance leasing contract are measured by cost model.

(18) Investment property

The properties held by the Yuanta Group, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land rented in a form of operating lease.

Part of the property may be held by the Yuanta Group for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Yuanta Group can be sold individually, then the accounting treatment should be made respectively. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.

When the future economic benefit related to the investment property is highly likely to flow into the Yuanta Group and the costs can be reliably measured, the investment property shall be recognised as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognised as incurred in the consolidated statement of comprehensive income.

When there is certain replacement occurring onto the investment property, the replacement cost should be recognised in the carrying amount of the investment property given that the criteria of recognition can be met. The carrying amount of the replaced account should be derecognised.

An investment property is stated initially at its cost and measured subsequently using the fair value model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

The fair value of investment property is disclosed in the financial statements at each consolidated balance sheet date. Valuation of fair value is annually provided by an external valuer. The management department of the Company determines the fair value of investment property by examining the characteristics, location and status of investment property along with the external valuation report on each consolidated balance sheet date.

However, the fair value of investment property does not reflect future capital expenditures that improve or benefit the property, nor does it reflect future benefits associated from those expenditures in the future.

(19) Property and equipment

The property and equipment of the Yuanta Group are recognised on the basis of cost less accumulated depreciation and accumulated impairment. Cost includes any cost directly attributable to the acquisition of the asset.

If the future economic benefit generated from subsequent expenses of the asset can be measured reliably and is very likely to flow into the Yuanta Group, the subsequent expenses of property and equipment may be individually recognised as an asset or included in the carrying amount of the asset. Significant renewals and improvements incurred to increase the future economic benefits of the assets are capitalized. Routine maintenance and repairs are charged to expense as incurred.

The property and equipment of the Yuanta Group were initially recognised at the original cost and subsequently measured by cost model.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets till salvage value. Useful life is as follows:

Buildings (including auxiliary equipment)	3~60 years
Machinery and computer equipment	1~10 years
Transportation equipment	2~6 years
Leasehold improvements	3~6 years
Other equipment	1~21 years

On each consolidated balance sheet date, the Yuanta Group appropriately adjusts the salvage value and useful life of the assets.

Any gain or loss on disposal is calculated by the difference between the carrying amounts and proceeds on disposal, which is recognised in “Other non-interest income” in the consolidated statement of comprehensive income.

(20) Intangible assets

A. Operating rights are initially recognised at the acquisition cost. Intangible assets, with limited useful lives, and other intangible assets are amortised using the straight-line method.

B. Pursuant to IFRS 3, ‘Business Combinations’ as endorsed by FSC, the excess of the consideration transferred in business combination over the net identifiable assets acquired and the net fair value of liabilities assumed shall be recognised as goodwill. Goodwill acquired in business combination shall be tested for impairment at least once a year. An impairment loss is recognised when the goodwill is impaired. Impairment loss of goodwill that has been recognised shall not be reversed.

(21) Customer margin deposit account and futures traders’ equity recognised (under Other financial assets/ Other financial liabilities)

Customer margin deposit account receives margins, premiums and differences from daily market closing prices in accordance with “Regulations Governing Futures Commission Merchants”, which are all included in the customer margin deposit account.

Futures traders’ equity is the margin and premium customers pay for futures trading. The differences of daily market closing prices are accounted for as current liabilities. Accounts cannot be offset except for the same type of accounts of the same customer; if borrower’s balance arises from futures traders’ equity, the balance shall be recognised as futures trading margin receivable, which shall be recovered from the traders.

(22) Bonds payable/ Preferred stock liability

A. Bank debentures payable

Bank debentures payable issued by the Yuanta Group is carried at amortised cost using the effective interest rate.

B. Corporate bonds payable/ Preferred stock liability

(A) Ordinary corporate bonds issued by the Yuanta Group are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised

cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

- (B) Convertible corporate bonds/ preferred stock liability issued by the Yuanta Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Yuanta Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Yuanta Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus – stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds/ preferred stock liability are accounted for as follows:
- a. Call options and put options embedded in convertible corporate bonds/ preferred stock liability are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on financial assets or financial liabilities at fair value through profit or loss.'
 - b. Bonds payable of convertible corporate bonds/ preferred stock liability is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/ preferred stock liability and presented as an addition to or deduction from bonds payable/ preferred stock liability, which is amortised in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.
 - c. Conversion options embedded in convertible corporate bonds/ preferred stock liability issued by the Yuanta Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus – stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable – net' as stated above. Conversion options are not subsequently remeasured.
 - d. Any transaction costs directly attributable to the issuance of convertible corporate bonds/ preferred stock liability are allocated to the liability and equity components in proportion to the allocation of proceeds.
 - e. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable/ preferred stock liability' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus – stock warrants.

(23) Provisions, contingent liabilities and contingent assets

- A. The Yuanta Group recognises liabilities when all of the following three conditions are met :
- (A) Present obligation (legal or constructive) has arisen as a result of past event.
 - (B) The outflow of economic benefits is highly probable upon settlement.
 - (C) The amount is reliably measurable.
- B. The Yuanta Group does not recognise provisions for the future operating losses. If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions should be recognised when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits

from any one of the obligation is remote.

- C. When the time value may have a significant impact on a currency, the reserve is measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the liabilities.
- D. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Yuanta Group. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Yuanta Group did not recognise any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.
- E. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Yuanta Group. The Yuanta Group did not recognise any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(24) Financial guarantee contracts and loan commitment

- A. A financial guarantee contract is a contract that requires the Yuanta Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
- B. The Yuanta Group initially recognises financial guarantee contracts at fair value on the date of issuance. The Yuanta Group charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognised in deferred accounts and amortised through straight-line method during the contract term.
- C. The Yuanta Group measures the financial guarantee contract it issues at the greater of the following two amounts:
 - (A) Allowance for losses in accordance with IFRS 9 as endorsed by the FSC.
 - (B) The amount initially recognised less, when appropriate, cumulative effect recognized in accordance with IFRS 15.
- D. The Yuanta Group's assessment of provisions for losses for loan commitments and financial guarantee contracts is described in Note 4(10). "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.

(25) Employee benefits

- A. Short-term employee benefits
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.
- B. Pensions
 - (A) Defined contribution plans
For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments. Within the 12 months after the end of the

reporting period when the services are rendered, the total undiscounted short-term pension benefits which the Yuanta Group needs to pay in the future are recognised as expenses.

(B) Defined benefit plans

- a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Yuanta Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Yuanta Group uses interest rates of government bonds (at the balance sheet date) instead.
- b. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- c. Past service costs are recognised immediately in profit or loss.

C. Deposits

The Yuanta Group provides preferential interest rate for its employees, including flat preferential savings for current employees. The difference gap compared to market interest rate is deemed as employee benefits.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Yuanta Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Yuanta Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

E. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

(26) Classification of insurance contracts

- A. Insurance products should be classified according to IFRS 4, 'Insurance contracts'. The Company has to identify whether to assume components of an insurance contract including insurance risks and other risks with respect to the insurance products issued and make judgement on whether the components of an insurance contract are unbundled and separately measurable. In addition, the Company has to make judgement on whether the insurance products issued transfer insurance risk, whether transfer of insurance risk has commercial substance, and whether the transferred insurance risk is significant when performing significant insurance risk transfer tests. Result of such judgement will affect the classification of insurance contracts. Identification and unbundling of components of an insurance contract and classification of insurance products can affect the recognition of revenue, measurement of liabilities, and presentation of financial statements.

- B. An insurance contract is a contract under which the Yuanta Group accepts significant risk transferred from the policyholder by agreeing to compensate the policyholder if a future insured event adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held by the Yuanta Group. Non-insurance contracts (also called investment contracts), denote to insurance contracts with a nature of financial instruments that are exposed to financial risks but without significant transferred insurance risks. The definition of significant transferred risks employed by the Yuanta Group here refers to any event or incident that leads to the Yuanta Group's additional significant payment.
- C. Insurance policies which meet the definition of insurance contracts on initial recognition shall be classified as insurance contracts before all rights and obligations expire or mature, even if the insurance risks have been significantly reduced during the coverage period. However, insurance contracts with a nature of financial instruments shall be reclassified as insurance contracts, if significant insurance risks have been transferred to the Yuanta Group.
- D. Insurance contracts and investment contracts will be further classified depending on the discretionary participation feature. The discretionary participation feature is a contractual right to receive additional benefits rather than guaranteed benefits, and this kind of right will need to meet the following criteria at the same time:
 - (A) additional benefits that are likely to be a significant portion of the total contractual benefits;
 - (B) the amount or timing of additional benefits is contractually at the discretion of the Yuanta Group; and
 - (C) additional benefits are contractually based on the performance of specified investment portfolio of the Yuanta Group.
- E. All insurance products of the Yuanta Group meet the definition of insurance contracts, except for some investment-linked products.

(27) Insurance contracts

A. Recognition and measurement

For the Yuanta Group's insurance contracts and financial instruments with discretionary participation features, premium income and commission expense are recognised when premiums are collected and the underwritings are approved for initial policies, and when premiums are collected for renewal policies. Claim and policy benefits are recognised under profit and loss accounts as incurred. In addition, the Yuanta Group shall set aside various insurance liabilities. Please refer to valuation basis for various insurance liabilities set out. Even though certain insurance contracts of the Yuanta Group do have a participation discretion feature and guarantee element, the Yuanta Group did not separately recognise but categorize the whole contract as a liability.

B. Liability adequacy test

The Yuanta Group performs liability adequacy test in accordance with IFRS 4, 'Insurance contracts'. The liability adequacy test is performed using the gross premium valuation based on the overall contracts of the whole entity in compliance with relevant regulations of The Actuarial Institute of The Republic Of China. The test is based on the comparison between carrying amount of insurance liability and current estimate of its future cash flow on each balance sheet date. The aforementioned liability adequacy test is conducted under the best possible assumption and discount the reward of the Yuanta Group's investment portfolio. If the test result shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

C. Reinsurance

With the classification of reinsurance contracts, the Yuanta Group assesses the agreements under the deposit accounting given that the objective insurance risks of reinsurance agreements are not transferred to the reinsured. Calculation of reinsurance standards for inwards and outwards, reinsurance commissions, reinsurance payments and reinsurance premiums should be

managed by reinsurance contracts signed by other reinsurance companies and stated on a monthly basis.

The Yuanta Group evaluates whether privileges of reinsured, including reinsurance assets, claims recoverable from reinsurers and due from reinsurance and ceding companies are impaired on a regular basis. When objective evidence indicates that such option being exercised after the initial recognition will possibly lead to the Yuanta Group being unable to collect all receivables on the contract, and the impact of the receivables from reinsured can be reliably measured with regard to the aforementioned event. The provision for impairment loss shall be recognised to the extent that the recovered amounts are no greater than the reinsurance reserve asset of the aforementioned rights. Also, allowance for doubtful debt should be appropriately made for the non-recoverable amounts of claims recoverable from reinsurers, due from reinsurers and ceding companies.

(28) Non-discretionary participation feature investment contracts

Except that processes for insurance contracts are applicable for “investment contracts with a discretionary participation feature”, for insurance contracts classified as investment contracts due to non-transferred objective risks, IFRS 9, “Financial Instruments: Recognition and Measurement” should be applied to “investment contract with no discretionary feature” regarding any of its accrued financial assets and liabilities. The consideration received or paid accordingly should be recognised as financial assets or liabilities instead of income or expenses according to what is commonly called “deposit accounting”. If no financial assets or liabilities have been created, IFRS 15, “Revenue from contracts with customers” shall be applied.

(29) Provision basis for various insurance liabilities

All reserves of insurance contracts that the Yuanta Group recognised are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. The following various insurance liabilities reserves do not apply discount method other than reserve for policy benefit, liability adequacy reserve, and premium deficiency reserve with a coverage period over one year. Provision basis of various insurance liabilities reserves are as follows:

A. Unearned premium reserve

For effective contracts with a coverage period under one year, unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period; for casualty insurance with coverage period over one year, unearned premium reserve is provided in accordance with Jin-Guan-Bao-Cai-Zi No. 09902503922 “Supplementary Information on the Calculation of Unearned Premium Reserve and Earned Premium for Casualty Insurance with Coverage Period over One Year.”

B. Claims reserve

Claims reserves for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Additionally, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance.

For claims reserves for health insurance, life insurance, and annuity insurance with a coverage period over one year for “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance.

C. Reserve for policy benefit

Long-term insurance contracts are recognised and calculated in conformity with related insurance regulations and based on the life chart of annuity specified within the calculation instructions when filing to competent authorities for each product, as well as the assumed interest rate for the calculation of policy reserves. The discount rate is based on the assumed interest rate for calculating policy reserves when filing to competent authorities for each insurance product.

D. Special reserve

(A) In particular for retention policies with coverage less than a year, special reserves include “catastrophe reserve” and “risk claim reserve”. Except for some reserves netting aside for regulatory purpose, special reserve, after deducting income tax, shall be recognised as special reserve under equity. Additional provision of special reserve and amounts written-off or recovered with respect to special reserve shall also be written-off or recovered from the special reserve which has been recognised under equity.

Risk claim reserve recovered from equity, net of tax (effective rate), shall all be set aside as special reserve following the resolution adopted at the shareholders’ meeting in the following year. Such special reserve shall neither be distributed as dividends nor used in other ways without proper approval.

(B) Profit and loss before tax (before dividends distribution) for the Yuanta Group’s participating life insurance should be assessed at each annual closing date in compliance with “The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance”. “Special reserve-dividend payment reserve” should be recognised and written off at dividend declaration date. With negative balance of “special reserve-dividend payment reserve of participating insurance”, equal amount of “special reserve-dividend liability” should be recognised at the same time.

E. Premium deficiency reserve

Effective from 2001, if the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. In addition, potential claims and expenses are estimated for effective contracts yet to mature and injury insurance contracts with a coverage period over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

F. Liability adequacy reserve

In accordance with IFRS 4, ‘Insurance Contracts’ and the regulations of The Actuarial Institute Of The Republic Of China, liability adequacy test is performed using the gross premium valuation based on all contracts of the Company. At each balance sheet date, liability adequacy reserve is provided for all deficiency in net carrying amount and recognised in profit or loss, through comparison between the net carrying amounts of insurance liabilities less deferred acquisition cost and related intangible assets and the present value of estimated future cash flows of insurance contracts.

(30) Foreign exchange reserve

In accordance with the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Yuanta Group set aside foreign exchange reserve under liabilities (recognised as provisions) with regard to the foreign investment assets held (excluding non-investment-linked life insurance product assets denominated in foreign currency). Treatments for accumulation limit of related reserves, method for provision or writing-off, and other binding matters shall be in compliance with “Guidelines for Foreign Exchange Reserve by Life Insurance Enterprises” and relevant regulations.

(31) 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.

(32) Share capital

If the date of dividends declared is later than the consolidated balance sheet date, common stocks are disclosed in the subsequent events.

(33) Interest income and expense

Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognised as “interest income” and “interest expense” in the consolidated statement of comprehensive income.

(34) Net service fee and commission income

Income is recognised when the economic benefits are probable to flow into the Yuanta Group and can be reliably calculated. Details are as follows:

A. Brokerage service fee income and other related expenses are recognised at the date of securities transaction.

B. Underwriting service fee income and expenses are recognised on an accrual basis under the agreed terms.

C. Stock agency income is recognised monthly based on the contract terms.

D. Futures commission income is the commission charged to the assigned futures merchants for the assistance provided during futures trading and recognised on an accrual basis during the trading period.

(35) Investment-linked products

A. In accordance with the Insurance Law and “Regulations Governing Investment-linked Products”, premiums from these products are deposited to a separate and independent account, net of expenses, and invested as stipulated under the contracts. This separate and independent account

is managed independently from other assets of the Yuanta Group.

- B. The assets and liabilities of this independent account are classified under other assets and liabilities for investment-linked products, respectively, and revenues and expenses are classified under operating revenues and costs for investment-linked products, respectively. Revenues and expenses from investment-linked product, which meet the definition of insurance contracts under IFRS 4 should be recognised.
- C. The value of this independent account's assets is determined based on the market price at the balance sheet date.
- D. The sales commission and fee income including pre-sale charge, policy and investment related charges received from the investment from the investment-linked life products are recognised as handling fee revenue. Service income derived from relevant expenses from policy holders, which belong to investment contracts and are classified as non-discretionary participation feature products, are the consideration of services provided by the Company during the specified period. If the service is not rendered during the period the premium is received, then the service income shall be recognised as "deferred handling fee income" and amortised using the straight-line method over the period the service is provided. Relevant additional costs, such as commission expenses and sales compensation, shall also be recognised as "deferred acquisition cost" and are amortised using the straight-line method to "Other non-interest income" based on the matching principle.

(36) Business combinations

- A. The Yuanta Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Yuanta Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(37) Operating segment report

The Yuanta Group's operation segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM").

Inter-segmental transactions are arm's length transactions, and gain and loss arising from such transactions are eliminated by the Yuanta Group upon the preparation of consolidated financial statements. Profit and loss directly attributable to various segments have been considered when segment performance is being evaluated.

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

The accounting policies, accounting assumptions and estimates have an impact on Yuanta Group's consolidated financial statements. Thus, when applying significant accounting policies as described in

Note 4, management needs to make appropriate judgements for the information that cannot be easily obtained through other sources and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Yuanta Group's assumptions and estimates are the best assumptions based on IFRSs, and are continually evaluated and adjusted based on historical experience and other factors. Certain accounting policies and management's judgements have significant impact on the recognised amounts in the consolidated financial statements are outlined below:

(1) 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. Please refer to Note 6(9) for the details of the total amount of discount and loans (including discount and premium adjustment) and allowance for accounts receivable as of December 31, 2019.

(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. Please refer to Note 12(2) for details of the carrying amount of unlisted financial assets at fair value through other comprehensive income as of December 31, 2019.

(3) Impairment assessment of goodwill

Yuanta Group assesses regularly the impairment of goodwill at the end of year. The recoverable amounts of related cash-generating units are determined based on value-in-use calculations. The calculations use estimate of expected future cash flows and discount rate. Please refer to Note 6(17) for details of the assessment of goodwill impairment as of December 31, 2019.

(4) Insurance contract liabilities

The Company evaluates long-term insurance contract liabilities in compliance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". The assumptions of mortality rate, lapse rate, and discount rate are as follows: The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The lapse rate are based on the Company's past experience, industry experience, and experience obtained from reinsurers. The discount rate is based on the interest rate of reserve for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products and relevant regulations as approved by the competent authority. The above assumptions are locked-in during price setting in accordance with related regulations.

However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy testing is conducted by discounting the Company's overall return on investment under the best estimate on valuation date. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made. Please refer to Note 6(26), for details of reserves of insurance liabilities as of December 31, 2019.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash	\$ 7,536,848	\$ 5,934,752
Deposits in banks	58,462,906	54,995,362
Futures excess margin and cash equivalents	2,670,354	2,010,528
Excess settlement reserve fund	2,575	11,554
Checks for clearing	586,890	2,583,215
Total	<u>\$ 69,259,573</u>	<u>\$ 65,535,411</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Reserve for deposits - account A	\$ 10,186,274	\$ 15,998,321
Reserve for deposits - account B	28,589,351	26,044,008
Deposits by overseas branches to designated accounts of respective local central banks	3,164,861	1,919,157
Reserve for deposits	2,387,759	3,181,547
Call loans to banks	1,706,440	1,073,679
Total	<u>\$ 46,034,685</u>	<u>\$ 48,216,712</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>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Commercial paper	\$ 35,665,553	\$ 29,999,858
Beneficiary certificates / securities	58,878,065	44,913,476
Stocks of companies listed on TSE or OTC	33,247,996	21,679,437
Emerging stocks	1,338,224	1,521,690
Government bonds	39,711,043	42,438,373
Financial bonds	117,549,551	100,223,063
Corporate bonds	75,637,003	79,313,336
Overseas bonds	882,793	7,605,311
Convertible corporate bonds	45,514,594	47,991,256
Derivative financial instruments	12,534,264	19,975,081
Structured products and others	17,518,059	11,762,666
Reserve for claims of customers' deposits with KSFC (Note 1)	61,372,357	67,887,652
Other marketable securities	4,619,722	4,337,263
Valuation adjustment	(438,145)	(5,709,253)
Total	<u>\$ 504,031,079</u>	<u>\$ 473,939,209</u>
Financial liabilities held for trading		
Derivative financial instruments	\$ 16,671,818	\$ 23,695,380
Non-derivative financial instruments	22,270,873	21,377,218
Valuation adjustment of financial liabilities held for trading — non-derivative financial instruments	861,833	(1,095,200)
Financial liabilities designated as at fair value through profit or loss		
Structured products (Note 2)	67,372,332	53,558,458
Convertible bond asset swap not qualifying for derecognition (Note 2)	16,078,956	14,446,943
Others	84,416	-
Total	<u>\$ 123,340,228</u>	<u>\$ 111,982,799</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 December 31, 2019 and 2018.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity instruments		
Domestic stocks	\$ 6,570,938	\$ 2,641,728
Overseas stocks	91,293	395,204
	<u>6,662,231</u>	<u>3,036,932</u>
Debt instruments		
Overseas corporate bonds	257,622	835,289
Domestic beneficiary certificates	11,285,369	2,541,921
Overseas beneficiary certificates	180,004	156,778
	<u>\$ 18,385,226</u>	<u>\$ 6,570,920</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 years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Profit (loss) recognised in accordance with IFRS 9	\$ 1,851,872	(\$ 587,513)
Less: Profit that would have been recognised under IAS 39	(1,435,926)	(181,454)
Profit (loss) from adopting the overlay approach	<u>\$ 415,946</u>	<u>(\$ 768,967)</u>
Effects on income tax	<u>(\$ 38,620)</u>	<u>\$ 48,768</u>

D. Please refer to Note 6(39) 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>December 31, 2019</u>	<u>December 31, 2018</u>
Debt instruments		
Government bonds	\$ 30,110,729	\$ 28,344,500
Bank debentures	53,200,447	40,004,582
Corporate bonds	113,033,913	123,907,258
Commercial paper	137,102	134,014
Others	723,407	770,596
Valuation adjustment	1,527,764	(968,419)
Subtotal	<u>198,733,362</u>	<u>192,192,531</u>
Equity instruments		
Listed stocks	12,391,640	6,471,973
Unlisted stocks/Emerging stocks	5,067,893	5,250,907
Others	919,946	208,725
Valuation adjustment	13,593,163	12,227,200
Subtotal	<u>31,972,642</u>	<u>24,158,805</u>
Statutory deposits	(1,216,100)	(1,216,100)
Total	<u>\$ 229,489,904</u>	<u>\$ 215,135,236</u>

- A. As of December 31, 2019 and 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-net.
- 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 December 31, 2019 and 2018, the fair value of such investments were \$31,972,642 and \$24,158,805, respectively.
- C. The Yuanta Group sold the equity shares in order to avoid systematic risk resulting from structural changes in the industry and taking asset allocation into consideration and adjusts the investment portfolio. For the years ended December 31, 2019 and 2018, the fair value of the equity instruments sold were \$15,833,860 and \$3,292,458, and the cumulative (loss) gain on disposal were (\$115,046) and \$73,128, respectively.
- 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 years ended December 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 1,419,418	\$ 2,721,507
Cumulative losses (gains) reclassified to retained earnings due to derecognition	\$ 124,942	(\$ 77,579)
Dividend income recognised in profit or loss		
Held at end of period	\$ 829,386	\$ 845,372
Derecognised in the current period	842,173	66,869
	<u>\$ 1,671,559</u>	<u>\$ 912,241</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income (loss)	\$ 4,110,239	(\$ 5,100,525)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	\$ 12,156	\$ 31,759
Reclassified due to derecognition	(1,224,765)	1,254,510
	<u>(\$ 1,212,609)</u>	<u>\$ 1,286,269</u>
Interest income recognised in profit or loss	<u>\$ 4,475,647</u>	<u>\$ 4,852,049</u>

- E. Details of the Yuanta Group's financial assets at fair value through other comprehensive income pledged to others as collateral as of December 31, 2019 and 2018 are provided in Note 8.
- F. Information relating to credit risk is provided in Note 12(3).

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

Items	December 31, 2019	December 31, 2018
Government bonds	\$ 99,186,400	\$ 97,800,954
Time deposits	131,241,060	112,526,281
Bank debentures	70,135,126	61,316,598
Corporate bonds	86,629,549	82,004,732
Subtotal	387,192,135	353,648,565
Less: Accumulated impairment	(139,720)	(142,478)
Statutory deposits	(600,000)	(600,000)
Total	\$ 386,452,415	\$ 352,906,087

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

	For the years ended December 31,	
	2019	2018
Interest income	\$ 8,632,367	\$ 7,474,992
Recovery gain (impairment loss)	2,966	(22,466)
Gains on disposal	759,683	312,178
	\$ 9,395,016	\$ 7,764,704

B. The Yuanta Group sold some of the financial assets at amortised cost for the years ended December 31, 2019 and 2018, due to factors such as increase of credit risk, infrequent sales or single and total amount that is non-significant. The disposal benefits were \$759,683 and \$312,178, respectively.

C. As of December 31, 2019 and 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.

D. Details of the Group's financial assets at amortised cost pledged to others as collateral as of December 31, 2019 and 2018, are provided in Note 8.

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

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

	December 31, 2019	December 31, 2018
Bills and bonds purchased under resale agreement	\$ 47,603,371	\$ 33,465,734
Interest rate range	0.45%~2.75%	0.37%~14.66%
Contract resale amount	\$ 47,671,245	\$ 33,533,054
Bills and bonds payable under repurchase agreement	\$ 198,665,918	\$ 218,570,425
Interest rate range	-0.30%~3.50%	0.25%~4.10%
Contract repurchase amount	\$ 200,782,844	\$ 223,886,291

(7) Receivables - net

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Interest receivable	\$ 7,779,893	\$ 8,135,539
Refinance guaranty receivable	31,025,769	12,013,104
Acceptances receivable	231,477	503,674
Factoring receivable	5,704,407	6,799,757
Margin loans receivable	71,048,860	66,230,975
Spot exchange receivable	4,753,631	5,155,632
Credit card receivable	10,212,562	10,840,137
Trading securities receivable	818,338	770,218
Settlement price	5,590,498	7,264,563
Settlement price receivable	30,473,918	15,556,933
Securities sold receivable	4,150,335	5,408,108
Other receivables	<u>5,056,901</u>	<u>6,906,588</u>
Subtotal	176,846,589	145,585,228
Less: Allowance for doubtful accounts	(<u>2,606,092</u>)	(<u>2,312,434</u>)
Total	<u>\$ 174,240,497</u>	<u>\$ 143,272,794</u>

- A. Details of the Group's receivables-net pledged to others as collateral as of December 31, 2019 and 2018, are provided in Note 8.
- B. The Group recognised appropriate allowance for debts for receivables. For the years ended December 31, 2019 and 2018, details are provided in Note 12(3).
- C. Margin loans receivable uses the securities purchased through financing as collateral. As of December 31, 2019 and 2018, the annual interest rates of Yuanta Securities and Yuanta Securities Finance were all 6.25%; the annual interest rates range of Yuanta Securities (Korea) were 5.95%~9.75% and 6.65%~9.55%, respectively; the annual interest rates range of Yuanta Securities (Indonesia) were all 18%; the annual interest rates range of Yuanta Securities (Hong Kong) were 2.25%~12.88% and 2.38%~12.88%, respectively; 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 9.00%~14.00% and 9.86%~14.00%.

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

In order to improve the efficiency of asset utilization, Yuanta Bank approved the sale of its own real estate by the Board of Directors on October 25 and November 8, 2018, and the relevant assets were reclassified to "assets held for sale". After remeasuring the fair value less costs to sell, the balance of assets held for sale is \$533,632 and \$868,288 as of December 31, 2019 and 2018. The fair value of the assets held for sale is based on the result of valuation by independent valuation experts, which was categorized within level 2 in the fair value hierarchy. As of December 31, 2019, the Yuanta Group recognized \$21,518 of related impairment losses ; the Yuanta Group sold part of the assets held for sale, and the proceeds on disposal and gain on disposal amounted to \$241,880 and \$18,827, respectively.

(9) Bills discounted and loans - net

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bills discounted	\$ 83,830	\$ 289,927
Overdrafts	64,824	179,762
Short-term loans	59,844,378	71,480,877
Short-term loans secured	68,038,450	94,558,211
Medium-term loans	149,907,926	151,187,753
Medium-term loans secured	178,326,297	148,297,715
Long-term loans	8,039,848	8,413,501
Long-term loans secured	310,916,280	298,158,828
Import-export negotiations	5,007	33,411
Accounts receivable factoring	633,455	586,722
Automatic policy loans	1,375,456	1,267,384
Policy loans	5,394,014	4,908,038
Loans transferred to non-performing loans	4,844,121	5,159,157
Subtotal	<u>787,473,886</u>	<u>784,521,286</u>
Less: Allowance for credit losses	(14,012,181)	(13,606,991)
Less: Adjustment for premium (discount)	19,213	(8,633)
Total	<u>\$ 773,480,918</u>	<u>\$ 770,905,662</u>

A. 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 years ended December 31, 2019 and 2018, please refer to Note 12(3).

B. Classified by subsidiaries as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bills discounted and loans including adjustment for premium (discount)		
Yuanta Bank	\$ 759,762,271	\$ 742,936,170
Yuanta Securities	20,944,188	19,158,223
Yuanta Life	6,786,640	6,209,429
Yuanta Securities Finance	-	16,208,831
Subtotal	<u>787,493,099</u>	<u>784,512,653</u>
Allowance for credit losses		
Yuanta Bank	(12,518,507)	(11,906,235)
Yuanta Securities	(1,493,415)	(1,643,893)
Yuanta Life	(259)	(511)
Yuanta Securities Finance	-	(56,352)
Subtotal	<u>(14,012,181)</u>	<u>(13,606,991)</u>
Total	<u>\$ 773,480,918</u>	<u>\$ 770,905,662</u>

(10) Reinsurance contract assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Claims recoverable from reinsurers	\$ 223,005	\$ 78,685
Due from reinsurers and ceding companies	108,058	105,371
Reinsurance Reserve Assets		
Ceded unearned premium reserve	505,791	366,325
Ceded claims reserve	66,754	29,749
Total	<u>\$ 903,608</u>	<u>\$ 580,130</u>

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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Associates:				
CR Yuanta Fund Management Company Limited	\$ 329,553	24.50%	\$ 112,548	49.00%
GC Investment Consultant (Shanghai) Co., Ltd.	21,914	100.00%	22,242	100.00%
Yuanta Security(U.K)	61,221	100.00%	62,496	100.00%
Woori Asset Management Corp.	742,961	27.00%	716,023	27.00%
Polaris Ocean Private Equity Fund	38,347	3.26%	40,959	3.26%
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	14,322	16.22%	20,222	16.22%
KoFC-KVIC Green Growth Venture Capital Fund	-	18.00%	12,218	18.00%
2011 KIF-TongYang IT Venture Fund	35,689	17.20%	62,886	17.20%
TongYang Agri-Food Investment Fund-2nd	121,985	40.74%	131,228	40.74%
IBKC-TongYang Growth 2013 Private Equity Fund	211,345	10.71%	225,030	10.71%
KVIC-Yuanta 2015 Overseas Fund	354,213	44.00%	344,269	44.00%
TongYang China Paid in Capital Private Investment Trust 1	-	-	31,045	27.57%
2016 KIF-Yuanta ICT Fund	160,911	16.67%	83,093	16.67%
Yuanta Secoundary No.2 Fund	192,295	12.28%	149,295	12.28%
Yuanta Secoundary No.3 Private Equity Fund	74,312	15.26%	-	-
Yuanta SPAC III	1,656	0.83%	1,836	0.83%
SJ-ULTRA V 1st FUND	25,443	34.48%	26,914	34.48%
Yuanta SPAC IV	1,219	0.54%	687	4.55%
Yuanta-HPNT Private Equity Fund	5,201	0.09%	5,500	0.14%
Yuanta SPAC V	391	0.25%	-	-
Yuanta Securities Holding (B.V.I.) Co., Ltd.	9,879	100.00%	-	-
Yuanta SPAC VI	391	0.22%	-	-
	<u>\$ 2,403,248</u>		<u>\$ 2,048,491</u>	

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

	For the years ended December 31,	
	2019	2018
Net gain (loss) for the period from continuing operations	\$ 145,843	(\$ 9,700)
Other comprehensive income (loss) (net of tax)	7,592	(1,514)

(12) Other financial assets - net

	December 31, 2019	December 31, 2018
Non-loans reclassified to non-accrual loans	\$ 660,745	\$ 905,206
Less: Provision for credit losses	(578,696)	(894,323)
	<u>82,049</u>	<u>10,883</u>
Purchase of claim receivable	1,871,125	1,889,910
Valuation adjustment on purchase of claim receivable	(21,665)	(22,502)
	<u>1,849,460</u>	<u>1,867,408</u>
Customer margin deposit account	57,600,601	51,732,993
Investment-linked product assets	1,935,363	1,787,652
Securities borrowing and lending refundable deposits	126,207	1,089,676
Others	3,784,666	5,536,631
Total	<u>\$ 65,378,346</u>	<u>\$ 62,025,243</u>

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

B. The Group's investment-linked insurance products mainly comprise investments in products in relation to beneficiary certificate, variable universal life insurance and variable deferred annuities. As of December 31, 2019 and 2018, as well as for the years ended December 31, 2019 and 2018, details about the assets on insurance products, separated accounts were as follows:

	December 31, 2019	December 31, 2018
Investment-linked insurance product assets		
Cash in bank	\$ 576	\$ 564
Financial assets at fair value through profit or loss	1,931,133	1,785,110
Other receivables	3,654	1,978
	<u>\$ 1,935,363</u>	<u>\$ 1,787,652</u>
	December 31, 2019	December 31, 2018
Investment-linked insurance product liabilities		
Reserve for investment linked insurance product-insurance contract	\$ 1,923,374	\$ 1,777,818
Reserve for investment linked insurance product-investment contract	8,990	7,833
Other payables	2,999	2,001
	<u>\$ 1,935,363</u>	<u>\$ 1,787,652</u>

	For the years ended December 31,	
	2019	2018
Revenue on investment – linked insurance products		
Premium income	\$ 232,133	\$ 258,725
Gain (loss) on financial assets at fair value through profit or loss	185,115 (	119,149)
Exchange gain (loss)	1,680 (	2,626)
Interest income	6,762	6,935
Other income	8,362	8,046
	<u>\$ 434,052</u>	<u>\$ 151,931</u>
Expenses on investment – linked insurance product		
Claims and policy benefit payments	\$ 192,365	\$ 230,793
Net change in reserve for investment-linked insurance product-insurance contract	147,236 (	172,789)
Administrative expenses and other expenses	94,451	93,927
	<u>\$ 434,052</u>	<u>\$ 151,931</u>

(13) Investment property - net

Assets	December 31, 2019			
	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,080,186	\$ -	(\$ 277,516)	\$ 2,802,670
Buildings	3,060,441	(1,087,230)	(50,042)	1,923,169
Right-of-use assets	256,993	(66,860)	-	190,133
Total	<u>\$ 6,397,620</u>	<u>(\$ 1,154,090)</u>	<u>(\$ 327,558)</u>	<u>\$ 4,915,972</u>
Assets	December 31, 2018			
	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,159,638	\$ -	(\$ 353,265)	\$ 2,806,373
Buildings	3,304,070	(1,109,855)	(83,897)	2,110,318
Total	<u>\$ 6,463,708</u>	<u>(\$ 1,109,855)</u>	<u>(\$ 437,162)</u>	<u>\$ 4,916,691</u>

Change in investment property of the Yuanta Group:

	For the years ended December 31,	
	2019	2018
Cost		
At January 1	\$ 6,463,708	\$ 7,739,095
Changes of retrospective adjustment	297,684	-
Cost after retrospective adjustment	6,761,392	7,739,095
Additions	206,126	44,166
Disposals	(177,535)	(1,194,643)
Reclassifications	(212,783)	90,745
Assets reclassified as held for sale	-	(153,100)
Foreign exchange adjustment	(179,580)	(62,555)
At December 31	<u>\$ 6,397,620</u>	<u>\$ 6,463,708</u>
Accumulated depreciation		
At January 1	(\$ 1,109,855)	(\$ 1,070,362)
Changes of retrospective adjustment	(48,404)	-
Accumulated depreciation after retrospective adjustment	(1,158,259)	(1,070,362)
Depreciation	(90,805)	(73,001)
Disposals	18,364	54,172
Reclassifications	38,786	(34,176)
Assets reclassified as held for sale	-	3,921
Foreign exchange adjustment	37,824	9,591
At December 31	<u>(\$ 1,154,090)</u>	<u>(\$ 1,109,855)</u>
Accumulated impairment		
At January 1	(\$ 437,162)	(\$ 495,087)
Reversal	13,895	5,384
Disposals	6,679	-
Reclassifications	89,030	52,541
At December 31	<u>(\$ 327,558)</u>	<u>(\$ 437,162)</u>

- A. The fair value of the investment property held by the Yuanta Group as of December 31, 2019 and 2018 were \$7,958,098 and \$7,298,237, respectively, according to the result of valuation by an independent valuation expert using the income method, comparison method, market approach and land development analysis approach. As of December 31, 2019, the fair value included the amount of \$4,918,786 and \$3,039,312 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively. As of December 31, 2018, the fair value included the amounts of \$4,706,782 and \$2,591,455 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively.
- B. For the years ended December 31, 2019 and 2018, rental income from the lease of the investment property was \$192,298 and \$153,864, respectively.
- C. Please refer to Note 8 for details of the Yuanta Group's investment property pledged to others as collateral.

