

**YUANTA FINANCIAL HOLDINGS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2019 AND 2018**

PWCR19000078

REPORT OF INDEPENDENT ACCOUNTANTS

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 June 30, 2019, December 31, 2018 and June 30, 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2019 and 2018, 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 June 30, 2019, December 31, 2018 and June 30, 2018, its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Insurance Companies”, and International Accounting Standards 34, “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional 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; for critical accounting estimates and assumption uncertainty of expected credit loss on bills discounted and loans, please refer to Note 5; for the details on bills discounted and loans, please refer to Note 6(9). Total bills discounted and loans (including adjustment for premium or discount) and the allowance for credit losses, arising from Yuanta Commercial Bank Co., Ltd. of Yuanta Group, as at June 30, 2019, were NTD 746,853,897 thousand and NTD 11,595,137 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 June 30, 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 stocksDescription

For the accounting policy of unlisted stocks (accounted under financial assets at fair value through other comprehensive income), please refer to Note 4; for critical accounting estimates and assumption uncertainty of the fair value of unlisted stocks, please refer to Note 5; for the details on unlisted stocks, please refer to Note 6(4). The carrying amount of the financial assets at fair value through other comprehensive income – unlisted stocks as at June 30, 2019, was NTD 18,323,115 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 goodwillDescription

For the accounting policy of the impairment assessment of goodwill (intangible assets), please refer to Note 4; for the critical accounting estimates and assumption uncertainty of impairment assessment of goodwill, please refer to Note 5; for the details on goodwill, please refer to Note 6(17). Goodwill after accumulated impairment as at June 30, 2019, was NTD 30,046,692 thousand.

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

How our audit addressed the matter

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

Reserves for policy benefit and adequacy of insurance liabilities

Description

For the accounting policy of reserve for policy benefit and adequacy of insurance liabilities, please refer to Note 4; for critical accounting estimates and assumption uncertainty of adequacy of insurance liabilities, please refer to Note 5; for the details on insurance liabilities, please refer to Note 6(26). Reserve for policy benefit under insurance liabilities as at June 30, 2019, was NTD 235,640,942 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 differences, then related documents and explanations with regard to Yuanta Life Insurance Co, Ltd. were obtained; also, current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumptions. Furthermore, the actuarial specialist assisted us in referencing current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts; confirming the accuracy of the cash flow model through independent sample testing; recalculating the current estimates of future cash flows using the overall cash flow and discount rates assumptions provided by Yuanta Life Insurance Co., Ltd.; comparing the carrying amount of insurance liabilities to the current estimate of future cash flows from insurance contracts.

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

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

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

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

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

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


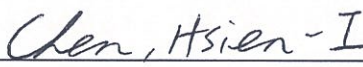
As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

August 28, 2019

The accompanying 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 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.

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

	ASSETS	Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 64,414,664	3	\$ 65,535,411	3	\$ 54,871,306	2
11500	Due from Central Bank and call loans to other banks	6(2)	47,655,107	2	48,216,712	2	47,725,861	2
12000	Financial assets at fair value through profit or loss	6(3)	488,086,000	20	473,939,209	21	506,296,778	22
12150	Financial assets at fair value through other comprehensive income – net	6(4)	241,184,081	10	215,135,236	9	237,859,597	10
12200	Investments in debt instruments at amortised cost – net	6(5)	364,937,536	15	352,906,087	15	327,710,205	14
12500	Investments in bills and bonds under resale agreements	6(6)	36,248,175	2	33,465,734	2	32,290,897	2
13000	Receivables – net	6(7)	190,749,778	8	143,272,794	6	183,709,403	8
13200	Current income tax assets		928,674	-	1,485,363	-	813,450	-
13300	Assets held for sale – net	6(8)	702,368	-	868,288	-	-	-
13500	Bills discounted and loans – net	6(9)	759,509,328	32	770,905,662	34	755,338,054	33
13700	Reinsurance contract assets – net	6(10)	776,284	-	580,130	-	393,210	-
15000	Equity investments accounted for under the equity method – net	6(11)	2,062,871	-	2,048,491	-	1,759,805	-
15100	Restricted assets – net		2,687,948	-	2,622,711	-	2,415,060	-
15500	Other financial assets – net	6(12)	66,136,107	3	62,025,243	3	47,562,572	2
18000	Investment property – net	6(13)	5,020,436	-	4,916,691	-	5,020,898	-
18500	Property and equipment – net	6(14)	21,931,739	1	21,871,922	1	22,512,240	1
18600	Right-of-use assets, net	6(15)	13,609,826	1	-	-	-	-
19000	Intangible assets – net	6(17)	33,298,557	1	33,669,889	2	35,496,412	2
19300	Deferred income tax assets		5,550,458	-	5,899,187	-	5,847,685	-
19500	Other assets – net	6(18)	44,394,975	2	47,769,165	2	40,984,743	2
	TOTAL ASSETS		<u>\$ 2,389,884,912</u>	<u>100</u>	<u>\$ 2,287,133,925</u>	<u>100</u>	<u>\$ 2,308,608,176</u>	<u>100</u>

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

LIABILITIES AND EQUITY		Notes	June 30, 2019		December 31, 2018		June 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
21000	Due to Central Bank and other banks	6(20)	\$ 15,070,378	1	\$ 22,047,274	1	\$ 25,545,134	1
22000	Financial liabilities at fair value through profit or loss	6(3)	113,119,564	5	111,982,799	5	109,478,792	5
22500	Bills and bonds payable under repurchase agreements	6(6)	205,915,020	9	218,570,425	10	208,166,030	9
22600	Commercial paper payable – net	6(21)	53,998,787	2	36,269,123	2	68,853,418	3
23000	Payables	6(22)	182,467,651	8	147,690,035	6	173,703,330	7
23200	Current income tax liabilities		5,376,607	-	5,327,403	-	5,034,944	-
23500	Deposits and remittances	6(23)	1,041,775,921	44	1,020,615,296	45	1,037,092,446	45
24000	Bonds payable	6(24)	72,635,911	3	66,756,009	3	60,418,764	3
24400	Other borrowings	6(25)	65,636,672	3	64,019,801	3	71,266,194	3
24600	Liabilities reserve	6(26)						
		(27)	249,403,808	10	232,223,123	10	208,595,746	9
25500	Other financial liabilities	6(28)	83,602,768	3	79,276,919	3	69,524,927	3
26000	Lease liabilities		5,739,297	-	-	-	-	-
29300	Deferred income tax liabilities		3,633,765	-	3,705,743	-	3,921,548	-
29500	Other liabilities	6(29)	48,923,442	2	41,806,215	2	38,948,179	2
	TOTAL LIABILITIES		<u>2,147,299,591</u>	<u>90</u>	<u>2,050,290,165</u>	<u>90</u>	<u>2,080,549,452</u>	<u>90</u>
31000	Equity attributable to owners of the parent company							
31100	Share capital							
31101	Common stock	6(30)	116,862,325	5	116,862,325	5	118,202,325	5
31500	Additional paid-in capital	6(31)	37,200,474	2	37,200,416	2	37,710,996	2
32000	Retained earnings							
32001	Legal reserve	6(32)	12,589,183	-	10,721,262	-	10,721,262	-
32003	Special reserve	6(32)	6,549,234	-	6,549,234	-	6,549,234	-
32011	Undistributed earnings	6(33)	41,361,336	2	42,843,847	2	35,236,348	2
32500	Other equity							
32500	Other equity interest	6(34)	10,300,563	-	5,006,084	-	4,541,001	-
32600	Treasury shares	6(35)	(197,606)	-	(197,606)	-	(2,116,607)	-
39500	Non-controlling interests		17,919,812	1	17,858,198	1	17,214,165	1
	TOTAL EQUITY		<u>242,585,321</u>	<u>10</u>	<u>236,843,760</u>	<u>10</u>	<u>228,058,724</u>	<u>10</u>
	TOTAL LIABILITIES AND EQUITY		<u>\$ 2,389,884,912</u>	<u>100</u>	<u>\$ 2,287,133,925</u>	<u>100</u>	<u>\$ 2,308,608,176</u>	<u>100</u>

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

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

Items	Notes	For the three months ended June 30,				For the six months ended June 30,			
		2019		2018		2019		2018	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
41000 Interest income		\$ 10,360,452	42	\$ 10,144,826	39	\$ 20,612,796	42	\$ 19,678,948	40
51000 Less: Interest expense		(3,913,327)	(16)	(3,518,594)	(13)	(7,841,753)	(16)	(6,859,690)	(14)
49600 Net interest income	6(36)	<u>6,447,125</u>	<u>26</u>	<u>6,626,232</u>	<u>26</u>	<u>12,771,043</u>	<u>26</u>	<u>12,819,258</u>	<u>26</u>
Net non-interest income									
49310 Realised gains on financial assets at fair value through other comprehensive income	6(4)	591,077	2	362,962	2	781,991	2	821,531	2
49450 Net gains arising from derecognition of financial assets measured at amortised cost	6(5)	137,438	1	45,003	-	698,442	1	210,468	-
49800 Net service fee and commission income	6(37)	4,562,806	18	6,534,844	25	8,914,110	18	12,634,988	25
49810 Net income from insurance operations	6(38)	8,065,578	33	6,729,179	26	16,445,910	33	13,207,699	26
49820 Gains (losses) on financial assets and financial liabilities at fair value through profit or loss	6(39)	2,405,050	10	(1,267,940)	(5)	4,788,908	10	5,410,751	11
49825 Gains on investment property		51,355	-	228,463	1	134,677	-	264,587	1
49870 Foreign exchange losses		1,609,220	6	6,051,684	23	3,117,528	6	2,346,339	5
49880 Asset impairment (losses) gains	6(40)	(440)	-	18,223	-	1,260	-	18,002	-
49890 Share of the profit or loss of associates and joint ventures accounted for using the equity method	6(11)	(474)	-	(22,877)	-	14,582	-	(30,716)	-
49895 (Losses) gains on reclassification under the overlay approach	6(3)	(339,730)	(1)	4,054	-	(958,634)	(2)	423,491	1
49921 Net gains on sale of non-performing loans		55,954	-	66,992	-	129,031	-	126,280	-
49945 Consultation service income		691,863	3	598,292	2	1,625,063	3	1,207,985	2
49999 Net other miscellaneous income (expense)	6(41)	411,832	2	(75,772)	-	1,220,475	3	546,456	1
49700 Total net non-interest income		<u>18,241,529</u>	<u>74</u>	<u>19,273,107</u>	<u>74</u>	<u>36,913,343</u>	<u>74</u>	<u>37,187,861</u>	<u>74</u>
Net profit		<u>24,688,654</u>	<u>100</u>	<u>25,899,339</u>	<u>100</u>	<u>49,684,386</u>	<u>100</u>	<u>50,007,119</u>	<u>100</u>
58100 Provision for bad debt expenses, commitment and guarantee policy reserve	6(42)	35,595	-	(426,038)	(2)	(125,209)	-	(724,181)	(2)
58300 Net change in provisions for insurance liabilities	6(26)	(8,453,428)	(34)	(7,110,374)	(27)	(16,836,558)	(34)	(13,545,542)	(27)
Operating expenses									
58501 Employee benefit expense	6(43)	(5,743,351)	(23)	(6,352,344)	(25)	(11,513,171)	(23)	(12,766,436)	(25)
58503 Depreciation and amortization	6(44)	(777,851)	(3)	(578,282)	(2)	(1,704,519)	(4)	(1,155,675)	(2)
58599 Other business and administrative expenses	6(45)	(2,837,933)	(12)	(3,432,867)	(13)	(5,659,984)	(11)	(6,769,344)	(14)
58500 Total Operating Expenses		<u>(9,359,135)</u>	<u>(38)</u>	<u>(10,363,493)</u>	<u>(40)</u>	<u>(18,877,674)</u>	<u>(38)</u>	<u>(20,691,455)</u>	<u>(41)</u>
61000 Consolidated income from continuing operations before income tax		<u>6,911,686</u>	<u>28</u>	<u>7,999,434</u>	<u>31</u>	<u>13,844,945</u>	<u>28</u>	<u>15,045,941</u>	<u>30</u>
61003 Income tax expense	6(46)	(928,081)	(4)	(1,870,152)	(7)	(1,956,666)	(4)	(2,811,462)	(6)
69000 Consolidated net income		<u>\$ 5,983,605</u>	<u>24</u>	<u>\$ 6,129,282</u>	<u>24</u>	<u>\$ 11,888,279</u>	<u>24</u>	<u>\$ 12,234,479</u>	<u>24</u>

(Continued)

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

Items	Notes	For the three months ended June 30,				For the six months ended June 30,								
		2019		2018		2019		2018						
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%					
Other comprehensive income														
Components of other comprehensive income that will not be reclassified to profit or loss														
69561	(Losses) gains on remeasurements of defined benefit plans	(\$	70,476)	-	\$	2,420	-	(\$	242,816)	(1)	(\$	37,586)		
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		963	-	(	105)	-		1,610	-	(	3,267)	-	
69565	Change in fair value of financial liability attributable to change in credit risk of liability	6(34)	(	201)	-		-	-	(	1,501)	-	(	846)	-
69567	Gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(4)(34)		1,064,311	4		557,577	2		1,820,032	4		1,596,421	3
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(46)	(	53,808)	-	(	41,516)	-		6,257	-		60,069	-
Components of other comprehensive income that will be reclassified to profit or loss														
69571	Exchange differences on translation of foreign financial statements	6(34)		155,766	1		387,653	2	(	214,540)	(1)	(	530,393)	(1)
69585	Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(34)		1,201,821	5	(	911,067)	(4)		2,824,937	6	(	3,429,099)	(7)
69587	Impairment gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(34)		875	-	(	35,129)	-	(	1,572)	-	(	41,032)	-
69590	Other comprehensive gains (losses) on reclassification under the overlay approach	6(3)(34)		339,730	1	(	4,054)	-		958,634	2	(	423,491)	(1)
69579	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(46)	(	87,156)	-		48,273	-	(	198,989)	-		232,975	1
69500	Other comprehensive income (loss) (net of tax)		<u>\$</u>	<u>2,551,825</u>	<u>11</u>	<u>\$</u>	<u>4,052</u>	<u>-</u>	<u>\$</u>	<u>4,952,052</u>	<u>10</u>	(<u>\$</u>	<u>2,576,249</u>)	(<u>5</u>)
69700	Total comprehensive income		<u>\$</u>	<u>8,535,430</u>	<u>35</u>	<u>\$</u>	<u>6,133,334</u>	<u>24</u>	<u>\$</u>	<u>16,840,331</u>	<u>34</u>	<u>\$</u>	<u>9,658,230</u>	<u>19</u>
Consolidated net income attributable to:														
69901	Parent company		\$	5,561,680	22	\$	5,559,240	22	\$	10,993,893	22	\$	11,174,329	22
69903	Non-controlling interests			421,925	2		570,042	2		894,386	2		1,060,150	2
			<u>\$</u>	<u>5,983,605</u>	<u>24</u>	<u>\$</u>	<u>6,129,282</u>	<u>24</u>	<u>\$</u>	<u>11,888,279</u>	<u>24</u>	<u>\$</u>	<u>12,234,479</u>	<u>24</u>
Consolidated comprehensive income attributable to:														
69951	Parent company		\$	8,146,750	33	\$	5,568,484	22	\$	16,279,288	33	\$	8,901,174	18
69953	Non-controlling interests			388,680	2		564,850	2		561,043	1		757,056	1
			<u>\$</u>	<u>8,535,430</u>	<u>35</u>	<u>\$</u>	<u>6,133,334</u>	<u>24</u>	<u>\$</u>	<u>16,840,331</u>	<u>34</u>	<u>\$</u>	<u>9,658,230</u>	<u>19</u>
Earnings per share (in New Taiwan Dollars)														
70001	Basic and diluted earnings per share	6(45)	\$		0.48	\$		0.47	\$		0.94	\$		0.95

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												
	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	Total equity
<u>For the six months ended June 30, 2018</u>													
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,693	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ 7,085,896	\$ -	\$ -	(\$ 3,478)	(\$ 1,136,953)	\$ 16,901,802	\$ 228,097,555
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	<u>118,891,975</u>	<u>37,960,693</u>	<u>9,100,767</u>	<u>6,549,234</u>	<u>32,247,259</u>	<u>(2,527,962)</u>	<u>-</u>	<u>8,821,188</u>	<u>389,832</u>	<u>58,889</u>	<u>(1,136,953)</u>	<u>16,858,689</u>	<u>227,213,611</u>
Consolidated net income for the period	-	-	-	-	11,174,329	-	-	-	-	-	-	1,060,150	12,234,479
Other comprehensive income (loss) for the period	-	-	-	-	32,356	(231,504)	-	(1,682,647)	(390,514)	(846)	-	(303,094)	(2,576,249)
Total comprehensive income (loss) for the period	-	-	-	-	<u>11,206,685</u>	<u>(231,504)</u>	<u>-</u>	<u>(1,682,647)</u>	<u>(390,514)</u>	<u>(846)</u>	<u>-</u>	<u>757,056</u>	<u>9,658,230</u>
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	(689,650)	(249,697)	-	-	-	-	-	-	-	-	939,347	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(401,580)	(401,580)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(104,565)	-	-	104,565	-	-	-	-	-
Balance, June 30, 2018	<u>\$ 118,202,325</u>	<u>\$ 37,710,996</u>	<u>\$ 10,721,262</u>	<u>\$ 6,549,234</u>	<u>\$ 35,236,348</u>	<u>(\$ 2,759,466)</u>	<u>\$ -</u>	<u>\$ 7,243,106</u>	<u>(\$ 682)</u>	<u>\$ 58,043</u>	<u>(\$ 2,116,607)</u>	<u>\$ 17,214,165</u>	<u>\$ 228,058,724</u>
<u>For the six months ended June 30, 2019</u>													
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	<u>116,862,325</u>	<u>37,200,416</u>	<u>10,721,262</u>	<u>6,549,234</u>	<u>42,747,998</u>	<u>(2,409,469)</u>	<u>-</u>	<u>7,775,718</u>	<u>(330,367)</u>	<u>(29,798)</u>	<u>(197,606)</u>	<u>17,802,503</u>	<u>236,692,216</u>
Consolidated net income for the period	-	-	-	-	10,993,893	-	-	-	-	-	-	894,386	11,888,279
Other comprehensive income (loss) for the period	-	-	-	-	(97,984)	106,022	-	4,354,054	924,804	(1,501)	-	(333,343)	4,952,052
Total comprehensive income (loss) for the period	-	-	-	-	<u>10,895,909</u>	<u>106,022</u>	<u>-</u>	<u>4,354,054</u>	<u>924,804</u>	<u>(1,501)</u>	<u>-</u>	<u>561,043</u>	<u>16,840,331</u>
Appropriation of 2018 earnings:													
Legal reserve	-	-	1,867,921	-	(1,867,921)	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(10,503,550)	-	-	-	-	-	-	(452,397)	(10,955,947)
Changes in ownership interest in subsidiaries	-	58	-	-	-	-	-	-	-	-	-	23	81
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	8,640	8,640
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	88,900	-	(88,900)	-	-	-	-	-	-
Balance, June 30, 2019	<u>\$ 116,862,325</u>	<u>\$ 37,200,474</u>	<u>\$ 12,589,183</u>	<u>\$ 6,549,234</u>	<u>\$ 41,361,336</u>	<u>(\$ 2,303,447)</u>	<u>\$ -</u>	<u>\$ 12,040,872</u>	<u>\$ 594,437</u>	<u>\$ 31,299</u>	<u>(\$ 197,606)</u>	<u>\$ 17,919,812</u>	<u>\$ 242,585,321</u>

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

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

	For the six months ended June 30,	
	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 13,844,945	\$ 15,045,941
Adjustments		
Income and expense item		
Depreciation	1,247,627	524,721
Amortization	456,892	630,954
Provision for bad debt expenses, commitment and guarantee policy reserve	834,329	982,524
Interest expense	7,895,292	6,859,690
Interest income	(20,612,796)	(19,678,948)
Dividend income	(756,354)	(544,933)
Impairment gain on financial assets	(1,421)	(14,499)
Loss (profit) reclassified by applying overlay approach	958,634	(423,491)
Impairment loss (gain) on non-financial assets	161	(3,503)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(14,082)	30,716
Gain on disposal of assets held for sale	(14,565)	-
Gain on disposal of investment property	(32,964)	(190,176)
(Gain) loss from disposal or retirement of property and equipment	(6,333)	10,241
Loss on disposal of intangible assets	-	173
Net change in insurance liabilities	37,644,246	14,167,499
Changes in operating assets and liabilities		
Changes in operating assets		
(Increase) decrease in due to Central Bank and other banks	(1,371,670)	106,985
Increase in financial assets at fair value through profit or loss	(14,146,791)	(59,348,655)
(Increase) decrease in financial assets at fair value through other comprehensive income	(21,405,908)	47,451,146
Increase in investments in debt instruments measured at amortised cost	(12,028,906)	(37,857,146)
Increase in receivables	(46,791,405)	(7,664,401)
Decrease in bills discounted and loans	10,610,099	3,564,171
(Increase) decrease in reinsurance contract assets	(196,144)	42,685
Decrease in current income tax assets	-	32,977
(Increase) decrease in restricted assets	(65,237)	307,618
Increase in other financial assets	(4,001,995)	(4,291,996)
Increase in other assets	(4,881,905)	(285,794)
Changes in operating liabilities		
(Decrease) increase in due to Central Bank and other banks	(6,976,896)	12,024,972
Increase (decrease) in financial liabilities at fair value through profit or loss	1,135,264	(7,496,820)
Increase (decrease) in payables	24,064,692	(1,623,641)
Increase (decrease) in deposits and remittances	21,160,625	(18,931,843)
Decrease in liabilities reserve	(20,737,590)	(682,209)
Increase (decrease) in other financial liabilities	4,173,278	(531,381)
Increase in other liabilities	7,162,523	5,544,783
Cash outflow generated from operations	(22,854,355)	(52,241,640)
Interest received	20,084,664	18,660,571
Dividend received	436,878	260,205
Interest paid	(7,679,730)	(6,717,338)
Income tax paid	(1,263,010)	(2,189,415)
Net cash flows used in operating activities	(11,275,553)	(42,227,617)

(Continued)

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

	<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of investments accounted for using equity method	(\$ 141,294)	(\$ 200,170)
Proceeds from liquidation of investments accounted for using equity method	103,481	52,618
Acquisition of investment property	(204,728)	(676)
Proceeds from disposal of investment property	162,423	1,286,760
Acquisition of property and equipment	(440,247)	(458,020)
Proceeds from disposal of property and equipment	25,238	20,108
Acquisition of intangible assets	(51,506)	(146,248)
Proceeds from disposal of intangible assets	42	7,875
Proceeds from disposal of assets held for sale	164,090	-
Net cash flows (used in) generated from investing activities	(382,501)	562,247
<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	(12,655,405)	11,064,841
Increase in commercial paper payable - net	17,690,400	24,166,525
Proceeds from issuance of bonds	8,500,000	-
Repayments of bonds	(432,592)	(2,955,000)
Repayments of bank debentures	(2,000,000)	(2,450,000)
Increase (decrease) in other borrowings	1,616,871	(484,077)
Payments of lease liabilities	(660,975)	-
Acquisition of treasury shares	-	(1,919,001)
Other financing activities	81	-
Decrease in non-controlling interests	(443,757)	(401,580)
Net cash flows generated from financing activities	11,614,623	23,868,458
Net effect of foreign exchange rate changes on cash and cash equivalents	(228,150)	(434,519)
Net decrease in cash and cash equivalents	(271,581)	(18,231,431)
Cash and cash equivalents at beginning of period	120,921,896	125,679,223
Cash and cash equivalents at end of period	<u>\$ 120,650,315</u>	<u>\$ 107,447,792</u>
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	\$ 64,414,664	\$ 54,871,306
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	19,987,476	20,285,589
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	36,248,175	32,290,897
Cash and cash equivalents at end of reporting period	<u>\$ 120,650,315</u>	<u>\$ 107,447,792</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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, Unless Otherwise Indicated)

1. History and organization

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

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

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

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

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

The share transfer plan between the Company and Ta Chong Commercial Bank Co., Ltd. (hereon referred to as “Ta Chong Bank”) was resolved by their respective shareholders at the special shareholders’ meeting on October 13, 2015, and was completed on March 22, 2016. Thereafter, Ta Chong Bank officially became a wholly-owned subsidiary of the Company, and merged with Yuanta Bank on January 1, 2018.

The Company engages in the business of a financial holding company and its operations are limited to investing and investment management. According to the Financial Holding Company Act, the businesses in which the Company can invest in are securities, banking, bills finance, credit cards, trusts, insurance, futures, venture capital, foreign financial institutions that are authorized by the government authority, and other related financial businesses that are recognised by the government authority. Additionally, the Company was accredited by the Taiwan Corporate Governance Association with Corporate Governance Assessment Advanced Certification (CG6011) on June 12, 2018.

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

These consolidated financial statements were authorized for issuance by the Board of Directors and issued on August 28, 2019.

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) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (B) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (C) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$59,214 was recognised in the second quarter of 2019.
 - (D) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (E) 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 Company and its subsidiaries

New standards, interpretations and amendments to the IFRSs will be applicable in 2020 and endorsed by the FSC 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
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 endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Yuanta Group's financial condition and financial performance based on the Yuanta Group's assessment.

IFRS 17, 'Insurance Contracts'

IFRS 17, 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall at initial recognition to disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

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

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the "Yuanta Group") have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies", "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", "Regulations Governing the Preparation of Financial Reports by Insurance Companies", and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.
- B. These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(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.

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B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
The Company	Yuanta Securities	Securities brokerage, dealing, underwriting, financing and refinancing, futures business and raising and issuing derivative instruments	100.00	100.00	100.00	
"	Yuanta Bank	Commercial banking	100.00	100.00	100.00	
"	Yuanta Securities Finance	Securities financing and refinancing to securities firms and related business	-	100.00	100.00	Note 1
"	Yuanta Life Insurance Co., Ltd. ("Yuanta Life")	Life insurance business	100.00	100.00	100.00	
"	Yuanta Futures Co., Ltd. ("Yuanta Futures")	Futures, futures managers, futures consultant, securities, securities trading assistance	68.65	68.65	68.65	
"	Yuanta Securities Investment Trust Co., Ltd. ("Yuanta Securities Investment Trust")	Securities investment trust	72.20	72.20	72.20	
"	Yuanta Venture Capital Co., Ltd. ("Yuanta Venture Capital")	Venture capital investments	100.00	100.00	100.00	
"	Yuanta Asset Management Co., Ltd. ("Yuanta Asset Management")	Providing monetary debt management services for financial institutions	100.00	100.00	100.00	
"	Yuanta Securities Investment Consulting Co., Ltd. ("Yuanta Securities Investment Consulting")	Securities investment consultant	100.00	100.00	100.00	
Yuanta Securities	Yuanta Securities Asia Financial Services Limited ("Yuanta Securities Asia Financial Services")	Investment holding	100.00	100.00	100.00	
"	Yuanta International Insurance Brokers Co., Ltd. ("Yuanta International Insurance Brokers")	Insurance agency services	100.00	100.00	100.00	
"	Yuanta Securities 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	100.00	100.00	
"	Yuanta Securities (Hong Kong) Limited	Securities brokerage, dealing in securities and underwriting investment consultation	100.00	100.00	100.00	
"	Polaris Securities (Hong Kong) Limited ("P.S.H.K")	Securities brokerage and dealing in securities	100.00	100.00	100.00	
"	Yuanta Investment Consulting (Beijing) ("Yuanta Investment Consulting Beijing")	Investment consultation	100.00	100.00	100.00	
"	Yuanta Securities Korea Co., Ltd ("Yuanta Securities (Korea)")	Securities trading, providing opinions on securities and futures contract, underwriting services, asset management services, financial advisory services, and futures trading	54.62	54.62	54.19	
"	Yuanta Asia Investment Limited ("Yuanta Asia Investment")	Venture capital funds, venture capital fund raising management, and investment advisory services	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
Yuanta Securities Asia Financial Services	Yuanta Hong Kong Holdings (Cayman) Ltd. (“Yuanta HK Holdings (Cayman)”)	Investment holding	100.00	100.00	100.00	
"	Yuanta Securities (UK) Ltd. (“Yuanta Securities(UK)”)	License in application	-	-	100.00	Note 2
"	Yuanta Securities Thailand Limited (“Yuanta Securities (Thailand)”)	Securities brokerage, dealing in securities, underwriting and investment consultation	99.99	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	50.76	Note 3
Yuanta Securities (Hong Kong)	Yuanta International Investment (Hong Kong) Ltd. (“Yuanta Investment (Hong Kong)”)	Issue financial instruments	100.00	100.00	100.00	
"	Yuanta Finance (Hong Kong) Ltd. (“Yuanta Finance (Hong Kong)”)	Credit loan business	100.00	100.00	100.00	
"	PT Yuanta Sekuritas Indonesia (“Yuanta Securities (Indonesia)”)	Securities trading and underwriting services	99.00	99.00	99.00	
"	PT Yuanta Asset Management	Investment management	0.002	0.002	0.002	
"	Yuanta Investment Management (Cayman)	Investment management	100.00	100.00	100.00	
"	Yuanta Securities (Vietnam)	Securities brokerage, dealing in securities, underwriting and investment consultation	14.76	14.76	49.19	Note 3
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management (Indonesia)	Investment management	99.998	99.998	99.998	
Yuanta Securities (Korea)	Yuanta Investment Co.,Ltd (“Yuanta Investment (Korea)”)	Venture investment	54.62	54.62	54.19	
"	Yuanta Financial (Hong Kong) Limited (“Yuanta Financial (Hong Kong)”)	Investment holding	54.62	54.62	54.19	
Yuanta Financial (Hong Kong)	Yuanta Securities (Cambodia) Plc. (“Yuanta Securities (Cambodia)”)	Underwriting guidelines and financial advisory services	54.62	54.62	54.19	
"	Heng Xin Asia Holdings Limited (“Heng Xin Asia Holdings”)	Investment holding	-	49.23	48.84	Note 4
Yuanta Asia Investment	Yuanta Liquid Plus Money Market Mutual Fund	Investment debt instrument	96.62	99.90	99.99	
"	Reksa Dana Yuanta USD Fixed Income Fund	Investment debt instrument	-	-	99.99	Note 5
"	Reksa Dana Yuanta Fixed Income Fund	Investment debt instrument	69.34	65.81	88.65	
"	Reksa Dana Indeks Yuanta Sir-Kehati Index Fund	Investment debt instrument	99.81	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	100.00	
"	Yuanta Savings Bank (Philippines) Inc. (Yuanta Savings Bank (Philippines))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	100.00	
"	Yuanta Savings Bank (Korea) Inc. (Yuanta Savings Bank (Korea))	Deposit services, mortgage services, and foreign exchange swaps	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
Yuanta Futures	Yuanta Futures (Hong Kong) Limited (“Yuanta Futures Hong Kong”)	Financial services	68.65	68.65	68.65	
"	SYF Information Limited (“SYF Information”)	Information service	68.65	68.65	68.65	
SYF Information	SYF Information (Samoa) Limited (“SYF Information (Samoa)”)	Investment holding	68.65	68.65	68.65	
SYF Information (Samoa)	SYF Information (Shanghai) Limited (“SYF Information (Shanghai)”)	Information service	68.65	68.65	68.65	
Yuanta Venture Capital	Yuanta I Venture Capital Co., Ltd. (“Yuanta I Venture Capital”)	Venture capital investments	100.00	100.00	100.00	

Note 1: The 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 July 2018, the Board of Directors approved the dissolution and liquidation of Yuanta Securities (UK). The effective date of liquidation was set on November 1, 2018.

Note 3: 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. The 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 4: In March 2018, the Board of Directors approved the liquidation of Heng Xin Asia Holdings. The liquidation was completed in June 2019.

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

Note 6: Subscribed in the fourth quarter of 2018.

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

June 30, 2019

Structured entities	Services
YK APT the 1st Co.,Ltd	Asset-backing
Y.K. New NC Second Co., Ltd	Asset-backing
YK Hessen 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 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
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
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 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 Janggi Haneulchae 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
YFI NonhyunCo., 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
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

June 30, 2018

Structured entities	Services
YK Sky Co., Ltd.	Asset-backing
YK APT the 1st Co., Ltd.	Asset-backing
Y.K.S.W. Second Co., Ltd.	Asset-backing
YK Park Co., Ltd.	Asset-backing
New Star Power 1st Co., Ltd.	Asset-backing
Y.K New NC 1st Co., Ltd.	Asset-backing
YK Halfmoon 2nd Co., Ltd.	Asset-backing
Y.K New NC Second Co., Ltd.	Asset-backing
YK Arena Co., Ltd.	Asset-backing
YK Hessen Co., Ltd.	Asset-backing
ELF 5th Co., Ltd.	Asset-backing
YK Echo Co., Ltd.	Asset-backing
YK Marble Co., Ltd.	Asset-backing
YK Indus Co., Ltd.	Asset-backing
YK Mozart Co., Ltd.	Asset-backing
YK Dway 2nd Co., Ltd.	Asset-backing
YK Biz Co., Ltd.	Asset-backing
YK Blueocean the First Co., Ltd.	Asset-backing
YK Stella Co., Ltd.	Asset-backing
YK HIT Co., Ltd.	Asset-backing
SJ First Co., Ltd.	Asset-backing
YK Monaco Co., Ltd.	Asset-backing
YK JP the 7th Co., Ltd.	Asset-backing
Y.K. Blue the third Co., Ltd.	Asset-backing

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

D. As of June 30, 2019, subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
Yuanta HK Holdings (Cayman)	GC Investment Consultant (Shanghai) Co., Ltd.	Investment consultation	100.00	100.00	100.00	Note
Yuanta Securities Asia Financial Services	Yuanta Securities(UK)	Institutional legal brokerage business	100.00	100.00	-	Note

Note: GC Investment Consultant (Shanghai) Co., Ltd. and Yuanta Securities(UK) resolved to file for liquidation and dissolution. As Yuanta Securities has no control over this subsidiary, it is not included as a consolidated entity.

E. Adjustments for subsidiaries with different balance sheet dates:
None.

F. Significant restrictions

None.

G. Subsidiaries that have non-controlling interests that are material to the Yuanta Group:

As of June 30, 2019, December 31, 2018 and June 30, 2018, the non-controlling interest amounted to \$17,919,812, \$17,858,198 and \$17,214,165, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of Subsidiary	Principal place of business	Non-controlling interest					
		June 30, 2019		December 31, 2018		June 30, 2018	
		Amount	Ownership(%)	Amount	Ownership(%)	Amount	Ownership(%)
Yuanta Securities (Korea)	Korea	\$ 14,484,951	45.38%	\$ 14,344,843	45.38%	\$ 14,052,783	45.81%

The comprehensive income attributable to this non-controlling interest were \$195,215, \$401,671, \$160,306 and \$416,085 for the three months and six months ended June 30, 2019 and 2018, respectively.

Summarized financial information for the aforementioned subsidiaries:

Consolidated balance sheets

	Yuanta Securities (Korea) and its subsidiaries		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 325,554,870	\$ 308,942,730	\$ 313,197,066
Non-current assets	18,246,968	16,215,392	17,208,362
Current liabilities	(303,448,163)	(287,739,396)	(293,191,918)
Non-current liabilities	(5,539,767)	(3,220,540)	(3,718,369)
Total net assets	\$ 34,813,908	\$ 34,198,186	\$ 33,495,141

Consolidated statements of comprehensive income

	Yuanta Securities (Korea) and its subsidiaries	
	For the three months ended June 30,	
	2019	2018
Revenue	\$ 3,655,088	\$ 4,562,749
Profit before income tax	579,919	964,793
Income tax benefit (expense)	12,355	(118,958)
Net income	592,274	845,835
Other comprehensive loss (net of tax)	(92,563)	(57,707)
Total comprehensive income for the period	\$ 499,711	\$ 788,128

	Yuanta Securities (Korea) and its subsidiaries	
	For the six months ended June 30,	
	2019	2018
Revenue	\$ 7,626,033	\$ 8,527,612
Profit before income tax	1,385,916	1,834,731
Income tax expense	(109,975)	(129,966)
Net income	1,275,941	1,704,765
Other comprehensive loss (net of tax)	(797,593)	(747,482)
Total comprehensive income for the period	\$ 478,348	\$ 957,283

Consolidated statements of cash flows

	Yuanta Securities (Korea) and its subsidiaries	
	For the six months ended June 30,	
	2019	2018
Net cash provided by operating activities	\$ 7,056,746	\$ 2,250,234
Net cash provided by investing activities	115,737	1,225,039
Net cash used in financing activities	(1,994,725)	(2,983,458)
Effect of exchange rates on cash and cash equivalents	(381,665)	394,693
Increase in cash and cash equivalents	4,796,093	886,508
Cash and cash equivalents, beginning of period	16,791,937	18,766,384
Cash and cash equivalents, end of period	\$ 21,588,030	\$ 19,652,892

(4) Other significant accounting policies

These consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018. Except for the accounting policies listed below, please refer to the notes to the consolidated financial statements for the year ended December 31, 2018 for information on significant accounting policies.

A. 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.

B. 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 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.

C. 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.

D. Employee benefits

(A) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

(B) Pensions

a. Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments. Within the 12 months after the end of the reporting period when the services are rendered, the total undiscounted short-term pension benefits which the Yuanta Group needs to pay in the future are recognised as expenses.

b. Defined benefit plans

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

(b) Remeasurement arising on defined benefit plans are recognised immediately in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Past service costs are recognised immediately in profit or loss.

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

c. Deposits

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

d. Termination benefits

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

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

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

E. Income tax

(A) Current income tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where a company operates and generates taxable income. Except that the transactions or other matters are directly recognised in other comprehensive income or equity, and that related income taxes in the period are recognised in other comprehensive income or directly derecognised from equity, all the others should be recognised as income or expense and recorded as gain and loss in the period. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

(B) Deferred income tax

- a. Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amounts and temporary differences of assets and liabilities included on the consolidated balance sheet are calculated using the balance sheet liability method and recognised as deferred income tax. The temporary difference of the Yuanta Group mainly occurs due to the setting aside and transferring of valuation and pension reserve of certain financial instruments (including derivatives).
- b. The land revaluation appraisal due to the revaluation assessment in compliance with relevant regulations, deemed as taxable temporary difference, is recognised as deferred income tax liabilities.
- c. If the future taxable income is probable to provide unused loss carryforwards or deferred income tax credit which can be realised in the future, the proportion of realization is deemed as deferred income tax asset.

(C) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously. The Yuanta Group does not offset deferred income tax assets against liabilities taxed by different tax authorities.

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

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

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

There have been no significant changes as of June 30, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. Details of significant accounts

(1) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash	\$ 5,838,245	\$ 5,934,752	\$ 6,028,127
Deposits in banks	53,970,737	54,995,362	44,165,197
Futures excess margin and cash equivalents	2,464,423	2,010,528	2,255,726
Excess settlement reserve fund	12,314	11,554	2,891
Checks for clearing	2,128,945	2,583,215	2,419,365
Total	<u>\$ 64,414,664</u>	<u>\$ 65,535,411</u>	<u>\$ 54,871,306</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Reserve for deposits - account A	\$ 12,147,916	\$ 15,998,321	\$ 16,999,843
Reserve for deposits - account B	27,381,823	26,044,008	27,150,266
Deposits by overseas branches to designated accounts of respective local central banks	3,061,996	1,919,157	1,375,106
Reserve for deposits	3,165,420	3,181,547	2,198,426
Call loans to banks	1,897,952	1,073,679	2,220
Total	<u>\$ 47,655,107</u>	<u>\$ 48,216,712</u>	<u>\$ 47,725,861</u>

Reserves due from Central Bank are calculated monthly at prescribed rates on the average daily balances of various deposit accounts and structured accounts and then lodged into reserve for deposits account of Central Bank. The reserve for deposits - account A is non-interest bearing and call on demand. Reserve for deposits - account B is interest bearing and its use is restricted to monthly adjustment in the reserve for deposits only according to relevant regulations.

(BLANK)

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss			
Commercial paper	\$ 23,571,469	\$ 29,999,858	\$ 47,384,637
Time deposits	-	-	529,257
Beneficiary certificates / securities	46,927,995	44,913,476	44,017,138
Stocks of companies listed on TSE or OTC	42,301,793	21,679,437	33,844,011
Emerging stocks	1,236,225	1,521,690	1,566,173
Government bonds	68,500,339	42,438,373	33,865,343
Financial bonds	93,726,537	100,223,063	22,479,336
Corporate bonds	68,982,526	79,313,336	163,545,204
Overseas bonds	1,273,613	7,605,311	11,579,178
Convertible corporate bonds	47,631,249	47,991,256	42,326,175
Derivative financial instruments	13,450,351	19,975,081	19,035,917
Structured products and others	14,109,833	11,762,666	11,428,533
Reserve for claims of customers' deposits with KSFC (Note 1)	62,944,313	67,887,652	72,705,120
Other marketable securities	3,263,159	4,337,263	3,953,245
Valuation adjustment	166,598	(5,709,253)	(1,962,489)
Total	<u>\$ 488,086,000</u>	<u>\$ 473,939,209</u>	<u>\$ 506,296,778</u>
Financial liabilities held for trading			
Derivative financial instruments	\$ 19,906,311	\$ 23,695,380	\$ 29,229,438
Non-derivative financial instruments	10,206,824	21,377,218	11,578,487
Valuation adjustment of financial liabilities held for trading — non-derivative financial instruments	(43,851)	(1,095,200)	(535,596)
Financial liabilities designated as at fair value through profit or loss			
Structured products (Note 2)	64,878,399	53,558,458	56,693,968
Convertible bond asset swap not qualifying for derecognition (Note 2)	18,066,222	14,446,943	12,512,495
Others	105,659	-	-
Total	<u>\$ 113,119,564</u>	<u>\$ 111,982,799</u>	<u>\$ 109,478,792</u>

Note 1: KSFC stands for Korea Securities Finance Corporation.

Note 2: Financial instruments designated as at fair value through profit or loss on initial recognition is for hybrid instruments, and in order to eliminate accounting inconsistency.