(BLANK)

(14) Property and equipment - net

Change in property and equipment of the Yuanta Group:

	Land and land improvements	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
<u>Cost</u>							
At January 1, 2019	\$ 14,393,687	\$ 7,098,130	\$ 3,951,882	\$ 232,644	\$ 1,858,921	\$ 452,969	\$ 27,988,233
Changes of retrospective adjustment	-	-	(33,427)	-	(6,600)	-	(40,027)
Cost after retrospective adjustment	14,393,687	7,098,130	3,918,455	232,644	1,852,321	452,969	27,948,206
Additions	-	193	262,740	35,449	104,924	935,748	1,339,054
Disposals	-	-	(313,486)	(39,175)	(247,969)	(734)	(601,364)
Reclassifications	211,779	125,092	139,704	(19,722)	21,120	(182,546)	295,427
Translation difference	(28,255)	(70,694)	(90,590)	1,890	9,068	(292)	(178,873)
At December 31, 2019	\$ 14,577,211	\$ 7,152,721	\$ 3,916,823	\$ 211,086	\$ 1,739,464	\$ 1,205,145	\$ 28,802,450
<u>Accumulated depreciation</u>							
At January 1, 2019	\$ -	(\$ 2,146,204)	(\$ 2,662,707)	(\$ 115,243)	(\$ 1,082,808)	\$ -	(\$ 6,006,962)
Changes of retrospective adjustment	-	-	25,432	-	550	-	25,982
Accumulated depreciation after retrospective adjustment	-	(2,146,204)	(2,637,275)	(115,243)	(1,082,258)	-	(5,980,980)
Depreciation	-	(175,973)	(519,867)	(30,410)	(282,391)	-	(1,008,641)
Disposals	-	-	312,860	27,505	236,795	-	577,160
Reclassifications	-	(72,876)	1,343	6,444	10,844	-	(54,245)
Translation difference	-	23,231	84,878	(649)	(2,157)	-	105,303
At December 31, 2019	\$ -	(\$ 2,371,822)	(\$ 2,758,061)	(\$ 112,353)	(\$ 1,119,167)	\$ -	(\$ 6,361,403)
<u>Accumulated impairment</u>							
At January 1, 2019	(\$ 79,043)	(\$ 30,008)	\$ -	\$ -	(\$ 298)	\$ -	(\$ 109,349)
Reclassifications	(56,842)	(32,187)	-	-	-	-	(89,029)
At December 31, 2019	(\$ 135,885)	(\$ 62,195)	\$ -	\$ -	(\$ 298)	\$ -	(\$ 198,378)
Net carrying amount	\$ 14,441,326	\$ 4,718,704	\$ 1,158,762	\$ 98,733	\$ 619,999	\$ 1,205,145	\$ 22,242,669

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	\$ 3,665,985	\$ 238,821	\$ 1,736,343	\$ 360,914	\$ 28,604,874
Additions	-	446	297,853	35,934	183,775	618,399	1,136,407
Disposals	-	-	(306,809)	(48,841)	(325,990)	(448)	(682,088)
Reclassifications	(43,879)	(204,443)	312,879	5,975	255,040	(527,239)	(201,667)
Assets reclassified as held for sale	(621,380)	(212,407)	-	-	-	-	(833,787)
Translation difference	(7,795)	(21,536)	(18,026)	755	9,753	1,343	(35,506)
At December 31, 2018	<u>\$ 14,393,687</u>	<u>\$ 7,098,130</u>	<u>\$ 3,951,882</u>	<u>\$ 232,644</u>	<u>\$ 1,858,921</u>	<u>\$ 452,969</u>	<u>\$ 27,988,233</u>
<u>Accumulated depreciation</u>							
At January 1, 2018	\$ -	(\$ 2,219,726)	(\$ 2,500,419)	(\$ 120,935)	(\$ 1,018,114)	\$ -	(\$ 5,859,194)
Depreciation	-	(180,790)	(478,272)	(34,005)	(306,034)	-	(999,101)
Disposals	-	-	305,873	40,629	312,677	-	659,179
Reclassifications	-	136,235	(8,346)	(802)	(66,431)	-	60,656
Assets reclassified as held for sale	-	112,013	-	-	-	-	112,013
Translation difference	-	6,064	18,457	(130)	(4,906)	-	19,485
At December 31, 2018	<u>\$ -</u>	<u>(\$ 2,146,204)</u>	<u>(\$ 2,662,707)</u>	<u>(\$ 115,243)</u>	<u>(\$ 1,082,808)</u>	<u>\$ -</u>	<u>(\$ 6,006,962)</u>
<u>Accumulated impairment</u>							
At January 1, 2018	(\$ 84,506)	(\$ 30,580)	\$ -	\$ -	\$ -	\$ -	(\$ 115,086)
Reversal	-	-	-	-	357	-	357
Reclassifications	5,463	572	-	-	(655)	-	5,380
At December 31, 2018	<u>(\$ 79,043)</u>	<u>(\$ 30,008)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 298)</u>	<u>\$ -</u>	<u>(\$ 109,349)</u>
Net carrying amount	<u>\$ 14,314,644</u>	<u>\$ 4,921,918</u>	<u>\$ 1,289,175</u>	<u>\$ 117,401</u>	<u>\$ 775,815</u>	<u>\$ 452,969</u>	<u>\$ 21,871,922</u>

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

The Yuanta Group set land and buildings which were classified as operating lease, and the assets belonging and not belonging to operating lease are as follows:

	Land			Buildings		
	Owner-occupied	Lease	Subtotal	Owner-occupied	Lease	Subtotal
<u>Cost</u>						
At January 1, 2019	\$ 14,201,033	\$ 192,654	\$ 14,393,687	\$ 7,070,249	\$ 27,881	\$ 7,098,130
Additions	-	-	-	193	-	193
Reclassifications	211,779	-	211,779	125,092	-	125,092
Translation difference	(28,255)	-	(28,255)	(70,694)	-	(70,694)
At December 31, 2019	<u>\$ 14,384,557</u>	<u>\$ 192,654</u>	<u>\$ 14,577,211</u>	<u>\$ 7,124,840</u>	<u>\$ 27,881</u>	<u>\$ 7,152,721</u>
<u>Accumulated depreciation</u>						
At January 1, 2019	\$ -	\$ -	\$ -	(\$ 2,144,102)	(\$ 2,102)	(\$ 2,146,204)
Depreciation	-	-	-	(174,645)	(1,328)	(175,973)
Reclassifications	-	-	-	(72,876)	-	(72,876)
Translation difference	-	-	-	23,231	-	23,231
At December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2,368,392)</u>	<u>(\$ 3,430)</u>	<u>(\$ 2,371,822)</u>
<u>Accumulated impairment</u>						
At January 1, 2019	(\$ 79,043)	\$ -	(\$ 79,043)	(\$ 30,008)	\$ -	(\$ 30,008)
Reclassifications	(56,842)	-	(56,842)	32,187	-	32,187
At December 31, 2019	<u>(\$ 135,885)</u>	<u>\$ -</u>	<u>(\$ 135,885)</u>	<u>(\$ 62,195)</u>	<u>\$ -</u>	<u>(\$ 62,195)</u>
Net carrying amount	<u>\$ 14,248,672</u>	<u>\$ 192,654</u>	<u>\$ 14,441,326</u>	<u>\$ 4,694,253</u>	<u>\$ 24,451</u>	<u>\$ 4,718,704</u>

(15) Leasing arrangements – lessee

Effective 2019

- A. The Yuanta Group leases various assets including land, buildings, machinery and equipment, business vehicles and miscellaneous equipment. Rental contracts are typically made for periods of 1 to 15 years. In addition, superficies bid from National Property Administration, Ministry of Finance are made for periods of 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2019</u>	<u>For the year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 9,034,582	\$ 22,274
Buildings	4,229,162	1,341,668
Machinery and equipment	14,529	44,593
Transportation equipment	39,323	17,198
Others	26,284	13,652
	<u>\$ 13,343,880</u>	<u>\$ 1,439,385</u>

- C. For the year ended December 31, 2019, the additions to right-of-use assets amounted to \$1,073,875.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 105,046
Expense on short-term lease contracts	147,444
Expense on leases of low-value assets	9,296
Gain on sublease of right-of-use assets	14,310

- E. For the year ended December 31, 2019, the Yuanta Group's total cash outflow for leases amounted to \$1,576,304.
- F. Please refer to Note 12(3) B(C) e for lessees' lease contract commitments of 2018.

(16) Leasing arrangements – lessor

Effective 2019

- A. The Yuanta Group leases various assets including buildings. Rental contracts are typically made for periods of 1 and 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. The Yuanta Group leases the equipment under a finance lease. Based on the terms of the lease contract, the ownership of the equipment will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

		For the year ended December 31, 2019		
Finance income from the net investment in the finance lease	\$	<u>2,092</u>		
C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:				
		December 31, 2019		
2020	\$	8,462		
2021		8,462		
2022		8,463		
2023		8,463		
Total	\$	<u>33,850</u>		
D. Reconciliation of the undiscounted lease payments and the net investment in the finance lease is provided as follows:				
		December 31, 2019		
		Current	Non-current	
Undiscounted lease payments	\$	8,462	\$ 25,388	
Unearned finance income	(	1,305)	(1,770)	
Net investment in the lease	\$	<u>7,157</u>	<u>\$ 23,618</u>	
E. The gross investments in those leases and present value of total minimum lease payments receivable as at December 31, 2019 were as follows:				
		December 31, 2019		
		Total lease payments receivable	Unearned finance income	Net lease payments receivable
Not later than one year	\$	8,462	(\$ 1,305)	\$ 7,157
Later than one year but not later than five years		25,388	(1,770)	23,618
	\$	<u>33,850</u>	<u>(\$ 3,075)</u>	<u>\$ 30,775</u>
F. For the year ended December 31, 2019, the Yuanta Group recognised rent income in the amount of \$192,298, based on the operating lease agreement, which does not include variable lease payments.				
G. The maturity analysis of the lease payments under the operating leases is as follows:				
		December 31, 2019		
2020	\$	127,613		
2021		47,029		
2022		16,396		
2023		9,699		
2024		3,312		
After 2025		5,120		
Total	\$	<u>209,169</u>		
H. Please refer to Note 12(3) B(C) e for lessors' lease contract commitments of 2018.				

(17) 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, 2019	\$ 31,526,065	\$ 385,419	\$ 4,683,786	\$ 3,030,314	\$ 4,474,296	\$ 44,099,880
Additions	-	-	153,773	15,000	6,781	175,554
Disposals	-	-	(138,383)	-	(6,007)	(144,390)
Reclassifications	-	-	96,074	-	-	96,074
Translation difference	(20,227)	(219)	(190,902)	-	(42,823)	(254,171)
At December 31, 2019	<u>\$ 31,505,838</u>	<u>\$ 385,200</u>	<u>\$ 4,604,348</u>	<u>\$ 3,045,314</u>	<u>\$ 4,432,247</u>	<u>\$ 43,972,947</u>
<u>Accumulated amortization</u>						
At January 1, 2019	\$ -	(\$ 368,532)	(\$ 4,014,774)	(\$ 2,911,800)	(\$ 1,624,740)	(\$ 8,919,846)
Amortization	-	(1,641)	(289,541)	(118,826)	(255,605)	(665,613)
Disposals	-	-	138,340	-	39	138,379
Reclassification	-	-	(382)	-	-	(382)
Translation difference	-	64	183,036	-	1,864	184,964
At December 31, 2019	<u>\$ -</u>	<u>(\$ 370,109)</u>	<u>(\$ 3,983,321)</u>	<u>(\$ 3,030,626)</u>	<u>(\$ 1,878,442)</u>	<u>(\$ 9,262,498)</u>
<u>Accumulated impairment</u>						
At January 1, 2019	(\$ 1,475,943)	\$ -	\$ -	\$ -	(\$ 34,202)	(\$ 1,510,145)
Impairments	-	-	-	-	(3,676)	(3,676)
Translation difference	-	-	-	-	832	832
At December 31, 2019	<u>(\$ 1,475,943)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 37,046)</u>	<u>(\$ 1,512,989)</u>
Net carrying amount	<u>\$ 30,029,895</u>	<u>\$ 15,091</u>	<u>\$ 621,027</u>	<u>\$ 14,688</u>	<u>\$ 2,516,759</u>	<u>\$ 33,197,460</u>

<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	\$ 31,528,521	\$ 385,022	\$ 4,253,626	\$ 3,030,314	\$ 4,555,296	\$ 43,752,779
Additions	-	-	213,550	-	65,694	279,244
Disposals	-	-	(768,452)	-	(10,699)	(779,151)
Reclassifications	-	-	35,774	-	(136,192)	(100,418)
Translation difference	(2,456)	397	949,288	-	197	947,426
At December 31, 2018	\$ 31,526,065	\$ 385,419	\$ 4,683,786	\$ 3,030,314	\$ 4,474,296	\$ 44,099,880
<u>Accumulated amortization</u>						
At January 1, 2018	\$ -	(\$ 366,774)	(\$ 3,796,152)	(\$ 2,474,657)	(\$ 1,105,644)	(\$ 7,743,227)
Amortization	-	(1,641)	(446,469)	(437,143)	(288,966)	(1,174,219)
Disposals	-	-	763,023	-	2,664	765,687
Reclassifications	-	-	48,324	-	-	48,324
Translation difference	-	(117)	(583,500)	-	(232,794)	(816,411)
At December 31, 2018	\$ -	(\$ 368,532)	(\$ 4,014,774)	(\$ 2,911,800)	(\$ 1,624,740)	(\$ 8,919,846)
<u>Accumulated impairment</u>						
At January 1, 2018	(\$ 38,634)	\$ -	(\$ 5,429)	\$ -	(\$ 29,713)	(\$ 73,776)
Impairments	(1,437,309)	-	-	-	(4,592)	(1,441,901)
Disposals	-	-	5,429	-	-	5,429
Translation difference	-	-	-	-	103	103
At December 31, 2018	(\$ 1,475,943)	\$ -	\$ -	\$ -	(\$ 34,202)	(\$ 1,510,145)
Net carrying amount	\$ 30,050,122	\$ 16,887	\$ 669,012	\$ 118,514	\$ 2,815,354	\$ 33,669,889

- 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.
- 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 merger of Yuanta Bank and Ta Chong Bank for organizational restructuring and business integration is mainly to expand the scale of operations and enhance market competitiveness and overall profit. As the Central Bank maintains the fund easing policy and the impact of credit policy and customer group conversion, the spreads continue to shrink and the scale of lending declines, resulting in differences in consumer finance operations and expectations. The Group engaged the valuation expert to issue the asset impairment assessment report, based on the report, only the consumer finance business cash-generating unit was evaluated to have recoverable amount less than the carrying value. Therefore, goodwill impairment of \$1,437,309 was recognized in 2018; the remaining cash generating units were assessed to have recoverable amounts higher than their carrying amounts. The main assumptions used in calculating value-in-use are as follows:

	Bank subsidiaries				
	Corporate finance	International finance	Personal finance	Financial management	Financial market
2019					
Growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate	7.50%	9.30%	7.50%	9.30%	7.50%
	Securities subsidiaries				
	Brokerage Segment	Investment Bank Segment	Investment Segment	Futures	Securities Investment Trust
2019					
Growth rate	2.00%	2.00%	3.00%	2.00%	2.00%
Discount rate	8.40%	8.40%	14.00%~16.00%	8.60%	14.00%
	Bank subsidiaries				
	Corporate finance	International finance	Personal finance	Financial management	Financial market
2018					
Growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate	7.70%	9.60%	7.70%	9.60%	9.60%
	Securities subsidiaries				
	Brokerage Segment	Investment Bank Segment	Investment Segment	Futures	Securities Investment Trust
2018					
Growth rate	2.00%	2.00%	3.00%	2.00%	2.00%
Discount rate	8.90%	8.80%	16.20%~17.60%	8.30%	13.90%

Note : The Yuanta Group's Yuanta Bank is in compliance with the provisions of International Accounting Standard No. 36. The goodwill impairment test is to distribute the goodwill to the cash-generating units that are expected to benefit from the consolidation effect. The identified cash-generating units are corporate finance, international finance, personal finance, financial management, financial markets.

(18) Other assets - net

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Refundable deposits	\$ 3,649,586	\$ 6,121,491
Refundable deposits for securities lending	6,767,161	18,838,091
Operating guarantee deposits and settlement fund	3,166,064	3,132,290
Prepaid expenses	1,186,068	8,957,534
Bank deposits - amounts held for settlement	15,334,258	9,882,204
Others	941,440	837,555
Total	<u>\$ 31,044,577</u>	<u>\$ 47,769,165</u>

Please refer to Note 8 for details of the Yuanta Group's other assets pledged to others as collateral in December 31, 2019 and 2018.

(19) Non-financial asset impairment losses

As of December 31, 2019 and 2018, accumulated impairments on various financial assets were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Investment property	\$ 327,558	\$ 437,162
Property and equipment	198,378	109,349
Intangible assets - goodwill	1,475,943	1,475,943
Intangible assets - other	37,046	34,202

(20) Due to Central Bank and other banks

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Due to other banks	\$ -	\$ 10,054
Overdrafts from other banks	2,188,789	2,470,385
Call loans from other banks	5,811,661	14,239,532
Redeposit from the directorate general of postal remittance	5,106,578	5,327,303
Total	<u>\$ 13,107,028</u>	<u>\$ 22,047,274</u>

(21) Commercial paper payable - net

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial paper payable	\$ 38,652,537	\$ 36,349,940
Less: Discount on commercial paper payable	(30,809)	(80,817)
Total	<u>\$ 38,621,728</u>	<u>\$ 36,269,123</u>

As of December 31, 2019 and 2018, the annual interest rate of commercial paper payable were 0.648%~2.200% and 0.650%~2.450%, respectively.

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

December 31, 2019	December 31, 2018
CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.
Hua Nan Commercial Bank Co., Ltd.	Sunny Bank Ltd.
Taiwan Finance Corporation	Hua Nan Commercial Bank Co., Ltd.
Union Bank of Taiwan Co., Ltd.	Taiwan Finance Corporation
Ta Ching Bills Finance Corporation	Union Bank of Taiwan Co., Ltd.
Taishin International Bank Co., Ltd.	Mega Bills Finance Co., Ltd.
Grand Bills Finance Corp.	Ta Ching Bills Finance Corporation
Cathay United Commercial Bank Co., Ltd.	Taishin International Bank Co., Ltd.
Taiwan Business Bank Co., Ltd.	Dah Chung Bills Finance Corp.
China Bills Finance Corporation	Grand Bills Finance Corp.
E.Sun Commercial Bank Co, Ltd.	KGI Bank Co., Ltd.
Sunny Bank Ltd.	Cathay United Commercial Bank Co., Ltd.
	Taiwan Business Bank Co., Ltd.
	KB Securities co., Ltd.
	Korea Asset investment

(22) Payables

	December 31, 2019	December 31, 2018
Accounts payable	\$ 83,601,357	\$ 82,666,395
Demand remittance payable	4,755,085	5,150,513
Bankers' acceptances payable	231,675	503,674
Interests payable	2,168,012	2,316,566
Commission payable	537,297	408,819
Accrued expenses	9,071,384	9,319,402
Taxes payable	259,581	243,690
Collections payable for customers	795,571	769,254
Proceeds payable from underwriting	1,033,662	792,050
Due to reinsurers and ceding companies	544,877	209,340
Collateralized proceeds payable from securities lending	9,216,987	8,338,522
Consigned securities payable	4,990,149	3,784,722
Settled price	808,597	906,715
Securities purchased payable	4,879,672	3,263,268
Settlement payable	28,129,520	17,162,508
Deposits received on securities lending	8,025,210	7,478,545
Checks for clearing	585,996	2,582,721
SBL refund payable	153,271	634,546
Other payables	1,539,143	1,158,785
Total	\$ 161,327,046	\$ 147,690,035

(23) Deposits and remittances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Checking deposits	\$ 5,181,275	\$ 5,131,842
Demand deposits	131,892,732	126,750,942
Time deposits	305,342,019	306,729,865
Negotiable certificates of deposit	24,423,500	44,647,500
Savings deposits	628,523,549	537,013,130
Remittances	143,196	342,017
Total	<u>\$ 1,095,506,271</u>	<u>\$ 1,020,615,296</u>

(24) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial bonds	\$ 34,500,000	\$ 38,000,000
Unsecured corporate bonds	34,349,634	28,253,562
Convertible corporate bonds	-	502,447
Total	<u>\$ 68,849,634</u>	<u>\$ 66,756,009</u>

A. The details of financial debentures as of December 31, 2019 were as follows:

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 2014(A)

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

First issue of subordinate financial debentures in 2014(B)

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
	<u>Sixth issue of subordinate financial debentures in 2015</u>
Par value	\$2,000,000
Stated interest rate	Fixed interest rate at 2.08%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>First issue of subordinate financial debentures in 2016</u>
Par value	\$5,000,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
B. The details of unsecured corporate bonds as of December 31, 2019 were as follows: The Company	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2015
	<u>Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2015</u>
Par value	\$1,300,000
Stated interest rate	Fixed interest rate at 1.67%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	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(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
	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2018(A)
Par value	\$1,500,000
Stated interest rate	Fixed interest rate at 0.86%
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 2018(B)
Par value	\$8,500,000
Stated interest rate	Fixed interest rate at 0.96%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

The Yuanta Group

First issue of unsecured subordinate normal
corporate bond in 2019(A)

Par value	\$2,200,000
Stated interest rate	Fixed interest rate at 1.25%
Issuance date	June 6, 2019
Maturity date	June 6, 2026
Issuance area	Taiwan

First issue of unsecured subordinate normal
corporate bond in 2019(B)

Par value	\$6,300,000
Stated interest rate	Fixed interest rate at 1.40%
Issuance date	June 6, 2019
Maturity date	June 6, 2029
Issuance area	Taiwan

Yuanta Securities Asia Financial Services USD denominated
unsecured privately placed bonds

Par value	USD 50,000 thousand (USD 31,360 thousand outstanding)
Stated interest rate	Fixed interest rate at 4.10%
Issuance date	August 2, 2018
Maturity date	August 2, 2023
Issuance area	Hong Kong

C. Convertible corporate bonds

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Convertible corporate bonds	\$ -	\$ 440,000
Add: Premium on convertible bonds payable	-	62,447
Total	<u>\$ -</u>	<u>\$ 502,447</u>

(25) Other borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Short-term borrowings		
Unsecured bank borrowings	\$ 11,827,493	\$ 14,441,894
Secured bank borrowings	4,341,814	4,463,922
KSFC secured borrowings	19,948,508	23,432,384
Issuance of short-term bond	21,319,419	17,735,049
Secured short-term bond	3,410,758	3,121,552
Long-term borrowings		
Unsecured bank borrowings	-	825,000
	<u>\$ 60,847,992</u>	<u>\$ 64,019,801</u>
Interest rate-short-term (%)	<u>0.86% ~ 7.50%</u>	<u>0.65% ~ 4.10%</u>

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

(26) Provisions for other liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Insurance liability	\$ 266,738,866	\$ 224,774,001
Reserve for foreign exchange fluctuation	600,869	893,568
Employee benefit liabilities reserve	5,814,732	5,750,994
Guaranteed policy reserve	147,163	197,579
Loan commitment reserve and letters of credit	48,360	56,768
Other reserves (Note)	510,911	550,213
Total	<u>\$ 273,860,901</u>	<u>\$ 232,223,123</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\$18.2 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 December 31, 2019, there were 3 litigations filed against former TongYang Securities Inc. and its subsidiaries related to the above-mentioned dispute on financial products selling, demanding compensations totaling ₩542,859 million (approximately NT\$14.1 billion); of which 2 were class actions, demanding compensation of ₩492,565 million (approximately NT\$12.8 billion) and ₩50,000 million (approximately NT\$1.3 billion). For the ₩492,565 million class action, the Seoul Central District Court and the Seoul High Court had adjudged, that it was not qualified as a class action and rejected the action. The plaintiffs had filed an appeal, and the Supreme Court remanded the case to the Seoul High Court. Subsequently, the Seoul High Court dismissed the former Seoul Central District Court's first instance judgment on October 28, 2019, found that the formal requirements of class action (such as commonality and efficiency) had been met, and granted the procedural application of class action. After Yuanta Securities (Korea) appealed, the Supreme Court dismissed and affirmed the conviction on February 21, 2020. The judgment did not mean that Yuanta Securities (Korea) was required to compensate the investors, but only that the procedural application of the class action was granted, so that the case would proceed to the substantive proceedings and the Court would determine whether the plaintiffs' request is justified. For the ₩50,000 million class action, the Seoul Central District Court and the Seoul High Court had rejected through the adjudication procedure on January 5, 2018 and October 17, 2018 respectively, the plaintiffs filed an appeal on October 22, 2018 and the action was in the process of the third instance. Former TongYang Securities Inc. has recognized a liability reserve of ₩93,400 million (approximately NT\$2.4 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 ₩23,835 million (approximately NT\$620 million) in liability reserves as of December 31, 2019. As of December 31, 2019, the balance of the liability reserve related to the aforementioned dispute on sales of financial products was ₩5,317 million (approximately NT\$140

million).

B. The reserve for litigation loss of Yuanta Bank is \$86,316, please refer to Note 9(7)A.

A. The components of insurance liabilities are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unearned premium reserve	\$ 633,319	\$ 458,865
Claims reserve	638,183	406,408
Reserve for policy benefit	260,684,071	218,464,791
Premium deficiency reserve	865,166	1,340,561
Other reserves	<u>3,918,127</u>	<u>4,103,376</u>
Total	<u>\$ 266,738,866</u>	<u>\$ 224,774,001</u>

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

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

	<u>December 31, 2019</u>		
	<u>Insurance contract</u>	<u>Financial instruments with discretionary participation features</u>	<u>Total</u>
Unearned premium reserve			
Personal life insurance	\$ 1,320	\$ -	\$ 1,320
Personal accident insurance	218,920	-	218,920
Personal health insurance	250,051	-	250,051
Group insurance	160,602	-	160,602
Investment-link insurance	<u>2,426</u>	<u>-</u>	<u>2,426</u>
	<u>\$ 633,319</u>	<u>\$ -</u>	<u>\$ 633,319</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 343,694	\$ -	\$ 343,694
Personal accident insurance	300	-	300
Personal health insurance	160,688	-	160,688
Group insurance	272	-	272
Investment-link insurance	<u>837</u>	<u>-</u>	<u>837</u>
	<u>\$ 505,791</u>	<u>\$ -</u>	<u>\$ 505,791</u>

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

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

	December 31, 2019		
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 364,404	\$ 270	\$ 364,674
Personal accident insurance	3,560	36,074	39,634
Personal health insurance	145,420	74,800	220,220
Group insurance	-	11,644	11,644
Investment-link insurance	2,000	11	2,011
	<u>\$ 515,384</u>	<u>\$ 122,799</u>	<u>\$ 638,183</u>
Ceded claims reserve			
Personal life insurance	\$ 36,019	\$ -	\$ 36,019
Personal accident insurance	81	-	81
Personal health insurance	30,654	-	30,654
	<u>\$ 66,754</u>	<u>\$ -</u>	<u>\$ 66,754</u>
	December 31, 2018		
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 269,071	\$ 80	\$ 269,151
Personal accident insurance	8,158	24,197	32,355
Personal health insurance	57,849	35,229	93,078
Group insurance	-	10,317	10,317
Investment-link insurance	1,500	7	1,507
	<u>\$ 336,578</u>	<u>\$ 69,830</u>	<u>\$ 406,408</u>
Ceded claims reserve			
Personal life insurance	\$ 12,750	\$ -	\$ 12,750
Personal health insurance	16,999	-	16,999
	<u>\$ 29,749</u>	<u>\$ -</u>	<u>\$ 29,749</u>

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

	For the years ended December 31,	
	2019	2018
Claims reserve		
At January 1	\$ 406,408	\$ 306,349
Provision (Note)	638,575	406,302
Recovery	(406,408)	(306,349)
(Gain) loss on foreign exchange	(392)	106
At December 31	<u>\$ 638,183</u>	<u>\$ 406,408</u>
	For the years ended December 31,	
	2019	2018
Ceded claims reserve		
At January 1	\$ 29,749	\$ 11,293
Current net change	37,005	18,456
At December 31	<u>\$ 66,754</u>	<u>\$ 29,749</u>

Note: For the year ended December 31, 2019, the appropriated amount of the unreported and unpaid compensation reserves was \$122,799.

(C) Reserve for policy benefit:

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

	December 31, 2019		
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 237,376,061	\$ -	\$ 237,376,061
Health insurance	22,798,809	-	22,798,809
Annuity insurance	9,624	328,343	337,967
Investment-link insurance	52,346	-	52,346
	<u>\$ 260,236,840</u>	<u>\$ 328,343</u>	<u>260,565,183</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			68,605
Total			<u>\$ 260,684,071</u>

December 31, 2018			
	Financial instruments with discretionary		Total
	Insurance contract	participation features	
Life insurance	\$ 197,614,402	\$ -	\$ 197,614,402
Health insurance	20,398,052	-	20,398,052
Annuity insurance	10,558	263,022	273,580
Investment-link insurance	55,486	-	55,486
	<u>\$ 218,078,498</u>	<u>\$ 263,022</u>	<u>218,341,520</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			72,988
Total			<u>\$ 218,464,791</u>

b.Changes in reserve for policy benefit:

	For the years ended December 31,	
	2019(Note 1)	2018(Note 2)
At January 1	\$ 218,459,623	\$ 180,812,095
Provision	49,823,274	42,156,401
Recovery	(6,953,056)	(4,996,004)
(Gain) loss on foreign exchange	(653,845)	487,131
At December 31	<u>\$ 260,675,996</u>	<u>\$ 218,459,623</u>

Note 1: For the year ended December 31, 2019, "Reserve for policy benefit-payables to the insured" is \$8,075. As of December 31, 2019, the total reserve for policy benefit amount of changes in reserve for policy benefit is \$260,684,071.

Note 2: For the year ended December 31, 2018, "Reserve for policy benefit-payables to the insured" is \$5,168. As of December 31, 2018, the total reserve for policy benefit amount of changes in reserve for policy benefit is \$218,464,791.

For the years ended December 31, 2019 and 2018, the interest expense, reflecting on the contract liabilities over a period of time, are \$6,568,059 and \$5,633,443, respectively.

(D) Premium deficiency reserve:

a.Details of premium deficiency reserve are as follows:

December 31, 2019			
	Financial instruments with discretionary		Total
	Insurance contract	participation features	
Personal life insurance	\$ 851,667	\$ -	\$ 851,667
Personal health insurance	13,499	-	13,499
Total	<u>\$ 865,166</u>	<u>\$ -</u>	<u>\$ 865,166</u>

	December 31, 2018			
	Insurance contract	Financial instruments with discretionary participation features		Total
Personal life insurance	\$ 1,333,996	\$ -	\$ 1,333,996	
Personal health insurance	6,565	-	6,565	
Total	<u>\$ 1,340,561</u>	<u>\$ -</u>	<u>\$ 1,340,561</u>	

b. Change in premium deficiency reserve:

	For the years ended December 31,	
	2019	2018
At January 1	\$ 1,340,561	\$ 1,810,269
Provision	(468,044)	(467,052)
Recovery	(5,288)	(7,730)
(Gain) loss on foreign exchange	(2,063)	5,074
At December 31	<u>\$ 865,166</u>	<u>\$ 1,340,561</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 years ended December 31,	
	2019	2018
At January 1	\$ 4,103,376	\$ 4,297,540
Recovery	(185,249)	(194,164)
At December 31	<u>\$ 3,918,127</u>	<u>\$ 4,103,376</u>

B. Reserve for foreign exchange fluctuation

(A) In accordance with the "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", the Group set aside foreign exchange reserve under liabilities. Details are as follows:

	For the years ended December 31,	
	2019	2018
At January 1	\$ 893,568	\$ 510,241
Provision		
Compulsory provision	268,261	182,191
Additional provision	1,033,640	683,364
Subtotal	2,195,469	1,375,796
Recovery	(1,594,600)	(482,228)
At December 31	<u>\$ 600,869</u>	<u>\$ 893,568</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 years ended December 31, 2019 and 2018 are as follows:

	For the year ended December 31, 2019		
	<u>Ineligible amount</u>	<u>Eligible amount</u>	<u>Impact</u>
Net income	\$ 675,375	\$ 909,534	\$ 234,159
Earnings per share (in dollars)	0.69	0.93	0.24
Reserve for foreign exchange fluctuation	-	600,869	600,869
Total equity	13,712,806	13,216,803	(496,003)
	For the year ended December 31, 2018		
	<u>Ineligible amount</u>	<u>Eligible amount</u>	<u>Impact</u>
Net income	\$ 583,464	\$ 276,802	(\$ 306,662)
Earnings per share (in dollars)	0.66	0.31	(0.35)
Reserve for foreign exchange fluctuation	-	893,568	893,568
Total equity	11,755,147	11,024,985	(730,162)

(27) 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 45~61 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 Yuanta Group 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 Yuanta Group 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 Yuanta Group 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. Yuanta Securities Investment Trust obtained the approval letter no. 1076057939 and no. 1086074270 from Department of Labor, Taipei City government to suspend the pension contribution for the period from September 2018 to August 2020.

(B) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 7,824,898	\$ 7,553,115
Fair value of plan assets	(2,520,088)	(2,597,392)
	5,304,810	4,955,723
Net defined benefit assets	<u>37,335</u>	<u>37,377</u>
Net defined benefit liabilities	<u>\$ 5,342,145</u>	<u>\$ 4,993,100</u>

(C) Movement in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Year ended December 31, 2019			
Balance at January 1	\$ 7,553,115	(\$ 2,597,392)	\$ 4,955,723
Current service cost	394,653	-	394,653
Interest expense(income)	<u>109,872</u>	<u>(30,201)</u>	<u>79,671</u>
	<u>8,057,640</u>	<u>(2,627,593)</u>	<u>5,430,047</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)	2,013	(72,833)	(70,820)
Change in demographic assumptions (	62,653)	-	(62,653)
Change in financial assumptions	301,252	-	301,252
Experience adjustment	<u>76,370</u>	<u>(570)</u>	<u>75,800</u>
	<u>316,982</u>	<u>(73,403)</u>	<u>243,579</u>
Pension fund contribution	-	(60,940)	(60,940)
Paid pension	(410,444)	228,548	(181,896)
Translation difference	<u>(139,280)</u>	<u>13,300</u>	<u>(125,980)</u>
Balance at December 31	<u>\$ 7,824,898</u>	<u>(\$ 2,520,088)</u>	<u>\$ 5,304,810</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Year ended December 31, 2018			
Balance at January 1	\$ 7,207,305	(\$ 2,737,639)	\$ 4,469,666
Current service cost	438,671	-	438,671
Interest expense(income)	117,488	(36,792)	80,696
	<u>7,763,464</u>	<u>(2,774,431)</u>	<u>4,989,033</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)	1,598	(33,203)	(31,605)
Change in demographic assumptions	(30,438)	(158)	(30,596)
Change in financial assumptions	158,338	-	158,338
Experience adjustment	100,347	(301)	100,046
	<u>229,845</u>	<u>(33,662)</u>	<u>196,183</u>
Pension fund contribution	-	(61,559)	(61,559)
Paid pension	(412,426)	268,621	(143,805)
Translation difference	(27,768)	3,639	(24,129)
Balance at December 31	<u>\$ 7,553,115</u>	<u>(\$ 2,597,392)</u>	<u>\$ 4,955,723</u>

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenue, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

The operating status of Yuanta Securities (Korea)'s defined benefit plan's assets is as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 121,361	\$ 122,379
Debt instruments	23,598	35,360
Beneficiary certificates	15,024	1,850
Others	75,435	93,889
	<u>\$ 235,418</u>	<u>\$ 253,478</u>

(E) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.70%~2.10%	0.90%~2.79%
Future salary increase rate	2.00%~6.00%	2.00%~6.00%

The assumptions for future mortality are estimated based on published statistics and experience of countries.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis of the Yuanta Group (except for Yuanta Securities (Korea)) was as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 119,578)	\$ 123,767	\$ 110,446	(\$ 107,070)
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 123,250)	\$ 127,672	\$ 114,202	(\$ 110,975)

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis of Yuanta Securities (Korea) was as follows:

	Discount rate		Future salary increase rate	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 291,857)	\$ 348,727	\$ 346,348	(\$ 295,437)
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 278,925)	\$ 335,690	\$ 335,533	(\$ 283,864)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(F) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2020 amounts to \$59,255.

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) Termination provisions

Ta Chong Bank's share conversion agreement with the Company on March 22, 2016 includes the relevant terms guaranteeing the rights and interests of employees. After the approval of the FSC, Ta Chong Bank has accrued termination provisions of \$280,239 and \$609,449, respectively in 2019 and 2018 (recorded under termination provisions). The present value of the termination provision obligation was calculated by qualified actuaries. The principal assumptions used for the purpose of the actuarial valuations were as follow:

	For the years ended December 31,	
	2019	2018
Discount rate(%)	0.70	1.10
Expected rate of salary increase(%)	2.00	2.00
Total application rate(%)	80.00	80.00

(D) Under the defined contribution plan, the Company and its domestic subsidiaries recognised pension expense of \$444,924 (under the employees' benefit expenses of \$435,789 and net income other than interest of \$9,135) and \$466,644 (under the employees' benefit expenses of \$458,620 and net income other than interest of \$8,024) for the years ended December 31, 2019 and 2018, respectively.

(E) The pension plans for the consolidated foreign subsidiaries are as follows:

The pension plan for Yuanta Securities Asia Finance is in compliance with the regulations of each employee nationality. Yuanta HK Holdings (Cayman) Ltd., Yuanta Securities Holding (B.V.I) Ltd. and Yuanta Investment Management (Cayman) Ltd. do not have compulsory pension plans according to local regulations. The pension plans for other foreign subsidiaries are in compliance with local regulations.

Yuanta Securities Asia Finance, Yuanta Securities (Hong Kong), Yuanta Investment Consulting Beijing and Yuanta Securities (UK) recognised pension expense of \$14,262 and \$17,022 for the years ended December 31, 2019 and 2018, respectively, based on the abovementioned pension plan and local regulations. Under the defined contribution plan, Yuanta Securities (Korea) and its subsidiaries recognised pension expense of \$54,681 and \$12,691 for the years ended December 31, 2019 and 2018, respectively.

In accordance with the local regulations, Yuanta Securities (Indonesia) and Yuanta Securities (Thailand) and its subsidiaries recognised pension liabilities of \$165,758 and \$121,247 as of December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, pension expense were recognised amounting to \$63,521 and \$34,471, respectively.

In accordance with the local regulations, Yuanta Savings Bank (Philippines) has recognised employee benefit liabilities of \$5,025 and \$6,036, respectively, as of December 31, 2019 and

2018, and recognised pension expenses of \$1,734 and \$1,662 under other comprehensive income, respectively, for the years ended December 31, 2019 and 2018.

In accordance with the above-mentioned pension plan, Yuanta Savings Bank (Korea) has recognised employee benefit liabilities of \$2,971 and \$3,335, respectively, as of December 31, 2019 and 2018, and recognised pension expenses of \$8,853 and \$7,282 under other comprehensive income, respectively, for the years ended December 31, 2019 and 2018.

(28) Other financial liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Futures traders' equity	\$ 67,419,748	\$ 66,721,081
Structured deposit	6,712,530	10,740,531
Investment-linked products liabilities	1,935,363	1,787,652
Appropriated loan fund	1,779	21,684
Lease payables	-	5,971
Total	<u>\$ 76,069,420</u>	<u>\$ 79,276,919</u>

(29) Other liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Guarantee deposit-in and margin deposits	\$ 28,783,494	\$ 32,456,068
Underwriting share proceeds collected on behalf of customers	241,581	58,556
Collections in advance	1,348,880	1,285,565
Retention bonus payable	1,474,522	1,274,372
Refundable deposits	1,111,072	293,003
Refundable deposits-derivative transactions	3,973,016	5,261,481
Others	1,351,049	1,177,170
Total	<u>\$ 38,283,614</u>	<u>\$ 41,806,215</u>

(30) Share capital

As of December 31, 2019 and 2018, the Company's total authorized capital were both \$125,000,000 and total paid-in capital were \$116,706,115 and \$116,862,325, respectively. The aforementioned total paid-in capital includes 11,670,612 and 11,686,233 thousand shares of common 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>2019</u>	<u>2018</u>
January 1	11,686,233	11,889,198
Retirement of treasury share	(15,621)	(202,965)
December 31	<u>11,670,612</u>	<u>11,686,233</u>

(31) Capital surplus

As required by the Company Law, capital reserve of premiums exceeding the face value on issuance or the donation is to be used to offset any accumulated deficit. Alternatively, it may be used to increase capital by issuing new shares or to distribute cash to shareholders in proportion to their share ownership provided that the Company has no accumulated deficit. In addition, as required by Securities and Exchange Act, only 10% of the aforementioned paid-in capital reserve shall be capitalized annually in total. Unless the earnings reserve is insufficient to offset the deficit, the

capital reserve shall not be used.

However, according to Securities and Futures Bureau (SFB) regulations, capital surplus resulting from undistributed earnings absorbed from subsidiaries after share exchange of the Company is permitted to be transferred to capital or used to distribute cash dividends in the current period. In addition, the amount of capital surplus to be transferred to capital or used to distribute cash dividends is not subject to the aforementioned limitations.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Post 1998	\$ 4,036,443	\$ 4,041,698

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Additional paid-in capital	\$ 33,573,790	\$ 33,617,492
Treasury share transactions	3,479,710	3,477,403
Others	348,980	105,521
	<u>\$ 37,402,480</u>	<u>\$ 37,200,416</u>

(32) 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.

(33) 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 2018 of the Company resolved by the stockholders' meeting on June 14, 2019 and the earnings distribution for 2017 resolved by the stockholders' meeting on June 15, 2018 are as follows:

	2018 earnings		2017 earnings	
	Amount	Dividend per share	Amount	Dividend per share
		(in dollars)		(in dollars)
Legal reserve	\$ 1,867,921	\$ -	\$ 1,620,495	\$ -
Cash dividends	10,503,550	0.90	6,492,536	0.556315

The status of the distribution of earnings approved by the Board of Directors and resolved by stockholders is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange Corporation (TWSE).

- D. The earnings distribution for 2019 of the Company has been resolved by the Board of Directors on March 23, 2020. Details are as follows:

	2019 earnings	
	Amount	Dividend per share
		(in dollars)
Cash dividends	\$ 7,585,897	\$ 0.65
Stock dividends	4,668,245	0.40

- E. Please refer to Note 6(43) for the details of the bonus to employees and remuneration to directors and supervisors.

(34) Other equity items

	Translation gain and loss on the financial statements of foreign operating entities	Financial assets at fair value through other comprehensive income	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, 2019	(\$ 2,409,469)	\$ 7,775,718	(\$ 29,798)	(\$ 330,367)	\$ 5,006,084
Financial assets at fair value through other comprehensive income					
- Evaluation adjustment in the period	-	5,717,498	-	-	5,717,498
- Evaluation transferred to profit or loss	-	(1,212,609)	-	-	(1,212,609)
- Evaluation transferred to retained earnings	-	(124,942)	-	-	(124,942)
Other comprehensive income on reclassification under the overlay approach	-	-	-	415,946	415,946
Changes in translation difference of foreign operating entities	(999,295)	-	-	-	(999,295)
Effects on income tax	(119,622)	(248,479)	1,595	(38,620)	(405,126)
Evaluation of credit risk	-	-	(8,527)	-	(8,527)
Balance, December 31, 2019	<u>(\$ 3,528,386)</u>	<u>\$ 11,907,186</u>	<u>(\$ 36,730)</u>	<u>\$ 46,959</u>	<u>\$ 8,389,029</u>
	Translation gain and loss on the financial statements of foreign operating entities	Financial assets at fair value through other comprehensive income	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
Balance, January 1, 2018 after adjustments	(2,527,962)	8,821,188	-	58,889	389,832
Financial assets at fair value through other comprehensive income					
- Evaluation adjustment in the period	-	133,763	-	-	133,763
- Evaluation transferred to profit or loss	-	(1,286,269)	-	-	(1,286,269)
- Evaluation transferred to retained earnings	-	(77,579)	-	-	(77,579)
Other comprehensive income on reclassification under the overlay approach	-	-	-	(768,967)	(768,967)
Changes in translation difference of foreign operating entities	118,493	-	-	-	118,493
Effects on income tax	-	184,615	-	-	48,768
Evaluation of credit risk	-	-	-	(88,687)	(88,687)
Balance, December 31, 2018	<u>(\$ 2,409,469)</u>	<u>\$ 7,775,718</u>	<u>\$ -</u>	<u>(\$ 29,798)</u>	<u>(\$ 330,367)</u>

(35) Treasury shares

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

<u>Reason for buyback of shares</u>	For the year ended December 31, 2019					
	<u>Beginning balance of amount</u>	<u>Beginning balance of shares</u>	<u>Share increase</u>	<u>Share decrease</u>	<u>Ending balance of shares</u>	<u>Ending balance of amount</u>
Buy-back rights of shareholders with objections (Note)	\$ 197,606	15,621	-	(15,621)	-	\$ -
<u>Reason for buyback of shares</u>	For the year ended December 31, 2018					
	<u>Beginning balance of amount</u>	<u>Beginning balance of shares</u>	<u>Share increase</u>	<u>Share decrease</u>	<u>Ending balance of shares</u>	<u>Ending balance of amount</u>
Buy-back rights of shareholders with objections (Note)	\$ 197,606	15,621	-	-	15,621	\$ 197,606
Maintenance for the Company's credit	939,347	68,965	134,000	(202,965)	-	-
Total	\$ 1,136,953	84,586	134,000	(202,965)	15,621	\$ 197,606

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.

(36) Net interest income

	For the years ended December 31,	
	2019	2018
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 19,321,618	\$ 19,038,007
Interest income from margin trade	4,270,493	5,155,472
Interest income on securities investment	13,137,643	12,371,930
Interest income from placement and call loan to other banks	2,069,803	1,628,564
Interest income on bills and bonds purchased under resale agreements	582,870	477,509
Recurring interest income from credit card	235,672	258,402
Other interest income	1,388,344	1,262,544
Subtotal	<u>41,006,443</u>	<u>40,192,428</u>
<u>Interest expense</u>		
Interest expense of deposit	(\$ 7,390,429)	(\$ 7,022,903)
Interest expense of Central Bank and other banks' deposit	(214,503)	(295,976)
Interest expense on due to the Central Bank and other banks' deposit	(1,415,449)	(1,342,303)
Interest expense on bills and bonds sold under repurchase agreements	(2,977,840)	(2,799,911)
Interest expense of structured instruments	(465,003)	(648,144)
Coupon rate of bank debenture	(867,561)	(954,716)
Coupon rate of corporate bonds	(391,175)	(399,468)
Coupon rate of commercial papers	(345,295)	(317,537)
Interest expense of margin purchase	(24,959)	(27,040)
Lease liabilities interest expense	(105,046)	-
Other interest expense	(676,264)	(448,268)
Subtotal	<u>(14,873,524)</u>	<u>(14,256,266)</u>
Total	<u>\$ 26,132,919</u>	<u>\$ 25,936,162</u>

(37) Net service fee and commission income

	For the years ended December 31,	
	2019	2018
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 15,638,068	\$ 18,995,723
Service fee income on insurance brokerage and stock register	1,449,644	1,821,768
Service fee on credit cards	1,519,091	1,657,353
Service fee income on trust business	3,415,565	2,710,955
Service income on credit extension	879,443	1,096,165
Underwriting service income	1,312,408	826,100
Service income on margin trade	98,593	131,818
Commission – reinsurance allowance	111,718	111,286
Service income on foreign exchange	87,119	101,271
Service fee income on consigned settlement	37,976	43,099
Deposits and remittance and other service income	767,336	1,902,053
Subtotal	25,316,961	29,397,591
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(\$ 2,735,736)	(\$ 1,980,992)
Service expense on trust business	(2,704)	(6,774)
Service expense on brokerage	(1,992,405)	(1,862,162)
Service expense on self-operation	(94,136)	(110,333)
Service charge – refinancing	(513)	(1,403)
Service fee expense on credit cards	(1,399,957)	(1,539,371)
Service expense on settlement	(417,589)	(521,059)
Futures commission expense	(451,854)	(521,103)
Underwriting service expense	(23,833)	(16,970)
Service expense on foreign exchange	(41,642)	(41,249)
Service expense on credit extension	(33,158)	(20,182)
Deposits and remittance and other service expense	(327,211)	(494,528)
Subtotal	(7,520,738)	(7,116,126)
Total	\$ 17,796,223	\$ 22,281,465

(38) Net income from insurance operations

	For the years ended December 31,	
	2019	2018
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 50,516,952	\$ 42,015,655
Less: Reinsurance premium ceded	(883,544)	(695,468)
Net changes of unearned premium reserve	(34,873)	(71,084)
Retention earned premium income	49,598,535	41,249,103
Investment-linked product income (Note)	434,052	151,931
Subtotal	<u>50,032,587</u>	<u>41,401,034</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 9,173,718)	(\$ 6,774,606)
Less: Claims recovered from reinsurers	<u>419,348</u>	<u>286,444</u>
Retention claims and policy benefits payments	(8,754,370)	(6,488,162)
Underwriting expenses	(9,194)	(5,317)
Expense from guaranty fund	(96,057)	(79,902)
Investment-linked product expenses (Note)	(434,052)	(151,931)
Subtotal	(9,293,673)	(6,725,312)
Total	<u>\$ 40,738,914</u>	<u>\$ 34,675,722</u>

Note: Details about the assets on insurance products, separated accounts are provided in Note 6(12).

(BLANK)

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

	For the years ended December 31,	
	2019	2018
<u>Realized gains or losses on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	\$ 172,212	\$ 209,619
Bonds	6,224,152	5,522,431
Stocks	3,701,342	459,623
Beneficiary certificates	1,456,367	1,312,997
Time deposits	-	14,694
Financial bonds payables	-	(23,121)
Interest-linked instrument	(235,978)	(470,261)
Exchange rate-linked instrument	(4,964,529)	(2,024,584)
Equity-linked instrument	(33)	-
Other financial derivative instruments	1,544,858	4,476,425
Loss on covering on borrowed securities and bonds with resale agreements	(1,063,764)	(216,560)
Loss from issuing call (put) warrants	(7,229,932)	(12,373,255)
Issuing call (put) warrants expense	(320,059)	(320,652)
Others	2,583,278	474,376
Subtotal	<u>1,867,914</u>	<u>(2,958,268)</u>
<u>Unrealized gains or losses on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	(\$ 5,367)	\$ 5,293
Bonds	1,971,519	(4,011,500)
Stocks	3,382,704	(2,453,301)
Beneficiary certificates	279,469	(164,407)
Time deposits	-	(5,518)
Financial bonds payables	-	10,982
Interest-linked instrument	(2,211,133)	1,287,095
Exchange rate-linked instrument	2,980,973	(3,964,354)
Equity-linked instrument	323	-
Other financial derivative instruments	(1,182,428)	(252,372)
Valuation (loss) gain on borrowed securities and bonds with resale agreements	(1,956,521)	1,204,559
Gain on issuance of call (put) warrants	7,805,495	16,292,703
Others	1,109,643	1,213,498
Subtotal	<u>12,174,677</u>	<u>9,162,678</u>
Total	<u>\$ 14,042,591</u>	<u>\$ 6,204,410</u>

A. The realized gains or losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the years ended December 31, 2019 and 2018, including the loss on disposal, were \$5,482,552 and \$9,571,693, respectively, and the issuing call (put) warrants expense, were \$320,059 and \$320,652, respectively, and the dividends income were \$2,009,499 and \$1,587,722, respectively, and the interest income were \$5,661,026 and

\$5,346,355, respectively.

- B. The Yuanta Group recognized net (loss) gain amounting to (\$7,969,212) and \$438,843, respectively, on financial liability designated as at fair value through profit or loss for the years ended December 31, 2019 and 2018.
- C. Net income on the exchange rate instruments includes realised and unrealised gains and losses on forward exchange agreements, FX options, and exchange rate futures.
- D. Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.
- E. 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”.

(40) Asset impairment loss

	For the years ended December 31,	
	2019	2018
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(\$ 12,156)	\$ 31,759
Reversal of impairment loss (impairment loss) on investments in debt instruments at amortised cost	2,966	(22,466)
Reversal of impairment loss on investment property	13,895	5,384
Impairment loss on intangible assets	(3,676)	(1,441,901)
Impairment loss on other assets	(21,412)	(2,885)
Total	<u>(\$ 20,383)</u>	<u>(\$ 1,430,109)</u>

(41) Net other miscellaneous income

	For the years ended December 31,	
	2019	2018
Borrowed stock revenue	\$ 1,480,324	\$ 991,411
Net change of reserve for foreign exchange fluctuation	292,699	(383,327)
Other net income	498,429	602,426
Total	<u>\$ 2,271,452</u>	<u>\$ 1,210,510</u>

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

	For the years ended December 31,	
	2019	2018
Bad debt expense of accounts receivable	\$ 305,161	\$ 977,894
Bad debt expense of bills discounted and loans	2,763,203	899,410
Recovery of reserve for guarantee liabilities	(50,300)	(61,000)
Recognition of loan commitment reserve and other reserve	(8,726)	(16,783)
Recovery of bad debt expense	(1,656,644)	(942,958)
Total	<u>\$ 1,352,694</u>	<u>\$ 856,563</u>

(43) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	\$ 20,094,034	\$ 20,396,042
Labor and health insurance fees	937,893	919,094
Pension costs	1,053,164	1,051,115
Termination benefits	(85,405)	22,441
Other employee benefit expenses	1,276,341	1,277,554
Total	<u>\$ 23,276,027</u>	<u>\$ 23,666,246</u>

- A. After covering accumulated deficit with the year-end earnings (that is income before taxes less income before employees' compensation provisions), 0.01% to 0.5% was appropriated as employees' compensation and an amount less than 0.9% was appropriated as directors' and supervisors' remuneration.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$3,323 and \$2,872 respectively; directors' and supervisors' remuneration was accrued at \$166,607 and \$151,208, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the Board of Directors in 2018 was in agreement with those amounts recognised in the 2018 financial statements. Information is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange Corporation (TWSE).

(44) Depreciation and amortization

	For the years ended December 31,	
	2019	2018
Investment property depreciation	\$ 90,805	\$ 73,001
Property and equipment depreciation	1,008,641	999,101
Right-of-use asset depreciation	1,439,385	-
Intangible asset amortization	665,613	1,174,219
Deferred assets amortization	69,286	89,371
Total	<u>\$ 3,273,730</u>	<u>\$ 2,335,692</u>

(45) Other business and administrative expenses

	For the years ended December 31,	
	2019	2018
Tax	\$ 2,953,221	\$ 3,141,852
Rental expense	269,544	1,800,303
Computer science expense	1,279,841	1,201,380
Commission expense	716,204	1,354,161
Professional expense	682,916	611,372
Postage and telephone costs	702,640	721,886
Miscellaneous expenses	814,230	651,061
Security borrowing expenses	781,087	564,980
Others	3,521,196	3,562,725
Total	<u>\$ 11,720,879</u>	<u>\$ 13,609,720</u>

(46) Income tax

The details of the Yuanta Group's income tax expense are as follows:

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Income tax from current income period	\$ 3,639,583	\$ 2,531,571
Income tax on unappropriated earnings	165,488	787,986
Adjustments in respect of prior years	(161,205)	(137,019)
Total current tax	<u>3,643,866</u>	<u>3,182,538</u>
Deferred tax:		
Origination and reversal of temporary differences	(244,552)	529,118
Impact of change in tax rate	-	(10,322)
Total deferred tax	<u>(244,552)</u>	<u>518,796</u>
Income tax expense	<u>\$ 3,399,314</u>	<u>\$ 3,701,334</u>

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

	For the years ended December 31,	
	2019	2018
Translation gain and loss on the financial statements of foreign operating entities	\$ 119,622	\$ 30,700
Unrealised gain (loss) from investments in debt instruments measured at fair value through other comprehensive income	220,429	(204,947)
Unrealised gain from investments in equity instruments measured at fair value through other comprehensive income	30,598	22,754
Change in fair value of financial liability attributable to change in credit risk	(2,811)	(53,047)
Other comprehensive income (loss) on reclassification under the overlay approach	38,620	(50,988)
Share of loss of associates and joint ventures accounted for using equity method	(141)	(270)
Loss on remeasurements of defined benefit plans	(49,681)	(65,457)
Impact of change in tax rate	-	(27,936)
Total	<u>\$ 356,636</u>	<u>(\$ 349,191)</u>

B. Reconciliation between income tax expense and accounting profit:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Income tax from pretax income calculated at regulated tax rate	\$ 9,974,173	\$ 9,477,570
Additional tax payment levied on undistributed earnings	165,488	787,986
Alternative minimum tax effects	707,983	603,422
Effects of items not recognized under relevant regulations	31,600	150,107
Temporary differences not recognized under deferred tax	(247,640)	(804,903)
Adjustments in respect of prior years	(161,205)	(137,019)
Use of prior years' unrealized tax losses in the current year	(586,086)	(26,989)
Adjusted effects on income tax exemption and other income	(6,484,999)	(6,338,518)
Impact of change in tax rate	<u>-</u>	<u>(10,322)</u>
Income tax expense	<u>\$ 3,399,314</u>	<u>\$ 3,701,334</u>

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C. Amounts of deferred tax assets or liabilities as a result of temporary difference, tax losses and investment tax credit are as follows:

	For the year ended December 31, 2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Others (Note)	December 31
Temporary differences:					
-Deferred tax assets:					
Unrealised exchange loss	\$ 228,797	\$ 612,138	\$ 684	(\$ 1)	\$ 841,618
Allowance for doubtful accounts in excess of tax limitation	356,258	184,596	-	58	540,912
Unrealized loss on litigation loss	13,800	986	-	-	14,786
Unrealized losses on financial instruments	1,012,992	(442,742)	(134,358)	88	435,980
Employee benefit expense and actuarial gains and losses on defined benefit plans	1,030,571	68,272	49,599	27	1,148,469
Deferred income on credit card	2,847	(250)	-	-	2,597
Tax loss carryforwards	1,697,463	149,547	-	(176)	1,846,834
Goodwill amortization (including accumulated impairment)	48,237	(48,237)	-	-	-
Others	1,508,222	(223,637)	(142,570)	3,404	1,145,419
Subtotal	<u>5,899,187</u>	<u>300,673</u>	<u>(226,645)</u>	<u>3,400</u>	<u>5,976,615</u>
-Deferred tax liabilities:					
Unrealised exchange gain	(\$ 269,446)	\$ 225,480	\$ -	(\$ 8)	(\$ 43,974)
Unrealised valuation gain on derivatives	-	-	-	-	-
Reserve for land value increment tax	(40,278)	-	-	8,251	(32,027)
Employee benefit expense and actuarial gains and losses on defined benefit plans	(6,996)	(267)	83	-	(7,180)
Unrealized gain on financial instruments	(848,477)	(176,608)	(168,879)	62	(1,193,902)
Goodwill amortization	(2,403,253)	(57,609)	-	-	(2,460,862)
Others	(137,293)	(47,117)	38,805	23	(145,582)
Subtotal	<u>(3,705,743)</u>	<u>(56,121)</u>	<u>(129,991)</u>	<u>8,328</u>	<u>(3,883,527)</u>
Total	<u>\$ 2,193,444</u>	<u>\$ 244,552</u>	<u>(\$ 356,636)</u>	<u>\$ 11,728</u>	<u>\$ 2,093,088</u>

Note: Impact of foreign exchange rate difference and IFRS 16 adjustment included.

For the year ended December 31, 2018

	January 1	Recognised in profit or loss (Note 1)	Recognised in other comprehensive income (Note 1)	Others (Note 2)	December 31
Temporary differences:					
-Deferred tax assets:					
Unrealised exchange loss	\$ 1,000,880	(\$ 771,869)	(\$ 2,212)	\$ 1,998	\$ 228,797
Allowance for doubtful accounts in excess of tax limitation	146,471	(75,410)	-	285,197	356,258
Unrealized loss on litigation loss	11,730	2,070	-	-	13,800
Unrealized losses on financial instruments	12,265	724,952	142,570	133,205	1,012,992
Employee benefit expense and actuarial gains and losses on defined benefit plans	838,878	96,086	95,638	(31)	1,030,571
Deferred income on credit card	3,283	(436)	-	-	2,847
Tax loss carryforwards	2,204,949	(504,040)	-	(3,446)	1,697,463
Impairment of property	24,061	1,872	-	(13,452)	12,481
Goodwill amortization (including accumulated impairment)	-	48,237	-	-	48,237
Others	1,400,328	183,238	23,418	(111,243)	1,495,741
Subtotal	<u>5,642,845</u>	<u>(295,300)</u>	<u>259,414</u>	<u>292,228</u>	<u>5,899,187</u>
-Deferred tax liabilities:					
Unrealised exchange gain	(\$ 19,321)	(\$ 269,150)	\$ -	\$ 19,025	(\$ 269,446)
Unrealised valuation gain on derivatives	(22,200)	-	-	22,200	-
Reserve for land value increment tax	(20,956)	-	-	(19,322)	(40,278)
Employee benefit expense and actuarial gains and losses on defined benefit plans	(5,977)	(921)	(98)	-	(6,996)
Unrealized gain on financial instruments	(989,427)	155,405	91,749	(106,204)	(848,477)
Goodwill amortization	(2,198,758)	(235,363)	-	30,868	(2,403,253)
Others	(261,835)	126,533	(1,874)	(117)	(137,293)
Subtotal	<u>(3,518,474)</u>	<u>(223,496)</u>	<u>89,777</u>	<u>(53,550)</u>	<u>(3,705,743)</u>
Total	<u>\$ 2,124,371</u>	<u>(\$ 518,796)</u>	<u>\$ 349,191</u>	<u>\$ 238,678</u>	<u>\$ 2,193,444</u>

Note 1: Impact of change in tax rate included.

Note 2: Impact of foreign exchange rate difference and IFRS 9 adjustment included.

D. Yuanta Group's expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows :

December 31, 2019					
Year incurred	Amount	Unused amount	Unrecognised	deferred tax assets	Usable until year
	filed/assessed/ Estimated				
2012	Assessed	\$ 286,474	\$	265,173	2022
2013	Assessed	53,653		53,653	2023
2014	Assessed	74,275		74,275	2024

December 31, 2018					
Year incurred	Amount	Unused amount	Unrecognised	deferred tax assets	Usable until year
	filed/assessed/ Estimated				
2009	Assessed	\$ 133,048	\$	133,048	2019
2012	Assessed	372,588		372,588	2022
2013	Assessed	53,653		53,653	2023
2014	Assessed	74,275		74,275	2024

As of December 31, 2019 and 2018, Yuanta Securities (Hong Kong)'s unused tax losses was \$901,196 and \$1,218,242, respectively; of which unrecognised deferred tax assets was \$495,852 and \$806,816, respectively. There were no expiration dates for the tax losses pursuant to local laws. As of December 31, 2019 and 2018, Yuanta Investment Consulting Beijing's unused tax losses was \$52,792 and \$47,354, respectively; of which unrecognised deferred tax assets was \$52,792 and \$47,354, respectively. The validity period for the tax losses pursuant to local laws was before 2024. As of December 31, 2019 and 2018, Yuanta Securities (Korea)'s unused tax losses was \$5,968,957 and \$6,896,276, respectively; of which unrecognised deferred tax assets was \$0 and \$1,193,940, respectively. The validity period for the tax losses pursuant to local laws was before 2025.

Yuanta Group has not estimated deferred tax liabilities for related taxes that may be payable due to Yuanta Securities Asia Financial Services' unrepatriated earnings, which as of December 31, 2019 and 2018, was \$4,593,784 and \$4,321,956, respectively. The above-mentioned unrepatriated earnings are expected to be used for reinvestment. As of December 31, 2019 and 2018, Yuanta Securities Asia Financial Services' unrepatriated earnings were \$22,968,918 and \$21,609,780, respectively. As of December 31, 2019 and 2018, the unrecognized deferred income tax assets of Yuanta Securities (Korea) on provisions were \$0 and \$926,391, respectively. The unrecognized deferred income tax liability of Yuanta Securities (Korea) for taxable temporary differences associated with equity method were \$61,493 and \$64,916, respectively. As of December 31, 2019, Yuanta Savings Bank (Philippines)'s unused loss deductions was \$107,487; the validity period for the loss deductions pursuant to local laws was before 2022. As of December 31, 2019, Yuanta Savings Bank (Korea)'s unused loss deductions was \$350,496; the validity period for the loss deductions pursuant to local laws was before 2026.

E. As of December 31, 2019, the information on the Yuanta Group's income tax returns that have been assessed by the Tax Authority are as follows:

	<u>Assessment Information</u>
Yuanta Financial Holdings	Assessed through 2015
Yuanta Securities	Assessed through 2015
Yuanta Bank	Assessed through 2015
Yuanta Securities Finance	Assessed through 2015
Yuanta Venture Capital	Assessed through 2015
Yuanta Asset Management	Assessed through 2015
Yuanta Securities Investment Consulting	Assessed through 2015
Yuanta Futures	Assessed through 2017
Yuanta Securities Investment Trust	Assessed through 2017 (Note)
Yuanta Life	Assessed through 2015
Yuanta International Insurance Brokers	Assessed through 2018
Yuanta International Leasing	Assessed through 2018
Yuanta I Venture Capital	Assessed through 2017

Note: The income tax returns have not been assessed through 2015.

F. 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.

G. Income tax assessments of the Yuanta Group are as follows:

(A) Yuanta Securities

- a. Yuanta Securities disagreed with the Tax Authority's assessments of income tax returns for the fiscal years from 2007 to 2015. Yuanta Securities has filed for administrative remedies in accordance with the law and accrued the related income tax effects. As of December 31, 2019, the amount was \$1,715,874.
- b. The dissolved company, Polaris Securities disagreed with the Tax Authority's assessments of income tax returns for the fiscal year 2011. Polaris Securities has filed for administrative remedies in accordance with the law, and accrued the related income tax effects. As of December 31, 2019, the amount was \$61,137.

(B) Yuanta Bank

For the income tax returns for the fiscal years from 2014 to 2015, 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 from 2012 to 2014 have been assessed and approved by the Tax Authority which assessed additional duties amounting to \$117,248. Yuanta Securities Investment Trust disagreed with the assessment and applied for a recheck. The assessment has been completed in the second half of 2018 with the income tax payable amounting to \$46,911 which has been paid in 2019.

(D) Yuanta Venture Capital

For the income tax returns for the fiscal year 2011, 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 \$11,116, which has been

recognised.

(E) Yuanta Future

For the 2017 income tax return, Yuanta Futures disagreed with the assessments on the revoked securities and futures trading income and undistributed surplus earnings. Yuanta Futures has filed for a recheck in accordance with the law.

(47) Earnings per share

	<u>For the year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 20,445,508	11,670,611	\$ 1.75
	<u>For the year ended December 31, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 18,679,208	11,722,452	\$ 1.59

(48) Changes in liabilities from financing activities

	<u>Bills and bonds payable under repurchase agreements</u>	<u>Commercial paper payable</u>	<u>Bonds payable</u>	<u>Other borrowings</u>	<u>Lease liability</u>
At January 1, 2019	\$ 218,570,425	\$ 36,269,123	\$ 66,756,009	\$ 64,019,801	\$ 6,237,121
Changes in cash flow from financing activities	(19,904,507)	2,302,597	2,725,344	(3,171,809)	(567,678)
Impact of changes in foreign exchange rate	-	-	(565,635)	-	(141,783)
Amortisation of a premium or a discount on interest expense	-	50,008	(66,084)	-	-
At December 31, 2019	<u>\$ 198,665,918</u>	<u>\$ 38,621,728</u>	<u>\$ 68,849,634</u>	<u>\$ 60,847,992</u>	<u>\$ 5,527,660</u>

	Bills and bonds payable under <u>repurchase agreements</u>	Commercial <u>paper payable</u>	Bonds <u>payable</u>	Other <u>borrowings</u>
At January 1, 2018	\$ 197,101,189	\$ 44,704,087	\$ 65,890,879	\$ 71,754,771
Changes in cash flow from financing activities	21,469,236	(8,374,385)	888,841	(7,688,180)
Impact of changes in foreign exchange rate	-	-	(108,101)	(46,790)
Amortisation of a premium or a discount on interest expense	-	(60,579)	84,390	-
At December 31, 2018	<u>\$ 218,570,425</u>	<u>\$ 36,269,123</u>	<u>\$ 66,756,009</u>	<u>\$ 64,019,801</u>

7. Related party transactions

Any related party transactions amongst the Yuanta Group are eliminated upon consolidation and therefore no disclosure is made. Except for Note 7(2) and other additional notes provided, significant transactions with the related parties and the relationships to the Company are summarized below:

A. Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Funds managed by Yuanta Securities Investment Trust	Security investment trust fund raised by the Yuanta Securities Investment Trust
Polaris Research Institute (Polaris Research)	Related party in substance
Asia Carbons & Technology Inc. (Asia Carbons)	"
Shang Trip Travel Service Co., Ltd. (Shang Trip Travel Service)	"
Lo Sheng Feng Co., Ltd. (Lo Sheng Feng)	Major stockholders of Yuanta Group
Mercuries Life Insurance Co., Ltd. (Mercuries Life Insurance)	" (No longer a related party since December, 2018.)
Yuanta Cultural & Education Foundation (Yuanta Foundation)	A director of Yuanta Group holds a key managing position
Yuanta Construction Development Co., Ltd. (Yuanta Construction Development)	"
Yung Chin International Investment Co., Ltd. (Yung Chin International Investment)	"
He's Education Foundation	"
Taiwan Securities Association	"
Sintronic Technology Inc. (Sintronic Technology)	"
Antay Securities Co., Ltd. (Antay Securities)	Relative of Yuanta Group's key management personnel is its related party
2011KIF-TONGYANG IT Venture Fund	Investments accounted for using equity method of Yuanta Securities (Korea)
TONGYANG AGRI-FOOD INVESTMENT Fund II	"
KVIC-Yuanta 2015 Overseas Fund	"

Names of related parties	Relationship with the Group
IBKC-TONGYANG Growth 2013 Private Equity Fund	Investments accounted for using equity method of Yuanta Securities (Korea)
Yuanta Secondary No.2 Fund	"
Yuanta Secondary No.3 Private Equity Fund	"
2016KIF-Yuanta ICT Fund	(Has become a related party since December 28, 2018.)
Yuanta SPAC III	"
Yuanta SPAC IV	"
Yuanta SPAC V	(Has become a related party since November 23, 2018.)
Yuanta SPAC VI	"
Yuanta Diamond Funds SPC	(Has become a related party since October 17, 2019.)
Global Growth Investment, L.P.	Funds managed by Yuanta Securities(Hong Kong)
Yuanta Asia Growth Investment, L.P.	Funds managed by Yuanta Asia Investment
Other related parties	"
	(Has become a related party since December 28, 2018.)
	The Yuanta Group, funds managed by consolidated subsidiaries, related parties in substance, major stockholders of affiliated entities, invested enterprises of key management and its close relatives, and the key management of the consolidated company.

B. Significant transactions and balances with related parties

(1) Deposits

December 31, 2019			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 10,486,297	0.96	0.00~6.065
December 31, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 11,793,135	1.16	0.00~6.065

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the years ended December 31, 2019 and 2018, the range of interest rates on other related parties' demand savings deposits were 0.00% ~ 5.11% and 0.00% ~ 5.39%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2019 and 2018, interest expense on the above deposits were \$126,480 and \$96,805, respectively.

(2) Loans

Yuanta Bank and its subsidiaries

December 31, 2019

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	382	\$ 89,525	\$ 45,855	\$ 45,855	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	462	3,813,793	3,182,318	3,182,318	-	Real estate	None
Other loans	WEI RAN CO., LTD.	15,000	15,000	15,000	-	Real estate	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Shang Trip Travel Service	1,850	-	-	-	Real estate	None
	Yung Chin International Investment	33,907	32,015	32,015	-	Real estate	None
	Lo Sheng Feng	22,000	22,000	22,000	-	Real estate	None
	95	294,295	168,871	168,871	-	Stock, deposits, policy and real estate	None
Total			\$ 3,493,059	\$ 3,493,059	\$ -		

December 31, 2018

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	357	\$ 65,348	\$ 37,967	\$ 37,967	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	460	3,998,401	3,098,014	3,098,014	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	35,800	33,907	33,907	-	Real estate	None
	Asia Carbons	2,083	-	-	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	Lo Sheng Feng	22,000	22,000	22,000	-	Real estate	None
		95	339,560	172,994	172,994	-	Stock, deposits, policy and real estate	None
Total			\$ 3,391,882	\$ 3,391,882	\$ -		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 0.00% ~ 2.50% and 0.00% ~ 2.52%, the interest rates on the remaining loans are ranging from 0.00% ~ 11.07% and 0.00% ~ 8.58% for the years ended December 31, 2019 and 2018, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2019 and 2018, interest income resulting from the above loans amounted to \$54,593 and \$55,055, respectively.

(3) Property transactions

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Funds managed by Yuanta Securities		
Investment Trust	<u>\$ 4,670,798</u>	<u>\$ 2,994,640</u>

For the years ended December 31,

	<u>2019</u>		<u>2018</u>	
	<u>Unrealized gain</u>	<u>Realized gain</u>	<u>Unrealized loss</u>	<u>Realized gain</u>
Other related parties:				
Funds managed by Yuanta Securities				
Investment Trust	<u>\$ 78,373</u>	<u>\$ 1,853,963</u>	<u>(\$ 84,817)</u>	<u>\$ 222,736</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

For the year ended December 31, 2019

	<u>Highest balance</u>	<u>Ending balance</u>	<u>Interest rate (%)</u>	<u>Notional amount</u>
Company's directors:				
Others	\$ 450,043	\$ 430,000	0.35% ~ 0.40%	
Others	14,451	14,451	1.65% ~ 2.40% (Note: USD)	USD 480
Other related parties:				
Others	1,744,734	<u>896,053</u>	0.35% ~ 0.45%	
		<u>\$ 1,340,504</u>		

For the year ended December 31, 2018

	<u>Highest balance</u>	<u>Ending balance</u>	<u>Interest rate (%)</u>	<u>Notional amount</u>
Company's directors:				
Others	\$ 481,040	\$ 280,041	0.35%	
Others	6,146	6,146	1.80% ~ 2.25% (Note: USD)	USD 200
Other related parties:				
Funds managed by Yuanta Securities Investment Trust	442,253	-	4.10% (Note: CNY)	CNY -
Funds managed by Yuanta Securities Investment Trust	147,035	-	2.00% ~ 2.05% (Note: USD)	USD -
Others	806,837	<u>746,014</u>	0.35%	
		<u>\$ 1,032,201</u>		

Note: For foreign currency repo trade.

	Interest expenses	
	For the years ended December 31,	
	2019	2018
Company's directors:		
Others	\$ 1,661	\$ 1,341
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	-	2,156
Mercuries Life Insurance	-	2,063
Others	4,062	2,615
	<u>\$ 5,723</u>	<u>\$ 8,175</u>

b. Bonds sold and purchased:

	For the years ended December 31,			
	2019		2018	
	Bonds purchased	Bonds sold	Bonds purchased	Bonds sold
Other related parties:				
Yuanta SPAC III	\$ 17,323	\$ -	\$ 18,287	\$ -
Yuanta SPAC IV	20,189	-	21,313	-
Yuanta SPAC V	25,660	-	-	-
Yuanta SPAC VI	25,659	-	-	-
Mercuries Life Insurance	-	-	3,331,420	7,021,211
	<u>\$ 88,831</u>	<u>\$ -</u>	<u>\$ 3,371,020</u>	<u>\$ 7,021,211</u>

c. Bonds transactions under repurchase agreements

	For the year ended December 31, 2019			
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 37,633	\$ 37,633	1.65%~3.25% (Note: USD)	USD 1,250
Other related parties:				
Others	9,634	<u>9,634</u>	2.50%~3.20% (Note: USD)	USD 320
		<u>\$ 47,267</u>		
	For the year ended December 31, 2018			
	Highest balance	Ending balance	Interest rate (%)	Notional amount
Company's directors:				
Others	\$ 47,329	<u>\$ 47,329</u>	2.10%~3.25% (Note: USD)	USD 1,540

	<u>Interest income</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Company's directors:		
Others	\$ 1,136	\$ 1,160
Other related parties:		
Others	305	-
	<u>\$ 1,441</u>	<u>\$ 1,160</u>

Note: For foreign currency repo trade.