A. Please refer to Note 8 for details of the above financial assets at fair value through profit or loss pledged as collateral as of June 30, 2019, December 31, 2018 and June 30, 2018.

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Equity instruments			
Domestic stocks	\$ 12,530,189	\$ 2,641,728	\$ 7,561,680
Overseas stocks	<u>82,934</u>	<u>395,204</u>	<u>229,474</u>
	12,613,123	3,036,932	7,791,154
Debt instruments			
Overseas corporate bonds	933,777	835,289	873,852
Domestic beneficiary certificates	3,975,102	2,541,921	1,664,625
Overseas beneficiary certificates	<u>189,369</u>	<u>156,778</u>	<u>449,129</u>
	<u>\$ 17,711,371</u>	<u>\$ 6,570,920</u>	<u>\$ 10,778,760</u>

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

	<u>For the three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Profit or loss recognised in accordance with IFRS 9	\$ 658,245	\$ 162,657
Less: Profit or loss that would have been recognised under IAS 39	(318,515)	(166,711)
Income (loss) from adopting the overlay approach	<u>\$ 339,730</u>	<u>(\$ 4,054)</u>
Effects on income tax	<u>(\$ 6,892)</u>	<u>(\$ 4,607)</u>
	<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Profit or loss recognised in accordance with IFRS 9	\$ 1,393,899	(\$ 238,725)
Less: Profit or loss that would have been recognised under IAS 39	(435,265)	(184,766)
Income (loss) from adopting the overlay approach	<u>\$ 958,634</u>	<u>(\$ 423,491)</u>
Effects on income tax	<u>(\$ 33,830)</u>	<u>\$ 32,977</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

Items	June 30, 2019	December 31, 2018	June 30, 2018
Debt instruments			
Government bonds	\$ 33,862,086	\$ 28,344,500	\$ 43,036,958
Bank debentures	47,245,726	40,004,582	39,019,293
Corporate bonds	122,868,896	123,907,258	131,900,351
Commercial paper	135,785	134,014	129,354
Others	1,063,050	770,596	767,842
Valuation adjustment	2,192,103	(968,419)	(456,374)
Subtotal	207,367,646	192,192,531	214,397,424
Equity instruments			
Listed stocks	15,788,390	6,471,973	7,700,521
Unlisted stocks/Emerging stocks	5,154,243	5,250,907	5,369,846
Others	200,069	208,725	373,448
Valuation adjustment	13,889,833	12,227,200	11,234,458
Subtotal	35,032,535	24,158,805	24,678,273
Statutory deposits	(1,216,100)	(1,216,100)	(1,216,100)
Total	\$ 241,184,081	\$ 215,135,236	\$ 237,859,597

- A. As of June 30, 2019, December 31, 2018 and June 30, 2018, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$1,216,100 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.
- B. The Yuanta Group elects to classify strategic equity investments not held for trading as financial assets measured at fair value through other comprehensive income. As of June 30, 2019, December 31, 2018 and June 30, 2018, the fair value of such investments was \$35,032,535, \$24,158,805 and \$24,678,273.
- C. The Yuanta Group sold the equity shares in order to avoid systematic risk resulting from structural changes in the industry. The fair value of the equity instruments sold was \$1,556,843 and \$1,161,702, and the cumulative gain (loss) on disposal was \$92,072 and (\$95,809).
- D. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three months ended June 30,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 1,064,311	\$ 557,577
Cumulative gains reclassified to retained earnings due to derecognition	\$ 139,732	\$ 107,409
Dividend income recognised in profit or loss		
Held at end of period	\$ 169,951	\$ 117,869
Derecognised in the current period	640	-
	\$ 170,591	\$ 117,869

For the three months ended June 30,	
	2019
	2018
<u>Debt instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 1,620,632 (\$ 725,794)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to impairment recognition (reversal)	\$ 2,550 (\$ 24,691)
Reclassified due to derecognition	(420,486) 245,093
	(\$ 417,936) \$ 220,402
Interest income recognised in profit or loss	\$ 1,148,533 \$ 1,302,501

For the six months ended June 30,	
	2019
	2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 1,820,032 \$ 1,596,421
Cumulative gains reclassified to retained earnings due to derecognition	\$ 88,900 \$ 104,565
Dividend income recognised in profit or loss	
Held at end of period	\$ 276,167 \$ 210,561
Derecognised in the current period	1,002 -
	\$ 277,169 \$ 210,561

<u>Debt instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 3,327,727 (\$ 2,892,085)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to impairment recognition (reversal)	\$ 460 (\$ 32,924)
Reclassified due to derecognition	(504,822) 610,970
	(\$ 504,362) \$ 578,046
Interest income recognised in profit or loss	\$ 2,307,555 \$ 2,521,679

E. Details of the Yuanta Group's financial assets at fair value through other comprehensive income pledged to others as collateral as of June 30, 2019, December 31, 2018 and June 30, 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	June 30, 2019	December 31, 2018	June 30, 2018
Government bonds	\$ 98,782,956	\$ 97,800,954	\$ 93,467,615
Time deposits	115,856,670	112,526,281	104,909,300
Bank debentures	68,933,614	61,316,598	53,029,600
Corporate bonds	82,105,111	82,004,732	77,017,218
Others	-	-	24,527
Subtotal	365,678,351	353,648,565	328,448,260
Less: Accumulated impairment	(140,815)	(142,478)	(138,055)
Statutory deposits	(600,000)	(600,000)	(600,000)
Total	<u>\$ 364,937,536</u>	<u>\$ 352,906,087</u>	<u>\$ 327,710,205</u>

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

	For the three months ended June 30,	
	2019	2018
Interest income	\$ 2,149,850	\$ 1,890,362
Recovery gain (impairment loss)	1,491	(9,971)
Gains on disposal	137,438	45,003
	<u>\$ 2,288,779</u>	<u>\$ 1,925,394</u>
	For the six months ended June 30,	
	2019	2018
Interest income	\$ 4,246,063	\$ 3,414,065
Recovery gain (impairment loss)	1,881	(18,425)
Gains on disposal	698,442	210,468
	<u>\$ 4,946,386</u>	<u>\$ 3,606,108</u>

- B. The Yuanta Group sold some of the financial assets at amortised cost for the six months ended June 30, 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 benefit was \$698,442 and \$210,468.
- C. As of June 30, 2019, December 31, 2018 and June 30, 2018, pursuant to Article 141 of Insurance Act, an insurance enterprise shall deposit 15% of its registered paid-in capital with the national treasury as operating guarantee deposits. Yuanta Life of the Group has deposited government bonds with par value of \$600,000 in the Central Bank as statutory operating guarantee deposits, which are recognised under other assets.
- D. Details of the Group's financial assets at amortised cost pledged to others as collateral as of June 30, 2019, December 31, 2018 and June 30, 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

	June 30, 2019	December 31, 2018	June 30, 2018
Bills and bonds purchased under resale agreement	\$ 36,248,175	\$ 33,465,734	\$ 32,290,897
Interest rate range	0.50%~3.35%	0.37%~14.66%	0.31%~4.02%
Contract resale amount	\$ 36,283,648	\$ 33,533,054	\$ 32,309,569
Bills and bonds payable under repurchase agreement	\$ 205,915,020	\$ 218,570,425	\$ 208,166,030
Interest rate range	0.00%~3.28%	0.25%~4.10%	-0.10%~4.20%
Contract repurchase amount	\$ 209,869,283	\$ 223,886,291	\$ 214,032,262

As of June 30, 2019, December 31, 2018 and June 30, 2018, the collateral obtained for retractable notes and investments in bonds are governmental bonds and corporate bonds with a combined fair value of \$35,692,130, \$35,576,066 and \$26,255,434, respectively.

(7) Receivables - net

	June 30, 2019	December 31, 2018	June 30, 2018
Interest receivable	\$ 8,663,671	\$ 8,135,539	\$ 8,191,607
Refinance guaranty receivable	28,923,116	12,013,104	12,146,259
Acceptances receivable	1,138,630	503,674	639,412
Factoring receivable	6,105,899	6,799,757	5,467,696
Margin loans receivable	68,403,454	66,230,975	87,298,968
Spot exchange receivable	13,612,379	5,155,632	9,342,162
Credit card receivable	10,526,702	10,840,137	11,592,252
Trading securities receivable	996,328	770,218	876,700
Settlement price	7,033,753	7,264,563	6,529,180
Settlement price receivable	29,132,572	15,556,933	25,612,876
Securities sold receivable	10,517,774	5,408,108	9,939,319
Other receivables	8,135,578	6,906,588	8,547,315
Subtotal	193,189,856	145,585,228	186,183,746
Less: Allowance for doubtful accounts	(2,440,078)	(2,312,434)	(2,474,343)
Total	\$ 190,749,778	\$ 143,272,794	\$ 183,709,403

A. Details of the Group's receivables-net pledged to others as collateral as of June 30, 2019, December 31, 2018 and June 30, 2018, are provided in Note 8.

B. The Group recognised appropriate allowance for debts for receivables. For the six months ended June 30, 2019 and 2018, details are provided in Note 12(3).

C. Margin loans receivable uses the securities purchased through financing as collateral. As of June 30, 2019, December 31, 2018 and June 30, 2018, the annual interest rates of Yuanta Securities were all 6.25%; the annual interest rates of Yuanta Securities Finance were all 6.25%; the annual interest rates range of Yuanta Securities (Korea) were 5.95%~9.75%, 6.65%~9.55% 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 2.35%~13.00%, 2.38%~12.88% and 2.25%~12.75%, 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 9.86%~14.00%, 9.86%~14.00% and 9.86%~11.68%, respectively.

(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, November 8, 2018 and January 24, 2019, 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 \$702,368 and \$868,288 as of June 30, 2019 and December 31, 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 June 30, 2019, the Yuanta Group sold part of the assets held for sale, and the proceeds on disposal and gain on disposal amounted to \$164,090 and \$14,565, respectively.

(9) Bills discounted and loans - net

	June 30, 2019	December 31, 2018	June 30, 2018
Bills discounted	\$ 301,997	\$ 289,927	\$ 292,533
Overdrafts	34,557	179,762	49,030
Short-term loans	65,155,936	71,480,877	68,005,270
Short-term loans secured	66,297,652	94,558,211	92,477,034
Medium-term loans	148,146,688	151,187,753	136,807,527
Medium-term loans secured	171,483,218	148,297,715	156,326,696
Long-term loans	8,026,824	8,413,501	9,587,005
Long-term loans secured	301,883,687	298,158,828	293,992,646
Import-export negotiations	15,874	33,411	56,068
Accounts receivable factoring	298,242	586,722	407,618
Automatic policy loans	1,306,664	1,267,384	1,204,614
Policy loans	5,118,338	4,908,038	4,565,689
Loans transferred to non-performing loans	4,627,850	5,159,157	5,255,060
Subtotal	772,697,527	784,521,286	769,026,790
Less: Allowance for credit losses	(13,208,008)	(13,606,991)	(13,670,286)
Less: Adjustment for premium (discount)	19,809	(8,633)	(18,450)
Total	\$ 759,509,328	\$ 770,905,662	\$ 755,338,054

1. The Yuanta Group recognised appropriate allowance for bad debts for the bills discounted, loans and receivables. As of changes in allowance for bad debts in relation to bills discounted and loans for the six months ended June 30, 2019 and 2018, please refer to Note 12(3).

2. Classified by subsidiaries as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Bills discounted and loans including adjustment for premium (discount)			
Yuanta Bank	\$ 746,853,897	\$ 742,936,170	\$ 731,918,190
Yuanta Securities	19,413,127	19,158,223	15,966,791
Yuanta Life	6,450,312	6,209,429	5,814,206
Yuanta Securities Finance	-	16,208,831	15,309,153
Subtotal	772,717,336	784,512,653	769,008,340
Allowance for credit losses			
Yuanta Bank	(11,595,137)	(11,906,235)	(12,003,942)
Yuanta Securities	(1,612,490)	(1,643,893)	(1,612,450)
Yuanta Life	(381)	(511)	(670)
Yuanta Securities Finance	-	(56,352)	(53,224)
Subtotal	(13,208,008)	(13,606,991)	(13,670,286)
Total	\$ 759,509,328	\$ 770,905,662	\$ 755,338,054

(10) Reinsurance contract assets

	June 30, 2019	December 31, 2018	June 30, 2018
Claims recoverable from reinsurers	\$ 192,241	\$ 78,685	\$ 63,438
Due from reinsurers and ceding companies	150,102	105,371	41,880
Reinsurance Reserve Assets			
Ceded unearned premium reserve	366,123	366,325	277,798
Ceded claims reserve	67,818	29,749	10,094
Total	\$ 776,284	\$ 580,130	\$ 393,210

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Associates:						
CR Yuanta Fund Management Company Limited	\$ 68,188	49.00%	\$ 112,548	49.00%	\$ 164,494	49.00%
GC Investment Consultant (Shanghai) Co., Ltd.	22,554	100.00%	22,242	100.00%	22,033	100.00%
Yuanta Security(U.K)	63,185	100.00%	62,496	100.00%	-	-
TongYang Asset Management Corp.	736,860	27.00%	716,023	27.00%	685,277	27.00%

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Polaris Ocean Private Equity Fund	\$ 39,598	3.26%	\$ 40,959	3.26%	\$ 40,724	3.26%
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	14,804	16.22%	20,222	16.22%	18,873	16.22%
KoFC-KVIC Green Growth Venture Capital Fund	11,909	18.00%	12,218	18.00%	30,215	18.00%
2011 KIF-TongYang IT Venture Fund	57,306	17.20%	62,886	17.20%	69,291	17.20%
TongYang Agri-Food Investment Fund-2nd	127,215	40.74%	131,228	40.74%	112,452	40.74%
IBKC-TongYang Growth 2013 Private Equity Fund	204,558	10.71%	225,030	10.71%	126,737	10.71%
KVIC-Yuanta 2015 Overseas Fund	332,731	44.00%	344,269	44.00%	303,232	44.00%
TongYang China Paid in Capital Private Investment Trust 1	-	-	31,045	27.57%	33,154	27.57%
2016 KIF-Yuanta ICT Venture Fund	98,798	16.67%	83,093	16.67%	27,600	16.67%
Yuanta Secoundary No.2 Fund	170,161	12.28%	149,295	12.28%	97,160	12.28%
Yuanta Secoundary No.3 Fund	80,750	15.26%	-	-	-	-
Yuanta SPAC III	1,709	0.83%	1,836	0.83%	1,822	0.83%
SJ-ULTRA V 1st FUND	26,285	34.48%	26,914	34.48%	26,741	34.48%
Yuanta SPAC IV	885	4.55%	687	4.55%	-	-
Yuanta-HPNT Private Equity Fund	5,375	0.09%	5,500	0.14%	-	-
	<u>\$ 2,062,871</u>		<u>\$ 2,048,491</u>		<u>\$ 1,759,805</u>	

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

	For the three months ended June 30,	
	2019	2018
Net loss for the period from continuing operations	(\$ 474)	(\$ 22,877)
Other comprehensive income (net of tax)	961	165
	For the six months ended June 30,	
	2019	2018
Net gain (loss) for the period from continuing operations	\$ 14,582	(\$ 30,716)
Other comprehensive income (loss) (net of tax)	1,753	(2,997)

(12) Other financial assets - net

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Non-loans reclassified to non-accrual loans	\$ 882,349	\$ 905,206	\$ 913,243
Less: Provision for credit losses	(873,509)	(894,323)	(899,253)
	<u>8,840</u>	<u>10,883</u>	<u>13,990</u>
Purchase of claim receivable	1,879,351	1,889,910	1,925,051
Valuation adjustment on purchase of claim receivable	(21,781)	(22,502)	(49,573)
	<u>1,857,570</u>	<u>1,867,408</u>	<u>1,875,478</u>
Customer margin deposit account	62,189,969	51,732,993	43,463,932
Investment-linked product assets	1,940,223	1,787,652	1,925,767
Securities borrowing and lending refundable deposits	58,617	1,089,676	119,460
Others	<u>80,888</u>	<u>5,536,631</u>	<u>163,945</u>
Total	<u>\$ 66,136,107</u>	<u>\$ 62,025,243</u>	<u>\$ 47,562,572</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 June 30, 2019, December 31, 2018 and June 30, 2018, as well as the periods for the three months and six months ended June 30, 2019 and 2018, details about the assets on insurance products, separated accounts were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Investment-linked insurance product assets			
Cash in bank	\$ 370	\$ 564	\$ 402
Financial assets at fair value through profit or loss	1,935,681	1,785,110	1,920,938
Other receivables	<u>4,172</u>	<u>1,978</u>	<u>4,427</u>
	<u>\$ 1,940,223</u>	<u>\$ 1,787,652</u>	<u>\$ 1,925,767</u>
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Investment-linked insurance product liabilities			
Reserve for investment linked insurance product-insurance contract	\$ 1,927,445	\$ 1,777,818	\$ 1,912,793
Reserve for investment linked insurance product-investment contract	8,686	7,833	10,380
Other payables	<u>4,092</u>	<u>2,001</u>	<u>2,594</u>
	<u>\$ 1,940,223</u>	<u>\$ 1,787,652</u>	<u>\$ 1,925,767</u>

		For the three months ended June 30,	
		2019	2018
Revenue on investment-linked insurance products			
Premium income	\$	54,886	\$ 59,464
Gain on financial assets at fair value through profit or loss		42,558	9,428
Exchange loss	(	581)	(3,654)
Interest income		1,704	1,598
Other income		2,141	1,846
	\$	<u>100,708</u>	<u>\$ 68,682</u>
Expenses on investment-linked insurance product			
Claims and policy benefit payments	\$	41,092	\$ 52,209
Net change in reserve for investment-linked insurance product-insurance contract		37,050	(5,380)
Administrative expenses and other expenses		22,566	21,853
	\$	<u>100,708</u>	<u>\$ 68,682</u>
		For the six months ended June 30,	
		2019	2018
Revenue on investment – linked insurance products			
Premium income	\$	111,206	\$ 135,047
Gain (loss) on financial assets at fair value through profit or loss		173,329	(18,165)
Exchange loss	(	843)	(1,993)
Interest income		3,395	2,974
Other income		5,066	3,493
	\$	<u>292,153</u>	<u>\$ 121,356</u>
Expenses on investment – linked insurance product			
Claims and policy benefit payments	\$	96,065	\$ 112,142
Net change in reserve for investment-linked insurance product-insurance contract		148,783	(37,180)
Administrative expenses and other expenses		47,305	46,394
	\$	<u>292,153</u>	<u>\$ 121,356</u>

(13) Investment property - net

June 30, 2019				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,179,311	\$ -	(\$ 340,924)	\$ 2,838,387
Buildings	3,085,422	(1,061,228)	(51,428)	1,972,766
Right-of-use assets	265,379	(56,096)	-	209,283
Total	<u>\$ 6,530,112</u>	<u>(\$ 1,117,324)</u>	<u>(\$ 392,352)</u>	<u>\$ 5,020,436</u>

December 31, 2018				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,218,216	\$ -	(\$ 411,843)	\$ 2,806,373
Buildings	3,304,070	(1,109,855)	(83,897)	2,110,318
Total	<u>\$ 6,522,286</u>	<u>(\$ 1,109,855)</u>	<u>(\$ 495,740)</u>	<u>\$ 4,916,691</u>

June 30, 2018				
Assets	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land and land improvements	\$ 3,311,078	\$ -	(\$ 412,967)	\$ 2,898,111
Buildings	3,299,063	(1,091,789)	(84,487)	2,122,787
Total	<u>\$ 6,610,141</u>	<u>(\$ 1,091,789)</u>	<u>(\$ 497,454)</u>	<u>\$ 5,020,898</u>

Change in investment property of the Yuanta Group:

	For the six months ended June 30,	
	2019	2018
Cost		
At January 1	\$ 6,522,286	\$ 7,739,095
Changes of retrospective adjustment	297,684	-
Cost after retrospective adjustment	6,819,970	7,739,095
Additions	204,728	676
Disposals	(143,277)	(1,115,625)
Reclassifications	(276,574)	70,378
Foreign exchange adjustment	(74,735)	(84,383)
At June 30	<u>\$ 6,530,112</u>	<u>\$ 6,610,141</u>

	For the six months ended June 30,	
	2019	2018
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	(42,552)	(34,561)
Disposals	13,818	19,041
Reclassifications	54,325	(20,283)
Foreign exchange adjustment	15,344	14,376
At June 30	(\$ 1,117,324)	(\$ 1,091,789)

	For the six months ended June 30,	
	2019	2018
Accumulated impairment		
At January 1	(\$ 495,740)	(\$ 495,087)
Recovery	16,072	3,503
Reclassifications	87,316	(5,870)
At June 30	(\$ 392,352)	(\$ 497,454)

- A. The fair value of the investment property held by the Yuanta Group as of June 30, 2019, December 31, 2018 and June 30, 2018 were \$8,100,833, \$7,298,237 and \$7,255,946, respectively, according to the result of valuation by an independent valuation expert using the income method, comparison method, market approach and land development analysis approach. As of June 30, 2019, the fair value included the amount of \$4,906,521 and \$3,194,312 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. As of June 30, 2018, the fair value included the amounts of \$4,794,392 and \$2,461,554 that was categorised within Level 2 and Level 3 in the fair value hierarchy, respectively.
- B. For the three months and six months ended June 30, 2019 and 2018, rental income from the lease of the investment property was \$49,799, \$38,287, \$101,713 and \$74,411, respectively.
- C. Please refer to Note 8 for details of the Yuanta Group's investment property pledged to others as collateral.

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(14) Property and equipment - net

Change in property and equipment of the Yuanta Group:

Cost	Land and land improvements	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
At January 1, 2019	\$ 14,393,687	\$ 7,187,858	\$ 3,968,969	\$ 225,145	\$ 1,851,836	\$ 452,969	\$ 28,080,464
Changes of retrospective adjustment	-	-	(33,427)	-	(6,600)	-	(40,027)
Cost after retrospective adjustment	14,393,687	7,187,858	3,935,542	225,145	1,845,236	452,969	28,040,437
Additions	-	193	58,508	26,057	34,032	321,457	440,247
Disposals	-	-	(107,246)	(25,711)	(164,938)	(310)	(298,205)
Reclassifications	148,482	38,269	36,436	10,277	13,794	(30,100)	217,158
Translation difference	(11,692)	(26,490)	(21,811)	2,217	16,405	507	(40,864)
At June 30, 2019	\$ 14,530,477	\$ 7,199,830	\$ 3,901,429	\$ 237,985	\$ 1,744,529	\$ 744,523	\$ 28,358,773
<u>Accumulated depreciation</u>							
At January 1, 2019	\$ -	(\$ 2,235,932)	(\$ 2,672,497)	(\$ 112,211)	(\$ 1,078,553)	\$ -	(\$ 6,099,193)
Changes of retrospective adjustment	-	-	25,432	-	550	-	25,982
Accumulated depreciation after retrospective adjustment	-	(2,235,932)	(2,647,065)	(112,211)	(1,078,003)	-	(6,073,211)
Depreciation	-	(88,429)	(261,298)	(16,821)	(141,956)	-	(508,504)
Disposals	-	-	106,694	16,582	156,024	-	279,300
Reclassifications	-	35,409	505	(250)	10,381	-	46,045
Translation difference	-	8,298	26,056	(807)	(7,547)	-	26,000
At June 30, 2019	\$ -	(\$ 2,280,654)	(\$ 2,775,108)	(\$ 113,507)	(\$ 1,061,101)	\$ -	(\$ 6,230,370)
<u>Accumulated impairment</u>							
At January 1, 2019	(\$ 79,043)	(\$ 30,008)	\$ -	\$ -	(\$ 298)	\$ -	(\$ 109,349)
Reclassifications	(56,225)	(31,090)	-	-	-	-	(87,315)
At June 30, 2019	(\$ 135,268)	(\$ 61,098)	\$ -	\$ -	(\$ 298)	\$ -	(\$ 196,664)
Net carrying amount	\$ 14,395,209	\$ 4,858,078	\$ 1,126,321	\$ 124,478	\$ 683,130	\$ 744,523	\$ 21,931,739

Cost	Land and land improvements	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Construction in progress	Total
At January 1, 2018	\$ 15,066,741	\$ 7,536,070	\$ 3,680,986	\$ 233,742	\$ 1,726,420	\$ 360,914	\$ 28,604,873
Additions	-	-	126,147	20,074	87,519	223,548	457,288
Disposals	-	-	(186,141)	(23,291)	(138,412)	(14,873)	(362,717)
Reclassifications	(8,020)	(72,810)	134,714	4,995	222,562	(261,562)	19,879
Translation difference	(11,692)	(33,417)	(41,369)	(7)	1,740	885	(83,860)
At June 30, 2018	<u>\$ 15,047,029</u>	<u>\$ 7,429,843</u>	<u>\$ 3,714,337</u>	<u>\$ 235,513</u>	<u>\$ 1,899,829</u>	<u>\$ 308,912</u>	<u>\$ 28,635,463</u>
<u>Accumulated depreciation</u>							
At January 1, 2018	\$ -	(\$ 2,219,726)	(\$ 2,507,142)	(\$ 119,413)	(\$ 1,012,913)	\$ -	(\$ 5,859,194)
Depreciation	-	(90,399)	(232,392)	(16,446)	(150,923)	-	(490,160)
Disposals	-	-	184,220	18,435	129,356	-	332,011
Reclassifications	-	32,613	(8,454)	-	(64,642)	-	(40,483)
Translation difference	-	9,883	35,784	119	(1,667)	-	44,119
At June 30, 2018	<u>\$ -</u>	<u>(\$ 2,267,629)</u>	<u>(\$ 2,527,984)</u>	<u>(\$ 117,305)</u>	<u>(\$ 1,100,789)</u>	<u>\$ -</u>	<u>(\$ 6,013,707)</u>
<u>Accumulated impairment</u>							
At January 1, 2018	(\$ 84,506)	(\$ 30,580)	\$ -	\$ -	\$ -	\$ -	(\$ 115,086)
Recovery	-	-	-	-	357	-	357
Reclassifications	4,860	1,009	-	-	(656)	-	5,213
At June 30, 2018	<u>(\$ 79,646)</u>	<u>(\$ 29,571)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 299)</u>	<u>\$ -</u>	<u>(\$ 109,516)</u>
Net carrying amount	<u>\$ 14,967,383</u>	<u>\$ 5,132,643</u>	<u>\$ 1,186,353</u>	<u>\$ 118,208</u>	<u>\$ 798,741</u>	<u>\$ 308,912</u>	<u>\$ 22,512,240</u>

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	\$ 7,159,977	\$ 27,881	\$ 7,187,858
Additions	-	-	-	193	-	193
Reclassifications	148,482	-	148,482	38,269	-	38,269
Translation difference	(11,692)	-	(11,692)	(26,490)	-	(26,490)
At June 30, 2019	<u>\$ 14,337,823</u>	<u>\$ 192,654</u>	<u>\$ 14,530,477</u>	<u>\$ 7,171,949</u>	<u>\$ 27,881</u>	<u>\$ 7,199,830</u>
<u>Accumulated depreciation</u>						
At January 1, 2019	\$ -	\$ -	\$ -	(\$ 2,233,830)	(\$ 2,102)	(\$ 2,235,932)
Depreciation	-	-	-	(87,765)	(664)	(88,429)
Reclassifications	-	-	-	35,409	-	35,409
Translation difference	-	-	-	8,298	-	8,298
At June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2,277,888)</u>	<u>(\$ 2,766)</u>	<u>(\$ 2,280,654)</u>
<u>Accumulated impairment</u>						
At January 1, 2019	(\$ 79,043)	\$ -	(\$ 79,043)	(\$ 30,008)	\$ -	(\$ 30,008)
Reclassifications	(56,225)	-	(56,225)	(31,090)	-	(31,090)
At June 30, 2019	<u>(\$ 135,268)</u>	<u>\$ -</u>	<u>(\$ 135,268)</u>	<u>(\$ 61,098)</u>	<u>\$ -</u>	<u>(\$ 61,098)</u>
At June 30, 2019	<u>\$ 14,202,555</u>	<u>\$ 192,654</u>	<u>\$ 14,395,209</u>	<u>\$ 4,832,963</u>	<u>\$ 25,115</u>	<u>\$ 4,858,078</u>

(15) Leasing arrangements – lessee

Effective 2019

- A. The Yuanta Group leases various assets including land, buildings, machinery and equipment, business vehicles, 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:

	June 30, 2019	For the three months ended June 30, 2019	For the six months ended June 30, 2019
	Carrying amount	Depreciation charge	Depreciation charge
Land	\$ 9,099,221	\$ 5,474	\$ 10,937
Buildings	4,429,687	317,956	647,825
Machinery and equipment	29,053	11,230	25,181
Transportation equipment	22,666	2,601	5,673
Miscellaneous equipment	10,539	988	2,213
Other equipment	18,660	1,939	4,742
	<u>\$ 13,609,826</u>	<u>\$ 340,188</u>	<u>\$ 696,571</u>

- C. For the three and six months ended June 30, 2019, the additions to right-of-use assets were \$233,382 and \$458,197, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 25,521	\$ 53,539
Expense on short-term lease contracts	41,544	89,303
Expense on leases of low-value assets	3,196	5,848
Gain on sublease of right-of-use assets	5,069	8,261

- E. For the three and six months ended June 30, 2019, the Yuanta Group's total cash outflow for leases were \$399,745 and \$809,665, respectively.
- 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. For the three months and six months ended June 30, 2019, the Yuanta Group recognised rent income in the amount of \$49,799 and \$101,713, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	June 30, 2019
2019	\$ 29,812
2020	45,085
2021	17,803
2022	11,220
2023	9,621
After 2024	<u>6,826</u>
Total	<u>\$ 120,367</u>

D. Please refer to Note 12(3) B(C) e for lessors' lease contract commitments of 2018.

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(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	\$ 31,812,630	\$ 385,419	\$ 4,122,530	\$ 5,585,107	\$ 2,454,872	\$ 44,360,558
Additions	-	-	51,506	-	-	51,506
Disposals	-	-	(35,604)	-	(46)	(35,650)
Reclassifications	-	-	12,582	-	-	12,582
Translation difference	(3,430)	207	(71,031)	-	(16,527)	(90,781)
At June 30, 2019	<u>\$ 31,809,200</u>	<u>\$ 385,626</u>	<u>\$ 4,079,983</u>	<u>\$ 5,585,107</u>	<u>\$ 2,438,299</u>	<u>\$ 44,298,215</u>
<u>Accumulated amortization</u>						
At January 1, 2019	\$ -	(\$ 368,532)	(\$ 3,453,518)	(\$ 3,664,587)	(\$ 1,407,322)	(\$ 8,893,959)
Amortization	-	(820)	(162,653)	(118,514)	(139,117)	(421,104)
Disposals	-	-	35,562	-	46	35,608
Translation difference	-	(61)	72,665	-	3,623	76,227
At June 30, 2019	<u>\$ -</u>	<u>(\$ 369,413)</u>	<u>(\$ 3,507,944)</u>	<u>(\$ 3,783,101)</u>	<u>(\$ 1,542,770)</u>	<u>(\$ 9,203,228)</u>
<u>Accumulated impairment</u>						
At January 1, 2019	(\$ 1,762,508)	\$ -	\$ -	\$ -	(\$ 34,202)	(\$ 1,796,710)
Translation difference	-	-	-	-	280	280
At June 30, 2019	<u>(\$ 1,762,508)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 33,922)</u>	<u>(\$ 1,796,430)</u>
Net carrying amount	<u>\$ 30,046,692</u>	<u>\$ 16,213</u>	<u>\$ 572,039</u>	<u>\$ 1,802,006</u>	<u>\$ 861,607</u>	<u>\$ 33,298,557</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	\$ 31,815,086	\$ 385,022	\$ 4,688,456	\$ 5,585,107	\$ 2,399,680	\$ 44,873,351
Additions	-	-	81,406	-	64,842	146,248
Disposals	-	-	(727,283)	-	(9,630)	(736,913)
Reclassifications	-	-	30,967	-	-	30,967
Translation difference	(7,302)	257	(126,457)	-	(7,677)	(141,179)
At June 30, 2018	<u>\$ 31,807,784</u>	<u>\$ 385,279</u>	<u>\$ 3,947,089</u>	<u>\$ 5,585,107</u>	<u>\$ 2,447,215</u>	<u>\$ 44,172,474</u>
<u>Accumulated amortization</u>						
At January 1, 2018	\$ -	(\$ 366,774)	(\$ 3,860,269)	(\$ 3,227,444)	(\$ 1,122,746)	(\$ 8,577,233)
Amortization	-	(821)	(221,672)	(218,587)	(144,513)	(585,593)
Disposals	-	-	727,261	-	1,582	728,843
Translation difference	-	(75)	117,407	-	729	118,061
At June 30, 2018	<u>\$ -</u>	<u>(\$ 367,670)</u>	<u>(\$ 3,237,273)</u>	<u>(\$ 3,446,031)</u>	<u>(\$ 1,264,948)</u>	<u>(\$ 8,315,922)</u>
<u>Accumulated impairment</u>						
At January 1, 2018	(\$ 325,199)	\$ -	(\$ 5,429)	\$ -	(\$ 29,713)	(\$ 360,341)
Disposals	-	-	22	-	-	22
Translation difference	-	-	-	-	179	179
At June 30, 2018	<u>(\$ 325,199)</u>	<u>\$ -</u>	<u>(\$ 5,407)</u>	<u>\$ -</u>	<u>(\$ 29,534)</u>	<u>(\$ 360,140)</u>
Net carrying amount	<u>\$ 31,482,585</u>	<u>\$ 17,609</u>	<u>\$ 704,409</u>	<u>\$ 2,139,076</u>	<u>\$ 1,152,733</u>	<u>\$ 35,496,412</u>

- 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 Yuanta Group assesses impairment indication of goodwill in the interim period based on the regulations. In the interim period, the Yuanta Group takes into consideration the related information in relation to impairment indication of goodwill, and there was no indication that goodwill was impaired. The main assumptions used in calculating value-in-use are as follows:

	Bank subsidiaries				
	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, consumer finance, financial management, financial markets.

(18) Other assets - net

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Refundable deposits	\$ 5,893,459	\$ 6,121,491	\$ 7,544,636
Refundable deposits for securities lending	23,417,680	18,838,091	19,280,982
Operating guarantee deposits and settlement fund	3,061,348	3,132,290	3,115,815
Prepaid expenses	815,376	8,957,534	885,681
Bank deposits - amounts held for settlement	10,078,020	9,882,204	8,653,106
Others	1,129,092	837,555	1,504,523
Total	<u>\$ 44,394,975</u>	<u>\$ 47,769,165</u>	<u>\$ 40,984,743</u>

Please refer to Note 8 for details of the Yuanta Group's other assets pledged to others as collateral in June 30, 2019, December 31, 2018 and June 30, 2018.

(19) Non-financial asset impairment losses

As of June 30, 2019, December 31, 2018 and June 30, 2018, accumulated impairments on various financial assets were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Investment property	\$ 392,352	\$ 495,740	\$ 497,454
Property and equipment	196,664	109,349	109,516
Intangible assets - goodwill	1,762,508	1,762,508	325,199
Intangible assets - other	33,922	34,202	34,941

(20) Due to Central Bank and other banks

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Due to other banks	\$ 10,054	\$ 10,054	\$ 10,054
Overdrafts from other banks	1,616,969	2,470,385	311,279
Call loans from other banks	8,336,776	14,239,532	19,854,224
Redeposit from the directorate general of postal remittance	5,106,579	5,327,303	5,369,577
Total	<u>\$ 15,070,378</u>	<u>\$ 22,047,274</u>	<u>\$ 25,545,134</u>

(21) Commercial paper payable - net

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Commercial paper payable	\$ 54,040,340	\$ 36,349,940	\$ 68,890,850
Less: Discount on commercial paper payable	(41,553)	(80,817)	(37,432)
Net	<u>\$ 53,998,787</u>	<u>\$ 36,269,123</u>	<u>\$ 68,853,418</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, the annual interest rate of commercial paper payable were 0.56%~2.45%, 0.65%~2.45% and 0.50%~2.05%, respectively.

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

June 30, 2019	December 31, 2018	June 30, 2018
CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.
Sunny Bank Ltd.	Sunny Bank Ltd.	Sunny Bank Ltd.
Hua Nan Commercial Bank Co., Ltd.	Hua Nan Commercial Bank Co., Ltd.	Hua Nan Commercial Bank Co., Ltd.
Taiwan Finance Corporation	Taiwan Finance Corporation	Taiwan Finance Corporation
Union Bank of Taiwan Co., Ltd.	Union Bank of Taiwan Co., Ltd.	Union Bank of Taiwan Co., Ltd.
Mega Bills Finance Co., Ltd.	Mega Bills Finance Co., Ltd.	Mega Bills Finance Co., Ltd.
Ta Ching Bills Finance Corporation	Ta Ching Bills Finance Corporation	International Bills Finance Corporation
Taishin International Bank Co., Ltd.	Taishin International Bank Co., Ltd.	Ta Ching Bills Finance Corporation
Dah Chung Bills Finance Corp.	Dah Chung Bills Finance Corp.	Taishin International Bank Co., Ltd.
Grand Bills Finance Corp.	Grand Bills Finance Corp.	Dah Chung Bills Finance Corp.
KGI Bank Co., Ltd.	KGI Bank Co., Ltd.	Grand Bills Finance Corp.
Cathay United Commercial Bank Co., Ltd.	Cathay United Commercial Bank Co., Ltd.	KGI Bank Co., Ltd.
Taiwan Business Bank Co., Ltd.	Taiwan Business Bank Co., Ltd.	China Bills Finance Corporation
China Bills Finance Corporation	KB Securities co.,ltd.	Cathay United Commercial Bank Co., Ltd.
E.Sun Commercial Bank Co, Ltd.	Korea Asset investment	Bank of Taiwan
KB Securities Co., Ltd.		Taiwan Business Bank Co., Ltd.
Korea Asset investment		HI Investment & Securities

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(22) Payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Accounts payable	\$ 80,236,090	\$ 82,666,395	\$ 88,566,613
Demand remittance payable	13,610,774	5,150,513	9,300,717
Bankers' acceptances payable	1,138,631	503,674	639,412
Dividends payable	10,504,600	-	6,638,302
Interests payable	2,525,940	2,316,566	2,323,318
Accrued expenses	7,109,570	9,319,402	8,317,587
Taxes payable	246,074	243,690	265,996
Collections payable for customers	762,991	769,254	867,867
Proceeds payable from underwriting	925,765	792,050	840,032
Due to reinsurers and ceding companies	328,550	209,340	138,461
Collateralized proceeds payable from securities lending	4,943,181	8,338,522	5,048,030
Consigned securities payable	4,463,923	3,784,722	4,840,673
Settled price	1,550,690	906,715	886,182
Securities purchased payable	13,887,787	3,263,268	10,839,167
Settlement payable	32,213,240	17,162,508	25,923,343
Deposits received on securities lending	4,470,442	7,478,545	4,597,536
Checks for clearing	2,127,951	2,582,721	2,419,074
SBL Refund payable	176,706	634,546	193,554
Other payables	1,244,746	1,567,604	1,057,466
Total	<u>\$ 182,467,651</u>	<u>\$ 147,690,035</u>	<u>\$ 173,703,330</u>

(23) Deposits and remittances

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Checking deposits	\$ 4,630,931	\$ 5,131,842	\$ 4,932,162
Demand deposits	136,006,862	126,750,942	129,334,593
Time deposits	304,733,117	306,729,865	309,981,429
Negotiable certificates of deposit	15,621,000	44,647,500	64,945,500
Savings deposits	580,649,980	537,013,130	527,642,401
Remittances	134,031	342,017	256,361
Total	<u>\$ 1,041,775,921</u>	<u>\$ 1,020,615,296</u>	<u>\$ 1,037,092,446</u>

(24) Bonds payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Financial bonds	\$ 36,000,000	\$ 38,000,000	\$ 41,050,000
Unsecured corporate bonds	36,635,911	28,253,562	16,750,000
Convertible corporate bonds	-	502,447	2,618,764
Total	<u>\$ 72,635,911</u>	<u>\$ 66,756,009</u>	<u>\$ 60,418,764</u>

A. The details of financial debentures as of June 30, 2019 were as follows:

<u>Third issue of subordinate financial debentures in 2011(B)</u>	
Par value	\$4,500,000
Stated interest rate	Fixed interest rate at 1.95%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
<u>Third issue of subordinate financial debentures in 2012</u>	
Par value	\$1,500,000
Stated interest rate	Fixed interest rate at 1.90%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
<u>First issue of subordinate financial debentures in 2014(A)</u>	
Par value	\$1,600,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
<u>First issue of subordinate financial debentures in 2014(B)</u>	
Par value	\$4,700,000
Stated interest rate	Fixed interest rate at 2.00%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
<u>Second issue of subordinate financial debentures in 2014</u>	
Par value	\$1,700,000
Stated interest rate	Fixed interest rate at 1.85%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	<u>Third issue of subordinate financial debentures in 2014</u>
Par value	\$3,500,000
Stated interest rate	Fixed interest rate at 2.05%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Fourth issue of subordinate financial debentures in 2014</u>
Par value	\$900,000
Stated interest rate	Fixed interest rate at 2.00%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Fifth issue of subordinate financial debentures in 2014</u>
Par value	\$600,000
Stated interest rate	Fixed interest rate at 2.00%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Third issue of non-cumulative perpetual bonds for 2015</u>
Par value	\$5,550,000
Stated interest rate	Fixed interest rate at 4.10%
Period	Perpetual
Interest payment date	Payable annually
Term of principal payment	Perpetual
Issue price	Priced at face value on issue date
	<u>Fourth issue of subordinate financial debentures in 2015</u>
Par value	\$3,000,000
Stated interest rate	Fixed interest rate at 2.10%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	<u>Fifth issue of non-cumulative perpetual bonds for 2015</u>
Par value	\$1,450,000
Stated interest rate	Fixed interest rate at 4.10%
Period	Perpetual
Interest payment date	Payable annually
Term of principal payment	Perpetual
Issue price	Priced at face value on issue date

	Sixth issue of subordinate financial debentures in 2015
Par value	\$2,000,000
Stated interest rate	Fixed interest rate at 2.08%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	First issue of subordinate financial debentures in 2016
Par value	\$5,000,000
Stated interest rate	Fixed interest rate at 1.80%
Period	Ten years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
B. The details of unsecured corporate bonds as of June 30, 2019 were as follows:	
The Company	
	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2015
Par value	\$1,300,000
Stated interest rate	Fixed interest rate at 1.67%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(B)
Par value	\$4,000,000
Stated interest rate	Fixed interest rate at 0.80%
Period	Five years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	Yuanta Financial Holdings first issue of local unsecured normal corporate bond in 2016(C)
Par value	\$8,000,000
Stated interest rate	Fixed interest rate at 1.00%
Period	Seven years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date

	Yuanta Financial Holdings second issue of local unsecured normal corporate bond in 2016(A)
Par value	\$1,850,000
Stated interest rate	Fixed interest rate at 0.63%
Period	Three years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	Yuanta Financial Holdings second issue of local unsecured normal corporate bond in 2016(B)
Par value	\$1,600,000
Stated interest rate	Fixed interest rate at 0.85%
Period	Six years
Interest payment date	Payable annually
Term of principal payment	Repaid on maturity
Issue price	Priced at face value on issue date
	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, 2026		
Issuance area	Taiwan		
	Yuanta Securities Asia Financial Services USD denominated unsecured privately placed bonds		
Par value	USD 50,000 thousand (USD 44,405 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>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Convertible corporate bonds	\$ -	\$ 440,000	\$ 2,522,637
Add: Premium (discount) on convertible bonds payable	-	62,447	96,127
Total	<u>\$ -</u>	<u>\$ 502,447</u>	<u>\$ 2,618,764</u>

(25) Other borrowings

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Short-term borrowings			
Unsecured bank borrowings	\$ 14,527,910	\$ 14,441,894	\$ 18,037,353
Secured bank borrowings	5,582,556	4,463,922	1,901,650
KSFC secured borrowings	17,520,125	23,432,384	27,741,568
Issuance of short-term bond	23,999,763	17,735,049	21,018,474
Secured short-term bond	3,199,318	3,121,552	1,748,149
Long-term borrowings			
Unsecured bank borrowings	807,000	825,000	819,000
	<u>\$ 65,636,672</u>	<u>\$ 64,019,801</u>	<u>\$ 71,266,194</u>
Interest rate-short-term (%)	<u>0.70%~3.90%</u>	<u>0.65%~4.10%</u>	<u>0.60%~3.50%</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>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Insurance liability	\$ 241,952,454	\$ 224,774,001	\$ 201,448,332
Reserve for foreign exchange fluctuation	708,321	893,568	742,491
Employee benefit liabilities reserve	5,890,185	5,750,994	5,538,494
Guaranteed policy reserve	178,022	197,579	242,508
Loan commitment reserve	51,729	53,569	68,063
Other reserves (Note)	623,097	553,412	555,858
Total	<u>\$ 249,403,808</u>	<u>\$ 232,223,123</u>	<u>\$ 208,595,746</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\$18.7 billion); of which former TongYang Securities Inc. was liable for compensations totaling ₩67,678 million (approximately NT\$1.8 billion). Starting from the end of September 2014, other than a minority of customers who filed complaints, disagreeing with the above-mentioned mediated results by the competent authority, former TongYang Securities Inc. has commenced paying compensations.