(4) Structured notes

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Company's directors:		
Others	\$ 58,804	\$ 83,294
Other related parties:		
Others	10,396	10,353
	<u>\$ 69,200</u>	<u>\$ 93,647</u>

(5) Equity of futures traders

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Company's directors:		
Others	\$ 20,732	\$ 874,886
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	24,237,500	22,878,227
Others	32,856	33,518
	<u>\$ 24,291,088</u>	<u>\$ 23,786,631</u>

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

Yuanta Securities and its subsidiaries draw and deposit cash for guarantees of securities borrowing of related parties and refundable deposits of securities borrowing receivables in the end of period, the details were as follows:

	<u>Refundable deposits for securities lending</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ -	\$ 69,904

	<u>Security borrowing expenses</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ <u>5,576</u>	\$ <u>7,305</u>

As of December 31, 2019 and 2018, borrowing expenses payable were \$0 and \$566, respectively.

As of December 31, 2019 and 2018, refundable deposits receivable lending were both \$0.

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

	<u>Receivables from loans to employees</u>	
	<u>and interest receivables</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Company's directors:		
Others	\$ 12,330	\$ 15,791
Other related parties:		
Others	<u>209,653</u>	<u>240,153</u>
	<u>\$ 221,983</u>	<u>\$ 255,944</u>

	<u>Interest income on loans to employees</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Company's directors:		
Others	\$ 275	\$ 720
Other related parties:		
Others	<u>9,686</u>	<u>8,615</u>
	<u>\$ 9,961</u>	<u>\$ 9,335</u>

(8) Access service fees income

	<u>Access service fees income</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ <u>7,206</u>	\$ <u>423</u>

(9) Receivables from management fee income and management fee income

	<u>Receivables from management fee income</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Funds managed by Yuanta	\$ 231,394	\$ 207,089
Securities Investment Trust		
Yuanta Secondary No.3 Private		
Equity Fund	34,739	533
Yuanta Secondary No.2 Fund	18,162	-
KVIC-Yuanta 2015 Overseas Fund	14,030	8,173
TONGYANG AGRI-FOOD INVESTMENT		
FUND II	4,689	5,594
Others	5,013	7,483
	<u>\$ 308,027</u>	<u>\$ 228,872</u>
	<u>Management fee income</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 2,552,662	\$ 2,352,876
Yuanta Secondary No.3 Private		
Equity Fund	46,978	532
Yuanta Secondary No.2 Fund	25,799	34,363
2016 KIF-Yuanta ICT Fund	15,657	16,442
KVIC-Yuanta 2015 Overseas Fund	14,295	18,224
Others	24,976	24,722
	<u>\$ 2,680,367</u>	<u>\$ 2,447,159</u>
	<u>Fund management fee income</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related parties:		
Yuanta Diamond Funds SPC	\$ 42,127	\$ 24,381
Yuanta Asia Growth Investment L.P.	\$ 4,573	-
Global Growth Investment, L.P.	(15,123)	9,217
	<u>\$ 31,577</u>	<u>\$ 33,598</u>
	<u>The balance of fund</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Yuanta Diamond Funds SPC	\$ 105,045	\$ 336,694
Global Growth Investment, L.P.	70,954	89,063
Yuanta Asia Growth Investment, L.P.	35,904	-
	<u>\$ 211,903</u>	<u>\$ 425,757</u>

(10) Receivable from transfer-agent services and income from transfer-agent services

	<u>Receivable from transfer-agent services</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Others	<u>\$ 24</u>	<u>\$ 34</u>
	<u>Income from transfer-agent services</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Company's directors:		
Others	<u>\$ 1,500</u>	<u>\$ -</u>
Other related parties:		
Others	<u>267</u>	<u>490</u>
	<u>\$ 1,767</u>	<u>\$ 490</u>

(11) Investment refund receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
IBKC-TONGYANG Growth 2013 Private Equity Fund 2011KIF-TONGYANG IT Venture Fund	<u>35,277</u>	<u>36,617</u>
TONGYANG AGRI-FOOD INVESTMENT FUND II	<u>32,459</u>	<u>33,537</u>
	<u>\$ 120,511</u>	<u>\$ 95,672</u>

(12) Loan receivable, interest receivable and interest income

	<u>Loan receivable</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Others	<u>\$ 10,778</u>	<u>\$ 37,055</u>
	<u>Interest receivable</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Others	<u>\$ -</u>	<u>\$ 588</u>
	<u>Loan interest income</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related parties:		
Others	<u>\$ 696</u>	<u>\$ 663</u>

(13) Accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 4,683	\$ 3,025

(14) Refundable deposits

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Taiwan Securities Association	\$ 300	\$ 300

(15) Other financial liabilities and Interest expense

Customers' deposits of Yuanta Securities and its subsidiaries recorded as other financial liabilities were as follows:

	<u>Other financial liabilities</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Company's directors:		
Others	\$ 22,853	\$ 5,033
Other related parties:		
Others	1,300	1
	<u>\$ 24,153</u>	<u>\$ 5,034</u>

	<u>Interest expense</u>	
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Company's directors:		
Others	\$ 3	\$ 5
Other related parties:		
Others	5	19
	<u>\$ 8</u>	<u>\$ 24</u>

(16) Accounts payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Others	\$ 199	\$ 225

(17) Commercial paper payables

	<u>December 31, 2019</u>	
	<u>Commercial paper</u>	<u>Interest payable</u>
Company's directors:		
Others	\$ 10,091	\$ 1

	Interest expense	
	For the years ended December 31,	
	2019	2018
Company's directors:		
Others	\$ 108	\$ -
 (18) <u>Settlement payable</u>		
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Antay Securities	\$ 6,717	\$ -
 (19) <u>Other payables</u>		
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Company's directors:		
Others	\$ 58	\$ 19
Other related parties:		
Taiwan Securities Association	15	-
	<u>\$ 73</u>	<u>\$ 19</u>
 (20) <u>Stocks issued by fellow subsidiary</u>		
	<u>Ending balance</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties		
Sintronic Technology	\$ -	\$ 151,345
	<u>For the year ended December 31, 2019</u>	
	<u>Unrealized gain</u>	<u>Realized loss</u>
Other related parties		
Sintronic Technology	\$ 1,510	(\$ 98)
Mercuries Life Insurance	-	-
	<u>\$ 1,510</u>	<u>(\$ 98)</u>
	<u>For the year ended December 31, 2018</u>	
	<u>Unrealized loss</u>	<u>Realized (loss) gain</u>
Other related parties		
Sintronic Technology	(\$ 11,349)	(\$ 962)
Mercuries Life Insurance	-	186
	<u>(\$ 11,349)</u>	<u>(\$ 776)</u>

(21) Credit transaction between the Yuanta Group and related parties

		December 31, 2019			
		Guarantee deposit receivable from short sales	Deposit for short sales	Margin loans	
Company's directors:					
Others	\$	3,811	\$ 21,668	\$	37,216
Other related parties:					
Others		2,355	27,940		39,376
	\$	<u>6,166</u>	<u>\$ 49,608</u>	\$	<u>76,592</u>
		December 31, 2018			
		Guarantee deposit receivable from short sales	Deposit for short sales	Margin loans	
Company's directors:					
Others	\$	8,217	\$ 36,859	\$	30,010
Other related parties:					
Others		8,298	9,765		31,995
	\$	<u>16,515</u>	<u>\$ 46,624</u>	\$	<u>62,005</u>
		December 31, 2019		December 31, 2018	
		Security short-selling interest payable	Security financing interest receivable	Security short-selling interest payable	Security financing interest receivable
Company's directors:					
Others	\$	13	\$ 426	\$ -	\$ 667
Other related parties:					
Others		8	509	1	603
	\$	<u>21</u>	<u>\$ 935</u>	<u>\$ 1</u>	<u>\$ 1,270</u>
		For the years ended December 31,			
		2019		2018	
		Security short- selling interest expenditures	Security financing interest revenue	Security short- selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	23	\$ 992	\$ 1	\$ 2,100
Other related parties:					
Others		21	751	2	1,246
	\$	<u>44</u>	<u>\$ 1,743</u>	<u>\$ 3</u>	<u>\$ 3,346</u>

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

	For the years ended December 31,	
	2019	2018
Other related parties:		
Others	\$ 2,100	\$ 2,921

(23) ETF redemption fees

	For the years ended December 31,	
	2019	2018
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 91,941	\$ 52,969

(24) Fund underwriting commission expenses

	For the years ended December 31,	
	2019	2018
Other related parties:		
Yuanta SPAC VI	\$ 6,038	\$ -
Yuanta SPAC V	5,202	-
Yuanta SPAC IV	3,981	-
Yuanta SPAC III	-	4,110
	\$ 15,221	\$ 4,110

(25) Operating expenses

		For the years ended December 31,	
	Nature	2019	2018
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 62,000	\$ 70,000
Polaris Research	Donation expenditure	27,500	23,000
		\$ 89,500	\$ 93,000

(26) Premium income

	For the years ended December 31,	
	2019	2018
Other related parties:		
Others	\$ 377,854	\$ 327,385

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

	For the years ended December 31,	
	2019	2018
Company's directors:		
Others	\$ 17,083	\$ 17,804
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	242,878	256,319
Others	14,393	22,118
	<u>\$ 274,354</u>	<u>\$ 296,241</u>

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

	For the years ended December 31,	
	2019	2018
Other related parties:		
Polaris Research	\$ 2,195	\$ 2,195
Yuanta Construction Development	570	662
Yuanta Foundation	40	40
	<u>\$ 2,805</u>	<u>\$ 2,897</u>

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

	December 31, 2019	December 31, 2018
Other related parties:		
Polaris Research	\$ 547	\$ 547
Yuanta Foundation	7	11
	<u>\$ 554</u>	<u>\$ 558</u>

(30) Other operating income—Dividend income

	For the years ended December 31,	
	2019	2018
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 42,650	\$ 12,980

(31) Other operating income—Interest income

	For the years ended December 31,	
	2019	2018
Other related parties:		
Taiwan Securities Association	\$ 3	\$ -

(32) Other operating expense—Interest expense

	For the years ended December 31,	
	2019	2018
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 36,911	\$ 21,781

(33) Information on remunerations to Yuanta Group's key management:

	For the years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 4,801,816	\$ 4,468,750
Termination benefits	12,398	36,560
Post-employment benefit	148,527	206,290
Total	\$ 4,962,741	\$ 4,711,600

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

(1) Yuanta Bank and its subsidiaries

(A) Deposits

December 31, 2019			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 51,213,449	4.50	0.00~6.065

December 31, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 52,541,005	4.94	0.00~6.065

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the years ended December 31, 2019 and 2018, the range of interest rates on other related parties' demand savings deposits were 0.00% ~ 5.11% and 0.00% ~ 5.39%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2019 and 2018, interest expense on the above deposits were \$429,910 and \$329,480, respectively.

(B) Loans

December 31, 2019

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	382	\$ 89,525	\$ 45,855	\$ 45,855	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	462	3,813,793	3,182,318	3,182,318	-	Real estate	None
Other loans	WEI RAN CO., LTD.	15,000	15,000	15,000	-	Real estate	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Shang Trip Travel Service	1,850	-	-	-	Real estate	None
	Yung Chin International Investment	33,907	32,015	32,015	-	Real estate	None
	Lo Sheng Feng	22,000	22,000	22,000	-	Real estate	None
	Yuanta Securities	183,147	-	-	-	Real estate	None
	95	294,295	168,871	168,871	-	Stock, deposits, policy and real estate	None
Total			\$ 3,493,059	\$ 3,493,059	\$ -		

December 31, 2018

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	357	\$ 65,348	\$ 37,967	\$ 37,967	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	460	3,998,401	3,098,014	3,098,014	-	Real estate	None
Other loans	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	35,800	33,907	33,907	-	Real estate	None
	Asia Carbons	2,083	-	-	-	Guarantee of the Small and Medium	None
	Lo Sheng Feng	22,000	22,000	22,000	-	Real estate	None
	95	339,560	172,994	172,994	-	Stock, deposits, policy and real estate	None
Total			\$ 3,391,882	\$ 3,391,882	\$ -		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 0.00% ~ 2.50% and 0.00% ~ 2.52%, the interest rates on the remaining loans are ranging from 0.00% ~ 11.07% and 0.00% ~ 8.58% for the years ended December 31, 2019 and 2018, respectively, which are the same with the terms of general loans.

For the years ended December 31, 2019 and 2018, interest income resulting from the above loans amounted to \$54,603 and \$55,055, respectively.

(C) Service fee income

	For the years ended December 31,	
	2019	2018
Fellow subsidiary:		
Yuanta Life	\$ 829,780	\$ 729,150
Yuanta Securities	9,481	1,035
Yuanta Securities Investment Trust	8,081	9,254
	<u>\$ 847,342</u>	<u>\$ 739,439</u>

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

	December 31, 2019	December 31, 2018
	Fellow subsidiary:	
Yuanta Life	<u>\$ 92,162</u>	<u>\$ 66,513</u>

(D) Rental expense

	Usage	For the years ended December 31,	
		2019	2018
Fellow subsidiary:			
Yuanta Securities	office rental/place rental	\$ 105,486	\$ 121,178
Yuanta Securities Finance	office rental	2,537	2,537
		<u>\$ 108,023</u>	<u>\$ 123,715</u>

As of December 31, 2019 and 2018, the transaction conditions were in line with the contract based on mutual agreement, and the relevant refundable deposits were \$6,149 and \$6,710, respectively.

(E) Current income tax assets/liabilities

	December 31, 2019	December 31, 2018
Parent company:		
Yuanta Financial Holdings		
Consolidated income tax return receivables	<u>\$ 2,282,925</u>	<u>\$ 2,275,250</u>
Consolidated income tax return payables	<u>\$ 1,255,910</u>	<u>\$ 312,073</u>

(F) Property transactions

A. The details of Yuanta Bank and its subsidiaries engaging in outright purchase and sale transactions with affiliates in the open market were as follows:

There were no related transactions for the year ended December 31, 2019.

	Type	For the year ended December 31, 2018	
		Purchase price	Selling price
Fellow subsidiary:			
Yuanta Securities	Bond	<u>\$ 199,968</u>	<u>\$ -</u>

B. Derivative trading:

There were no related transactions on December 31, 2019.

December 31, 2018						
Fellow subsidiary:	Derivative contract name	Contract period	Nominal principal	Current evaluation gain	Balance sheet	
					Subject	Balance
Yuanta Life	Exchange contract	2018/10/17 ~2019/04/19	\$ 399,529	\$ 623	Financial assets at fair value through profit or loss	\$ 623

(2) Yuanta Securities and its subsidiaries

(A) Futures commission income, service fee expenses settled, futures trading guarantees, commissions receivable at period end (recorded under receivables) and service expense on self – operation arising from Yuanta Securities and its subsidiaries engaging in brokerage of futures transactions with affiliates and in concurrent operation of futures proprietary business were as follows:

December 31, 2019				
Fellow subsidiary:	Commissions receivable at period end	Futures trading guarantees		
		Self capital	Balance of excess futures guarantee deposits	Securities
Yuanta Futures	\$ 14,505	\$ 1,947,002	\$ 1,632,559	\$ 1,005,485

December 31, 2018				
Fellow subsidiary:	Commissions receivable at period end	Futures trading guarantees		
		Self capital	Balance of excess futures guarantee deposits	Securities
Yuanta Futures	\$ 18,768	\$ 1,240,997	\$ 2,191,639	\$ -

Settlement and clearing service fees payable			
December 31, 2019		December 31, 2018	
Fellow subsidiary:			
Yuanta Futures	\$ 2,364	\$ 3,547	

For the year ended December 31, 2019			
Fellow subsidiary:	Futures commission income	Service fee expenses settled	Service expense on self-operation
	Yuanta Futures	\$ 180,725	\$ 29,125	$ 117,790

For the year ended December 31, 2018

	Futures commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:			
Yuanta Futures	\$ 254,622	\$ 40,618	\$ 101,867

(B) Bank deposits, interest income and interest receivable

(a) Details of deposits of Yuanta Securities and its subsidiaries due from related parties are as follows:

	December 31, 2019	
	Bank deposits ending balance	Other receivables – interests receivable (Note)
Fellow subsidiary:		
Yuanta Bank	\$ 13,828,513	\$ 13,639

	December 31, 2018	
	Bank deposits ending balance	Other receivables – interests receivable (Note)
Fellow subsidiary:		
Yuanta Bank	\$ 8,553,913	\$ 4,489

	For the years ended December 31,	
	2019	2018
	Other gains and losses – interest revenue (Note)	Other gains and losses – interest revenue (Note)
Fellow subsidiary:		
Yuanta Bank	\$ 127,342	\$ 63,987

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 \$598,000 and \$629,000, respectively, as of December 31, 2019 and 2018.

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

	December 31, 2019	December 31, 2018
Parent company:		
Yuanta Financial Holdings		
Consolidated income tax return receivables	\$ 798,353	\$ 699,172
Consolidated income tax return payables	\$ 1,036,056	\$ 687,285

(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>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>1,265,000</u>	\$ <u>925,000</u>

(E) Refundable deposits

Yuanta Securities and its subsidiaries provided certificates of deposit to a related party as refundable deposits for stock borrowings. Details were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary:		
Yuanta Bank	\$ <u>100,000</u>	\$ <u>100,000</u>

(F) Receivables from loans to employees, interest receivables and the interest income generated
Please refer to Note 7B(7).

(G) Commission receivables and commission income

	<u>Commission receivables</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary:		
Yuanta Life	\$ <u>86,243</u>	\$ <u>41,893</u>
	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary:		
Yuanta Life	\$ <u>562,474</u>	\$ <u>438,694</u>

(H) Investment refund receivable

Please refer to Note 7B(11).

(I) Pending settlements

As of December 31, 2019 and 2018, Yuanta Securities and its subsidiaries had amounts held for settlement of \$685,668 and \$1,487,493, respectively, which were deposited at its affiliate Yuanta Bank.

(J) Property transactions

(a) Bonds transactions under repurchase agreements:

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

(b) Bonds sold and purchased:

	For the years ended December 31,			
	2019		2018	
	<u>Bonds Purchased</u>	<u>Bonds Sold</u>	<u>Bonds Purchased</u>	<u>Bonds Sold</u>
Parent company:				
Yuanta Financial Holdings	\$ -	\$ -	\$ 1,900,000	\$ -
Fellow subsidiary:				
Yuanta Bank	-	-	-	199,968
Other related parties:				
Yuanta SPAC III	17,323	-	18,287	-
Yuanta SPAC IV	20,189	-	21,313	-
Yuanta SPAC V	25,660	-	-	-
Yuanta SPAC VI	25,659	-	-	-
Mercuries Life Insurance	-	-	3,331,420	7,021,211
	<u>\$ 88,831</u>	<u>\$ -</u>	<u>\$ 5,271,020</u>	<u>\$ 7,221,179</u>

(c) Bonds transactions under repurchase agreements

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

(K) Customer margin deposit

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary:		
Yuanta Futures	<u>\$ 193,327</u>	<u>\$ 102,933</u>

(L) Brokerage service fee income

	For the years ended December 31,	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary:		
Yuanta Bank	24,335	10,719
Yuanta Life	13,869	10,028
Others	5,404	3,669
Company's directors:		
Others	14,136	14,419
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	49,014	49,323
Others	11,630	19,535
	<u>\$ 118,388</u>	<u>\$ 107,693</u>

(M) Other operating fee – professional fee

(a) The professional fee generated from related parties providing investment strategies and advices for Yuanta securities and its subsidiaries.

	For the years ended December 31,	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary:		
Yuanta Securities Investment Consulting	<u>\$ 185,242</u>	<u>\$ 188,784</u>

Professional fees are calculated based on contractual agreements signed by both parties.

(b) ETF redemption fees		For the years ended December 31,			
		<u>2019</u>		<u>2018</u>	
Fellow subsidiary:					
Yuanta Securities Investment Trust	\$	31,467	\$	21,472	
Other related parties:					
Funds managed by Yuanta Securities Investment Trust		91,941		52,969	
	\$	<u>123,408</u>	\$	<u>74,441</u>	
(N) Non-operating revenue					
(a) Rent revenue					
		For the years ended December 31,			
		<u>2019</u>		<u>2018</u>	
Parent subsidiary:					
Yuanta Financial Holdings	\$	29,432	\$	29,432	
Fellow subsidiary:					
Yuanta Bank		31,512		34,990	
Yuanta Futures		20,671		20,647	
Others		17,020		18,241	
Other related parties:					
Others		2,765		2,857	
	\$	<u>101,400</u>	\$	<u>106,167</u>	
(b) Rewarding income					
		For the years ended December 31,			
		<u>2019</u>		<u>2018</u>	
Fellow subsidiary:					
Yuanta Bank	\$	114,449	\$	105,602	
(O) Funds and beneficiary certificates managed by fellow subsidiary					
		<u>December 31, 2019</u>		<u>December 31, 2018</u>	
Other related parties:					
Fund managed by Yuanta Securities Investment Trust		\$ 3,659,259	\$	2,696,840	
		For the years ended December 31,			
		<u>2019</u>		<u>2018</u>	
		<u>Unrealized gain</u>	<u>Realized gain</u>	<u>Unrealized loss</u>	<u>Realized gain</u>
Other related parties:					
Fund managed by Yuanta Securities Investment Trust	\$	50,409	\$	1,843,544	(\$ 79,878)
		<u>50,409</u>	<u>1,843,544</u>	<u>79,878</u>	<u>243,605</u>
(P) Securities issued by fellow subsidiary					
Please refer to Note 7B (20).					

(Q) Credit transaction

Please refer to Note 7B (21).

(R) Others

(a) As of December 31, 2019 and 2018, the lines of credit Yuanta Securities and its subsidiaries have drawn in order to acquire Yuanta Bank were \$10,000,000 and \$4,600,000, respectively. The carrying amounts of land and building amounting to \$3,604,542 and \$3,642,426, respectively, were designated as collateral.

(b) Fund management fee income from fund managed and fund balances held by Yuanta Securities and its subsidiaries.
Please refer to Note 7B (9).

(c) Details of Yuanta Securities and subsidiaries' management revenue receivable of fund investment using equity method and fund management revenue received.

	Management fee receivable	
	December 31, 2019	December 31, 2018
Other related parties:		
Yuanta Secondary No.3 Private Equity Fund	\$ 34,739	\$ 533
Yuanta Secondary No.2 Fund	18,162	-
KVIC-Yuanta 2015 Overseas Fund	14,030	8,173
TONGYANG AGRI-FOOD INVESTMENT FUND II	4,689	5,594
IBKC-TONGYANG Growth 2013 Private Equity Fund	2,801	7,483
Others	2,212	-
	<u>\$ 76,633</u>	<u>\$ 21,783</u>
	Management fee income	
	For the years ended December 31,	
	2019	2018
Other related parties:		
Yuanta Secondary No.3 Private Equity Fund	\$ 46,978	\$ 532
Yuanta Secondary No.2 Fund	25,799	34,363
2016 KIF-Yuanta ICT Fund	15,657	16,442
KVIC-Yuanta 2015 Overseas Fund	14,295	18,224
IBKC-TONGYANG Growth 2013 Private Equity Fund	11,497	7,457
Others	13,479	17,265
	<u>\$ 127,705</u>	<u>\$ 94,283</u>

(3) Yuanta Futures and its subsidiaries

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

	<u>December 31, 2019</u>		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,563,503</u>	<u>\$ 140,000</u>	<u>\$ 9,428,093</u>
		<u>December 31, 2018</u>	
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,995,376</u>	<u>\$ 140,000</u>	<u>\$ 14,675,660</u>

(B) Customer margin account for leverage contracts

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary:		
Yuanta Bank	<u>\$ 258,250</u>	<u>\$ 126,850</u>

(C) Equity of futures traders

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary:		
Yuanta Securities	\$ 3,464,477	\$ 2,994,353
Yuanta Securities (Hong Kong)	294,013	419,049
Yuanta Securities (Korea)	203,846	149,755
Yuanta Bank	-	5,991
Company's directors :		
Others	20,732	874,886
Other related parties:		
Funds managed by		
Yuanta Securities		
Investment Trust	24,237,500	22,878,227
Others	32,856	33,518
	<u>\$ 28,253,424</u>	<u>\$ 27,355,779</u>

(D) Brokerage service fee income

	For the years ended December 31,	
	2019	2018
Fellow subsidiary:		
Yuanta Securities	\$ 116,881	\$ 101,286
Yuanta Securities (Hong Kong)	2,467	4,304
Yuanta Securities (Korea)	4,563	1,412
Company's directors :		
Others	2,947	3,385
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	193,864	206,995
Others	2,763	2,584
	<u>\$ 323,485</u>	<u>\$ 319,966</u>

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

	For the years ended December 31,	
	2019	2018
Fellow subsidiary:		
Yuanta Securities	\$ 180,726	\$ 254,622
Other related parties:		
Others	2,100	2,921
	<u>\$ 182,826</u>	<u>\$ 257,543</u>

Yuanta Futures and its subsidiaries engaged with Yuanta Securities for the purpose of futures trading and consigned/entrusted foreign futures trading, that is, the Company acts as an agent for trading of futures contracts and futures option contracts for its customers. The futures commission expense and payment terms do not have any significant difference between related parties and non-related parties.

(F) Interest income

	For the years ended December 31,	
	2019	2018
Fellow subsidiary:		
Yuanta Bank	<u>\$ 154,733</u>	<u>\$ 156,500</u>

(G) Property transactions

	December 31, 2019	December 31, 2018
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	<u>\$ 132,205</u>	<u>\$ 19,710</u>

For the years ended December 31, 2019 and 2018, gain (loss) on disposal of beneficiary certificate were \$8,358 and (\$5,599), respectively.

(4) Yuanta Securities Investment Consulting

(A) Bank deposits

As of December 31, 2019 and 2018, Yuanta Securities Investment Consulting respectively deposited \$221,823 and \$231,676 to Yuanta Bank, amongst which, the operating guarantee

deposits were all \$5,000, with annual interest rates were all 1.035%.

(B) Operating income

	For the years ended December 31,	
	2019	2018
Fellow subsidiary:		
Yuanta Securities	\$ 174,832	\$ 173,966
Yuanta Bank	12,476	12,171
Yuanta Securities Finance	5,974	5,829
Yuanta Securities Investment Trust	4,768	4,651
Yuanta Futures	3,585	3,497
Yuanta Life	2,928	2,857
	<u>\$ 204,563</u>	<u>\$ 202,971</u>

(5) Yuanta Securities Investment Trust

(A) Bank deposits

	December 31, 2019	December 31, 2018
Fellow subsidiary:		
Yuanta Bank	<u>\$ 2,689,204</u>	<u>\$ 2,193,495</u>

(B) Management fee income

	Management fee income	
	For the years ended December 31,	
	2019	2018
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	<u>\$ 2,552,662</u>	<u>\$ 2,352,876</u>

As of December 31, 2019 and 2018, the amount of management fee receivable were \$231,394 and \$207,089, respectively.

(C) Fund transactions

Securities investment trust funds raised by the Yuanta Securities Investment Trust which are held by Yuanta Securities Investment Trust and its related parties as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Yuanta Securities		
Investment Trust	\$ 392,363	\$ 106,662
Fellow subsidiary:		
Yuanta Securities	3,659,259	2,696,840
Yuanta Life	486,971	171,428
Yuanta Futures	132,205	19,710
	<u>\$ 4,670,798</u>	<u>\$ 2,994,640</u>

(6) Yuanta Life

(A) Bank deposits and time deposits

	December 31, 2019	December 31, 2018
Fellow subsidiary:		
Yuanta Bank (Note)	<u>\$ 2,041,240</u>	<u>\$ 4,565,902</u>

Note: Including other financial assets.

(B) Current income tax assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Parent company:		
Yuanta Financial Holdings	\$ <u>2,599,526</u>	\$ <u>2,013,188</u>

The above represents consolidated income tax return receivable.

(C) Property transactions – beneficiary certificates

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ <u>486,971</u>	\$ <u>171,428</u>

For the year ended December 31, 2019

<u>Purchase price</u>	<u>Proceeds on disposal</u>
-----------------------	-----------------------------

Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ <u>420,000</u>	\$ <u>80,244</u>

For the year ended December 31, 2018

<u>Purchase price</u>	<u>Proceeds on disposal</u>
-----------------------	-----------------------------

Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ <u>600,000</u>	\$ <u>678,647</u>

(D) Payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary:		
Yuanta Bank	\$ 89,364	\$ 59,918
Yuanta International Insurance Brokers	<u>86,243</u>	<u>41,893</u>
	<u>\$ 175,607</u>	<u>\$ 101,811</u>

(E) Premium income

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary:		
Yuanta Securities	\$ 31,433	\$ 26,187
Yuanta Bank	25,446	20,051
Yuanta Futures	1,953	1,569
Yuanta Securities Investment Trust	1,827	1,119
Other related parties:		
Others	<u>377,854</u>	<u>327,385</u>
	<u>\$ 438,513</u>	<u>\$ 376,311</u>

(F) Commission expense

	For the years ended December 31,	
	2019	2018
Fellow subsidiary:		
Yuanta Bank	\$ 832,686	\$ 705,991
Yuanta International Insurance Brokers	562,473	438,694
	<u>\$ 1,395,159</u>	<u>\$ 1,144,685</u>

(7) Yuanta Ventures and subsidiary

(A) Bank deposits

	December 31, 2019	December 31, 2018
Fellow subsidiary:		
Yuanta Bank	\$ <u>576,025</u>	\$ <u>718,125</u>

For the years ended December 31, 2019 and 2018, interest income from abovementioned bank accounts were \$3,188 and \$2,426, respectively.

(B) Current tax assets

	December 31, 2019	December 31, 2018
Parent company:		
Yuanta Financial Holdings	\$ <u>107,856</u>	\$ <u>103,850</u>

The above represents parent company's consolidated income tax return receivables.

8. Pledged assets

As of December 31, 2019 and 2018, the Yuanta Group's assets pledged as collateral are as follows:

Items	December 31, 2019	December 31, 2018	Purpose of pledge
Financial assets at fair value through profit or loss	\$ 140,715,358	\$ 167,971,825	Bonds under repurchase agreement, bid bonds for operating guarantee deposits and futures trading margin, collateral for securities lending and OTC trading
	61,372,357	67,887,652	Merchant business
	51,932	51,914	Guarantee deposits for notes
Financial assets at fair value through other comprehensive income	3,260,211	2,980,099	Claim reserve from trust fund, collateral for securities lending business, guarantees on asset disposal and customer default fine
	1,646,502	1,615,154	Operating guarantee deposits
	60,033,914	32,770,168	Bonds under repurchase agreement, operating guarantee deposits, OTC performance bonds and guarantees on asset disposal
	-	31,102	Collateral for provisional seizure
Financial assets at amortised cost	79,873	83,579	Guarantee for operating activities and claim reserve from trust fund
	40,018	40,117	Stock borrowings
	62,116	63,248	Deposits for guarantees in the Central Bank
	600,000	600,000	Operating guarantee deposits
	197,169	186,813	Claim reserve from trust fund

Items	December 31, 2019	December 31, 2018	Purpose of pledge
Financial assets at amortised cost	\$ 10,518,760	\$ 11,342,500	Overdraft guarantee for foreign currency settlement
	110,214	110,460	Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	55,107	55,230	Deposit guarantees of bills merchants
	610,476	477,298	Collateral for provisional seizure
	5,290	5,192	VISA international card payment reserves
	44,086	44,184	Guarantee deposits from security underwriters
	11,021	11,046	Guarantee deposits from security dealers
Accounts receivable	-	6,000	Collateral for provisional seizure
Restricted assets	2,189,764	2,154,999	Collateral for settlement limit, short-term loans , payable short-term bills and OTC derivative transactions
	342,490	380,646	Operating guarantee deposits-HKEx, structured notes, interest rate swap account and repo trade
	1,029	1,086	Overdraft guarantee
	29,303	85,980	Dividends payable arising from stock agency business
Other assets	381,288	433,871	Operating guarantee deposits
	1,851,951	2,144,672	Performance bond and rental deposits
	271,128	58,648	Underwriting share proceeds collected on behalf of customers
	-	250,000	Stock borrowings
	-	140,000	Deposits for guarantees in the Central Bank
Property and equipment and investment property	3,215,055	3,624,348	Collateral for settlement limit and short-term loans; collateral for mortgage loans and leases
Treasury share of Yuanta Securities (Korea)	514,969	595,815	Collateral for securities lending business

9. Significant contingent liabilities and unrecognised contract commitments

(1) As of December 31, 2019 and 2018, capital expenditure contracted for at the balance sheet date but not yet incurred was \$1,024,490 and \$1,456,876, respectively.

(2) Stocks entrusted to custody

As of December 31, 2019 and 2018, 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 \$77,479 and \$77,070, 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) As of December 31, 2019, Yuanta Securities (Korea) entered into a bond purchase contract with Pospower Co.,Ltd.. Yuanta Securities (Korea) had committed to bond investments of up to ₩250 billion (NT\$ 6.513 billion), and had provided investors with a performance guarantee in relation to lease revenues attributed to IGIS Professional Private Real Estate Investment Trust with a guarantee limit of ₩100 million (approximately NT\$2.61 million).

(6) Yuanta Securities Investment Trust entered into an offshore fund master agent contract with Mellon Global Investments Limited. Based on the contract, Yuanta Securities Investment Trust is entitled to receive commission based on the number of sales units and scale of funds. Since September

2, 2019, Yuanta Securities Investment Trust has ceased to act as the master agent of the New York Mellon Global Series of Funds, and “Taiwan Cooperative Securities Investment Trust Co., Ltd” has acted as the new master agent.

(7) 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, clients 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 thousand. From then on, the claims increased to \$40,310 thousand on June 30, 2015 and reduced to \$39,769 thousand on August 12, 2015. On October 21, 2016, the Taiwan Taipei District Court adjudicated to overrule the lawsuit brought by the plaintiffs (i.e. Yuanta Securities obtained a favorable decision in the case). However, the clients have filed an appeal, and on May 8, 2019, the Taiwan High Court adjudicated that Yuanta Securities should pay compensation amounting to \$25,787 thousand due to its joint responsibility and Yuanta Securities has appointed lawyers to appeal the case. The Supreme Court is reviewing the case.
- 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 and another party. On January 17, 2018, the plaintiff claimed that the compensation was raised to \$952,511 thousand (of which \$950,861 thousand was subject to a joint liability). The mediation failed before the Taiwan Taipei District Court. On July 11, 2018, Seventh-Day Adventist Church and Taiwan Adventist Hospital initiated a separate suit for the same case and claimed the same compensation. The case is currently under the judicial proceedings of the Taiwan Taipei District Court. Yuanta Securities has retained lawyers to handle the case.
- C. As of December 31, 2019, of the total 13 litigations against Yuanta Securities (Korea) and its subsidiaries, 3 litigations were related to financial commodities sales disputes of former TongYang Securities Inc. (please refer to the explanation in Note 6(26)). The remaining 10 litigations were unrelated to such financial commodities sales disputes with demanded compensation totaling ₩1,149,270 million (approximately NT\$29.9 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 parties. The original claimed amount of the Anbang case was ₩698,000 million (approximately NT\$18.1 billion). Thereafter, according to Anbang’s various allegations, the claimed amount was changed and expressed in plural claimed amounts with the latest claimed amount of ₩1,143,200 million (approximately NT\$29.8 billion). The allegations made by Anbang were denied by Yuanta Securities (Korea). The arbitration will proceed and continue in accordance with the arbitration rules. As of December 31, 2019, there was a provision of ₩1,398 million (approximately NT\$36 million) recognized for the abovementioned litigations unrelated to financial commodities sales disputes. Separately, there were 10 litigations where Yuanta Securities (Korea) acted as a plaintiff with the claimed amount of ₩55,485 million (approximately NT\$1.45 billion).
- 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\$304 million). In August 2017, Yuanta Securities (Thailand) received a civil complaint of the lawsuit. As part of the claimed amount was not remitted to the account of KK Trade Securities Co., Ltd., but rather directly remitted to the former employee’s private account from the plaintiffs, the liability thereof is denied by Yuanta Securities (Thailand). The legal proceedings are still ongoing.
- E. As of December 31, 2019, Yuanta Securities (Hong Kong)’s receivables from margin loan amounting to HK\$147,504 thousand (approximately NT\$570 million), which were secured by

listed securities that were suspended for trading. These margin clients were served by an account executive who entered into a guarantee agreement with Yuanta Securities (Hong Kong) (the “Guarantee Agreement”) under which the account executive agreed to guarantee all losses of Yuanta Securities (Hong Kong) in relation to the accounts of these margin clients. Considering that Yuanta Securities (Hong Kong) has exercised its right of set-off under the Guarantee Agreement against the account executive’s assets amounting to HK\$68,552 thousand (approximately NT\$270 million) and received the first repayment distributed by clients’ liquidator amounting to HK\$44 thousand (approximately NT\$170 thousand), the remaining loss of HK\$78,908 thousand (approximately NT\$310 million) has been recognized. Yuanta Securities (Hong Kong) has raised a litigation proceeding against the account executive for the full amount of the debt from those margin clients based on the Guarantee Agreement. Yet an award of compensation in the amount of HK\$135,191 thousand (approximately NT\$520 million) was claimed for the case including the interest calculated as of the date of filing the lawsuit. The account executive has claimed that she has no liability for losses in relation to the accounts of these margin clients. The legal proceedings are still ongoing. As at the date of the approval of the financial statements, Yuanta Securities (Hong Kong) has considered the external legal advice, and deemed that no provision in relation to the defence by the above account executive is necessary.

(8) 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. The status regarding the relevant litigations as of December 31, 2019 is 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 fees 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 Southern District Court to confirm that the claim 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 the seller 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. On June 16, 2017, the aforementioned case was adjudicated in favour of Yuanta Savings Bank (Korea) by the Seoul Southern District Court. On May 25, 2018, the Seoul High Court upheld the district court’s decision. Trust Investment has appealed for the third instance to the Supreme Court of South Korea. On March 12, 2020, the Supreme Court of South Korea adjudicated in favour of Yuanta Savings Bank (Korea) in the third instance. Yuanta Bank adjusted the compensation assets and contingent liabilities which were recognised in accordance with the litigation before (shown as “other assets, net” and “provisions”).

- B. Ta Chong Bank had conducted foreign exchange derivatives transactions with Sino United International Co., Ltd. and its related party, 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 with the Taiwan Taipei District Court against Ta Chong Bank and alleged that Ta Chong Bank shall reimburse the loss in transactions incurred by them (preferential claim: US\$3,123 thousand and interests accrued therefrom; alternative claim: US\$1,445 thousand and interests accrued therefrom). Yuanta Bank has assumed the lawsuit after acquiring Ta Chong Bank. On January 26, 2018, the first instance court has ruled in favour of Yuanta Bank. Sino United International Co., Ltd. and Plosa United International Co., Ltd. disagreed with the ruling and filed an appeal with the Taiwan High Court.

On March 12, 2019, the Taiwan High Court for the second instance adjudicated in favour of Yuanta Bank. Sino United International Co., Ltd and Plosa United International Co., Ltd., again, disagreed with the ruling and filed an appeal for the third instance. However, as of December 31, 2019, only the appeal of Sino United International Co., Ltd. is under review of the Supreme Court as the appeal of Plosa International Co., Ltd. was overruled due to the unpaid court fees. The subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.

- C. Yuanta Savings Bank (Korea) exercised its pledge right to acquire a 33.3% equity interest of Pentagon City under a credit loan extended by Yuanta Savings Bank (Korea) to Pentagon City from 2006 to 2008. In September 2008, Pentagon City implemented a capital reduction on shares held by Yuanta Savings Bank (Korea) and another shareholder under which Pentagon City returned cash of ₩28 billion to Yuanta Savings Bank (Korea). In 2018, Pentagon City claimed that Yuanta Savings Bank (Korea) breached the 10% holding limit for an unlisted company imposed by laws with respect to Savings Banks, and thus claimed Yuanta Savings Bank (Korea) should return ₩19,599,160 thousand as unjustly received benefit, which represents consideration of shares above the 10% holding limit. On June 20, 2019, the Seoul Central District Court as the first instance court has ruled in favour of Yuanta Savings Bank (Korea), and Pentagon City disagreed with the ruling and filed an appeal on July 8, 2019. As of December 31, 2019, the case is still under review of the Seoul High Court. The subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.

(9) Other lawsuits- Yuanta Securities Investment Trust

Yuanta Securities Investment Trust was commissioned under discretionary investment businesses of domestic investment contracts by 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 the Bureau of Labor Funds, Ministry of Labor as of February 17, 2014, herein referred to as the "Labor Pension"). Because the former manager of former Polaris Securities Investment Trust, surnamed Qu (herein referred to as "Manager Qu") 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 civil complaint attached with criminal proceedings with the Taiwan Taipei District Court on January 28, 2014, claiming Manager Qu and Yuanta Securities Investment Trust for a 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 were adjudicated by the Taiwan Taipei District Court for the first instance and the civil case was transferred to the civil court for review, on September 5, 2016, the Labor Pension decreased its joint and several liability claims to \$108,411 thousand. On April 28, 2017, the Labor Pension decreased such claims to \$71,575 thousand after the Taiwan High Court rendered its decision for the aforementioned criminal case as the second instance. Based on the appointed lawyer's assessment, the aforementioned criminal rulings made by the first and second instance courts were based on a breach of trust by Manager Qu to Yuanta Securities Investment Trust, while the Labor Pension was concluded as not being the principal in the context of Manager Qu's commissioned services. Furthermore, prior 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 a material doubt as to whether the Labor Pension can claim damages, prove causation, and how damages should be calculated; this case still requires further review by the court before a substantive evaluation can be rendered.

(10) Other lawsuits- Yuanta Life Insurance

As of December 31, 2019, 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.

(11) Others

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commitment of the securities under a repurchase agreement	\$ 200,782,844	\$ 223,886,291
Commitment of the securities under a resale agreement	47,684,551	33,533,054
Unused loan commitments	25,604,687	28,439,091
Credit commitment on credit card	119,477,639	121,759,033
Unused L/C balance	3,635,756	4,570,325
Other guarantees	13,217,092	15,773,127
Consignment collection for others	16,990,839	18,940,103
Trust assets	253,100,505	247,132,000
Items under custody	29,999,685	33,312,553

(12) In accordance with Article 17 of the Trust Enterprise Act, disclosure of trust balance sheet, trust income statement and trust property catalog of the Yuanta Bank are as follows:

<u>December 31, 2019</u>			
<u>Trust Balance Sheet</u>			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 4,454,180	Payable - Customers'	\$ 31,522,869
Stocks	11,302,555	securities under custody	
Funds (Note)	97,452,016	Pecuniary trust	141,387,733
Bonds	24,254,758	Securities trust	5,491,100
Structured products	11,950,923	Real estate trust	14,464,716
Real estate-land	11,952,665	Movables trust	14,372,380
-construction		Net income	680,512
in progress	1,052,218	Retained earnings	395,254
Movables	14,372,380		
Customers' securities under custody	<u>31,522,869</u>		
Total trust assets	<u>\$ 208,314,564</u>	Total trust liabilities	<u>\$ 208,314,564</u>

December 31, 2018

Trust Balance Sheet

Trust assets		Trust liabilities	
Bank deposits	\$ 4,975,555	Payable - Customers' securities under custody	\$ 25,002,568
Stocks	11,850,920	Pecuniary trust	139,792,745
Funds (Note)	95,471,044	Securities trust	5,150,539
Bonds	21,952,306	Real estate trust	24,558,465
Structured products	13,461,657	Movables trust	7,020,000
Real estate-land	16,518,032	Money market fund	-
-construction in progress	6,505,471	Net income	236,795
Movables	7,020,000	Retained earnings	996,441
Customers' securities under custody	25,002,568		
Total trust assets	<u>\$ 202,757,553</u>	Total trust liabilities	<u>\$ 202,757,553</u>

Note : Includes mutual funds in money market.

Trust Income Statement

	For the years ended December 31,	
	2019	2018
Trust revenue		
Interest income	\$ 12,050	\$ 11,621
Investment income (Stock)	430,506	72,888
Investment income (Fund)	432	644
Dividend income	287,586	206,379
Rental income	86	-
	<u>730,660</u>	<u>291,532</u>
Trust expenses		
Management fees	(15,385)	(20,910)
Tax expense	(29,451)	(31,778)
Insurance expense	(3,734)	(1,907)
Loss on investment	(1,464)	(60)
	<u>(50,034)</u>	<u>(54,655)</u>
Income before income tax	680,626	236,877
Income tax expense	(114)	(82)
Net income	<u>\$ 680,512</u>	<u>\$ 236,795</u>

Trust Property Catalog

Invested items	December 31, 2019	December 31, 2018
	Book value	Book value
Bank deposits	\$ 4,454,180	\$ 4,975,555
Bonds	24,254,758	21,952,306
Stocks	11,302,555	11,850,920
Structured products	11,950,923	13,461,657
Funds (Note)	97,452,016	95,471,044
Real estate-land	11,952,665	16,518,032
-construction in progress	1,052,218	6,505,471
Movables	14,372,380	7,020,000
Customers' securities under custody	31,522,869	25,002,568
	<u>\$ 208,314,564</u>	<u>\$ 202,757,553</u>

Note : Includes mutual funds in money market.

Foreign currency pecuniary trust and foreign currency trust operated by the Offshore Banking Unit (OBU) as of December 31, 2019 and 2018 were included in the trust balance sheet and schedule of trust property.

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

December 31, 2019			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,355,356	Payables	\$ 48,590
Stocks	5,878,387	Income tax payable	196
Funds	27,268,981	Trust capital-pecuniary trust	34,322,313
Bonds	24,257	Trust capital-securities trust	5,003,761
Structured products	9,845,812	Net income	2,798,174
Accounts receivable	412,859	Retained earnings	3,128,184
Prepayments	289	Deferred carryforwards	(515,277)
Total trust assets	<u>\$ 44,785,941</u>	Total trust liabilities	<u>\$ 44,785,941</u>

December 31, 2018			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,131,786	Payables	\$ 57,476
Stocks	7,215,549	Income tax payable	488
Funds	24,825,923	Trust capital-pecuniary trust	33,433,514
Bonds	-	Trust capital-securities trust	7,751,297
Structured products	10,952,805	Net income	652,928
Accounts receivable	248,096	Retained earnings	3,030,179
Prepayments	288	Deferred carryforwards	(551,435)
Total trust assets	<u>\$ 44,374,447</u>	Total trust liabilities	<u>\$ 44,374,447</u>

Trust Income Statement

	For the years ended December 31,	
	2019	2018
Trust revenue		
Interest income	\$ 573,802	\$ 532,076
Realized investment income	1,017,585	1,128,896
Unrealized investment income	1,410,374	-
Foreign exchange gain	-	293,320
Rental income	60,159	85,507
Dividend revenue	232,809	273,298
	<u>3,294,729</u>	<u>2,313,097</u>
Trust expenses		
Administrative expenses	(34,798)	(34,572)
Fees (Service charges)	(71,240)	(89,477)
Unrealized investment loss	-	(1,527,872)
Foreign exchange loss	(381,323)	-
Insurance expense	(2,670)	(2,877)
Others	(9)	(26)
	<u>(490,040)</u>	<u>(1,654,824)</u>
Income before income tax	2,804,689	658,273
Income tax expense	(6,515)	(5,345)
Net income	<u>\$ 2,798,174</u>	<u>\$ 652,928</u>

Trust Property Catalog

Invested items	December 31, 2019	December 31, 2018
	Book value	Book value
Bank deposits	\$ 1,355,356	\$ 1,131,786
Stocks	5,878,387	7,215,549
Funds	27,268,981	24,825,923
Bonds	24,257	-
Structured products	9,845,812	10,952,805
Others	413,148	248,384
	<u>\$ 44,785,941</u>	<u>\$ 44,374,447</u>

On December 31, 2019 and 2018, the international securities subsidiary of the consolidated company, Yuanta Securities, managed account custody business commissioned by customers. The details of custody were bank deposits of US\$3,896 thousand and US\$12,619, respectively.

10. Significant losses from disasters

(1) The Company:

None.

(2) Subsidiaries:

None.

11. Significant subsequent events

(1) The Company:

- A. Yuanta Futures increased capital in cash by issuing 17,700 thousand common shares with an issuance price at \$48 per share to fulfill working capital requirements, strengthen its financial structure and enhance the adjusted capital and net assets. On January 2, 2020, Yuanta Financial Holdings was approved by the Financial Supervisory Commission to participate in the increase of capital, and the relevant process was ongoing.
- B. On October 23, 2019, the Board of Directors of Yuanta Financial Holdings approved to inquire the intention of shareholders of Yuanta Securities Investment Trust to acquire the residual common equity interest. On February 25, 2020, the case was approved by the Financial Supervisory Commission and the process was ongoing.
- C. On September 27, 2019, the Board of Directors of Yuanta Financial Holdings approved to participate in the capital increase by cash of the subsidiary, Yuanta Life, in the amount of \$14,000,000 thousand. On March 18, 2020, the participation of capital increase has been approved by the Financial Supervisory Commission Jin-Guan-Yin-Kong-Zi Letter No. 1090204076. The effective date of capital increase is set on March 23, 2020.

(2) Subsidiaries:

- A. On January 30, 2020, the subsidiary, Yuanta Life, entered into “The contract of establishment of superficies for state-owned (non-public use) ” with National Property administration, Ministry of Finance, Northern Region Branch and acquired right of superficies of nine lands on No. 414, Sec. 3, Chang’ an Rd., Zhongshan Dist., Taipei City. The total contract amount was made based on the appraisal report of real estate appraiser and acquired by auction of \$5,330,000.
- B. On February 27, 2020, the Board of Directors of the subsidiary, Yuanta Securities, approved to disposal all of equity interest of PT Yuanta Asset Management which held by Yuanta Securities (Indonesia) and Yuanta Securities (Hong Kong). The case is awaiting for the approval of 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., LTD.”.

- (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 Department regularly monitors the overall capital adequacy and analyses the impact to the capital adequacy arising from the Company's business development and the change of regulations. The Business Departments shall consider the impact of each transaction or task on the capital adequacy when conducting such transaction or task according to the annual risk limits authorized by the Company.
- (D) The Company also sets up warning indicator in relation to above managing objectives, that is, when the capital adequacy ratio drops to the warning indicator, the risk management shall call a meeting to discuss a responding solution which is handed to the finance management for the following executive operations.

(2) Fair value information of financial instruments

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

(A) Outline

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

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

a. Level 1

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

b. Level 2

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

c. Level 3

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

B. Financial instruments measured at fair value

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

	December 31, 2019				December 31, 2018			
	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								
Stock investments	\$ 37,117,530	\$ 34,933,923	\$ 87,610	\$ 2,095,997	\$ 24,720,900	\$ 22,096,350	\$ 34,348	\$ 2,590,202
Bond investments	317,808,372	91,234,085	226,212,180	362,107	302,653,840	88,571,370	213,785,334	297,136
Others	136,570,913	52,034,104	74,034,292	10,502,517	126,589,388	38,918,433	77,590,341	10,080,614
Financial assets at fair value through other comprehensive income (Note)								
Equity Instruments	31,972,642	13,517,844	-	18,454,798	24,158,805	6,846,637	-	17,312,168
Liability Instruments	198,733,362	71,642,229	126,863,300	227,833	192,192,531	75,246,806	116,686,700	259,025
Other financial assets								
Purchase of claim receivable	1,849,460	-	-	1,849,460	1,867,408	-	-	1,867,408
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 106,668,410	\$ 23,217,121	\$ 18,944,044	\$ 64,507,245	\$ 88,287,419	\$ 20,282,017	\$ 17,510,430	\$ 50,494,972
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	\$ 12,534,264	\$ 3,208,756	\$ 6,133,693	\$ 3,191,815	\$ 19,975,081	\$ 7,649,105	\$ 6,249,426	\$ 6,076,550
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 16,671,818	\$ 1,787,709	\$ 11,082,297	\$ 3,801,812	\$ 23,695,380	\$ 1,453,764	\$ 12,139,679	\$ 10,101,937

Note: As of December 31, 2019 and 2018, the statutory deposits of Yuanta Life of the Yuanta Group were both \$1,216,100.

(B) 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 December 31, 2019 and 2018, certain foreign debt held by the Yuanta Group, totaling USD 19,786 thousand and USD 318,564 thousand, respectively, have been transferred from level 1 to level 2, because the debt instrument either had no steady quoted market price from stock brokers and Bloomberg Valuation Services (BVAL) was used due to wider region of price quotes from stock brokers. In addition, certain foreign debt held by the Yuanta Group, totaling USD 11,051 thousand and USD 3,555 thousand, have been transferred from level 2 to level 1 since these assets now have steady sources for price information.

(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 year ended Decemeber 31, 2019								
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 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial assets at fair value through profit or loss	\$ 19,044,502	(\$ 3,746,760)	(\$ 18,237)	\$ 17,052,048	\$ 226,449	(\$ 15,531,673)	(\$ 873,893)	\$ 16,152,436
Financial assets at fair value through other comprehensive income	17,571,193	(263,561)	1,485,327	-	-	(110,328)	-	18,682,631
Other financial assets- purchase of claim receivable	<u>1,867,408</u>	<u>837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,785)</u>	<u>-</u>	<u>1,849,460</u>
Total	<u>\$ 38,483,103</u>	<u>(\$ 4,009,484)</u>	<u>\$ 1,467,090</u>	<u>\$ 17,052,048</u>	<u>\$ 226,449</u>	<u>(\$ 15,660,786)</u>	<u>(\$ 873,893)</u>	<u>\$ 36,684,527</u>

For the year ended Decemeber 31, 2018								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial assets at fair value through profit or loss	\$ 15,421,663	\$ 562,286	\$ -	\$ 22,237,528	\$ 1,571,880	(\$ 17,986,757)	(\$ 2,762,098)	\$ 19,044,502
Financial assets at fair value through other comprehensive income	19,570,959	(58,442)	190,118	14,925	437,405	(465,171)	(2,118,601)	17,571,193
Other financial assets- purchase of claim receivable	<u>1,892,299</u>	<u>27,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,068)</u>	<u>-</u>	<u>1,867,408</u>
Total	<u>\$ 36,884,921</u>	<u>\$ 531,021</u>	<u>\$ 190,118</u>	<u>\$ 22,252,453</u>	<u>\$ 2,009,285</u>	<u>(\$ 18,503,996)</u>	<u>(\$ 4,880,699)</u>	<u>\$ 38,483,103</u>

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. For the year ended December 31, 2019 and 2018, the net (losses) gains belonging to assets as of December 31, 2019 and 2018 were (\$2,896,373) and \$825,885, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. For the year ended December 31, 2019 and 2018, the net gains belonging to assets as of December 31, 2019 and 2018 were \$1,467,020 and \$228,769, respectively.

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

For the year ended Decemeber 31, 2019								
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 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial liabilities at fair value through profit or loss	\$ 60,596,909	(\$ 4,853,573)	\$ 8,636	\$ 110,977,569	\$ -	(\$ 98,420,484)	\$ -	\$ 68,309,057

For the year ended Decemeber 31, 2018								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial liabilities at fair value through profit or loss	\$ 72,328,767	(\$ 3,580,363)	(\$ 4,488)	\$ 149,035,975	\$ -	(\$ 155,473,840)	(\$ 1,709,142)	\$ 60,596,909

Above valuation gains and losses are recognised in gain and loss in the period. For the year ended December 31, 2019 and 2018, the net gains belonging to liabilities as of December 31, 2019 and 2018 were \$2,974,651 and \$3,300,669, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. For the year ended December 31, 2019 and 2018, the net (losses) gains belonging to liabilities as of December 31, 2019 and 2018 were (\$8,403) and \$4,488, respectively.

Note: Transferred out from level 3 and transferred between level 3 because of obtaining / lacking observable market information.

(F) Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value.

The fair value measurement that Yuanta Group made onto the financial instruments is deemed reasonable; however, different valuation input could result in different valuation result. The effects on gain and loss in the period or the effects on other comprehensive income are as follows:

Items	Change in fair value recognised in current profit and loss		Change in fair value recognised in other comprehensive income	
	Favorable movements	Unfavorable movements	Favorable movements	Unfavorable movements
December 31, 2019				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 121,559	(\$ 103,408)	\$ -	\$ -
Derivative instruments	(26,358)	26,358	-	-
Financial assets at fair value through other comprehensive income	-	-	443,864	(366,507)
Other financial asset- purchase of claim receivable	85,976	(85,976)	-	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss	(\$ 74,870)	\$ 74,870	\$ -	\$ -
Derivative instruments	92,991	(92,991)	-	-
December 31, 2018				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 77,403	(\$ 74,877)	\$ -	\$ -
Derivative instruments	266,271	(266,271)	-	-
Financial assets at fair value through other comprehensive income	-	-	519,286	(404,236)
Other financial asset- purchase of claim receivable	80,540	(80,540)	-	-
<u>Liabilities</u>				
Financial Liabilities at fair value				
through profit or loss	\$ 379,594	(\$ 379,594)	\$ -	\$ -
Derivative instruments	(114,309)	114,309	-	-

Favorable and unfavorable movements of the Yuanta Group refer to the favorable and unfavorable movements of fair value. Movements in fair value are derived from financial valuation techniques on different unobservable valuation parameters. If the fair value of financial instruments is affected by more than one input, the above table will only reflect the impact resulting from changes in the single input without considering the correlations and variability between inputs.

(G) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2019		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Equity investments	\$ 2,095,997	1.Market method	Price to earnings ratio multiple	13.53 ~ 35.45
		2.Income method	Price to book ratio multiple	0.81 ~ 9.63
		3.Equity Model by L. Anderson and D. Buffum	Price-to-sales ratio multiplier	1.24
			Discount for marketability	<=40%
			Discount rate	5.45% ~ 14.40%
			Stock price volatility	13.87% ~ 36.83%
			Credit Spread	2.26% ~ 5.92%
			Recovery rate	20%
Bond investments	362,107	1.Hybrid Model	Stock price volatility	10.22% ~ 39.25%
		2.Equity Model by L. Anderson and D. Buffum	Credit Spread	5.58% ~ 18.03%
			Recovery rate	20%
		3.Monte Carlo Simulation	Discount rate	0.4% ~ 7.76%
		4.Discounted cash flow		
Derivative instruments (including futures and options trade in futures market)	3,191,815	1.Option Model	Dividend rate	1.82% ~ 3.52%
		2.Hybrid Model	Stock price volatility	2.86% ~ 22.27%
		3.FDM	Correlation coefficient	0.22 ~ 0.95
		4.Monte Carlo Simulation	Default rate	0.03% ~ 100%
			Recovery rate	55%
Others	10,502,517	1.Net asset value	Discount for marketability	<=10%
		2.Option Model	Dividend rate	1.82% ~ 3.52%
		3.FDM	Stock price volatility	13.50% ~ 22.27%
		4.Monte Carlo Simulation	Correlation coefficient	0.22 ~ 0.95
			Default rate	0.03% ~ 100%
			Recovery rate	55%
Other financial assets				
Purchase of claim receivable	1,849,460	Recoverable amount	Contact rate	1.90% ~ 39.46%
			Payment rate	1.72% ~ 39.85%
			Discount rate	1.87% ~ 40.21%
Financial assets at fair value through other comprehensive income				
Equity investments	18,454,798	1.Market method	Price to earnings ratio multiple	13.59 ~ 29.81
		2.Residual income valuation model	Price to book ratio multiple	0.86 ~ 2.87
		3.Discounted cash flow	Discount for marketability	<=40%
			Expected growth rate	1%
			Discount rate	10.4% ~ 10.6%
Bond investments	227,833	Discounted cash flow	Discount rate	0.4% ~ 7.76%

December 31, 2019		Valuation technique	Significant unobservable input	Range
Financial liabilities at fair value through profit or loss				
Derivative instruments (including futures and options trade in futures market)	\$ 3,801,812	1.IR Model	Dividend rate	1.82% ~ 3.52%
		2.Option Model	Stock price volatility	13.50% ~ 22.27%
		3.Hybrid Model	Correlation coefficient	0.22 ~ 0.95
		4.FDM	Default rate	0.03% ~ 100%
		5.Monte Carlo Simulation	Recovery rate	55%
Others	64,507,245	1.IR Model	Dividend rate	1.82% ~ 3.52%
		2.Option Model	Stock price volatility	0.73% ~ 94.27%
		3.Hybrid Model	Correlation coefficient	0.22 ~ 0.95
		4.FDM	Default rate	0.03% ~ 100%
		5.Monte Carlo Simulation	Recovery rate	55%
December 31, 2018		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Equity investments	\$ 2,590,202	1.Market method 2.Income method 3.Equity Model by L. Anderson and D. Buffum	Price to earnings ratio multiple	13.52 ~ 29.36
			Price to book ratio multiple	0.73 ~ 10.88
			Price-to-sales ratio multiplier	1.26
			Discount for marketability	<=40%
			Discount rate	7.57% ~ 13.29%
			Stock price volatility	22.51% ~ 49.10%
			Credit Spread	1.57% ~ 5.92%
		Recovery rate	20%	
Bond investments	297,136	1.Hybrid Model 2.Equity Model by L. Anderson and D. Buffum 3.Monte Carlo Simulation	Stock price volatility	12.74% ~ 45.54%
			Credit Spread	0.27% ~ 5.92%
			Recovery rate	20%
Derivative instruments (including futures and options trade in futures market)	6,076,550	1.Option Model	Dividend rate	2.15% ~ 4.18%
		2.Hybrid Model	Stock price volatility	2.64% ~ 22.01%
		3.FDM	Correlation coefficient	0.16 ~ 0.95
		4.Monte Carlo Simulation	Default rate	0.03% ~ 100%
		Recovery rate	55%	
Others	10,080,614	1.Net asset value	N/A	N/A
		2.Option Model	Dividend rate	2.15% ~ 4.18%
		3.FDM	Stock price volatility	14.05% ~ 22.01%
		4.Monte Carlo Simulation	Correlation coefficient	0.16 ~ 0.95
			Default rate	0.03% ~ 100%
		Recovery rate	55%	
Other financial assets				
Purchase of claim receivable	1,867,408	Recoverable amount	Contact rate	2.12% ~ 40.79%
			Payment rate	1.82% ~ 39.21%
			Discount rate	1.97% ~ 39.57%

December 31, 2018	Valuation technique	Significant unobservable input	Range	
Financial assets at fair value through other comprehensive income				
Equity investments	\$ 17,312,168	1.Market method	Price to earnings ratio multiple	12.29~29.66
		2.Residual income valuation model	Price to book ratio multiple	0.80~10.88
		3.Discounted cash flow	Discount for marketability	<=40%
			Expected growth rate	2%
			Discount rate	12.59%~15.32%
Bond investments	259,025	Discounted cash flow	Discount rate	0.87%~8.49%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including futures and options trade in futures market)	10,101,937	1.IR Model	Dividend rate	2.15%~4.18%
		2.Option Model	Stock price volatility	14.05%~22.01%
		3.Hybrid Model	Correlation coefficient	0.16~0.95
		4.FDM	Default rate	0.03%~100%
		5.Monte Carlo Simulation	Recovery rate	55%
Others	50,494,972	1.IR Model	Dividend rate	2.15%~4.18%
		2.Option Model	Stock price volatility	1.01%~99.68%
		3.Hybrid Model	Correlation coefficient	0.16~0.95
		4.FDM	Default rate	0.03%~100%
		5.Monte Carlo Simulation	Recovery rate	55%

(H) Valuation procedure of financial instruments classified into Level 3

Except for quotations by counterparties, the Yuanta Group's risk management department is responsible for verifying that the fair value is the fair value of financial instruments classified into Level 3. Risk management department assesses independency, reliability, consistency and representativeness of sources and inspects valuation model and valuation inputs for correction periodically to ensure that valuation procedure and results meet International Accounting Standards.

C. Financial instruments not measured at fair value

(A) Fair value information:

Except for those listed in the table below, the carrying amounts of the Yuanta Group's financial instruments not measured at fair value are approximate to their fair values.

	December 31, 2019				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Investments in debt instruments at amortised cost (Notes 1 and 2)	\$ 255,811,355	\$ 275,638,101	\$ 3,120,202	\$ 272,479,661	\$ 38,238
<u>Financial liabilities</u>					
Bonds payable	68,849,634	71,228,083	-	71,228,083	-

December 31, 2018

	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Investments in debt instruments at amortised cost (Notes 1 and 2)	\$ 240,979,806	\$ 243,155,673	\$ 2,874,634	\$ 240,281,039	\$ -

Financial liabilities

Bonds payable	66,756,009	69,575,579	-	69,575,579	-
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Note 1: Including the statutory deposits of \$600,000 of Yuanta Life of the Yuanta Group as of December 31, 2019 and 2018.

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, short-term borrowings 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: 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. 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.
- e. Bonds payable: The coupon rate for bank debentures 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.
- iv. Credit-impaired: This level shows that the financial asset has been impaired or there has been a significant increase in the credit risk since initial recognition.

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
Credit impaired	Level D	Credit impairment	Credit impairment	Credit impairment

(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 bed debt expense.

(D) Definition of default

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

C. Write off 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.

F. 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.

G. 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

December 31, 2019	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/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Credit ratings					
Internal ratings – excellent	\$ 499,332,861	\$ 603,721	\$ -	\$ -	\$ 499,936,582
Internal ratings – acceptable	226,667,970	3,704,698	-	-	230,372,668
Internal ratings – weak	48,049,256	432,472	-	-	48,481,728
Internal ratings – not rated	204,092	1,052	-	-	205,144
Internal ratings – credit impairment	-	306,526	9,046,406	-	9,352,932
The total carrying amount	774,254,179	5,048,469	9,046,406	-	788,349,054
Allowance for bad debt	(1,401,149)	(190,360)	(4,951,631)	-	(6,543,140)
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	-	-	-	(7,502,396)	(7,502,396)
Total (Note)	<u>\$ 772,853,030</u>	<u>\$ 4,858,109</u>	<u>\$ 4,094,775</u>	<u>(\$ 7,502,396)</u>	<u>\$ 774,303,518</u>

Note: Including interest receivable and temporary payments for others amounting to \$875,168. In addition, allowance for doubtful receivables was \$33,355.

Additionally, the total carrying amounts of accounts receivable and debt instruments (shown as financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost) are \$145,125,217 and \$584,397,733, 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.

Bills discounted and loans

December 31, 2018	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/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Credit ratings					
Internal ratings— excellent	\$ 541,616,844	\$ 1,607,152	\$ -	\$ -	\$ 543,223,996
Internal ratings— acceptable	194,955,370	2,102,518	-	-	197,057,888
Internal ratings— weak	35,940,991	686,744	-	-	36,627,735
Internal ratings— not rated	240,153	4,513	-	-	244,666
Internal ratings— bad	-	336,741	8,124,660	-	8,461,401
The total carrying amount	772,753,358	4,737,668	8,124,660	-	785,615,686
Allowance for bad debt	(1,761,487)	(911,994)	(4,131,307)	-	(6,804,788)
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	-	-	-	(6,829,027)	(6,829,027)
Total (Note)	\$ 770,991,871	\$ 3,825,674	\$ 3,993,353	(\$ 6,829,027)	\$ 771,981,871

Note: Including interest receivable and temporary payments for others amounting to \$1,094,400. In addition, allowance for doubtful receivables was \$26,824.

Additionally, the total carrying amounts of accounts receivable and debt instruments (shown as financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost) are \$120,748,376 and \$549,809,515, 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:

<u>December 31, 2019</u>	<u>Collateral (Note)</u>	<u>Net-settled general agreement</u>	<u>Total</u>
<u>For accounts on the balance sheet</u>			
Receivables-other	\$ 65,427	\$ -	\$ 65,427
Bills discounted and loans	561,708,410	-	561,708,410
Financial assets at fair value through profit or loss	1,253,968	1,138,660	2,392,628
<u>For accounts off the balance sheet</u>			
Unused loan commitments	6,999,973	-	6,999,973
Unused credit commitment	109,415	-	109,415
Guarantees (including for non-performing loans)	4,749,347	-	4,749,347
<u>December 31, 2018</u>	<u>Collateral (Note)</u>	<u>Net-settled general agreement</u>	<u>Total</u>
<u>For accounts on the balance sheet</u>			
Receivables-other	\$ 287,754	\$ -	\$ 287,754
Bills discounted and loans	533,740,626	-	533,740,626
Financial assets at fair value through profit or loss	256,413	1,515,250	1,771,663
<u>For accounts off the balance sheet</u>			
Unused loan commitments	4,092,019	-	4,092,019
Unused credit commitment	131,176	-	131,176
Guarantees (including for non-performing loans)	5,969,570	-	5,969,570

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

H. Credit risk concentration

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Yuanta Group concentrate on accounts on and off balance sheet that occurs through obligation fulfilling or implementation of transactions (either product or service), or through trans-type exposure portfolio, including loans, placements and call loan from the banks, securities investment, receivables and derivatives. The Yuanta Group does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry, location and collateral are shown as follows:

(A) Industry:

Industry	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Privately owned businesses	\$ 670,861,627	30.03	\$ 665,559,450	31.06
Natural person	542,092,570	24.27	511,277,129	23.86
Financial institutions	586,938,831	26.27	554,322,458	25.87
Governmental institutions	415,644,876	18.60	401,765,394	18.75
Government-owned businesses	15,952,345	0.71	6,087,029	0.29
Others	2,611,540	0.12	3,566,900	0.17
Total	<u>\$ 2,234,101,789</u>	<u>100.00</u>	<u>\$ 2,142,578,360</u>	<u>100.00</u>

(B) Geographic location:

Geography location	December 31, 2019	December 31, 2018
Taiwan	\$ 1,479,186,296	\$ 1,402,200,591
Asia	511,510,812	537,021,420
America	148,313,749	120,785,286
Europe	70,330,015	65,047,965
Oceania	24,613,557	17,336,638
Africa	147,360	186,460
Total	<u>\$ 2,234,101,789</u>	<u>\$ 2,142,578,360</u>

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

(a) Credit business

For the years ended December 31, 2019 and 2018, the reconciliation of the balance of allowance for bad debt are as follows:

Bills discounted and loans

For the year ended December 31, 2019	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
Beginning balances	\$ 1,757,986	\$ 911,672	\$ 4,115,282	\$ 6,784,940	\$ 6,822,051	\$ 13,606,991
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(51,296)	54,766	(3,470)	-	-	-
-Transferred to credit-impaired financial asset	(17,284)	(24,733)	42,017	-	-	-
-Transferred to 12-month expected credit losses	148,931	(35,962)	(112,969)	-	-	-
-Financial assets derecognised in the current period	(594,002)	(365,966)	(500,486)	(1,460,454)	-	(1,460,454)
Impairment allowance for purchased or originated financial assets	720,073	19,799	224,781	964,653	-	964,653
Differences in impairment provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	667,343	667,343
Write-off as bad debt	(551,566)	(42,483)	(1,566,016)	(2,160,065)	-	(2,160,065)
Change in exchange and others	(29,084)	(326,819)	2,749,616	2,393,713	-	2,393,713
Ending balances	<u>\$ 1,383,758</u>	<u>\$ 190,274</u>	<u>\$ 4,948,755</u>	<u>\$ 6,522,787</u>	<u>\$ 7,489,394</u>	<u>\$ 14,012,181</u>

For the year ended December 31, 2018	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
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	(5,404)	6,343	(939)	-	-	-
-Transferred to credit-impaired financial asset	(17,935)	(6,776)	24,711	-	-	-
-Transferred to 12-month expected credit losses	170,933	(32,806)	(138,127)	-	-	-
-Financial assets derecognised in the current period	(741,317)	(50,648)	(835,061)	(1,627,026)	-	(1,627,026)
Impairment allowance for purchased or originated financial assets	658,707	44,352	363,124	1,066,183	-	1,066,183
Differences in impairment provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	1,417,283	1,417,283
Write-off as bad debt	(295,498)	(181,729)	(1,327,689)	(1,804,916)	-	(1,804,916)
Change in exchange and others	(253,437)	(533,452)	858,168	71,279	-	71,279
Ending balances	<u>\$ 1,757,986</u>	<u>\$ 911,672</u>	<u>\$ 4,115,282</u>	<u>\$ 6,784,940</u>	<u>\$ 6,822,051</u>	<u>\$ 13,606,991</u>

For the year ended December 31, 2019, 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
Beginning balances	\$ 771,698,882	\$ 4,724,362	\$ 8,098,042	\$ 784,521,286
Changes from financial instruments recognised at the beginning:				
-Transferred to lifetime expected credit losses	(3,391,170)	3,414,982	(23,812)	-
-Transferred to credit-impaired financial asset	(3,659,396)	(349,311)	4,008,707	-
-Transferred to 12-month expected credit losses	1,277,076	(935,320)	341,756	-
-Financial assets derecognised in the current period	(272,481,002)	(2,128,126)	1,624,140	(276,233,268)
Impairment allowance for purchased or originated financial assets	344,525,610	711,403	698,251	345,935,264
Write-off as bad debt	(553,705)	(42,483)	1,566,918	(2,163,106)
Change in exchange and others	(63,995,084)	(352,768)	238,438	(64,586,290)
Ending balances	\$ 773,421,211	\$ 5,042,739	\$ 9,009,936	\$ 787,473,886

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For the year ended December 31, 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
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	(1,551,816)	1,553,281	(1,465)	-
-Transferred to credit-impaired financial asset	(2,011,420)	(405,095)	2,416,515	-
-Transferred to 12-month expected credit losses	4,191,520	(602,660)	(332,770)	3,256,090
-Financial assets derecognised in the current period	(278,391,242)	(2,669,218)	(1,571,110)	(282,631,570)
Impairment allowance for purchased or originated financial assets	331,133,277	2,246,809	612,662	333,992,748
Write-off as bad debt	(295,498)	(181,729)	(1,327,676)	(1,804,903)
Change in exchange and others	(41,562,258)	(208,801)	(633,595)	(42,404,654)
Ending balances	<u>\$ 771,698,882</u>	<u>\$ 4,724,362</u>	<u>\$ 8,098,042</u>	<u>\$ 784,521,286</u>

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(b) Receivables and other financial assets

- i. The Yuanta Group applies the simplified approach to estimate expected credit loss for certain accounts receivable(including trading securities receivable and settlement price). 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 December 31, 2019 and 2018, the carrying amount of accounts receivable amounted to \$31,721,372 and \$24,858,008, respectively, and the loss allowance are \$1,299 and \$10,214, respectively, if taking into consideration the expected credit loss rate. For the years ended December 31, 2019 and 2018, movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, are as follows:

	For the years ended December 31,	
	2019	2018
January 1	(\$ 10,214)	(\$ 8,086)
Reversal of impairment loss (provision for impairment)	8,915	(2,128)
December 31	<u>(\$ 1,299)</u>	<u>(\$ 10,214)</u>

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ii. For the years ended December 31, 2019 and 2018, movements in relation to providing loss allowance for receivables and other financial assets, which are not stated as above accounts receivable, are as follows:

For the year ended December 31, 2019	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
The beginning balances	\$ 170,467	\$ 120,338	\$ 2,723,489	\$ 3,014,294	\$ 99,374	\$ 3,113,668
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(118)	1,831	(1,713)	-	-	-
-Transferred to credit-impaired financial asset	(58)	(1,018)	1,076	-	-	-
-Transferred to 12-month expected credit losses	76,766	(38,821)	(37,945)	-	-	-
-Financial assets derecognised in the current period	(10,198)	(1,436)	(4,461)	(16,095)	-	(16,095)
Impairment allowance for purchased or originated financial assets	11,173	7,001	44,718	62,892	-	62,892
Differences in impairment provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(6,526)	(6,526)
Write-off as bad debt	(53,398)	(16,881)	(85,673)	(155,952)	-	(155,952)
Change in exchange and others	104,904	88,311	2,158	195,373	-	195,373
The ending balances	<u>\$ 299,538</u>	<u>\$ 159,325</u>	<u>\$ 2,641,649</u>	<u>\$ 3,100,512</u>	<u>\$ 92,848</u>	<u>\$ 3,193,360</u>

	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
<u>For the years ended December 31, 2018</u>						
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	(221)	2,836	(2,615)	-	-	-
-Transferred to credit-impaired financial asset	(101)	(891)	992	-	-	-
-Transferred to 12-month expected credit losses	68,151	(24,644)	(43,507)	-	-	-
-Financial assets derecognised in the current period	(23,876)	(3,145)	(17,014)	(44,035)	-	(44,035)
Impairment allowance for purchased or originated financial assets	11,933	6,821	19,092	37,846	-	37,846
Differences in impairment provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	26,161	26,161
Write-off as bad debt	(85,332)	(27,211)	(84,217)	(196,760)	-	(196,760)
Change in exchange and others	(29,331)	81,261	851,260	903,190	-	903,190
The ending balances	<u>\$ 170,467</u>	<u>\$ 120,338</u>	<u>\$ 2,723,489</u>	<u>\$ 3,014,294</u>	<u>\$ 99,374</u>	<u>\$ 3,113,668</u>

For the years ended December 31, 2019 and 2018, there were no significant changes to allowance for bad debt for accounts receivable and other financial assets.