In addition, as of June 30, 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 ₩542,914 million (approximately NT\$14.6 billion); of which 2 were class actions, demanding compensation of ₩492,565 million (approximately NT\$13.2 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, on September 30, 2016, and August 4, 2017, respectively, 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 on July 5, 2018 for a retrial based on class action requirements. 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\$2.5 billion) on December 31, 2013 for the aforementioned sales dispute. Other than adjustments made for actual compensation payments, former TongYang Securities Inc., after comprehensively considering the status of litigations and compensations, has reversed ₩23,721 million (approximately NT\$640 million) in liability reserves as of June 30, 2019. As of June 30, 2019, the balance of the liability reserve related to the aforementioned dispute on sales of financial products was ₩5,449 million (approximately NT\$150 million).

B. The reserve for litigation loss of Yuanta Bank is \$202,309, please refer to Note 9(7)A.

A. The components of insurance liabilities are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Unearned premium reserve	\$ 535,191	\$ 458,865	\$ 314,730
Claims reserve	558,141	406,408	372,262
Reserve for policy benefit	235,640,942	218,464,791	194,868,402
Premium deficiency reserve	1,201,857	1,340,561	1,689,824
Other reserves	4,016,323	4,103,376	4,203,114
Total	<u>\$ 241,952,454</u>	<u>\$ 224,774,001</u>	<u>\$ 201,448,332</u>

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

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

June 30, 2019			
	Financial instruments with discretionary participation features		
	Insurance contract		Total
Unearned premium reserve			
Personal life insurance	\$ 1,134	\$ -	\$ 1,134
Personal accident insurance	201,371	-	201,371
Personal health insurance	211,924	-	211,924
Group insurance	118,767	-	118,767
Investment-link insurance	1,995	-	1,995
	<u>\$ 535,191</u>	<u>\$ -</u>	<u>\$ 535,191</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 247,858	\$ -	\$ 247,858
Personal accident insurance	271	-	271
Personal health insurance	117,266	-	117,266
Group insurance	354	-	354
Investment-link insurance	374	-	374
	<u>\$ 366,123</u>	<u>\$ -</u>	<u>\$ 366,123</u>
December 31, 2018			
	Financial instruments with discretionary participation features		
	Insurance contract		Total
Unearned premium reserve			
Personal life insurance	\$ 781	\$ -	\$ 781
Personal accident insurance	180,581	-	180,581
Personal health insurance	164,860	-	164,860
Group insurance	110,643	-	110,643
Investment-link insurance	2,000	-	2,000
	<u>\$ 458,865</u>	<u>\$ -</u>	<u>\$ 458,865</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 209,636	\$ -	\$ 209,636
Personal accident insurance	321	-	321
Personal health insurance	155,985	-	155,985
Investment-link insurance	383	-	383
	<u>\$ 366,325</u>	<u>\$ -</u>	<u>\$ 366,325</u>

June 30, 2018			
	Insurance contract	Financial instruments with discretionary participation features	Total
Unearned premium reserve			
Personal life insurance	\$ 351	\$ -	\$ 351
Personal accident insurance	167,904	-	167,904
Personal health insurance	143,604	-	143,604
Group insurance	827	-	827
Investment-link insurance	2,044	-	2,044
	<u>\$ 314,730</u>	<u>\$ -</u>	<u>\$ 314,730</u>
Ceded unearned premium reserve			
Personal life insurance	\$ 162,815	\$ -	\$ 162,815
Personal accident insurance	297	-	297
Personal health insurance	114,308	-	114,308
Investment-link insurance	378	-	378
	<u>\$ 277,798</u>	<u>\$ -</u>	<u>\$ 277,798</u>

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

	For the six months ended June 30,	
	2019	2018
Unearned premium reserve		
At January 1	\$ 458,865	\$ 283,691
Current net change	76,326	31,039
At June 30	<u>\$ 535,191</u>	<u>\$ 314,730</u>
	For the six months ended June 30,	
	2019	2018
Ceded unearned premium reserve		
At January 1	\$ 366,326	\$ 262,226
Current net change	(212)	15,565
Loss on foreign exchange	9	7
At June 30	<u>\$ 366,123</u>	<u>\$ 277,798</u>

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

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

June 30, 2019			
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 341,737	\$ 132	\$ 341,869
Personal accident insurance	11,692	25,216	36,908
Personal health insurance	125,923	42,071	167,994
Group insurance	-	11,363	11,363
Investment-link insurance	-	7	7
	<u>\$ 479,352</u>	<u>\$ 78,789</u>	<u>\$ 558,141</u>
Ceded claims reserve			
Personal life insurance	\$ 31,092	\$ -	\$ 31,092
Personal health insurance	36,726	-	36,726
	<u>\$ 67,818</u>	<u>\$ -</u>	<u>\$ 67,818</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>
June 30, 2018			
	Claims reported but not paid	Claims incurred but not reported	Total
Claims reserve			
Personal life insurance	\$ 282,843	\$ 36	\$ 282,879
Personal accident insurance	2,884	25,100	27,984
Personal health insurance	28,825	32,391	61,216
Group insurance	-	177	177
Investment-link insurance	-	6	6
	<u>\$ 314,552</u>	<u>\$ 57,710</u>	<u>\$ 372,262</u>
Ceded claims reserve			
Personal life insurance	\$ 5,643	\$ -	\$ 5,643
Personal health insurance	4,451	-	4,451
	<u>\$ 10,094</u>	<u>\$ -</u>	<u>\$ 10,094</u>

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

	For the six months ended June 30,	
	2019	2018
Claims reserve		
At January 1	\$ 406,408	\$ 306,349
Current net change	151,715	65,815
Loss on foreign exchange	18	98
At June 30	<u>\$ 558,141</u>	<u>\$ 372,262</u>
	For the six months ended June 30,	
	2019	2018
Ceded claims reserve		
At January 1	\$ 29,749	\$ 11,293
Current net change	38,069	(1,199)
At June 30	<u>\$ 67,818</u>	<u>\$ 10,094</u>

(C) Reserve for policy benefit:

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

	June 30, 2019		
	Insurance contract	Financial instruments with discretionary participation features	Total
Life insurance	\$ 213,740,801	\$ -	\$ 213,740,801
Health insurance	21,413,712	-	21,413,712
Annuity insurance	10,647	300,792	311,439
Investment-link insurance	53,642	-	53,642
	<u>\$ 235,218,802</u>	<u>\$ 300,792</u>	<u>235,519,594</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			71,065
Total			<u>\$ 235,640,942</u>
	December 31, 2018		
	Insurance contract	Financial instruments with discretionary participation features	Total
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>

	June 30, 2018		
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Life insurance	\$ 175,298,032	\$ -	\$ 175,298,032
Health insurance	19,208,424	-	19,208,424
Annuity insurance	11,667	238,931	250,598
Investment-link insurance	57,053	-	57,053
	<u>\$ 194,575,176</u>	<u>\$ 238,931</u>	<u>194,814,107</u>
Recovery of catastrophe reserve			4,221
Transferred in unwritten-off balance of 3% decrease in business tax			46,062
Payables to the insured			<u>4,012</u>
Total			<u>\$ 194,868,402</u>

b.Changes in reserve for policy benefit:

	For the six months ended June 30,	
	2019(Note 1)	2018(Note 2)
At January 1	\$ 218,459,622	\$ 180,812,095
Current net change	16,932,843	13,678,367
Loss on foreign exchange	241,733	373,928
At June 30	<u>\$ 235,634,198</u>	<u>\$ 194,864,390</u>

Note 1: For the six months ended June 30, 2019, “Reserve for policy benefit-payables to the insured” is \$6,744. As of June 30, 2019, the total reserve for policy benefit amount of changes in reserve for policy benefit is \$235,640,942.

Note 2: For the six months ended June 30, 2018, “Reserve for policy benefit-payables to the insured” is \$4,012. As of June 30, 2018, the total reserve for policy benefit amount of changes in reserve for policy benefit is \$194,868,402.

For the three months and six months ended June 30, 2019 and 2018, the interest expense, representing the cost related with delaying payments on contract liabilities over a period of time, are \$1,605,493, \$1,384,277, \$3,183,007 and \$2,743,414, respectively.

(D) Premium deficiency reserve:

a.Details of premium deficiency reserve are as follows:

	June 30, 2019		
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Personal life insurance	\$ 1,192,416	\$ -	\$ 1,192,416
Personal health insurance	9,441	-	9,441
Total	<u>\$ 1,201,857</u>	<u>\$ -</u>	<u>\$ 1,201,857</u>

	December 31, 2018		
		Financial instruments with discretionary participation features	Total
	Insurance contract		
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>

	June 30, 2018		
		Financial instruments with discretionary participation features	Total
	Insurance contract		
Personal life insurance	\$ 1,685,297	\$ -	\$ 1,685,297
Personal health insurance	4,527	-	4,527
Total	<u>\$ 1,689,824</u>	<u>\$ -</u>	<u>\$ 1,689,824</u>

b.Change in premium deficiency reserve:

	For the six months ended June 30,	
	2019	2018
Premium deficiency reserve:		
At January 1	\$ 1,340,561	\$ 1,810,269
Current net change	(140,289)	(124,299)
Loss on foreign exchange	1,585	3,854
At June 30	<u>\$ 1,201,857</u>	<u>\$ 1,689,824</u>

(E) Other reserves

Pursuant to IFRS 3, 'Business combinations', other reserves are set aside for reflecting the fair value of insurance policies assumed while recognising the individual identifiable assets acquired and liabilities assumed at fair value. Changes in aforesaid other reserves are as follows:

	For the six months ended June 30,	
	2019	2018
At January 1	\$ 4,103,376	\$ 4,297,540
Recovery	(87,053)	(94,426)
At June 30	<u>\$ 4,016,323</u>	<u>\$ 4,203,114</u>

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B. Reserve for foreign exchange fluctuation

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

	For the six months ended June 30,	
	2019	2018
At January 1	\$ 893,568	\$ 510,241
Provision		
Compulsory provision	123,410	85,779
Additional provision	472,387	423,455
Subtotal	1,489,365	1,019,475
Recovery	(781,044)	(276,984)
At June 30	\$ 708,321	\$ 742,491

(B) Effect of accounts eligible or ineligible for the foreign exchange reserve on the consolidated financial statements of Yuanta Life of the Group for the six months ended June 30, 2019 and 2018 is as follows:

	For the six months ended June 30, 2019		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 950,742	\$ 1,098,939	\$ 148,197
Earnings per share (in dollars)	0.98	1.13	0.15
Reserve for foreign exchange fluctuation	-	708,321	708,321
Total equity	14,472,929	13,890,965	(581,964)
	For the six months ended June 30, 2018		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 1,098,852	\$ 913,053	(\$ 185,799)
Earnings per share (in dollars) (Note)	1.26	1.05	(0.21)
Reserve for foreign exchange fluctuation	-	742,491	742,491
Total equity	11,900,212	11,290,912	(609,300)

Note: The weighted average number of ordinary shares outstanding of Yuanta Life for the six months ended June 30, 2018 has been retrospectively adjusted based on the capital increase from the earnings to issue new shares as resolved at the stockholders’ meeting in 2018.

(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 Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March. Yuanta Securities (Korea) and its subsidiary have a defined benefit plan or a defined contribution plan in accordance with the relevant laws and regulations applied by the local Korean government.

- (B) For the aforementioned pension plan, the Company and its domestic subsidiaries recognised pension costs of \$18,948, \$22,470, \$39,216 and \$46,040 for the three months and six months ended June 30, 2019 and 2018, respectively.
 - (C) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2020 amounts to \$56,577.
- B. Defined contribution plans:
- (A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
 - (B) Effective July 1, 2005, a retirement plan was established by Yuanta Life, covering all its telemarketing representatives. Under the retirement plan, Yuanta Life recognises monthly an amount equal to 7% of the employees' monthly incentive bonuses as retirement pay. The retirement plan is contributed till July 2016. Cumulated amounts will be retained until telemarketing representatives retire, after which it will be paid in lump-sum to each telemarketing representative according to their respective entitled proportions under the plan. Effective August 1, 2008, Yuanta Life established an "Incentive Award Plan", which covered its sales agents. Under the "Incentive Award Plan", Yuanta Life calculates monthly contributions based on the agent's service years and a monthly commission effective for the first year. The "Incentive Award Plan" is contributed till June 2014. Cumulated amounts will be retained until sales agents retire, after which it will be paid in lump-sum to each sales agent according to their respective entitled proportions under the plan.
 - (C) Under the defined contribution plan, the Company and its domestic subsidiaries recognised pension expense of \$108,476, \$110,309, \$217,747 and \$234,061 for the three months and six months ended June 30, 2019 and 2018, respectively.
 - (D) The pension plans for the consolidated foreign subsidiaries are as follows:
The pension plan for Yuanta Securities Asia Finance is in compliance with the regulations of each employee nationality. Yuanta HK Holdings (Cayman) Ltd., Yuanta Securities Holding (B.V.I) Ltd. and Yuanta Investment Management (Cayman) Ltd. do not have compulsory pension plans according to local regulations. Other foreign subsidiaries are in compliance with related regulations enacted by local governments. For the three months and six months ended June 30, 2019 and 2018, the foreign subsidiaries recognised \$143,936, \$144,762, \$283,214 and \$296,981 of pension expense by complying with aforementioned regulations.

(28) Other financial liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Futures traders' equity	\$ 73,369,078	\$ 66,721,081	\$ 54,342,623
Structured deposit	8,290,131	10,740,531	13,219,803
Investment-linked products liabilities	1,940,223	1,787,652	1,925,767
Appropriated loan fund	3,336	21,684	36,482
Lease payables	-	5,971	252
Total	<u>\$ 83,602,768</u>	<u>\$ 79,276,919</u>	<u>\$ 69,524,927</u>

(29) Other liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposit-in and margin deposits	\$ 40,669,011	\$ 32,456,068	\$ 28,959,900
Underwriting share proceeds collected on behalf of customers	965	58,556	257,611
Collections in advance	1,365,081	1,285,565	1,152,637
Retention bonus payable	1,429,222	1,274,372	1,176,920
Refundable deposits	938,666	527,176	608,134
Refundable deposits-derivative transactions	3,263,730	5,027,308	5,565,296
Others	1,256,767	1,177,170	1,227,681
Total	<u>\$ 48,923,442</u>	<u>\$ 41,806,215</u>	<u>\$ 38,948,179</u>

(30) Share capital/Preferred stock liability

As of June 30, 2019, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$116,862,325, respectively. The aforementioned total paid-in capital includes 11,686,233 thousand shares of common stock, each with a par value of \$10 dollars per share. As of June 30, 2018, the Company's total authorized capital and total paid-in capital were \$125,000,000 and \$118,202,325, respectively. The aforementioned total paid-in capital includes 11,820,233 thousand shares of common stock, each with a par value of \$10 dollars per share.

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

	2019	2018
January 1	\$ 11,686,233	\$ 11,889,198
Retirement of treasury share	-	(68,965)
At June 30	<u>\$ 11,686,233</u>	<u>\$ 11,820,233</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.

	June 30, 2019	December 31, 2018	June 30, 2018
Post 1998	\$ 4,041,698	\$ 4,041,698	\$ 4,087,891
Source and details of the capital surplus of the Company are as follows:			
	June 30, 2019	December 31, 2018	June 30, 2018
Additional paid-in capital	\$ 33,617,492	\$ 33,617,492	\$ 34,001,712
Treasury share transactions	3,477,403	3,477,403	3,672,184
Others	105,579	105,521	37,100
	<u>\$ 37,200,474</u>	<u>\$ 37,200,416</u>	<u>\$ 37,710,996</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 (in dollars)	Amount	Dividend per share (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. 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	-	5,062,119	-	-	5,062,119
- Evaluation transferred to profit or loss	-	(504,362)	-	-	(504,362)
- Evaluation transferred to retained earnings	-	(88,900)	-	-	(88,900)
Other comprehensive income on reclassification under the overlay approach	-	-	-	958,634	958,634
Changes in translation difference of foreign operating entities	106,022	-	-	-	106,022
Effects on income tax	-	(203,703)	-	(33,830)	(237,533)
Evaluation of credit risk	-	-	(1,501)	-	(1,501)
Balance, June 30, 2019	(\$ 2,303,447)	\$ 12,040,872	(\$ 31,299)	\$ 594,437	\$ 10,300,563

	Translation gain and loss on the financial statements of foreign operating entities	Financial assets at fair value through other comprehensive income	Available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk of the liability	Other comprehensive income on reclassification under the overlay approach	Total
Balance, January 1, 2018	(\$ 2,528,033)	\$ -	\$ 7,085,896	(\$ 3,478)	\$ -	\$ 4,554,385
Effects of retrospective application and retrospective restatement	71	8,821,188	(7,085,896)	62,367	389,832	2,187,562
Balance, January 1, 2018 after adjustments	(2,527,962)	8,821,188	-	58,889	389,832	6,741,947
Financial assets at fair value through other comprehensive income						
- Evaluation adjustment in the period		- (1,283,611)	-	-	-	(1,283,611)
- Evaluation transferred to profit or loss		- (578,046)	-	-	-	(578,046)
- Evaluation transferred to retained earnings		104,565	-	-	-	104,565
Other comprehensive income on reclassification under the overlay approach	-	-	-	- (423,491)	(423,491)	
Changes in translation difference of foreign operating entities	(231,504)	-	-	-	-	(231,504)
Effects on income tax	-	179,010	-	-	32,977	211,987
Evaluation of credit risk	-	-	-	(846)	-	(846)
Balance, June 30, 2018	(\$ 2,759,466)	\$ 7,243,106	\$ -	\$ 58,043	(\$ 682)	\$ 4,541,001

(35) Treasury shares

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

For the six months ended June 30, 2019						
Reason for buyback of shares	Beginning balance of amount	Beginning balance of shares	Share increase	Share decrease	Ending balance of shares	Ending balance amount
Buy-back rights of shareholders with objections (Note)	\$ 197,606	15,621	-	-	15,621	\$ 197,606
For the six months ended June 30, 2018						
Reason for buyback of shares	Beginning balance of amount	Beginning balance of shares	Share increase	Share decrease	Ending balance of shares	Ending balance amount
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	(68,965)	134,000	1,919,001
Total	\$ 1,136,953	84,586	134,000	(68,965)	149,621	\$ 2,116,607

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 three months ended June 30,	
	2019	2018
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 4,720,073	\$ 4,718,077
Interest income from margin trade	1,079,327	1,391,415
Interest income on securities investment	3,299,030	3,205,023
Interest income from placement and call loan to other banks	543,436	392,060
Interest income on bills and bonds purchased under resale agreements	152,582	117,346
Recurring interest income from credit card	58,332	64,043
Other interest income	507,672	256,862
Subtotal	10,360,452	10,144,826
<u>Interest expense</u>		
Interest expense of deposit	(\$ 1,895,633)	(\$ 1,719,237)
Interest expense of Central Bank and other banks' deposit	(65,779)	(78,566)
Interest expense on due to the Central Bank and other banks' deposit	(372,274)	(338,019)
Interest expense on bills and bonds sold under repurchase agreements	(818,923)	(686,018)
Interest expense of structured instruments	(127,795)	(165,753)
Coupon rate of bank debenture	(217,406)	(247,549)
Coupon rate of corporate bonds	(111,422)	(85,080)
Coupon rate of commercial papers	(93,692)	(70,091)
Interest expense of margin purchase	(4,657)	(5,122)
Lease liabilities interest expense	(25,521)	-
Other interest expense	(180,225)	(123,159)
Subtotal	(3,913,327)	(3,518,594)
Total	\$ 6,447,125	\$ 6,626,232

	For the six months ended June 30,	
	2019	2018
<u>Interest income</u>		
Bills discounted and interest income on loans	\$ 9,608,517	\$ 9,324,900
Interest income from margin trade	2,124,726	2,732,988
Interest income on securities investment	6,563,821	5,976,631
Interest income from placement and call loan to other banks	1,045,112	781,676
Interest income on bills and bonds purchased under resale agreements	287,217	231,660
Recurring interest income from credit card	118,787	133,453
Other interest income	864,616	497,640
Subtotal	20,612,796	19,678,948
<u>Interest expense</u>		
Interest expense of deposit	(\$ 3,789,528)	(\$ 3,417,454)
Interest expense of Central Bank and other banks' deposit	(157,186)	(114,159)
Interest expense on due to the Central Bank and other banks' deposit	(764,002)	(656,308)
Interest expense on bills and bonds sold under repurchase agreements	(1,675,161)	(1,315,717)
Interest expense of structured instruments	(264,985)	(342,799)
Coupon rate of bank debenture	(438,176)	(492,842)
Coupon rate of corporate bonds	(214,653)	(169,764)
Coupon rate of commercial papers	(163,599)	(129,448)
Interest expense of margin purchase	(12,147)	(13,154)
Lease liabilities interest expense	(53,539)	-
Other interest expense	(308,777)	(208,045)
Subtotal	(7,841,753)	(6,859,690)
Total	\$ 12,771,043	\$ 12,819,258

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(37) Net service fee and commission income

	For the three months ended June 30,	
	2019	2018
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 3,959,465	\$ 5,270,245
Service fee income on insurance brokerage and stock register	532,661	345,548
Service fee on credit cards	375,601	416,181
Service fee income on trust business	840,953	685,069
Service income on credit extension	239,397	301,999
Underwriting service income	236,940	242,118
Service income on margin trade	25,460	29,542
Commission – reinsurance allowance	26,581	29,910
Service income on foreign exchange	22,420	26,486
Service fee income on consigned settlement	10,880	9,997
Deposits and remittance and other service income	108,078	781,940
Subtotal	6,378,436	8,139,035
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(\$ 619,042)	(\$ 405,349)
Service expense on trust business	(275)	(1,830)
Service expense on brokerage	(492,563)	(427,369)
Service expense on self-operation	(24,220)	(27,965)
Service charge – refinancing	(46)	(342)
Service fee expense on credit cards	(333,180)	(355,501)
Service expense on settlement	(114,907)	(118,048)
Futures commission expense	(126,993)	(125,320)
Underwriting service expense	(5,109)	(2,264)
Service expense on foreign exchange	(10,244)	(9,737)
Service expense on credit extension	(6,077)	(4,100)
Deposits and remittance and other service expense	(82,974)	(126,366)
Subtotal	(1,815,630)	(1,604,191)
Total	\$ 4,562,806	\$ 6,534,844

	For the six months ended June 30,	
	2019	2018
<u>Service fee and commission income</u>		
Brokerage service fee income	\$ 7,558,567	\$ 10,502,664
Service fee income on insurance brokerage and stock register	903,160	1,044,786
Service fee on credit cards	777,760	836,808
Service fee income on trust business	1,569,996	1,397,110
Service income on credit extension	541,161	502,652
Underwriting service income	638,565	517,876
Service income on margin trade	45,372	58,106
Commission – reinsurance allowance	47,707	46,999
Service income on foreign exchange	43,005	55,123
Service fee income on consigned settlement	19,456	21,911
Deposits and remittance and other service income	351,636	984,918
Subtotal	<u>12,496,385</u>	<u>15,968,953</u>
<u>Service fee expenses and commission expense</u>		
Insurance commission expense	(\$ 1,254,411)	(\$ 906,110)
Service expense on trust business	(1,143)	(4,476)
Service expense on brokerage	(921,045)	(885,463)
Service expense on self-operation	(46,847)	(54,159)
Service charge – refinancing	(457)	(814)
Service fee expense on credit cards	(702,644)	(728,747)
Service expense on settlement	(205,811)	(247,581)
Futures commission expense	(243,833)	(224,473)
Underwriting service expense	(6,549)	(11,713)
Service expense on foreign exchange	(20,119)	(19,498)
Service expense on credit extension	(15,707)	(6,011)
Deposits and remittance and other service expense	(163,709)	(244,920)
Subtotal	<u>(3,582,275)</u>	<u>(3,333,965)</u>
Total	<u>\$ 8,914,110</u>	<u>\$ 12,634,988</u>

(38) Net income from insurance operations

	For the three months ended June 30,	
	2019	2018
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 10,206,007	\$ 8,189,920
Less: Reinsurance premium ceded	(194,264)	(138,148)
Net changes of unearned premium reserve	(21,768)	(12,935)
Retention earned premium income	9,989,975	8,038,837
Investment-linked product income (note)	100,708	68,682
Subtotal	<u>10,090,683</u>	<u>8,107,519</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 2,018,240)	(\$ 1,356,130)
Less: Claims recovered from reinsurers	<u>115,393</u>	<u>63,308</u>
Retention claims and policy benefits payments	(1,902,847)	(1,292,822)
Underwriting expenses	(2,149)	(1,268)
Expense from guaranty fund	(19,401)	(15,568)
Investment-linked product expenses (note)	(100,708)	(68,682)
Subtotal	(2,025,105)	(1,378,340)
Total	<u>\$ 8,065,578</u>	<u>\$ 6,729,179</u>
	For the six months ended June 30,	
	2019	2018
<u>Income from insurance operations</u>		
Gross collected premiums	\$ 20,367,395	\$ 16,196,719
Less: Reinsurance premium ceded	(341,333)	(298,537)
Net changes of unearned premium reserve	(76,538)	(15,474)
Retention earned premium income	19,949,524	15,882,708
Investment-linked product income (note)	292,153	121,356
Subtotal	<u>20,241,677</u>	<u>16,004,064</u>
<u>Expense from insurance operations</u>		
Claims and policy benefits	(\$ 3,659,268)	(\$ 2,771,020)
Less: Claims recovered from reinsurers	<u>198,397</u>	<u>129,349</u>
Retention claims and policy benefits payments	(3,460,871)	(2,641,671)
Underwriting expenses	(4,024)	(2,546)
Expense from guaranty fund	(38,719)	(30,792)
Investment-linked product expenses (note)	(292,153)	(121,356)
Subtotal	(3,795,767)	(2,796,365)
Total	<u>\$ 16,445,910</u>	<u>\$ 13,207,699</u>

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

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

	For the three months ended June 30,	
	2019	2018
<u>Realized gains or losses on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	\$ 40,034	\$ 49,353
Bonds	1,567,855	1,328,133
Stocks	833,461	1,135,654
Beneficiary certificates	438,595	283,665
Time deposits	-	3,846
Interest-linked instrument	(47,692)	(22,080)
Exchange rate-linked instrument	(1,673,878)	(631,583)
Equity-linked instrument	(33)	-
Other financial derivative instruments	(568,913)	186,901
Loss on covering of borrowed securities and bonds with resale agreements	(578,564)	(95,087)
Loss from issuing call (put) warrants	(2,033,191)	(2,943,267)
Issuing call (put) warrants expense	(80,290)	(65,980)
Others	657,080	14,964
Subtotal	(1,445,536)	(755,481)
<u>Unrealized gains or losses on financial assets and liabilities at fair value through profit or loss</u>		
Commercial papers	(\$ 959)	(\$ 358)
Bonds	595,075	(844,130)
Stocks	1,056,272	(424,909)
Beneficiary certificates	(203,777)	74,180
Time deposits	-	(601)
Interest-linked instrument	(610,604)	18,606
Exchange rate-linked instrument	(439)	(4,033,145)
Equity-linked instrument	-	(83)
Other financial derivative instruments	(183,027)	163,331
Valuation gains on borrowed securities and bonds with resale agreements	499,219	426,281
Gains on issuance of call (put) warrants	2,393,033	3,661,577
Others	305,793	446,792
Subtotal	3,850,586	(512,459)
Total	\$ 2,405,050	(\$ 1,267,940)

		For the six months ended June 30,	
		2019	2018
<u>Realized gains or losses on financial assets and liabilities at fair value through profit or loss</u>			
Commercial papers	\$	89,124	\$ 100,293
Bonds		2,954,594	3,182,977
Stocks		1,368,232	1,045,872
Beneficiary certificates		728,320	763,233
Time deposits		-	7,264
Financial bonds payables		-	(23,121)
Interest-linked instrument	(	68,582)	(529,591)
Exchange rate-linked instrument	(	3,765,071)	1,934,507
Equity-linked instrument	(	33)	-
Other financial derivative instruments	(	526,824)	1,603,674
Loss on covering on borrowed securities and bonds with resale agreements	(	611,333)	(430,808)
Loss from issuing call (put) warrants	(	3,360,018)	(6,430,625)
Issuing call (put) warrants expense	(	156,789)	(129,598)
Others		1,983,199	423,021
Subtotal	(	1,365,181)	1,517,098
<u>Unrealized gains or losses on financial assets and liabilities at fair value through profit or loss</u>			
Commercial papers	(\$	4,618)	\$ 1,333
Bonds		2,274,495	(2,186,224)
Stocks		3,658,063	(673,953)
Beneficiary certificates		380,425	71,501
Time deposits		-	(74)
Financial bonds payables		-	10,982
Interest-linked instrument	(	1,560,040)	72,228
Exchange rate-linked instrument	(	155,613)	(3,802,935)
Equity-linked instrument		-	156
Other financial derivative instruments	(	1,824,402)	614,064
Valuation (losses) gains on borrowed securities and bonds with resale agreements	(	1,037,914)	576,784
Gain on issuance of call (put) warrants		3,786,097	8,141,006
Others		637,596	1,068,785
Subtotal		6,154,089	3,893,653
Total	\$	4,788,908	\$ 5,410,751

A. The realised losses on the financial assets and liabilities at fair value through profit and loss of the Yuanta Group for the three months and six months ended June 30, 2019 and 2018, including the loss on disposal, were \$3,164,550, \$2,396,211, \$4,507,640 and \$1,462,711, respectively, and the issuing call (put) warrants expense, were \$80,290, \$65,980, \$156,789 and \$129,598, respectively, and the dividends income were \$376,881, \$410,444, \$479,185 and \$454,386, respectively, and the interest income were \$1,422,423, \$1,296,266, \$2,820,063 and

\$2,655,021, respectively.

- B. The Yuanta Group recognised net (loss) profit amounting to (\$2,057,098), (\$587,492), (\$6,174,715) and \$120,892, respectively, on financial liability designated as at fair value through profit or loss for the three months and six months ended June 30, 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) reversal of impairment loss

	For the three months ended June 30,	
	2019	2018
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(\$ 2,550)	\$ 24,691
Reversal of impairment loss (impairment loss) on investments in debt instruments at amortised cost	2,271 (	9,971)
Reversal of impairment loss on investment property	16,072	3,503
Impairment loss on other assets	(16,233)	-
Total	(\$ 440)	\$ 18,223

	For the six months ended June 30,	
	2019	2018
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(\$ 460)	\$ 32,924
Reversal of impairment loss (impairment loss) on investments in debt instruments at amortised cost	1,881 (	18,425)
Reversal of impairment loss on investment property	16,072	3,503
Impairment loss on other assets	(16,233)	-
Total	\$ 1,260	\$ 18,002

(41) Net other miscellaneous income

	For the three months ended June 30,	
	2019	2018
Borrowed stock revenue	\$ 402,250	\$ 253,298
Net change of reserve for foreign exchange fluctuation	(140,950) (	467,147)
Other net income	150,532	138,077
Total	\$ 411,832	(\$ 75,772)

	For the six months ended June 30,	
	2019	2018
Borrowed stock revenue	\$ 635,135	\$ 473,706
Net change of reserve for foreign exchange fluctuation	185,247 (	232,249)
Other net income	400,093	304,999
Total	<u>\$ 1,220,475</u>	<u>\$ 546,456</u>

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

	For the three months ended June 30,	
	2019	2018
Bad debt expense of accounts receivable	\$ 40,664	\$ 864,628
Bad debt expense of bills discounted and loans	363,602 (	229,724)
Recovery of reserve for guarantee liabilities	33,000	-
Recognition of loan commitment reserve	(5,516) (	8,481)
Recovery of bad debt expense	(467,345) (	200,385)
Total	<u>(\$ 35,595)</u>	<u>\$ 426,038</u>

	For the six months ended June 30,	
	2019	2018
Bad debt expense of accounts receivable	\$ 97,966	\$ 1,075,183
Bad debt expense of bills discounted and loans	760,979	90,096
Recovery of reserve for guarantee liabilities	(20,500) (	16,000)
Recognition of loan commitment reserve	(4,617) (	3,802)
Recovery of bad debt expense	(708,619) (	421,296)
Total	<u>\$ 125,209</u>	<u>\$ 724,181</u>

(43) Employee benefit expense

	For the three months ended June 30,	
	2019	2018
Wages and salaries	\$ 4,914,115	\$ 5,522,669
Labor and health insurance fees	227,139	234,767
Pension costs	271,360	277,541
Termination benefits	5,734	9,668
Other employee benefit expenses	325,003	307,699
Total	<u>\$ 5,743,351</u>	<u>\$ 6,352,344</u>

	For the six months ended June 30,	
	2019	2018
Wages and salaries	\$ 9,845,225	\$ 11,065,983
Labor and health insurance fees	473,548	464,732
Pension costs	540,177	577,082
Termination benefits	8,843	14,103
Other employee benefit expenses	645,378	644,536
Total	<u>\$ 11,513,171</u>	<u>\$ 12,766,436</u>

As of June 30, 2019 and 2018, the Yuanta Group had 14,008 and 13,973 employees, respectively.

A. After covering accumulated deficit with the year-end earnings (that is income before taxes less income before employees' compensation provisions), 0.01% to 0.5% was appropriated as employees' compensation and an amount less than 0.9% was appropriated as directors' and supervisors' remuneration.

B. For the three months and six months ended June 30, 2019 and 2018, employees' compensation was accrued at \$4,999, \$5,000, \$9,897 and \$10,058 respectively; directors' and supervisors' remuneration was accrued at \$44,995, \$45,001, \$89,077 and \$90,524, 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 three months ended June 30,	
	2019	2018
Investment property depreciation	\$ 19,507	\$ 14,996
Property and equipment depreciation	252,751	247,635
Right-of-use asset depreciation	340,188	-
Intangible asset amortization	147,857	292,660
Deferred assets amortization	17,548	22,991
Total	<u>\$ 777,851</u>	<u>\$ 578,282</u>

	For the six months ended June 30,	
	2019	2018
Investment property depreciation	\$ 42,552	\$ 34,561
Property and equipment depreciation	508,504	490,160
Right-of-use asset depreciation	696,571	-
Intangible asset amortization	421,104	585,593
Deferred assets amortization	35,788	45,361
Total	<u>\$ 1,704,519</u>	<u>\$ 1,155,675</u>

(45) Other business and administrative expenses

	For the three months ended June 30,	
	2019	2018
Tax	\$ 715,467	\$ 802,180
Rental expense	71,238	453,509
Computer science expense	342,546	291,921
Commission expense	34,728	350,106
Professional expense	196,177	148,141
Postage and telephone costs	177,822	183,457
Miscellaneous expenses	240,449	178,086
Repairs and maintenance	123,292	110,638
Insurance	107,717	113,346
Security borrowing expenses	172,071	148,381
Advertising expenses	87,543	100,711
Others	568,883	552,391
Total	<u>\$ 2,837,933</u>	<u>\$ 3,432,867</u>

	For the six months ended June 30,	
	2019	2018
Tax	\$ 1,443,428	\$ 1,645,214
Rental expense	146,336	906,805
Computer science expense	608,008	584,356
Commission expense	351,790	709,147
Professional expense	329,058	283,765
Postage and telephone costs	346,246	354,477
Miscellaneous expenses	399,735	317,182
Repairs and maintenance	229,268	211,569
Insurance	242,599	255,412
Security borrowing expenses	336,174	282,945
Advertising expenses	148,830	164,259
Others	1,078,512	1,054,213
Total	<u>\$ 5,659,984</u>	<u>\$ 6,769,344</u>

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(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 three months ended June 30,	
		2019	2018
Current tax:			
Income tax from current income period	\$	816,116	\$ 493,366
Income tax on unappropriated earnings		165,488	788,150
Adjustments in respect of prior years	(	175,934)	(1,514)
Total current tax		805,670	1,280,002
Deferred tax:			
Origination and reversal of temporary differences		122,411	600,787
Impact of change in tax rate		-	(10,637)
Total deferred tax		122,411	590,150
Income tax expense	\$	928,081	\$ 1,870,152

		For the six months ended June 30,	
		2019	2018
Current tax:			
Income tax from current income period	\$	1,887,789	\$ 1,237,937
Income tax on unappropriated earnings		165,488	788,150
Adjustments in respect of prior years	(	77,432)	(51,652)
Total current tax		1,975,845	2,077,739
Deferred tax:			
Origination and reversal of temporary differences	(	19,179)	741,645
Impact of change in tax rate		-	(7,922)
Total deferred tax	(19,179)	733,723
Income tax expense	\$	1,956,666	\$ 2,811,462

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

	For the three months ended June 30,	
	2019	2018
Unrealised loss (gain) from investments in debt instruments measured at fair value through other comprehensive income	\$ 80,265	(\$ 43,665)
Unrealised loss from investments in equity instruments measured at fair value through other comprehensive income	70,807	49,115
Other comprehensive income on reclassification under the overlay approach	6,892	(4,608)
(Gains) losses on remeasurements of defined benefit plans	(17,000)	751
Impact of change in tax rate	-	(8,350)
Total	<u>\$ 140,964</u>	<u>(\$ 6,757)</u>
	For the six months ended June 30,	
	2019	2018
Unrealised loss (gain) from investments in debt instruments measured at fair value through other comprehensive income	\$ 165,160	(\$ 218,332)
Unrealised loss (gain) from investments in equity instruments measured at fair value through other comprehensive income	52,434	(2,449)
Other comprehensive income on reclassification under the overlay approach	33,830	(35,197)
Share of profit of associates and joint ventures accounted for using equity method	(144)	-
Gains on remeasurements of defined benefit plans	(58,548)	(8,930)
Impact of change in tax rate	-	(28,136)
Total	<u>\$ 192,732</u>	<u>(\$ 293,044)</u>

- B. As of June 30, 2019, the information on the Yuanta Group's income tax returns that have been assessed by the Tax Authority is 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 2016
Yuanta Securities Investment Trust	Assessed through 2017 (Note)
Yuanta Life	Assessed through 2015
Yuanta International Insurance Brokers	Assessed through 2017
Yuanta International Leasing	Assessed through 2017
Yuanta I Venture Capital	Assessed through 2017

Note: The income tax returns have not been assessed through 2015 and 2016.

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

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

(A) Yuanta Securities

- a. With respect to the income tax returns of Yuanta Securities for the fiscal years from 2007 to 2015, the Tax Authority assessed to increase income tax payable by \$1,916,963. However, Yuanta Securities disagreed with the assessments and had filed for administrative litigation. For conservatism purposes, Yuanta Securities had recognized the income tax expense relating to the additional income tax payable.
- b. For the income tax returns of the dissolved company, Polaris Securities Co., Ltd., for the fiscal years 2011 to 2012, the Tax Authority assessed to increase income tax payable by \$95,095. However, Polaris Securities disagreed with the assessments and had filed for administrative litigation, which is in progress. For conservatism purposes, Polaris Securities had recognized the income tax expense relating to the additional income tax payable.