(c) Guarantee reserve, loan commitment reserve and others

For the year ended December 31, 2019	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
The beginning balances	\$ 56,352	\$ 19,502	\$ 55,824	\$ 131,678	\$ 125,474	\$ 257,152
Changes from financial instruments recognised at the beginning:						
-Transferred to lifetime expected credit losses	(30)	110 (	80)	-	-	-
-Transferred to credit-impaired financial asset	(1) (	22)	23	-	-	-
-Transferred to 12-month expected credit losses	14,076 (	13,721) (	355)	-	-	-
-Financial assets derecognised in the current period	(24,182) (	3,286) (	29,861) (	57,329)	- (	57,329)
Impairment allowance for purchased or originated financial assets	18,898	1,050	15,991	35,939	-	35,939
Differences in impairment provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	- (	37,575) (	37,575)
Change in exchange and others	(17,346)	12,369	4,337	(640)	-	(640)
The ending balances	\$ 47,767	\$ 16,002	\$ 45,879	\$ 109,648	\$ 87,899	\$ 197,547

For the year ended December 31, 2018	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
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)	56	(10)	-	-	-
-Transferred to credit-impaired financial asset	(1)	-	1	-	-	-
-Transferred to 12-month expected credit losses	4,559	(4,139)	(420)	-	-	-
-Financial assets derecognised in the current period	(57,097)	(3,214)	(22,027)	(82,338)	-	(82,338)
Impairment allowance for purchased or originated financial assets	24,486	1,294	15,110	40,890	-	40,890
Differences in impairment provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(37,451)	(37,451)
Change in exchange and others	(10,266)	17,711	(1,786)	5,659	-	5,659
The ending balances	<u>\$ 56,352</u>	<u>\$ 19,502</u>	<u>\$ 55,824</u>	<u>\$ 131,678</u>	<u>\$ 125,474</u>	<u>\$ 257,152</u>

a. For the years ended December 31, 2019 and 2018, there were no significant changes to guarantee reserve and loan commitment reserve.

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

(d) Bills and bonds investments

For the years ended December 31, 2019 and 2018, the beginning balances of the accumulative impairment of financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost were \$93,376 and \$140,469; \$142,478 and \$119,664, respectively; the ending balances were \$101,586 and \$93,376; \$139,720 and \$142,478, 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 year ended December 31, 2019			
	December 31, 2019	VaR Average	VaR Minimum	VaR Maximum
Interest rate	83,878	95,568	67,835	128,163
Equity securities	222,829	243,305	200,832	320,318
Foreign exchange	360,768	296,476	226,513	410,487
Commodity	13,841	13,973	1,513	49,817
Less: diversification effects	(161,632)	(212,266)	-	-
Total VaR	519,684	437,056	363,454	565,607

Instrument type	For the year ended December 31, 2018			
	December 31, 2018	VaR Average	VaR Minimum	VaR Maximum
Interest rate	121,494	119,840	93,021	151,661
Equity securities	234,403	235,020	181,422	280,222
Foreign exchange	390,775	404,532	328,062	467,967
Commodity	18,483	9,439	1,614	28,980
Less: diversification effects	(332,603)	(268,384)	-	-
Total VaR	432,552	500,447	423,298	584,211

- (b) Non-trading purpose

Sensitivity analysis on interest rate:

	Interest rate shift	December 31, 2019		December 31, 2018	
			Effect on other comprehensive income		Effect on other comprehensive income
Financial assets at fair value through other comprehensive income-Bonds					
Yuanta Bank	Increase of 1 basis point	(\$	95,298)	(\$	17,288)
Yuanta Life	Increase of 1 basis point	(	40,671)	(	20,987)

d. As of December 31, 2019 and 2018, the following table summarizes USD-denominated financial instruments of the Yuanta Group and the concentration of foreign exchange risk presented by carrying amount.

	December 31, 2019		December 31, 2018	
	USD position	Carrying amount (NTD)	USD position	Carrying amount (NTD)
Foreign currency denominated financial assets				
Cash and cash equivalents	\$ 914,260	\$ 27,526,011	\$ 623,826	\$ 19,172,103
Financial assets at fair value through profit or loss	1,359,877	40,966,486	1,016,769	31,248,366
Financial assets at fair value through other comprehensive income	1,945,115	58,559,620	2,290,549	70,395,438
Amortized cost financial assets	4,634,222	139,517,897	4,199,961	129,077,388
Bills discounted and loans	2,670,980	80,412,527	2,879,879	88,507,343
Foreign currency denominated financial liabilities				
Bills and bonds payable under repurchase agreements	1,294,341	38,967,436	1,153,667	35,455,638
Deposits and remittances	4,315,710	129,930,070	3,981,328	122,358,220
Other liabilities	949,940	28,598,887	570,907	17,545,695

Note: As of December 31, 2019 and 2018, USD to TWD exchange rates were 30.106 and 30.733, respectively.

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e. As of December 31, 2019 and 2018, the following table summarizes KRW-denominated assets and liabilities of Yuanta Securities and the concentration of foreign exchange risk presented by carrying amount.

	December 31, 2019		December 31, 2018	
	KRW position	Carrying amount (NTD)	KRW position	Carrying amount (NTD)
Effect on profit or loss				
Financial assets				
Cash and cash equivalents	\$ 672,517,427	\$ 17,485,453	\$ 580,352,736	\$ 16,249,877
Financial assets at fair value through profit or loss	7,038,520,942	183,001,544	2,377,560,734	66,571,701
Financial assets at fair value through other comprehensive income	180,606,257	4,695,763	175,973,792	4,927,266
Accounts receivable	200,359,773	5,209,354	150,048,003	4,201,344
Prepayments and other receivables	12,297,079	319,724	49,702,448	1,391,669
Other current assets	128,982,752	3,353,552	230,343,884	6,449,629
Non-current assets	36,722,202	954,777	581,049,219	16,269,378
Financial liabilities				
Financial liabilities at fair value through profit or loss	1,896,191,866	49,300,989	1,283,614,306	35,941,201
Bonds sold under repurchase agreements	3,360,164,624	87,364,280	3,631,148,556	101,672,160
Guarantee deposit-in and margin deposits	83,168,201	2,162,373	2,542,806	71,199
Other current liabilities	129,297,805	3,361,743	259,060,857	7,253,704
Non-current liabilities	103,567,539	2,692,756	98,656,643	2,762,386
Effect on profit or loss and equity				
Financial assets				
Equity investments accounted for under the equity method	76,033,833	1,976,880	67,316,543	1,884,863

Note: As of December 31, 2019 and 2018, the KRW to TWD exchange rate were 0.026 and 0.028, 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 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.

December 31, 2019

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 66,418,590	\$ 2,813,332	\$ 27,651	\$ 69,259,573
Due from Central Bank and call loans to other banks	22,785,744	9,482,751	13,766,190	46,034,685
Financial assets at fair value through profit or loss	349,226,189	56,129,112	98,675,778	504,031,079
Financial assets at fair value through other comprehensive income	15,937,369	13,299,901	200,252,634	229,489,904
Investments in bills and bonds under resale agreements	47,603,371	-	-	47,603,371
Receivables	127,867,114	37,814,329	11,165,146	176,846,589
Bills discounted and loans	151,319,076	148,762,425	487,392,385	787,473,886
Reinsurance contract assets	331,063	572,545	-	903,608
Financial assets at amortised cost	104,824,298	17,881,417	263,746,700	386,452,415
Restricted assets	-	-	2,562,586	2,562,586
Other financial assets	62,021,711	(111,505)	4,046,836	65,957,042
Other assets	4,598,249	1,208,656	7,775,906	13,582,811
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	433,600,202	112,807,630	215,521,440	761,929,272
Cash outflow	(414,193,538)	(95,811,643)	(159,325,388)	(669,330,569)
Net settlement	874,341	1,049,721	3,034,369	4,958,431
Total	\$ 973,213,779	\$ 305,898,671	\$ 1,148,642,233	\$ 2,427,754,683
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 9,838,535	\$ 3,268,493	\$ -	\$ 13,107,028
Financial liabilities at fair value through profit or loss	6,983,480	5,531,835	10,617,391	23,132,706
Bills and bonds payable under repurchase agreements	139,523,039	31,047,313	28,095,566	198,665,918
Commercial paper payable	38,352,937	299,600	-	38,652,537
Payables	148,912,250	10,030,330	2,384,466	161,327,046
Deposits and remittances	312,411,759	339,209,993	443,884,519	1,095,506,271
Bonds payable	12,743,645	4,946,565	51,153,914	68,844,124
Other borrowings	40,366,161	7,161,225	13,320,606	60,847,992
Other financial liabilities	57,660,464	1,744,390	16,664,566	76,069,420
Other liabilities	15,731,920	4,636,762	13,498,900	33,867,582
Lease liability	284,279	722,338	4,521,043	5,527,660
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(55,780,179)	(12,115,180)	-	(67,895,359)
Cash outflow	57,170,912	12,290,789	-	69,461,701
Net settlement	592,563	495,179	2,154,655	3,242,397
Total	\$ 784,791,765	\$ 409,269,632	\$ 586,295,626	\$ 1,780,357,023

December 31, 2018

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 60,079,458	\$ 5,339,195	\$ 116,758	\$ 65,535,411
Due from Central Bank and call loans to other banks	28,791,036	10,999,302	8,426,374	48,216,712
Financial assets at fair value through profit or loss	310,638,792	40,066,119	123,234,298	473,939,209
Financial assets at fair value through other comprehensive income	8,255,292	15,305,045	191,574,899	215,135,236
Investments in bills and bonds under resale agreements	33,465,734	-	-	33,465,734
Receivables	116,545,656	27,553,111	1,486,461	145,585,228
Bills discounted and loans	158,058,172	162,366,331	464,096,783	784,521,286
Reinsurance contract assets	184,055	396,075	-	580,130
Financial assets at amortised cost	100,911,421	6,702,996	245,291,670	352,906,087
Restricted assets	-	-	2,622,711	2,622,711
Other financial assets	58,763,376	29,479	4,126,711	62,919,566
Other assets	12,698,065	4,369,586	11,024,221	28,091,872
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	441,681,529	110,569,585	226,268,794	778,519,908
Cash outflow	(434,374,251)	(98,158,693)	(147,776,024)	(680,308,968)
Net settlement	1,048,295	499,343	2,035,859	3,583,497
Total	\$ 896,746,630	\$ 286,037,474	\$ 1,132,529,515	\$ 2,315,313,619
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 18,558,982	\$ 3,488,292	\$ -	\$ 22,047,274
Financial liabilities at fair value through profit or loss	6,573,598	3,038,263	10,670,157	20,282,018
Bills and bonds payable under repurchase agreements	156,047,256	30,874,616	31,648,553	218,570,425
Commercial paper payable	32,699,676	3,650,264	-	36,349,940
Payables	133,232,335	13,561,682	896,018	147,690,035
Deposits and remittances	354,668,961	394,015,142	271,931,193	1,020,615,296
Bonds payable	15,011,586	6,895,677	44,779,588	66,686,851
Other borrowings	46,137,334	5,212,094	12,670,373	64,019,801
Other financial liabilities	63,739,073	3,918,289	11,619,557	79,276,919
Other liabilities	33,335,223	1,413,682	3,261,647	38,010,552
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(66,987,068)	(25,621,927)	(282,334)	(92,891,329)
Cash outflow	68,531,890	26,093,239	309,479	94,934,608
Net settlement	1,863,560	1,302,019	2,940,312	6,105,891
Total	\$ 863,412,406	\$ 467,841,332	\$ 390,444,543	\$ 1,721,698,281

Maturity analysis for above deposits and remittances are amortised to each period based on historical experience. Given that all the deposits and remittances have to be paid in the shortest possible time, as of December 31, 2019 and 2018, expenses on period of 0-90 days will increase by \$469,870,268 and \$361,186,676, respectively.

e. Maturity analysis for items off the balance sheet, lease contract and capital expense commitment

Items off the balance sheet, while the client may choose when to make a payment, are classified into the earliest time category.

Lease commitment of the Yuanta Group include operating lease and finance lease.

Operating lease commitment is the total minimum lease payments that the Yuanta Group should make as a lessee or lessor under an operating lease term which is not cancelable.

Financial lease commitment refers to the total future rental payment and the present value that the Yuanta Group as a lessee should make according to the finance lease term, or the total lease investment and the minimum lease payment receivable at present value for a lesser according to the financial lease term.

Capital expenditure commitment of the Yuanta Group refers to the capital expenses spent on the contract commitment in order to acquire the building and equipment.

Please refer to the below table for maturity analysis on off balance sheet items, lease contract commitment and capital expenditure commitment of the Yuanta Group:

	December 31, 2019			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 25,604,687	\$ -	\$ -	\$ 25,604,687
Non-revocable credit card commitments	119,477,639	-	-	119,477,639
Unused credit commitment	3,635,756	-	-	3,635,756
Guarantees	13,217,092	-	-	13,217,092
Capital expenditure commitment	792,471	145,914	86,105	1,024,490

Note: Due to the application of IFRS 16 in 2019, please refer to Note 6 (15) and (16) for the disclosure of lease contract commitment.

	December 31, 2018			
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 28,439,091	\$ -	\$ -	\$ 28,439,091
Non-revocable credit card commitments	121,759,033	-	-	121,759,033
Unused credit commitment	4,570,325	-	-	4,570,325
Guarantees	15,773,127	-	-	15,773,127
Lease contract commitment				
Operating lease expense (lessee)	1,541,753	3,112,402	3,601,799	8,255,954
Operating income (lessor)	145,542	153,096	7,233	305,871
Total financial lease expense (lessee)	79	-	-	79
Financial lease expense at present value (lessee)	75	-	-	75
Total financial lease income (lessor)	18,638	-	-	18,638
Financial lease income at present value (lessor)	18,613	-	-	18,613
Capital expenditure commitment	939,660	517,216	-	1,456,876

(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 recognises the financial assets. If the Yuanta Group does not transfer or retains most of the risks and compensation of rights and maintains control over the assets, the Yuanta Group should continue recognise the part of financial assets that are involved.
- B. Financial assets that do not meet the derecognition conditions are mainly: (1) convertible bonds transferred to counterparties during transactions of exchanging assets and (2) bonds sold under repurchase agreements. The targeted assets exchanged in the transactions are either acquired through public subscription, book building, auctions or others by the Yuanta Group or owned by the Yuanta Group for proprietary trading, and are sold to counterparties in order to receive consideration. During the contract period, the contracted interest compensation is exchanged for bond interest and interest refund arising from the convertible bonds held by the counterparties. The Yuanta Group obtains rights to repurchase the convertible bonds before the end of contract expiration date. As the options are neither deep-in-the-money nor deep-out-of-the-money at transactions, the Yuanta Group must further assess whether to retain the control over the convertible bonds. Since the convertible bonds cannot be easily obtained in markets, the Yuanta Group still keeps its control over the assets and continuing involvement. Because transactions in respect to the repurchase agreements of debt instruments and bills had transferred their receivable contractual cash flows to other parties, and are reflected in the Consolidated Company's related liabilities, which indicate the obligation to repurchase transferred financial assets in a specified future period within a fixed price, the Consolidated Company, within the effective period of the transaction, cannot use, sell or pledge the already transferred financial asset, but must still bear interest risk and credit risk. Thus, such financial assets were not derecognised in its entirety.

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

December 31, 2019			
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	\$	17,768,247	\$ 16,078,957
Bond sold under repurchase agreements		202,457,635	198,665,918

December 31, 2018

Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Convertible corporate bonds transferred to the trading counterparties through asset swap	\$ 15,222,310	\$ 14,446,943
Bond sold under repurchase agreements	221,657,162	218,570,426

(E) Offsetting financial assets and financial liabilities

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

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

A. Financial assets

December 31, 2019

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	\$ 8,755,799	\$ -	\$ 8,755,799	\$ 5,968,722	\$ 2,007,784	\$ 779,293
Bonds purchased under resale agreements	47,603,371	-	47,603,371	43,096,771	4,504,610	1,990

December 31, 2018

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets(a)	Gross amounts of recognised financial liabilities set off in the balance sheet(b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)		
				Financial instruments (Note 2)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 12,224,224	\$ -	\$ 12,224,224	\$ 8,983,863	\$ 214,375	\$ 3,025,986
Bonds purchased under resale agreements	33,465,734	-	33,465,734	31,615,734	1,848,049	1,951

B. Financial liabilities

December 31, 2019

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	\$ 9,921,679	\$ -	\$ 9,921,679	\$ 6,639,876	\$ 1,228,772	\$ 2,053,031
Bonds sold under repurchase agreements	198,665,918	-	198,665,918	198,586,154	79,764	-

December 31, 2018

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial assets set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 17,735,046	\$ -	\$ 17,735,046	\$ 12,977,643	\$ 3,473,194	\$ 1,284,209
Bonds sold under repurchase agreements	218,570,425	-	218,570,425	218,395,439	174,986	-

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.

Management of insurance risk

i. Risk management of policy underwriting

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

ii. Risk management of payment of claims

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

iii. Risk of product designing and pricing

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

controlling product designing and pricing by putting in place quantitative mechanisms such as probability testing.

b. Insurance risk concentration

The insurances covered by the Yuanta Group are distributed over the country and have no specific concentration over any specific location, target client, age group, or type of occupation. Reinsurance arrangement is still made after assessment in order to mitigate the covered insurance risks and avoid the overall cumulative risks exceeding the Yuanta Group's risk capacity. Additionally, through catastrophe reinsurance, the Yuanta Group transfers concentrated risks to highly secure reinsurance companies to further mitigate the risks of large claims and catastrophe claims.

c. Liability adequacy test

According to the relevant insurance regulation, the assumption factors adopted have been locked-in during pricing. However, the assumption may vary from the actual experience as time goes by. Pursuant to IFRS 4, 'Insurance contracts', the Yuanta Group should perform liability adequacy test accordingly to determine whether or not the recognised insurance liability is adequate. In respect of overall insurance contracts of the Yuanta Group As of December 31, 2019 and 2018, 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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Less than 1 year	(\$ 24,163,711)	(\$ 27,554,212)
1 ~5 years	19,100,239	10,217,813
5 ~15 years	87,961,335	82,539,172
More than 15 years	<u>521,268,828</u>	<u>473,006,357</u>
Total	<u>\$ 604,166,691</u>	<u>\$ 538,209,130</u>

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

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

(c) Market risk

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

(4) Capital adequacy ratio:

Expressed In Thousands of New Taiwan Dollars			
Financial Holding			
Company			
Shareholding	Ratio	December 31, 2019	
		Eligible capital	Minimum capital
Financial holding company	-	\$ 232,154,402	\$ 254,878,929
Bank subsidiaries	100.00%	133,957,094	90,332,625
Securities subsidiaries	100.00%	52,673,959	23,914,482
Insurances subsidiaries	100.00%	11,628,575	7,740,748
Futures subsidiaries	68.65%	6,079,738	3,188,037
Venture capital subsidiaries	100.00%	2,656,104	1,316,433
Securities Investment Trust subsidiaries	74.36%	3,586,490	2,069,981
Other subsidiaries	100.00%	3,754,904	1,954,804
Deduction items		(268,260,150)	(251,488,755)
Subtotal		<u>\$ 178,231,116</u>	<u>\$ 133,907,284</u>
Capital adequacy ratio of the Consolidated Company			133.10%

Expressed In Thousands of New Taiwan Dollars			
Financial Holding			
Company			
Shareholding	Ratio	December 31, 2018	
		Eligible capital	Minimum capital
Financial holding company	-	\$ 218,944,188	\$ 246,623,839
Bank subsidiaries	100.00%	131,000,588	84,066,025
Securities and Securities Finance subsidiaries	100.00%	54,408,304	21,161,974
Insurances subsidiaries	100.00%	11,534,747	6,286,674
Futures subsidiaries	68.65%	5,643,408	2,956,409
Venture capital subsidiaries	100.00%	2,536,648	1,253,983
Securities Investment Trust subsidiaries	72.20%	3,050,115	1,797,054
Other subsidiaries	100.00%	2,069,662	1,650,067
Deduction items		(261,144,180)	(244,642,213)
Subtotal		<u>\$ 168,043,480</u>	<u>\$ 121,153,812</u>
Capital adequacy ratio of the Consolidated Company			138.70%

As of December 31, 2019, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 116,706,115
Additional paid-in capital	37,402,480
Legal reserve	12,589,183
Special reserve	6,549,234
Accumulated earnings	50,565,092
Other equity	8,389,029
Less: goodwill and other intangible assets	(4,898)
Less: deferred assets	(41,833)
Less: treasury shares	-
Total net eligible capital	<u>\$ 232,154,402</u>

As of December 31, 2018, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 116,862,325
Additional paid-in capital	37,200,416
Legal reserve	10,721,262
Special reserve	6,549,234
Accumulated earnings	42,843,847
Other equity	5,006,084
Less: goodwill and other intangible assets	(7,249)
Less: deferred assets	(34,125)
Less: treasury shares	(197,606)
Total net eligible capital	<u>\$ 218,944,188</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)
December 31, 2019

Name	Total of business credit,	
	endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Central Bank, R.O.C	\$ 130,507	56.17
Central Government, R.O.C	122,035	52.52
INDUSTRIAL BANK OF KOREA	18,715	8.05
Public Capital Management Fund	13,189	5.68
CTBC Financial Holding Co., Ltd.	9,815	4.22
HSBC Bank (Taiwan) Limited	9,123	3.93
Taiwan Semiconductor Manufacturing Co., Ltd.	9,094	3.91
Taiwan Cement Corporation	8,770	3.77
Far Eastern New Century Corporation	8,608	3.71
Formosa Plastics Corporation	8,219	3.54
EVA Airways Corporation	8,092	3.48
Cathay Financial Holding Co., Ltd.	8,047	3.46
Allianz Global Investors GmbH	7,900	3.40
Highwealth Construction Corp.	7,885	3.39
Nan Ya Plastics Corporation	7,708	3.32
The Export-Import Bank of the Republic of China	6,480	2.79
China Airlines Ltd.	6,415	2.76
Shin Kong Financial Holding Co.,Ltd.	6,304	2.71
Cheng Shin Rubber Ind., Co., Ltd.	5,980	2.57
Formosa Group(Cayman)Limited	5,909	2.54
Asia Cement Corporation	5,749	2.47
Dragon Steel Corporation	5,637	2.43
Far Eastone Telecommunications Co., Ltd.	5,634	2.43
Yuan Ding Investment Corp.	5,579	2.40
Taiwan Depository & Clearing Corporation	5,543	2.39
Shuohe Development Co., Ltd.	5,540	2.38
YangMing Marine Transport Corp.	5,437	2.34
Taiwan Futures Exchange	5,181	2.23
CPC Corporation, Taiwan	5,171	2.23
Formosa Chemicals & Fibre Corporation	5,141	2.21
China Development Financial Holding Corp.	4,956	2.13
SHINHAN BANK	4,946	2.13
USI Corporation	4,882	2.10
Taipei Financial Center Corp.	4,566	1.97
JP Morgan Chase& Co	4,430	1.91
China Steel Corporation	4,417	1.90
Hua Nan Financial Holdings Co., Ltd.	4,416	1.90
Taiwan Power Company	4,341	1.87
Wavely Logistics Limited., Taiwan Branch	4,240	1.82
Kaohsiung City Government	4,118	1.77
Federal Home Loan Mortgage CORPORATION	3,952	1.70
Commonwealth Bank of Australia	3,944	1.70
Nomura Asset Management Taiwan Limited	3,931	1.69
Fubon Securities Investment Trust Co., Ltd	3,856	1.66
Taiwan Mobile Co., Ltd.	3,767	1.62
Radium Life Tech Co., Ltd.	3,704	1.59
THE BANK OF KOREA	3,647	1.57
Masterlink Securities Corp.	3,591	1.55

(Expressed In Millions of New Taiwan Dollars)
December 31, 2019

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Capital Securities Investment Trust Co., Ltd	\$ 3,484	1.50
KKY Co., Ltd.	3,375	1.45
JihSun Securities Co., Ltd.	3,344	1.44
Pegatron Corporation	3,313	1.43
Fidelity Securities Investment Trust	3,158	1.36
JIU LIAN Investment Co., Ltd	3,147	1.35
Taiwan Stock Exchange	3,109	1.34
SinoPac Securities Corporation	3,054	1.31
Evergreen Marine Corp.	3,039	1.31
ASE Technology Holding Co., Ltd.	3,033	1.31
KOREA EXCHANGE	3,007	1.29
Total	574,174	247.10
Same related party:		
Mr. Jin and its related parties	\$ 9,464	4.07
Mr. Lin and its related parties	9,135	3.93
Mr. Fang and its related parties	9,117	3.92
Mr. Lin and its related parties	9,079	3.91
Mr. Wu and its related parties	8,792	3.78
Mr. Chen and its related parties	8,104	3.49
Mr. Ding and its related parties	7,541	3.25
Mr. Huang and its related parties	7,234	3.11
Mr. Lin and its related parties	6,317	2.72
Mr. Chang and its related parties	5,066	2.18
Mr. Huang and its related parties	4,818	2.07
Mr. Chang and its related parties	4,811	2.07
Mr. Chang and its related parties	4,566	1.97
Mr. Chang and its related parties	4,061	1.75
Mr. Chang and its related parties	3,984	1.71
Mr. Yang and its related parties	3,610	1.55
Mr. Yang and its related parties	3,588	1.54
Mr. Yang and its related parties	3,583	1.54
Mr. Kuo and its related parties	3,376	1.45
Mr. Chen and its related parties	3,244	1.40
Mr. Chang and its related parties	3,165	1.36
Mr. Yang and its related parties	3,080	1.33
Mr. Wang and its related parties	3,066	1.32
Mr. Chen and its related parties	3,040	1.31
Total	131,841	56.73
Same affiliated company:		
Formosa Plastic Group	\$ 34,607	14.90
Far Eastern Group	28,683	12.35
CTBC Financial Holding Group	16,376	7.05
Cathay Holdings Group	14,249	6.13
Evergreen Group	11,841	5.10
China Steel Corporation Group	11,364	4.89
Shin Kong Group	10,786	4.64
China Development Group	10,611	4.57
Fubon Group	10,276	4.42
Yong Feng Yu Group	10,086	4.34

(Expressed In Millions of New Taiwan Dollars)
December 31, 2019

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same affiliated company:		
Taiwan Cement Group	\$ 9,348	4.02
Taiwan Semiconductor Group	9,142	3.93
HIGHWEALTH Group	7,988	3.44
Grand River D. Limited	7,647	3.29
Hua Nan Financial Holdings Group	7,323	3.15
Chailease Group	6,760	2.91
Cheng Shin Group	6,675	2.87
China Airlines Group	6,600	2.84
ASE Group	5,950	2.56
Yang Ming Marine Transport Group	5,699	2.45
Yulon Group	5,391	2.32
USI Group	5,183	2.23
Foxconn Technology Group	5,099	2.19
Mega Financial Holdings Group	4,475	1.93
Charoen Pokphand Group	4,306	1.85
CHANG CHUN Group	4,114	1.77
Lealea Group	4,104	1.77
Uni-President Enterprises Group	4,057	1.75
Taishin Financial Holdings Group	4,006	1.72
Radium Life Tech Group	3,963	1.71
Taiwan Broadband (TBC) Group	3,803	1.64
Royal Golden Eagle Group	3,715	1.60
BenQ Group	3,714	1.60
Vedan Group	3,653	1.57
LIEN JADE Construction Group	3,558	1.53
IBF Financial Holdings Group	3,550	1.53
Pegatron Group	3,465	1.49
Sinar Mas Group	3,408	1.47
First Financial Holdings Group	3,364	1.45
POU CHEN Group	3,113	1.34
Total	312,052	134.31
	\$ 1,018,067	438.14

(Expressed In Millions of New Taiwan Dollars)
December 31, 2018

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Central Government, R.O.C	\$ 120,269	54.92
Central Bank, R.O.C	108,902	49.73
Hon Hai Precision Ind. Co., Ltd.	18,193	8.31
Taiwan Semiconductor Manufacturing Co., Ltd.	10,032	4.58
Chailease Finance Co., Ltd.	9,207	4.20
Taiwan Mobile Co., Ltd.	9,198	4.20
Far Eastern New Century Corporation	9,002	4.11
Cathay Financial Holding Co., Ltd.	8,940	4.08
Allianz Global Investors GmbH	8,512	3.89
HSBC Bank (Taiwan) Limited	8,068	3.68
China Steel Corporation	7,722	3.53

(Expressed In Millions of New Taiwan Dollars)
December 31, 2018

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same individual:		
Highwealth Construction Corp.	\$ 7,260	3.31
CTBC Financial Holding Co., Ltd.	7,205	3.29
YangMing Marine Transport Corp.	6,891	3.15
Cheng Shin Rubber Ind., Co., Ltd.	6,760	3.09
Taiwan Power Company	6,373	2.91
Yuan Ding Investment Corp.	6,186	2.82
Dragon Steel Corporation	6,177	2.82
Taiwan Cement Corporation	6,059	2.77
China Airlines Ltd.	5,857	2.67
Shin Kong Financial Holding Co.,Ltd.	5,290	2.42
Nan Ya Plastics Corporation	5,141	2.35
Fubon Financial Holding Co., Ltd.	5,137	2.35
Taiwan Depository & Clearing Corporation	5,020	2.29
Formosa Plastics Corporation	5,013	2.29
Hua Nan Financial Holdings Co., Ltd.	4,889	2.23
Formosa Group (Cayman) Limited	4,843	2.21
EVA Airways Corporation	4,767	2.18
Shuohe Development Co., Ltd.	4,745	2.17
The Goldman Sachs Group, Inc.	4,621	2.11
JPMorgan Asset Management (Taiwan) Limited	4,556	2.08
Taiwan Futures Exchange	4,555	2.08
Far Eastone Telecommunications Co., Ltd.	4,143	1.89
USI Corporation	4,024	1.84
Chang Chun Petrochemical Co., Ltd.	4,008	1.83
Taipei Financial Center Corp.	3,954	1.81
China Development Financial Holding Corp.	3,776	1.72
Nomura Asset Management Taiwan Limited	3,769	1.72
The Export-Import Bank of the Republic of China	3,700	1.69
Wavely Logistics Limited., Taiwan Branch	3,500	1.60
Asia Cement Corporation,	3,414	1.56
Fidelity Securities Investment Trust	3,354	1.53
Rich Development Inc.	3,317	1.51
JP Morgan Chase & Co	3,276	1.50
Fina Finance & Trading Co., Ltd	3,264	1.49
Radium Life Tech Co., Ltd.	3,213	1.47
Evergreen Marine Corp.	3,019	1.38
Total	489,121	223.36
Same related party:		
Mr. Fang and its related parties	\$ 10,042	4.59
Mr. Wu and its related parties	9,172	4.19
Mr. Ding and its related parties	7,047	3.22
Mr. Lin and its related parties	6,194	2.83
Mr. Lin and its related parties	6,105	2.79
Mr. Lin and its related parties	6,096	2.78
Mr. Huang and its related parties	6,004	2.74
Mr. Chen and its related parties	5,524	2.52
Mr. Song and its related parties	4,806	2.19
Mr. Chen and its related parties	4,690	2.14
Mr. He and its related parties	4,597	2.10
Mr. Wei and its related parties	4,083	1.86

(Expressed In Millions of New Taiwan Dollars)
December 31, 2018

Name	Total of business credit, endorsements, or other transactions	Percentage of net value of the company (%)
Same related party:		
Mr. Chang and its related parties	\$ 3,958	1.81
Mr. Chang and its related parties	3,748	1.71
Mr. Chang and its related parties	3,604	1.65
Mr. Kuo and its related parties	3,588	1.64
Mr. Lin and its related parties	3,568	1.63
Mr. Yang and its related parties	3,455	1.58
Mr. Yang and its related parties	3,429	1.57
Mr. Yang and its related parties	3,424	1.56
Mr. Zhong and its related parties	3,222	1.47
Mr. Chen and its related parties	3,020	1.38
Total	109,376	49.95
Same affiliated company:		
Far Eastern Group	\$ 23,928	10.93
Foxconn Technology Group	22,706	10.37
Formosa Plastic Group	20,842	9.52
Fubon Group	17,402	7.95
China Steel Corporation Group	14,980	6.84
Cathay Holdings Group	14,608	6.67
Chailease Group	13,856	6.33
CTBC Financial Holding Group	10,271	4.69
Taiwan Semiconductor Group	10,070	4.60
Shin Kong Group	8,521	3.89
Evergreen Group	8,376	3.82
Yulon Group	7,478	3.41
Cheng Shin Group	7,375	3.37
HIGHWEALTH Group	7,370	3.37
Yang Ming Marine Transport Group	7,192	3.28
Taiwan Cement Group	7,118	3.25
Hua Nan Financial Holdings Group	6,839	3.12
China Development Group	6,267	2.86
China Airlines Group	5,974	2.73
CHANG CHUN Group	5,011	2.29
USI Group	4,525	2.07
Sinar Mas Group	4,352	1.99
Lealea Group	4,234	1.93
ASE Group	4,029	1.84
Taiwan Broadband (TBC) Group	3,777	1.72
RGE Group	3,539	1.62
Radium Life Tech Group	3,504	1.60
Vedan Group	3,482	1.59
Yong Feng Yu Group	3,396	1.55
BenQ Group	3,185	1.45
Uni-President Enterprises Group	3,001	1.37
Total	267,208	122.02
	\$ 865,705	395.33

(6) Significant impact arising from changes in government laws and regulations:

None.

(7) Information for discontinued operations:

None.

(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:

None.