(B) Yuanta Bank

For the income tax returns for the fiscal years from 2012 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 was increased additional tax amounting to \$46,911 and the payment has been made in the first quarter of 2019.

(D) Yuanta Venture Capital

For the income tax returns for the fiscal years from 2010 to 2013, Yuanta Venture Capital disagreed with the assessments on the expense distribution for gains derived from the securities transactions. Yuanta Venture Capital, in accordance with the law, has filed for administrative remedies. The Company was assessed to supplement tax amounting to \$40,852, which has been recognised.

(47) Earnings per share

For the three months ended June 30, 2019		
	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Amount after tax</u>		
<u>Basic and diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 5,561,680 11,670,611	\$ 0.48
For the three months ended June 30, 2018		
	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Amount after tax</u>		
<u>Basic and diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 5,559,240 11,746,016	\$ 0.47
For the six months ended June 30, 2019		
	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Amount after tax</u>		
<u>Basic and diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 10,993,893 11,670,611	\$ 0.94
For the six months ended June 30, 2018		
	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Amount after tax</u>		
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 11,174,329 11,775,152	\$ 0.95

(48) Changes in liabilities from financing activities

	Bills and bonds payable under repurchase agreements	Commercial paper payable	Bonds payable	Other Borrowings
At January 1, 2019	\$ 218,570,425	\$ 36,269,123	\$ 66,756,009	\$ 64,019,801
Changes in cash flow from financing activities	(12,655,405)	17,690,400	6,067,408	1,616,871
Impact of changes in foreign exchange rate	-	-	(154,430)	-
Amortisation of a premium or a discount on interest expense	-	39,264	(33,076)	-
At June 30, 2019	<u>\$ 205,915,020</u>	<u>\$ 53,998,787</u>	<u>\$ 72,635,911</u>	<u>\$ 65,636,672</u>
	Bills and bonds payable under repurchase agreements	Commercial paper payable	Bonds payable	Other Borrowings
At January 1, 2018	\$ 197,101,189	\$ 44,704,087	\$ 65,890,879	\$ 71,754,771
Changes in cash flow from financing activities	11,064,841	24,166,525	(5,405,000)	(484,077)
Impact of changes in foreign exchange rate	-	-	(94,970)	(4,500)
Amortisation of a premium or a discount on interest expense	-	(17,194)	30,482	-
Changes in other non-cash	-	-	(2,627)	-
At June 30, 2018	<u>\$ 208,166,030</u>	<u>\$ 68,853,418</u>	<u>\$ 60,418,764</u>	<u>\$ 71,266,194</u>

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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)	Major stockholders of Yuanta Group (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)	"
Reuters Ltd. (Taiwan Branch) (Reuters)	The spouse of one of Yuanta Group's management holds a key managing position in the entity. (No longer a related party since June 30, 2018.)
2011 KIF-TongYang IT Venture Fund	Investments accounted for using equity method of Yuanta Securities (Korea)
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	"
TongYang Agri-Food Investment Fund 2nd	"
KVIC-Yuanta 2015 Overseas Fund	"
IBKC-TongYang Growth 2013 Private Equity Fund	"
Yuanta Secondary No.2 Fund	"
Yuanta Secondary No.3 Fund	"
	(Has become a related party since December 28, 2018.)
2016KIF-Yuanta ICT Venture Fund	"

Names of related parties	Relationship with the Group
Yuanta SPAC III	Investments accounted for using equity method of Yuanta Securities (Korea)
Yuanta SPAC IV	"
	(Has become a related party since November 23, 2018.)
Yuanta Diamond Funds SPC	Funds managed by Yuanta Securities(Hong Kong)
Global Growth Investment, L.P.	Funds managed by Yuanta Asia Investment
Other related parties	The Yuanta Group, funds managed by consolidated subsidiaries, related parties, major stockholders of affiliated entities, invested enterprises of key management and its close relatives, and the key management of the consolidated company.

B. Significant transactions and balances with related parties

(1) Deposits

June 30, 2019			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 12,025,791	1.15	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
June 30, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 16,348,827	1.58	0.00~6.065

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the six months ended June 30, 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 three months and six months ended June 30, 2019 and 2018, interest expense on the above deposits were \$37,248, \$25,193, \$68,814 and \$41,065, respectively.

(2) Loans

Yuanta Bank and its subsidiaries

June 30, 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	249	\$ 59,045	\$ 35,109	\$ 35,109	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	429	3,408,802	3,085,497	3,085,497	-	Real estate	None
Other loans	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	32,961	32,961	-	Real estate	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	77	242,708	144,971	144,971	-	Stock, deposits, policy and real estate	None
Total			\$ 3,347,538	\$ 3,347,538	\$ -		

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 Co., Ltd.	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	\$ -		

June 30, 2018

Unit: In thousands of NT dollars

Types	Number of accounts or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans	247	\$ 47,211	\$ 33,655	\$ 33,655	\$ -	Credit loans, movables and deposits	None
Home mortgage loans	437	3,494,931	3,143,496	3,143,496	-	Real estate	None
Other loans	Asia Carbons	2,083	-	-	-	Guarantee of the Small and Medium Enterprise Credit Guarantee Fund	None
	He's Education Foundation	27,000	27,000	27,000	-	Deposits	None
	Yung Chin International Investment	35,800	34,854	34,854		Real estate	None
	Lo Sheng Feng Co., Ltd.	22,000	22,000	22,000	-	Real estate	None
	80	274,821	177,933	177,933	-	Stock, deposits, policy and real estate	None
Total			\$ 3,438,938	\$ 3,438,938	\$ -		

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies were 1.68% ~ 2.50% and 1.68% ~ 2.52%, the interest rates on the remaining loans are ranging from 0.00% ~ 11.07% and 0.00% ~ 8.58% for the six months ended June 30, 2019 and 2018, respectively, which are the same with the terms of general loans.

For the three months and six months ended June 30, 2019 and 2018, interest income resulting from the above loans amounted to \$13,362, \$13,807, \$26,799 and \$27,256, respectively.

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(3) Property transactions

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust	<u>\$ 2,492,820</u>	<u>\$ 2,994,640</u>	<u>\$ 2,746,947</u>
	<u>For the three months ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	
	<u>Unrealized loss</u>	<u>Realized gain</u>	<u>Unrealized gain</u> <u>Realized gain</u>
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust	<u>(\$ 35,908)</u>	<u>\$ 439,496</u>	<u>\$ 6,428</u> <u>\$ 8,978</u>
	<u>For the six months ended June 30,</u>		
	<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>\$ 27,443</u>	<u>\$ 1,168,530</u>	<u>(\$ 25,964)</u> <u>\$ 148,510</u>

(B) The Yuanta Group has bills and bonds transactions under repurchase agreements with the related parties (recorded as Bond sold under repurchase agreements).

a. Bonds transactions under repurchase agreements

	<u>For the six months ended June 30, 2019</u>			
	<u>Highest balance</u>	<u>Ending balance</u>	<u>Interest rate (%)</u>	<u>Notional amount</u>
Company's directors:				
Others	\$ 280,082	\$ 200,028	0.35~0.40	
Others	49,710	49,710	2.30~2.40	USD 1,600
			(Note: USD)	
Other related parties:				
Others	1,609,077	<u>983,192</u>	0.35~0.45	
		<u>\$ 1,232,930</u>		

For the six months ended June 30, 2018					
	Highest balance	Ending balance	Interest rate (%)	Notional amount	
Company's directors:					
Others	\$ 481,040	\$ 230,014	0.35		
Others	6,101	6,101	1.80~2.10 (Note: USD)	USD	200
Other related parties:					
Funds managed by Yuanta					
Securities Investment Trust	442,253	-	4.10 (Note: CNY)	CNY	-
Funds managed by Yuanta					
Securities Investment Trust	147,035	-	2.00~2.05 (Note: USD)	USD	-
Mercuries Life Insurance	1,426,166	1,426,166	0.31~0.36		
Others	779,826	762,953	0.35		
		<u>\$ 2,425,234</u>			

Note: For foreign currency repo trade.

Interest expenses			
For the three months ended June 30,			
	2019	2018	
Company's directors:			
Others	\$ 349	\$	337
Other related parties:			
Mercuries Life Insurance	-		640
Others	1,256		429
	<u>\$ 1,605</u>	<u>\$</u>	<u>1,406</u>
For the six months ended June 30,			
	2019	2018	
Company's directors:			
Others	\$ 618	\$	742
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	-		2,156
Mercuries Life Insurance	-		492
Others	2,002		1,279
	<u>\$ 2,620</u>	<u>\$</u>	<u>4,669</u>

b. Bonds sold and purchased:

For the six months ended June 30,				
2019		2018		
	Bonds purchased	Bonds sold	Bonds purchased	Bonds sold
Other related parties:				
Yuanta SPAC IV	\$ 20,848	\$ -	\$ -	\$ -
Yuanta SPAC III	17,888	-	18,155	-
Mercuries Life Insurance	-	-	-	3,433,517
	<u>\$ 38,736</u>	<u>\$ -</u>	<u>\$ 18,155</u>	<u>\$ 3,433,517</u>

c. Bonds transactions under repurchase agreements

For the six months ended June 30, 2019					
	Highest balance	Ending balance	Interest rate (%)	Notional amount	
Company's directors:					
Others	\$ 37,282	\$ 37,282	3.05~3.25 (Note: USD)	USD	1,200
Other related parties:					
Others	9,942	<u>9,942</u>	3.05~3.20 (Note: USD)	USD	320
		<u>\$ 47,224</u>			
For the six months ended June 30, 2018					
	Highest balance	Ending balance	Interest rate (%)	Notional amount	
Company's directors:					
Others	\$ 38,130	<u>\$ 38,130</u>	2.10~2.35 (Note: USD)	USD	1,250
Interest income					
For the three months ended June 30,					
	2019		2018		
Company's directors:					
Others		\$ 290	\$		210
Other related parties:					
Others		79			-
		<u>\$ 369</u>		<u>\$</u>	<u>210</u>

	Interest income	
	For the six months ended June 30,	
	2019	2018
Company's directors:		
Others	\$ 586	\$ 409
Other related parties:		
Others	158	-
	<u>\$ 744</u>	<u>\$ 409</u>

Note: For foreign currency repo trade.

(4) Structured notes

	June 30, 2019	December 31, 2018	June 30, 2018
Company's directors:			
Others	\$ 55,185	\$ 83,294	\$ 82,103
Other related parties:			
Others	10,696	10,353	7,696
	<u>\$ 65,881</u>	<u>\$ 93,647</u>	<u>\$ 89,799</u>

(5) Equity of futures traders

	June 30, 2019	December 31, 2018	June 30, 2018
Company's directors:			
Others	\$ 22,228	\$ 874,886	\$ 858,167
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	24,329,125	22,878,227	16,350,866
Others	35,291	33,518	17,526
	<u>\$ 24,386,644</u>	<u>\$ 23,786,631</u>	<u>\$ 17,226,559</u>

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

	Refundable deposits for securities lending		
	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	\$ -	\$ 69,904	\$ 5,228
		Security borrowing expenses	
		For the three months ended June 30,	
		2019	2018
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust	\$ 1,912	\$ 2,660	

	Security borrowing expenses	
	For the six months ended June 30,	
	2019	2018
Other related parties:		
Funds managed by Yuanta		
Securities Investment Trust	\$ 3,896	\$ 4,987

As of June 30, 2019, December 31, 2018 and June 30, 2018, borrowing expenses payable were \$503, \$566 and \$1,319, respectively.

As of June 30, 2019, December 31, 2018 and June 30, 2018, refundable deposits receivable lending were all \$0.

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

	Receivables from loans to employees and interest receivables		
	June 30, 2019	December 31, 2018	June 30, 2018
Company's directors:			
Others	\$ 13,936	\$ 15,791	\$ 24,870
Other related parties:			
Others	218,925	240,153	229,477
	<u>\$ 232,861</u>	<u>\$ 255,944</u>	<u>\$ 254,347</u>
	Interest income on loans to employees		
	For the three months ended June 30,		
	2019	2018	
Company's directors:			
Others	\$ 68	\$ 190	
Other related parties:			
Others	1,941	2,536	
	<u>\$ 2,009</u>	<u>\$ 2,726</u>	
	For the six months ended June 30,		
	2019	2018	
Company's directors:			
Others	\$ 143	\$ 436	
Other related parties:			
Others	5,605	4,576	
	<u>\$ 5,748</u>	<u>\$ 5,012</u>	

(8) Access service fees income

Access service fees income	
For the three months ended June 30,	
2019	2018
Other related parties:	
Funds managed by Yuanta Securities Investment Trust	
\$ 601	\$ 34
For the six months ended June 30,	
2019	2018
Other related parties:	
Funds managed by Yuanta Securities Investment Trust	
\$ 1,170	\$ 61

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

Management fee income receivables			
	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:			
Yuanta Secondary No.3 Fund	\$ 11,870	\$ 533	\$ -
Yuanta Secondary No.2 Fund	6,383	-	8,559
2016 KIF-Yuanta ICT Venture Fund	4,024	-	4,084
KVIC-Yuanta 2015 Overseas Fund	7,652	8,173	4,923
IBKC-TongYang Growth 2013 Private Equity Fund	2,861	7,483	7,221
Others	4,661	5,594	8,789
	<u>\$ 37,451</u>	<u>\$ 21,783</u>	<u>\$ 33,576</u>
Management fee income			
For the three months ended June 30,			
	2019		2018
Other related parties:			
Yuanta Secondary No.3 Fund	\$ 11,777	\$	-
Yuanta Secondary No.2 Fund	5,707		40
2016 KIF-Yuanta ICT Venture Fund	3,992		63
KVIC-Yuanta 2015 Overseas Fund	3,796	(	173)
IBKC-TongYang Growth 2013 Private Equity Fund	2,837		3,705
Others	3,442		5,798
	<u>\$ 31,551</u>	<u>\$</u>	<u>9,433</u>

		Management fee income	
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Yuanta Secondary No.3 Fund	\$	23,731	\$ -
Yuanta Secondary No.2 Fund		13,846	8,606
2016 KIF-Yuanta ICT Venture Fund		8,044	4,106
KVIC-Yuanta 2015 Overseas Fund		7,691	4,950
IBKC-TongYang Growth 2013 Private Equity Fund		5,898	7,261
Others		6,686	12,387
	\$	<u>65,896</u>	<u>\$ 37,310</u>

		Fund management fee income	
		For the three months ended June 30,	
		2019	2018
Other related parties:			
Yuanta Diamond Funds SPC	\$	17,486	\$ 4,702
Others		1,985	-
	\$	<u>19,471</u>	<u>\$ 4,702</u>

		Fund management fee income	
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Yuanta Diamond Funds SPC	\$	31,767	\$ 15,020
Others		1,985	-
	\$	<u>33,752</u>	<u>\$ 15,020</u>

		The balance of fund		
		June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:				
Global Growth Investment, L.P.	\$	113,932	\$ 89,063	\$ 77,826
Yuanta Diamond Funds SPC		244,395	336,694	372,096
Others		23,491	-	-
	\$	<u>381,818</u>	<u>\$ 425,757</u>	<u>\$ 449,922</u>

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

		Receivable from transfer-agent services		
		June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:				
Others	\$	<u>23</u>	<u>\$ 34</u>	<u>\$ 99</u>

	Income from transfer-agent services	
	For the three months ended June 30,	
	2019	2018
Other related parties:		
Others	\$ 130	\$ 185
	Income from transfer-agent services	
	For the six months ended June 30,	
	2019	2018
Other related parties:		
Others	\$ 196	\$ 356

(11) Investment refund receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:			
2011KIF-TongYang IT Venture Fund	\$ 36,130	\$ 36,617	\$ 36,044
TongYang Agri-Food Investment Fund 2nd	32,805	33,537	32,708
IBKC-TongYang Growth 2013 Private Equity Fund	54,354	25,518	-
KoFC-TongYang Pioneer Champ 2010-5th Venture Capital Fund	-	-	112,974
	<u>\$ 123,289</u>	<u>\$ 95,672</u>	<u>\$ 181,726</u>

(12) Loan receivable, interest receivable and interest income

	Loan receivable		
	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:			
Others	\$ 42,856	\$ 37,055	\$ 30,363
	Interest receivable		
	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:			
Others	\$ 366	\$ 588	\$ 292
	Loan interest income		
	For the three months ended June 30,		For the six months ended June 30,
	2019	2018	2019
Other related parties:			2018
Others	\$ 179	\$ 145	\$ 324
			\$ 280

(13) Refundable deposits - self-regulatory organisation fund

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related parties:			
Taiwan Securities Association	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ -</u>

(14) Other financial liabilities and Interest expense

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

	<u>Other financial liabilities</u>		
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Company's directors:			
Others	\$ 25,694	\$ 5,033	\$ 2,514
Other related parties:			
Others	<u>1,111</u>	<u>1</u>	<u>-</u>
	<u>\$ 26,805</u>	<u>\$ 5,034</u>	<u>\$ 2,514</u>

	<u>Interest expense</u>			
	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Company's directors:				
Others	\$ 1	\$ -	\$ 2	\$ -
Other related parties:				
Others	<u>-</u>	<u>-</u>	<u>5</u>	<u>14</u>
	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 14</u>

(15) Accounts payable

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related parties:			
Others	<u>\$ 200</u>	<u>\$ 225</u>	<u>\$ 234</u>

(16) Commercial paper payables

	<u>June 30, 2019</u>	
	<u>Commercial paper</u>	<u>Interest payable</u>
Company's directors:		
Others	<u>\$ 10,123</u>	<u>\$ 1</u>
	<u>2019</u>	
	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>
	<u>Interest expense</u>	<u>Interest expense</u>
Company's directors:		
Others	<u>\$ 17</u>	<u>\$ 17</u>

No transaction for the six months ended June 30, 2018.

(17) Other payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Company's directors:			
Others	\$ 93	\$ 19	\$ 85
Other related parties:			
Others	<u>10</u>	<u>-</u>	<u>311</u>
	<u>\$ 103</u>	<u>\$ 19</u>	<u>\$ 396</u>

(18) Stocks issued by fellow subsidiary

	<u>Ending balance</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Other related parties		
Sintronic Technology	\$ 151,269	\$ 151,345
Others	<u>-</u>	<u>-</u>
	<u>\$ 151,269</u>	<u>\$ 151,345</u>
	<u>For the three months ended June 30, 2019</u>	
	<u>Unrealized gain</u>	<u>Realized loss</u>
Other related parties		
Sintronic Technology	\$ 2,289	(\$ 42)
Others	<u>-</u>	<u>-</u>
	<u>\$ 2,289</u>	<u>(\$ 42)</u>
	<u>For the three months ended June 30, 2018</u>	
	<u>Unrealized gain</u>	<u>Realized loss</u>
Other related parties		
Sintronic Technology	\$ 1,370	(\$ 280)
Others	<u>-</u>	<u>-</u>
	<u>\$ 1,370</u>	<u>(\$ 280)</u>
	<u>For the six months ended June 30, 2019</u>	
	<u>Unrealized gain</u>	<u>Realized loss</u>
Other related parties		
Sintronic Technology	\$ 779	(\$ 42)
Others	<u>-</u>	<u>-</u>
	<u>\$ 779</u>	<u>(\$ 42)</u>
	<u>For the six months ended June 30, 2018</u>	
	<u>Unrealized loss</u>	<u>Realized loss</u>
Other related parties		
Sintronic Technology	(\$ 7,260)	(\$ 545)
Others	<u>(1)</u>	<u>(36)</u>
	<u>(\$ 7,261)</u>	<u>(\$ 581)</u>

(19) Credit transaction between the Yuanta Group and related parties:

June 30, 2019				
Balance of guaranteed price from				
	Margin of stock loan	securities borrower	Balance	
Company's directors:				
Others	\$ 4,953	\$ 5,319	\$	21,921
Other related parties:				
Others	821	11,909		16,403
	<u>\$ 5,774</u>	<u>\$ 17,228</u>	<u>\$</u>	<u>38,324</u>
December 31, 2018				
Balance of guaranteed price from				
	Margin of stock loan	securities borrower	Balance	
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>\$</u>	<u>62,005</u>
June 30, 2018				
Balance of guaranteed price from				
	Margin of stock loan	securities borrower	Balance	
Company's directors:				
Others	\$ 4,916	\$ 5,468	\$	64,061
Other related parties:				
Others	-	386		49,631
	<u>\$ 4,916</u>	<u>\$ 5,854</u>	<u>\$</u>	<u>113,692</u>
June 30, 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	\$ -	\$ 314	\$ -	\$ 667
Other related parties:				
Others	-	309	1	603
	<u>\$ -</u>	<u>\$ 623</u>	<u>\$ 1</u>	<u>\$ 1,270</u>

		June 30, 2018	
		Security short-selling interest payable	Security financing interest receivable
Company's directors:			
Others		\$ -	\$ 1,066
Other related parties:			
Others		-	777
		<u>\$ -</u>	<u>\$ 1,843</u>

		For the three months ended June 30,			
		2019		2018	
		Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	3	\$ 131	\$ 1	\$ 428
Other related parties:					
Others		-	56	-	90
	\$	<u>3</u>	<u>\$ 187</u>	<u>1</u>	<u>\$ 518</u>

		For the six months ended June 30,			
		2019		2018	
		Security short-selling interest expenditures	Security financing interest revenue	Security short-selling interest expenditures	Security financing interest revenue
Company's directors:					
Others	\$	3	\$ 205	\$ 1	\$ 1,539
Other related parties:					
Others		1	133	-	680
	\$	<u>4</u>	<u>\$ 338</u>	<u>1</u>	<u>\$ 2,219</u>

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

		For the three months ended June 30,	
		2019	2018
Other related parties:			
Others	\$	<u>676</u>	<u>\$ 602</u>
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Others	\$	<u>1,118</u>	<u>\$ 1,280</u>

(21) ETF redemption fees

		For the three months ended June 30,	
		2019	2018
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		\$ 20,598	\$ 6,699
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		\$ 51,180	\$ 17,997

(22) Information technology expenses

		For the three months ended June 30,	
		2019	2018
Other related parties:			
Reuters		\$ -	\$ 3,142
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Reuters		\$ -	\$ 6,205

(23) Operating expenses

		For the three months ended June 30,	
		2019	2018
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 26,380	\$ 24,500
Polaris Research	Donation expenditure	3,880	2,300
		<u>\$ 30,260</u>	<u>\$ 26,800</u>
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Yuanta Foundation	Donation expenditure	\$ 48,880	\$ 50,000
Polaris Research	Donation expenditure	28,620	23,000
		<u>\$ 77,500</u>	<u>\$ 73,000</u>

(24) Premium income

		For the three months ended June 30,	
		2019	2018
Other related parties:			
Others	\$	118,607	\$ 60,853
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Others	\$	207,949	\$ 180,321

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

		For the three months ended June 30,	
		2019	2018
Company's directors:			
Others	\$	3,738	\$ 4,642
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		55,898	62,155
Others		3,447	4,881
	\$	63,083	\$ 71,678
		For the six months ended June 30,	
		2019	2018
Company's directors:			
Others	\$	6,739	\$ 8,603
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		120,974	113,299
Others		5,625	11,417
	\$	133,338	\$ 133,319

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

		For the three months ended June 30,	
		2019	2018
Other related parties:			
Polaris Research	\$	548	\$ 548
Yuanta Construction Development		143	171
Yuanta Foundation		10	10
	\$	701	\$ 729

	For the six months ended June 30,	
	2019	2018
Other related parties:		
Polaris Research	\$ 1,097	\$ 1,097
Yuanta Construction Development	285	342
Yuanta Foundation	20	20
	<u>\$ 1,402</u>	<u>\$ 1,459</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:			
Polaris Research	\$ 547	\$ 547	\$ 547
Yuanta Foundation	11	11	11
	<u>\$ 558</u>	<u>\$ 558</u>	<u>\$ 558</u>

(28) Other operating income—Dividend income

	For the three months ended June 30,	
	2019	2018
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 771	\$ 62

	For the six months ended June 30,	
	2019	2018
Other related parties:		
Funds managed by Yuanta Securities Investment Trust	\$ 28,415	\$ 1,810

(29) Other operating income—Interest income

	For the three months ended June 30,	
	2019	2018
Other related parties:		
Taiwan Securities Association	\$ -	\$ -

	For the six months ended June 30,	
	2019	2018
Other related parties:		
Taiwan Securities Association	\$ 3	\$ -

(30) Other operating expense—Interest expense

		For the three months ended June 30,	
		2019	2018
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		\$ 19,801	\$ 9,860
		For the six months ended June 30,	
		2019	2018
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		\$ 19,803	\$ 9,862

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

		For the three months ended June 30,	
		2019	2018
Salaries and other short-term employee benefits		\$ 1,090,859	\$ 1,167,084
Termination benefits		447	15,362
Post-employment benefit		35,194	87,071
Total		\$ 1,126,500	\$ 1,269,517
		For the six months ended June 30,	
		2019	2018
Salaries and other short-term employee benefits		\$ 2,461,440	\$ 2,537,573
Termination benefits		3,681	30,926
Post-employment benefit		71,718	128,300
Total		\$ 2,536,839	\$ 2,696,799

(BLANK)

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

(1) Yuanta Bank and its subsidiaries

(A) Deposits

June 30, 2019			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 65,875,394	6.00	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

June 30, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
All related parties	\$ 52,319,350	4.86	0.00~6.065

Apart from an interest rate limit on staff demand savings deposits both of 6.065%, for the six months ended June 30, 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 three months and six months ended June 30, 2019 and 2018, interest expense on the above deposits was \$111,191, \$70,222, \$215,466 and \$130,781, respectively.

(B) Loans

Please refer to Note 7B(2).

(C) Service fee income

	For the three months ended June 30,	
	2019	2018
Fellow subsidiary:		
Yuanta Life	\$ 234,002	\$ 159,209
Yuanta Securities	6,252	-
Yuanta Securities Investment Trust	1,831	2,105
	<u>\$ 242,085</u>	<u>\$ 161,314</u>
	For the six months ended June 30,	
	2019	2018
Fellow subsidiary:		
Yuanta Life	\$ 421,544	\$ 332,673
Yuanta Securities	6,483	-
Yuanta Securities Investment Trust	3,811	5,260
	<u>\$ 431,838</u>	<u>\$ 337,933</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Fellow subsidiary:			
Yuanta Life	<u>\$ 150,087</u>	<u>\$ 66,513</u>	<u>\$ 59,960</u>

(D) Current income tax assets/liabilities

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax refundable	<u>\$ 2,275,250</u>	<u>\$ 2,275,250</u>	<u>\$ 2,275,250</u>
Consolidated income tax payable	<u>\$ 818,044</u>	<u>\$ 312,073</u>	<u>\$ 556,514</u>

(E) Property transactions
Derivative trading

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

There were no related transactions on June 30, 2019 and 2018.

(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:

<u>June 30, 2019</u>				
		<u>Futures trading guarantees</u>		
		Commissions receivable at period end	Balance of excess futures guarantee	Securities
		Self capital	deposits	
Fellow subsidiary:				
Yuanta Futures	<u>\$ 14,407</u>	<u>\$ 1,164,330</u>	<u>\$ 2,244,692</u>	<u>\$ 442,166</u>
<u>December 31, 2018</u>				
		<u>Futures trading guarantees</u>		
		Commissions receivable at period end	Balance of excess futures guarantee	Securities
		Self capital	deposits	
Fellow subsidiary:				
Yuanta Futures	<u>\$ 18,768</u>	<u>\$ 1,240,997</u>	<u>\$ 2,191,639</u>	<u>\$ -</u>

		June 30, 2018		
		Futures trading guarantees		
		Commissions receivable at period end	Balance of excess futures guarantee	
			Self capital	deposits
				Securities
Fellow subsidiary:				
Yuanta Futures	\$	19,391	\$ 713,151	\$ 1,864,964
				\$ -
		Settlement and clearing service fees payable		
		June 30, 2019	December 31, 2018	June 30, 2018
Fellow subsidiary:				
Yuanta Futures	\$	2,258	\$ 3,547	\$ 3,522
		For the three months ended June 30, 2019		
		Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:				
Yuanta Futures	\$	50,384	\$ 7,725	\$ 35,041
		For the three months ended June 30, 2018		
		Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:				
Yuanta Futures	\$	60,772	\$ 9,726	\$ 23,456
		For the six months ended June 30, 2019		
		Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:				
Yuanta Futures	\$	92,357	\$ 15,284	\$ 65,681
		For the six months ended June 30, 2018		
		Commission income	Service fee expenses settled	Service expense on self-operation
Fellow subsidiary:				
Yuanta Futures	\$	127,088	\$ 18,852	\$ 51,407

(B) Bank deposits, interest income and interest receivable

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

		June 30, 2019	
		Bank deposits ending balance	Other receivables – interests receivable (Note)
Fellow subsidiary:			
Yuanta Bank		\$ 9,732,624	\$ 4,030
		December 31, 2018	
		Bank deposits ending balance	Other receivables – interests receivable (Note)
Fellow subsidiary:			
Yuanta Bank		\$ 8,553,913	\$ 4,489
		June 30, 2018	
		Bank deposits ending balance	Other receivables – interests receivable (Note)
Fellow subsidiary:			
Yuanta Bank		\$ 5,632,814	\$ 2,849
		For the three months ended June 30,	
		2019	2018
		Other gains and losses – interest revenue (Note)	Other gains and losses – interest revenue (Note)
Fellow subsidiary:			
Yuanta Bank		\$ 24,187	\$ 17,368
		For the six months ended June 30,	
		2019	2018
		Other gains and losses – interest revenue (Note)	Other gains and losses – interest revenue (Note)
Fellow subsidiary:			
Yuanta Bank		\$ 42,309	\$ 28,483

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 \$545,000, \$629,000 and \$857,000, respectively, as of June 30, 2019, December 31, 2018 and June 30, 2018.

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Parent company:			
Yuanta Financial Holdings			
Consolidated income tax return receivables	<u>\$ 699,172</u>	<u>\$ 699,172</u>	<u>\$ 699,172</u>
Consolidated income tax return payables	<u>\$ 558,755</u>	<u>\$ 687,285</u>	<u>\$ 1,579,434</u>

(D) Operating guarantee deposits

Yuanta Securities and its subsidiaries provided certificates of deposit to a related party as operating guarantee deposits for engaging in securities and futures business. Details were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 1,285,000</u>	<u>\$ 925,000</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>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

(F) Security lending deposits, refundable deposits receivable lending and security borrowing expenses

Please refer to Note 7B(6).

(G) Receivables from loans to employees and shareholders, and the interest income generated

Please refer to Note 7B(7).

(H) Commission receivables and commission income

	<u>Commission receivables</u>		
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Life	<u>\$ 35,942</u>	<u>\$ 41,893</u>	<u>\$ 26,887</u>
	<u>Commission income</u>		
	<u>For the three months ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	
Fellow subsidiary:			
Yuanta Life	<u>\$ 98,724</u>	<u>\$ 106,976</u>	
	<u>For the six months ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	
Fellow subsidiary:			
Yuanta Life	<u>\$ 206,032</u>	<u>\$ 238,623</u>	

(I) Investment refund receivable

Please refer to Note 7B(11).

(J) As of June 30, 2019, December 31, 2018 and June 30, 2018, Yuanta Securities had amounts held for settlement of \$855,489, \$1,487,493 and \$1,944,963 ,respectively.

(K) Property transactions

(a) Bonds transactions under repurchase agreements:

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

(b) Bonds sold and purchased:

	For the six months ended June 30,			
	2019		2018	
	<u>Bonds Purchased</u>	<u>Bonds Sold</u>	<u>Bonds Purchased</u>	<u>Bonds Sold</u>
Fellow subsidiary:				
Yuanta Bank	\$ -	\$ -	\$ -	\$ 99,876
Other related parties:				
Yuanta SPAC III	17,888	-	18,155	-
Yuanta SPAC IV	20,848	-	-	-
Mercuries Life Insurance	-	-	-	3,433,517
	<u>\$ 38,736</u>	<u>\$ -</u>	<u>\$ 18,155</u>	<u>\$ 3,533,393</u>

(c) Bonds transactions under repurchase agreements

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

(L) Customer margin deposit

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Futures	<u>\$ 100,234</u>	<u>\$ 102,933</u>	<u>\$ 162,216</u>

(M) Funds and beneficiary certificates managed by fellow subsidiary

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related parties:			
Fund managed by Yuanta Securities Investment Trust	<u>\$ 1,983,306</u>	<u>\$ 2,696,840</u>	<u>\$ 2,430,768</u>

	For the three months ended June 30,			
	2019		2018	
	<u>Unrealized loss</u>	<u>Realized gain</u>	<u>Unrealized gain</u>	<u>Realized gain</u>
Other related parties:				
Fund managed by Yuanta Securities Investment Trust	<u>(\$ 45,521)</u>	<u>\$ 439,148</u>	<u>\$ 6,687</u>	<u>\$ 13,217</u>

	For the six months ended June 30,			
	2019		2018	
	<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	<u>\$ 8,523</u>	<u>\$ 1,168,084</u>	<u>(\$ 25,554)</u>	<u>\$ 160,940</u>

(N) Securities issued by fellow subsidiary

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties:			
Sintronic Technology	\$ 151,269	\$ 151,345	\$ 113,048
Others	-	-	5
	<u>\$ 151,269</u>	<u>\$ 151,345</u>	<u>\$ 113,053</u>
For the three months ended June 30,			
	2019	2018	
	Unrealised gain	Realised loss	Unrealised gain
			Realised loss
Parent company:			
Yuanta Financial Holdings	\$ - (\$ 10)	\$ - (\$ 4)	
Other related parties:			
Sintronic Technology	2,289 (42)	1,370 (280)	
	<u>\$ 2,289 (\$ 52)</u>	<u>\$ 1,370 (\$ 284)</u>	
For the six months ended June 30,			
	2019	2018	
	Unrealised gain	Realised loss	Unrealised loss
			Realised loss
Parent company:			
Yuanta Financial Holdings	\$ - (\$ 18)	\$ - (\$ 16)	
Other related parties:			
Sintronic Technology	779 (42)	7,260 (545)	
Others	-	- (1)	36
	<u>\$ 779 (\$ 60)</u>	<u>\$ 7,261 (\$ 597)</u>	

(O) Credit transaction

Please refer to Note 7B (19).

(P) Others

- (a) As of June 30, 2019, December 31, 2018 and June 30, 2018, the lines of credit Yuanta Securities and its subsidiaries have drawn in order to acquire Yuanta Bank were all \$4,600,000. The carrying amounts of land and building amounting to \$3,624,567, \$3,642,426 and \$3,661,443, respectively, were designated as collateral.

(b) Fund management fee income from fund managed and fund balances held by Yuanta Securities and its subsidiaries are as follows:

		Fund management fee income		
		For the three months ended June 30,		
		2019	2018	
Other related parties:				
Yuanta Diamond Funds SPC	\$	17,486	\$ 4,702	
Others		1,985	-	
	\$	<u>19,471</u>	<u>\$ 4,702</u>	
		Fund management fee income		
		For the six months ended June 30,		
		2019	2018	
Other related parties:				
Yuanta Diamond Funds SPC	\$	31,767	\$ 15,020	
Others		1,985	-	
	\$	<u>33,752</u>	<u>\$ 15,020</u>	
		The balance of fund		
		<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related parties:				
Global Growth	\$	113,932	\$ 89,063	\$ 77,826
Investment, L.P.				
Yuanta Diamond				
Funds SPC		244,395	336,694	372,096
Others		23,491	-	-
	\$	<u>381,818</u>	<u>\$ 425,757</u>	<u>\$ 449,922</u>

(3) Yuanta Futures and its subsidiaries

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

		June 30, 2019		
		Bank deposits	Operating guarantee deposits	Customer margin deposits
Fellow subsidiary:				
Yuanta Bank	\$	<u>1,803,957</u>	<u>\$ 140,000</u>	<u>\$ 10,627,625</u>
		December 31, 2018		
		Bank deposits	Operating guarantee deposits	Customer margin deposits
Fellow subsidiary:				
Yuanta Bank	\$	<u>1,995,376</u>	<u>\$ 140,000</u>	<u>\$ 14,675,660</u>
		June 30, 2018		
		Bank deposits	Operating guarantee deposits	Customer margin deposits
Fellow subsidiary:				
Yuanta Bank	\$	<u>1,689,401</u>	<u>\$ 140,000</u>	<u>\$ 10,394,005</u>

(B) Customer margin account for leverage contracts

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 202,128</u>	<u>\$ 126,850</u>	<u>\$ 68,067</u>

(C) Equity of futures traders

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Securities	\$ 2,971,110	\$ 2,994,353	\$ 2,163,695
Yuanta Securities (Hong Kong)	386,459	419,049	438,976
Yuanta Securities (Korea)	176,556	149,755	157,867
Yuanta Bank	28,714	5,991	18,224
Company's directors :			
Others	22,228	874,886	858,167
Other related parties:			
Funds managed by Yuanta Securities Investment Trust	24,329,125	22,878,227	16,350,866
Others	<u>35,291</u>	<u>33,518</u>	<u>17,526</u>
	<u>\$ 27,949,483</u>	<u>\$ 27,355,779</u>	<u>\$ 20,005,321</u>

(4) Yuanta Securities Investment Consulting

(A) Bank deposits

As of June 30, 2019, December 31, 2018 and June 30, 2018, Yuanta Securities Investment Consulting respectively deposited \$191,985, \$231,676 and \$189,169 to Yuanta Bank, amongst which, the operating guarantee deposits were both \$5,000, with annual interest rates of 1.035%.

(B) Operating income

	<u>For the three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary:		
Yuanta Securities	\$ 44,353	\$ 44,948
Yuanta Bank	3,043	3,043
Yuanta Securities Investment Trust	1,163	1,163
Yuanta Futures	875	874
Yuanta Life	<u>715</u>	<u>715</u>
	<u>\$ 50,149</u>	<u>\$ 50,743</u>

		For the six months ended June 30,	
		2019	2018
Fellow subsidiary:			
Yuanta Securities	\$	88,706	\$ 89,897
Yuanta Bank		6,086	6,086
Yuanta Securities Investment Trust		2,326	2,326
Yuanta Futures		1,749	1,748
Yuanta Life		1,429	1,429
	\$	<u>100,296</u>	<u>\$ 101,486</u>
(5) Yuanta Securities Investment Trust			
(A) Bank deposits			
		June 30, 2019	December 31, 2018
Fellow subsidiary:			June 30, 2018
Yuanta Bank	\$	<u>2,108,094</u>	<u>\$ 2,193,495</u>
			<u>\$ 1,987,012</u>
(B) Management fee receivable and management fee income			
		Management fee receivable	
		June 30, 2019	December 31, 2018
Fellow subsidiary:			June 30, 2018
Yuanta Securities	\$	1,902	\$ -
Yuanta Life		-	556
Other related parties:			
Funds managed by			
Yuanta Securities			
Investment Trust		215,946	210,114
	\$	<u>217,848</u>	<u>\$ 202,215</u>
		Management fee income	
		For the three months ended June 30,	
		2019	2018
Fellow subsidiary:			
Yuanta Life	\$	-	\$ 1,687
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		610,805	585,212
	\$	<u>610,805</u>	<u>\$ 586,899</u>
		For the six months ended June 30,	
		2019	2018
Fellow subsidiary:			
Yuanta Life	\$	1,567	\$ 3,377
Other related parties:			
Funds managed by Yuanta			
Securities Investment Trust		1,215,058	1,178,305
	\$	<u>1,216,625</u>	<u>\$ 1,181,682</u>

(C) Fund transactions

Securities investment trust funds raised by the Yuanta Securities Investment Consulting which are held by Yuanta Securities Investment Consulting and its related parties are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Yuanta Securities			
Investment Trust	\$ 209,712	\$ 106,662	\$ 219,398
Fellow subsidiary:			
Yuanta Securities	1,983,306	2,696,840	2,430,768
Yuanta Life	279,382	171,428	68,431
Yuanta Futures	20,420	19,710	28,800
	<u>\$ 2,492,820</u>	<u>\$ 2,994,640</u>	<u>\$ 2,747,397</u>

(6) Yuanta Life

(A) Bank deposits

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Bank (Note)	\$ 2,825,341	\$ 4,565,902	\$ 2,316,205

Note: Including other financial assets.

(B) Current income tax assets

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Parent company:			
Yuanta Financial Holdings	\$ 2,297,575	\$ 2,013,188	\$ 1,441,806

The above represents consolidated income tax return receivable.

(C) Property transactions — beneficiary certificates

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other related parties:			
Funds managed by Yuanta			
Securities Investment			
Trust	\$ 279,382	\$ 171,428	\$ 68,431

For six months ended June 30, 2019

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

Other related parties:

Funds managed by Yuanta Securities
Investment Trust

\$ 220,000	\$ 80,244
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For six months ended June 30, 2018

<u>Purchase price</u>	<u>Proceeds on disposal</u>
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Other related parties:

Funds managed by Yuanta Securities
Investment Trust

\$ 350,000	\$ 538,031
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(D) Payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Parent company:			
Yuanta Financial Holdings	\$ 1,020	\$ 3,718	\$ 1,092
Fellow subsidiary:			
Yuanta Bank	51,638	59,918	52,517
Yuanta International Insurance Brokers	35,942	41,893	26,886
	<u>\$ 88,600</u>	<u>\$ 105,529</u>	<u>\$ 80,495</u>

(E) Premium income

Please refer to Note 7 B(24).

(F) Commission expense

	<u>For the three months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary:		
Yuanta Bank	\$ 157,513	\$ 153,404
Yuanta International Insurance Brokers	98,724	106,976
	<u>\$ 256,237</u>	<u>\$ 260,380</u>
	<u>For the six months ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary:		
Yuanta Bank	\$ 328,626	\$ 316,234
Yuanta International Insurance Brokers	206,032	238,623
	<u>\$ 534,658</u>	<u>\$ 554,857</u>

(7) Yuanta Ventures and subsidiary

(A) Bank deposits

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Fellow subsidiary:			
Yuanta Bank	<u>\$ 579,139</u>	<u>\$ 718,125</u>	<u>\$ 323,314</u>

(B) Current tax assets

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Parent company:			
Yuanta Financial Holdings	<u>\$ 111,969</u>	<u>\$ 103,850</u>	<u>\$ 100,678</u>

The above represents parent company's consolidated income tax receivable.

(8) Yuanta Asset Management

Accounts payables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Parent company:			
Yuanta Financial Holdings	<u>\$ 439,287</u>	<u>\$ -</u>	<u>\$ 232,978</u>

The above is cash dividend payable to parent company.

8. Pledged assets

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Yuanta Group's assets pledged as collateral are as follows:

Items	June 30, 2019	December 31, 2018	June 30, 2018	Purpose of pledge
Financial assets at fair value through profit or loss	\$ 145,179,078	\$ 167,971,825	\$ 182,887,381	Bonds under repurchase agreement, bid bonds for operating guarantee deposits and futures trading margin, collateral for securities lending and OTC trading
	62,944,313	67,887,652	72,705,120	Merchant business
	52,055	51,914	50,159	Guarantee deposits for notes
Financial assets at fair value through other comprehensive income	3,313,782	2,980,099	2,861,588	Claim reserve from trust fund, collateral for securities lending business, guarantees on asset disposal and customer default fine
	1,606,623	1,615,154	1,475,223	Operating guarantee deposits
	57,419,598	32,770,168	18,416,680	Bonds under repurchase agreement, operating guarantee deposits, OTC performance bonds and guarantees on asset disposal
	-	31,102	505,293	Collateral for provisional seizure
	-	-	40,508	Guarantee deposits from security underwriters
	-	-	10,127	Guarantee deposits from security dealers
Financial assets at amortised cost	2,992	2,992	2,992	Guarantee for operating activities
	40,068	40,117	40,166	Stock borrowings
	62,688	63,248	63,811	Deposits for guarantees in the Central Bank
	679,107	680,587	679,722	Operating guarantee deposits
	197,790	186,813	187,377	Claim reserve from trust fund
	10,542,760	11,342,500	11,380,000	Overdraft guarantee for foreign currency settlement
	110,565	110,460	110,793	Settlement reserves for Electronic Bond Trading System (EBTS) issued by OTC
	55,282	55,230	55,396	Deposit guarantees of bills merchants
	551,718	477,298	25,150	Collateral for provisional seizure
	5,197	5,192	4,986	VISA international card payment reserves
	44,226	44,184	-	Guarantee deposits from security underwriters
	11,056	11,046	-	Guarantee deposits from security dealers
Accounts receivable	500	6,000	6,000	Collateral for provisional seizure
Restricted assets	2,606,489	2,154,999	1,924,235	Collateral for settlement limit, short-term loans, payable short-term bills and OTC derivative transactions
	859	380,646	406,497	Operating guarantee deposits-HKEx, structured notes, interest rate swap account and repo trade
	1,063	1,086	1,037	Overdraft guarantee
	79,537	85,980	83,291	Dividends payable arising from stock agency business
Other assets	286,074	433,871	436,222	Operating guarantee deposits
	3,541,999	2,144,672	2,062,202	Performance bond and rental deposits
	-	250,000	220,000	Stock borrowings
	-	140,000	140,000	Deposits for guarantees in the Central Bank
	1,312	58,648	249,357	Underwriting share proceeds collected on behalf of customers
Property and equipment and investment property	3,560,352	3,624,348	3,637,776	Collateral for settlement limit and short-term loans; collateral for mortgage loans and leases
Treasury share of Yuanta Securities (Korea)	602,304	595,815	694,143	Collateral for securities lending business

9. Significant contingent liabilities and unrecognised contract commitments

(1) As of June 30, 2019, December 31, 2018 and June 30, 2018, capital expenditure contracted for at the balance sheet date but not yet incurred was \$1,260,408, \$1,456,876 and \$1,580,427, respectively.

(2) Stocks entrusted to custody

As of June 30, 2019, December 31, 2018 and June 30, 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 \$77,575, \$77,070 and \$77,640, 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 June 30, 2019, Yuanta Securities (Korea) has entered into bond purchase agreement with limit of ₩250 billion (approximately NT\$6.725 billion) for Pospower Co., Ltd. and equity purchase agreement with limit of USD 43 million (approximately NT\$1.336 billion) for overseas PEF (Aberdeen Global Infrastructure GP II). Also Yuanta Securities (Korea) has provided conditional commitment to underwrite bonds with limit of ₩20 billion (approximately NT\$538 million) and performance guarantee in relation to lease fund with total limit of ₩100 million (approximately NT\$2.69 million) for IGIS Professional Private Real Estate Investment Trust.

(6) On April 24, 2019, the Board of Directors of Yuanta Securities Finance resolved to acquire Global Securities Finance Corporation (Global Securities Finance)'s business, and Yuanta Securities Finance entered into a business sale agreement with Global Securities Finance on April 25, 2019. On May 29, 2019, the Board of Directors of Yuanta Securities Finance resolved on behalf of the shareholders' meeting to acquire Global Securities Finance's business and related claims, and the consideration was \$15,000 (which will be adjusted by the mutually agreed price adjustment mechanism) plus the value of the collateral and related rights prevailing at the effective date of the business transfer. As of June 30, 2019, Yuanta Securities Finance made a partial prepayment amounting to \$1,500 to Global Securities Finance and the transfer of business will be implemented after approval of the competent authority is obtained.

(7) Yuanta Securities Investment Trust entered into an offshore fund master agent contract with BNY Mellon Asset Management International Limited (formerly known as 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. The contract will expired on June 30 of each year with an auto-renewed 1 year period unless either party terminates the contract by written notification. However, Yuanta Securities Investment Trust terminated the offshore fund master agent contract and transferred the business to Taiwan Cooperative Securities Investment Trust Co., Ltd., which have been approved by the competent authority on June 27, 2019. The expected effective date for the transfer was set on September 2, 2019.

(8) Other lawsuits- Yuanta Securities

A. Due to Polaris Securities Co., Ltd., the dissolved company under the merger, having disputes with customers on trading of stocks, customers demanded Yuanta Securities, the surviving company under the merger, bear joint responsibility for compensations as the employer. Originally, on June 25, 2013, the claimed compensation was \$25,718. From then on, the claims increased to \$40,310 on June 30, 2015 and reduced to \$39,769 on August 12, 2015. On October 21, 2016, the Taiwan Taipei District Court adjudicated to overrule the lawsuit brought 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 Yuanta Securities to pay compensation amounting to \$25,787 due to its joint responsibility and Yuanta Securities has appointed lawyers to appeal 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 et al. On January 17, 2018, the plaintiff claimed that the compensation was raised to \$952,511 (of which \$950,861 was subject to joint liability). The mediation failed in 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 June 30, 2019, of the total 20 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 17 litigations were unrelated to such financial commodities sales disputes with demanded compensation totaling ₩1,153,879 million (approximately NT\$31 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 was ₩698,000 million (approximately NT\$18.8 billion). Thereafter, due to Anbang’s allegations, the claimed amount was changed and expressed in plural claimed amounts with the latest claimed amount of ₩1,143,200 million (approximately NT\$30.8 billion). The allegations made by Anbang were denied by Yuanta Securities (Korea). The arbitration will proceed and continued in accordance with the arbitration rules. As of June 30, 2019, there was ₩1,436 million (approximately NT\$ 39 million) of provisions recognized for the abovementioned litigations unrelated to financial commodities sales disputes. In addition, there were 11 litigations where Yuanta Securities (Korea) acted as a plaintiff with the claimed amount of ₩ 34,626 million (approximately NT\$930 million).
- D. Due to the fraudulent act committed by a former employee of KK Trade Securities Co., Ltd. as alleged, the affected clients filed a civil lawsuit against Yuanta Securities (Thailand) and the former employee for joint liability to pay the compensation of ฿301 million (approximately NT\$305 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 Yuanta Securities (Thailand), 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 June 30, 2019, Yuanta Securities (Hong Kong)’s receivables from margin loan amounted to HK\$147,504 thousand (approximately NT\$590 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. Yuanta Securities (Hong Kong) has exercised its right of set-off under the Guarantee Agreement and transferred HK\$68,552 thousand (approximately NT\$270 million) from the account executive’s assets and the remaining loss of HK\$78,952 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. Yet an award of compensation in the amount of HK\$135,191 thousand (approximately NT\$540 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 all 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.

(9) Other lawsuits- Banks

- A. Yuanta Bank and the seller (AON BGN Limited Liability Company) signed a share purchase agreement which had an indemnification clause stating that the seller must compensate and guarantee that Yuanta Bank was free from any losses resulting from or related to Yuanta Savings Bank (Korea)'s litigations. Information regarding the lawsuit as of June 30, 2019 are as follows:
- In March 2016, Trust Investment (a borrower) petitioned to the Financial Services Commission of the Republic of Korea that Yuanta Savings Bank (Korea) overcharged expenses for prior loan cases and thus claimed Yuanta Savings Bank (Korea) should return ₩4 billion unjustly received fees. Because Yuanta Savings Bank (Korea) believed that such a claim had no merit, Yuanta Savings Bank (Korea) filed a litigation with the Seoul District Court to confirm that obligations at issue lacked legal merit and to clarify related disputes in the petition. Upon the acquisition date of Yuanta Savings Bank (Korea), Yuanta Bank had reached an agreement with 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. As of June 30, 2019, recognised compensatory assets and contingent liabilities resulting from the litigation were ₩4,024,469 thousand, accounted respectively under "Other assets-net" and "liability reserves". On June 16, 2017, the aforementioned case was adjudicated in favour of Yuanta Savings Bank (Korea) by the Seoul District Court, Korea. On May 25, 2018, Seoul High Court upheld the district court's decision. Trust Investment has appealed for the third instance to the Supreme Court of South Korea. As of June 30, 2019, the aforementioned litigation is under the judicial proceeding of the Supreme Court of South Korea. Thus, subsequent proceedings of the litigation have been assessed to have no material impact on the operations and stockholders' equity of Yuanta Bank.
- B. Ta Chong Bank had conducted foreign exchange derivatives transactions with Sino United International Co., Ltd. and Plosa International Co., Ltd. As Sino United International Co., Ltd. and Plosa International Co., Ltd. disputed the loss in Target Redemption Forward (TRF) when closing position, they filed a complaint 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. disagreed with the ruling and filed an appeal for the third instance. However, currently 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 costs. 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% interest equity 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 originally held by Yuanta Savings Bank (Korea) and another shareholder under which Pentagon City returned cash of ₩28 billion to Yuanta Savings Bank (Korea). 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 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. 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.

(10) Other lawsuits- Yuanta Securities Investment Trust

Yuanta Securities Investment Trust was commissioned to handle discretionary investment businesses of domestic investment contracts on behalf of its principal—the Bureau of Labor Funds, Ministry of Labor (formerly the Labor Pension Fund Supervisory Committee of the Council of Labor Affairs, Executive Yuan, restructured as 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 with the Taiwan Taipei District Court on January 28, 2014, claiming Manager Qu and Yuanta Securities Investment Trust with criminal charges, attached with criminal proceedings, claiming 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 was adjudicated by the first instance of the Taiwan Taipei District Court and the civil case was transferred to the civil court, on September 5, 2016, the Labor Pension decreased its joint and several liability claims to \$108,411 thousand. On April 28, 2017, the Labor Pension decreased such claims to \$71,575 thousand after the Taiwan High Court rendered its decision for the aforementioned criminal case. Based on the appointed lawyer's assessment, the aforementioned criminal lawsuit made by the first and second instance courts was adjudicated to be a breach of trust by Manager Qu against 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 major 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.

(11) Other lawsuits- Yuanta Life Insurance

As of June 30, 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.

(12) Others

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Commitment of the securities			
under a repurchase agreement	\$ 209,869,283	\$ 223,886,291	\$ 214,032,262
Commitment of the securities			
under a resale agreement	36,283,125	33,533,054	32,309,569
Unused loan commitments	30,614,691	28,439,091	32,627,518
Credit commitment on credit card	120,298,026	121,759,033	120,994,861
Unused L/C balance	2,909,162	4,570,325	5,885,469
Other guarantees	17,289,409	15,773,127	19,779,563
Consignment collection for others	17,329,028	18,940,103	20,018,485
Trust assets	239,585,406	247,132,000	237,170,709
Items under custody	29,982,718	33,312,553	37,713,596

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

June 30, 2019			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 4,391,978	Payables-Customers' securities	\$ 24,509,296
Stocks	10,882,258	Pecuniary trust	141,954,353
Funds (Note)	96,641,694	Securities trust	4,830,245
Bonds	21,497,766	Real estate trust	14,668,565
Structured products	15,314,556	Movables trust	7,020,000
Real estate-Land	12,088,349	Net income	167,870
-Construction in progress	2,041,010	Retained earnings	1,236,578
Movables	7,020,000		
Customers'securities under custody	24,509,296		
Total trust assets	<u>\$ 194,386,907</u>	Total trust liabilities	<u>\$ 194,386,907</u>

June 30, 2018			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 4,891,826	Payables-Customers' securities	\$ 19,680,501
Stocks	10,861,823	Pecuniary trust	131,699,754
Funds (Note)	96,127,842	Securities trust	5,240,639
Bonds	17,892,200	Real estate trust	26,781,929
Structured products	9,713,952	Movables trust	7,020,000
Real estate-Land	18,703,392	Net income	7,681
-Construction in progress	6,598,581	Retained earnings	1,059,613
Movables	7,020,000		
Customers'securities under custody	19,680,501		
Total trust assets	<u>\$ 191,490,117</u>	Total trust liabilities	<u>\$ 191,490,117</u>

Note : Includes mutual funds in money market.

Trust Income Statement

For the six months ended June 30, 2019		For the six months ended June 30, 2018	
Trust revenue:		Trust revenue:	
Interest income	\$ 5,764	Interest income	\$ 5,589
Investment income (Stocks)	191,205	Investment income (Stocks)	36,897
Investment income (Fund)	298	Investment income (Fund)	328
Rental income	86	Rental income	-
	<u>197,353</u>		<u>42,814</u>
Trust expenses:		Trust expenses:	
Management fees	8,010	Management fees	12,360
Tax expense	21,459	Tax expense	22,665
Loss on investment	-	Loss on investment	60
	<u>29,469</u>		<u>35,085</u>
Income before income tax	167,884	Income before income tax	7,729
Income tax expense	(14)	Income tax expense	(48)
Net Income	<u>\$ 167,870</u>	Net Income	<u>\$ 7,681</u>

Schedule of Trust Property

June 30, 2019		June 30, 2018	
Invested items	Book values	Invested items	Book values
Bank deposits	\$ 4,391,978	Bank deposits	\$ 4,891,826
Stocks	10,882,258	Stocks	10,861,823
Funds (Note)	96,641,694	Funds (Note)	96,127,842
Bonds	21,497,766	Bonds	17,892,200
Structured products	15,314,556	Structured products	9,713,952
Real estate-land	12,088,349	Real estate-land	18,703,392
-Construction in progress	2,041,010	-Construction in progress	6,598,581
Movables	7,020,000	Movables	7,020,000
Customers' securities under custody	24,509,296	Customers' securities under custody	19,680,501
	<u>\$ 194,386,907</u>		<u>\$ 191,490,117</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 June 30, 2019 and 2018 were included in the trust balance sheet and schedule of trust property.

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

June 30, 2019			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,363,918	Payables	\$ 63,961
Bonds	22,432	Income tax payables	393
Stocks	6,877,527	Trust capital-pecuniary trust	33,720,906
Funds	25,875,909	Trust capital-securities trust	6,571,049
Structured products	10,674,856	Net income	1,752,910
Accounts receivable	383,560	Retained earnings	3,129,205
Prepayments	297	Deferred carryforwards	(39,925)
Total trust assets	<u>\$ 45,198,499</u>	Total trust liabilities	<u>\$ 45,198,499</u>

June 30, 2018			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 1,562,604	Payables	\$ 55,500
Bonds	-	Income tax payables	863
Stocks	7,743,744	Trust capital-pecuniary trust	34,757,947
Funds	24,504,777	Trust capital-securities trust	7,179,812
Structured products	11,618,614	Net income	844,397
Accounts receivable	250,574	Retained earnings	3,030,496
Prepayments	279	Deferred carryforwards	(188,423)
Total trust assets	<u>\$ 45,680,592</u>	Total trust liabilities	<u>\$ 45,680,592</u>

(BLANK)

Trust Income Statement

For the six months ended June 30, 2019				For the six months ended June 30, 2018			
Trust revenue:				Trust revenue:			
Interest income	\$	278,884		Interest income	\$	256,402	
Realized investment income		529,375		Realized investment income		718,052	
Unrealized investment income		842,226		Unrealized investment income		-	
Gain on translation		103,860		Gain on translation		310,796	
Rental income		42,259		Rental income		43,887	
Dividend income		21,985		Dividend income		28,529	
		<u>1,818,589</u>				<u>1,357,666</u>	
Trust expenses:				Trust expenses:			
Administrative expenses	(	17,262)		Administrative expenses	(	18,305)	
Fees (Service charges)	(	35,417)		Fees (Service charges)	(	62,868)	
Loss on unrealized investment		-		Loss on unrealized investment	(	428,192)	
Insurance premium	(	10)		Insurance premium	(	10)	
Others	(	11,072)		Others	(	16)	
		<u>(63,761)</u>				<u>(509,391)</u>	
Income before income tax		1,754,828		Income before income tax		848,275	
Income tax expense	(	1,918)		Income tax expense	(	3,878)	
Net Income	\$	<u>1,752,910</u>		Net Income	\$	<u>844,397</u>	

Schedule of Trust Property

June 30, 2019				June 30, 2018			
Invested items		Book values		Invested items		Book values	
Bank deposits	\$	1,363,918		Bank deposits	\$	1,562,604	
Bonds		22,432		Bonds		-	
Stocks		6,877,527		Stocks		7,743,744	
Funds		25,875,909		Funds		24,504,777	
Structured products		10,674,856		Structured products		11,618,614	
Others		383,857		Others		250,853	
	\$	<u>45,198,499</u>			\$	<u>45,680,592</u>	

10. Significant losses from disasters

(1) The Company:

None.

(2) Subsidiaries:

None.

11. Significant subsequent events

(1) The Company:

- A. On July 24, 2019, the Board of Directors of the Company resolved to retire 15,621 thousand shares purchased from the shareholders who dissented the share transfer acquisition plan of Ta Chong Commercial Bank Co., Ltd.
- B. On July 31, 2019, the Company entered into a stock purchase agreement with Wells Fargo International Bank Corporation to purchase all the shares held by Yuanta Securities Investment Trust amounting to 4,914 thousand shares at a price of NT\$39 per share, and the total transaction price amounted to NT\$191,655 thousand. Yuanta Financial Holding held 74.36% equity interests in Yuanta Securities Investment Trust when the transaction was completed.

(2) Subsidiaries:

On August 2, 2019, the Board of Directors of the sub-subsidiary, Yuanta Savings Bank (Philippines), resolved on behalf of the shareholders to reduce its capital by ₱164,002 thousand and increase its capital by ₱200 million through the issuance of 200 million shares at a price of ₱1 per share. The newly issued shares were subscribed by a single shareholder, Yuanta Commercial Bank Co., Ltd. However, the capital reduction and the capital increase are still pending for approval from the competent authority.

12. Others

(1) Capital risk management

- A. The objectives of capital management of the Yuanta Group:
 - (A) Meeting the minimum regulated capital adequacy ratio is the most basic objective for the qualifying self-owned capital of the financial group controlled by the Company. The calculation of qualifying self-owned capital and legal capital should be made in compliance with regulations of competent authorities.
 - (B) In order to process sufficient capital to assume various risks, the Company assesses the required capital with consideration of the risk portfolio it faces and the risk characteristic, and manages risk through capital allocation to realise utilization of capital allocation.
- B. Capital management procedure:
 - (A) The Company regularly monitors the overall capital adequacy ratio, which is maintained and reported to the competent authorities every 6 or 12 months in compliance with the regulations from both competent authorities and internal requirements.
 - (B) Calculation and control procedures related to capital adequacy of the financial group are all in compliance with “Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies” and “Regulations Governing the Capital Adequacy management for the Yuanta Financial Holding Company”.
 - (C) The objective of capital management of the Company shall be agreed by the Board of Directors, of which an appropriate capital projection is scheduled by the finance management according to the long-term developing strategies, operating plan and characteristics of assets and liabilities. The consolidated capital adequacy ratio of the Yuanta Group is assessed and calculated by month. The risk management analyses changes in risky assets when necessary to evaluate if the Yuanta Group has sufficient capital for various risk and if it meets the objectives of capital management.
 - (D) The Company also sets up warning indicator in relation to above managing objectives, that is, when the capital adequacy ratio drops to the warning indicator, the risk management shall call a meeting to discuss a responding solution which is handed to the finance management for the following executive operations.

(2) Fair value information of financial instruments

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

(A) Outline

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

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

a. Level 1

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

b. Level 2

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

c. Level 3

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

B. Financial instruments measured at fair value

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

	June 30, 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								
Financial assets held for trading								
Stock investments	\$ 46,061,623	\$ 43,310,120	\$ 53,586	\$ 2,697,917	\$ 24,720,900	\$ 22,096,350	\$ 34,348	\$ 2,590,202
Bond investments	305,360,564	120,721,406	184,267,538	371,620	302,653,840	88,571,370	213,785,334	297,136
Others	109,640,782	40,157,607	68,080,633	1,402,542	115,705,726	38,918,433	75,589,921	1,197,372
Fair value through other comprehensive income financial assets (Note)								
Equity Instruments	35,032,535	16,709,420	-	18,323,115	24,158,805	6,846,637	-	17,312,168
Liability Instruments	207,367,646	76,836,754	130,303,750	227,142	192,192,531	75,246,806	116,686,700	259,025
Other financial assets								
Purchase of claim receivable	1,857,570	-	-	1,857,570	1,867,408	-	-	1,867,408
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 10,162,973	\$ 10,162,973	\$ -	\$ -	\$ 20,282,018	\$ 20,282,018	\$ -	\$ -
<u>Derivative financial instruments</u>								
Assets								
Financial assets at fair value through profit or loss	\$ 27,023,031	\$ 4,497,705	\$ 9,529,380	\$ 12,995,946	\$ 30,858,742	\$ 7,649,105	\$ 8,249,845	\$ 14,959,792
Liabilities								
Financial liabilities at fair value through profit or loss	\$ 102,956,591	\$ 1,468,340	\$ 34,215,749	\$ 67,272,502	\$ 91,700,781	\$ 1,453,763	\$ 29,650,109	\$ 60,596,909

		June 30, 2018			
Recurring fair value measurements		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Non-derivative financial instruments</u>					
Assets					
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss					
Equity investments	\$ 38,701,204	\$ 36,126,954	\$ -	\$ 2,574,250	
Bond investments	271,773,094	77,183,392	194,058,332	531,370	
Others	168,787,337	38,036,232	129,999,591	751,514	
Financial assets at fair value through other comprehensive income (Note)					
Equity investments	24,678,273	8,115,679	-	16,562,594	
Debt investments	214,397,424	71,812,626	141,424,679	1,160,119	
Other financial assets					
Purchase of claim receivable	1,875,478	-	-	1,875,478	
Liabilities					
Financial liabilities at fair value through profit or loss	\$ 11,042,891	\$ 11,042,891	\$ -	\$ -	
<u>Derivative financial instruments</u>					
Assets					
Financial assets at fair value through profit or loss	\$ 27,035,143	\$ 5,209,946	\$ 7,220,927	\$ 14,604,270	
Liabilities					
Financial liabilities at fair value through profit or loss	\$ 98,435,901	\$ 2,574,255	\$ 32,658,333	\$ 63,203,313	

Note: As of June 30, 2019, December 31, 2018 and June 30, 2018, the statutory deposits of Yuanta Life of the Yuanta Group were both \$1,216,100.

(B) Financial instruments measured at fair value

When quotes of financial instruments are obtained from the Stock Exchange, Reuters, Bloomberg, dealers or competent authorities and the prices represent arm's length transactions with sufficient frequency, the financial instruments are regarded as active market quotes. If the aforementioned requirements are not met, then the financial instruments are regarded as quotes without an active market. Large bid-ask spreads or low trade volumes are features of quotes without an active market.

Whenever the financial instruments held by Yuanta Group have active market quotes, the active market quotes are regarded as fair value. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market quotes as the basis of fair value.

Excluding the above-mentioned financial instruments with active market quotes, the fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the balance sheet date, and utilises the fair values derived from the calculations of financial valuation models (for example referencing the yield curve from the Taipei Exchange, Reuters' average commercial paper interest, etc.).

(C) Fair value adjustment

a. Limits and adjustments of financial valuation models

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial instruments held by Yuanta Group. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. For example, adjustments on model risk or adjustments on liquidity risk etc. In accordance with Yuanta Group's financial valuation model management policy, management believes in order to fairly present the fair value of financial instruments within the consolidated balance sheet, valuation adjustments are pertinent and appropriate.

b. Credit risk valuation adjustment

The credit risk valuation adjustment is included in the computation of fair value of financial instruments in order to reflect counterparty's credit risk and the Yuanta Group's credit quality.

(D) Transfer between Level 1 and Level 2

As of June 30, 2019, December 31, 2018 and June 30, 2018, certain foreign debt held by the Company, totaling USD 3,641 thousand, USD 318,564 thousand and USD 24,354 thousand, respectively, have been transferred from level 1 to level 2, because the debt instrument either had no quoted market price from stock brokers and had to be valued using pricing from the most recent transaction, or Bloomberg Valuation Services (BVAL) was used due to less frequent or less precise price quotes from stock brokers. In addition, certain foreign debt held by the Company, totaling USD 39,578 thousand, USD 3,555 thousand and USD 5,027 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 six months ended June 30, 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 to Level 3 (Note)	
Financial assets at fair value through profit or loss	\$ 19,044,503	(\$ 2,403,856)	\$ 3,657	\$ 7,100,753	\$ 121,459	(\$ 6,180,992)	(\$ 217,499)	\$ 17,468,025
Financial assets at fair value through other comprehensive income	17,571,193	(116,551)	1,188,106	-	-	(92,491)	-	18,550,257
Other financial assets- purchase of claim receivable	1,867,408	721	-	-	-	(10,559)	-	1,857,570
Total	<u>\$ 38,483,104</u>	<u>(\$ 2,519,686)</u>	<u>\$ 1,191,763</u>	<u>\$ 7,100,753</u>	<u>\$ 121,459</u>	<u>(\$ 6,284,042)</u>	<u>(\$ 217,499)</u>	<u>\$ 37,875,852</u>

For the six months ended June 30, 2018								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred to Level 3 (Note)	
Financial assets at fair value through profit or loss	\$ 15,545,767	(\$ 763,562)	(\$ 9,316)	\$ 16,530,705	\$ 1,152,307	(\$ 13,444,645)	(\$ 549,852)	\$ 18,461,404
Financial assets at fair value through other comprehensive income	19,570,959	(117,259)	(931,187)	102,465	547,812	(530,436)	(919,641)	17,722,713
Other financial assets- purchase of claim receivable	1,892,299	105	-	-	-	(16,926)	-	1,875,478
Total	<u>\$ 37,009,025</u>	<u>(\$ 880,716)</u>	<u>(\$ 940,503)</u>	<u>\$ 16,633,170</u>	<u>\$ 1,700,119</u>	<u>(\$ 13,992,007)</u>	<u>(\$ 1,469,493)</u>	<u>\$ 38,059,595</u>

In relation to the above, valuation gains and losses are recognised in gain and loss in the period. As of June 30, 2019 and 2018, the losses on assets were \$2,063,816 and \$1,625,775, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of June 30, 2019 and 2018, the gains (losses) on assets were \$1,180,244 and (\$933,879), respectively.

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

For the six months ended June 30, 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	(\$ 2,447,967)	(\$ 3,341)	\$ 56,694,842	\$ -	(\$ 47,567,941)	\$ -	\$ 67,272,502

For the six months ended June 30, 2018								
Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3 (Note)	Sold, disposed or settled	Transferred from Level 3 (Note)	
Financial liabilities at fair value through profit or loss	\$ 72,328,766	(\$ 2,945,487)	\$ -	\$ 85,529,567	\$ -	(\$ 91,740,461)	\$ 30,928	\$ 63,203,313

Above valuation gains and losses are recognised in gain and loss in the period. As of June 30, 2019 and 2018, the gains on liabilities were \$1,603,029 and \$3,113,714, respectively.

In relation to the above, valuation gains and losses are recognised in other comprehensive income. As of June 30, 2019 and 2018, the gains on liabilities were \$3,574 and \$0, respectively.

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

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

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

Items	Change in fair value recognised in current profit and loss		Change in fair value recognised in other comprehensive income	
	Favorable movements	Unfavorable movements	Favorable movements	Unfavorable movements
June 30, 2019				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 99,809	(\$ 85,424)	\$ -	\$ -
Derivative instruments	45,638	(45,637)	-	-
Financial assets at fair value through				
other comprehensive income	-	-	501,716	(410,400)
Other financial asset- purchase of				
claim receivable	88,247	(88,247)	-	-
<u>Liabilities</u>				
Derivative instruments	\$ 7,558	(\$ 7,553)	\$ -	\$ -
December 31, 2018				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 78,378	(\$ 75,852)	\$ -	\$ -
Derivative instruments	265,296	(265,296)	-	-
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>				
Derivative instruments	\$ 265,285	(\$ 265,285)	\$ -	\$ -
June 30, 2018				
<u>Assets</u>				
Financial assets at fair value				
through profit or loss	\$ 13,660	(\$ 14,061)	\$ -	\$ -
Derivative instruments	288,249	(288,248)	-	-
Financial assets at fair value through				
other comprehensive income	-	-	416,547	(378,340)
Other financial asset- purchase of				
claim receivable	77,618	(77,618)	-	-
<u>Liabilities</u>				
Derivative instruments	\$ 306,150	(\$ 306,153)	\$ -	\$ -

Favorable and unfavorable movements of the Yuanta Group refer to the favorable and unfavorable movements of fair value. Movements in fair value are derived from financial valuation techniques on different unobservable valuation parameters. If the fair value of financial instruments is affected by more than one input, the above table will only reflect the

impact resulting from changes in the single input without considering the correlations and variability between inputs.

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

June 30, 2019		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Equity investments	\$ 2,697,917	1.Market method	Price to earnings ratio multiple	13.51~27.51
		2.Income method	Price to book ratio multiple	0.77~10.55
		3.Equity Model	Price-to-sales ratio multiplier	1.19
		by L. Anderson and D. Buffum	Discount for marketability	<=40%
			Discount rate	5.53%~14.72%
			Stock price volatility	12.30%~40.00%
			Credit Spread	2.31%~5.91%
			Recovery rate	20%
Bond investments	371,620	1.Hybrid Model	Stock price volatility	12.56%~43.57%
		2.Equity Model	Credit Spread	5.86%~17.87%
		by L. Anderson and D. Buffum	Recovery rate	20%
			Discount rate	0.64%~7.74%
		3.Monte Carlo Simulation		
		4.Discounted cash flow		
Derivative instruments (including futures and options in futures market)	12,995,946	1.Option Model	Dividend rate	1.91%~3.62%
		2.Hybrid Model	Stock price volatility	3.13%~23.22%
		3.FDM	Correlation coefficient	0.23~0.95
		4.Monte Carlo Simulation	Default rate	0.03%~100%
			Recovery rate	55%
Other	1,402,542	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,857,570	Recoverable amount	Contact rate	1.90% ~ 39.81%
			Payment rate	1.73% ~ 40.13%
			Discount rate	1.87% ~ 40.47%
Financial assets at fair value through other comprehensive income				
Equity investments	18,323,115	1.Market method	Price to earnings ratio multiple	12.80~30.15
		2.Residual income valuation model	Price to book ratio multiple	0.83~2.87
			Discount for marketability	<=40%
		3.Discounted cash flow	Expected growth rate	2%
			Discount rate	11.20%
Bond investments	227,142	Discounted cash flow	Discount rate	0.64%~7.74%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	67,272,502	1.IR Model	Dividend rate	1.91%~3.62%
		2.Option Model	Stock price volatility	0.89%~68.58%
		3.Hybrid Model	Correlation coefficient	0.23~0.95
		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 Price to book ratio multiple Price-to-sales ratio multiplier Discount for marketability Discount rate Stock price volatility Credit Spread Recovery rate	13.52~29.36 0.73~10.88 1.26 ≤40% 7.57%~13.29% 22.51%~49.10% 1.57%~5.92% 20%
Bond investments	297,136	1.Hybrid Model 2.Equity Model by L. Anderson and D. Buffum 3.Monte Carlo Simulation	Stock price volatility Credit Spread Recovery rate	12.74%~45.54% 0.27%~5.92% 20%
Derivative instruments (including futures and options in futures market)	14,959,792	1.Option Model 2.Hybrid Model 3.FDM 4.Monte Carlo Simulation	Dividend rate Stock price volatility Correlation coefficient Default rate Recovery rate	2.15%~4.18% 2.64%~22.01% 0.16~0.95 0.03%~100% 55%
Other	1,197,372	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,867,408	Recoverable amount	Contact rate Payment rate Discount rate	2.12%~40.79% 1.82%~39.21% 1.97%~39.57%
Financial assets at fair value through other comprehensive income				
Equity investments	17,312,168	1.Market method 2.Residual income valuation model 3.Discounted cash flow	Price to earnings ratio multiple Price to book ratio multiple Discount for marketability Expected growth rate Discount rate	12.29~29.66 0.80~10.88 ≤40% 2% 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 options trade in futures market)	60,596,909	1.IR Model 2.Option Model 3.Hybrid Model 4.FDM 5.Monte Carlo Simulation	Dividend rate Stock price volatility Correlation coefficient Default rate Recovery rate	2.15%~4.18% 1.01%~99.68% 0.16~0.95 0.03%~100% 55%

June 30, 2018		Valuation technique	Significant unobservable input	Range
Financial assets at fair value through profit or loss				
Equity investments	\$ 2,574,250	1. Market method	Price to earnings ratio multiple	12.21 ~ 36.25
		2. Income method	Price to book ratio multiple	0.70 ~ 10.90
		3. Equity Model by L. Anderson and D. Buffum	Price-to-sales ratio multiplier	1.5
			Discount for marketability	0% ~ 40%
			Discount rate	6.34% ~ 20.00%
			Stock price volatility	13.00% ~ 33.29%
			Credit Spread	2.57% ~ 6.18%
			Recovery rate	20%
Bond investments	531,370	1. Hybrid Model	Stock price volatility	36.24% ~ 41.52%
		2. Equity Model by L. Anderson and D. Buffum	Credit Spread	0.27% ~ 6.18%
		3. Monte Carlo Simulation	Recovery rate	20%
Derivative instruments (including futures and options in futures market)	14,604,270	1. Option Model	Dividend rate	0.36% ~ 4.06%
		2. Hybrid Model	Stock price volatility	2.88% ~ 20.52%
		3. FDM	Correlation coefficient	0.11 ~ 0.95
		4. Monte Carlo Simulation	Default rate	0.03% ~ 100%
			Recovery rate	55%
Other	751,514	Net asset value	N/A	N/A
Other financial assets				
Purchase of claim receivable	1,875,478	Recoverable amount	Contact rate	2.65% ~ 40.53%
			Payment rate	2.47% ~ 39.43%
			Discount rate	2.59% ~ 40.15%
Financial assets at fair value through other comprehensive income				
Equity investments	16,562,594	1. Market method	Price to earnings ratio multiple	12.18 ~ 29.93
		2. Residual income valuation model	Price to book ratio multiple	0.77 ~ 2.85
		3. Discounted cash flow	Discount for marketability	0% ~ 40%
			Expected growth rate	2%
			Discount rate	13.18% ~ 19.21%
Bond investments	1,160,119	Discounted cash flow	Discount rate	0.73% ~ 9.01%
Financial liabilities at fair value through profit or loss				
Derivative instruments (including options trade in futures market)	63,203,313	1. IR Model	Dividend rate	0.36% ~ 4.06%
		2. Option Model	Stock price volatility	1.07% ~ 62.60%
		3. Hybrid Model	Correlation coefficient	0.11 ~ 0.95
		4. FDM	Credit Spread	0.32% ~ 0.36%
		5. Monte Carlo Simulation	Default rate	0.03% ~ 100%
			Recovery rate	25% ~ 55%

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

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

C. Financial instruments not measured at fair value

(A) Fair value information:

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

	June 30, 2019				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Investments in debt instruments at amortised cost (Note 1 and 2)	\$ 249,680,866	\$ 265,829,065	\$ 3,239,252	\$ 262,547,281	\$ 42,532

Financial liabilities

Bonds payable	72,635,911	75,276,992	-	75,276,992	-
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	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 (Note 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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	June 30, 2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Investments in debt instruments at amortised cost (Note 1 and 2)	\$ 223,400,906	\$ 224,850,877	\$ 2,970,833	\$ 221,880,044	\$ -

Financial liabilities

Bonds payable	60,418,764	62,674,471	-	32,653,643	30,020,828
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Note 1: Including the statutory deposits of \$600,000 of Yuanta Life of the Yuanta Group as of June 30, 2019, December 31, 2018 and June 30, 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/Held-to-maturity financial assets: When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offered by the counterparties will be adopted to measure the fair value.
- d. Other financial assets - Investments on debt instruments without active markets: when prices on recent deals, or quotes from market makers exists, the most recent deal price or quote is the basis for fair value evaluation. When no market values are able to be referenced, a valuation method is elected for estimation. The financial valuation method utilises the present value from discounted cash flows as its fair value.
- e. Deposits and remittances: The duration between the commencement date and maturity date for deposits and remittances are usually within one year. As a result, the carrying amount is a reasonable basis to estimate the fair value. The fair value of long-term fixed rate deposits should be estimated by discounting expected future cash flows; however, since the duration between the commencement date and the maturity date is within three years, it is reasonable to use the carrying amount to estimate the fair value.
- f. Bonds payable/preferred stock liabilities: The coupon rate for bank debentures and preferred stock liabilities issued by Yuanta Group is approximate to the market interest rate. Thus, the present value of its expected future cash flows for estimating fair value is approximate to its carrying value.

(3) Management objective and policy for financial risk

A. Risk management policy and structural organization

- (A) The Yuanta Group's risk management organization structure includes the Board of Directors, the Audit Committee, the Risk Management Committee, senior management, the Risk Management Department, the Legal Compliance Department, the Legal Department and other business departments. The Board of Directors is the highest decision-making unit for risk management. Its primary responsibilities includes approving the Yuanta Group's risk management policy, important risk management systems, and annual risk limits, as well as supervising the enforcement of the risk management system. The Audit Committee should assist the Board of Directors in implementing its risk management responsibilities. Its primary responsibilities includes deliberating the Yuanta Group's risk management policy, important risk management systems, and annual risk limits, as well as assisting the Board of Directors in supervising the enforcement of the risk management system. The Risk

Management Committee should assist the Audit Committee and Board of Directors in implementing their risk management responsibilities. Its primary responsibilities includes deliberating the annual risk limits, reviewing risk management reports, integrating and coordinating common risk management issues between subsidiaries, and promoting and communicating important risk management issues. Senior management should examine risks involved in operating activities and ensure the Yuanta Group's risk management system can thoroughly and effectively control related risks. The Risk Management Department is an independent department subordinated under the Board of Directors. The Risk Management Department's primary responsibilities includes developing the risk management system, establishing a method to effectively measure risk, establishing the risk management system, monitoring and analyzing risk and alerting and reporting significant risks in a timely manner. The Legal Compliance department should implement legal compliance risk management. It should ensure that businesses of all units and the legal compliance risk management system comply with related regulations, as well as assist in evaluating possible legal compliance risks that all business units may be involved with. The Legal Department should implement legal risk management. It should assist in evaluating possible legal risk that business units, legal documents and contracts may be involved with. The risk management responsibilities of business departments are to comprehensively examine all risk management regulations before conducting their respective tasks and certainly comply with all risk management regulations.

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

(B) Risk management policy

In order to establish the Yuanta Group's risk management standard, ensuring the completeness, effectiveness and reasonableness of risk management, the risk management policy was devised to act as the highest guiding principle for the Yuanta Group's risk management. All risk management systems should comply with the risk management policy and consider the attributes of all risk and its impact degree on the Yuanta Group's operating stability capital soundness to respectively establish appropriate risk management systems.

The Yuanta Group's risk management system covers market risk, credit risk, market liquidity risk, capital liquidity risk, interest risk, insurance risk, operating risk, legal compliance risk, legal risk and other risks related with operations. Subsidiaries should establish a risk management system which matches its business portfolio, operating scale and capital scale in accordance with the Yuanta Group's risk management policy and local regulations, in order to effectively manage the risks it endures.

B. Methods for risks measurement and controlling and exposure quantitative information

(A) Credit risk

a. Source and definition of credit risk

Credit risks occur when the bond issuer, borrower or counterparty fails to fulfil its obligation and results in a loss of default. Credit risk may happen due to accounts on and off the balance sheet. For accounts on the balance sheet, credit risk exposure of the Yuanta Group mainly comprises of bills discounted and loans and credit card business, debt instrument and derivatives and call loans from banks, etc. Off-balance-sheet accounts include financial guarantee, acceptance bill, letter of credit and loan commitments that could give rise to credit risk exposure to the Yuanta Group.

b. Principle of credit risk management

In order to effectively consolidate credit distribution and control change in credit exposure, except for establishment of internal credit rating system and implementation of credit risk rating system, the Yuanta Group also establishes credit pre-warning program, carries out escalation procedures and effectively improves the time efficiency of credit incidence. Secondly, to benefit the control of credit risk concentration, the Yuanta Group has developed information system for significant amount exposure, which covers credit risks of credit and investment transactions, cross-analyses and cross-consolidates by issuer and trading counterparty and monitors overall credit exposure. In addition, the Yuanta Group also involves in research and development of various credit risk model to strengthen quantitative mechanism of the Yuanta Group's credit rating. As such, the credit limits of the subsidiaries can be dynamically and reasonably allocated and transferred according to different business risks and asset characteristics.