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(11) Financial information by business segments

Information by business segments for the year ended December 31, 2019 is as follows:

(Expressed In Thousands of New Taiwan Dollars)

Item	Bank business	Securities business	Futures business	Insurance business	Other businesses	Consolidated
Net interest income (loss)	\$ 13,919,365	\$ 3,642,355	\$ 933,759	\$ 7,936,986	(\$ 299,546)	\$ 26,132,919
Net non-interest income	9,072,853	29,790,545	1,538,493	37,925,263	3,148,004	81,475,158
Net profit	22,992,218	33,432,900	2,472,252	45,862,249	2,848,458	107,608,077
(Provision) recovery for bad debt expenses, commitment and guarantee policy reserve	(1,066,650)	(277,015)	2,727	(11,750)	(6)	(1,352,694)
Net change in provisions for insurance liabilities	-	-	-	(42,443,850)	-	(42,443,850)
Operating expenses	(10,630,030)	(22,741,669)	(1,163,070)	(1,353,794)	(2,382,073)	(38,270,636)
Net income from continuing operations before income tax	11,295,538	10,414,216	1,311,909	2,052,855	466,379	25,540,897
Income tax (expense) benefits	(1,461,071)	(1,163,151)	(274,213)	348,781	(849,660)	(3,399,314)
Consolidated income (loss), net of tax	\$ 9,834,467	\$ 9,251,065	\$ 1,037,696	\$ 2,401,636	(\$ 383,281)	\$ 22,141,583

Information by business segments for the year ended December 31, 2018 is as follows:

Item	Bank business	Securities business	Futures business	Securities finance business	Insurance business	Other businesses	Consolidated
Net interest income (loss)	\$ 14,348,275	\$ 3,860,148	\$ 488,305	\$ 686,056	\$ 6,866,080	(\$ 312,702)	\$ 25,936,162
Net non-interest income	7,209,295	30,950,066	1,976,222	45,310	32,202,964	2,959,554	75,343,411
Net profit	21,557,570	34,810,214	2,464,527	731,366	39,069,044	2,646,852	101,279,573
(Provision) recovery for bad debt expenses, commitment and guarantee policy reserve	(666,380)	(101,023)	(89,136)	(2,004)	1,980	-	(856,563)
Net change in provisions for insurance liabilities	-	-	-	-	(36,767,111)	155,331	(36,611,780)
Operating expenses	(11,089,869)	(23,672,224)	(1,156,934)	(143,025)	(1,246,545)	(2,303,061)	(39,611,658)
Net income from continuing operations before income tax	9,801,321	11,036,967	1,218,457	586,337	1,057,368	499,122	24,199,572
Income tax (expense) benefits	(1,438,055)	(1,546,324)	(245,537)	(76,952)	361,283	(755,749)	(3,701,334)
Consolidated income (loss), net of tax	\$ 8,363,266	\$ 9,490,643	\$ 972,920	\$ 509,385	\$ 1,418,651	(\$ 256,627)	\$ 20,498,238

(12) Financial statements of the Company and condensed financial statements of its subsidiaries:

A. Yuanta Financial Holding Co., Ltd.

Yuanta Financial Holding Co., Ltd.
Individual Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	December 31, 2018	LIABILITIES AND EQUITY	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 7,499,264	\$ 6,536,303	Payables	\$ 6,225,431	\$ 5,468,073
Financial assets at fair value through other comprehensive income	24,490	22,178	Current income tax liabilities	3,916,397	3,150,049
Investment in bill and bonds under resale agreements	4,640,737	393,782	Bonds payable	24,900,000	26,750,000
Receivables - net	3,230,724	1,931,398	Liabilities reserve	36,116	39,608
Current income tax assets	319,823	808,780	Lease liability	104,393	-
Equity investments accounted for under the equity method - net	251,488,755	244,642,213	Other liabilities	2,014	10,786
Property and equipment - net	24,623	21,586	Total liabilities	<u>35,184,351</u>	<u>35,418,516</u>
Right-of-use assets - net	103,917	-	Equity		
Intangible assets - net	4,898	7,249	Common stock	116,706,115	116,862,325
Deferred income tax assets	41,833	34,125	Additional paid-in capital	37,402,480	37,200,416
Other assets - net	6,420	6,464	Retained earnings		
			Legal reserve	12,589,183	10,721,262
			Special reserve	6,549,234	6,549,234
			Undistributed earnings	50,565,092	42,843,847
			Other equity	8,389,029	5,006,084
			Treasury shares	-	(197,606)
			Total equity	<u>232,201,133</u>	<u>218,985,562</u>
Total assets	<u>\$ 267,385,484</u>	<u>\$ 254,404,078</u>	Total liabilities and equity	<u>\$ 267,385,484</u>	<u>\$ 254,404,078</u>

Yuanta Financial Holding Co., Ltd.
Individual Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the years ended December 31,	
	2019	2018
Revenues		
Share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 21,974,067	\$ 19,979,027
Gain on financial assets at fair value through profit or loss	1,076	974
Other revenues	88,067	150,747
	<u>22,063,210</u>	<u>20,130,748</u>
Expenses and losses		
Operating expenses	(836,662)	(751,302)
Other expenses and losses	(249,781)	(227,426)
	<u>(1,086,443)</u>	<u>(978,728)</u>
Income from continuing operations before income tax	20,976,767	19,152,020
Income tax expense	(531,259)	(472,812)
Net income	<u>20,445,508</u>	<u>18,679,208</u>
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss (net of tax)		
Gain (Loss) on remeasurements of defined benefit plans	3,903	(951)
Evaluation gains on investments in equity instruments measured at fair value through other comprehensive income	2,312	2,912
Share of other comprehensive income of 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	1,184,854	2,496,190
Components of other comprehensive income that will be reclassified to profit or loss (net of tax)		
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	1,934,933	(4,203,603)
Other comprehensive income (loss)	<u>3,126,002</u>	<u>(1,705,452)</u>
Total comprehensive income	<u>\$ 23,571,510</u>	<u>\$ 16,973,756</u>
Earnings per share (in dollars)		
Basic and diluted earnings per share	<u>\$ 1.75</u>	<u>\$ 1.59</u>

Yuanta Financial Holding Co., Ltd.
Individual Statement of Change in Equity
For the years ended December 31, 2019 and 2018
(Expressed In Thousands of New Taiwan Dollars)

	Retained Earnings					Other equity					Treasury shares	Total 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	Change in fair value of financial liability attributable to change in credit risk	Other comprehensive income on reclassification under the overlay approach		
For the year ended December 31, 2018												
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,694	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ -	\$ 7,085,896	(\$ 3,478)	\$ -	(\$ 1,136,953)	\$ 211,195,754
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	8,821,188	(7,085,896)	62,367	389,832	-	(840,831)
Balance, January 1, 2018 after adjustments	118,891,975	37,960,694	9,100,767	6,549,234	32,247,259	(2,527,962)	8,821,188	-	58,889	389,832	(1,136,953)	210,354,923
Appropriation of 2017 earnings												
Legal reserve	-	-	1,620,495	-	(1,620,495)	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	(6,492,536)
Net income for the year	-	-	-	-	18,679,208	-	-	-	-	-	-	18,679,208
Other comprehensive income (loss) for the year	-	-	-	-	(47,168)	118,493	(967,891)	-	(88,687)	(720,199)	-	(1,705,452)
Total comprehensive income (loss) for the year	-	-	-	-	18,632,040	118,493	(967,891)	-	(88,687)	(720,199)	-	16,973,756
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	(1,919,001)	(1,919,001)
Retirement of treasury share	(2,029,650)	(828,698)	-	-	-	-	-	-	-	-	2,858,348	-
Changes in ownership interest in subsidiaries	-	68,420	-	-	-	-	-	-	-	-	-	68,420
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	77,579	-	(77,579)	-	-	-	-	-
Balance, December 31, 2018	<u>\$ 116,862,325</u>	<u>\$ 37,200,416</u>	<u>\$ 10,721,262</u>	<u>\$ 6,549,234</u>	<u>\$ 42,843,847</u>	<u>(\$ 2,409,469)</u>	<u>\$ 7,775,718</u>	<u>\$ -</u>	<u>(\$ 29,798)</u>	<u>(\$ 330,367)</u>	<u>(\$ 197,606)</u>	<u>\$ 218,985,562</u>
For the year ended December 31, 2019												
Balance, January 1, 2019	\$ 116,862,325	\$ 37,200,416	\$ 10,721,262	\$ 6,549,234	\$ 42,843,847	(\$ 2,409,469)	\$ 7,775,718	\$ -	(\$ 29,798)	(\$ 330,367)	(\$ 197,606)	\$ 218,985,562
Effects of retrospective application and retrospective restatement	-	-	-	-	(95,849)	-	-	-	-	-	-	(95,849)
Balance, January 1, 2019 after adjustments	116,862,325	37,200,416	10,721,262	6,549,234	42,747,998	(2,409,469)	7,775,718	-	(29,798)	(330,367)	(197,606)	218,889,713
Appropriation of 2018 earnings												
Legal reserve	-	-	1,867,921	-	(1,867,921)	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(10,503,550)	-	-	-	-	-	-	(10,503,550)
Net income for the year	-	-	-	-	20,445,508	-	-	-	-	-	-	20,445,508
Other comprehensive income (loss) for the year	-	-	-	-	(132,001)	(1,118,917)	4,006,526	-	(6,932)	377,326	-	3,126,002
Total comprehensive income (loss) for the year	-	-	-	-	20,313,507	(1,118,917)	4,006,526	-	(6,932)	377,326	-	23,571,510
Changes in equity of associates and joint ventures accounted for using equity method	-	243,460	-	-	-	-	-	-	-	-	-	243,460
Retirement of treasury share	(156,210)	(41,396)	-	-	-	-	-	-	-	-	197,606	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(124,942)	-	124,942	-	-	-	-	-
Balance, December 31, 2019	<u>\$ 116,706,115</u>	<u>\$ 37,402,480</u>	<u>\$ 12,589,183</u>	<u>\$ 6,549,234</u>	<u>\$ 50,565,092</u>	<u>(\$ 3,528,386)</u>	<u>\$ 11,907,186</u>	<u>\$ -</u>	<u>(\$ 36,730)</u>	<u>\$ 46,959</u>	<u>\$ -</u>	<u>\$ 232,201,133</u>

Yuanta Financial Holding Co., Ltd.
Individual Statement of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed In Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2019	2018
<u>Cash Flows From Operating Activities</u>		
Profit before tax	\$ 20,976,767	\$ 19,152,020
Adjustment items		
Income and expense item		
Depreciation	43,954	8,277
Amortization	2,351	1,792
Interest expense	249,717	227,359
Interest income	(138,085)	(78,950)
Dividend income	-	(974)
Share of the gain of subsidiaries, associates and joint ventures accounted for using the equity method	(21,974,067)	(19,979,027)
Gain of property and equipment from disposal or retirement	(15)	(898)
Change in assets/liabilities relating to operating activities		
Decrease (increase) in receivables	11,299	(9,331)
Decrease (increase) in other assets	44	(590)
Increase in payables	64,286	109,717
Increase in liabilities reserve	411	454
(Decrease) increase in other liabilities	(8,772)	1,990
Interest received	141,731	75,078
Cash dividend received	11,768,509	13,159,163
Cash paid for interest	(254,603)	(338,414)
Income tax received (paid)	100,025	(252,904)
Net cash flows generated from operating activities	<u>10,983,552</u>	<u>12,074,762</u>
<u>Cash Flows From Investing Activities</u>		
Disposal (acquisition) of equity investments accounted for under the equity method	6,626,414	(1,000,000)
Acquisition of property and equipment	(12,917)	(7,584)
Disposal of property and equipment	1,570	1,295
Acquisition of intangible assets	-	(750)
Net cash flows generated from (used in) investing activities	<u>6,615,067</u>	<u>(1,007,039)</u>
<u>Cash Flows From Financing Activities</u>		
Decrease in commercial paper payable	-	(5,093,000)
(Repayment of bonds) Proceeds from issuing bonds	(1,850,000)	7,000,000
Cash dividends paid	(10,503,550)	(6,492,536)
Cost of treasury share purchase	-	(1,919,001)
Principal payment for lease liabilities	(35,153)	-
Net cash used in financing activities	<u>(12,388,703)</u>	<u>(6,504,537)</u>
Net increase in cash and cash equivalents	5,209,916	4,563,186
Cash and cash equivalents at beginning of year	<u>6,930,085</u>	<u>2,366,899</u>
Cash and cash equivalents at end of year	<u>\$ 12,140,001</u>	<u>\$ 6,930,085</u>
The components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheet	\$ 7,499,264	\$ 6,536,303
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	<u>4,640,737</u>	<u>393,782</u>
Cash and cash equivalents at end of year	<u>\$ 12,140,001</u>	<u>\$ 6,930,085</u>

B. Yuanta Commercial Bank

Yuanta Commercial Bank
Individual Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	December 31, 2018	LIABILITIES AND EQUITY	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 23,998,456	\$ 19,002,609	Due to Central Bank and other banks	\$ 13,107,028	\$ 22,047,274
Due from Central Bank and call loans to other banks	43,646,926	46,297,555	Financial liabilities at fair value through profit or loss	3,568,060	4,823,707
Financial assets at fair value through profit or loss	148,571,375	134,709,206	Bills and bonds sold under repurchase agreements	1,550,312	16,226,824
Financial assets at fair value through other comprehensive income	100,413,010	106,222,389	Payables	12,121,114	12,815,557
Investments in debt instruments at amortised cost- net	201,115,927	179,925,213	Current income tax liabilities	1,809,941	796,365
Bills and bonds purchased under resell agreements	5,310,000	-	Deposits and remittances	1,128,024,552	1,053,292,520
Receivables- net	23,504,234	26,168,202	Financial debentures payable	34,500,000	38,000,000
Current income tax assets	2,433,421	2,425,746	Other financial liabilities	6,714,309	10,762,290
Available-for-sale financial assets- net	533,632	868,288	Liabilities reserve	1,437,171	1,735,809
Bills discounted and loans- net	737,626,205	720,651,097	Lease reserve	2,537,997	-
Equity investments accounted for under the equity method- net	4,747,629	5,208,251	Deferred income tax liabilities	313,811	390,634
Other financial assets- net	77,553	6,003	Other liabilities	2,409,736	1,557,163
Property and equipment- net	12,415,059	12,290,864	Total liabilities	<u>1,208,094,031</u>	<u>1,162,448,143</u>
Right-of-use assets- net	10,573,282	-	Common stocks	73,940,390	73,940,390
Investment property- net	843,889	867,763	Additional paid-in capital	25,960,441	25,960,441
Intangible assets- net	10,592,029	10,807,589	Retained earnings	20,392,923	14,832,758
Deferred income tax assets	827,380	600,465	Other equity	1,580,565	917,525
Other assets - net	2,738,343	12,048,017	Total equity	<u>121,874,319</u>	<u>115,651,114</u>
Total assets	<u>\$ 1,329,968,350</u>	<u>\$ 1,278,099,257</u>	Total liabilities and equity	<u>\$ 1,329,968,350</u>	<u>\$ 1,278,099,257</u>

Yuanta Commercial Bank
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Interest income	\$ 21,904,151	96	\$ 22,304,036	103
Less: Interest expense	(8,904,730)	(39)	(8,786,722)	(40)
Net interest income	12,999,421	57	13,517,314	63
Net non-interest income	9,965,763	43	8,081,151	37
Net profit	22,965,184	100	21,598,465	100
Provision for bad debt expenses, commitment and guarantee policy reserve	(1,063,211)	(5)	(665,321)	(3)
Operating expenses	(10,405,832)	(45)	(10,916,495)	(51)
Income from continuing operations before income tax	11,496,141	50	10,016,649	46
Income tax expense	(1,449,911)	(6)	(1,409,049)	(6)
Net income	10,046,230	44	8,607,600	40
Other comprehensive income (loss) (net of tax)	275,488	1	(972,627)	(5)
Total comprehensive income	<u>\$ 10,321,718</u>	<u>45</u>	<u>\$ 7,634,973</u>	<u>35</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>1.36</u>	<u>\$</u>	<u>1.16</u>

C. Yuanta Securities

Yuanta Securities
Individual Condensed Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	(Restated) December 31, 2018	LIABILITIES AND EQUITY	December 31, 2019	(Restated) December 31, 2018
Current assets	\$ 292,848,201	\$ 276,140,162	Current liabilities	\$ 251,589,187	\$ 236,343,325
Financial assets at fair value			Bonds payable	8,500,000	-
through profit or loss-non-current	51,932	51,914	Liabilities reserve- non-current	57,457	-
Financial assets at fair value through			Lease liabilities- non-current	281,158	-
other comprehensive income			Deferred income tax liabilities	2,213,593	2,124,992
-non-current	6,560,055	5,762,178			
Equity investments accounted for			Other non-current liabilities	1,913,397	1,900,224
under the equity method	43,601,603	42,059,752	Total liabilities	<u>264,554,792</u>	<u>240,368,541</u>
Property and equipment	4,407,877	4,462,187	Common stocks	57,820,321	54,056,442
Right-of-use assets	487,129	-	Additional paid-in capital	543,931	1,858,215
Investment property	2,803,590	2,895,966	Retained earnings	36,254,140	38,352,498
Intangible assets	11,579,338	11,685,645	Other equity	5,903,689	1,169,937
Deferred income tax assets	558,400	570,631	Equity attributable to former owner		
Other non-current assets	2,178,748	1,666,520	of business combination under		
			common control	-	9,489,322
			Total equity	<u>100,522,081</u>	<u>104,926,414</u>
Total assets	<u>\$ 365,076,873</u>	<u>\$ 345,294,955</u>	Total liabilities and equity	<u>\$ 365,076,873</u>	<u>\$ 345,294,955</u>

Note: Yuanta Securities acquired all the shares of Yuanta Securities Finance on the settlement date, March 26, 2019. This equity transaction was a restructuring under common control and Yuanta Securities Finance was viewed as a consolidated entity from the beginning. Therefore, Yuanta Securities retrospectively restated its prior period financial statements to reflect this in accordance with the regulations.

Yuanta Securities
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Revenues	\$ 20,392,055	100	\$ 20,347,315	100
Service fee expense	(711,558)	(3)	(738,592)	(4)
Employee benefit expense	(6,466,286)	(32)	(6,200,988)	(31)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	2,224,174	11	2,560,116	13
Operating expenses	(5,447,126)	(27)	(5,398,523)	(26)
Income from continuing operations before income tax	9,991,259	49	10,569,328	52
Income tax expense	(972,740)	(5)	(1,177,920)	(6)
Net income	9,018,519	44	9,391,408	46
Other comprehensive income (net of tax)	1,483,822	8	1,422,165	7
Total comprehensive income	<u>\$ 10,502,341</u>	<u>52</u>	<u>\$ 10,813,573</u>	<u>53</u>
Earnings per share (in dollars)				
Profit attributable to owners of parent	\$	1.55	\$	1.54
Income attributable to former owner of business combination under common control		0.01		0.08
Basic and diluted earnings per share	<u>\$</u>	<u>1.56</u>	<u>\$</u>	<u>1.62</u>

Note: Yuanta Securities acquired all the shares of Yuanta Securities Finance on the settlement date, March 26, 2019. This equity transaction was a restructuring under common control and Yuanta Securities Finance was viewed as a consolidated entity from the beginning. Therefore, Yuanta Securities retrospectively restated its prior period financial statements to reflect this in accordance with the regulations.

D. Yuanta Futures

Yuanta Futures
Individual Condensed Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	December 31, 2018	LIABILITIES AND EQUITY	December 31, 2019	December 31, 2018
Current assets	\$ 68,897,983	\$ 68,078,674	Current liabilities	\$ 64,215,319	\$ 63,805,024
Financial assets at fair value through other comprehensive income			Non-current liabilities	78,209	83,202
-non-current	1,518,539	1,404,019	Total liabilities	<u>64,293,528</u>	<u>63,888,226</u>
Equity investments accounted for under the equity method	1,275,264	1,280,500	Common stocks	2,322,763	2,322,763
Property and equipment	581,807	590,324	Additional paid-in capital	940,976	940,976
Right-of-use assets	31,497	-	Retained earnings	4,296,129	3,776,318
Intangible assets	40,752	42,252	Other equity	<u>1,296,269</u>	<u>1,180,493</u>
Deferred income tax assets	25,074	23,995	Total equity	<u>8,856,137</u>	<u>8,220,550</u>
Other non-current assets	<u>778,749</u>	<u>689,012</u>	Total liabilities and equity	<u>\$ 73,149,665</u>	<u>\$ 72,108,776</u>
Total assets	<u>\$ 73,149,665</u>	<u>\$ 72,108,776</u>			

Yuanta Futures
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 2,738,631	100	\$ 3,431,314	100
Service fee expense	(490,177)	(17)	(626,282)	(18)
Employee benefit expense	(622,918)	(23)	(569,369)	(17)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	14,421	-	(3,783)	-
Operating expenses	(229,945)	(9)	(986,298)	(29)
Income from continuing operations before income tax	1,410,012	51	1,245,582	36
Income tax expense	(274,213)	(10)	(245,537)	(7)
Net income	1,135,799	41	1,000,045	29
Other comprehensive income (net of tax)	150,161	6	217,931	7
Total comprehensive income	<u>\$ 1,285,960</u>	<u>47</u>	<u>\$ 1,217,976</u>	<u>36</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>4.89</u>	<u>\$</u>	<u>4.31</u>

E. Yuanta Life

Yuanta Life
Individual Condensed Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	December 31, 2018	LIABILITIES AND EQUITY	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 11,355,663	\$ 7,997,359	Payables	\$ 1,920,881	\$ 1,130,124
Receivables	5,814,613	2,222,757	Current tax liabilities	21,553	10,377
Current income tax assets	2,918,818	2,332,481	Financial liabilities at fair value		
Financial assets at fair value			through profit or loss	758,053	2,243,400
through profit or loss	27,015,591	10,306,961	Insurance liabilities	262,820,740	220,670,625
Financial assets at fair value through			Foreign exchange reserve	600,869	893,568
other comprehensive income	36,975,454	23,851,051	Liabilities reserve	88,133	64,956
Financial assets at amortized cost	178,824,118	166,554,382	Lease liabilities	101,439	-
Other financial assets	3,700,000	9,400,000	Deferred income tax liabilities	452,517	39,099
Right-of-use assets	117,588	-	Other liabilities	2,734,675	1,525,571
Loans	6,786,381	6,208,918	Investment-linked insurance		
Reinsurance contract assets	903,608	580,130	products liabilities	1,935,363	1,787,652
Property and equipment	4,983,992	4,579,998	Total liabilities	<u>271,434,223</u>	<u>228,365,372</u>
Intangible assets	91,005	70,395			
Deferred income tax assets	768,845	711,848	Common stocks	9,735,695	9,624,045
Other assets	2,459,987	2,786,425	Retained earnings	1,796,821	1,020,297
Investment-linked insurance			Other equity	1,684,287	380,643
products assets	1,935,363	1,787,652	Total equity	<u>13,216,803</u>	<u>11,024,985</u>
Total assets	<u>\$ 284,651,026</u>	<u>\$ 239,390,357</u>	Total liabilities and equity	<u>\$ 284,651,026</u>	<u>\$ 239,390,357</u>

Yuanta Life
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)

Item	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 58,095,330	100	\$ 47,938,641	100
Operating costs	(55,990,576)	(96)	(46,623,111)	(97)
Operating expenses	(1,541,066)	(3)	(1,401,427)	(3)
Net operating income (loss)	563,688	1	(85,897)	-
Non-operating revenues and expenses	(2,935)	-	1,416	-
Income (loss) from continuing operations before income tax	560,753	1	(84,481)	-
Income tax benefit	348,781	1	361,283	1
Net income	909,534	2	276,802	1
Other comprehensive income (loss) (net of tax)	1,282,284	2	(2,318,978)	(5)
Total comprehensive income (loss)	<u>\$ 2,191,818</u>	<u>4</u>	<u>(\$ 2,042,176)</u>	<u>(4)</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>0.93</u>	<u>\$</u>	<u>0.31</u>

F. Yuanta Securities Investment Trust

Yuanta Securities Investment Trust
Individual Condensed Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

<u>ASSETS</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>LIABILITIES AND EQUITY</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets	\$ 3,864,863	\$ 3,482,196	Current liabilities	\$ 511,778	\$ 459,579
Financial assets at fair value through other comprehensive income	113,975	106,311	Deferred income tax liabilities	179,680	249,854
Equity investments accounted for under the equity method	329,553	112,548	Lease liability- non-current	12,526	-
Property and equipment	299,621	302,802	Other non-current liabilities	40,321	44,066
Intangible assets	768,551	768,551	Total liabilities	<u>744,305</u>	<u>753,499</u>
Prepaid pension cost	37,335	37,378	Common stocks	2,269,235	2,269,235
Deferred income tax assets	362	261	Additional paid-in capital	296,730	704
Right-of-use assets	12,638	-	Retained earnings	2,160,135	1,865,376
Other non-current assets	140,484	168,255	Other equity	96,977	89,488
Total assets	<u>\$ 5,567,382</u>	<u>\$ 4,978,302</u>	Total equity	<u>4,823,077</u>	<u>4,224,803</u>
			Total liabilities and equity	<u>\$ 5,567,382</u>	<u>\$ 4,978,302</u>

Yuanta Securities Investment Trust
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 2,827,268	100	\$ 2,538,278	100
Operating expenses	(1,277,114)	(45)	(1,166,702)	(46)
Operating profits	1,550,154	55	1,371,576	54
Non-operating revenues and expenses	(45,143)	(2)	(69,606)	(3)
Income from continuing operations				
before income tax	1,505,011	53	1,301,970	51
Income tax expense	(316,067)	(11)	(296,440)	(11)
Net income	1,188,944	42	1,005,530	40
Other comprehensive income (net of tax)	7,157	-	13,814	-
Total comprehensive income	<u>\$ 1,196,101</u>	<u>42</u>	<u>\$ 1,019,344</u>	<u>40</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$</u>	<u>5.24</u>	<u>\$</u>	<u>4.43</u>

G. Yuanta Asset Management

Yuanta Asset Management
Individual Condensed Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019	December 31, 2018	LIABILITIES AND EQUITY	December 31, 2019	December 31, 2018
Current assets	\$ 2,315,351	\$ 1,901,421	Current liabilities	\$ 55,310	\$ 1,139,721
Financial assets at fair value through other comprehensive income	35,817	37,370	Non-current liabilities	8,682	7,809
Property and equipment	2,103	625	Total liabilities	<u>63,992</u>	<u>1,147,530</u>
Right-of-use assets	3,572	-	Common stocks	3,000,000	1,000,000
Investment property	1,320,383	1,137,497	Additional paid-in capital	1,047	1,047
Intangible assets	96	209	Retained earnings	597,612	912,861
Deferred income tax assets	2,757	3,117	Other equity	<u>17,788</u>	<u>19,341</u>
Other non-current assets	<u>360</u>	<u>540</u>	Total equity	<u>3,616,447</u>	<u>1,933,249</u>
Total assets	<u>\$ 3,680,439</u>	<u>\$ 3,080,779</u>	Total liabilities and equity	<u>\$ 3,680,439</u>	<u>\$ 3,080,779</u>

Yuanta Asset Management
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 278,713	100	\$ 298,681	100
Operating expenses	(116,099)	(42)	(116,569)	(39)
Operating profits	162,614	58	182,112	61
Non-operating revenues and expenses	(9,415)	(3)	4,632	1
Income from continuing operations before income tax	153,199	55	186,744	62
Income tax expense	(29,166)	(10)	(32,829)	(11)
Net income	124,033	45	153,915	51
Other comprehensive (loss) income	(1,554)	(1)	28,746	10
Total comprehensive income	<u>\$ 122,479</u>	<u>44</u>	<u>\$ 182,661</u>	<u>61</u>

H. Yuanta Venture Capital

Yuanta Venture Capital
Individual Condensed Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

<u>ASSETS</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>LIABILITIES AND EQUITY</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets	\$ 1,730,749	\$ 1,545,964	Current liabilities	\$ 75,182	\$ 73,367
Financial assets at fair value through other comprehensive income	140,749	208,723	Lease liability- non-current	6,935	-
Equity investments accounted for under the equity method	851,388	850,992	Other non-current liabilities	2,500	1,800
Property and equipment	3,797	3,577	Total liabilities	84,617	75,167
Right-of-use assets	10,682	-	Common stocks	2,460,000	2,460,000
Deferred income tax assets	2,720	1,924	Additional paid-in capital	918	918
Other non-current assets	636	635	Retained earnings	182,505	34,318
Total assets	<u>\$ 2,740,721</u>	<u>\$ 2,611,815</u>	Other equity	12,681	41,412
			Total equity	2,656,104	2,536,648
			Total liabilities and equity	<u>\$ 2,740,721</u>	<u>\$ 2,611,815</u>

Yuanta Venture Capital
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 197,997	100	\$ 265,667	100
Operating expenses	(49,030)	(25)	(69,652)	(26)
Operating profits	148,967	75	196,015	74
Non-operating revenues and expenses	(110)	-	865	-
Income from continuing operations before income tax	148,857	75	196,880	74
Income tax (expense) benefit	(670)	-	23,981	9
Net income	148,187	75	220,861	83
Other comprehensive loss (net of tax)	(28,731)	(15)	(26,619)	(10)
Total comprehensive income	<u>\$ 119,456</u>	<u>60</u>	<u>\$ 194,242</u>	<u>73</u>

I. Yuanta Securities Investment Consulting

Yuanta Securities Investment Consulting
Individual Condensed Balance Sheets
December 31, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

<u>ASSETS</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>LIABILITIES AND EQUITY</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets	\$ 238,280	\$ 234,716	Current liabilities	\$ 109,384	\$ 86,356
Property and equipment	2,153	2,333	Non-current liabilities	11,183	25,685
Right-of-use assets	6,989	-	Total liabilities	<u>120,567</u>	<u>112,041</u>
Intangible assets	104	300	Common stocks	100,000	100,000
Deferred income tax assets	5,035	4,642	Additional paid-in capital	6,017	6,017
Other non-current assets	6,463	6,463	Retained earnings	<u>32,440</u>	<u>30,396</u>
			Total equity	<u>138,457</u>	<u>136,413</u>
Total assets	<u>\$ 259,024</u>	<u>\$ 248,454</u>	Total liabilities and equity	<u>\$ 259,024</u>	<u>\$ 248,454</u>

Yuanta Securities Investment Consulting
Individual Condensed Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Item	For the years ended December 31,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 205,341	100	\$ 204,125	100
Operating costs	(1,192)	(1)	(1,262)	(1)
Operating expenses	(201,875)	(98)	(204,163)	(100)
Operating income (loss)	2,274	1	(1,300)	(1)
Non-operating revenues and expenses	1,695	1	1,807	1
Income from continuing operations				
before income tax	3,969	2	507	-
Income tax (expense) benefit	(794)	-	749	1
Net income	3,175	2	1,256	1
Other comprehensive income (net of tax)	320	-	320	-
Total comprehensive income	\$ 3,495	2	\$ 1,576	1

(13) Profitability, asset quality, management information, and liquidity and market risk sensitivity of the Yuanta Group and its subsidiaries:

A. Profitability

(A) Yuanta Financial Holdings

Unit: %

		For the years ended December 31,	
		2019	2018
Return on total assets	Before tax	8.04	7.69
	After tax	7.84	7.50
Return on equity	Before tax	9.30	8.92
	After tax	9.06	8.70
Net profit margin ratio		93.73	93.85

(B) Yuanta Financial Holdings and its subsidiaries

		For the years ended December 31,	
		2019	2018
Return on total assets	Before tax	1.09	1.06
	After tax	0.94	0.90
Return on equity	Before tax	10.49	10.43
	After tax	9.09	8.83
Net profit margin ratio		20.58	20.24

(C) Yuanta Bank

		For the years ended December 31,	
		2019	2018
Return on total assets	Before tax	0.88	0.78
	After tax	0.77	0.67
Return on equity	Before tax	9.68	8.76
	After tax	8.46	7.52
Net profit margin ratio		43.75	39.85

(D) Yuanta Securities

		For the years ended December 31,	
		2019	2018 (Note 6)
Return on total assets	Before tax	2.81	3.04
	After tax	2.54	2.70
Return on equity	Before tax	9.73	10.77
	After tax	8.78	9.57
Net profit margin ratio		41.17	42.36

(E) Yuanta Life

		For the years ended December 31,	
		2019	2018
Return on total assets	Before tax	0.21	(0.04)
	After tax	0.35	0.13
Return on equity	Before tax	4.63	(0.73)
	After tax	7.50	2.40
Net profit margin ratio		43.27	21.02

Note 1: Return on total assets = Income (loss) before (after) income tax/average total assets.

Note 2: Return on equity = Income (loss) before (after) income tax / average equity.

Note 3: Net profit margin ratio = Income (loss) after income tax / net revenues.

Note 4: The term "Income (loss) before (after) income tax" represents net income (loss) 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: Calculated from the restated amount of Yuanta Securities as of December 31, 2018.

B. Information of Yuanta Bank is as follows:

(A) Non-performing loans and non-performing loan asset quality

Unit: In thousands of NT Dollars

Month / Year		December 31, 2019					December 31, 2018					
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	164,019	191,391,066	0.09%	2,584,108	1,575.49%	939,335	175,895,660	0.53%	2,665,875	283.80%	
	Unsecured loans	501,986	207,447,875	0.24%	5,249,983	1,045.84%	65,918	218,889,754	0.03%	4,671,512	7,086.85%	
Consumer banking	Residential mortgage loans	368,085	197,009,232	0.19%	2,971,664	807.33%	415,050	189,849,280	0.22%	2,879,961	693.88%	
	Cash card services	-	75,704	-	1,232	-	45	114,471	0.04%	1,698	3,773.33%	
	Small amount of credit loans	10,364	9,633,476	0.11%	118,764	1,145.93%	73,906	10,540,959	0.70%	168,060	227.40%	
	Others	Secured loans	133,599	151,571,107	0.09%	1,566,316	1,172.40%	241,161	145,108,656	0.17%	1,493,450	619.28%
		Unsecured loans	374	2,614,598	0.01%	26,440	7,069.52%	144	2,546,023	0.01%	25,679	17,832.64%
Gross loan business		1,178,427	759,743,058	0.16%	12,518,507	1,062.31%	1,735,559	742,944,803	0.23%	11,906,235	686.02%	

Month / Year		December 31, 2019					December 31, 2018				
		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		8,030	10,179,092	0.08%	144,648	1,801.34%	8,358	10,840,076	0.08%	171,832	2,055.90%
Without recourse factoring		9,529	5,713,936	0.17%	89,853	942.94%	-	6,799,757	-	87,253	-

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 Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognised as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

(B) Non-performing loans and overdue receivables exempted from reporting to the competent authority

Unit: In thousands of NT Dollars

	December 31, 2019		December 31, 2018	
	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)	72,658	38,457	106,237	52,718
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,048,749	351,372	1,171,921	355,916
Total	1,121,407	389,829	1,278,158	408,634

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 the Banking Bureau (1) Letter 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 the Banking Bureau (1) Letter No. 09700318940 of FSC dated September 15, 2008 and Banking Bureau (Fa) Letter No. 10500134790 of FSC dated September 20, 2016.

(BLANK)

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

Unit: In thousands of NT Dollars, %

December 31, 2019			
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	\$ 7,647,440	6.27
2	Group B–Air Transport	6,838,333	5.61
3	Group C–Iron and Steel Refining	4,966,679	4.08
4	Company D–Real Estate Leasing	4,240,000	3.48
5	Group E–Real Estate Development	3,788,718	3.11
6	Group F–Seasoning Manufacturing Industry	3,651,106	3.00
7	Company G–Trust, Funds and Similar Financial Entity	3,374,556	2.77
8	Group H–Footwear Manufacturing	3,096,718	2.54
9	Company I–Real Estate Development	2,792,000	2.29
10	Company J–Real Estate Development	2,352,000	1.93
December 31, 2018			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / Total equity
1	Company A–Real Estate Development	\$ 4,744,660	4.10
2	Company B–Real Estate Leasing	3,500,000	3.03
3	Group C–Seasoning Manufacturing Industry	3,482,500	3.01
4	Group D–Real Estate Development	3,423,370	2.96
5	Group E–Real Estate Development	3,325,750	2.88
6	Group F–Ocean Transportation	2,486,599	2.15
7	Company G–Real Estate Development	2,400,000	2.08
8	Company H–Activities of Head Offices	2,304,975	1.99
9	Company I–Non-official financing business	2,286,292	1.98
10	Company J–Other Non-classified Financial Service	2,151,310	1.86

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of enterprise group should be categorized and listed in total, and disclosed by “code” plus “industry type” (for example, company (or group) A – Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group should be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on the Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Reviews of Securities Listings”.

Note 3: Total amounts of credit extensions were various loans (including import negotiations, export negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, securities financing receivable, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue accounts), remittances purchased, advance accounts for factoring receivable, acceptances receivable, and guarantees receivable.

(D) Structure analysis of time to maturity

a. Structure analysis of time to maturity (NTD)

December 31, 2019

(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	1,177,368,232	212,461,663	96,801,947	111,373,738	68,851,661	98,122,374	589,756,849
Primary funds outflow upon maturity	1,386,693,818	39,506,197	79,894,457	175,283,414	180,788,224	261,628,984	649,592,542
Gap	(209,325,586)	172,955,466	16,907,490	(63,909,676)	(111,936,563)	(163,506,610)	(59,835,693)

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	1,128,952,271	215,626,744	103,410,040	100,722,266	67,907,473	108,165,393	533,120,355
Primary funds outflow upon maturity	1,329,554,314	54,274,575	106,875,212	187,721,546	202,462,798	317,793,649	460,426,534
Gap	(200,602,043)	161,352,169	(3,465,172)	(86,999,280)	(134,555,325)	(209,628,256)	72,693,821

b. Structure analysis of time to maturity (USD)

December 31, 2019

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	5,014,755	1,366,111	553,595	260,225	118,589	2,716,235
Primary funds outflow upon maturity	6,808,048	1,883,170	1,610,167	1,039,183	1,093,044	1,182,484
Gap	(1,793,293)	(517,059)	(1,056,572)	(778,958)	(974,455)	1,533,751

December 31, 2018

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	5,696,682	1,383,082	748,016	300,357	323,706	2,941,521
Primary funds outflow upon maturity	7,342,172	2,535,855	1,582,409	1,366,896	761,766	1,095,246
Gap	(1,645,490)	(1,152,773)	(834,393)	(1,066,539)	(438,060)	1,846,275

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

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

December 31, 2019

(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	757,680,494	42,519,810	20,976,127	225,721,404	1,046,897,835
Interest-rate-sensitive liabilities	297,608,065	546,615,749	115,852,297	39,182,811	999,258,922
Interest-rate-sensitive gap	460,072,429	(504,095,939)	(94,876,170)	186,538,593	47,638,913
Total equity					119,042,275
Ratio of interest-rate-sensitive assets to liabilities					104.77
Ratio of interest-rate-sensitive gap to equity					40.02

December 31, 2018

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	706,802,883	36,334,956	15,750,226	218,549,255	977,437,320
Interest-rate-sensitive liabilities	310,786,281	478,499,885	104,944,634	39,259,391	933,490,191
Interest-rate-sensitive gap	396,016,602	(442,164,929)	(89,194,408)	179,289,864	43,947,129
Total equity					112,918,052
Ratio of interest-rate-sensitive assets to liabilities					104.71
Ratio of interest-rate-sensitive gap to equity					38.92

Note 1: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head contingent assets and contingent liabilities office and domestic branches and overseas branches, excluding

Note 2: Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets - interest-rate-sensitive liabilities

Note 4: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities (refer to NTD denominated interest-rate-sensitive assets and interest-rate-sensitive liabilities)

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

December 31, 2019

(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	3,532,599	348,437	24,750	773,975	4,679,761
Interest-rate-sensitive liabilities	2,893,156	408,096	671,612	793,575	4,766,439
Interest-rate-sensitive gap	639,443	(59,659)	(646,862)	(19,600)	(86,678)
Total equity					86,290
Ratio of interest-rate-sensitive assets to liabilities					98.18
Ratio of interest-rate-sensitive gap to equity					(100.45)

December 31, 2018

(Expressed in Thousands of US Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	3,750,657	319,099	67,761	1,016,588	5,154,105
Interest-rate-sensitive liabilities	3,343,297	759,624	429,176	639,412	5,171,509
Interest-rate-sensitive gap	407,360	(440,525)	(361,415)	377,176	(17,404)
Total equity					84,277
Ratio of interest-rate-sensitive assets to liabilities					99.66
Ratio of interest-rate-sensitive gap to equity					(20.65)

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.