The measurement of credit risks, risk limits, limit exceeding response and exception regulation should be treated in compliance with related credit risk regulations. Business units, before the underwriting of a transaction, should assess internal credit rating, credit limit and current limit usage ratio of a company as the receipt of executed transaction.

c. Methods used in credit risk management

Procedures and methods used in credit risk management for the core businesses of the Yuanta Group are as follows:

(a) Credit business (including loan commitment and guarantees)

Credit assets are classified into five types. Other than normal credit assets shall be classified as Category One, the remaining non-performing loans are assessed based on the collateral provided and the time period of overdue payment as follows: Category Two for assets requiring special mention. Category Three for assets deemed recoverable. Category Four for assets that are doubtful. Category Five for assets are not recoverable.

In response to the characteristics and scale of business, the Yuanta Group sets up credit quality rating for risk management purposes (such as implementing internal evaluation model of credit risk, setting up credit rating table or other relevant regulations).

The Yuanta Group, mainly by the statistic and professional judgement of expertise and consideration of client information, developed a business credit rating model for the purpose of evaluating the credit risk of corporate clients. The model is regularly reviewed to check if the calculation result is consistent with the actual situation. And adjustment on various inputs should be calibrated to optimize the calculation result.

Credit rating of corporate finance is categorized into 10 levels upon underwriting according to the risks assessment on each credit extension case. When a loan is granted, in addition to that the credit quality of the client, fund purpose, repayment source, protection of claims and credit prediction should be considered, credit risk by credit account and facility should also be respectively assessed and rated based on the corporate or consumer risk rating referencing standards.

Credit risk rating of the consumer finance is categorised by client superiority, client profession and the rating of collateral threshold.

(b) Debt instruments investment and derivatives

The Yuanta Group manages the credit risk of debt instruments through consolidating external credit rating and internal credit rating model to establish internal credit rating system, and sets up credit limits for issuers and counterparties accordingly. Credit risk exposure of related business is consolidated for calculation to ensure that the overall credit risks are in compliance with limits as approved by the Yuanta Group. In addition to the establishment of credit risk management and procedures, the credit risk model is also used to quantify credit risk so that credit risk can be reasonably and effectively controlled and evaluated, so can the overall credit risk be ensured within reasonable bearable capacity of the Yuanta Group's capital.

(c) Margin purchase and short sale

Other than the compliance with regulations governing the margin sale and short sale business from SEC and the decreased ratio or allocated securities for warning of abnormal individual stock as defined by OTC, the Yuanta Group also sets up risk management structure such as quota allocation, pre-warning indicators and process standards and credit diversification standards armed with specific associate being responsible for related risk control. In addition, the comprehensively computerized risk information system can help assist with enhancing the pre-warning function of margin sale and short sale credit so that being aware of market movement in an early stage may be achieved.

d. Analysis on credit quality and overdue impairment of financial assets held by the Yuanta Group

(a) Credit risk rating is categorized into Excellent, Acceptable, Weak, and the definitions are illustrated below:

- i. Excellent: This level shows that the counterparty or the underlying asset is equipped with strong capability of fulfilling financial commitments, even under significantly uncertain or adverse conditions.
- ii. Acceptable: This level shows that the counterparty's or the underlying asset's capability of fulfilling financial commitments is weak. Any adverse operation, financial or economic conditions will reduce its capability.
- iii. Weak: This level shows that the counterparty's or the underlying asset's capability of fulfilling financial commitments is extremely low. The counterparty is able to fulfill financial commitments only when the operating circumstances and its financial condition are favorable.

The comparison between internal credit risk ratings and external credit ratings is provided below. However, these two credit risk ratings do not have any direct relation. The comparison chart is just for disclosing approximate level of credit risk ratings.

Credit quality	Corporate finance	Consumer finance	Debt instruments and others	
	Internal and external credit rating	Credit rating	Taiwan Ratings	Standard & Poor's Ratings
Excellent	Level 1 to 6	Excellent	twAAA ~ twBBB-	AAA ~ BBB-
Acceptable	Level 7 to 8	Acceptable	twBB+ ~ twBB	BB+ ~ BB
Weak	Level 9 to 10	Weak	twBB- ~ twC	BB- ~ C

(b) Expected credit losses calculation

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

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

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

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

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

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

(A) Credit business

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

- a. The borrower is over 30 days past due.
- b. Significant deterioration in credit quality and placed on the Yuanta Group's warning list.
- c. Deterioration in credit rating:
Credit rating: The Yuanta Group's internal credit rating of the asset is equivalent to a non-investment grade rating by an external agency, and the rating has dropped by more than two scales since initial recognition.
- d. Records of bad credit are confirmed after assessment.

(B) Investments in debt instruments

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

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

(C) Other financial assets

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

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

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

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

(A) Credit business

- a. Principal or interest payments over 3 months (90 days) past due, or the bank has begun collection procedures or liquidation of collateral.
- b. New payment schedule is negotiated so that loan is not classified as non-performing.
- c. Non-performing loans in negotiation according to the rules of the Debt Negotiation Mechanism issued by the Bankers Association in 2006 (including pre-mediation).
- d. Loans that have gone through pre-mediation and have signed agreements in accordance with the Consumer Debt Clearance Act (excluding secured loans where the original terms of the loans are enforced).
- e. Cases where the court has initiated reorganization or liquidation proceedings.
- f. Declaration of bankruptcy in court.
- g. Reclassified as non-accrual.
- h. Special criterion for credit card products: credit card accounts closed by the issuer.

- i. Debtor's loans from other banking institutions have been recognized as non-performing, and reclassified as non-accrual or written off as bad debt.
- j. Debtor has filed for bankruptcy, reorganization, or other debt clearance proceedings.
- k. Debtor renews, extends the length of, and negotiates new payment terms on the loan in accordance with the Bankers Association Self-regulatory Rules for Debt Workouts.
- l. Non-performing loans where a payment installment plan has been negotiated.
- m. Loans classified as "in default" according to the Yuanta Group's internal credit rating model.

(B) Investments in debt instruments

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

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

(C) Other financial assets

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

(D) Definition of default

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

C. Eliminating policy

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

- (A) The loan cannot be fully or partially recovered due to the dissolution of, disappearance of, settlement with, or declaration of bankruptcy by the debtor.
- (B) The collateral and assets of the primary and secondary debtors cannot be used to recover the loan due to low appraisal value, liquidity preference, or high administrative costs associated with seizure and liquidation.

(C)The collateral and assets of the primary and secondary debtors could not be auctioned off after multiple attempts.

(D)The non-performing and non-accrual loans are two years past due, and could not be recovered from collection procedures.

D. Measurement of expected credit losses

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

(A)Credit business

a. Probability of default

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

(a)One-year PD: Calculate the actual one-year PD from historical data and use it to estimate the one-year PD parameter.

(b)Multi-year PD: The multi-year PD is estimated using historical data on annual marginal default rates. Applying the multi-year PD to each loan requires selecting the corresponding lifetime. The lifetime of the loan is estimated based on the length of the remaining contract.

b. Loss given default

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

c. Exposure at default (EAD)

(a)On balance sheet — Loans and loan receivables: calculated from credit balance

(b)Off balance sheet — Loan commitments and financial guarantees: off balance sheet figures multiplied by the credit conversion factor (CCF). The CCF is estimated according to the rules described in the “Calculation Method of Equity Capital and Risky Assets and Accompanying Forms—Credit Risk Standard Rules.”

(B)Investments in debt instruments

a. Probability of default: Calculated based on default rate tables published by external credit rating agencies, incorporating forecastable information.

b. Loss given default: Calculated based on the collateral and liquidity preference of the debt instrument, incorporating the average recovery rate disclosed by external credit rating agencies; or set in accordance with rules of the competent authority.

c. Exposure at default: Total carrying amount, including interest receivable. Total carrying amount is the amortized cost of the financial asset before any adjustment to the loss allowance.

E. Consideration of forecastable information

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

(A) For determining significant increase in credit risk

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

(B) For measuring expected credit losses

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

(C) Other

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

e. Hedging or mitigation of credit risk

(a) Collateral

The Yuanta Group adopts a series of policies and measures to mitigate credit risk in relation to credit extension business. Amongst those, requesting borrowers to provide collateral is one of the most usual means. The Yuanta Group has specific criteria for acceptable collateral and collateral valuation, management and disposing procedures regarding the collateral valuation management, collateral assessment for credit facility in order to protect the credit right. In addition, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or various types of deposits can be used to offset its liabilities to mitigate credit risks.

(b) Credit risk limit and credit risk concentration control

The Yuanta Group controls the concentration risk of various assets in order to avoid high risk concentration. The Yuanta Group has set up credit extension limits for a single counterparty or a single group, and set up investment standards and risk controlling regulations for stock investment for a single person (entity) or affiliated enterprises' (group) various investment limit. In addition, in order to control concentration risk of various assets, the Yuanta Group has also set up credit limits based on the industry, enterprise of group, country, pledged stocks for credit extension and monitored risk concentration of each asset. Through the system consolidation, single counterparty, group's enterprises, affiliated enterprise, industry, nationality, ultimate risk and various credit risk concentration can be monitored.

(c) Net-settled general agreement

The transactions of the Yuanta Group are usually gross-settled. However, net-settled agreements are signed with certain counterparties to further mitigate credit risk in case of any default and all transactions shall be terminated with the counterparties and settled by net amount.

(d) Others

The Yuanta Group regularly assesses the credit status in relation to the issuers or the counterparties and hedges or mitigates its credit risks through the following procedures:

- i. Additional credit exposure limit;
- ii. Credit limits reduction;
- iii. Hedging through credit derivatives;
- iv. Credit enhancement, such as guarantee from qualifying bank or obtaining collateral.

f. Maximum risk exposure of the Yuanta Group

The maximum risk exposure of assets on the consolidated balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. Please see Note 9(12) for the maximum credit risk exposure of the consolidated balance sheet.

The management of the Yuanta Group believes that through a series of stringent evaluation procedures and follow-up reviews afterwards, credit risk exposure off the balance sheet of the Yuanta Group can be minimized and continuously controlled. The total carrying value of the Yuanta Group's financial assets with the maximum credit risk is as follows:

Bills discounted and loans

				Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	
June 30, 2019	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)		Total
Credit ratings					
Internal ratings a excellent	\$ 507,016,668	\$ 1,018,871	\$ -	\$ -	\$ 508,035,539
Internal ratingsp¼ acceptable	221,392,371	2,067,165	-	-	223,459,536
Internal ratingsp¼ weak	32,967,833	660,490	-	-	33,628,323
Internal ratingsp¼ not rated	594,936	52,604	-	-	647,540
Internal ratingsp¼ bad	-	326,748	7,650,735	-	7,977,483
The total carrying amount	761,971,808	4,125,878	7,650,735	-	773,748,421
Allowance for bad debt	(1,536,384)	(815,503)	(3,913,756)	-	(6,265,643)
Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(6,963,864)	(6,963,864)
Total (Note)	<u>\$ 760,435,424</u>	<u>\$ 3,310,375</u>	<u>\$ 3,736,979</u>	<u>(\$ 6,963,864)</u>	<u>\$ 760,518,914</u>

Note: Including interest receivable and temporary payments for others amounting to \$1,050,894. In addition, allowance for doubtful receivables was \$21,499.

Additionally, the total carrying amounts of accounts receivable, debt instruments (shown as financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost) are \$164,692,855 and \$570,853,894, 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

				Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	
December 31, 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)		Total
Credit ratings					
Internal ratings a excellent	\$ 460,267,580	\$ 1,233,621	\$ -	\$ -	\$ 461,501,201
Internal ratingsp¼ acceptable	112,785,336	2,060,004	-	-	114,845,340
Internal ratingsp¼ weak	12,303,984	809,586	-	-	13,113,570
Internal ratingsp¼ not rated	187,396,458	634,456	-	-	188,030,914
Internal ratingsp¼ bad	-	-	8,124,660	-	8,124,660
The total carrying amount	772,753,358	4,737,667	8,124,660	-	785,615,685
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 Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(6,829,027)	(6,829,027)
Total (Note)	<u>\$ 770,991,871</u>	<u>\$ 3,825,673</u>	<u>\$ 3,993,353</u>	<u>(\$ 6,829,027)</u>	<u>\$ 771,981,870</u>

Note: Including interest receivable and temporary payments for others amounting to \$1,094,399. In addition, allowance for doubtful receivables was \$26,824.

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

Bills discounted and loans

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
June 30, 2018					
Credit ratings					
Internal ratings a excellent	\$ 538,989,281	\$ 1,560,054	\$ -	\$ -	\$ 540,549,335
Internal ratingsp¼ acceptable	138,506,866	2,215,606	-	-	140,722,472
Internal ratingsp¼ weak	13,888,861	692,140	-	-	14,581,001
Internal ratingsp¼ not rated	64,701,298	663,743	-	-	65,365,041
Internal ratingsp¼ bad	-	-	8,788,336	-	8,788,336
The total carrying amount	756,086,306	5,131,543	8,788,336	-	770,006,185
Allowance for bad debt	(2,327,430)	(956,976)	(4,875,016)	-	(8,159,422)
Impairment provided in accordance with the Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(5,544,043)	(5,544,043)
Total (Note)	<u>\$ 753,758,876</u>	<u>\$ 4,174,567</u>	<u>\$ 3,913,320</u>	<u>(\$ 5,544,043)</u>	<u>\$ 756,302,720</u>

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

Additionally, the total carrying amounts of accounts receivable, debt instruments (shown as financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost) are \$154,437,218, and \$543,302,058, respectively, and 12-month expected credit losses (Stage 1) are recognized for the majority of these items. The internal ratings of these items are all excellent and acceptable.

The financial impact related to maximum amount exposed to credit risk arises from collaterals pledged for assets on the balance sheets and items off the balance sheets of Yuanta Bank and master netting arrangements. The table summarizes the relevant information:

<u>June 30, 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	\$ 274,908	\$ -	\$ 274,908
Bills discounted and loans	546,071,745	-	546,071,745
Financial assets at fair value through profit or loss	695,568	1,431,120	2,126,688
<u>For accounts off the balance sheet</u>			
Unused loan commitments	5,943,236	-	5,943,236
Unused credit commitment	185,061	-	185,061
Guarantees (including for non-performing loans)	4,567,684	-	4,567,684
<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
<u>June 30, 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	\$ 258,181	\$ -	\$ 258,181
Bills discounted and loans	537,652,794	-	537,652,794
Financial assets at fair value through profit or loss	445,541	1,948,493	2,394,034
<u>For accounts off the balance sheet</u>			
Unused loan commitments	4,038,851	-	4,038,851
Unused credit commitment	124,636	-	124,636
Guarantees (including for non-performing loans)	5,939,053	-	5,939,053
Note: The value of collaterals, except for cash items, is at present value, the others are allocated based on amount of loans.			

g. Credit risk concentration

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

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

(a) Industry:

Industry	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Privately owned businesses	\$ 661,079,640	29.87	\$ 665,559,450	31.06	\$ 651,181,531	30.19
Natural person	519,876,645	23.49	511,277,129	23.86	535,215,073	24.81
Financial institutions	624,174,526	28.21	554,322,458	25.87	568,967,366	26.38
Governmental institutions	394,473,661	17.83	401,765,394	18.75	389,973,422	18.08
Government-owned businesses	10,613,515	0.48	6,087,029	0.29	8,439,053	0.39
Others	2,693,618	0.12	3,566,900	0.17	3,399,740	0.15
Total	<u>\$ 2,212,911,605</u>	<u>100.00</u>	<u>\$ 2,142,578,360</u>	<u>100.00</u>	<u>\$ 2,157,176,185</u>	<u>100.00</u>

(b) Geographic location:

Geography location	June 30, 2019	December 31, 2018	June 30, 2018
Taiwan	\$ 1,425,285,122	\$ 1,402,200,591	\$ 1,425,641,921
Asia	568,802,057	537,021,420	453,387,195
America	125,981,076	120,785,286	187,517,055
Europe	70,652,353	65,047,965	72,226,067
Oceania	21,998,203	17,336,638	17,882,950
Africa	192,794	186,460	520,997
Total	<u>\$ 2,212,911,605</u>	<u>\$ 2,142,578,360</u>	<u>\$ 2,157,176,185</u>

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

(a) Credit business

For the six months ended June 30, 2019 and 2018, the reconciliation of the balance of allowance for bad debt is as follows:

Bills discounted and loans

						Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the six months ended June 30, 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			
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	(1,592)	72,424	(70,832)	-	-	-	-
-Transferred to credit-impaired financial asset	(8,140)	(2,276)	10,416	-	-	-	-
-Transferred to 12-month expected credit losses	106,691	(27,681)	(79,010)	-	-	-	-
-Financial assets derecognised in the current period	(432,908)	(351,185)	(229,641)	(1,013,734)	-	(1,013,734)	
Impairment allowance for purchased or originated financial assets	458,071	181,897	157,778	797,746	-	797,746	
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	133,013	133,013	
Write-off as bad debt	(195,016)	(32,846)	(864,319)	(1,092,181)	-	(1,092,181)	
Change in exchange and others	(146,312)	63,315	859,170	776,173	-	776,173	
Ending balances	\$ 1,538,780	\$ 815,320	\$ 3,898,844	\$ 6,252,944	\$ 6,955,064	\$ 13,208,008	

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

For the six months ended June 30, 2019, significant changes in the total carrying amount that affected allowance for bad debt are as follows:

<u>Bills discounted and loans</u>	<u>12-month expected credit losses (Stage 1)</u>	<u>Lifetime expected credit losses (Stage 2)</u>	<u>Lifetime expected credit losses (Stage 3)</u>	<u>Total</u>
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	(1,401,745)	1,555,396	(153,651)	-
-Transferred to credit-impaired financial asset	(1,141,847)	(105,393)	1,247,240	-
-Transferred to 12-month expected credit losses	1,166,356	(799,714)	(366,642)	-
-Financial assets derecognised in the current period	(194,954,703)	(1,807,155)	(576,306)	(197,338,164)
Impairment allowance for purchased or originated financial assets	229,922,279	710,590	285,328	230,918,197
Write-off as bad debt	(195,016)	(32,846)	(864,319)	(1,092,181)
Change in exchange and others	(44,140,204)	(128,340)	(43,067)	(44,311,611)
Ending balances	<u>\$ 760,954,002</u>	<u>\$ 4,116,900</u>	<u>\$ 7,626,625</u>	<u>\$ 772,697,527</u>

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

<u>Bills discounted and loans</u>	<u>12-month expected credit losses (Stage 1)</u>	<u>Lifetime expected credit losses (Stage 2)</u>	<u>Lifetime expected credit losses (Stage 3)</u>	<u>Total</u>
Beginning balances	\$ 760,186,319	\$ 4,991,775	\$ 8,935,481	\$ 774,113,575
Changes from financial instruments recognised at the beginning:				
-Transferred to lifetime expected credit losses	(1,812,598)	1,961,506	(148,908)	-
-Transferred to credit-impaired financial asset	(1,595,481)	(402,781)	1,998,262	-
-Transferred to 12-month expected credit losses	3,135,918	(584,219)	(195,287)	2,356,412
-Financial assets derecognised in the current period	(184,450,825)	(2,005,631)	(1,068,139)	(187,524,595)
Impairment allowance for purchased or originated financial assets	207,734,045	1,507,055	451,736	209,692,836
Write-off as bad debt	(124,783)	(178,060)	(600,939)	(903,782)
Change in exchange and others	(27,919,037)	(173,271)	(615,348)	(28,707,656)
Ending balances	<u>\$ 755,153,558</u>	<u>\$ 5,116,374</u>	<u>\$ 8,756,858</u>	<u>\$ 769,026,790</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. Expected credit loss rate is determined by assessing historical information and examining whether a significant changes in past events, current conditions and future economic conditions are incurred. As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount of accounts receivable amounted to \$28,713,121, \$24,858,008 and \$28,576,747, respectively, and the loss allowance is \$1,295, \$10,214 and \$10,901, respectively, if taking into consideration the expected credit loss rate. For the six months ended June 30, 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 six months ended June 30,	
	2019	2018
January 1_IFRS 9	(\$ 10,214)	(\$ 8,086)
Provision for impairment	8,919	(2,815)
June 30	<u>(\$ 1,295)</u>	<u>(\$ 10,901)</u>

- ii For the six months ended June 30, 2019 and 2018, movements in relation to providing loss allowance for receivables (including ‘margin loans receivable’, ‘refinance guaranty receivable’, ‘notes payable’, ‘accounts receivable’, ‘other receivables’ and ‘other financial assets – non-performing loans’), which are not stated as above accounts receivable, are as follows:

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						Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the six months ended June 30, 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			
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	(101)	35,722 (	35,621)	-	-		-
-Transferred to credit-impaired financial asset	(75) (	2,549)	2,624	-	-		-
-Transferred to 12-month expected credit losses	46,204 (	41,541) (	4,663)	-	-		-
-Financial assets derecognised in the current period	(9,951) (	2,922) (	2,264) (	15,137)	- (		15,137)
Impairment allowance for purchased or originated financial assets	11,084	3,585	13,268	27,937	-		27,937
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	- (	882) (		882)
Write-off as bad debt	(13,099) (	13,132) (	35,990) (	62,221)	- (		62,221)
Change in exchange and others	53,636	70,745	131,374	255,755	-		255,755
The ending balances	<u>\$ 258,165</u>	<u>\$ 170,246</u>	<u>\$ 2,792,217</u>	<u>\$ 3,220,628</u>	<u>\$ 98,492</u>		<u>\$ 3,319,120</u>

						Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the six months ended June 30, 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Impairment recognised in accordance with IFRS 9			
The beginning balances	\$ 229,244	\$ 85,311	\$ 1,999,498	\$ 2,314,053	\$ 73,213		\$ 2,387,266
Changes from financial instruments recognised at the beginning:							
-Transferred to lifetime expected credit losses	(204)	33,906	(33,702)	-	-		-
-Transferred to credit-impaired financial asset	(119)	(4,171)	3,869	(421)	-	(421)	
-Transferred to 12-month expected credit losses	36,992	(24,878)	(10,328)	1,786	-		1,786
-Financial assets derecognised in the current period	(12,522)	(1,356)	(15,894)	(29,772)	-	(29,772)	
Impairment allowance for purchased or originated financial assets	14,394	2,256	18,414	35,064	-		35,064
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	6,510		6,510
Write-off as bad debt	(32,136)	(22,595)	(54,636)	(109,367)	-	(109,367)	
Change in exchange and others	7,077	126,945	851,042	985,064	-		985,064
The ending balances	<u>\$ 242,726</u>	<u>\$ 195,418</u>	<u>\$ 2,758,263</u>	<u>\$ 3,196,407</u>	<u>\$ 79,723</u>		<u>\$ 3,276,130</u>

For the six months ended June 30, 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

						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	
For the six months ended June 30, 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			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	(325)	415	(90)	-	-		-
-Transferred to credit-impaired financial asset	(1)	(59)	60	-	-		-
-Transferred to 12-month expected credit losses	13,981	(13,682)	(299)	-	-		-
-Financial assets derecognised in the current period	(18,438)	(2,632)	(29,856)	(50,926)	-	(50,926)	
Impairment allowance for purchased or originated financial assets	28,512	355	14,597	43,464	-		43,464
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(13,721)	(13,721)	
Change in exchange and others	(16,003)	14,563	1,234	(206)	-	(206)	
The ending balances	<u>\$ 64,078</u>	<u>\$ 18,462</u>	<u>\$ 41,470</u>	<u>\$ 124,010</u>	<u>\$ 111,753</u>		<u>\$ 235,763</u>

						Difference in impairment provided in accordance with the Regulation Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
For the six months ended June 30, 2018	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	Impairment recognised in accordance with IFRS 9			
The beginning balances	\$ 94,717	\$ 7,794	\$ 64,956	\$ 167,467	\$ 162,925		\$ 330,392
Changes from financial instruments recognised at the beginning:							
-Transferred to lifetime expected credit losses	(46)	114	(68)	-	-		-
-Transferred to credit-impaired financial asset	(2)	(44)	46	-	-		-
-Transferred to 12-month expected credit losses	5,346	(4,663)	(683)	-	-		-
-Financial assets derecognised in the current period	(37,891)	(2,566)	(21,574)	(62,031)	-	(62,031)	
Impairment allowance for purchased or originated financial assets	25,619	320	16,754	42,693	-		42,693
Differences in impairment of financial assets provided in accordance with the Regulations Governing the Procedures for Banking/Insurance Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(6,258)	(6,258)	
Change in exchange and others	(13,222)	16,386	2,312	5,476	-		5,476
The ending balances	\$ 74,521	\$ 17,341	\$ 61,743	\$ 153,605	\$ 156,667		\$ 310,272

a. For the six months ended June 30, 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 six months ended June 30, 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 \$94,252 and \$99,688; \$140,815 and \$138,055, respectively. The changes are attributed to changes in 12-month expected credit losses and were immaterial. In addition, there were no material changes to the related total carrying amounts.

(B) Market risk

a. Source and definition of risk

Market risks refer to the losses on and off the balance sheet as a result of the change in market price, such as interest rate, exchange rate, equity securities and instrument price. Market risk management is there to identify, evaluate, monitor and report the risks for a purpose of ensuring that market risk of all kinds should be controlled within certain bearable level.

The market risks that the Yuanta Group faces mainly are equity securities, interest rate and exchange rate risk. Market risk position of equity securities mainly include domestic listed stocks, emerging stocks, domestic stock index options and stock index futures, etc. Positions of interest rate risk mainly include bonds and interest-derivative instruments, such as interest swap and bond option, etc. Exchange rate risk are investment position denominated in foreign currency mainly including spot exchange, FX exchange, foreign exchange options and other derivatives business.

b. Risk management principle

The risk management principle of the Yuanta Group is to establish efficient and completed risk managing program, including the setting up of risk limits, duty segregation, completed risk managing execution procedure and timely risk monitor, etc. Risk limits are set up in order to effectively control the market risk under the capital capacity and the duty segregation can help regulate management and approval authorization of various risks. Risk management conducts all kinds of evaluation and monitoring over all kinds of market risk and, at the same time, uses VaR model to coordinate quantification management of market risks together with timely monitoring during trading hours and after trading hour analysis to actually control any abnormal signal of trading risks. Risk management regularly provides risk management reports to managers of each line to ensure that the entity's market risk can be timely and completely controlled in depth. The risk management principle of Ta Chong Bank and its subsidiaries is based on their related principles of internal market risk.

c. Market risk assessment

- (a) The Yuanta Group adopts the Value at risk (VaR) valuation model for the trading position as a major instrument to monitor market risk. In a 99% confidence interval, the estimated possible maximum loss of the trading position in one day is the benchmark for market risk assessment.

VaR for a trading purpose:

Instrument type	For the six months ended June 30, 2019			
	June 30, 2019	VaR Average	VaR Minimum	VaR Maximum
Interest rate	79,201	109,751	78,383	128,163
Equity securities	269,877	260,122	220,825	320,318
Foreign exchange	258,738	318,677	235,186	402,986
Commodity	9,229	8,311	1,513	19,506
Less: diversification effects	(213,913)	(261,506)	-	-
Total VaR	403,132	435,355	369,096	513,152

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

- (b) Non-trading purpose

Sensitivity analysis on interest rate:

		June 30, 2019	December 31, 2018	June 30, 2018
		Effect on other comprehensive income	Effect on other comprehensive income	Effect on other comprehensive income
Interest rate shift				
Financial assets at fair value through other comprehensive income-Bonds				
Yuanta Bank	Increase of 1 basis point	(\$ 18,560)	(\$ 17,288)	(\$ 21,498)
Yuanta Life	Increase of 1 basis point	(28,510)	(20,987)	(24,759)
(BLANK)				

d. As of June 30, 2019, December 31, 2018 and June 30, 2018, the following table summarizes USD-denominated financial instruments of the Yuanta Group and the concentration of foreign exchange risk presented by carrying amount.

	June 30, 2019		December 31, 2018		June 30, 2018	
	Carrying amount		Carrying amount		Carrying amount	
	USD position	(NTD)	USD position	(NTD)	USD position	(NTD)
Foreign currency denominated financial assets						
Cash and cash equivalents	\$ 592,770	\$ 18,418,539	\$ 623,826	\$ 19,172,103	\$ 511,176	\$ 15,590,863
Financial assets at fair value through profit or loss	1,004,998	31,227,305	1,016,769	31,248,366	1,107,524	33,779,479
Financial assets at fair value through other comprehensive income	2,074,818	64,374,946	2,290,549	70,395,438	2,340,138	71,374,212
Amortized cost financial assets	4,332,857	134,630,387	4,199,961	129,077,388	3,936,838	120,073,559
Bills discounted and loans	2,868,241	89,121,346	2,879,879	88,507,343	2,890,817	88,169,911
Foreign currency denominated financial liabilities						
Bills and bonds payable under repurchase agreements	572,622	17,792,510	1,153,667	35,455,638	1,040,542	31,736,543
Deposits and remittances	3,972,912	123,444,851	3,981,328	122,358,220	4,008,596	122,262,171
Other liabilities	623,061	19,359,743	570,907	17,545,695	545,399	16,634,677

Note: As of June 30, 2019, December 31, 2018 and June 30, 2018, USD to TWD exchange rates were 31.072, 30.733 and 30.500, respectively.

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e. As of June 30, 2019, December 31, 2018 and June 30, 2018, the following table summarizes KRW-denominated assets and liabilities of Yuanta Securities and the concentration of foreign exchange risk presented by carrying amount.

	June 30, 2019		December 31, 2018		June 30, 2018	
	KRW position	Carrying amount (NTD)	KRW position	Carrying amount (NTD)	KRW position	Carrying amount (NTD)
Effect on profit or loss						
Financial assets						
Cash and cash equivalents	\$ 753,216,080	\$ 20,261,513	\$ 580,352,736	\$ 16,249,877	\$ 687,605,050	\$ 18,771,618
Financial assets at fair value through profit or loss	2,367,219,968	63,678,217	2,377,560,734	66,571,701	2,645,676,628	72,226,972
Financial assets at fair value through other comprehensive income	180,705,472	4,860,977	175,973,792	4,927,266	222,859,432	6,084,062
Accounts receivable	485,234,852	13,052,818	150,048,003	4,201,344	437,267,116	11,937,392
Prepayments and other receivables	51,683,880	1,390,296	49,702,448	1,391,669	58,247,546	1,590,158
Other current assets	163,250,932	4,391,450	230,343,884	6,449,629	247,474,654	6,756,058
Non-current assets	670,506,429	18,036,623	581,049,219	16,269,378	622,168,347	16,985,196
Financial liabilities						
Financial liabilities at fair value through profit or loss	1,700,800,154	45,751,524	1,283,614,306	35,941,201	1,076,792,803	29,396,444
Bonds sold under repurchase agreements	3,793,791,154	102,052,982	3,631,148,556	101,672,160	3,507,879,617	95,765,114
Guarantee deposit-in and margin deposits	1,816,929	48,875	2,542,806	71,199	-	-
Other current liabilities	165,437,761	4,450,276	259,060,857	7,253,704	281,790,289	7,692,875
Non-current liabilities	183,935,698	4,947,870	98,656,643	2,762,386	164,559,171	4,492,465
Effect on profit or loss and equity						
Financial assets						
Equity investments accounted for under the equity method	70,964,444	1,908,944	67,316,543	1,884,863	57,629,250	1,573,279

Note: As of June 30, 2019, December 31, 2018 and June 30, 2018, the KRW to TWD exchange rate were 0.027, 0.028 and 0.027, respectively.

(C) Liquidity risk

a. Source and definition of liquidity risk

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

b. Risk management principle

To mitigate the market liquidity risk, the Yuanta Group has set up separate standards on position liquidity limits for different operations and different securities to ensure sufficient market liquidity for all positions. For funding liquidity risk management, the Yuanta Group has set appropriate limits and ratios on liquidity supply and demand according to the nature

of each operational sector, and evaluates in advance the potential capital gaps of each time period to effectively control overall liquidity risk. Pre-established capital transferring plan is also ready in case of systematic risk event and abnormal capital liquidity to sufficiently respond to overall liquidity risk and enhance overall funding liquidity risk management.

c. Assessment on liquidity risk

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

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

(a) Financial assets held for liquidity risk management

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

June 30, 2019

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 60,489,229	\$ 3,860,826	\$ 64,609	\$ 64,414,664
Due from Central Bank and call loans to other banks	26,495,831	8,521,512	12,637,764	47,655,107
Financial assets at fair value through profit or loss	333,588,877	41,558,625	112,938,498	488,086,000
Financial assets at fair value through other comprehensive income	17,436,450	17,591,374	206,156,257	241,184,081
Investments in bills and bonds under resale agreements	36,248,175	-	-	36,248,175
Receivables	145,709,800	36,590,340	10,889,716	193,189,856
Bills discounted and loans	142,345,441	161,185,674	469,166,412	772,697,527
Reinsurance assets	342,343	433,941	-	776,284
Financial assets at amortised cost	99,721,665	15,215,481	250,000,390	364,937,536
Restricted assets	-	-	2,687,948	2,687,948
Other financial assets	62,800,664	28,593	4,180,359	67,009,616
Other assets	14,769,310	3,811,211	13,791,966	32,372,487
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	467,158,297	109,235,967	228,554,271	804,948,535
Cash outflow	(455,829,370)	(96,512,944)	(169,367,463)	(721,709,777)
Net settlement	11,000,795	12,905,341	61,699,285	85,605,421
Total	\$ 962,277,507	\$ 314,425,941	\$ 1,203,400,012	\$ 2,480,103,460
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 10,121,124	\$ 4,949,254	\$ -	\$ 15,070,378
Financial liabilities at fair value through profit or loss	1,991,390	2,119,286	6,052,297	10,162,973
Bills and bonds payable under repurchase agreements	141,734,144	33,747,011	30,433,865	205,915,020
Commercial paper payable	52,148,691	1,891,649	-	54,040,340
Payables	169,507,830	11,622,764	1,337,057	182,467,651
Deposits and remittances	325,439,887	314,390,780	401,945,254	1,041,775,921
Bonds payable	14,326,340	5,558,494	52,744,919	72,629,753
Other borrowings	48,120,040	3,970,781	13,545,851	65,636,672
Other financial liabilities	69,541,690	1,851,380	12,209,698	83,602,768
Other liabilities	40,246,593	1,862,135	2,762,679	44,871,407
Lease liability	278,040	758,999	4,702,258	5,739,297
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(57,567,034)	(22,411,934)	-	(79,978,968)
Cash outflow	58,935,223	23,064,531	-	81,999,754
Net settlement	(113,584)	180,804	1,693,847	1,761,067
Total	\$ 874,710,374	\$ 383,555,934	\$ 527,427,725	\$ 1,785,694,033

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 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		32,626,975		3,642,148	-	36,269,123
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	\$	863,339,705	\$	467,833,216	\$ 390,444,543	\$ 1,721,617,464

June 30, 2018

Financial assets	0~90 days	91 days~1 year	Over 1 year	Total
Non-derivative financial instruments				
Cash and cash equivalents	\$ 53,466,674	\$ 1,259,233	\$ 145,399	\$ 54,871,306
Due from Central Bank and call loans to other banks	28,815,103	10,477,102	8,433,656	47,725,861
Financial assets at fair value through profit or loss	352,845,708	42,643,449	110,807,621	506,296,778
Financial assets at fair value through other comprehensive income	10,217,494	12,045,333	215,596,770	237,859,597
Investments in bills and bonds under resale agreements	32,290,897	-	-	32,290,897
Receivables	149,208,996	35,578,935	1,395,815	186,183,746
Bills discounted and loans	145,277,277	158,831,172	464,918,341	769,026,790
Reinsurance assets	393,210	-	-	393,210
Financial assets at amortised cost	90,865,480	12,705,936	224,138,789	327,710,205
Restricted assets	-	-	2,415,060	2,415,060
Other financial assets	44,991,494	75,195	3,395,136	48,461,825
Other assets	20,974,542	987,384	7,979,507	29,941,433
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Gross settlement				
Cash inflow	476,791,751	130,311,203	205,788,562	812,891,516
Cash outflow	(472,424,998)	(102,192,619)	(137,544,272)	(712,161,889)
Net settlement	1,205,349	1,267,529	2,532,380	5,005,258
Total	\$ 934,918,977	\$ 303,989,852	\$ 1,110,002,764	\$ 2,348,911,593
Financial liabilities				
Non-derivative financial instruments				
Due to Central Bank and other banks	\$ 20,375,156	\$ 5,159,978	\$ 10,000	\$ 25,545,134
Financial liabilities at fair value through profit or loss	7,450,651	1,364,752	2,227,488	11,042,891
Bills and bonds payable under repurchase agreements	124,927,754	43,461,152	39,777,124	208,166,030
Commercial paper payable	68,853,418	-	-	68,853,418
Payables	160,701,702	12,326,734	674,894	173,703,330
Deposits and remittances	387,461,486	381,642,813	267,988,147	1,037,092,446
Bonds payable	13,680,021	7,015,435	39,627,181	60,322,637
Other borrowings	69,490,905	946,767	828,522	71,266,194
Other financial liabilities	45,667,950	6,691,923	17,165,054	69,524,927
Other liabilities	29,726,441	1,670,728	3,736,161	35,133,330
Derivative financial instruments				
Financial liabilities at fair value through profit or loss				
Gross settlement				
Cash inflow	(65,747,449)	(31,836,310)	(602,977)	(98,186,736)
Cash outflow	68,199,470	33,771,472	624,170	102,595,112
Net settlement	1,851,037	2,343,462	2,712,520	6,907,019
Total	\$ 932,638,542	\$ 464,558,906	\$ 374,768,284	\$ 1,771,965,732

Maturity analysis for above deposits and remittances are amortised to each period based on historical experience. Given that all the deposits and remittances have to be paid in the shortest possible time, As of June 30, 2019, December 31, 2018 and June 30, 2018, expenses on period of 0-90 days will increase by \$429,036,691, \$361,186,676 and \$353,726,098, respectively.

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

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

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

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

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

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

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

June 30, 2019				
	Less than 1 year	1 ~5 years	More than 5 years	Total
Off balance sheet				
Unused loan commitment	\$ 30,614,691	\$ -	\$ -	\$ 30,614,691
Non-revocable credit card commitments	120,298,026	-	-	120,298,026
Unused credit commitment	2,909,162	-	-	2,909,162
Guarantees	17,289,409	-	-	17,289,409
Capital expenditure commitment	970,748	289,660	-	1,260,408

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

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

(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:

June 30, 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	\$ 19,500,150	\$ 18,066,222
Bond sold under repurchase agreements	209,223,153	205,915,020
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
June 30, 2018		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Convertible corporate bonds transferred to the trading counterparties through asset swap	\$ 13,672,203	\$ 12,512,495
Bond sold under repurchase agreements	212,424,404	208,166,030

(E) Offsetting financial assets and financial liabilities

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

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

A. Financial assets

June 30, 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	\$ 8,875,237	\$ -	\$ 8,875,237	\$ 6,686,174	\$ 621,545	\$ 1,567,518	
Bonds purchased under resale agreements	36,248,175	-	36,248,175	33,858,175	2,389,773	227	

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	

June 30, 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	\$ 13,897,226	\$ -	\$ 13,897,226	\$ 7,782,254	\$ 225,309	\$ 5,889,663	
Bonds purchased under resale agreements	32,290,897	-	32,290,897	31,921,897	366,597	2,403	

B. Financial liabilities

June 30, 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	\$ 13,505,998	\$ -	\$ 13,505,998	\$ 8,620,997	\$ 3,287,792	\$ 1,597,209
Bonds sold under repurchase agreements	205,915,020	-	205,915,020	205,912,717	2,303	-
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	-
June 30, 2018						

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements

Description	Gross amounts of recognised financial liabilities(a)	Gross amounts of recognised financial assets set off in the balance sheet(b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Related amounts not set off in the balance sheet(d)(Note 1)		
				Financial instruments (Note 3)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	\$ 18,847,662	\$ -	\$ 18,847,662	\$ 10,591,908	\$ 5,669,711	\$ 2,586,043
Bonds sold under repurchase agreements	208,166,030	-	208,166,030	208,030,586	135,444	-

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 June 30, 2019, December 31, 2018 and June 30, 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Less than 1 year	(\$ 24,147,673)	(\$ 27,554,212)	(\$ 26,891,877)
1 ~5 years	11,655,690	10,217,813	(7,202,841)
5 ~15 years	85,317,677	82,539,172	79,127,201
More than 15 years	495,254,787	473,006,357	464,022,047
Total	<u>\$ 568,080,481</u>	<u>\$ 538,209,130</u>	<u>\$ 509,054,530</u>

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

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

(c) Market risk

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

(4) Capital adequacy ratio:

Expressed In Thousands of NTD			
June 30, 2019			
	Financial Holding Company		
	Shareholding Ratio	Eligible capital	Minimum capital
Financial holding company	-	\$ 224,617,664	\$ 243,896,988
Bank subsidiaries	100.00%	131,878,144	89,930,280
Securities subsidiaries	100.00%	48,293,061	21,846,108
Futures subsidiaries	68.65%	5,676,331	3,002,072
Insurances subsidiaries	100.00%	12,115,812	7,400,270
Venture capital subsidiaries	100.00%	2,618,264	1,279,548
Securities investment trust subsidiaries	72.20%	2,806,011	1,641,689
Other subsidiaries	100.00%	1,692,219	1,729,688
Deduction item		(256,364,818)	(240,888,275)
Subtotal		\$ 173,332,688	\$ 129,838,368
Capital adequacy ratio of the Consolidated Company		133.50%	

Expressed In Thousands of NTD

June 30, 2018

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

As of June 30, 2019, the financial holding's net eligible capital was as follows:

Item	Amount
Common stocks	\$ 116,862,325
Additional paid-in capital	37,200,474
Legal reserve	12,589,183
Special reserve	6,549,234
Accumulated earnings	41,361,336
Other equity	10,300,563
Less: goodwill and other intangible assets	(6,053)
Less: deferred assets	(41,792)
Less: treasury stocks	(197,606)
Total net eligible capital	<u>\$ 224,617,664</u>

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

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

(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)		
Name	June 30, 2019	
	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same individual:		
Central Government, R.O.C	\$ 126,481	56.30
Central Bank, R.O.C	114,545	50.98
Taiwan Semiconductor Manufacturing Co., Ltd.	11,979	5.33
Taiwan Cement Corporation	11,100	4.94
CTBC Financial Holding Co., Ltd.	10,933	4.87
Nan Ya Plastics Corporation	8,803	3.92
HSBC Bank (Taiwan) Limited	8,771	3.90
Allianz Global Investors GmbH	8,717	3.88
Taiwan Mobile Co., Ltd.	8,650	3.85
Far Eastern New Century Corporation	8,378	3.73
Formosa Plastics Corporation	8,265	3.68
Highwealth Construction Corp.	8,133	3.62
Cheng Shin Rubber Ind., Co., Ltd.	7,152	3.18
China Steel Corporation	6,768	3.01
Yang Ming Marine Transport Corporation	6,433	2.86
Taiwan Power Company	6,355	2.83
Far Eastone Telecommunications Co., Ltd.	6,270	2.79
China Airlines Ltd.	6,200	2.76
Shin Kong Financial Holding Co., Ltd.	6,117	2.72
Yuan Ding Investment Corp.	5,930	2.64
The Export-Import Bank of the Republic of China	5,800	2.58
Shou He Co., Ltd.	5,540	2.47
Taiwan Depository & Clearing Corporation	5,528	2.46
Formosa Group (Cayman) Limited	5,230	2.33
Dragon Steel Corporation	5,129	2.28
Cathay Financial Holding Co., Ltd.	5,010	2.23
EVA Airways Corporation	4,949	2.20
USI Corporation	4,928	2.19
Taiwan Futures Exchange	4,925	2.19
Cpc Corporation, Taiwan	4,660	2.07
Asia Cement Corporation	4,659	2.07
JPMorgan Asset Management (Taiwan) Limited	4,538	2.02
Fubon Financial Holding Co., Ltd.	4,326	1.93
Wavely Logistics Limited., Taiwan Branch	4,270	1.90

(Expressed In Millions of New Taiwan Dollars)

Name	June 30, 2019	
	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same individual:		
Hon Hai Precision Ind. Co., Ltd.	\$ 4,157	1.85
Hua Nan Financial Holdings Co., Ltd.	4,138	1.84
Chang Chun Petrochemical Co., Ltd.	4,012	1.79
Pegatron Corporation	3,992	1.78
Taipei Financial Center Corp.	3,958	1.76
GOLDMAN SACHS GROUP INC	3,772	1.68
China Development Financial Holding Corp.	3,757	1.67
Shang Zhi Assets Development Co., Ltd.	3,700	1.65
Nomura Asset Management Taiwan Limited	3,686	1.64
Fidelity Securities Investment Trust	3,406	1.52
KKY Co., Ltd.	3,357	1.49
Uni-President Enterprises Corp.	3,301	1.47
Radium Life Tech Co., Ltd.	3,253	1.45
Genlac Biotech Inc.	3,248	1.45
JP Morgan Chase & Co	3,244	1.44
Mega Financial Holding Corp.	3,092	1.38
Fina Finance & Trading Co., Ltd	3,051	1.36
Evergreen Marine Corp.	3,023	1.35
ADATA Technology Co., Ltd.	3,010	1.34
Taiwan Stock Exchange	3,006	1.34
Total	525,635	233.96
Same related party:		
Mr. Fang and its related parties	12,023	5.35
Mr. Chin and its related parties	11,646	5.18
Mr. Lin and its related parties	11,275	5.02
Mr. Lin and its related parties	9,265	4.12
Mr. Chen and its related parties	9,186	4.09
Mr. Wu and its related parties	8,560	3.81
Mr. Huang and its related parties	7,400	3.29
Mr. Ding and its related parties	7,398	3.29
Mr. Lin and its related parties	6,356	2.83
Mr. Song and its related parties	4,967	2.21
Mr. He and its related parties	4,967	2.21
Mr. Huang and its related parties	4,290	1.91
Mr. Wei and its related parties	4,065	1.81
Mr. Chang and its related parties	3,970	1.77
Mr. Chang and its related parties	3,958	1.76
Mr. Chang and its related parties	3,760	1.67
Mr. Chang and its related parties	3,744	1.67

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2019		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same related party:		
Mr. Chang and its related parties	\$ 3,615	1.61
Mr. Lin and its related parties	3,520	1.57
Mr. Kuo and its related parties	3,348	1.49
Mr. Yang and its related parties	3,347	1.49
Mr. Zhong and its related parties	3,262	1.45
Mr. Yang and its related parties	3,113	1.39
Mr. Yang and its related parties	3,089	1.38
Mr. Huang and its related parties	3,088	1.37
Mr. Yang and its related parties	3,084	1.37
Mr. Chen and its related parties	3,025	1.35
Mr. Lee and its related parties	3,013	1.34
Total	152,334	67.80
Same affiliated company:		
Formosa Plastic Group	29,994	13.35
Far Eastern Group	26,202	11.66
Fubon Group	17,842	7.94
CTBC Financial Holding Group	14,329	6.38
China Steel Corporation Group	12,750	5.67
Taiwan Semiconductor Group	12,175	5.42
Taiwan Cement Group	12,167	5.42
Cathay Holdings Group	9,670	4.30
Shin Kong Group	9,665	4.30
Yong Feng Yu Group	9,264	4.12
Foxconn Technology Group	9,087	4.04
Evergreen Group	8,889	3.96
HIGHWEALTH Group	8,319	3.70
Cheng Shin Group	7,866	3.50
Shou He Group	7,715	3.43
China Development Group	7,241	3.22
Hua Nan Financial Holdings Group	7,028	3.13
Chailease Group	6,844	3.05
Yang Ming Marine Transport Group	6,725	2.99
Mega Holdings Group	6,364	2.83
China Airlines Group	6,317	2.81
Indonesia Sinar Mas Group	5,576	2.48
CHANG CHUN Group	5,518	2.46
USI Group	5,431	2.42
Yulon Group	4,942	2.20

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2019		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same affiliated company:		
First Financial Holdings Group	\$ 4,629	2.06
Uni-President Enterprises Group	4,473	1.99
Pegatron Group	4,323	1.92
Lealea Group	4,054	1.80
Royal Golden Eagle Group	3,951	1.76
ASE Group	3,941	1.75
Taiwan Broadband (TBC) Group	3,809	1.70
Charoen Pokphand Group	3,776	1.68
Tatung Group	3,716	1.65
Radium Life Tech Group	3,466	1.54
Vedan Group	3,176	1.41
Lien Jade Construction Co., Ltd.	3,032	1.35
	304,266	135.39
	<u>\$ 982,235</u>	<u>437.15</u>

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2018		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same individual:		
Central Government, R.O.C	\$ 138,217	65.55
Central Bank, R.O.C	99,050	46.98
Hon Hai Precision Ind. Co., Ltd.	17,745	8.42
Cathay Financial Holding Co., Ltd.	12,874	6.11
Taiwan Mobile Co., Ltd.	11,133	5.28
Taiwan Semiconductor Manufacturing Co., Ltd.	11,027	5.23
Far Eastern New Century Corporation	10,249	4.86
Allianz Global Investors GmbH	9,434	4.47
Chailease Finance Co., Ltd.	8,846	4.20
Formosa Plastics Corporation	7,887	3.74
Cpc Corporation»Taiwan	7,851	3.72
HSBC Bank (Taiwan) Limited	7,517	3.57
Taiwan Power Company	6,989	3.31
CTBC Financial Holding Co., Ltd.	6,810	3.23
Highwealth Construction	6,609	3.13
Yang Ming Marine Transport Corporation	6,430	3.05
China Steel Corporation	6,381	3.03
Cheng Shin Rubber Ind., Co., Ltd.	6,218	2.95
Nan Ya Plastics Corporation	6,186	2.93

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2018		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same individual:		
Dragon Steel Corporation	\$ 5,981	2.84
Fubon Financial Holding Co., Ltd.	5,846	2.77
China Airlines Ltd.	5,384	2.55
Yuan Ding Investment Corp.	5,285	2.51
Far Eastone Telecommunications Co., Ltd.	5,277	2.50
Radium Life Tech Co., Ltd.	5,202	2.47
JPMorgan Asset Management	4,891	2.32
Taiwan Depository & Clearing Corporation	4,876	2.31
Micron Technology, Inc.	4,867	2.31
Shou He Co., Ltd.	4,745	2.25
Formosa Group (Cayman) Limited	4,709	2.23
GOLDMAN SACHS GROUP INC	4,568	2.17
Asia Cement Corporation	4,340	2.06
Shin Kong Financial Holding Co.,Ltd.	4,251	2.02
Taiwan Futures Exchange	4,182	1.98
Nomura Securities Investment Trust Co., Ltd.	4,054	1.92
The Export-Import Bank of the Republic of China	4,001	1.90
Fina Finance & Trading Co., Ltd.	3,996	1.90
Formosa Chemicals & Fibre Corp.	3,730	1.77
EVA Air	3,709	1.76
FIL Securities Investment Trust Co., Ltd.	3,582	1.70
China Development Financial Holding Corporation	3,552	1.68
USI Corporation	3,524	1.67
Chang Chun Petrochemical Co., Ltd.	3,503	1.66
Wavely Logistics Limited., Taiwan Branch	3,500	1.66
Rich Development Co.,Ltd.	3,227	1.53
Uni-President Enterprises Corp.	3,141	1.49
Evergreen Marine Corporation	3,115	1.48
JPMORGAN CHASE & CO	3,026	1.44
Sunny Commercial Bank	3,000	1.42
	514,517	244.03
Same related party:		
Mr. Wu and its related parties	11,177	5.30
Mr. Fang and its related parties	11,037	5.23
Mr. Lin and its related parties	9,131	4.33
Mr. Cheng and its related parties	6,796	3.22
Mr. Chen and its related parties	6,568	3.11
Mr. Ding and its related parties	6,112	2.90

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2018		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same related party:		
Mr. Lin and its related parties	\$ 5,562	2.64
Mr. Chung and its related parties	5,212	2.47
Mr. Lin and its related parties	5,064	2.40
Mr. Huang and its related parties	4,316	2.05
Mr. He and its related parties	4,224	2.00
Mr. Chang and its related parties	3,915	1.86
Mr. Chen and its related parties	3,828	1.82
Mr. Song and its related parties	3,748	1.78
Mr. Wei and its related parties	3,747	1.78
Mr. Chang and its related parties	3,605	1.71
Mr. Kuo and its related parties	3,509	1.66
Mr. Chang and its related parties	3,400	1.61
Mr. Chen and its related parties	3,119	1.48
Mr. Yeh and its related parties	3,069	1.46
Mr. Yang and its related parties	3,056	1.45
Mr. Yang and its related parties	3,028	1.44
Mr. Yang and its related parties	3,028	1.44
	116,251	55.14
Same affiliated company:		
Formosa Plastic Group	27,023	12.82
Far Eastern Group	26,479	12.56
Cathay Holdings Group	21,243	10.07
Foxconn Technology Group	21,222	10.06
Fubon Group	19,852	9.41
Chailease Group	13,899	6.59
China Steel Corporation Group	13,011	6.17
Taiwan Semiconductor Group	11,091	5.26
CTBC Group	10,078	4.78
Evergreen Group	7,689	3.65
Shin Kong Group	7,091	3.36
Cheng Shin Group	6,828	3.24
Yang Ming Marine Transport Group	6,746	3.20
Highwealth Group	6,689	3.17
China Development Group	6,363	3.02
Yong Feng Yu Group	5,961	2.83
Yulon Group	5,831	2.77
Indonesia Sinar Mas Group	5,538	2.63
China Airlines Group	5,502	2.61
Radium Life Tech Group	5,498	2.61

(Expressed In Millions of New Taiwan Dollars)		
June 30, 2018		
Name	Total of business credit, endorsements, or other transac	Percentage of net value of the company (%)
Same affiliated company:		
Chang Chun Group	\$ 5,003	2.37
Mega Holdings Group	4,996	2.37
Taiwan Cement Group	4,428	2.10
USI Group	4,030	1.91
ASE Group	3,921	1.86
Supreme Electronics Group	3,727	1.77
Uni-President Enterprises Group	3,709	1.76
Hotai Group	3,636	1.72
Hua Nan Financial Holding Group	3,440	1.63
Lealea Group	3,409	1.62
Wistron Group	3,401	1.61
	277,334	131.53
	\$ 908,102	430.70

(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.

(11) Financial information by business segments

Information by business segments for the six months ended June 30, 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)	\$ 6,927,856	\$ 1,663,618	\$ 436,382	\$ 3,898,699	(\$ 155,512)	\$ 12,771,043
Net non-interest income	<u>4,621,178</u>	<u>14,614,932</u>	<u>857,823</u>	<u>15,256,105</u>	<u>1,563,305</u>	<u>36,913,343</u>
Net profit	11,549,034	16,278,550	1,294,205	19,154,804	1,407,793	49,684,386
(Provision) recovery for bad debt expenses, commitment and guarantee policy reserve	(48,272)	(80,170)	2,126	1,107	-	(125,209)
Net change in provisions for insurance liabilities	-	-	-	(16,836,558)	-	(16,836,558)
Operating expenses	(5,415,615)	(11,102,770)	(601,559)	(597,969)	(1,159,761)	(18,877,674)
Net income from continuing operations before income tax	6,085,147	5,095,610	694,772	1,721,384	248,032	13,844,945
Income tax expense	(776,196)	(651,833)	(157,464)	(20,024)	(351,149)	(1,956,666)
Consolidated income (loss), net of tax	<u>\$ 5,308,951</u>	<u>\$ 4,443,777</u>	<u>\$ 537,308</u>	<u>\$ 1,701,360</u>	<u>(\$ 103,117)</u>	<u>\$ 11,888,279</u>

Information by business segments for the six months ended June 30, 2018 is as follows:

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

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

A. Yuanta Financial Holding Co., Ltd.

Yuanta Financial Holding Co., Ltd.

Individual Balance Sheets

June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 24,123,035	\$ 12,847,039	Commercial paper payable - net	\$ -	\$ 9,417,322
Financial assets at fair value through other comprehensive income	24,425	21,541	Payables	16,150,503	11,330,158
Securities purchased under resell agreements	2,510,925	329,770	Current income tax liabilities	3,043,963	3,339,835
Receivables - net	2,832,406	3,753,739	Bonds payable	26,750,000	16,750,000
Current income tax assets	204,819	317,614	Other loans	-	1,000,000
Equity investments accounted for under the equity method - net	240,888,275	235,388,822	Liabilities reserve	39,811	38,430
Property and equipment - net	19,115	22,735	Lease liability	122,010	-
Right-of-use assets	121,731	-	Other liabilities	11,816	9,784
Intangible assets - net	6,053	3,646	Total liabilities	46,118,103	41,885,529
Deferred income tax assets	41,792	34,079	Equity		
Other assets - net	11,036	11,103	Common stock	116,862,325	118,202,325
			Additional paid-in capital	37,200,474	37,710,996
			Retained earnings		
			Legal reserve	12,589,183	10,721,262
			Special reserve	6,549,234	6,549,234
			Undistributed earnings	41,361,336	35,236,348
			Other equity	10,300,563	4,541,001
			Treasury shares	(197,606)	(2,116,607)
			Total equity	224,665,509	210,844,559
Total assets	\$ 270,783,612	\$ 252,730,088	Total liabilities and equity	\$ 270,783,612	\$ 252,730,088

Yuanta Financial Holding Co., Ltd.
Individual Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the six months ended June 30,	
	2019	2018
Revenues		
Share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 11,645,283	\$ 12,362,075
Other revenues	95,047	80,500
	<u>11,740,330</u>	<u>12,442,575</u>
Expenses and losses		
Operating expenses	(417,452)	(391,236)
Other expenses and losses	(126,330)	(101,572)
	<u>(543,782)</u>	<u>(492,808)</u>
Income from continuing operations before income tax	11,196,548	11,949,767
Income tax expense	(202,655)	(775,438)
Net income	<u>10,993,893</u>	<u>11,174,329</u>
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss (net of tax)		
Evaluation gains on investments in equity instruments measured at fair value through other comprehensive income	2,246	2,276
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	1,595,141	1,608,526
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	3,688,008	(3,883,957)
Other comprehensive income (loss)	<u>5,285,395</u>	<u>(2,273,155)</u>
Total comprehensive income	<u>\$ 16,279,288</u>	<u>\$ 8,901,174</u>
Earnings per share (in dollars)		
Basic and diluted earnings per share	<u>\$ 0.94</u>	<u>\$ 0.95</u>

Yuanta Financial Holding Co., Ltd.
Individual Statement of Change in Equity
For the six months ended June 30, 2019 and 2018
(Expressed In Thousands of New Taiwan Dollars)

	Retained Earnings					Other equity						
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Undistributed earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets	Change in fair value of financial liability attributable to change in credit risk	Other comprehensive income on reclassification under the overlay approach	Treasury shares	Total equity
<u>For the six months ended June 30, 2018</u>												
Balance, January 1, 2018	\$ 118,891,975	\$ 37,960,693	\$ 9,100,767	\$ 6,549,234	\$ 35,275,652	(\$ 2,528,033)	\$ -	\$ 7,085,896	(\$ 3,478)	\$ -	(\$ 1,136,953)	\$ 211,195,753
Effects of retrospective application and retrospective restatement	-	-	-	-	(3,028,393)	71	8,821,188	(7,085,896)	62,367	389,832	-	(840,831)
Equity at beginning of period after adjustments	118,891,975	37,960,693	9,100,767	6,549,234	32,247,259	(2,527,962)	8,821,188	-	58,889	389,832	(1,136,953)	210,354,922
Appropriation of 2017 earnings :												
Legal reserve	-	-	1,620,495	-	(1,620,495)	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	(6,492,536)	-	-	-	-	-	-	(6,492,536)
Consolidate net income for the period	-	-	-	-	11,174,329	-	-	-	-	-	-	11,174,329
Other comprehensive income (loss) for the period	-	-	-	-	32,356	(231,504)	(1,682,647)	-	(846)	(390,514)	-	(2,273,155)
Total comprehensive income (loss) for the period	-	-	-	-	11,206,685	(231,504)	(1,682,647)	-	(846)	(390,514)	-	8,901,174
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	(1,919,001)	(1,919,001)
Retirement of treasury share	(689,650)	(249,697)	-	-	-	-	-	-	-	-	939,347	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(104,565)	-	104,565	-	-	-	-	-
Balance, June 30, 2018	<u>\$ 118,202,325</u>	<u>\$ 37,710,996</u>	<u>\$ 10,721,262</u>	<u>\$ 6,549,234</u>	<u>\$ 35,236,348</u>	<u>(\$ 2,759,466)</u>	<u>\$ 7,243,106</u>	<u>\$ -</u>	<u>\$ 58,043</u>	<u>(\$ 682)</u>	<u>(\$ 2,116,607)</u>	<u>\$ 210,844,559</u>
<u>For the six months ended June 30, 2019</u>												
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)
Equity at beginning of period 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)
Consolidate net income for the period	-	-	-	-	10,993,893	-	-	-	-	-	-	10,993,893
Other comprehensive income (loss) for the period	-	-	-	-	(97,984)	106,022	4,354,054	-	(1,501)	924,804	-	5,285,395
Total comprehensive income (loss) for the period	-	-	-	-	10,895,909	106,022	4,354,054	-	(1,501)	924,804	-	16,279,288
Changes in ownership interest in subsidiaries	-	58	-	-	-	-	-	-	-	-	-	58
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	88,900	-	(88,900)	-	-	-	-	-
Balance, June 30, 2019	<u>\$ 116,862,325</u>	<u>\$ 37,200,474</u>	<u>\$ 12,589,183</u>	<u>\$ 6,549,234</u>	<u>\$ 41,361,336</u>	<u>(\$ 2,303,447)</u>	<u>\$ 12,040,872</u>	<u>\$ -</u>	<u>(\$ 31,299)</u>	<u>\$ 594,437</u>	<u>(\$ 197,606)</u>	<u>\$ 224,665,509</u>

Yuanta Financial Holding Co., Ltd.
Individual Statement of Cash Flows
For the six months ended June 30, 2019 and 2018
(Expressed In Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2019	2018
<u>Cash Flows From Operating Activities</u>		
Profit before tax	\$ 11,196,548	\$ 11,949,767
Adjustment items		
Adjustments to reconcile profit or loss		
Depreciation	21,981	4,241
Amortization	1,196	915
Interest expense	126,299	101,505
Interest income	(68,052)	(28,230)
Share of the loss of subsidiaries, associates and joint ventures accounted for using the equity method	(11,645,283)	(12,362,075)
Gain on sale of property and equipment	(15)	(465)
Change in assets/liabilities relating to operating activities		
Decrease in receivables	4,474	10,981
Increase in other assets	(4,572)	(5,229)
Decrease in payables	(127,317)	(49,673)
Increase in liabilities reserve	203	227
Increase in other liabilities	1,030	988
Interest received	66,989	24,657
Cash dividend received	11,329,227	12,597,070
Cash paid for interest	(112,608)	(146,943)
Income tax received (paid)	114,922	(1,695,722)
Net cash provided by operating activities	10,905,022	10,402,014
<u>Cash Flows From Investing Activities</u>		
Decrease in equity investments accounted for under the equity method	8,818,069	-
Acquisition of property and equipment	(3,250)	(568)
Proceeds from disposal of property and equipment	1,570	465
Net cash provided by (used in) investing activities	8,816,389	(103)
<u>Cash Flows From Financing Activities</u>		
Increase in commercial paper payable	-	4,327,000
Proceeds from issuing bonds	-	(3,000,000)
Increase in other borrowings	-	1,000,000
Purchase of treasury share	-	(1,919,001)
Payments of lease liabilities	(17,536)	-
Net cash (used in) provided by financing activities	(17,536)	407,999
Net increase in cash and cash equivalents	19,703,875	10,809,910
Cash and cash equivalents at beginning of period	6,930,085	2,366,899
Cash and cash equivalents at end of period	\$ 26,633,960	\$ 13,176,809
The components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheet	\$ 24,123,035	\$ 12,847,039
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7	2,510,925	329,770
Cash and cash equivalents at end of reporting period	\$ 26,633,960	\$ 13,176,809

B. Yuanta Commercial Bank

Yuanta Commercial Bank
Individual Balance Sheets
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 20,369,722	\$ 12,300,020	Due to Central Bank and other banks	\$ 15,070,378	\$ 25,545,134
Due from Central Bank and call loans to other banks	44,593,111	46,350,755	Financial liabilities at fair value through profit or loss	3,920,079	8,146,110
Financial assets at fair value through profit or loss	131,875,796	158,641,331	Bills and bonds sold under repurchase agreements	3,068,628	13,074,835
Financial assets at fair value through other comprehensive income	113,793,107	127,384,177	Payables	18,982,524	18,705,349
Investments in debt instruments at amortised cost ¹	185,332,688	170,256,285	Current income tax liabilities	1,387,984	805,412
Securities purchased under resell agreements	1,300,000	7,197,900	Deposits and remittances	1,087,182,846	1,066,368,844
Receivables- net	30,130,093	32,270,273	Financial debentures payable	36,000,000	41,050,000
Current income tax assets	2,425,746	2,425,746	Other financial liabilities	8,293,467	13,256,537
Assets held for sale- net	702,368	-	Liabilities reserve	1,510,192	1,883,623
Bills discounted and loans- net	724,979,616	708,686,646	Lease reserve	2,448,898	-
Equity investments accounted for under the equity method- net	5,211,344	5,088,911	Deferred income tax liabilities	222,332	415,923
Other financial assets- net	7,666	3,625	Other liabilities	2,090,490	1,559,061
Property and equipment- net	12,305,788	12,931,557	Total liabilities	1,180,177,818	1,190,810,828
Right-of-use assets	10,542,146	-	Common stocks	73,940,390	73,940,390
Investment property- net	877,476	1,029,011	Additional paid-in capital	25,960,441	25,960,441
Intangible assets- net	10,654,349	12,334,962	Retained earnings	16,125,695	11,321,400
Deferred income tax assets	718,537	384,467	Other equity	2,271,843	900,033
Other assets - net	2,656,634	5,647,426	Total equity	118,298,369	112,122,264
Total assets	<u>\$ 1,298,476,187</u>	<u>\$ 1,302,933,092</u>	Total liabilities and equity	<u>\$ 1,298,476,187</u>	<u>\$ 1,302,933,092</u>

Yuanta Commercial Bank
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Interest income	\$ 11,109,020	96	\$ 10,976,716	94
Less: Interest expense	(4,620,324)	(40)	(4,242,807)	(36)
Net interest income	6,488,696	56	6,733,909	58
Net non-interest income	5,034,060	44	4,903,634	42
Net profit	11,522,756	100	11,637,543	100
Provision for bad debt expenses and guarantee policy reserve	(61,930)	-	(374,470)	(3)
Operating expenses	(5,301,502)	(46)	(5,482,280)	(47)
Income from continuing operations before income tax	6,159,324	54	5,780,793	50
Income tax expense	(767,971)	(7)	(749,033)	(7)
Net income	5,391,353	47	5,031,760	43
Other comprehensive income (loss) (net of tax)	1,354,415	12	(925,637)	(8)
Total comprehensive income	<u>\$ 6,745,768</u>	<u>59</u>	<u>\$ 4,106,123</u>	<u>35</u>
Basic and diluted earnings per share				
Basic and diluted earnings per share	<u>\$ 0.73</u>		<u>\$ 0.68</u>	

C. Yuanta Securities

Yuanta Securities
Individual Condensed Balance Sheets
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	(Restated) June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	(Restated) June 30, 2018
Current assets	\$ 287,449,511	\$ 292,452,934	Current liabilities	\$ 249,856,686	\$ 255,511,904
Financial assets at fair value			Bonds payable	8,500,000	-
through profit or loss	52,055	-	Liabilities reserve- non-current	50,340	-
Financial assets at fair value through			Lease reserve- non-current	278,870	-
other comprehensive income	6,371,159	5,080,953	Deferred income tax liabilities	2,247,959	2,451,219
Equity investments accounted for			Other non-current liabilities	1,902,622	1,883,231
under the equity method	43,181,231	40,494,268	Total liabilities	262,836,477	259,846,354
Property and equipment	4,486,211	4,549,022	Common stocks	54,056,442	54,056,442
Right-of-use assets	478,692	-	Additional paid-in capital	399,108	1,790,174
Investment property	2,788,839	2,841,929	Retained earnings	34,989,034	34,988,697
Intangible assets	11,580,158	11,895,800	Other equity	6,689,110	110,062
			Equity attributable to former owner		
			of business combination under		
Deferred income tax assets	502,494	764,205	common control	-	8,970,161
Other non-current assets	2,079,821	1,682,779	Total equity	96,133,694	99,915,536
Total assets	\$ 358,970,171	\$ 359,761,890	Total liabilities and equity	\$ 358,970,171	\$ 359,761,890

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 six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)
(Restated)

Item	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Revenues	\$ 9,563,810	100	\$ 11,660,795	100
Service fee expense	(334,589)	(3)	(383,647)	(3)
Employee benefit expense	(2,946,361)	(31)	(3,585,706)	(31)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	1,167,328	12	1,463,093	12
Operating expenses	(2,802,552)	(30)	(2,706,986)	(23)
Income from continuing operations before income tax	4,647,636	48	6,447,549	55
Income tax expense	(483,640)	(5)	(821,851)	(7)
Net income	4,163,996	43	5,625,698	48
Other comprehensive income (net of tax)	2,094,781	22	245,038	2
Total comprehensive income	<u>\$ 6,258,777</u>	<u>65</u>	<u>\$ 5,870,736</u>	<u>50</u>
Earnings per share (in dollars)				
Profit attributable to the parent	\$	0.76	\$	1.01
Income attributable to former owner of business combination under common control		0.01		0.03
Basic and diluted earnings per share	<u>\$</u>	<u>0.77</u>	<u>\$</u>	<u>1.04</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
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Current assets	\$ 73,070,788	\$ 55,824,955	Current liabilities	\$ 68,919,565	\$ 51,713,841
Financial assets at fair value through other comprehensive income	1,441,771	1,289,246	Non-current liabilities	94,579	70,498
Equity investments accounted for under the equity method	1,306,764	995,007	Total liabilities	69,014,144	51,784,339
Property and equipment	573,845	541,335	Common stocks	2,322,763	2,322,763
Right-of-use assets	43,297	-	Additional paid-in capital	940,976	940,976
Intangible assets	41,434	36,616	Retained earnings	3,726,308	3,287,567
Deferred income tax assets	27,670	13,281	Other equity	1,278,461	1,021,353
Other non-current assets	777,083	656,558	Total equity	8,268,508	7,572,659
Total assets	<u>\$ 77,282,652</u>	<u>\$ 59,356,998</u>	Total liabilities and equity	<u>\$ 77,282,652</u>	<u>\$ 59,356,998</u>

Yuanta Futures
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 1,403,303	100	\$ 1,703,228	100
Service fee expense	(241,169)	(17)	(297,359)	(17)
Employee benefit expense	(321,746)	(23)	(278,520)	(16)
Share of the profit or loss of associates and joint ventures accounted for using the equity method	10,695	1	(8,948)	-
Operating expenses	(102,895)	(8)	(556,062)	(34)
Income from continuing operations before income tax	748,188	53	562,339	33
Income tax expense	(157,464)	(11)	(129,737)	(8)
Net income	590,724	42	432,602	25
Other comprehensive income (net of tax)	107,607	8	137,483	8
Total comprehensive income	<u>\$ 698,331</u>	<u>50</u>	<u>\$ 570,085</u>	<u>33</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 2.54</u>		<u>\$ 1.86</u>	

E. Yuanta Life

Yuanta Life
Individual Condensed Balance Sheets
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 8,132,067	\$ 2,155,819	Payables	\$ 1,095,966	\$ 617,834
Receivables	2,858,116	2,456,328	Current tax liabilities	21,553	8,360
Current income tax assets	2,616,867	1,759,437	Financial liabilities at fair value		
Financial assets at fair value			through profit or loss	2,708,820	2,239,343
through profit or loss	23,600,299	12,379,754	Insurance liabilities	237,936,131	197,245,218
Financial assets at fair value through			Foreign exchange reserve	708,321	742,491
other comprehensive income	31,990,028	27,107,952	Liabilities reserve	66,140	44,589
Amortized cost financial assets	172,434,637	151,846,711	Lease reserve	138,317	-
Other financial assets	500,000	1,500,000	Deferred income tax liabilities	219,664	-
Right-of-use assets	154,116	-	Other liabilities	1,683,049	1,306,040
Loans	6,449,932	5,813,536	Investment-linked insurance		
Reinsurance contract assets	776,284	393,210	products liabilities	1,940,223	1,925,767
Property and equipment	4,675,496	4,511,296	Total liabilities	246,518,184	204,129,642
Intangible assets	67,255	70,659	Common stocks	9,624,045	12,107,048
Deferred income tax assets	454,738	818,454	Stock dividends to be distributed	111,650	-
			Retained earnings		
Other assets	3,759,091	2,681,631	(accumulated depreciation)	2,041,864	(1,819,519)
Investment-linked insurance			Other equity	2,113,406	1,003,383
products assets	1,940,223	1,925,767	Total equity	13,890,965	11,290,912
Total assets	<u>\$ 260,409,149</u>	<u>\$ 215,420,554</u>	Total liabilities and equity	<u>\$ 260,409,149</u>	<u>\$ 215,420,554</u>

Yuanta Life
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Item	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 24,270,432	100	\$ 19,374,142	100
Operating costs	(22,493,225)	(92)	(17,880,908)	(92)
Operating expenses	(657,756)	(3)	(596,509)	(3)
Net operating income	1,119,451	5	896,725	5
Non-operating revenues and expenses	(488)	-	(323)	-
Income from continuing operations before income tax	1,118,963	5	896,402	5
Income tax (expense) benefit	(20,024)	-	16,651	-
Net income	1,098,939	5	913,053	5
Other comprehensive income (loss) (net of tax)	1,767,041	7	(1,689,302)	(9)
Total comprehensive income (loss)	<u>\$ 2,865,980</u>	<u>12</u>	<u>(\$ 776,249)</u>	<u>(4)</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 1.13</u>		<u>\$ 1.05</u>	

F. Yuanta Securities Investment Trust

Yuanta Securities Investment Trust
Individual Condensed Balance Sheets
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Current assets	\$ 3,081,379	\$ 2,839,963	Current liabilities	\$ 399,405	\$ 377,603
Financial assets at fair value through other comprehensive income	108,953	100,953	Deferred income tax liabilities	203,316	249,934
Equity investments accounted for under the equity method	68,188	164,494	Lease liability- non-current	17,156	-
Property and equipment	297,434	291,157	Other non-current liabilities	41,338	51,332
Intangible assets	768,551	768,551	Total liabilities	661,215	678,869
Prepaid pension cost	37,564	37,377	Common stocks	2,269,235	2,269,235
Deferred income tax assets	316	266	Additional paid-in capital	785	179
Other non-current assets	185,517	164,409	Retained earnings	1,520,480	1,330,614
Total assets	<u>\$ 4,547,902</u>	<u>\$ 4,367,170</u>	Other equity	96,187	88,273
			Total equity	3,886,687	3,688,301
			Total liabilities and equity	<u>\$ 4,547,902</u>	<u>\$ 4,367,170</u>

Yuanta Securities Investment Trust
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 1,333,166	100	\$ 1,269,491	100
Operating expenses	(605,338)	(45)	(617,554)	(49)
Operating profits	727,828	55	651,937	51
Non-operating revenues and expenses	(30,365)	(2)	(29,284)	(2)
Income from continuing operations before income tax	697,463	53	622,653	49
Income tax expense	(148,508)	(11)	(152,368)	(12)
Net income	548,955	42	470,285	37
Other comprehensive income (net of tax)	6,700	1	13,083	1
Total comprehensive income	<u>\$ 555,655</u>	<u>43</u>	<u>\$ 483,368</u>	<u>38</u>
Earnings per share (in dollars)				
Basic and diluted earnings per share	<u>\$ 2.42</u>		<u>\$ 2.07</u>	

G. Yuanta Asset Management

Yuanta Asset Management
Individual Condensed Balance Sheets
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Current assets	\$ 1,891,064	\$ 1,911,333	Current liabilities	\$ 1,707,956	\$ 1,556,902
Financial assets at fair value through other comprehensive income	36,995	348,249	Non-current liabilities	6,287	6,769
Property and equipment	3,627	1,617	Total liabilities	1,714,243	1,563,671
Investment property	1,335,271	1,104,374	Common stocks	1,000,000	1,000,000
Intangible assets	153	266	Additional paid-in capital	1,047	1,047
Deferred income tax assets	2,777	3,007	Retained earnings	536,172	517,760
Other non-current assets	540	748	Other equity	18,965	287,116
Total assets	<u>\$ 3,270,427</u>	<u>\$ 3,369,594</u>	Total equity	1,556,184	1,805,923
			Total liabilities and equity	<u>\$ 3,270,427</u>	<u>\$ 3,369,594</u>

Yuanta Asset Management
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Item	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 141,701	100	\$ 128,388	100
Operating expenses	(58,645)	(41)	(49,160)	(39)
Operating profits	83,056	59	79,228	61
Non-operating revenues and expenses	(5,207)	(4)	(5,278)	(4)
Income from continuing operations before income tax	77,849	55	73,950	57
Income tax expense	(15,256)	(11)	(14,249)	(11)
Net income	62,593	44	59,701	46
Other comprehensive loss	(376)	-	(4,367)	(3)
Total comprehensive income	<u>\$ 62,217</u>	<u>44</u>	<u>\$ 55,334</u>	<u>43</u>

H. Yuanta Venture Capital

Yuanta Venture Capital
Individual Condensed Balance Sheets
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Current assets	\$ 1,641,494	\$ 1,377,750	Current liabilities	\$ 50,651	\$ 76,619
Equity investments accounted for under the equity method	845,496	908,312	Other non-current liabilities	2,150	1,880
Financial assets at fair value			Total liabilities	52,801	78,499
other comprehensive income	178,211	285,413	Common stocks	2,460,000	2,460,000
Property and equipment	4,121	3,951	Additional paid-in capital	918	918
Deferred income tax assets	1,108	13,391	Retained earnings	127,356	(4,448)
Other non-current assets	635	635	Other equity	29,990	54,483
Total assets	<u>\$ 2,671,065</u>	<u>\$ 2,589,452</u>	Total equity	2,618,264	2,510,953
			Total liabilities and equity	<u>\$ 2,671,065</u>	<u>\$ 2,589,452</u>

Yuanta Venture Capital
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Item	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 102,992	100	\$ 187,342	100
Operating expenses	(17,825)	(17)	(45,940)	(24)
Operating profits	85,167	83	141,402	76
Non-operating revenues and expenses	608	-	(144)	-
Income from continuing operations before income tax	85,775	83	141,258	76
Income tax benefit	7,263	7	32,279	17
Net income	93,038	90	173,537	93
Other comprehensive loss (net of tax)	(11,422)	(11)	(4,989)	(3)
Total comprehensive income	<u>\$ 81,616</u>	<u>79</u>	<u>\$ 168,548</u>	<u>90</u>

I. Yuanta Securities Investment Consulting

Yuanta Securities Investment Consulting
Individual Condensed Balance Sheets
June 30, 2019 and 2018

(Expressed In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019	June 30, 2018	LIABILITIES AND EQUITY	June 30, 2019	June 30, 2018
Current assets	\$ 194,581	\$ 191,518	Current liabilities	\$ 67,991	\$ 60,445
Property and equipment	1,925	2,581	Non-current liabilities	14,018	9,976
Right-of-use assets	9,799	-	Total liabilities	82,009	70,421
Intangible assets	181	546	Common stocks	100,000	100,000
Deferred income tax assets	5,095	4,769	Additional paid-in capital	6,017	6,017
Other non-current assets	6,464	6,464	Retained earnings	30,019	29,440
			Total equity	136,036	135,457
Total assets	<u>\$ 218,045</u>	<u>\$ 205,878</u>	Total liabilities and equity	<u>\$ 218,045</u>	<u>\$ 205,878</u>

Yuanta Securities Investment Consulting
Individual Condensed Statements of Comprehensive Income
For the six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Item	For the six months ended June 30,			
	2019		2018	
	Amount	%	Amount	%
Operating revenues	\$ 100,684	100	\$ 102,186	100
Operating costs	(577)	(1)	(668)	(1)
Operating expenses	(99,567)	(99)	(102,536)	(100)
Operating income (loss)	540	-	(1,018)	(1)
Non-operating revenues and expenses	801	1	862	1
Income (loss) from continuing operations before income tax	1,341	1	(156)	-
Income tax (expense) benefit	(268)	-	777	1
Net income	1,073	1	621	1
Total comprehensive income	<u>\$ 1,073</u>	<u>1</u>	<u>\$ 621</u>	<u>1</u>

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

A. Profitability

(A) Yuanta Financial Holdings

Unit: %

		For the six months ended June 30,	
		2019	2018
Return on total assets	Before tax	4.26	4.81
	After tax	4.19	4.50
Return on equity	Before tax	5.05	5.67
	After tax	4.96	5.31
Net profit margin ratio		94.66	90.55

(B) Yuanta Financial Holdings and its subsidiaries

		For the six months ended June 30,	
		2019	2018
Return on total assets	Before tax	0.59	0.66
	After tax	0.51	0.53
Return on equity	Before tax	5.78	6.61
	After tax	4.96	5.37
Net profit margin ratio		23.93	24.47

(C) Yuanta Bank

		For the six months ended June 30,	
		2019	2018
Return on total assets	Before tax	0.48	0.44
	After tax	0.42	0.39
Return on equity	Before tax	5.27	5.13
	After tax	4.61	4.47
Net profit margin ratio		46.79	43.24

(D) Yuanta Securities

		For the six months ended June 30,	
		2019	2018 (Note 6)
Return on total assets	Before tax	1.32	1.79
	After tax	1.18	1.56
Return on equity	Before tax	4.62	6.42
	After tax	4.14	5.60
Net profit margin ratio		40.05	44.16

(E) Yuanta Life

		For the six months ended June 30,	
		2019	2018
Return on total assets	Before tax	0.45	0.43
	After tax	0.44	0.44
Return on equity	Before tax	8.98	7.68
	After tax	8.82	7.82
Net profit margin ratio		61.85	61.16

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

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

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

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

Note 5: The profitability of Yuanta Financial Holdings, Yuanta Financial Holdings and its subsidiaries, Yuanta Bank, Yuanta Securities, and Yuanta life insurance agency shall be respectively specified in the said table.

Note 6: Calculated from the restated amount of Yuanta Securities as of June 30, 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			June 30, 2019					June 30, 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		390,917	185,731,841	0.21%	2,491,043	637.23%	551,534	185,394,377	0.30%	2,893,707	524.67%
	Unsecured loans		127,298	210,184,706	0.06%	4,466,168	3,508.44%	331,899	201,904,917	0.16%	4,574,503	1,378.28%
Consumer banking	Residential mortgage loans		424,715	191,590,929	0.22%	2,894,498	681.52%	467,345	189,377,510	0.25%	2,868,893	613.87%
	Cash card services		35	93,609	0.04%	1,890	5,400.00%	145	141,225	0.10%	2,503	1,726.21%
	Small amount of credit loans		67,973	9,839,363	0.69%	197,193	290.10%	84,685	11,741,814	0.72%	189,071	223.26%
	Others	Secured loans	153,291	147,403,905	0.10%	1,523,581	993.91%	324,294	141,632,696	0.23%	1,457,155	449.33%
		Unsecured loans	417	1,989,735	0.02%	20,764	4,979.38%	1,232	1,744,101	0.07%	18,110	1,469.97%
Gross loan business			1,164,646	746,834,088	0.16%	11,595,137	995.59%	1,761,134	731,936,640	0.24%	12,003,942	681.60%

Month / Year		June 30, 2019					June 30, 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		8,358	10,536,049	0.08%	162,032	1,938.67%	12,361	11,627,553	0.11%	186,250	1,506.76%
Without recourse factoring		-	6,105,899	-	80,765	-	-	5,467,696	-	67,085	-

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

	June 30, 2019		June 30, 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)	88,139	44,813	125,610	60,812
Perform in accordance with debt liquidation program and restructuring program (Note 2)	1,116,986	355,794	1,189,708	351,818
Total	1,205,125	400,607	1,315,318	412,630

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.