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 December 31, 2019	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	\$ 1,044,897 (Note)	-	\$ -	-	\$ -	\$ -
Yuanta Financial Holdings	Yuanta Bank	Subsidiary of Yuanta Financial Holdings	1,260,894 (Note)	-	-	-	-	-

Note: Income tax refundable arising from filing consolidated income tax returns which has been eliminated.

- E. Information regarding selling non-performing loans: None.
- F. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.
- G. Other material transaction items which were significant to the users of the financial statements: None.

(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)	Total		Percentage of ownership (%)
								Pro-forma share of ownership	Shares (In thousands)	
Yuanta Financial Holdings Co., Ltd.	Yuanta Securities Co., Ltd.	R.O.C	Securities brokerage, dealing, underwriting, financing and refinancing, futures business and raising and issuing derivative instruments	100	\$ 100,926,860	\$ 8,964,734	5,782,032	-	5,782,032	100
"	Yuanta Commercial Bank Co., Ltd	"	Banking	100	121,930,139	10,046,351	7,394,039	-	7,394,039	100
"	Yuanta Futures Co., Ltd.	"	Futures, futures managers, futures consultant, securities, securities trading assistance	68.65	6,641,395	778,390	159,467	-	159,467	68.65
"	Yuanta Life Co., Ltd.	"	Life insurance business	100	10,195,069	984,667	973,570	-	973,570	100
"	Yuanta Asset Management Co., Ltd.	"	Management of monetary debts of financial institutions	100	3,544,129	124,033	300,000	-	300,000	100
"	Yuanta Venture Capital Co., Ltd.	"	Venture capital business	100	2,656,104	148,188	246,000	-	246,000	100
"	Yuanta Securities Investment Consulting Co., Ltd.	"	Investment consulting on securities	100	138,457	3,175	10,000	-	10,000	100
"	Yuanta Securities Investment Trust Co., Ltd.	"	Investment trust	74.36	5,456,602	869,848	168,743	-	168,743	74.36
Yuanta Commercial Bank Co., Ltd.	Yuanta International Leasing Co., Ltd.	"	Lease businesses of personal property and real assets	100	108,402	-	10,000	-	10,000	100
"	Yuanta Savings Bank (Philippines)	Philippines	Deposit services	100	608,624	-	1,200,000	-	1,200,000	100
"	Yuanta Savings Bank (Korea)	Korea	Deposit services	100	4,030,603	-	13,516	-	13,516	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)	Total		Percentage of ownership (%)
								Pro-forma share of ownership	Shares (In thousands)	
Yuanta Securities Co., Ltd.	Yuanta Securities Asia Financial Services Limited	Bermuda	Investment holding	100	\$ 33,307,407	\$ -	290,909	-	290,909	100
"	Yuanta International Insurance Brokers Co., Ltd.	R.O.C	Insurance agent	100	261,575	-	500	-	500	100
"	Yuanta Securities Finance Co., Ltd.	R.O.C	Margin loans and short sales of securities	100	10,032,621	-	400,000	-	400,000	100
Yuanta Securities Asia Financial Services Limited	Yuanta Securities (B.V.I) Holding Co., Ltd.	British Virgin Islands	Investment holding	100	9,879	-	10	-	10	100
"	Yuanta Securities (Hong Kong) Limited	Hong Kong	Securities trading, futures trading, providing opinions on securities, providing opinions on futures contract, providing opinions on institutions' financing and providing assets management services	100	8,042,147	-	2,268,133	-	2,268,133	100
"	Yuanta Asia Investment (Hong Kong) Ltd.	Hong Kong	Securities trading, futures trading and providing assets management services	100	1,076,864	-	293,892	-	293,892	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	55.36	17,700,624	-	110,493	-	110,493	55.36

(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)	Total		Percentage of ownership (%)
								Pro-forma share of ownership	Shares (In thousands)	
Yuanta Securities Asia Financial Services Limited	Yuanta Hong Kong Holdings(Cayman) Co.,Ltd	Cayman Islands	Investment holding	100	\$ 340,200	\$ -	10,074	-	10,074	100
"	Yuanta Securities (UK) Co.,Ltd	U.K.	License in application	100	61,221	-	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, investment consulting; and derivate product fund management	99.99	4,919,871	-	450,000	-	450,000	99.99
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting	85.24	1,467,511	-	85,242	-	85,242	85.24
Yuanta Asia Investment (Hong Kong) Ltd.	Yuanta Asia Investment Ltd.	British Virgin Islands	Direct investments, venture capital funds, venture capital fund raising and management, investment consulting	100	1,033,567	-	35,000	-	35,000	100
Yuanta Securities Korea Co., Ltd	Yuanta Investment Co., Ltd.	Korea	Venture investment	100	1,464,742	-	6,401	-	6,401	100
"	Yuanta Financial (Hong Kong) Limited	Hong Kong	Investment holding	100	509,520	-	18,954	-	18,954	100
"	Woori Asset Management Corp.	Korea	Asset management	27.00	742,961	-	1,080	-	1,080	27.00

(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)	Total		Percentage of ownership (%)	
							Shares (In thousands)	Pro-forma share of ownership		
Yuanta Financial (Hong Kong) Limited	Yuanta Securities (Cambodia) Plc	Cambodia	Underwriting guidelines and financial advisory services	100	\$ 377,578	\$ -	12,500	-	12,500	100
Yuanta Securities (Hong Kong) Limited	Yuanta International Investment (Hong Kong) Ltd.	Hong Kong	Solicitation of financial products	100	239,541	-	50,000	-	50,000	100
"	Yuanta Finance (Hong Kong) Ltd.	"	Credit loans	100	213,722	-	50,000	-	50,000	100
"	Yuanta Investment Management (Cayman) Ltd.	Cayman Islands	Investment management	100	311,389	-	12,500	-	12,500	100
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting	14.76	254,381	-	14,758	-	14,758	14.76
"	PT Yuanta Sekuritas Indonesia	Indonesia	Securities trading and underwriting services	99.00	728,419	-	474	-	474	99.00
"	PT Yuanta Asset Management	"	Investment management	0.002	-	-	-	-	-	0.002
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	"	Investment management	99.998	111,255	-	51	-	51	99.998
Yuanta Venture Capital Co., Ltd.	Yuanta I Venture Capital Co.,Ltd.	R.O.C	Venture capital business	100	851,388	-	85,000	-	85,000	100
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Limited	Hong Kong	Financial services	100	988,723	-	34,000	-	34,000	100
"	SYF Information Limited	R.O.C	Information software and data processing services	100	286,541	-	35,000	-	35,000	100
SYF Information Limited	SYF Information (Samoa)	Samoa	Investment holding	100	145,028	-	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: None.
- D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: None.
- E. Information regarding receivables from related parties for which the amount exceeding \$300 million or 10% of Company's paid-in capital:

Creditor	Counterparty	Relationship	Accounts receivable from related party as of December 31, 2019	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuanta Bank	Yuanta Financial Holdings	Parent Company	\$ 2,282,925	-	\$ -	-	\$ -	\$ -
Yuanta Life	Yuanta Financial Holdings	Parent Company	2,599,526	-	-	-	-	-
Yuanta Securities	Yuanta Financial Holdings	Parent Company	781,612	-	-	-	-	-

F. Information regarding selling non-performing loans:

Transaction Company	Transaction date	Counterparty	Contents of right of claim	Carrying value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Bank	Note
Yuanta Savings Bank (Korea)	2019/1/30	LE Co., Ltd	Loans and Temporary Payments for Others	\$ 42,949	\$ 44,984	\$ 2,035	None	None	Note 1
Yuanta Savings Bank (Korea)	2019/5/30	JINSUNG Co., Ltd	Loans and Temporary Payments for Others	\$ 26,987	\$ 28,512	\$ 1,525	None	None	Note 2
Yuanta Savings Bank (Korea)	2019/9/16	JUNGWON PARTNERS Co., Ltd	Loans and Temporary Payments for Others	\$ 36,259	\$ 36,751	\$ 492	None	None	Note3
Yuanta International Leasing	2019/10/31	YU HSIN Development & Construction Co., Ltd.	Account Receivable	\$ 250,272	\$258,000	\$ 7,728	None	None	-

Note1: The carrying amount and the sale price of the loan was KRW 1,618,222 thousand and KRW 1,694,907 thousand, using the exchange rate of 1 KRW to 0.026541 NTD.

Note2: The carrying amount and the sale price of the loan was KRW 1,016,810 thousand and KRW 1,074,243 thousand, using the exchange rate of 1 KRW to 0.026541 NTD.

Note3: The carrying amount and the sale price of the loan was KRW 1,366,154 thousand and KRW 1,384,700 thousand, using the exchange rate of 1 KRW to 0.026541 NTD.

- G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.
- H. Other material transaction items which were significant to the users of the financial statements: None.

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	PT Yuanta Sekuritas Indonesia	Accounts receivable-related party	Yes	\$ 602,120	\$ 301,060	\$ 301,060	3.50%	Short-term loans	\$ -	Operation financing	\$ -	-	\$ -	\$ 33,327,396 (Note1)	\$ 33,327,396 (Note1)
2	Yuanta Securities Asia Finance Service	Yuanta Investment Management (Cayman)	Accounts receivable-related party	Yes	903,180	-	-	0.00%	Short-term loans	-	Operation financing	-	-	-	33,327,396 (Note1)	33,327,396 (Note1)
3	Yuanta Securities Asia Finance Service	Yuanta Securities (Thailand)	Accounts receivable-related party	Yes	3,161,130	3,161,130	-	0.00%	Short-term loans	-	Operation financing	-	-	-	33,327,396 (Note1)	33,327,396 (Note1)
4	Yuanta Securities Asia Finance Service	Yuanta Asia Investment	Accounts receivable-related party	Yes	752,650	-	-	0.00%	Short-term loans	-	Operation financing	-	-	-	33,327,396 (Note1)	33,327,396 (Note1)
5	Yuanta Securities Asia Finance Service	Yuanta Securities (Vietnam)	Accounts receivable-related party	Yes	1,204,240	903,180	541,908	3.14% ~ 3.25%	Short-term loans	-	Operation financing	-	-	-	33,327,396 (Note1)	33,327,396 (Note1)
6	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	406,431	-	-	0.00%	Short-term loans	-	Operation financing	-	-	-	340,200 (Note2)	340,200 (Note2)
7	PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Accounts receivable-related party	Yes	13,038	13,038	6,845	10.00%	Short-term loans	-	Operation financing	-	-	-	735,778 (Note3)	735,778 (Note3)

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 year ended December 31, 2019	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	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	\$ 20,104,416 (Note 1)	\$ 235,751	\$ 105,371	\$ -	\$ -	0.10%	\$ 40,208,833 (Note 1)	Yes	No	No	
2	Yuanta Securities	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	20,104,416 (Note 1)	3,024,795	1,006,595	100,910	-	1.00%	40,208,833 (Note 1)	Yes	No	No	
3	Yuanta Securities Asia Financial Service	Yuanta Securities (Hong Kong)	More than 50% common stock-directly-owned subsidiary	33,327,396 (Note 2)	1,505,300	-	-	-	0.00%	33,327,396 (Note 2)	Yes	No	No	
4	Yuanta Securities Asia Financial Service	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	33,327,396 (Note 2)	2,952,488	2,500,898	-	-	7.50%	33,327,396 (Note 2)	Yes	No	No	
5	Yuanta Securities Asia Financial Service	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	33,327,396 (Note 2)	297,662	86,920	-	-	0.26%	33,327,396 (Note 2)	Yes	No	No	
6	Yuanta Securities Asia Financial Service	Yuanta Securities (Vietnam)	More than 50% common stock-directly-owned subsidiary	33,327,396 (Note 2)	761,682	611,152	90,318	-	1.83%	33,327,396 (Note 2)	Yes	No	No	

Note 1: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", the ceiling on total loans granted and limit to loans granted to a single party by Yuanta Securities should not exceed 40% and 20% of net worth of the company's latest audited/reviewed financial statements, respectively.

Note 2: According to the Company's "Procedures for Provision of Endorsements and Guarantees", total endorsements and guarantees provided to others cannot exceed the net assets value in Yuanta Securities Asia Financial Services Ltd.'s latest financial statements audited or reviewed by an independent accountant.

K. Engagement in derivatives trading: Disclosure may be exempt for subsidiaries in the financial industry and insurance industry. Not applicable for all the other subsidiaries and indirect subsidiaries.

L. Securities held at the end of period:

(Expressed in Thousands of New Taiwan Dollars)
December 31, 2019

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)	Percentage of ownership			Note
					Book value	(%)	Market value	
Yuanta Securities Investment Trust	Beneficiary certificates:							
	Yuanta US 20+ Year AAA-A Corporate Bond ETF	The managing company of the fund	Financial assets at fair value through profit or loss	9	\$ 406	-	\$ 406	
	Yuanta MSCI China A ETF	"	"	9	184	-	184	
	Yuanta/P-shares MSCI Taiwan ETF	"	"	12	566	-	566	
	Yuanta/P-shares MSCI Taiwan Financials ETF	"	"	24	452	-	452	
	Yuanta S&P500	"	"	16	474	-	474	
	Yuanta S&P GSCI Gold ER Futures ETF	"	"	8	172	-	172	
	Yuanta/P-shares SSE50 ETF	"	"	21	710	-	710	
	Yuanta/P-shares Taiwan Mid-Cap 100 ETF	"	"	7	246	-	246	
	Yuanta/P-shares S&P Custom China Play 50	"	"	19	475	-	475	
	Yuanta/P-shares Taiwan Top 50 ETF	"	"	26	2,538	-	2,538	
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	7	230	-	230	
	Yuanta U.S. 20+ Year BBB Corporate Bond ETF	"	"	9	422	-	422	
	Yuanta U.S. Treasury 7-10 Year Bond ETF	"	"	11	445	-	445	
	Yuanta U.S. Treasury 20+ Year Bond ETF	"	"	1	30	-	30	
	Yuanta U.S. Treasury 1-3 Year Bond ETF	"	"	-	6	-	6	
	Yuanta/P-shares Taiwan Dividend Plus ETF	"	"	996	28,860	-	28,860	
	Yuanta/P-shares Taiwan GreTai 50 ETF	"	"	18	257	-	257	
	Yuanta/P-shares Taiwan Electronics Tech ETF	"	"	24	1,004	-	1,004	
	Yuanta EURO STOXX 50 ETF	"	"	15	393	-	393	
	Yuanta S&P GSCI Crude Oil ER Futures ETF	"	"	1	18	-	18	
	Yuanta US 10+ Investment Grade Utility Electric Power Bond ETF	"	"	205	8,794	-	8,794	
	Yuanta US 10+ Investment Grade Bank Bond ETF	"	"	505	22,215	-	22,215	
	Yuanta US 10+ Investment Grade Healthcare Bond ETF	"	"	512	22,464	-	22,464	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	"	"	30	552	-	552	
	Yuanta De- Bao Money Market Fund	"	"	8,294	100,058	-	100,058	

					December 31, 2019				
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)	Percentage of ownership			Note	
					Book value	(%)	Market value		
Yuanta Securities Investment Trust	Beneficiary certificates:								
	Yuanta De-Li Money Market Fund	The managing company of the fund	Financial assets at fair value through profit or loss	6,115	\$ 100,105	-	\$ 100,105		
	Yuanta Wan Tai Money Market Fund	"	"	6,579	100,023	-	100,023		
	Yuanta China Treasury + Policy Bank 3-5 Year Bond ETF	"	"	1	26	-	26		
	Yuanta Nikkei 225 ETF	"	"	1	17	-	17		
	Yuanta S&P US Dollar ER Futures ETF	"	"	1	13	-	13		
	Yuanta DJCI Silver ER Futures ETF	"	"	1	17	-	17		
	Yuanta FTSE4Good TIP Taiwan ESG ETF	"	"	1	27	-	27		
	Yuanta Global NextGen Communications ETF	"	"	8	164	-	164		
					<u>\$ 392,363</u>		<u>\$ 392,363</u>		
	Stocks:								
	Taiwan Futures Exchange	-	Financial assets at fair value through other comprehensive income	1,239	106,297	-	106,297		
	FundRich Securities Co. Ltd.	-	"	819	7,678	-	7,678		
					<u>\$ 113,975</u>		<u>\$ 113,975</u>		
	CR Yuanta Fund Management Company Limited	-	Long-term equity accounted for under the equity method	147,000	\$ 329,553	-	\$ 329,553		
Yuanta Asset Management	Stocks:								
	Taiwan Finance Corporation	-	Financial assets at fair value through other comprehensive income	828	\$ 7,299	0.16	\$ 7,299		
	Sunsino Venture Co., Ltd.	-	"	443	3,837	0.93	3,837		
	DaYeh Development Co., Ltd.	-	"	333	1,674	2.22	1,674		
	Chung Yi Development Co., Ltd.	-	"	2,278	91	6.63	91		
	Global Investment Holdings Co., LTD.	-	"	1,980	13,741	1.23	13,741		
	China Trade And Development Corporation	-	"	500	9,175	0.76	9,175		
					<u>\$ 35,817</u>		<u>\$ 35,817</u>		

				December 31, 2019				
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		Percentage of ownership		
				(In thousands)	Book value	(%)	Market value	Note
Yuanta Venture Capital	Stocks:							
	Gorilla Technology Group Inc.	-	Financial assets at fair value through profit or loss	95	\$ 17,205	0.84	\$ 17,205	Preferred stock B
	Tot Biopharm International Company Limited	-	"	14,127	240,295	2.48	240,295	
	CGK International Co., Ltd	-	"	877	11,654	2.39	11,654	
	Veden Dental Group	-	"	246	9,817	0.84	9,817	
	Throughtek Co.,Ltd	-	"	550	5,962	2.11	5,962	
	PlexBio Co., Ltd.	-	"	1,367	26,028	1.33	26,028	
	Taiwan J Pharmaceuticals Co., Ltd.	-	"	1,897	22,084	2.74	22,084	
	Phecda Technology Co. Ltd.	-	"	252	2,291	0.89	2,291	
	Long Diann Marine Bio Technology Co., Ltd.	-	"	4,300	13,072	11.78	13,072	
	MagV Co.,Ltd	-	"	2,145	4,891	12.69	4,891	
	Saultech Technology Co., Ltd.	-	"	899	57,471	4.51	57,471	
	Oriental System Technology Inc.	-	"	1,000	14,500	3.70	14,500	
	BRIM Biotechnology ,Inc.	-	"	3,500	34,055	5.95	34,055	
	Aprevent Medical, Inc.	-	"	394	3,091	2.32	3,091	
	Aprevent Medical, Inc.	-	"	1,808	40,944	10.67	40,944	Preferred stock B
	GenePharm Biotech Corp.	-	"	2,667	25,920	10.42	25,920	
	Great Dream Pictures, Inc.	-	"	2,000	4,740	19.96	4,740	
	Li Ling Film Co., Ltd.	-	"	1,666	20,192	2.78	20,192	
	Jing-Jan Retail Business Co., Ltd.	-	"	1,408	68,724	2.35	68,724	
	Jiin Yeeh Ding Enterprise Co., Ltd.	-	"	1,014	19,714	1.05	19,714	
	United Renewable Energy Co., Ltd.	-	"	908	5,336	0.04	5,336	private equity
	Enterex International Limited	-	"	1,953	33,494	1.76	33,494	
	Taiwan Chelic Corp. Ltd.	-	"	500	25,000	0.75	25,000	
	Jump Media International Co., Ltd.	-	"	906	6,632	3.20	6,632	
	Apollomics, Inc.	-	"	1,634	17,763	0.18	17,763	
	M3 Technology Inc.	-	"	2,687	54,143	7.32	54,143	
	Ever Supreme Bio Technology Co., Ltd.	-	"	1,755	282,959	3.13	282,959	

		December 31, 2019						
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)	Percentage of ownership			Note
					Book value	(%)	Market value	
Yuanta Venture Capital	Stocks:							
	Asia Pacific Venture Invest II L.P.	-	Financial assets at fair value through profit or loss	-	\$ 737	10.00	\$ 737	
	G. Marso Electronics, Inc.	-	"	300	-	1.38	-	
	Aide Engery Holdings Co., Ltd.	-	"	336	-	0.13	-	
	GCT Semiconductor Inc.	-	"	1,402	-	1.60	-	Preferred stock G
	Genlac Biotech International Corporation	-	"	3,400	144,806	4.00	144,806	
	ALLIED SUPREME CORP.	-	"	800	86,264	1.16	86,264	
	Powerchip Semiconductor Manufacturing Corp.	-	"	4,750	47,928	0.15	47,928	
					<u>\$ 1,347,712</u>		<u>\$ 1,347,712</u>	
	Yuanta I Venture Capital Co., Ltd.	Investee company accounted for under the equity method	Long-term equity accounted for under the equity method	85,000	<u>\$ 851,388</u>	100.00	<u>\$ 851,388</u>	
	Stocks:							
	Da Hwa Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	800	\$ 6,920	0.50	\$ 6,920	
	Li Ding Venture Capital Co., Ltd.	-	"	1,391	6,915	17.39	6,915	
	Prudence Capital Management	-	"	4,162	33,793	9.00	33,793	
	Ho Ding Venture Capital Co., Ltd.	-	"	590	1,009	10.00	1,009	
	Sheng Hwa Venture Capital Co., Ltd.	-	"	1,064	8,072	4.80	8,072	
	Lian Ding Venture Capital Co., Ltd.	-	"	1,050	8,620	15.00	8,620	
	HwaWei Shi Ji Venture Capital Co., Ltd.	-	"	225	4,194	10.00	4,194	
	Lian Xun San Venture Capital Co., Ltd.	-	"	10	424	10.00	424	
	Hwa Lu Venture Capital Co., Ltd.	-	"	261	21,180	8.70	21,180	
	Hwa Sheng Venture Capital Co., Ltd.	-	"	263	4,732	3.33	4,732	
	Sheng Yuan Venture Capital Co., Ltd.	-	"	1,680	17,035	9.88	17,035	
	Guan Hwa Venture Capital Co., Ltd.	-	"	276	1,907	5.56	1,907	
	Qi Ding Venture Capital Co., Ltd.	-	"	1,435	11,923	4.35	11,923	
	Zhong Jing He Global Venture Capital Co., Ltd.	-	"	317	3,056	5.56	3,056	

					December 31, 2019				
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)	Percentage of ownership			Note	
					Book value	(%)	Market value		
Yuanta Venture Capital	Stocks:								
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	455	\$ 4,938	10.00	\$ 4,938		
	Huiyang Venture Capital Co., Ltd.	-	"	67	<u>6,031</u>	2.46	<u>6,031</u>		
					<u>\$ 140,749</u>		<u>\$ 140,749</u>		
	Convertible corporate bond:								
	Alliance Developments Limited (Alliance CB1)	-	Financial assets at fair value through profit or loss - convertible corporate bonds		\$ 101,642	-	\$ 101,642		
	GTS Chemical Holdings Co., Ltd. (GTS Group CB1)	-	"		<u>-</u>	-	<u>-</u>		
					<u>\$ 101,642</u>		<u>\$ 101,642</u>		

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(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, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 4)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
Tot Biopharm International Company Limited	Pharmaceutical company specializes in cancer treatment	\$ 4,945,854 (USD 159,000)	(2) HONG KONG TOT BIO PHARM INTERNATIONAL COMPANY LIMITED	\$ 177,227	\$ -	\$ -	\$ 177,227	Note 5	2.99%	\$ -	\$ 177,227	\$ -
Jhong Shan Dong Yi Technology Co., Ltd.	Protection glass grinding and sales	248,848 (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	320,878 (HKD 83,000)	(2) CAYMAN ISLANDS VEDED 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, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 4)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
Jie Qun Electronic Technology (Dong Guan) Ltd.	Transistors	\$ 2,721,263 (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	861,636 (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, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
GC Investment Consultant (Shanghai)	Investment consultation	\$ 17,887 (RMB 4,138)	(3)	\$ -	\$ -	\$ -	\$ -	\$ 186	100.00%	In liquidation	\$ 21,914	\$ -

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, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					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 consulting service, economic and trade consulting service, marketing and planning, technical promotion and services	\$ 79,666 (RMB 18,428)	(2) Yuanta Securities Asia Financial Service	\$ -	\$ -	\$ -	\$ -	(\$ 8,375)	100.00%	(\$ 8,375) (2)b	\$ 22,441	\$ -

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, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
CR Yuanta Fund Management Company Limited	Fund raising and sale	\$ 2,593,800 (RMB 600,000)	(1)	\$ 705,666	\$ -	\$ -	\$ 705,666	(\$ 186,879)	24.50%	(\$ 80,819) (2)c	\$ 329,553	\$ -

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, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
SYF Information (Shanghai)	Computer software services	\$ 157,209 (RMB 33,080)	(2) SYF Information (Samoa)	\$ 157,209	\$ -	\$ -	\$ 157,209	(\$ 1,868)	100.00%	(\$ 1,868) (2)c	\$ 119,381	\$ -

B. Limitation on investment in Mainland China (Expressed in thousands of dollars)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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	\$ 307,231	\$ 349,260	\$ 1,593,662
GC Investment Consultant (Shanghai)	-	Note 6	Note 6
Yuanta Investment Consulting (Beijing)	-	91,973	60,313,249
Yuanta Securities Investment Trust	705,666	705,666	2,893,846
Yuanta Futures	157,209	174,000	5,313,682

Note: The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Venture Capital's net worth of \$2,656,104.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities's net worth of \$100,522,081.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities Investment Trust's net worth of \$4,823,077.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Futures's net worth of \$8,856,137.

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 year ended December 31, 2019' 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 Bank	1	Cash and cash equivalents	7,486,679	No significant difference from general customers	0.31%
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax assets	1,036,056	"	0.04%
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax liabilities	781,612	"	0.03%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax assets	1,255,910	"	0.05%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax liabilities	2,282,925	"	0.09%
0	Yuanta Financial Holdings	Yuanta Life	1	Current income tax liabilities	2,599,526	"	0.11%
0	Yuanta Financial Holdings	Yuanta Bank	1	Interest income	126,968	"	0.12%
0	Yuanta Financial Holdings	Yuanta Securities	1	Depreciation and amortization expenses	28,847	"	0.03%
0	Yuanta Financial Holdings	Yuanta Securities	1	Other business and administrative expenses	17,384	"	0.02%
1	Yuanta Securities	Yuanta Bank	3	Cash and cash equivalents	10,588,674	"	0.44%
1	Yuanta Securities	Yuanta Bank	3	Other assets-net	2,687,900	"	0.11%
1	Yuanta Securities	Yuanta Bank	3	Restricted assets - net	133,032	"	0.01%
1	Yuanta Securities	Yuanta Futures	3	Cash and cash equivalents	1,632,420	"	0.07%
1	Yuanta Securities	Yuanta Futures	3	Financial assets at fair value through profit or loss	1,832,057	"	0.07%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax assets	781,612	"	0.03%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax liabilities	1,036,056	"	0.04%
1	Yuanta Securities	Yuanta Financial Holdings	2	Gains on investment property	28,847	"	0.03%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net service fee and commission income	17,384	"	0.02%
1	Yuanta Securities	Yuanta Bank	3	Interest income	84,965	"	0.08%
1	Yuanta Securities	Yuanta Bank	3	Net non-interest income	114,466	"	0.10%
1	Yuanta Securities	Yuanta Bank	3	Gains on investment property	28,987	"	0.03%
1	Yuanta Securities	Yuanta Bank	3	Net service fee and commission income	10,990	"	0.01%
1	Yuanta Securities	Yuanta Futures	3	Net service fee and commission income	326,729	"	0.30%
1	Yuanta Securities	Yuanta Futures	3	Gains on investment property	20,439	"	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)
1	Yuanta Securities	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	174,832	"	0.16%
1	Yuanta Securities	Yuanta Investment Trust	3	Net non-interest income	58,750	"	0.05%
1	Yuanta Securities	Yuanta Investment Trust	3	Net service fee and commission income	7,077	"	0.01%
1	Yuanta Securities	Yuanta Life	3	Employee benefit expense	21,094	"	0.02%
1	Yuanta Securities	Yuanta International Insurance Brokers	1	Net non-interest income	220,658	"	0.21%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax assets	2,282,925	"	0.09%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax liabilities	1,255,910	"	0.05%
2	Yuanta Bank	Yuanta Savings Bank (Philippines)	1	Other assets-net	722,127	"	0.03%
2	Yuanta Bank	Yuanta Financial Holdings	2	Deposits and remittances	7,486,679	"	0.31%
2	Yuanta Bank	Yuanta Securities	3	Deposits and remittances	13,409,606	"	0.56%
2	Yuanta Bank	Yuanta Life	3	Deposits and remittances	2,040,219	"	0.08%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Deposits and remittances	2,307,874	"	0.10%
2	Yuanta Bank	Yuanta Investment Trust	3	Deposits and remittances	2,681,459	"	0.11%
2	Yuanta Bank	Yuanta Futures	3	Deposits and remittances	10,689,843	"	0.44%
2	Yuanta Bank	Yuanta Futures (Hong Kong)	3	Deposits and remittances	1,635,497	"	0.07%
2	Yuanta Bank	Yuanta I Venture Capital	3	Deposits and remittances	351,600	"	0.01%
2	Yuanta Bank	Yuanta HK Holdings (Cayman)	3	Deposits and remittances	313,102	"	0.01%
2	Yuanta Bank	Yuanta International Insurance Brokers	3	Deposits and remittances	287,105	"	0.01%
2	Yuanta Bank	Yuanta Financial Holdings	2	Interest expense	126,968	"	0.12%
2	Yuanta Bank	Yuanta Securities	3	Interest expense	84,965	"	0.08%
2	Yuanta Bank	Yuanta Futures	3	Interest expense	111,499	"	0.10%
2	Yuanta Bank	Yuanta Futures (Hong Kong)	3	Interest expense	41,701	"	0.04%

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 Investment Trust	3	Interest expense	17,405	"	0.02%
2	Yuanta Bank	Yuanta Life	3	Interest expense	19,429	"	0.02%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Interest expense	33,604	"	0.03%
2	Yuanta Bank	Yuanta Securities	3	Other business and administrative expenses	120,262	"	0.11%
2	Yuanta Bank	Yuanta Securities	3	Depreciation and amortization expenses	23,311	"	0.02%
2	Yuanta Bank	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	12,476	"	0.01%
2	Yuanta Bank	Yuanta Securities	3	Net service fee and commission income	10,870	"	0.01%
2	Yuanta Bank	Yuanta Life	3	Net service fee and commission income	809,000	"	0.75%
2	Yuanta Bank	Yuanta Life	3	Employee benefit expense	19,129	"	0.02%
3	Yuanta Futures	Yuanta Securities (Hong Kong)	3	Other financial liability	184,753	"	0.01%
3	Yuanta Futures	Yuanta Securities	3	Other financial liability	3,464,477	"	0.14%
3	Yuanta Futures	Yuanta Bank	3	Cash and cash equivalents	853,600	"	0.03%
3	Yuanta Futures	Yuanta Bank	3	Other financial assets-net	9,686,343	"	0.40%
3	Yuanta Futures	Yuanta Bank	3	Other assets-net	149,900	"	0.01%
3	Yuanta Futures	Yuanta Securities	3	Net service fee and commission income	326,729	"	0.30%
3	Yuanta Futures	Yuanta Securities	3	Depreciation and amortization expenses	20,439	"	0.02%
3	Yuanta Futures	Yuanta Bank	3	Interest income	111,499	"	0.10%
4	Yuanta Life	Yuanta Financial Holdings	2	Current income tax assets	2,599,526	"	0.11%
4	Yuanta Life	Yuanta Bank	3	Cash and cash equivalents	2,040,219	"	0.08%
4	Yuanta Life	Yuanta Bank	3	Interest income	19,429	"	0.02%
4	Yuanta Life	Yuanta International Insurance Brokers	3	Net service fee and commission income	562,473	"	0.52%
4	Yuanta Life	Yuanta Bank	3	Net service fee and commission income	809,000	"	0.75%

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 Bank	3	Net income from insurance operations	19,129	"	0.02%
4	Yuanta Life	Yuanta Securities	3	Net income from insurance operations	21,094	"	0.02%
5	Yuanta Securities Investment Consulting	Yuanta Securities	3	Consultation service income	174,832	"	0.16%
5	Yuanta Securities Investment Consulting	Yuanta Bank	3	Consultation service income	12,476	"	0.01%
6	Yuanta Investment Trust	Yuanta Bank	3	Cash and cash equivalents	2,681,459	"	0.11%
6	Yuanta Investment Trust	Yuanta Bank	3	Interest income	17,405	"	0.02%
6	Yuanta Investment Trust	Yuanta Securities	3	Net service fee and commission income	31,467	"	0.03%
6	Yuanta Investment Trust	Yuanta Securities	3	Other business and administrative expenses	34,360	"	0.03%
7	Yuanta I Venture Capital	Yuanta Bank	3	Cash and cash equivalents	351,600	"	0.01%
8	Yuanta Securities (Hong Kong)	Yuanta Futures	3	Financial assets at fair value through profit or loss	184,753	"	0.01%
8	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other assets-net	685,668	"	0.03%
8	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Cash and cash equivalents	1,622,206	"	0.07%
8	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Interest income	33,604	"	0.03%
8	Yuanta Securities (Hong Kong)	Yuanta Investment (Hong Kong)	3	Securities purchased under resell agreements	580,913	"	0.02%
8	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Securities purchased under resell agreements	1,526,522	"	0.06%
8	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Interest income	104,664	"	0.10%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Financial assets at fair value through profit or loss	2,737,123	"	0.11%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Receivables – net	736	"	0.00%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Equity investments accounted for under the equity method – net	317,026	"	0.01%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Share of the profit or loss of associates and joint ventures accounted for using the equity method	28,407	"	0.03%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Net non-interest income	39,489	"	0.04%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Interest income	136,053	"	0.13%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Exchange differences on translation of foreign financial statements	56,267	"	0.05%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Non-controlling interests	182,456	"	0.01%
9	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Non-controlling interests profit	21,658	"	0.02%
10	Yuanta Savings Bank (Philippines)	Yuanta Bank	2	Other liabilities	722,127	"	0.03%
11	Yuanta HK Holdings (Cayman)	Yuanta Bank	3	Cash and cash equivalents	313,102	"	0.01%
12	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Bonds payable	2,778,233	"	0.12%
12	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Additional paid-in capital	553,770	"	0.02%
12	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Payables	1,094	"	0.00%
12	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Interest expense	186,118	"	0.17%

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 Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	1,526,522	"	0.06%
13	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Financial costs	104,664	"	0.10%
14	Yuanta International Insurance Brokers	Yuanta Bank	3	Cash and cash equivalents	287,105	"	0.01%
14	Yuanta International Insurance Brokers	Yuanta Life	3	Net service fee and commission income	562,473	"	0.52%
14	Yuanta International Insurance Brokers	Yuanta Securities	2	Other business and administrative expenses	220,658	"	0.21%
15	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Cash and cash equivalents	552,206	"	0.02%
15	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Other financial assets-net	1,083,291	"	0.05%
15	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Interest income	41,701	"	0.04%
16	Yuanta Investment (Hong Kong)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	580,913	"	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 year ended December 31, 2019

	Banking	Securities	Futures	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 22,992,218	\$ 33,432,900	\$ 2,472,252	\$ 45,862,249	\$ 2,848,458	\$ -	\$ 107,608,077
Revenue (loss) from transactions with other operating segments of the same entity	379,331	876,273	126,982	(1,180,899)	497,335	(699,022)	-
Net revenues (Note)	23,371,549	34,309,173	2,599,234	44,681,350	3,345,793	(699,022)	107,608,077
(Provision) recovery for bad debt expenses, commitment and guarantee policy reserve	(1,066,650)	(277,015)	2,727	(11,750)	(6)	-	(1,352,694)
Net change in provisions for insurance liabilities	-	-	-	(42,592,049)	-	148,199	(42,443,850)
Operating expenses	(10,797,597)	(22,855,745)	(1,191,949)	(1,516,798)	(2,481,189)	572,642	(38,270,636)
Income (loss) from continuing operations before income tax	\$ 11,507,302	\$ 11,176,413	\$ 1,410,012	\$ 560,753	\$ 864,598	\$ 21,819	\$ 25,540,897

For the year ended December 31, 2018

	Banking	Securities	Futures	Securities finance	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 21,557,570	\$ 34,810,214	\$ 2,464,527	\$ 731,366	\$ 39,069,044	\$ 2,646,852	\$ -	\$ 101,279,573
Revenue (loss) from transactions with other operating segments of the same entity	440,264	775,127	56,476	11,115	(985,012)	646,447	(944,417)	-
Net revenues (Note)	21,997,834	35,585,341	2,521,003	742,481	38,084,032	3,293,299	(944,417)	101,279,573
(Provision) recovery for bad debt expenses, commitment and guarantee policy reserve	(666,380)	(101,023)	(89,136)	(2,004)	1,980	-	-	(856,563)
Net change in provisions for insurance liabilities	-	-	-	-	(36,767,111)	-	155,331	(36,611,780)
Operating expenses	(11,285,799)	(23,851,231)	(1,186,285)	(160,448)	(1,403,382)	(2,303,061)	578,548	(39,611,658)
Income (loss) from continuing operations before income tax	\$ 10,045,655	\$ 11,633,087	\$ 1,245,582	\$ 580,029	(\$ 84,481)	\$ 990,238	(\$ 210,538)	\$ 24,199,572

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

(3) Information on products and services

Information on products and services of Yuanta Group is consistent with the measurement of segment information.

(4) Geographical information

Geographical revenue information of Yuanta Group is as follows:

	For the years ended December 31,	
	2019	2018
R.O.C.	\$ 92,766,683	\$ 84,879,962
South Korea	11,322,090	13,056,573
Others	3,519,304	3,343,038
	<u>\$ 107,608,077</u>	<u>\$ 101,279,573</u>

(5) Major customer information

There is no requirement for additional disclosure because no single customer accounted for 10% or more of the Yuanta Group's operating revenues.

(BLANK)