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

Unit: In thousands of NT Dollars, %

June 30, 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	\$ 7,715,060	6.52
2	Company B–Real Estate Leasing	4,270,000	3.61
3	Group C–Iron and Steel Refining	4,003,533	3.38
4	Group D–Real Estate Development	3,700,000	3.13
5	Group E–Computer Manufacturing Industry	3,619,508	3.06
6	Group F–Real Estate Development	3,358,070	2.84
7	Company G–Trusts, Funds and Similar Financial Entity	3,357,222	2.84
8	Company H–Trusts, Funds and Similar Financial Entity	3,247,695	2.75
9	Group I–Seasoning Manufacturing Industry	3,176,000	2.68
10	Company J–Real Estate Development	2,376,000	2.01

Unit: In thousands of NT Dollars, %

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

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)

June 30, 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	1,148,591,089	217,394,248	86,870,514	96,033,990	78,447,095	101,614,591	568,230,651
Primary funds outflow upon maturity	1,347,001,082	43,668,713	98,957,592	182,714,649	186,297,348	229,558,250	605,804,530
Gap	(198,409,993)	173,725,535	(12,087,078)	(86,680,659)	(107,850,253)	(127,943,659)	(37,573,879)

June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

	Total	0 ~ 10 days	11 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	1,151,374,719	216,962,223	119,876,675	85,194,572	72,673,226	110,886,779	545,781,244
Primary funds outflow upon maturity	1,367,423,383	52,914,741	132,618,603	205,433,663	205,098,253	316,118,846	455,239,277
Gap	(216,048,664)	164,047,482	(12,741,928)	(120,239,091)	(132,425,027)	(205,232,067)	90,541,967

b. Structure analysis of time to maturity (USD)

June 30, 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	5,270,306	1,447,118	558,123	344,721	335,152	2,585,192
Primary funds outflow upon maturity	6,932,841	1,952,468	1,314,557	1,603,489	902,152	1,160,175
Gap	(1,662,535)	(505,350)	(756,434)	(1,258,768)	(567,000)	1,425,017

June 30, 2018

(Expressed in Thousands of US Dollars)

	Total	0 ~ 30 days	31 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year
Primary funds inflow upon maturity	6,009,283	1,637,527	697,062	256,066	298,681	3,119,947
Primary funds outflow upon maturity	7,632,524	2,543,510	1,332,562	1,306,527	1,215,141	1,234,784
Gap	(1,623,241)	(905,983)	(635,500)	(1,050,461)	(916,460)	1,885,163

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

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

June 30, 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	715,395,654	37,397,604	26,646,613	218,624,497	998,064,368
Interest-rate-sensitive liabilities	325,698,939	514,022,550	82,978,049	41,347,942	964,047,480
Interest-rate-sensitive gap	389,696,715	(476,624,946)	(56,331,436)	177,276,555	34,016,888
Total equity					114,575,845
Ratio of interest-rate-sensitive assets to liabilities					103.53
Ratio of interest-rate-sensitive gap to equity					29.69

June 30, 2018

(Expressed in Thousands of New Taiwan Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	717,223,743	34,637,452	12,619,702	234,143,806	998,624,703
Interest-rate-sensitive liabilities	345,412,024	468,774,818	95,145,896	41,920,256	951,252,994
Interest-rate-sensitive gap	371,811,719	(434,137,366)	(82,526,194)	192,223,550	47,371,709
Total equity					110,566,356
Ratio of interest-rate-sensitive assets to liabilities					104.98
Ratio of interest-rate-sensitive gap to equity					42.84

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)

June 30, 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	3,525,854	414,159	40,499	755,803	4,736,315
Interest-rate-sensitive liabilities	2,422,218	940,360	440,835	753,880	4,557,293
Interest-rate-sensitive gap	1,103,636	(526,201)	(400,336)	1,923	179,022
Total equity					116,096
Ratio of interest-rate-sensitive assets to liabilities					103.93
Ratio of interest-rate-sensitive gap to equity					154.20

June 30, 2018

(Expressed in Thousands of US Dollars, %)

Item	1 ~ 90 days	91 ~ 180 days	181 days ~ 1 year	Over 1 year	Total
Interest-rate-sensitive assets	3,785,681	398,086	87,858	1,070,641	5,342,266
Interest-rate-sensitive liabilities	2,997,434	685,643	795,656	720,402	5,199,135
Interest-rate-sensitive gap	788,247	(287,557)	(707,798)	350,239	143,131
Total equity					48,765
Ratio of interest-rate-sensitive assets to liabilities					102.75
Ratio of interest-rate-sensitive gap to equity					293.51

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 June 30, 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	\$ 646,881 (Note 1)	-	\$ -	-	\$ -	\$ -
Yuanta Financial Holdings	Yuanta Bank	Subsidiary of Yuanta Financial Holdings	813,639 (Note 1)	-	-	-	-	-
Yuanta Financial Holdings	Yuanta Asset Management	Subsidiary of Yuanta Financial Holdings	439,287 (Note 2)	-	-	-	439,282	-

Note 1: Income tax refundable arising from filing consolidated income tax returns which has been eliminated.

Note 2: Cash dividends receivable from Yuanta Asset Management which has been received on July 24, 2019.

- 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)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Financial Holdings Co., Ltd.	Yuanta Securities Co., Ltd.	R.O.C	Securities brokerage, dealing and underwriting and margin and securities loans	100	\$ 96,537,934	\$ 4,164,354	5,405,644	-	5,405,644	100
"	Yuanta Commercial Bank Co., Ltd.	"	Banking	100	118,354,158	5,391,443	7,394,039	-	7,394,039	100
"	Yuanta Futures Co., Ltd.	"	Futures business	68.65	6,238,656	404,864	159,467	-	159,467	68.65
"	Yuanta Life Co., Ltd.	"	Life insurance business	100	10,826,756	1,131,597	962,405	-	962,405	100
"	Yuanta Asset Management Co., Ltd.	"	Management of monetary debts of financial institutions	100	1,483,867	62,593	100,000	-	100,000	100
"	Yuanta Venture Capital Co., Ltd.	"	Venture capital business	100	2,618,264	93,038	246,000	-	246,000	100
"	Yuanta Securities Investment Consulting Co., Ltd.	"	Investment consulting on securities	100	136,035	1,073	10,000	-	10,000	100
"	Yuanta Securities Investment Trust Co., Ltd.	"	Investment trust	72.20	4,692,605	396,321	163,828	-	163,828	72.20
Yuanta Commercial Bank Co., Ltd.	Yuanta International Leasing Co., Ltd.	"	Distribution and lease businesses of personal property and real assets	100	569,280	-	60,000	-	60,000	100
"	Yuanta Savings Bank (Philippines)	Philippines	Deposit services	100	520,844	-	1,000,000	-	1,000,000	100
"	Yuanta Savings Bank (Korea)	Korea	Deposit services	100	4,121,220	-	13,516	-	13,516	100
Yuanta Securities Co., Ltd.	Yuanta Securities Asia Financial Services Limited	Bermuda	Investment holding	100	33,358,475	-	290,909	-	290,909	100
"	Yuanta International Insurance Brokers Co., Ltd.	R.O.C	Insurance agent	100	117,375	-	500	-	500	100

(Expressed In Thousand of New Taiwan Dollars)

Share ownerships of the Company and related parties										
Total										
Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Co., Ltd.	Yuanta Securities Finance Co., Ltd.	R.O.C	Margin loans and short sales of securities	100	\$ 9,705,381	\$ -	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	8,430	-	10	-	10	100
"	Yuanta Securities (Hong Kong) Limited	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, providing opinions on securities, providing opinions on futures contract, providing opinions on institutions' financing and providing assets management services	100	8,108,324	-	2,268,133	-	2,268,133	100
"	Polaris Securities (Hong Kong) Limited (P.S.H.K)	Hong Kong	Securities trading, futures trading, leveraged foreign exchange trading, and providing assets management services	100	45,235	-	9,910	-	9,910	100
"	Yuanta Securities (Korea) Co., Ltd.	Korea	Securities trading, providing opinions on securities, providing opinions on futures contract, underwriting services, asset management services, financial advisory services, and futures trading	54.62	17,381,833	-	109,013	-	109,013	54.62
"	Yuanta Asia Investment Ltd.	British Virgin Islands	Direct investments, venture capital funds, venture capital fund raising and management, investment consulting	100	1,101,783	-	35,000	-	35,000	100

(Expressed In Thousand of New Taiwan Dollars)

Share ownerships of the Company and related parties										
Total										
Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities Asia Financial Services Limited	Yuanta Hong Kong Holdings(Cayman) Co.,Ltd	Cayman Islands	Investment holding	100	\$ 455,282	\$ -	10,074	-	10,074	100
"	Yuanta Securities (UK) Co.,Ltd	U.K.	License in application	100	63,185	-	2,000	-	2,000	100
"	Yuanta Securities (Thailand) Co.,Ltd	Thailand	Security brokerage, proprietary trading, underwriting, and investment consulting; mutual fund management; private fund management; security borrowing; venture capital fund management; derivative product brokerage, proprietary trading, underwriting, and investment consulting; and derivate product fund management	99.99	4,891,470	-	450,000	-	450,000	99.99
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	85.24	1,499,619	-	85,242	-	85,242	85.24
Yuanta Securities Korea Co., Ltd	Yuanta Investment Co., Ltd.	Korea	Venture investment	100	1,512,536	-	6,401	-	6,401	100
"	Yuanta Financial (Hong Kong) Limited	Hong Kong	Investment holding	100	526,146	-	18,954	-	18,954	100
"	TongYang Asset Management Corp.	Korea	Asset management	27	736,860	-	1,080	-	1,080	27
Yuanta Financial (Hong Kong) Limited	Yuanta Securities (Cambodia) Plc	Cambodia	Underwriting guidelines and financial advisory services	100	388,193	-	12,500	-	12,500	100

(Expressed In Thousand of New Taiwan Dollars)

Share ownerships of the Company and related parties										
Investor	Investee	Address	Main Service	Percentage of ownership at the period end (%)	Book value	Investment income (loss)	Shares (In thousands)	Pro-forma share of ownership	Total	
									Shares (In thousands)	Percentage of ownership (%)
Yuanta Securities (Hong Kong) Limited	Yuanta International Investment (Hong Kong) Ltd.	Hong Kong	Solicitation of financial products	100	\$ 232,098	\$ -	50,000	-	50,000	100
"	Yuanta Finance (Hong Kong) Ltd.	"	Credit loans	100	218,697	-	50,000	-	50,000	100
"	Yuanta Investment Management (Cayman) Ltd.	Cayman Islands	Investment management	100	294,231	-	12,500	-	12,500	100
"	Yuanta Securities (Vietnam) Co.,Ltd	Vietnam	Brokerage, dealing, underwriting, investment consulting, financing	14.76	259,948	-	14,758	-	14,758	14.76
"	PT Yuanta Securities Indonesia	Indonesia	Securities trading and underwriting services	99	857,566	-	474	-	474	99
"	PT Yuanta Asset Management	"	Investment management	0.002	-	-	-	-	-	0.002
PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	"	Investment management	99.998	99,528	-	45	-	45	99.998
Yuanta Venture Capital Co., Ltd.	Yuanta I Venture Capital Co.,Ltd.	R.O.C	Venture capital business	100	845,496	-	85,000	-	85,000	100
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Limited	Hong Kong	Futures business	100	1,013,288	-	34,000	-	34,000	100
"	SYF Information Limited	R.O.C	Information software and data processing services	100	293,476	-	35,000	-	35,000	100
SYF Information Limited	SYF Information (Samoa)	Samoa	Investment holding	100	152,015	-	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 June 30, 2019	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
Yuanta Bank	Yuanta Financial Holdings	Parent Company	\$ 2,275,250	-	\$ -	-	\$ -	-
Yuanta Life	Yuanta Financial Holdings	Parent Company	2,297,575	-	-	-	-	-
Yuanta Securities	Yuanta Financial Holdings	Parent Company	683,826	-	-	-	-	-

- 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)	30-Jan-19	LE Co., Ltd	Loans and Temporary Payments for Others	43,752	45,825	2,073	None	None	Note 1
Yuanta Savings Bank (Korea)	30-May-19	JINSUNG Co., Ltd	Loans and Temporary Payments for Others	27,491	29,044	1,553	None	None	Note 2

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 0.027037 NTD.

Note1: 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 0.027037 NTD.

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

(BLANK)

I. Funds lent to other: Not applicable to subsidiaries in a financial or securities industries. For non-financial and non-securities subsidiaries, no fund has been lent except for the following:

Number	Lending company	Borrower	Account	Related-party	Maximum balance at current period	Ending balance	Actual used amount	Interest rate	Characteristic of fund lent to others	Amount	Reason for short-term loans	Provision for credit loss	Collateral		Limit of individual lending	Total limit of funds lent to others
													Item	Value		
1	Yuanta Securities Asia Finance Service	PT Yuanta Sekuritas Indonesia	Accounts receivable-related party	Yes	\$ 435,008	\$ 310,720	\$ 310,720	3.60%	Short-term loans	\$ -	Operation financing	\$ -	-	\$ -	\$ 33,378,464 (Note1)	\$ 33,378,464 (Note1)
2	Yuanta Securities Asia Finance Service	Yuanta Investment Management (Cayman)	Accounts receivable-related party	Yes	932,160	-	-	0.00%	Short-term loans	-	Operation financing	-	-	-	33,378,464 (Note1)	33,378,464 (Note1)
3	Yuanta Securities Asia Finance Service	Yuanta Securities (Thailand)	Accounts receivable-related party	Yes	2,330,400	2,330,400	-	0.00%	Short-term loans	-	Operation financing	-	-	-	33,378,464 (Note1)	33,378,464 (Note1)
4	Yuanta Securities Asia Finance Service	Yuanta Asia Investment	Accounts receivable-related party	Yes	776,800	776,800	148,213	3.51%	Short-term loans	-	Operation financing	-	-	-	33,378,464 (Note1)	33,378,464 (Note1)
5	Yuanta Securities Asia Finance Service	Yuanta Securities (Vietnam)	Accounts receivable-related party	Yes	1,242,880	932,160	661,834	3.51% ~ 3.55%	Short-term loans	-	Operation financing	-	-	-	33,378,464 (Note1)	33,378,464 (Note1)
6	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Finance Service	Accounts receivable-related party	Yes	419,472	419,472	419,472	2.79%	Short-term loans	-	Operation financing	-	-	-	455,282 (Note2)	455,282 (Note2)
7	PT Yuanta Sekuritas Indonesia	PT Yuanta Asset Management	Accounts receivable-related party	Yes	13,212	13,212	13,212	10.00%	Short-term loans	-	Operation financing	-	-	-	866,229 (Note3)	866,229 (Note3)
8	Yuanta International Leasing	Audi Taiwan	Accounts receivable	No	197,944	197,944	197,944	4.17% ~ 5.60%	Necessary for short-term loans	-	Acquisition of assets and operation financing	19,794	Real estate	570,000	228,180	228,180

Note 1: The ceiling on total loans granted and limit to loans granted to a single party by Yuanta Securities Asia Financial Services should not exceed the net worth of its latest audited/reviewed financial statements.

Note 2: The ceiling on total loans granted and limit to loans granted to a single party by Yuanta Hong Kong Holdings (Cayman) should not exceed the net worth of its latest audited/reviewed financial statements.

Note 3: The ceiling on total loans granted and limit to loans granted to a single party by PT Yuanta Sekuritas Indonesia should not exceed the net worth of its latest audited/reviewed financial statements.

J. Endorsements and guarantees provided for others:

Number	Endorsing and guarantee company	Endorsed and guaranteed company		Limit for endorsement and guarantee for single enterprise	Maximum outstanding endorsements and guarantee amount during for the six months ended June 30, 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	\$ 19,226,739 (Note 1)	\$ 240,872	\$ 240,872	\$ -	\$ -	0.25%	\$ 38,453,478 (Note 1)	Yes	No	No	
2	Yuanta Securities	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	19,226,739 (Note 1)	3,047,445	3,047,445	1,965,831	-	3.17%	38,453,478 (Note 1)	Yes	No	No	
3	Yuanta Securities Asia Financial Service	Yuanta Securities (Hong Kong)	More than 50% common stock-directly-owned subsidiary	33,378,464 (Note 2)	1,553,600	1,553,600	1,553,600	-	4.65%	33,378,464 (Note 2)	Yes	No	No	
4	Yuanta Securities Asia Financial Service	Yuanta Securities (Thailand)	More than 50% common stock-directly-owned subsidiary	33,378,464 (Note 2)	1,660,594	1,660,594	890,824	-	4.98%	33,378,464 (Note 2)	Yes	No	No	
5	Yuanta Securities Asia Financial Service	PT Yuanta Sekuritas Indonesia	More than 50% common stock-directly-owned subsidiary	33,378,464 (Note 2)	305,584	305,584	-	-	0.92%	33,378,464 (Note 2)	Yes	No	No	
6	Yuanta Securities Asia Financial Service	Yuanta Securities (Vietnam)	More than 50% common stock-directly-owned subsidiary	33,378,464 (Note 2)	466,080	466,080	456,758	-	1.40%	33,378,464 (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)				
					June 30, 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)	Book value	Percentage of ownership (%)	Market value	Note	
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	11	\$ 502	-	\$ 502		
	Yuanta MSCI China A ETF	"	"	10	202	-	202		
	Yuanta/P-shares MSCI Taiwan ETF	"	"	12	438	-	438		
	Yuanta/P-shares MSCI Taiwan Financials ETF	"	"	19	347	-	347		
	Yuanta S&P500	"	"	8	225	-	225		
	Yuanta S&P GSCI Gold ER Futures ETF	"	"	9	180	-	180		
	Yuanta/P-shares SSE50 ETF	"	"	19	632	-	632		
	Yuanta/P-shares Taiwan Mid-Cap 100 ETF	"	"	8	252	-	252		
	Yuanta/P-shares S&P Custom China Play 50	"	"	19	419	-	419		
	Yuanta/P-shares Taiwan Top 50 ETF	"	"	25	2,016	-	2,016		
	Yuanta Taiwan High Dividend Low Volatility ETF	"	"	4	120	-	120		
	Yuanta U.S. 20+ Year BBB Corporate Bond ETF	"	"	9	400	-	400		
	Yuanta U.S. Treasury 7-10 Year Bond ETF	"	"	10	414	-	414		
	Yuanta U.S. Treasury 20+ Year Bond ETF	"	"	1	39	-	39		
	Yuanta U.S. Treasury 1-3 Year Bond ETF	"	"	1	30	-	30		
	Yuanta/P-shares Taiwan Dividend Plus ETF	"	"	22	577	-	577		
	Yuanta/P-shares Taiwan GreTai 50 ETF	"	"	18	221	-	221		
	Yuanta/P-shares Taiwan Electronics Tech ETF	"	"	21	709	-	709		
	Yuanta EURO STOXX 50 ETF	"	"	9	216	-	216		
	Yuanta S&P GSCI Crude Oil ER Futures ETF	"	"	-	4	-	4		
	Yuanta US 10+ Investment Grade Utility Electric Power Bond ETF	"	"	6	252	-	252		
	Yuanta US 10+ Investment Grade Bank Bond ETF	"	"	6	258	-	258		
	Yuanta US 10+ Investment Grade Healthcare Bond ETF	"	"	14	586	-	586		
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	"	"	29	517	-	517		

				June 30, 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)	Book value	Percentage of ownership (%)	Market value	Note
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	6,127	\$ 100,017	-	\$ 100,017	
	Yuanta Wan Tai Money Market	"	"	6,604	100,139	-	100,139	
					<u>\$ 209,712</u>		<u>\$ 209,712</u>	
	Stocks:							
	Taiwan Futures Exchange	-	Financial assets at fair value through other comprehensive income	1,169	\$ 100,923	-	\$ 100,923	
	FundRich Securities Co. Ltd.	-	"	819	8,030	-	8,030	
					<u>\$ 108,953</u>		<u>\$ 108,953</u>	
	Stocks:							
	CR Yuanta Fund Management Company Limited	-	Long-term equity accounted for under the equity method	147,000	<u>\$ 68,188</u>	-	<u>\$ 68,188</u>	
Yuanta Asset Management	Stocks:							
	Taiwan Finance Corporation	-	Financial assets at fair value through other comprehensive income	828	\$ 7,133	0.16	\$ 7,133	
	Sunsino Venture Co., Ltd.	-	"	443	3,837	0.93	3,837	
	DaYeh Development Co., Ltd.	-	"	333	2,867	2.22	2,867	
	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	9,326	0.76	9,326	
					<u>\$ 36,995</u>		<u>\$ 36,995</u>	
Yuanta Venture Capital	Stocks:							
	Gorilla Technology Group Inc.	-	Financial assets at fair value through profit or loss	95	\$ 17,803	0.84	\$ 17,803	
	Tot Biopharm International Company Limited	-	"	2,200	48,664	1.63	48,664	
	Tot Biopharm International Company Limited	-	"	941	49,257	0.69	49,257	Preferred stock A
	Tot Biopharm International Company Limited	-	"	904	63,344	0.67	63,344	Preferred stock B
	CGK International Co., Ltd	-	"	877	13,934	2.39	13,934	
	Veden Dental Group	-	"	246	13,269	0.84	13,269	

				June 30, 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)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta Venture Capital	Stocks:							
	Throughtek Co.,Ltd	-	Financial assets at fair value through profit or loss	550	\$ 5,599	2.11	\$ 5,599	
	PlexBio Co., Ltd.	-	"	1,367	13,971	1.96	13,971	
	Taiwan J Pharmaceuticals Co., Ltd.	-	"	1,897	18,954	2.74	18,954	
	Phecda Technology Co. Ltd.	-	"	252	2,885	0.89	2,885	
	Long Diann Marine Bio Technology Co., Ltd.	-	"	4,300	17,329	11.78	17,329	
	MagV Co.,Ltd	-	"	2,145	9,867	12.69	9,867	
	Saultech Technology Co., Ltd.	-	"	1,859	93,265	9.33	93,265	
	Oriental System Technology Inc.	-	"	1,000	15,100	3.70	15,100	
	BRIM Biotechnology ,Inc.	-	"	3,500	77,980	5.95	77,980	
	Aprevent Medical, Inc.	-	"	394	2,697	2.32	2,697	
	Aprevent Medical, Inc.	-	"	1,808	42,228	10.67	42,228	Preferred stock B
	GenePharm Biotech Corp.	-	"	2,667	26,667	10.42	26,667	
	Great Dream Pictures, Inc.	-	"	2,000	5,940	19.96	5,940	
	Li Ling Film Co., Ltd.	-	"	1,666	27,572	2.78	27,572	
	Jing-Jan Retail Business Co., Ltd.	-	"	1,408	87,901	2.35	87,901	
	Jiin Yeeh Ding Enterprise Co., Ltd.	-	"	1,014	17,079	1.05	17,079	
	United Renewable Energy Co., Ltd.	-	"	908	7,206	0.04	7,206	
	Enterex International Limited	-	"	1,953	45,798	1.97	45,798	
	Taiwan Chelic Corp. Ltd.	-	"	500	27,400	0.75	27,400	
	Jump Media International Co., Ltd.	-	"	906	11,986	3.20	11,986	
	Apollomics, Inc.	-	"	1,634	21,374	0.18	21,374	
	M3 Technology Inc.	-	"	2,687	50,757	7.32	50,757	
	Ever Supreme Bio Technology Co., Ltd.	-	"	1,890	218,087	3.38	218,087	
	Asia Pacific Venture Invest II L.P.	-	"	-	764	10.00	764	
	G. Marso Electronics, Inc.	-	"	300	-	1.38	-	
	Aide Engery Holdings Co., Ltd.	-	"	336	-	0.33	-	
	GCT Semiconductor Inc.	-	"	1,402	-	1.51	-	
	Genlac Biotech International Corporation	-	"	3,400	139,434	4.00	139,434	
						\$ 1,194,111		\$ 1,194,111

				June 30, 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)	Book value	Percentage of ownership (%)	Market value	Note
Yuanta Venture Capital	Stocks:							
	Yuanta I Venture Capital Co., Ltd.	Investee company accounted for under the equity method	Long-term equity accounted for under the equity method	85,000	\$ 845,496	100.00	\$ 845,496	
	Stocks:							
	Da Hwa Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income	800	\$ 7,176	0.50	\$ 7,176	
	Li Ding Venture Capital Co., Ltd.	-	"	1,391	10,769	17.39	10,769	
	Prudence Capital Management	-	"	5,476	50,817	9.00	50,817	
	Ho Ding Venture Capital Co., Ltd.	-	"	590	3,404	10.00	3,404	
	Sheng Hwa Venture Capital Co., Ltd.	-	"	1,064	8,083	4.80	8,083	
	Lian Ding Venture Capital Co., Ltd.	-	"	1,050	10,658	15.00	10,658	
	HwaWei Shi Ji Venture Capital Co., Ltd.	-	"	225	4,208	10.00	4,208	
	Lian Xun San Venture Capital Co., Ltd.	-	"	10	2,597	10.00	2,597	
	Hwa Lu Venture Capital Co., Ltd.	-	"	261	18,472	8.70	18,472	
	Hwa Sheng Venture Capital Co., Ltd.	-	"	877	11,316	3.33	11,316	
	Sheng Yuan Venture Capital Co., Ltd.	-	"	1,680	17,170	9.88	17,170	
	Guan Hwa Venture Capital Co., Ltd.	-	"	363	2,519	5.56	2,519	
	Qi Ding Venture Capital Co., Ltd.	-	"	1,435	13,171	4.35	13,171	
	Zhong Jing He Global Venture Capital Co., Ltd.	-	"	317	3,065	5.56	3,065	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	"	455	4,797	10.00	4,797	
	Huiyang Venture Capital Co., Ltd.	-	"	67	9,989	2.46	9,989	
					<u>\$ 178,211</u>		<u>\$ 178,211</u>	
	Convertible corporate bond:							
	Alliance Developments Limited (Alliance CB1)	-	Financial assets at fair value through profit or loss - convertible corporate bonds	-	\$ 99,758	-	\$ 99,758	
	GTS Chemical Holdings Co., Ltd. (GTS Group CB1)	-	"	-	28,107	-	28,107	
					<u>\$ 127,865</u>		<u>\$ 127,865</u>	

(4) Investments in Mainland China

H. 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 six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 4)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
Tot Biopharm International Company Limited	Pharmaceutical company specializes in cancer treatment	\$ 4,940,448 (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	248,576 (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	330,257 (HKD 83,000)	(2) CAYMAN ISLANDS VEDEN DENTAL GROUP	22,762	-	-	22,762	Note 5	0.84%	-	22,762	-

Yuanta I Venture Capital

(Expressed in thousands of dollars)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 4)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
Jie Qun Electronic Technology (Dong Guan) Ltd.	Transistors	\$ 2,718,288 (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	860,694 (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 six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
GC Investment Consultant (Shanghai)	Investment consultation	\$ 18,714 (RMB 4,138)	(3)	\$ -	\$ -	\$ -	\$ -	\$ 167	100.00%	In liquidation	\$ 22,554	\$ -

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 six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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	\$ 83,352 (RMB 18,428)	(2) Yuanta Securities Asia Financial Service	\$ -	\$ -	\$ -	\$ -	(\$ 4,133)	100.00%	(\$ 4,133) (2)b	\$ 27,846	\$ -

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 six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
CR Yuanta Fund Management Company Limited	Fund raising and sale	\$ 1,356,900 (RMB 300,000)	(1)	\$ 705,666	\$ -	\$ -	\$ 705,666	(\$ 89,525)	49.00%	(\$ 48,417) (2)c	\$ 68,188	\$ -

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 six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee as of June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 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	(\$ 1,045)	100.00%	(\$ 1,045) (2)c	\$ 125,756	\$ -

I. Limitation on investment in Mainland China (expressed in thousands of dollars)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 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	348,878	1,570,958
GC Investment Consultant (Shanghai)	-	Note 6	Note 6
Yuanta Investment Consulting (Beijing)	-	93,216	57,680,217
Yuanta Securities Investment Trust	705,666	705,666	2,332,012
Yuanta Futures	157,209	174,000	4,961,105

Note: The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Venture Capital's consolidated net worth of \$2,618,264.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities's consolidated net worth of \$96,133,694.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Securities Investment Trust's consolidated net worth of \$3,886,687.

The abovementioned limitations on investments in Mainland China were based on 60% of Yuanta Futures's consolidated net worth of \$8,268,508.

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the six months ended June 30, 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	24,104,546	No significant difference from general customers	1.01%
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax assets	646,881	"	0.03%
0	Yuanta Financial Holdings	Yuanta Securities	1	Current income tax liabilities	699,172	"	0.03%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax assets	813,639	"	0.03%
0	Yuanta Financial Holdings	Yuanta Bank	1	Current income tax liabilities	2,275,250	"	0.10%
0	Yuanta Financial Holdings	Yuanta Life	1	Current income tax liabilities	2,297,575	"	0.10%
0	Yuanta Financial Holdings	Yuanta Bank	1	Interest income	66,081	"	0.13%
0	Yuanta Financial Holdings	Yuanta Securities	1	Depreciation and amortization expenses	14,423	"	0.03%
0	Yuanta Financial Holdings	Yuanta Securities	1	Other business and administrative expenses	8,722	"	0.02%
1	Yuanta Securities	Yuanta Bank	3	Cash and cash equivalents	7,891,593	"	0.33%
1	Yuanta Securities	Yuanta Bank	3	Other assets-net	2,456,126	"	0.10%
1	Yuanta Securities	Yuanta Bank	3	Restricted assets - net	134,056	"	0.01%
1	Yuanta Securities	Yuanta Futures	3	Other financial assets-net	2,971,110	"	0.12%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax assets	699,172	"	0.03%
1	Yuanta Securities	Yuanta Financial Holdings	2	Current income tax liabilities	646,881	"	0.03%
1	Yuanta Securities	Yuanta Bank	3	Interest income	24,875	"	0.05%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net non-interest income	14,423	"	0.03%
1	Yuanta Securities	Yuanta Futures	3	Net non-interest income	10,227	"	0.02%
1	Yuanta Securities	Yuanta Bank	3	Net non-interest income	67,661	"	0.14%
1	Yuanta Securities	Yuanta Investment Trust	3	Net non-interest income	22,946	"	0.04%
1	Yuanta Securities	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	85,792	"	0.17%
1	Yuanta Securities	Yuanta Financial Holdings	2	Net service fee and commission income	8,722	"	0.02%
1	Yuanta Securities	Yuanta Futures	3	Net service fee and commission income	172,959	"	0.35%
1	Yuanta Securities	Yuanta Bank	3	Net service fee and commission income	6,017	"	0.01%
1	Yuanta Securities	Yuanta Investment Trust	3	Net service fee and commission income	3,176	"	0.01%
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax assets	2,275,250	"	0.10%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
2	Yuanta Bank	Yuanta Financial Holdings	2	Current income tax liabilities	813,639	"	0.03%
2	Yuanta Bank	Yuanta International Leasing	3	Deposits and remittances	281,101	"	0.01%
2	Yuanta Bank	Yuanta Securities	3	Deposits and remittances	10,481,775	"	0.44%
2	Yuanta Bank	Yuanta Financial Holdings	2	Deposits and remittances	24,104,546	"	1.01%
2	Yuanta Bank	Yuanta Securities (Hong Kong)	3	Deposits and remittances	855,489	"	0.04%
2	Yuanta Bank	Yuanta Futures (Hong Kong)	3	Deposits and remittances	1,809,523	"	0.08%
2	Yuanta Bank	Yuanta Investment Trust	3	Deposits and remittances	2,102,908	"	0.09%
2	Yuanta Bank	Yuanta Futures	3	Deposits and remittances	11,999,843	"	0.50%
2	Yuanta Bank	Yuanta Life	3	Deposits and remittances	771,184	"	0.03%
2	Yuanta Bank	Yuanta I Venture Capital	3	Deposits and remittances	378,460	"	0.02%
2	Yuanta Bank	Yuanta International Insurance Brokers	3	Deposits and remittances	390,238	"	0.02%
2	Yuanta Bank	Yuanta Securities Asia Financial Services	3	Deposits and remittances	250,130	"	0.01%
2	Yuanta Bank	Yuanta Life	3	Interest expense	14,368	"	0.03%
2	Yuanta Bank	Yuanta Financial Holdings	2	Interest expense	66,081	"	0.13%
2	Yuanta Bank	Yuanta Securities	3	Interest expense	24,875	"	0.05%
2	Yuanta Bank	Yuanta Futures	3	Interest expense	57,160	"	0.12%
2	Yuanta Bank	Yuanta Futures (Hong Kong)	3	Interest expense	19,410	"	0.04%
2	Yuanta Bank	Yuanta Investment Trust	3	Interest expense	8,549	"	0.02%
2	Yuanta Bank	Yuanta Securities	3	Depreciation and amortization expenses	10,341	"	0.02%
2	Yuanta Bank	Yuanta Securities	3	Other business and administrative expenses	57,320	"	0.12%
2	Yuanta Bank	Yuanta Securities Investment Consulting	3	Other business and administrative expenses	6,086	"	0.01%
2	Yuanta Bank	Yuanta Securities	3	Net service fee and commission income	6,017	"	0.01%
2	Yuanta Bank	Yuanta Life	3	Net service fee and commission income	331,906	"	0.67%

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 Life	3	Employee benefit expense	2,502	"	0.01%
3	Yuanta Futures	Yuanta Bank	3	Cash and cash equivalents	1,020,190	"	0.04%
3	Yuanta Futures	Yuanta Bank	3	Other financial assets-net	10,829,753	"	0.45%
3	Yuanta Futures	Yuanta Bank	3	Other assets-net	149,900	"	0.01%
3	Yuanta Futures	Yuanta Securities (Hong Kong)	3	Other financial liability	350,948	"	0.01%
3	Yuanta Futures	Yuanta Securities	3	Other financial liability	2,971,110	"	0.12%
3	Yuanta Futures	Yuanta Securities	3	Net service fee and commission income	172,959	"	0.35%
3	Yuanta Futures	Yuanta Securities	3	Depreciation and amortization expenses	10,227	"	0.02%
3	Yuanta Futures	Yuanta Bank	3	Interest income	57,160	"	0.12%
4	Yuanta Life	Yuanta Financial Holdings	2	Current income tax assets	2,297,575	"	0.10%
4	Yuanta Life	Yuanta Bank	3	Cash and cash equivalents	271,184	"	0.01%
4	Yuanta Life	Yuanta Bank	3	Other financial assets-net	500,000	"	0.02%
4	Yuanta Life	Yuanta Bank	3	Interest income	14,368	"	0.03%
4	Yuanta Life	Yuanta International Insurance Brokers	3	Net service fee and commission income	206,032	"	0.41%
4	Yuanta Life	Yuanta Bank	3	Net service fee and commission income	331,906	"	0.67%
4	Yuanta Life	Yuanta Bank	3	Net income from insurance operations	2,502	"	0.01%
5	Yuanta Securities Investment Consulting	Yuanta Securities	3	Consultation service income	85,792	"	0.17%
5	Yuanta Securities Investment Consulting	Yuanta Bank	3	Consultation service income	6,086	"	0.01%
6	Yuanta Investment Trust	Yuanta Bank	3	Cash and cash equivalents	2,102,908	"	0.09%
6	Yuanta Investment Trust	Yuanta Bank	3	Interest income	8,549	"	0.02%
6	Yuanta Investment Trust	Yuanta Securities	3	Net service fee and commission income	15,104	"	0.03%
6	Yuanta Investment Trust	Yuanta Securities	3	Other business and administrative expenses	11,018	"	0.02%
8	Yuanta I Venture Capital	Yuanta Bank	3	Cash and cash equivalents	378,460	"	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)
9	Yuanta Securities (Hong Kong)	Yuanta Futures	3	Cash and cash equivalents	350,948	"	0.01%
9	Yuanta Securities (Hong Kong)	Yuanta Bank	3	Other assets-net	855,489	"	0.04%
9	Yuanta Securities (Hong Kong)	Yuanta Investment (Hong Kong)	3	Securities purchased under resell agreements	594,825	"	0.02%
9	Yuanta Securities (Hong Kong)	Yuanta Investment Management (Cayman)	3	Securities purchased under resell agreements	4,278,482	"	0.18%
11	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Financial assets at fair value through profit or loss	2,909,636	"	0.12%
11	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Receivables – net	34,939	"	0.00%
11	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Equity investments accounted for under the equity method – net	259,654	"	0.01%
11	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	9,057	"	0.02%
11	Yuanta Securities Asia Financial Services	Yuanta Investment Management (Cayman)	3	Payables	420,512	"	0.02%
11	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Net non-interest income	3,048	"	0.01%
11	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Interest income	53,286	"	0.11%
11	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Cumulative translation differences of foreign operations	29,260	"	0.06%
11	Yuanta Securities Asia Financial Services	Yuanta Securities (Korea)	3	Non-controlling interests	182,456	"	0.01%
12	Yuanta International Leasing	Yuanta Bank	3	Cash and cash equivalents	281,101	"	0.01%
13	Yuanta HK Holdings (Cayman)	Yuanta Securities Asia Financial Services	3	Receivables – net	420,512	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Bonds payable	2,830,208	"	0.12%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage of total consolidated net revenues or assets (Note 3)
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Capital reserve	553,770	"	0.02%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Payables	35,015	"	0.00%
14	Yuanta Securities (Korea)	Yuanta Securities Asia Financial Services	3	Interest expense	62,343	"	0.13%
15	Yuanta Investment Management (Cayman)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	4,278,482	"	0.18%
16	Yuanta Investment (Hong Kong)	Yuanta Securities (Hong Kong)	3	Securities purchased under repurchase agreements	594,825	"	0.02%
17	Yuanta Asia Investment	Yuanta Bank	3	Cash and cash equivalents	250,130	"	0.01%
18	Yuanta International Insurance Brokers	Yuanta Bank	3	Cash and cash equivalents	390,238	"	0.02%
18	Yuanta International Insurance Brokers	Yuanta Life	3	Net service fee and commission income	206,032	"	0.41%
19	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Cash and cash equivalents	677,917	"	0.03%
19	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Other financial assets-net	1,131,606	"	0.05%
19	Yuanta Futures (Hong Kong)	Yuanta Bank	3	Interest income	19,410	"	0.04%

Note 1: The numbers in the No. column represent as follows:

1. 0 for the parent company.
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2: There are three types of relationships with the counterparties and they are labeled as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The calculation basis of the trading amount accounting for the total consolidated net revenues or assets is that the account ending balance is divided by the total consolidated assets if it is attributed to the balance sheet accounts, and the accumulated trading amount of the interim period is divided by the total consolidated net revenues if it is attributed to the profit or loss accounts.

14. Segment information

(1) General information

A. Recognition elements of reporting segment

The Yuanta Group is mainly engaged in the investment and management of its investees; therefore, the management reports are provided to the Chief Operating Decision Maker (“CODM”) to allocate resources to operating segments and evaluate their performance. The Yuanta Group’s management recognised reporting segments based on the policies adopted by the CODM.

B. The income sources and service types of each reporting segment

The management has recognised reporting segments based on the reporting information used by the CODM. The Yuanta Group has six reporting segments according to the types of income sources: banking, securities, securities finance, futures, insurance and others. The products and types of service of the income sources are as follows:

- (A) Banking: corporate banking, personal banking and wealth management in accordance with the Banking Act.
- (B) Securities: securities dealing or consignment trading, underwriting securities, registration and transfer agency service for securities, assistance of futures trading, futures dealing, and issuing call (put) warrants, derivative financial instrument transactions including interest rate swap, asset swap and structured notes.
- (C) Securities finance: margin and securities loans, refinancing for securities merchants, margin trading of securities settlement and securities lending.
- (D) Futures: domestic and foreign futures merchant business, self-operating business, futures consultation business, futures agency, self-operating securities business and other futures relating business as approved by authorities.
- (E) Insurance: the main activities comprise life insurance enterprises and provision of life, medical, accident injury and investment-oriented insurance products.
- (F) Others: includes those not mentioned above, for example, investment trust, investment consulting, venture capital and asset management businesses.

(2) Measurement of segment information – measurement of the profit and loss of operating segments

The Yuanta Group’s measurement principles for profit and loss of operating segments is consistent with the significant accounting policies stated in Note 4, and the measurement of profit and loss performance is based on pre-tax profit and loss.

Inter-segmental transactions are arm’s-length transactions, and the gain and loss arising from such transactions are eliminated by the parent company in the consolidated financial statements. Profit and loss directly attributable to various segments have been considered when segment performance is being evaluated.

Expressed in Thousands of New Taiwan Dollars

For the six months ended June 30, 2019

	Banking	Securities	Futures	Insurance	Others	Adjustment and elimination	Consolidated
Revenue from external customers	\$ 11,549,034	\$ 16,278,550	\$ 1,294,205	\$ 19,154,804	\$ 1,407,793	\$ -	\$ 49,684,386
Revenue (loss) from transactions with other operating segments of the same entity	158,970	304,389	68,644	(471,410)	239,608	(300,201)	-
Net revenues (Note)	11,708,004	16,582,939	1,362,849	18,683,394	1,647,401	(300,201)	49,684,386
(Provision) recovery for bad debt expenses, commitment and guarantee policy reserve	(48,272)	(80,170)	2,126	1,107	-	-	(125,209)
Net change in provisions for insurance liabilities	-	-	-	(16,906,200)	-	69,642	(16,836,558)
Operating expenses	(5,492,183)	(11,157,213)	(616,787)	(659,338)	(1,159,761)	207,608	(18,877,674)
Income (loss) from continuing operations before income tax	<u>\$ 6,167,549</u>	<u>\$ 5,345,556</u>	<u>\$ 748,188</u>	<u>\$ 1,118,963</u>	<u>\$ 487,640</u>	<u>(\$ 22,951)</u>	<u>\$ 13,844,945</u>

For the six months ended June 30, 2018

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

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